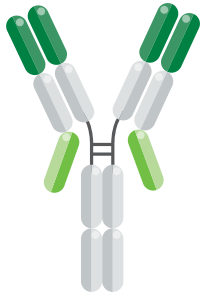
ALLIGATOR bioscience

ANNUAL REPORT

2018

Alligator Bioscience AB (publ)



We fight cancer through
the immune system.
A revolution for life.

ALLIGATOR'S ANNUAL REPORT 2018

Notes to the reader
Unless stated otherwise in these annual accounts, the information refers to the Group. Figures in brackets refer to the corresponding period the year before. Unless stated otherwise, all amounts are in TSEK. All amounts quoted have been correctly rounded, so some totals may not add up.

This is Alligator.

Alligator Bioscience's (Alligator) goal is to be at the forefront of the global endeavor to cure metastatic cancer. Alligator develops antibody-based therapeutics that spur the body's own immune system to attack the cancer. This approach to treating cancer falls under the umbrella of immuno-oncology.

Every year, about 18 million people are diagnosed with cancer and approximately 10 million people die of cancer (Globocan 2018), which means there is a major unmet need for advanced cancer care. In other words, the health care industry's need for effective forms of therapy is huge.

Immuno-oncology is now one of the most promising fields of research and Alligator is at the absolute leading edge of this research with a unique technology that makes it possible to selectively target the immune response's attack to the cancerous tumors, which shall reduce the side effects dramatically compared with general immunostimulation.

Alligator is predominantly a research company. Of 55 employees, 47 are engaged in R&D. Most of the company's employees have university degrees and over 50% hold PhDs.

Alligator in brief

- Develops drugs that cure cancer with the help of the body's immune system.
- Pioneers in tumor-directed immunotherapy.
- Swedish biotechnology company with head office in Lund and 55 employees.
- Listed on Nasdaq Stockholm Mid Cap since November 2016 (ATORX).
- Market capitalization about SEK 1.6 billion (at December 31, 2018).

In conjunction with the Nobel Prize in Medicine 2018, Alligator's CEO Per Norlén (center) was invited to take part in the TV program EFN Börslunch to speak about how Alligator had continued to build upon these discoveries.

2018 in brief.

Additional project in clinical development
The phase I clinical study of ATOR-1015 was initiated. This study is the first in humans and a dose escalation study in patients with metastatic cancer. The study will include up to 53 patients at five different clinics across Sweden and Denmark. ATOR-1015 is a wholly-owned bispecific drug candidate for cancer immunotherapy.

Three Nobel Prize discoveries in ATOR-1015
The Nobel Prize in Physiology or Medicine was awarded to immuno-oncology for the discovery of the CTLA-4 and PD-1 target molecules. The Nobel Prize in Chemistry was received for the directed evolution of enzymes and phage display technologies, which form the basis for Alligator's patented FIND® and ALLIGATOR-GOLD® technologies. The drug candidate ATOR-1015 has its origins in all three Nobel Prize discoveries.

SEK 25 million from partner
Revenue of approximately SEK 25 million was reported through Alligator's South Korean partner company AbClon Inc. after a third party, Shanghai Henlius Biotech, Inc., elected to exercise an option to extend the scope of an agreement from regional rights to global rights.

Strong data for all preclinical projects
Data from all of the company's preclinical projects was presented at several major scientific conferences. The data confirms the intended mechanisms of action with tumor-directed stimulation, which shall reduce the side effects compared with those drugs that are currently available.

Funding from Vinnova
The company received SEK 500,000 in research funding from Vinnova (the Swedish innovation agency). In collaboration with the biotech company SARomics Biostructures AB, the funding will be used to confirm the unique profile of Alligator's 4-1BB antibody ATOR-1017.

New bispecific antibody
A new bispecific drug candidate, ATOR-1144, entered preclinical development. ATOR-1144 is a first-in-class bispecific tumor-localizing antibody that stimulates the immune system via both CTLA-4 and GITR. The GITR target molecule broadens the mechanism of action and makes ATOR-1144 suitable for the treatment of both solid tumors and hematologic malignancies.

Financial summary.

During the year, Alligator's drug projects continued to develop as planned. Compared with the preceding year, the company's projects progressed to more cost-intensive phases – ATOR-1015 entered clinical development phase during the year, and the company had three projects in preclinical development at year-end. In November, Shanghai Henlius Biotech, Inc. exercised an option to acquire the global licensing rights to the Biosynergy project triggering out-licensing revenues of SEK 25.2 million after withholding tax.

The Biosynergy project (AC101) is run by the Korean company AbClon Inc. and out-licensed to the Chinese company Shanghai Henlius Biotech, Inc. which is also financing the project's continued development. Through the subsidiary Atlas Therapeutics AB, Alligator is entitled to part of the project's revenues. In 2018, Alligator's income was mainly attributable to the out-licensing revenue generated by global licensing rights to Biosynergy and reimbursement for development work in ADC-1013, which is out-licensed to Janssen Biotech, Inc. (Janssen). Alligator does not have a constant revenue stream; revenue is generated irregularly when license agreements are signed and milestones reached.

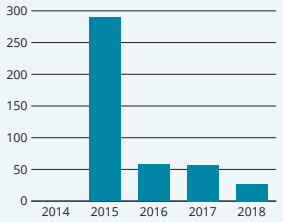
During the year, another preclinical stage project was added to Alligator's project portfolio. Alligator's R&D costs are increasing as the company's projects move forward as planned and enter new phases. The company's costs have increased about 50% year-on-year, which has been communicated.

As projects enter new phases, the need for additional employees increases. The average number of employees has risen by nine year-on-year, which explains the increase in personnel costs.

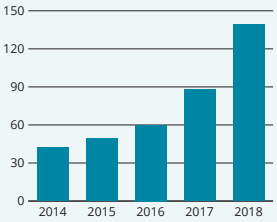
Alligator's liquidity remains strong and at the end of 2018, amounted to SEK 436 million including bonds. In the first quarter of 2018, Alligator received a payment of USD 6 million for the milestone revenue in ADC 1013, which was reported in the fourth quarter of 2017. Alligator has invested its liquidity in various currencies, interest funds and listed corporate bonds.

	2018	2017	2016	2015	2014
Net sales, TSEK (SEK thousand)	26,959	56,875	58,240	289,797	0
Operating profit/loss, TSEK	-153,080	-62,299	-56,082	203,006	-77,213
Profit/loss for the period, TSEK	-150,043	-63,758	-48,356	207,377	-76,782
Cash flow for the period, TSEK	-111,770	-183,173	287,133	326,232	-31,797
Cash, cash equivalents and bonds, TSEK	436,391	547,041	659,136	365,605	37,428
Equity ratio, %	92%	96%	96%	95%	70%
R&D costs as % of operating costs excluding impairments	76.8%	73.3%	64.3%	61.5%	54.0%
Earnings per share before dilution, SEK	-2.10	-0.89	-0.80	3.81	-1.59
Earnings per share after dilution, SEK	-2.10	-0.89	-0.80	3.70	-1.59
Average number of employees	51	42	31	27	26

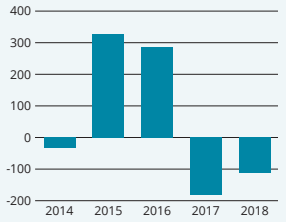
Net sales, SEK million



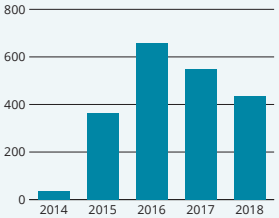
R&D Costs, SEK million



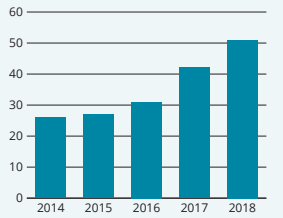
Cash flow, SEK million



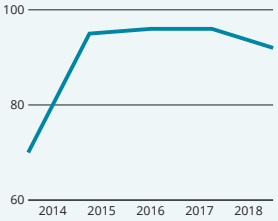
Cash and cash equivalents including securities, SEK million



Average no. of employees



Equity ratio, %



“ Limiting the severe toxicity of current therapies would be a big step forward for cancer patients.

CEO Per Norlén comments

Comments from the CEO.

2018 ended with a significant milestone for Alligator: the tumor-localizing bispecific CTLA-4 antibody, ATOR-1015 entered the clinic. This is an industry-leading project, investigating a first-in-class bispecific dual immune-activator with the potential to greatly improve the treatment of cancer.

ATOR-1015 has a unique advantage compared to most other immuno-oncology drugs in early clinical development in that the clinical efficacy of the key target, CTLA-4, has already been demonstrated. Ipilimumab (Yervoy®), a registered immunotherapeutic drug is approved for the treatment of a range of cancers. Worth noting is that the current clinical use of this CTLA-4 blocking agent is restricted by severe toxicity. The properties of ATOR-1015 may offer a solution to these issues. Simply speaking, we have created a CTLA-4-blocking drug candidate that after intravenous injection shall accumulate in the tumor area and more selectively exert its effect there. ATOR-1015 is expected to be more efficacious as well as better tolerated.

In 2018 we presented impressive preclinical data for ATOR-1015 at the American Association for Cancer Research (AACR) Annual Meeting in Chicago, demonstrating these tumor-localizing properties. Not only does this drug candidate have a stronger immune-activating effect in the tumor versus other parts of the body, it also successfully accumulates in the tumor, even when injected in the blood. Limiting the severe toxicity of current therapies would be a big step forward for cancer patients and I am delighted with the progress we are making with this development program.

Secured clinical development of ADC-1013

Beyond ATOR-1015 our pipeline progress continues apace. The ADC-1013 clinical project with our collaboration partner Janssen is proceeding in the ongoing intravenous dose escalation study and is expected to complete enrollment in the spring 2019. In 2018 Janssen completed a GMP manufacturing technology transfer to Biogen Inc, securing access to clinical material for the upcoming studies. The clinical data generated so far will be presented during the spring at ASCO, the world's largest oncology conference. The next step will be the initiation of combination studies.

ATOR-1017 approaching clinical studies

Also, our 4-1BB antibody ATOR-1017 is approaching the clinical phase. Our preclinical data presented to the scientific community in 2018 further support this asset's best-in-class profile, demonstrating high efficacy and tumor-directed activity. This included the continued activation of natural killer (NK) cells, which are known to directly target tumor cells that attempt to evade the immune system. Also, it is exciting to see the increased interest in 4-1BB as a promising cancer target, illustrated by some recent major deals in the area.

International attention

2018 was a busy year for Alligator on the conference arena – a strong indicator of the depth and quality of our novel science. We have presented data for most of our projects, including ATOR-1015, ATOR-1017 and ALG.APV-527. The bispecific antibody ALG.APV-527 is co-developed with our partner Aptevo Therapeutics Inc, a US-based biotech company. This asset, which simultaneously targets the tumor antigen 5T4 and the co-stimulatory receptor 4-1BB, promotes strong T-cell activation in 5T4 expressing tumors, without activation in other parts of the body, supporting our ambition to promote effective tumor-directed immune activation with minimal side effects.

A new bispecific drug candidate

ATOR-1144 entered preclinical development in 2018, further strengthening our pipeline and demonstrating Alligator's capabilities in generating innovative, bispecific immunotherapies. ATOR-1144 is a first-in-class bispecific tumor-localized antibody targeting the checkpoint inhibitor CTLA-4 and the co-stimulatory receptor GITR. It works through several pathways, including activation of T cells, depletion of regulatory T cells (Tregs) and activation of NK cells. Based on its mode of action, ATOR-1144 may be suitable for the treatment of solid tumors as well as hematological cancers and we are excited about its potential.

Significant expansion of our technology platform

The company's future potential has been further strengthened with RUBY™, our newly launched novel bispecific antibody format. This plug-and-play technology platform gives Alligator competitive abilities to generate therapeutic antibodies in-house that are both efficient and highly manufacturable. Also, the bispecific RUBY antibodies can be generated in a shorter time period than what is currently possible. We now have all technologies at our disposal to generate virtually any future bispecific therapeutic antibody. RUBY will enable Alligator to move drug candidates faster from the preclinical to clinical phase, dramatically shortening development timelines. This gives us significant competitive advantages in the field of immuno-oncology.

As always, I want to thank all our employees for their hard work and commitment to Alligator during 2018, our partners and key scientific advisors for their continued support, and all our shareholders for their confidence in Alligator's ambition to develop the next generation of cancer immunotherapies.

Per Norlén
CEO Alligator Bioscience AB (publ)

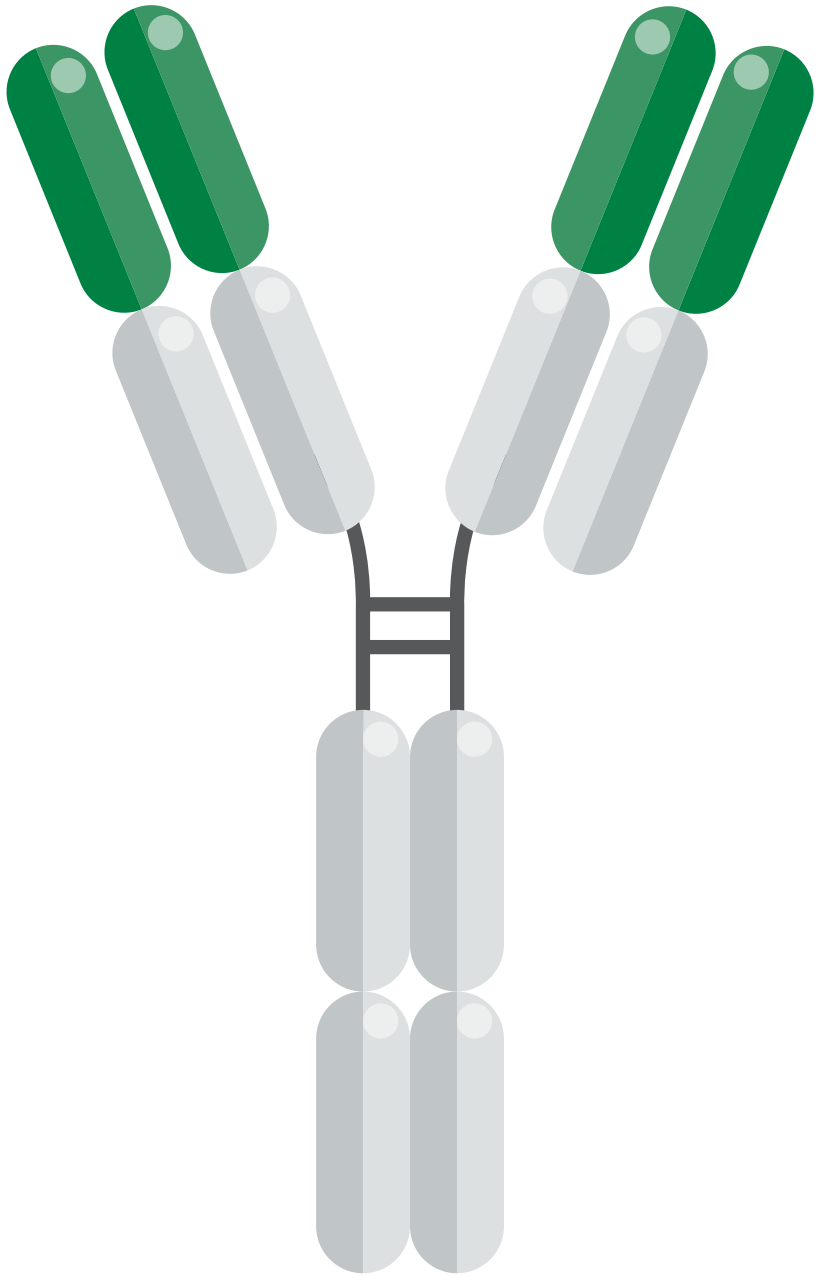
Lund in March 2019

The Alligator strategy

Alligator's mission is to develop innovative tumor-directed immunotherapies to improve patients' lives.

Business strategy includes:

- *A focus on potential first-in-class drug candidates, attractive to patients, licensees and partners.*
- *Proprietary development up to and including Phase II clinical studies, followed by out-licensing or strategic partnerships.*
- *Create revenue through the out-licensing of projects.*
- *Promote an attractive environment for cutting-edge research and increase the number of research collaborations.*
- *Create financial sustainability by having strong partners, as well as strong and active owners.*



Business model that creates value across the development chain.

Alligator's business model is based on proprietary drug development – from early-phase research and preclinical development to Phase II clinical studies, when the treatment is validated in patients. The plan is to subsequently out-license the drug candidate to a licensee for further development and market launch. This business model provides opportunities for the company to generate revenue even before the drug reaches the market, as revenue when agreements are signed and milestone payments received during the development process.

In-house expertise is crucial

Drug development at Alligator is mainly conducted in our own laboratories by our own employees. All crucial expertise is represented in the organization to drive projects efficiently forward. To make the process as competitive and time-efficient as possible, some work is also carried out in collaboration with other biotech companies, contract laboratories, and leading international research institutions in immuno-oncology.

Strong technology base for leading product development

Alligator's patented technology platforms FIND® (protein optimization technology) and ALLIGATOR-GOLD® (antibody library) are used for the development of new drug candidates. These make it possible to effectively create new drug candidates with high potential. In addition, two unique bispecific fusion formats have been produced for the development of novel dual-action antibodies. Together with the latest in the series, RUBY™, Alligator can easily generate bispecific molecules from any two antibodies, and with excellent properties in terms of stability and production. The format eliminates the need for further optimization making it possible for Alligator to move drug candidates more quickly from preclinical to clinical phase. Overall, these technologies provide Alligator with a strong foundation in the development of bispecific, tumor-directed drug candidates.

Effective and clear organization

In order to create an effective and clear development process, Alligator's research organization is divided into the

Alligator's business model

	DISCOVERY	Preclinical	CLINICAL PHASE I	CLINICAL PHASE II	CLINICAL PHASE III	MARKET
Costs	Research until selection of drug candidate. Patent application.	Preclinical studies. Presentations at scientific conferences.	Phase I clinical studies and out-licensing activities.	Phase II clinical studies and out-licensing activities.		
Revenues			**Partnering/out-licensing** Initial payment.	**Partnering/out-licensing** Milestone payments.	**Partnering/out-licensing** Milestone payments.	**Partnering/out-licensing** Royalties.

Discovery, Preclinical and Clinical units. The Discovery Unit is responsible for early-stage research projects through to the identification of a drug candidate. This normally includes the development and evaluation of treatment concepts, the evaluation of potential drug candidates and early-stage efficacy testing. The Preclinical Unit is responsible for manufacturing clinical study materials and for compiling a clinical data package for clinical study applications. The Clinical Unit assumes responsibility when the drug candidate enters a Phase I clinical study and for the subsequent clinical development until successful out-licensing.

Out-licensing generates revenues and frees up resources

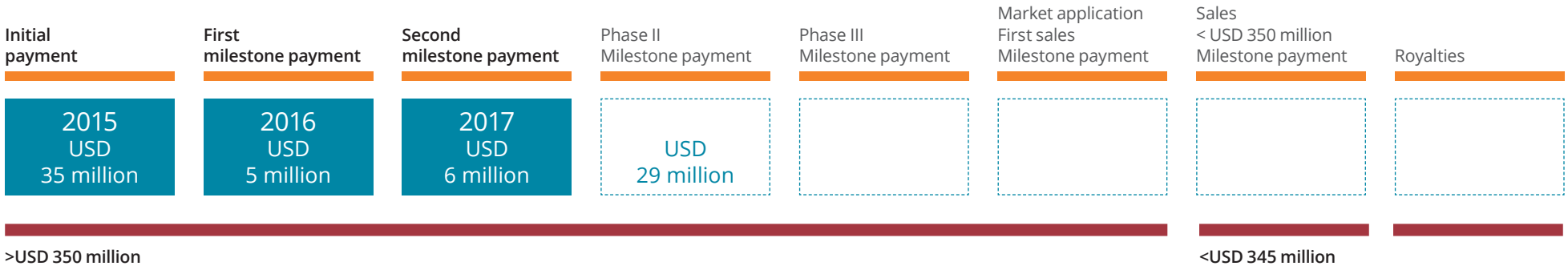
Drug candidates are partly out-licensed to generate revenue during the development process, but also to free up internal resources for the most prioritized projects.

Alligator's business model was validated in 2015 by signing a license agreement with Janssen. Under the agreement, Alligator is entitled to up to USD 695 million (almost SEK 6 billion) in milestone payments during the development process as well as royalties on future global sales of the drug. To date, payments of approximately USD 46 million have been received and Janssen has an 8.1% shareholding in the company.

Active patent strategy

A key element of Alligator's strategy is to protect its innovations with strong patents. Alligator endeavors to maximize protection for its innovations by obtaining patent protection in all key global markets, including the US, Europe and Japan. Alligator's strategy is to seek patent protection for its technology, innovations and improvements related to the drug candidates significant for the company's development. Refer to the patent table on page 87.

Licensing agreement with Janssen has a potential value of USD 695 million excluding royalties



There is a huge unmet need for new, effective treatments.

One in five men and one in six women worldwide will at some stage of their lives develop cancer. Every year, about 18 million people are diagnosed with cancer and approximately 10 million people die of cancer (Globocan 2018), which means there is a major unmet need for advanced cancer care. One reason why cancer cases are constantly increasing is our increasing lifespan. Another is that diagnostics have improved. This means that more cancer cases are detected, more often in an early stage, which improves the chances of successful treatment.

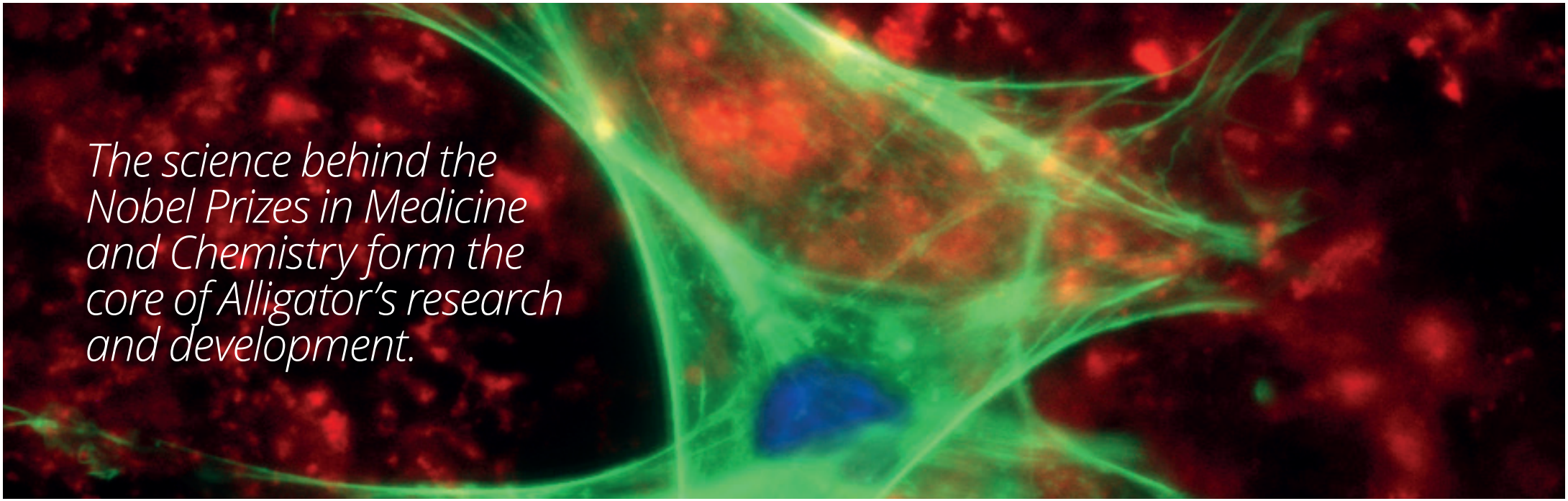
Targeted attack on the cancer tumor

The immune system is the body's protection against attacks by pathogenic micro-organisms (such as viruses and bacteria) and by cancer cells. Growing tumors often contain a large number of immune cells with an inherent capacity to attack cancer cells. However, the cancer often develops its own protection against the immune system, by producing immunosuppressive agents, for example. Immunotherapy strengthens the body's ability to fight cancer effectively, which blocks or weakens the tumor's defense. The immune cells that destroy the cancer cells can then survive in the body and protect against metastases that may develop after the treatment. This "vaccination effect" is unique to immunotherapy. Through the use of biomolecular engineering and the company's patented technology platforms, Alligator's drug candidates are designed to selectively stimulate the immune system in the area surrounding the tumor rather than the whole body – which is not only expected to have a better effect, but also fewer side effects.

Growing importance of immunotherapies

Immuno-oncology is one of the fastest growing areas of drug research. The global market for cancer immunotherapies is expected to grow to nearly USD 107 billion in 2023. As an example, the sales of Merck's drug Keytruda (PD-1 inhibitor) is expected to exceed USD 11 billion in 2019 (USD 7.1 billion in 2018). *Source: Cowen Therapeutics Outlook March 2019.*

Immunotherapy has revolutionized cancer therapy in recent years, and is showing positive effects in a large proportion of patients and over a longer period of time compared with previous treatments. Future cancer treatments will probably involve several different drugs in combination. However, although the combination therapies used to date have boosted the clinical effect, they have also led to a higher risk of developing severe immune-related adverse events. Alligator's concept of tumor-directed immunotherapy provides an opportunity to solve this and develop new cancer therapies with higher efficacy without increasing the risk of severe side effects.



Immuno-oncology offers fantastic opportunities.

The 2018 Nobel Prize in Physiology or Medicine was shared by James P. Allison and Tasuku Honjo for their discovery of cancer treatment by inhibiting the brakes on the immune system, which has established a completely new principle for cancer treatment. This is the core of Alligator's research and development.

The idea of stimulating the body's own immune system to fight cancer is not new. The problem has been the cancer cells' ability to 'hide' from the immune system, for instance, by producing immuno-suppressive agents that weaken an attack from the immune system. Following the discovery by Allison and Honjo, immuno-oncology became successful with positive treatment outcomes for malignant melanoma, for example. The first immuno-oncology treatment was approved in 2011. Immuno-oncology works in two ways. Firstly, it strengthens the ability of the immune system to fight cancer cells effectively, and secondly it disables the tumor's defenses. The immunological memory also provides long-lasting protection against recurring tumor growth. This "vaccination effect" is unique to immunotherapy.

A dynamic field

Immuno-oncology is now one of the most dynamic fields of research. According to a report from the Cancer Research Institute (published in Annals of Oncology) in September 2017, 940 immuno-oncology agents were in clinical phase and 1,064 in preclinical phase, and more than 860 companies were conducting research and development in immuno-oncology. Today, malignant melanoma, renal cell cancer and lung cancer can be treated with immuno-oncology therapies, and there is great hope that more types of cancer will be treatable using various immunotherapies in the future.

Alligator – tumor-directed therapy

What differentiates Alligator is the company's patented technologies, which make it possible to stimulate the immune system to specifically attack the tumors while the body is otherwise unaffected. The main benefit of this tumor-directed treatment is the positive effect it has on the tumor while reducing the side effects caused by stimulating the entire immune system.

Alligator is currently pursuing five development projects. Two of these are Phase I projects, while the other three are in various stages of preclinical development.

Interview with Jeffrey Yachnin at Karolinska University Hospital.

Jeffrey Yachnin MD, PhD, Prinicpal Investigator for the Phase I study of Alligator's drug candidate ATOR-1015, a tumor-localizing CTLA-1 antibody. Jeffrey Yachnin is Oncologist and Senior Consultant Urological Cancers, Section Head Phase-I Unit, Center for Clinical Cancer Studies, Karolinska University Hospital, Stockholm.

What are the main achievements in cancer treatment over the last years?
"For me this is very clear. The progress of immunotherapy has been quite astonishing during the past years. For a long time, immunotherapy was almost like a mirage. I remember the high hopes we had in the 1980's, and then the many disappointments that followed. Today, targeting the immune system is an increasingly effective therapeutic strategy with remarkable results – for some patients."

From your perspective, what are the pros and cons of immunotherapy?
"The immune system has two properties that are advantageous in treating cancer – one is memory and the other is plasticity. i.e. the immune system can adapt to changes in a given tumor. Present day immune therapy for solid tumors has potentially serious toxicities but these occur in a minority of patients. The positive toxicity profile for those who respond also means that the treatment doesn't impact the quality of life as negatively as chemotherapy."

"The main drawback of immunotherapy is that it doesn't work with all patients – and we still don't know exactly why this is. It is still a minority of patients that respond with a significant and long-lasting tumor reduction. We have some tools that help us in selecting suitable patients for immune therapies, but this area of research is far from mature."

"Another thing I would like to mention relates to the development of new immune therapies. The patient populations in many of the early clinical studies focuses on patient groups where we already see clinical benefit from immune therapies e.g. lung cancer, melanoma, renal cancer and so forth. Of course, we want to broaden the clinical indication for this type of treatment, and this must include studies in populations in which immune therapies have not been shown to be so successful. I would in this respect say how much I appreciate Alligator's approach to the early clinical studies where there are no restrictions with regard to which type of cancer a patient has."

What does the current treatment landscape look like, i.e. what are the current standard of care treatments for a patient with metastatic cancer?
"It very much depends on which kind of cancer we are talking about. Different diagnoses require different treatment methods, ranging from surgery to radiation and chemotherapy. For the future, I can see that a combination of radiation therapy and immunotherapy is one way forward, just as immunotherapy may be successfully combined with chemotherapy. It will be very interesting to explore these possible synergies."

Obviously, the ultimate goal is to cure cancer, how close are we to achieving that goal?
"With the exception of testicular cancers and some cancers with limited spread we have not been able to cure metastatic disease in solid tumors. However, over the last few years, our treatment successes have resulted in the situation where cancer can be looked upon as a chronic disease for some patients. In addition, the impact that immune therapy has had in a limited number of patients whereupon the long-lasting complete disappearance of their cancers suggests that we may indeed be curing some of them."

What would you like to see in future cancer drugs?
"The first criterion is of course that the drug is effective. Second, that there is no or very limited toxicity. And it helps if the drug is easy to administer. The health economic situation is getting tougher by the day, so next on my wish list is cheaper drugs."

"I am optimistic about the future of cancer treatment. With immunotherapy, we are already in a position where we are able to save lives that would have been lost only a few years ago. We need to get better at understanding why some patients respond so well, and others don't. But on the whole, I believe that immunotherapy is the greatest breakthrough in cancer treatment ever, and that the implications will be far reaching," concludes Jeffrey Yachnin.

Alligator's employees

World class researchers.

Alligator is a science and knowledge-based company, whose success is built on the experience, expertise, commitment and creativity of its employees. The company's core values – *Respect, Dedication and Innovation* – guide the day-to-day operations toward the common goal of developing drugs that can cure cancer.

Employees

The average number of employees in the company in 2018 was 51 (42), of whom 38 (31) were women. At the end of the year, the number of employees was 55 (47), of whom 47 (41) were in Research and Development. Salaries, remuneration and other employee-related expenses totaled SEK 52.1 million (37.9).

A strong brand attracts world class talent

Since the company's foundation in 2001, Alligator has been attracting some of the best researchers in the world, who have all worked together to create the company's unique position in immuno-oncology. One of the reasons why Alligator has been so successful in attracting and retaining leading expertise is because the company provides opportunities for individual researchers to become an integral part of the world-class research conducted by Alligator, and offers them the freedom to achieve academic recognition by presenting their research findings in medical journals and at international congresses under their own name.

Alligator is dedicated to creating internal career paths for the company's employees and in 2018 launched a career portal that makes it easy for top external talent to present themselves to the company. The company also takes an active role in the Career Day events arranged by Medicon Village, the Science Park where Alligator is based in Lund. Alligator also works closely with the academic commu-

nity by offering a number of national and international post-graduate positions.

The combination of wide-ranging growth opportunities, Alligator's unique position and the company's core values has created a strong brand in both the academic community and the international pharmaceutical industry, making the company a highly attractive employer. To continue developing Alligator in line with the company's research objectives and core values, candidates are judged by their personal qualities as well as their expertise when recruiting new employees.

An inclusive workplace

Alligator's core values – *Respect, Dedication and Innovation* – are deeply embedded in the organization and leave no room for any form of bullying or harassment. Alligator has concretized the company's core values into well-functioning and documented occupational health and safety (OHS) processes. All managers have undergone social/organizational workplace environment training, and action plans are ready to use.

In 2018, Alligator held a course in stress management. The course was for all employees and took place over two half days.

Good employee satisfaction results

To gain insight into how employees perceive their workplace climate, Alligator conducts an annual employee satisfaction survey. The questions in the survey relate to key areas such as workload, work organization, personal scope, leadership, support and cooperation, knowledge and development, and opportunities for recovery. The survey provides management with an effective platform for Alligator's continued development and improvement. The survey conducted in autumn 2018 gave Alligator very high results in all areas and also showed how deeply the core values are embedded in the company's day-to-day activities.

Dialog with employees and their representatives

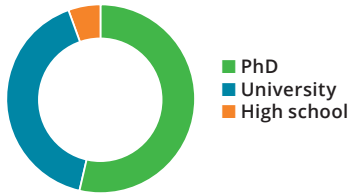
Alligator has effective procedures in place to ensure that the company engages in constructive dialog with its employees and their representatives. Every year, all employees have two performance reviews and one salary review. At the performance reviews, set targets are evaluated and new targets are defined. The management team also engages regularly with union representatives.

Organization

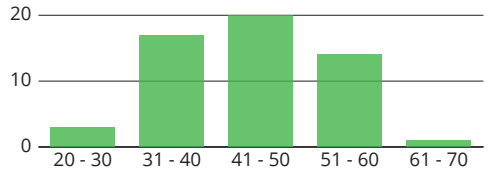
Alligator has an organization that provides the highest possible rate of development and quality across the entire drug development chain. Research and development is organized into three units: Discovery, Preclinical and Clinical.

The Discovery Unit is responsible for early-stage research projects through to the identification of a drug candidate. This usually involves the preparation and evaluation of treatment concepts, and the optimization of potential drug candidates and early-stage efficacy testing. The Preclinical Unit then becomes responsible for the final optimization, manufacture of clinical study materials and compilation of a sufficient data package to submit a clinical study application. The Clinical Unit assumes responsibility when the drug candidate has advanced to Phase I study and for the subsequent clinical development until out-licensing.

Education



Age structure



The Alligator share.

Since November 23, 2016, the Alligator share have been listed on the Nasdaq Stockholm Mid Cap under ATORX. Alligator's share capital at December 31, 2018 totaled SEK 28,555,446, made up of 71,388,615 shares with a par value of SEK 0.40. At December 31, 2018, Banque Internationale à Luxembourg was the largest shareholder with 13,634,041 shares corresponding to 19.1% of the share capital and the votes. In 2018, the number of shareholders grew by 1,045 to 5,176 (4,131). The proportion of foreign shareholders was 48.2% (49.3). The ten largest shareholders owned 55.1% (56.4) of the shares.

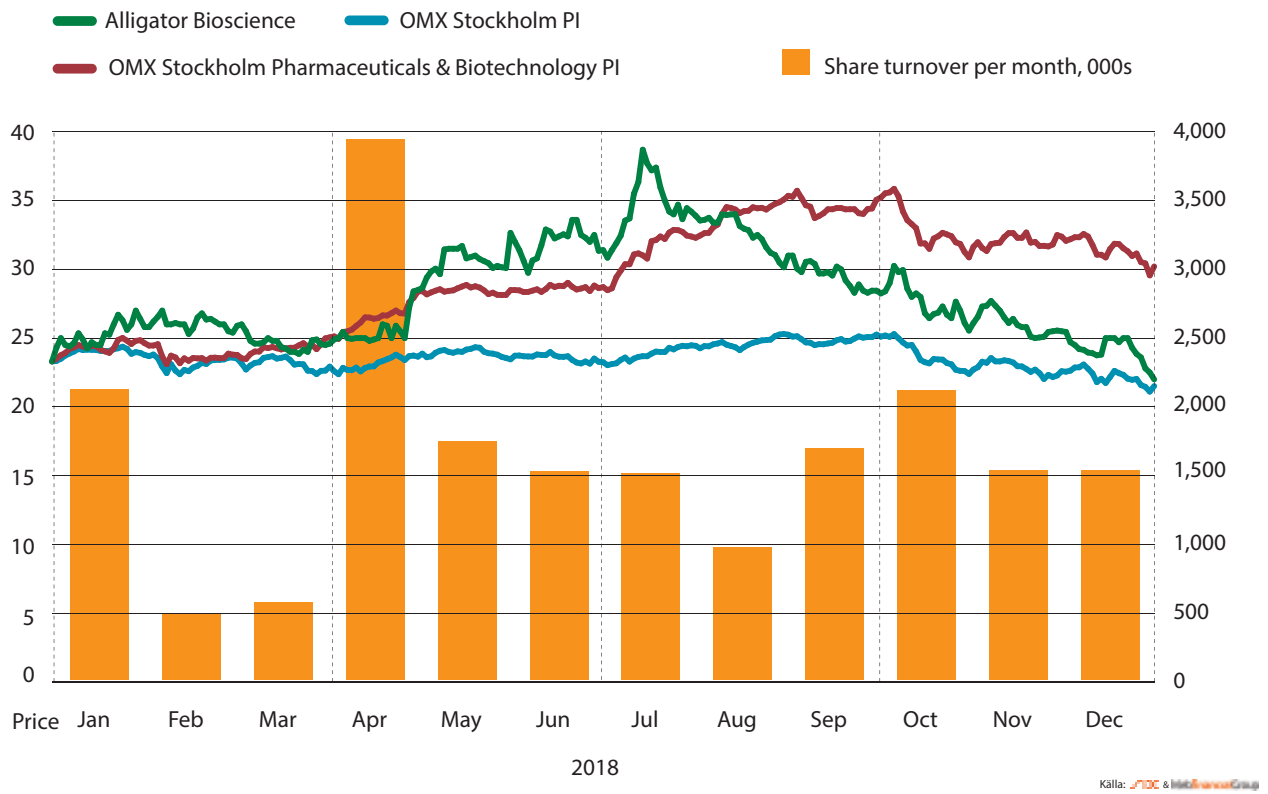
Share price development and turnover

Alligator shares were listed on Nasdaq Stockholm Mid Cap on November 23, 2016. In connection with the listing, a new issue was made at a price of SEK 32.50. The price of the Alligator share was SEK 24.30 (34.90) at the beginning of 2018, and SEK 22.00 (23.30) at year-end. The highest price paid in 2018 was SEK 38.70 (35.30) and the lowest SEK 22.00 (22.10). Alligator's market capitalization was SEK 1,571 million (1,663) at the end of 2018. A total of 20 million shares (16) were traded during the year, at a total value of SEK 543 million (473). This corresponds to a turnover of 28% (23) of the company's shares. The average turnover per trading day was 79,273 shares (64,729) at a value of SEK 2.2 million (1.9). On average, 127 shares (103) were traded each day.

Ownership, December 31, 2018

In 2018, the number of shareholders grew by 1,045 to 5,176 (4,131). The proportion of foreign shareholders was 48.2% (49.4). The ten largest shareholders owned 55.1% (56.4) of the shares.

Price and volume development 2018



Share capital

Alligator has three option programs, which are described on page 32 (in the administration report). During the year, no subscription options were converted to new shares (1,275,000 options were converted in 2017, which resulted in the same number of new shares). With full dilution of all option programs, a further 4,959,491 shares were subscribed to, giving a dilution of 6.5%. Alligator's number of shares totals 71,388,615 shares. There is only one class of share. Each share entitles the holder to one vote at the Annual General Meeting, and all shares have equal rights to the company's assets and profits.

Largest shareholders, Dec 31, 2018

Shareholder	No. of shares	%
Banque Internationale à Luxembourg SA*	13,634,041	19.1
Johnson & Johnson Innovation	5,762,523	8.1
Sunstone Life Science Ventures Fund II K/S	5,758,485	8.1
Lars Spånberg	3,213,858	4.5
Norron	2,840,000	4.0
Catella Funds	1,958,227	2.7
Öhman Funds	1,647,159	2.3
Öresund, Investment AB	1,631,117	2.3
Gladiator	1,500,000	2.1
Stena	1,401,339	2.0
Other shareholders	32,041,866	44.9
Total shares	**71,388,615**	**100.0**

*Banque Internationale á Luxembourg SA (BIL) is a group of mainly Swedish investors with their shares managed by BIL.

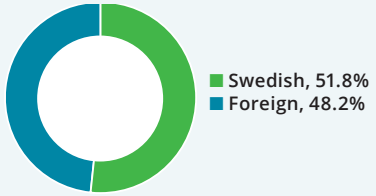
Share statistics, Dec 31, 2018

Size of holding	No. of shareholders	No. of shareholders, %	No. of shares, %
1–500	3,240	63	0.8
501–1,000	687	13	0.8
1,001–5,000	871	17	2.9
5,001–10,000	145	3	1.6
10,001–15,000	53	1	1.0
15,001–20,000	34	1	0.9
20,000–	146	3	92.0
	5,176	**100**	**100**

Brief facts about Alligator shares, Dec 31, 2018

Listed on:	Nasdaq Stockholm Mid Cap
Number of shares:	71,388,615
Market cap:	SEK 1,571 million
Ticker:	ATORX
ISIN:	SE0000767188

Swedish and foreign ownership



Dividend and dividend policy

Alligator will continue to focus on developing and expanding its product portfolio. Available financial resources and reported profits will therefore be re-invested in the business to finance Alligator's long-term strategy. The Board's intention is therefore not to propose any dividend to shareholders until the company generates sustainable long-term profitability. Any future dividends, and the amount of these, will therefore be decided in the light of Alligator's long-term growth, financial performance and capital needs taking account of the goals and strategies in place at any given time. Where a dividend is proposed, it will take proper account of the business objectives, scope and risk.

The Board and the CEO propose that no dividend be paid for the 2018 financial year.

Distribution of financial reports

The annual report and quarterly reports are available on Alligator's website, www.alligatorbioscience.com.

The annual report is distributed on request and can be ordered from Alligator Bioscience AB, Medicon Village, SE-223 81 Lund, Sweden, by calling +46 540 82 00 or e-mailing info@alligatorbioscience.com.

Future report dates

Interim reports will be published in 2019 on April 17, July 11 and October 24. Year-end report for 2019 will be published on February 12, 2020.

Analysts following Alligator

Carnegie: Erik Hultgård
DNB: Patrik Ling
Jarl Securities: Niklas Elmhammer
Redeye: Klas Palin
Rx Securities: Joseph Hedden
SEB: Mattias Vadsten and Carl Mellerby

Administration report

The Board and CEO of Alligator Bioscience AB (publ), based in Lund, Sweden, corporate ID-no 556597-8201, hereby present the annual accounts for the 2018 financial year for the Parent Company and the Group.

Alligator's project portfolio.

Alligator's project portfolio comprises five drug candidates. ADC-1013 and ATOR-1015 are in clinical phase I. ATOR-1017 and ALG.APV-527 have progressed in preclinical development and in 2019 these projects are expected to take important steps towards clinical development. Alligator's newest project, ATOR 1144, is in early preclinical development.

Through its subsidiary, Atlas Therapeutics AB, the Group holds a stake in the project Biosynergy (AC101), run by the Korean company AbClon Inc. Alligator allocates no resources to this project but has the right to a share of any future profits.

In addition to these projects, Alligator conducts continuous research to identify new, interesting antibodies with the potential to develop into powerful drugs. Drug candidates are developed for tumor-directed immunotherapy. This means they first and foremost stimulate tumor-infiltrating immune cells, but not other immune cells in the body. The aim is to substantially limit the side effects of the treatment while maintaining good efficacy.

ADC-1013

Out-licensed to Janssen

ADC-1013 is an immunostimulatory antibody for the treatment of metastatic cancer. The drug candidate has been out-licensed to Janssen Biotech, Inc., which is running all continued clinical development.

ATOR-1015

Run by Alligator

ATOR-1015 is a tumor-localizing, bispecific CTLA-4 and OX40 antibody. It is developed for tumor-directed treatment of metastatic cancer. The antibody has been created with one of Alligator's patented bispecific fusion formats, the ALLIGATOR-GOLD library and the FIND technology.

ATOR-1017

Run by Alligator

ATOR-1017 is an immunostimulatory antibody (IgG4) that binds to the costimulatory receptor 4-1BB (CD137) in tumor-specific T cells. 4-1BB has the capacity to support the immune cells involved in tumor control, making 4-1BB an attractive target for cancer immunotherapy.

ALG.APV-527

Co-development with Aptevo

ALG.APV-527 is a bispecific 4-1BB and 5T4 antibody developed for the treatment of metastatic cancer. In July 2017, Aptevo Therapeutics Inc. and Alligator Bioscience AB signed an agreement regarding the co-development of ALG.APV-527. Under the agreement, the companies will equally own and finance the development of the drug candidate through the Phase II clinical study.

ATOR-1144

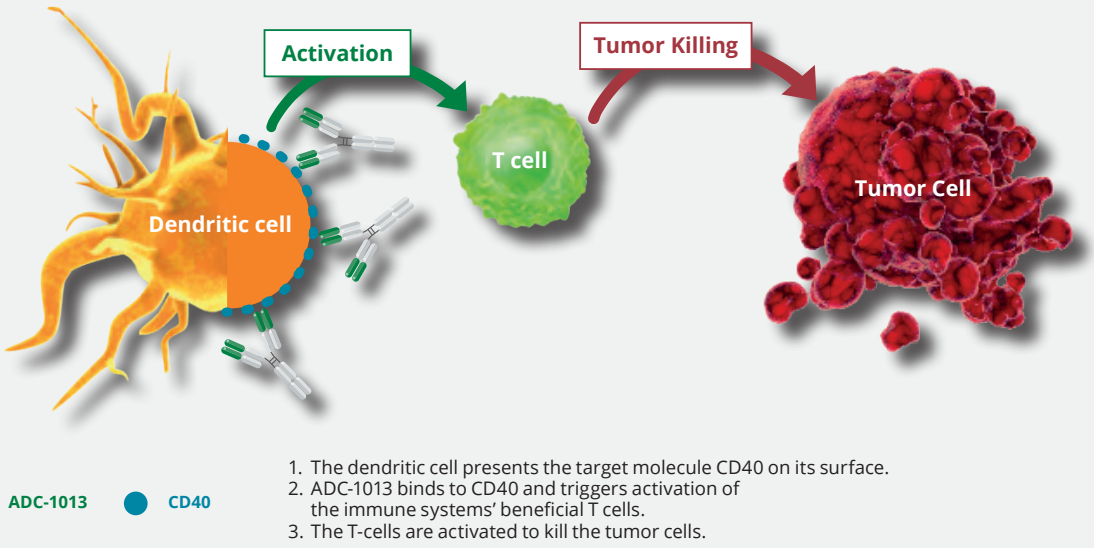
Run by Alligator

The bispecific antibody ATOR-1144 stimulates the immune system via both CTLA-4 and GITR. It acts through several different pathways: stimulation of effector T cells, destruction of regulatory T cells and stimulation of NK cells to boost the destruction of tumor cells. Due to this mechanism of action, ATOR-1144 is suitable for treating both solid tumors and hematologic malignancies.

ADC-1013

#CD40

Immunostimulatory antibody designed for the treatment of metastatic cancer.



1. The dendritic cell presents the target molecule CD40 on its surface.
2. ADC-1013 binds to CD40 and triggers activation of the immune systems' beneficial T cells.
3. The T-cells are activated to kill the tumor cells.

ADC-1013 is an immunostimulatory antibody for the treatment of metastatic cancer. The drug candidate has been out-licensed to Janssen Biotech, Inc., which is running all continued clinical development. The project is in clinical phase I.

ADC-1013 is an agonistic (stimulatory) antibody that targets CD40, a receptor in dendritic cells in the immune system. Dendritic cells detect enemies, such as cancer cells. Preclinical data has shown that activation of CD40 with ADC-1013 enables dendritic cells to more effectively stimulate the immune system's T cells. This allows the immune system's attack to selectively target the cancer, and can thereby achieve efficacy at very low doses. Cancer cells can also express CD40 on the cell surface, which means that ADC-1013 can also destroy cancer cells directly as a secondary mechanism of action.

Development status

The clinical program includes, so far, two Phase I studies. The first study was conducted by Alligator and focused on intratumoral administration. The results, which were presented in November 2017, showed that ADC-1013 is well-tolerated at clinically relevant doses. A second Phase I study with 95 patients to date, is currently being run by Janssen and focuses on intravenous dose escalation. Janssen has completed the technology transfer concerning the production of clinical study materials to Biogen Inc. – an American company with the capacity for large-scale production. The endpoint of both Phase I studies is to identify a safe, tolerable and biologically effective dose for ADC-1013.

About the partnership with Janssen

In August 2015, Janssen acquired the global rights for ADC-1013 (JNJ-64457107). The potential agreement value totals USD 695 million, including both upfront and milestone payments. In addition, Alligator is entitled to incremental royalty rates on future sales. Janssen will finance all continued development.

Milestones 2018

- The technology transfer pertaining to clinical study materials concluded.
- Continuing Phase I study in cancer patients.

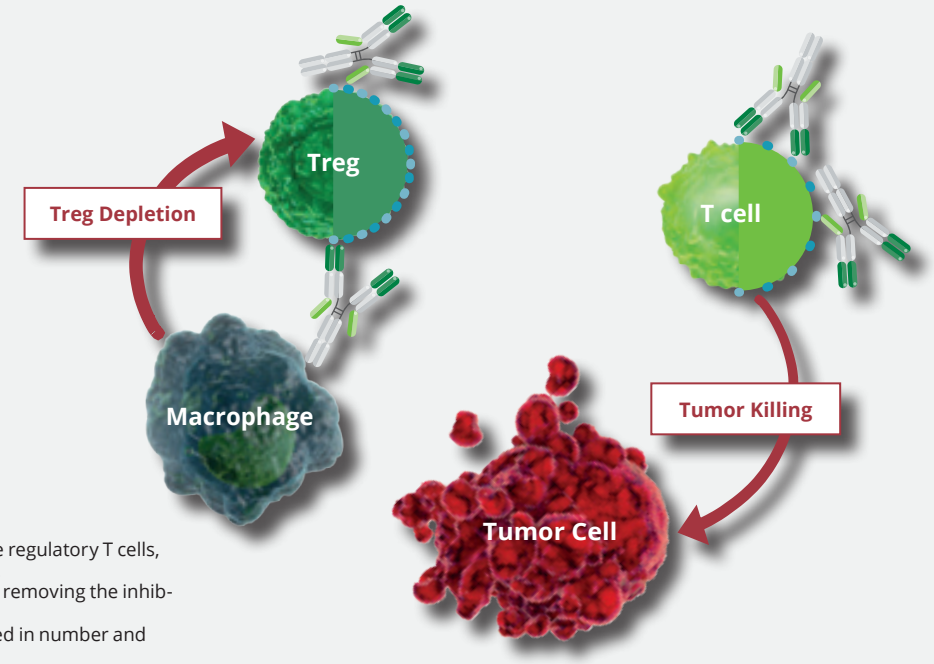
2019 objectives

- Conclusion of Phase I patient study.
- Preparations for Phase II combination studies.

ATOR-1015

#CTLA-4 #OX40

A next-generation CTLA-4 antibody with dual immunostimulatory function.



1. ATOR-1015 binds to CTLA-4 and OX40 on the regulatory T cells, the cells which restrain the immune system.
2. The macrophages are activated to kill Tregs, removing the inhibitory effect of Tregs on the beneficial T cells.
3. The effector T cells (light green) are multiplied in number and are activated to kill the tumor cells.

ATOR-1015 is a bispecific antibody that targets CTLA-4 and OX40, developed for tumor-directed treatment of metastatic cancer. One part of the antibody blocks CTLA-4 and the other part binds to OX40 and thus activates the immune system. The drug should be used as either a single therapy or in combination with other immunotherapies, such as PD-1 inhibitors.

ATOR-1015 is a bispecific antibody that binds to two different immunostimulatory receptors: a checkpoint receptor called CTLA-4, and a costimulatory receptor called OX40. By binding to these receptors, ATOR-1015 can reduce the immunosuppressive effect of the regulatory T cells helping cancer cells escape the body's immune response, while activating the positive effector T cells to fight the tumor.

The potent stimulation of the immune system is mainly expected to be achieved in environments where both target molecules are present at elevated levels, such as in tumors. Alligator has demonstrated that ATOR-1015 is more active in the tumor versus the rest of the body and, in addition, that it physically localizes to the tumor area. In preclinical studies, ATOR-1015 has been shown to increase the immunostimulatory effect, generating a potent anti-tumor effect.

Development status

Preclinical data presented at a range of scientific conferences, including the American Association for Cancer Research (AACR) Annual Meeting 2018, shows that ATOR-1015 localizes to the tumor, with increased immunostimulation in the tumor compared with normal tissue.

The drug candidate ATOR-1015 is primarily intended for combination therapy and the preclinical results presented include data demonstrating an amplified anti-tumor effect when treatment is combined with a PD-1 blocking antibody.

Milestones 2018

- The Swedish Medical Products Agency approved the start of a Phase I clinical study.
- Positive preclinical data showed that ATOR-1015 is localized to the tumor, with increased immunostimulation in the tumor compared with normal tissue.

2019 objectives

- The clinical Phase I study is in progress with preliminary data gathered in the second half of 2020.

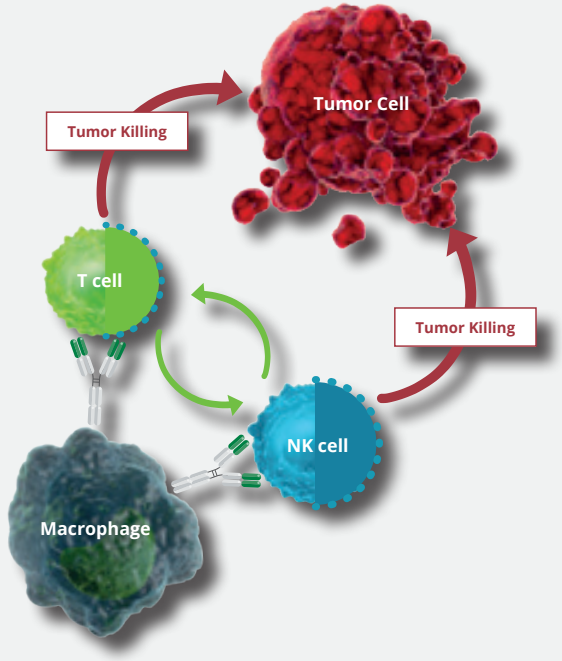
ATOR-1017

#4-1BB #Fc gamma receptor

Immunostimulatory antibody for tumor-directed immunotherapy.

ATOR-1017 4-1BB Fc-gamma-receptor

1. ATOR-1017 binds to the target molecule 4-1BB on the surface of T cells.
2. The immunostimulatory function is dependent on binding to Fc gamma receptor on macrophages.
3. The beneficial T cells are activated to kill tumor cells.



ATOR-1017 is an immunostimulatory antibody that binds to the costimulatory receptor 4-1BB (CD137) in tumor-specific T cells. 4-1BB has the capacity to activate the immune cells that are important in tumor control, making 4-1BB a particularly attractive target for cancer immunotherapy.

The immunostimulatory function of ATOR-1017 is dependent on crosslinking to Fc gamma receptors on immune cells, such as macrophages. This allows ATOR-1017 to target tissues where both 4-1BB and Fc gamma receptors are expressed at elevated levels – such as tumors - which is totally in line with the treatment strategy for Alligator's drug candidates. The aim is to achieve effective tumor-directed immune stimulation with minimum side effects. The 4-1BB target molecule belongs to the TNF receptor superfamily, which plays a critical role in immune responses and for the body's immunological memory, which can provide long-lasting protection against cancer.

Development status

In 2018, new preclinical data for ATOR-1017 was presented at various scientific conferences, including the Protein Engineering Summit (PEGS) 14th Annual Meeting, the 3rd Annual World Preclinical Congress and the Immuno-Oncology Summit 2018, all held in Boston in the US. The new data shows that ATOR-1017 stimulates NK cells and T cells, both of which contribute to an effective immune-mediated destruction of tumor cells. Activating 4-1BB on T cells not only leads to an enhanced tumor-directed immune response, it also produces an immunological memory against the tumor. NK cells are immune cells that directly target tumor cells that attempt to hide from the immune system. NK cells also strengthen the cell-death promoting signaling from the immune system's tumor-specific T cells. Activating antibodies against 4-1BB therefore reinforces the ability of both NK cells and T cells to attack tumor cells.

This preclinical data provides further support for the positioning of the 4-1BB antibody ATOR-1017 as best in class with the potential to minimize side effects while providing a powerful, long-lasting immune response.

Milestones 2018

- New preclinical data shows that ATOR-1017 stimulates both NK and T cells, which contributes to an effective destruction of tumor cells.
- The company received SEK 500,000 in research funding from Vinnova (the Swedish innovation agency). In collaboration with biotech company SARomics Biostructures AB, the funding will be used to generate three-dimensional structural data for ATOR-1017, to further confirm its unique profile.

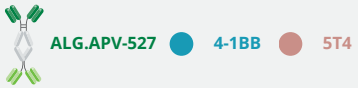
2019 objectives

- Clinical Trial Authorization (CTA) application submission.
- Start of Phase I clinical study later in the year.

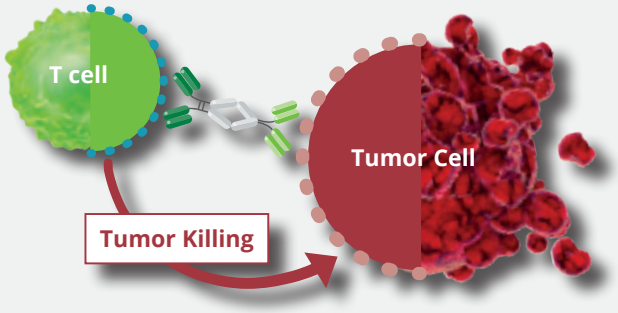
ALG.APV-527

#4-1BB #5T4

A tumor-binding and immunomodulatory antibody in the same molecule.



1. ALG.APV-527 seeks out the tumor region and binds to the 5T4 target molecule on the surface of tumor cells.
2. In the tumor region, ALG.APV-527 simultaneously binds to 4-1BB on the surface of T cells.
3. The beneficial T cells are activated to kill tumor cells.



ALG.APV-527 is a bispecific antibody, where one part stimulates tumor-specific T cells via the costimulatory receptor 4-1BB (CD137), and the other binds to the 5T4 protein expressed on the surface of tumor cells. The 5T4 part guides the drug candidate to the tumor, where 4-1BB binding triggers a tumor control process.

ALG.APV-527 is a bispecific antibody that binds to both T cells and tumor cells. The tumor binding parts have been developed using Alligator's patented antibody library, ALLIGATOR-GOLD. The bispecific molecule was then assembled using the ADAPTIR™ technology platform developed by Alligator's partner, Aptevo Therapeutics. A drug candidate has been created by combining a tumor-binding antibody with an immunomodulatory antibody in the same molecule, which can localize its effect to the tumor region and stimulate the tumor-specific immune cells that are found there by binding to the costimulatory 4-1BB receptor. The aim is to achieve effective tumor-directed immune stimulation with minimum side effects.

Development status

In May 2018, new preclinical data was presented for ALG.APV-527 at a number of scientific conferences: the PEGS Summit 2018, the American Association of Immunologists (AAI) Annual Meeting and the Annual Meeting of the Association for Cancer Immunotherapy (CIMT). New data shows that ALG.APV-527 has the potential to selectively stimulate and enhance the T-cell response in the tumor without stimulating the immune system in the rest of the body. Overall, the results support its potential to provide effective tumor-directed immunostimulation with fewer side effects.

Milestones 2018

- New preclinical data shows that ALG.APV-527 has the potential to selectively stimulate and enhance the T-cell response in the tumor without stimulating the immune system in the rest of the body.
- An agreement was signed with the US contract manufacturer KBI Biopharma for the production of clinical study materials.

2019 objectives

- Clinical Trial Authorization (CTA) application submitted.

Other projects.

Alligator's early-phase research projects include a number of different projects where the components have been created using ALLIGATOR-GOLD and FIND and then assembled using Alligator's bispecific fusion format. In January 2019, the company's new concept for developing bispecific antibodies, RUBY™, was also presented.

Through its subsidiary, Atlas Therapeutics AB, Alligator holds a stake in a preclinical project Biosynergy (AC101), run by the Korean company AbClon Inc. Alligator allocates no resources to this project but has the right to a share of any future profits. In previous financial years, Alligator received two milestone payments totaling SEK 2.1 million in connection with a regional out-licensing of one of its products, the HER2 antibody AC101.

ATOR-1144 – new bispecific tumor-localizing antibody
In October, the company announced that a new bispecific drug candidate, ATOR-1144, had entered preclinical development. ATOR-1144 is a first-in-class bispecific tumor-localizing antibody that stimulates the immune system via both CTLA-4 and GITR. It acts through several different pathways: stimulation of effector T cells, destruction of regulatory T cells and stimulation of NK cells to boost the destruction of tumor cells. Due to this mechanism of action, ATOR-1144 is suitable for treating both solid tumors and hematologic malignancies.

Licensing revenue from AbClon Inc.
In November 2018, it was announced that approximately SEK 25 million after foreign withholding tax will be received from the South Korean partner company AbClon Inc. ("AbClon"). This was after a third party, Shanghai Henlius Biotech, Inc. ("Henlius"), elected to exercise an option to extend the scope of the AC101 agreement (see above) from regional rights to global rights. The exercise of the option triggered the payment of USD 10 million (approximately SEK 90 million) from Henlius to AbClon. Through its subsidiary Atlas Therapeutics AB, Alligator owns a stake in this project, entitling Alligator to 35% of AbClon's revenue from the agreement with Henlius. The payment of USD 3.5 million (approximately SEK 25 million) to Alligator will take place in two installments in the first quarter of 2019.

Drug development at Alligator – the different phases.

Discovery

In the Discovery phase, Alligator creates new mono and bispecific antibodies using its technology platforms ALLIGATOR-GOLD, FIND and two bispecific fusion formats.

The development and evaluation of treatment concepts, evaluation of various potential drug candidates and early-stage efficacy testing.

The antibodies are optimized to achieve the set objectives in terms of function, binding affinity and stability, after which a drug candidate is selected for further development.

Preclinical

In the Preclinical phase, final optimization takes place and the safety and efficacy of the drug candidate is assessed together with its clinical potential. These studies are conducted both internally at Alligator and together with external partners.

Alongside of these preclinical activities, research activities continue to increase understanding of the candidate's biological function. This phase also includes activities for the production of materials for upcoming clinical studies.

Clinical Phase I

The first human studies are conducted in smaller cohorts, normally 20–80 patients with metastatic cancer. The aim of these studies is mainly to show that the compound is safe.

Studies are also carried out to see how the drug is absorbed, distributed and metabolized.

Clinical Phase II

The endpoint of Phase II studies is to show that the substance has the intended medical efficacy and to determine optimal dosage. Normally, 100-300 patients are tested.

By the end of Phase II, the drug's efficacy, probable dosage and side-effects profile should have been determined.

Clinical Phase III

The drug is tested on a larger cohort of patients in Phase III, usually between 1,000 and 3,000 patients.

The endpoint of Phase III studies is to demonstrate that the new compound is at least as good or better than previously approved treatments.

When the Phase III program is complete, a statement can be issued about the drug's properties and common side effects and the documentation required to register the drug has been compiled.

Multi-year overview of the Group.

Performance measures, Group	2018	2017	2016	2015	2014
Profit/loss (TSEK)					
Net Sales	26,959	56,875	58,240	289,797	0
Operating profit/loss	-153,080	-62,299	-56,081	203,006	-77,213
Profit/loss for the period	-150,043	-63,758	-48,356	207,377	-76,782
R&D Costs	-139,493	-87,982	-59,987	-49,490	-42,352
R&D Costs as a percentage of operating costs excluding impairments	76.8%	73.3%	64.3%	61.5%	54.0%
Capital (TSEK)					
Cash and cash equivalents at end of period	436,391	547,041	659,136	365,605	37,428
Cash flow from operation activities	-104,115	-99,629	-37,610	204,894	-62,737
Cash flow for the period	-111,770	-183,173	287,135	326,232	-31,797
Equity	468,310	617,956	676,185	396,969	68,519
Equity ratio, %	92%	96%	96%	95%	70%
Data per share (SEK)					
Earnings per share before dilution	-2.10	-0.89	-0.80	3.81	-1.59
Earnings per share after dilution	-2.10	-0.89	-0.80	3.70	-1.59
Equity per share before dilution	6.56	8.66	9.64	6.73	1.41
Equity per share after dilution	6.56	8.66	9.47	6.55	1.36
Dividend per share	0.00	0.00	0.00	0.00	0.00
Share Price, Dec 31	22.00	23.30	34.80	N/A	N/A
Staff					
Number of employees at end of year	55	47	36	27	27
Average number of employees	51	42	31	27	26
Average number of employees in Research and Development	44	37	28	24	23

Derivation of performance indicators.

In this annual report, Alligator quotes a number of financial indicators, including some which are not defined under IFRS. The company believes that these indicators are an important addition because they enable a better assessment of the economic trends in the company. These financial indicators should not be viewed in isolation or considered to replace performance indicators calculated in accordance with IFRS. Nor should these indicators, as defined by Alligator, be compared with other indicators with similar names used in other companies. This is because these indicators are not always defined in the same way and other companies may derive them in a different way from Alligator.

The derivation of indicators is shown above, both for earnings per share as required by IFRS and for indicators that are not defined under IFRS or where the calculation is not shown in other tables in this report.

The company's business is research and development, so the indicator 'R&D costs as a percentage of operating costs excluding impairments' is a key measure of efficiency and of the proportion of the company's costs used within R&D.

As we have noted, the company does not have a constant revenue stream; revenue is generated irregularly when license agreements are signed and milestones reached. The company therefore monitors indicators like the equity ratio and equity per share to assess its financial strength and stability. These are monitored together with its liquidity and the various cash flow measures to be found in the consolidated statement of cash flows.

For definitions, refer to this section on page 86.

Derivation of performance indicators	2018	2017	2016	2015	2014
Profit/loss for the year, TSEK	-150,043	-63,758	-48,356	207,377	-76,782
Average number of shares before dilution	71,388,615	71,283,273	60,114,511	54,393,338	48,355,761
Earnings per share before diluition, SEK	**-2.10**	**-0.89**	**-0.80**	**3.81**	**-1.59**
Average number of shares after dilution	71,388,615	71,283,273	60,114,511	55,993,338	48,355,761
Earnings per share after diluition, SEK	**-2.10**	**-0.89**	**-0.80**	**3.70**	**-1.59**
Operating costs, TSEK	-181,594	-120,068	-115,432	-90,613	-78,385
Impairment of tangible and intangible assets, TSEK	0	0	22,120	10,080	0
Operating costs excl. Impairment, TSEK	**-181,594**	**-120,068**	**-93,312**	**-80,533**	**-78,385**
Administrative expenses, TSEK	-36,199	-28,883	30,770	28,456	33,848
Depreciation, TSEK	-5,902	-3,204	2,555	2,587	2,185
Research and development costs, TSEK	**-139,493**	**-87,982**	**-59,987**	**-49,490**	**-42,352**
R&D costs / Operating Costs % excluding impairments	**76.8%**	**73.3%**	**64.3%**	**61.5%**	**54.0%**
Equity, TSEK	468,310	617,956	676,185	396,969	68,519
Number of shares before dilution	71,388,615	71,388,615	70,113,615	59,014,384	48,612,244
Equity per share before dilution, SEK	**6.56**	**8.66**	**9.64**	**6.73**	**1.41**
Number of shares after dilution	71,388,615	71,388,615	71,388,615	60,619,384	50,217,244
Equity per share after dilution, SEK	6.56	8.66	9.47	6.55	1.36
Equity, TSEK	**468,310**	**617,956**	**676,185**	**396,969**	**68,519**
Total assets, TSEK	508,156	643,033	700,780	416,256	97,794
Equity ratio, %	**92%**	**96%**	**96%**	**95%**	**70%**
Other investments held as fixed assets (publicly traded corporate bonds), TSEK	53,259	74,122	0	0	0
Other short-term financial assets (publicly traded corporate bonds), TSEK	20,254	0	0	0	0
Cash and cash equivalents, TSEK	362,878	472,919	659,136	365,605	37,425
Cash and cash equivalents at end of period	**436,391**	**547,041**	**659,136**	**365,605**	**37,425**

Overview of business.

Alligator's business
Alligator Bioscience is a Swedish public biotech company which develops innovative immune-activating antibody-based drugs for tumor-directed immunotherapy, with the aim of giving cancer patients an effective treatment with fewer side-effects. Its strategy is to develop drug candidates that selectively activate the immune system in the region around the tumor rather than in the whole body. This is a field with a large medical need of new and improved therapies.

Alligator's research and development work is based on the company's technology platforms; the human antibody library ALLIGATOR-GOLD®, the protein optimization technology FIND® and two patented bispecific fusion formats.

Focus
The company is mainly involved in the early Phases of drug development, from the formation of ideas to clinical Phase II studies. Alligator's strategy is to cement its position as a key player in tumor-directed immunotherapy by developing innovative immune-activating drug candidates with the potential to be 'first-in-class' or 'best-in-class'.

Employees
The average number of employees in the company in 2018 was 51 (42), of whom 38 (31) were women. At the end of the year, the number of employees was 55 (47), of whom 47 (41) were in Research and Development. Salaries, remuneration and other employee-related expenses amounted to MSEK 52.1 (37.9)

Significant events in 2018
Additional project in clinical study
The phase I clinical study of ATOR-1015 was initiated. The clinical phase I study is the first in humans and a dose escalation study in patients with metastatic cancer. The study will include up to 53 patients at five different clinics across Sweden and Denmark. ATOR-1015 is a wholly-owned bispecific drug candidate for cancer immunotherapy.

Three Nobel Prize discoveries in ATOR-1015
The Nobel Prize in Physiology or Medicine was awarded to immuno-oncology and to those who discovered the CTLA-4 and PD-1 target molecules. The Nobel Prize in Chemistry was received for the directed evolution of enzymes and phage display technologies, which form the basis for Alligator's patented FIND and ALLIGATOR-GOLD technologies. The drug candidate ATOR-1015 has its origins in all three Nobel Prize discoveries.

MSEK 25 from partner
Revenue of approximately MSEK 25 was reported through Alligator's South Korean partner company AbClon Inc. after a third party, Shanghai Henlius Biotech, Inc., elected to exercise an option to extend the scope of an agreement from regional rights to global rights.

Strong data for all preclinical projects
Data from all of the company's preclinical projects was presented at several major scientific conferences. The data confirms the intended mechanisms of action with tumor-directed stimulation, which reduces the side effects compared with those drugs that are currently available.

Funding from Vinnova
The company received TSEK 500 in research funding from Vinnova (the Swedish innovation agency). In collaboration with biotech company SARomics Biostructures AB, the funding will be used to confirm the unique profile of Alligator's 4-1BB antibody ATOR-1017.

New bispecific antibody
A new bispecific drug candidate, ATOR-1144, entered preclinical development. ATOR-1144 is a first-in-class bispecific tumor-localizing antibody that stimulates the immune system via both CTLA-4 and GITR. The GITR target molecule broadens the mechanism of action and makes ATOR-1144 suitable for the treatment of both solid tumors and hematologic malignancies.

Income, expenses and profit/loss
Due to the nature of the business, there can be large fluctuations in income which are not seasonal or regular but are mainly linked to when milestones generating a payment are reached in out-licensed research projects.

In 2018, net sales totaled TSEK 26,959 (56,875). Most of the year's income was generated in the fourth quarter by the Biosynergy project (AC101), run by the Korean company AbClon Inc, where the project's out-licensing partner Shanghai Henlius Biotech, Inc, elected to exercise an option for global development and marketing rights for the project. The preceding year's income was also generated in the fourth quarter when a milestone for ADC-1013 was achieved.

Other operating income of TSEK 1,555 (895) relates mainly to currency gains in operations for the current and preceding year.

Operating costs amounted to TSEK 181,594 (120,068). The increase in costs compared with the preceding year were due to the company employing more people, and several projects entering more cost-intensive phases.

Operating loss was TSEK -153,080 (-62,299).

Total financial items amounted to TSEK 3,037 (-1,460) and pertained to return on liquidity, financial assets and currency gains/losses on significant currency holdings in EUR, GBP and USD.

The Group had no tax cost for 2018 (0). At the end of 2018, the Group's cumulative tax loss carryforwards amounted to MSEK 515 (356).

Loss before and after tax was TSEK -150,043 (-63,758). Loss per share before and after dilution was SEK -2.10 (-0.89).

Financial position
At year-end, equity amounted to TSEK 468,310 (617,956). At the end of the period, this corresponded to equity per share outstanding of SEK 6.56 (8.66) before dilution. The equivalent figure after dilution was SEK 6.56 (8.66).

Consolidated cash and cash equivalents, comprising bank balances and short-term, liquid investments, totaled TSEK 362,878 (472,919) at the end of the period. Bank balances amounted to TSEK 112,024 (197,097).

In the fourth quarter, participations with a nominal value of TSEK 75,000 were sold in the former interest fund and TSEK 50,000 was invested in a similar interest fund. The interest funds are recognized as cash and cash equivalents. This investment can easily be converted to cash and is subject to an immaterial risk of changes in value. The nominal amount of this investment was TSEK 250,439 (275,000) and at the end of 2018, the value was TSEK 250,854 (275,822).

The company has investments of TSEK 73,513 (74,122) in corporate bonds, which are deemed to be easily convertible to cash. The Group had no borrowings at December 31, 2018 and no loans have been raised since that date. The Group has no loans or loan commitments.

The Group plans to use its liquid funds to finance its operating activities. According to the Group's Financial Policy, the Group is to have sufficient bank balances to cover its expected liquidity requirements for a minimum of 18 months. Excess liquidity may be invested with a low risk and an average fixed period of not more than 18 months. Some liquidity is invested in foreign currency accounts in USD, GBP and EUR. In accordance with the Group's Financial Policy, inflows of foreign currencies exceeding the expected requirements for the coming 18 months are converted to SEK at the time of payment. Besides this, no further hedging has taken place.

Investments and cash flow
Investments for the full-year totaled TSEK 7,665 (88,720). These mainly pertained to investments of TSEK 6,550 (11,526) in laboratory equipment. An additional TSEK 541 (0) was invested in software, and TSEK 573 (2,500) in leased premises. During the year, no investments were made in corporate bonds (TSEK 74,520) and or in the capitalization of patents (TSEK 174) for the company's technology platforms. Cash flow for the year amounted to TSEK -111,770 (-183,173).

Future outlook
The company's overall goal is to build a portfolio of clinical development projects within immuno-oncology which have a balanced risk profile and can produce substantial income for the company through licensing or sales. As the company's project portfolio is expected to advance to more cost-intensive phases, Alligator's management has concluded that costs for 2019 are expected to increase within the range of approximately 10-20% compared with 2018. The company out-licensed the ADC-1013 project to Janssen Biotech, Inc. and receives milestone payments as the various milestones in the project are achieved. The company does not expect to receive any milestone payments from this project in 2019. In the first quarter of 2019, payments of approximately MSEK 25 after withholding tax are expected from the Biosynergy project, pertaining to revenue recognized in the fourth quarter of 2018.

Environmental information
Alligator's business does not require a permit under the Swedish Environmental Code but it is subjected to regular environmental inspections. We comply with official requirements for the management and destruction of hazardous waste and work actively to reduce our use of environmentally harmful substances and our energy consumption.

Guidelines for remuneration of senior executives
According to the Swedish Companies Act, the shareholders' meeting should decide on guidelines for payments to the CEO and other senior executives. The Annual General Meeting on April 26, 2018 adopted such guidelines. There have been no deviations from these guidelines. The Board proposes that unchanged principles regarding payments to the CEO and other senior executives should apply after the 2019 Annual General Meeting. These principles are essentially as follows.

The company's assumption is that payments should be made on market-based and competitive terms that enable senior executives to be recruited and retained. Payments to senior executives may consist of basic salary, variable remuneration, other benefits and share-related incentive programs. The CEO and other senior executives are generally entitled to other customary benefits that may be considered reasonable in terms of market practice and benefit to the company.

Payments to the CEO and other senior executives should be based on factors such as work responsibilities, expertise, experience, position and performance. The breakdown between basic salary and variable remuneration should also be in proportion to the employee's position and responsibilities. Variable remuneration should be tied to predefined and measurable criteria, designed to promote the company's long-term value creation. The remuneration should not discriminate on the basis of gender, ethnic background, national origin, age, disability or other irrelevant circumstances.

The CEO and other senior executives should be offered a fixed salary which is in line with the market and based on the individual's responsibilities, competence and performance. Apart from their salary, the CEO and other senior

executives will normally be entitled to an annual bonus of no more than 25% or 20% of their basic salary respectively.

Over and above what has been defined in collective agreements or other agreements, the CEO and other senior executives may be entitled to arrange pension solutions on an individual basis. Reductions in salary and variable remuneration may be used to increase pension provisions provided that the cost to the company is unchanged over time.

According to the guidelines, the notice period for the CEO is six months on either side, and for other senior executives, the notice period may not exceed six months. Severance payments, apart from salary paid during the notice period, will only arise for the CEO, who will be entitled to a severance payment equal to six months' salary in the case of termination by the company.

The Board may deviate from the guidelines if there are specific grounds for doing so in any given case. The Board will consider each year whether or not to propose a share-based incentive program to the Annual General Meeting. New issues and transfers of securities decided by the shareholders' meeting according to the rules in Chapter 16 of the Companies Act where the shareholder's meeting has taken or is about to take such decisions.

Share capital and ownership

Alligator's share capital as of December 31, 2018 totaled SEK 28,555,446, made up of 71,388,615 shares with a par value of SEK 0.40. There is only one class of share. Each share entitles the holder to one vote at the Annual General Meeting. On December 31, 2018, Banque Internationale a Luxembourg was the largest shareholder, with 13,634,041 shares accounting for 19.1% of the capital and of the votes.

Share option programs

Subscription option program 2016/2020

At the Annual General Meeting on April 20, 2016, it was decided to establish a subscription option program by issuing no more than 1,000,000 subscription options to a subsidiary for transfer on to employees of the company. A total of 1,000,000 subscription options were issued under the program, of which a total of 857,000 warrants had been transferred to the participants in the program at market value at the end of the quarter. Further transfers will not take place and as a consequence a maximum of 857,000 warrants can be exercised in the program. The warrants were transferred to the participants at market value, calculated according to the Black-Scholes formula. Each warrant in the program entitles the holder to acquire one new share at an exercise price of SEK 75. The warrants can be exercised in the periods from June 1, 2019 until August 31, 2019 and from March 1, 2020 until May 31, 2020.

Employee option program 2016/2020

At the Annual General Meeting on April 20, 2016, it was decided to set up an employee option program whereby 900,000 employee stock options were allotted free of charge to participants. The employee options vest 1/3 on May 1, 2017, 1/3 on May 1,2018 and 1/3 on May 1,2019. Vesting is subject to the participant remaining in the company's employment and not having resigned on a given qualifying date. Of the allotted employee options, 573,318 have been vested, 273,346 may still be vested and 53,336 have lapsed since the individuals to whom they were allotted have since left the company. To secure delivery under the employee option program, and to cover ancillary costs, primarily social security contributions, a total of 1,182,780 warrants were issued to a subsidiary of which 900,000 were allotted to employees free of charge and 282,780 were issued to cover ancillary costs.

As a consequence of the warrants having lapsed can a total of maximum 1,112,686 warrants be exercised in the program. Each warrant in the program entitles the holder to acquire one new share at an exercise price of SEK 75. The warrants can be exercised in the periods from June 1, 2019 until August 31, 2019 and from March 1, 2020 until May 31, 2020.

Employee option program 2018/2022

At the 2018 AGM, it was decided to set up another employee option program whereby 2,275,000 employee options were allotted free of charge to participants. The employee options will be vested in installments until May 1, 2021. Vesting is subject to the participant remaining in the company's employment and not having resigned on a given qualifying date. To secure delivery under the employee stock option program, and to cover ancillary costs, primarily social security contributions, a total of 2,989,805 warrants were issued to a subsidiary of which 2,275,000 were allotted to employees free of charge and 714,805 were issued to cover ancillary costs. Each warrant in the program entitles the holder to acquire one new share at an exercise price of SEK 75. The warrants are expected to be available to exercise one month after the publication of the first quarter reports for 2021 and 2022. At the closing date, 0 of the allotted options were vested, 2,275,000 were still possible to vest, and 0 have become due since no one who had been allotted the options had left the company.

Possible dilution from option programs

Upon full exercise of all warrants issued in respect of the share subscription incentive programs, a total of 4,959,491 shares will be issued, thereby increasing the number of shares to a maximum of 76,348,106, corresponding a to dilution by 6.5%.

Proposed appropriation of profits (SEK)

The Board propose that sums available to the shareholders' meeting:

Share premium reserve	662,740,800
Retained earnings	-74,093,733
Profit/loss for the period	-159,897,695
Total	**428,749,372**

Be allocated as follows:	
Dividend to shareholders (SEK 0 per share)	0
Carried forward to new account	428,749,372
Total	**428,749,372**

Risks and risk management.

Alligator's results have been, and will be, affected by several factors, some of them outside the company's control. The principal factors which Alligator considers have affected the results and can be expected to do so in the future are set out below.

Preclinical and clinical development of drug candidates

Alligator currently has two drug candidates in clinical phase I and a number of drug candidates that are the subject of preclinical studies and research. All of Alligator's drug candidates have to undergo comprehensive preclinical and clinical studies to demonstrate their safety and effect on humans before they can be given regulatory approval to be launched onto the market as finished products. Clinical studies are expensive and time-consuming to conduct, and their outcome is uncertain. This could affect the possibility of commercializing the company's drug candidates.

Alligator tries to minimize the impact of this risk by working with standardized processes, an established project methodology, regular steering group meetings and regular evaluation of the different projects.

Delays in clinical studies are quite usual and may be caused by many different things. Clinical studies may be held up for many different reasons, including delays in e.g.: approval from supervisory authorities to commence a study; failure of contract suppliers to provide their services; recruitment of patients to take part in clinical studies; and the necessary provision of clinical study material.

Particularly with regard to patients, there are many factors that influence the chances of successful recruitment, such as the type of patient population, competing clinical studies and the perception among clinics and patients of the potential benefits of participating in the study.

To avert these risks, Alligator's clinical team strives constantly to establish close relationships with the clinics that are needed to run planned clinical studies effectively.

Limited project portfolio in the early development phase

Alligator has five drug candidates in its project portfolio, with ADC-1013 and ATOR-1015 in clinical phase I, ATOR-1017, ALG.APV-527 and ATOR-1144 in preclinical phase and a number of projects in the research phase. Alligator has invested substantial sums in developing these drug candidates and further significant investment will be needed for their ongoing and continued development. The company has licensed ADC-1013 to Janssen, which is responsible for the financing and running of continued clinical development of the drug candidate. This means that the company's remaining project portfolio consists of a small number of drug candidates that are in the early clinical and preclinical phase at best. In view of the large amount of research and capital still to be invested in these drug candidates, there could be a serious negative impact on the company if one or more of the drug candidates should suffer setbacks.

Alligator's strategy for reducing these risks is to expand the project portfolio with further drug candidates for tumor-directed immunotherapy, developed in-house, under license or through partnerships.

Dependence on partners for development commercialization

The company is dependent on current and future licensing, collaboration and other agreements with experienced partners for the development and successful commercialization of existing and future drug candidates. One example of this is that the company has licensed ADC-1013 to Janssen, which means that the financing and management of continued clinical development of ADC-1013 are handled by Janssen. In return, Alligator has the right to an introductory payment, development and sales-related milestone payments and sales-based royalties, which currently make up most of the company's revenue from development-based milestone and license payments. The license agreement with Janssen is therefore very important to Alligator's operations, profits and financial position.

Alligator's dependence on collaboration carries a number of risks, such as: the company cannot control the volume of resources or the time when these resources are to be dedicated to the drug candidates; the company may be required to waive significant rights, including intellectual property rights and marketing and distribution rights; and the ability of the company's partners to meet their commitments under the collaboration agreement may be affected by changes in a partner's business strategy.

Alligator strives to reduce this risk by thoroughly evaluating potential partners, assigning sufficient and appropriate resources and running more projects.

Market acceptance

So far none of the company's drug candidates has been commercialized. Even if the company's drug candidates are approved for marketing and sale by the competent authorities, doctors might not prescribe them, which could prevent the company from generating income or achieving profitability. Market acceptance of potential future products from the company and its partners will depend on a number of factors, including: the clinical indications for which the product has been approved; acceptance by doctors, patients and buyers; perceived benefits compared to competing treatments; the extent to which the product has been approved for use in hospitals and 'managed care' organizations; and access to adequate reimbursement systems and price subsidies.

Alligator's ability to influence these risks is limited and mainly involves the company considering these factors carefully when out-licensing product candidates.

Competition

The development and commercialization of new pharmaceutical products is extremely competitive. Alligator is exposed to competition in relation to its current drug candidates, and will be exposed to competition in relation to all drug candidates that it may try to develop or commercialize in the future, from large pharmaceutical companies, specialized drug companies and biotech firms all over the world. There are a small number of approved products on the market and a lot of pharmaceutical and biotech companies engaged in research and development of drugs for immunotherapy of cancer, including several large, well-defined pharmaceutical companies.

Alligator strives to reduce competition by developing clearly differentiated drug candidates and through strategic partnerships that can bring other competitive advantages.

Key persons and qualified employees

Alligator is dependent on the company's senior executives and on a number of other key persons. Alligator's ability to retain and recruit qualified employees is vital to the company's future success and growth opportunities, and there is a risk of not being able to recruit on satisfactory terms in the face of competition from companies in the industry, universities and other institutions. If the company should lose key persons or be unable to go on recruiting qualified employees in the future, this could have a negative effect on Alligator's business.

The company handles these risks by working actively to make Alligator an attractive and enjoyable place to work, where employees are enabled to develop within their roles. The company also has a wide network from which to recruit the skills that it needs.

Liquidity risk

Alligator is dependent on liquidity to be able to meet its commitments related to the Group's financial liabilities. The company's activities in research and development work mean that parts of its available liquidity are being consumed all the time. The inflow of liquidity is very irregular and comes mainly with various events related to licensing agreements.

To reduce this risk, the company has ensured that it has sufficient liquidity to run its ongoing projects for at least two years. This has been achieved through the agreement to out-license ADC-1013 and through a new share issue in November 2016.

Currency fluctuations

Alligator is based in Sweden and reports its financial position and results in SEK. Alligator's income is currently made up mainly of payments under the licensing agreement with Janssen Biotech Inc. and the license agreement with the third party Shanghai Helnius Biotech, Inc. via its partner AbClon Inc., which are made in USD. Alligator also regularly purchases services in currencies other than SEK. The currency flows from the purchase and sale of goods in currencies other than SEK produce what is known as transaction exposure. If Alligator's measures to handle the effects of movements in exchange rates do not prove to be effective enough, Alligator's results may be affected positively or negatively. In its financial policy, Alligator has established rules for minimizing the risk of losses arising from currency fluctuations. The company is based in Lund in Sweden, and most of its costs are in SEK.

The company's cash and cash equivalents are therefore held mostly in SEK. A certain amount of USD, EUR and GBP is held in currency accounts equating to eighteen months' expected needs. Expected inflows in currencies other than SEK are not hedged as it is hard to determine the date on which the inflow will come.

Corporate governance report.

Alligator's corporate governance is governed by the Nasdaq Stockholm rules for issuers, the Swedish Corporate Governance Code (the "Code"), the Swedish Companies Act, good practice in the stock market and other applicable rules and recommendations, and the company's articles of association and internal governing documents. The internal governing documents mainly cover the rules of procedure for the Board, the mandate to the CEO and the terms of reference for financial reporting. Alligator also has a number of policy documents and manuals containing rules and recommendations, laying down principles and providing guidance for the company's operations and for its employees.

This corporate governance report has been drawn up in accordance with the rules in the Annual Accounts Act and in the Code. The corporate governance report has been reviewed by the company's auditors in accordance with the provisions of the Annual Accounts Act, and the auditor's opinion is included in the auditor's report on pages 80-84.

Shareholders

At the end of 2018, Alligator had 5,176 shareholders. The number of shares was 71,388,615. There is only one class of share. Each share entitles the holder to one vote at the Annual General Meeting, and all shares have equal rights to the company's assets and profits.

Further details of Alligator's shareholder structure, shares etc. are presented on pages 18-19.

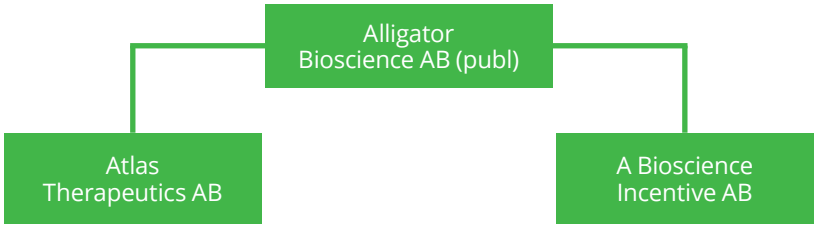
Shareholders' meeting

The shareholders' right to decide on the company's affairs is exercised through the supreme decision-making body, the shareholders' meeting (Annual General Meeting or any extraordinary general meeting). For example, the meeting decides on changes to the articles of association, appoints the Board and the auditors, approves the income statement and balance-sheet, releases the Board and CEO from liability, decides on the appropriation of profit/loss, and adopts principles for appointing the nomination committee and guidelines for remuneration of senior executives.

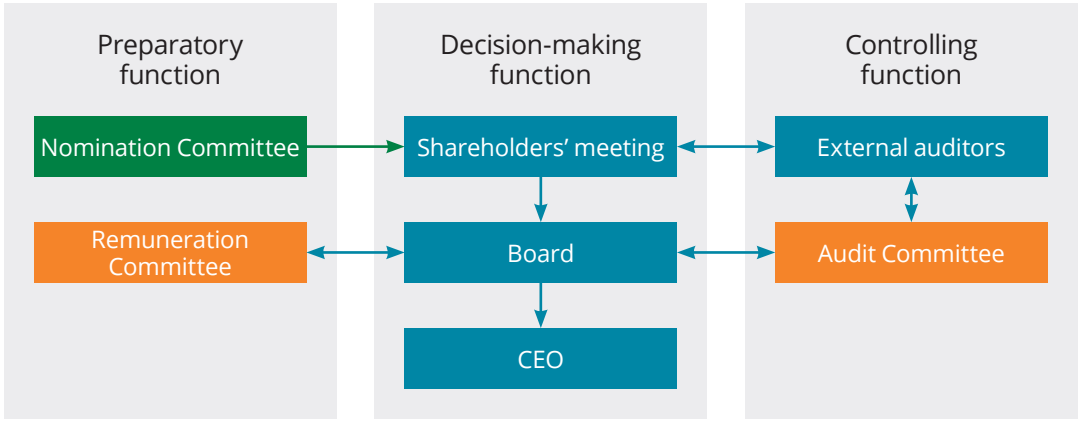
Shareholders may raise a given issue for discussion at the shareholders' meeting. Shareholders who wish to exercise this right must submit a written request to the Board of the company. Such requests must normally reach the Board no later than seven weeks before the shareholders' meeting.

The shareholders' meeting is held in Lund, Sweden. Invitations to the Annual General Meeting and any extraordinary general meeting which is to discuss changes to the articles of association must be sent out no more than six weeks and no later than four weeks before the meeting. Invitations to other extraordinary general meetings must be sent out no more than six weeks and no less than three weeks before the meeting. Invitations are published

Legal structure



Overview of corporate governance in the Alligator Group



in Post- och Inrikes Tidningar (the Swedish government gazette) and on the company's website. The issuing of invitations is also advertised in Dagens Industri.

In order to participate in the shareholders' meeting, shareholders must be entered in the register of shareholders maintained by Euroclear Sweden AB no later than five working days before the meeting, and notify the company no later than the date provided in the meeting invitation. This day may not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not be earlier than five working days before the shareholders' meeting.

Annual General Meeting 2018

At the Annual General Meeting held on April 26, 2018, Peter Benson was re-elected as Chairman of the Board and Carl Borrebaeck, Ulrika Danielsson, Anders Ekblom, Kenth Petersson and Jonas Sjögren were re-elected as ordinary members of the Board. Furthermore, Ernst & Young AB were re-appointed as auditors. The Annual General Meeting decided on the fees to the Board as described under Remuneration of the Board below. Finally, the Annual General Meeting also approved the instructions and rules of procedure for the nomination committee as described under Nomination committee below, and the remuneration policy for senior executives as set out in the administration report.

Nomination Committee

The Code stipulates that the company should have a nomination committee whose duties should include preparing and producing proposals for the election of Board members, the Chairman of the Board, the chair of the shareholders' meeting and the auditors. The nomination committee should also propose the fees payable to Board members and auditors. At the Annual General Meeting on April 26, 2018, it was decided to adopt an instruction and rules of procedure for the nomination committee whereby the nomination committee should be made up of four members representing the three largest shareholders on the last working day of June, and the Chairman of the Board. The largest shareholders are owner-registered shareholders or other known shareholders as of the last working day in June. Before accepting the assignment, a member of the nomination committee should consider carefully whether there is any conflict of interest.

If any of the three largest shareholders declines to appoint a representative, or their representative leaves or steps down before completing the assignment without the shareholder that appointed the member appointing a new one, the Chairman of the Board must invite the next-biggest shareholders in order of size down to the tenth-largest (i.e. starting with the fourth-largest) to appoint a shareholder representative within one week of the request. If, despite such requests, only three members have been appointed four months before the Annual General Meeting, the nomination committee must be able to be constituted with three ordinary members and it must then be able to decide whether or not this procedure should be pursued to appoint the fourth member.

The members of the nomination committee should be published no later than six months before the Annual General Meeting on the company's website. In the event of significant changes of ownership earlier than six weeks before the Annual General Meeting, a new shareholder representative should be appointed. The Chairman of the Board should then contact which-ever of the three largest shareholders has no share-holder representative and invite them to appoint one. When this shareholder representative is appointed they should join the nomination committee and replace the previous member who no longer represents one of the three largest shareholders.

The nomination committee must meet the requirements for its composition laid down in the Code. If the larger shareholders who are entitled to appoint members of the nomination committee wish to appoint people who cause the requirements for the composition of the committee laid down in the Code not to be satisfied, a larger shareholder will take precedence over a smaller in its choice of member. When a new member is appointed as a result of significant changes in ownership, the shareholder who is to appoint a new member must consider the composition of the existing nomination committee. The nomination committee should appoint its own chairperson. The Chairman of the Board or other Board representative may not chair the nomination committee. The mandate for the appointed nomination committee will run until a new nomination committee is appointed.

Fees may be paid to the members of the nomination committee as decided by the shareholders' meeting.

In accordance with the instruction adopted, a nomination committee has been constituted ahead of the 2019 Annual General Meeting comprising: Kirsten Drejer representing Sunstone Life Science Ventures Fund II K/S, Jonas Sjögren representing Jonas Sjögren, Lars Bergkvist (chairman) representing Lars Spånberg and the Chairman of the Board Peter Benson.

External audit

The company's auditor is appointed by the Annual General Meeting for the period up to the end of the next AGM. The auditor reviews the annual report and accounts and the administration by the Board and the CEO. After each financial year, the auditor is required to submit an audit report to the shareholders' meeting.

The company's auditor reports his/her observations from the audit to the Board each year, along with an assessment of the company's internal control.

At the Annual General Meeting on April 26, 2018, Ernst & Young Aktiebolag was re-elected as the company's auditor, with certified public accountant Johan Thuresson as chief auditor. The Annual General Meeting also decided that

fees should be paid to the auditor in accordance with the usual charging rules and approved invoices. The auditor's fee for the 2018 financial year was SEK 591,000.

The Board of Directors

Duties of the Board

Next to the shareholders' meeting, the Board is the company's highest decision-making body. The Board is responsible for the organization of the company and the management of the company's affairs, e.g. by setting its goals and strategy, maintaining procedures and systems to monitor the specified goals, continuously assessing the company's economic situation and evaluating its operational management. The Board is also responsible for ensuring that correct information is given to the company's stakeholders, that the company complies with laws and regulations and that the company produces and implements internal policies and ethical guidelines. The Board also appoints the company's CEO and decides on his/her salary and other remuneration based on the guidelines adopted by the shareholders' meeting.

Composition of the Board

The members of the Board appointed by the shareholders' meeting are elected each year at the Annual General Meeting for the period up to the next AGM. According to the company's articles of association, the Board should comprise at least three and at most eight members, without deputies.

According to the Code, the majority of the Board members elected by the shareholders' meeting should be independent of the company and of its senior management. To decide whether or not a member is independent, an overall assessment should be made of all matters that could cast doubt on the member's independence of the company or its senior management. According to the Code, at least two of the members who are independent of the company and of its senior management should also be independent of major shareholders. Major shareholders are those who directly or indirectly control 10% or more of all shares and votes in the company. To determine a member's independence, the extent of that member's direct and indirect relationships with the major shareholder should be taken into consideration. A Board member who is an employee or board member in a company that is a major shareholder is not considered to be independent.

The Board's assessment is that all members are independent of major shareholders. With the exception of Carl Borrebaeck, all members of the Board are independent in relation to the company and its management. As indicated, the Board of Directors is of the opinion that the company meets the Code's independence requirements.

Chairman of the Board

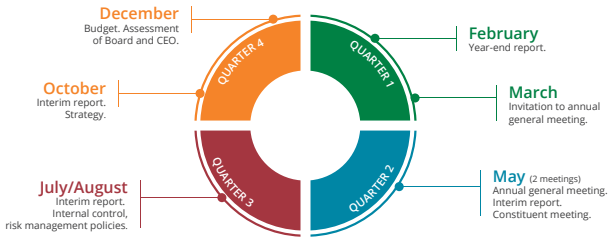
The role of the Chairman is to lead the work of the Board, and to ensure that its work is carried out effectively and that the Board can meet all its obligations.

The Chairman should meet with the CEO to monitor developments in the company and ensure that the members of the Board are provided through the auspices of the CEO with the information needed to monitor the company's position, financial planning and development.

The Chairman should also consult with the CEO on strategic matters and check that the decisions of the Board are implemented in an effective manner.

The Chairman is responsible for contacts with shareholders on matters of ownership and for conveying the views of the shareholders to the Board. The Chairman is not involved in the day-to-day work of the company. Nor is he a member of senior management.

Board meetings 2018



Board and committee members 2018

		Attendance		
Name	Position	Board	Audit Committee	Remuneration Committee
Peter Benson	Chairman of the Board, Member of Remuneration Committee	9/9		4/4
Carl Borrebaeck	Board Member	8/9		
Ulrika Danielsson	Board Member, Chair of Audit Committee, Member of Remuneration Committee	8/9	5/5	4/4
Anders Ekblom	Board Member, Chair of Remuneration Committee	8/9		4/4
Kenth Petersson	Board Member, Member of Audit Committee	9/9	5/5	
Jonas Sjögren	Board Member, Member of Audit Committee	8/9	5/5	
Laura von Schantz	Board Member, Employee representative	9/9		

Work of the Board
The Board follows written rules of procedure that are reviewed each year and adopted by the constituent Board meeting. Among other things, the rules of procedure govern the Board's working methods, tasks, decision-making within the company, the meeting schedule for the Board, the tasks of the Chairman and the breakdown of responsibilities between the Board and the CEO. The terms of reference for financial reporting and instructions to the CEO are also adopted at the constituent Board meeting.

The work of the Board is also driven by an annual presentation schedule, to meet the Board's need for information. The Chairman and the CEO, along with the members of the Board, maintain an ongoing dialog on the management of the company.

The Board meets according to a predefined annual timetable and should hold at least seven ordinary Board meetings between Annual General Meetings. Extra meetings may also be arranged to deal with matters that cannot be postponed to any of the ordinary meetings. In 2018, the Board met on a total of nine occasions.

The yearly evaluation of the Board has been performed by an external part through individual interviews with the members of the Board and Group Management. They have given feedback on their on how the Board works, composition and areas for improvement. The feedback has been reported back to the nomination committee and the Board consolidated.

Remuneration of the Board
Fees for the Board members elected by the shareholders' meeting are decided by the Annual General Meeting. Before the 2019 Annual General Meeting, the nomination committee will submit proposals for the fees to be paid. At the Annual General Meeting on April 26, 2018, it was decided that the fees should be SEK 550,000 to the Chairman and SEK 300,000 to each of the ordinary Board members who are not employees of the company. It was also decided that payment for committee work should be made at SEK 125,000 for the chair of the Audit Committee, SEK 30,000 to each of the ordinary members of the Audit Committee and SEK 25,000 to the chair of the Remuneration Committee. No additional fees were paid for work by ordinary members of the Remuneration Committee. See also Note 12 Payments to senior executives.

Audit Committee
The Audit Committee monitors the company's financial position and the effectiveness of its internal control and risk management. It keeps itself informed of the audit of the annual accounts and consolidated accounts, and reviews and monitors the impartiality and independence of the auditor. The Audit Committee should also assist the nomination committee with resolutions on the election of and fees payable to the auditor. Since the Annual General Meeting on April 26, 2018, the Audit Committee has comprised Ulrika Danielsson (Chair), Kenth Petersson and Jonas Sjögren.

Remuneration Committee
The Remuneration Committee chiefly addresses questions of remuneration and other conditions of employment of the CEO and senior executives. The Remuneration Committee should also follow up and evaluate ongoing variable remuneration schemes for senior management and those schemes completed during the year and follow up and assess compliance with the guidelines on remuneration of senior executives decided on by the Annual General Meeting. Since the Annual General Meeting on April 26, 2018, the Remuneration Committee has comprised Anders Ekblom (Chair), Ulrika Danielsson and Peter Benson.

CEO and other senior executives
The CEO is subordinate to the Board and his main task is to handle the company's day-to-day management and operations. The rules of procedure for the Board and the instruction to the CEO set out the matters to be decided by the Board of the company and those for which the CEO is responsible.

The CEO is also responsible for producing reports and decision documents ahead of the Board meetings, and for presenting this material at Board meetings.

Alligator's Management Team consists of six persons: the CEO, the Chief Financial Officer, Chief Medical Officer, Vice President (VP) Discovery, Senior VP Preclinical Development and VP Business Development.

Remuneration of senior executives
The remuneration of senior executives may consist of basic salary, variable remuneration, pension benefits, other benefits and severance conditions. The CEO and other senior executives were paid salaries and other remuneration for the 2018 financial year as set out in Note 12.

The notice period for the CEO is six months, whichever party serves notice. The CEO will be entitled to a severance payment equal to six months' salary in the case of termination by the company. The notice period for other senior executives is six months, whichever party serves notice. No severance payments have been agreed for other senior executives.

See also Guidelines for remuneration to senior executives on page 31.

Internal control
The Board's responsibility for internal control is laid down in the Companies Act, the Annual Accounts Act, which contains requirements to the effect that details of the major features of Alligator's systems for internal control and risk management in relation to financial reporting must be included in the corporate governance report, and the Code. Among other things, the Board is required to ensure that Alligator has good internal control and formalized procedures to ensure that the established principles for finan-

cial reporting and internal control are adhered to and that there are suitable systems for follow-up and control of the company's activities and the risks inherent in the company and its operations.

The overall purpose of internal control is to provide reasonable assurance that the company's operational strategies and goals are followed up and that the shareholders' investments are protected. The internal control should also provide reasonable assurance that external financial reporting is reliable and prepared in accordance with good auditing practice, that applicable laws and regulations are obeyed and that requirements for listed companies are complied with. Internal control essentially covers the following five components.

Control environment
The Board bears the overall responsibility for internal control over financial reporting. In order to create and maintain a functioning control environment, the Board has adopted a number of policies governing financial reporting. These mainly comprise the rules of procedure for the Board, the mandate to the CEO and the terms of reference for financial reporting. The Board has also adopted a special set of signatory rules and a financial policy. The company also has a finance manual containing principles, guidelines and process specifications for accounting and financial reporting. The Board has also set up an Audit Committee whose main task is to ensure that the approved principles for financial reporting and internal control are complied with and that regular contact with the company's auditor is maintained. The responsibility for maintaining an effective control environment and for the day-to-day work on internal control over financial reporting rests with the CEO. The CEO reports to the Board on a regular basis in accordance with the instruction to the CEO and the terms of reference for financial reporting. The Board also receives reports from the company's auditor.

Based on a control environment assessed as good and an external review by auditors, the Board has determined that there are no special circumstances in the business or other matters to justify setting up an internal audit function.

Risk assessment
The risk assessment involves identifying risks that could arise if the fundamental requirements for financial reporting in the company were not met. In a separate risk assessment document, Alligator's Management Team has identified and evaluated the risks arising in the company's operations and assessed how these risks can be handled. Within the Board, the Audit Committee bears the primary responsibility for regularly assessing the company's risk situation, after which the Board carries out an annual review of the risk situation.

Control activities
Control activities contain identified risks and ensure correct and reliable financial reporting. The Board is responsible for internal control and monitoring by senior management. This is done via both internal and external control activities and through review and follow-up of the company's governing documents relating to risk management.

Information and communication
The company has information and communication paths designed to promote accuracy in financial reporting and to enable reporting and feedback from the business to the Board and management, such as by making governing documents in the form of internal policies, guidelines and instructions available and known to the employees concerned. The Board has also adopted an information policy governing the company's disclosure of information.

Follow-up
Compliance with and effectiveness of the internal controls are followed up on a regular basis. The CEO ensures that the Board receives regular reports on the development of the company's operations, including the development of the company's results and financial position and details of significant events such as research findings and major agreements. The CEO also reports on these matters at each Board meeting.

Board of Directors.

Peter Benson | Chairman

Born 1955. Chairman since 2014 and Board member since 2011. Swedish graduate in business administration from Lund University in Sweden and has an MA in Economics from the University of California. Peter Benson is Chairman and General Partner of Sunstone Capital Life Science Ventures and has previously inter alia been Head of Life Science Investments for Vækstfonden (The Danish Growth Fund) and part of Pharmacia AB's group management.
Other current positions: Chairman of Ascelia AB, Good Partners AB, and Sunstone Capital A/S. Board member of Arcoma Aktiebolag, Jollingham AB, Montela Aktiebolag, Opsona Therapeutics Ltd., and CMC SPV of 3 April 2017.
Holdings in Alligator: None
Independent in relation to the Company, its senior management and major shareholders.

Carl Borrebaeck

Born 1948. Board member since 2001. Professor at the Department of Immunotechnology and Programme Director of the CREATE Health Translational Cancer Research Centre at Lund University. Carl is a co-founder of Alligator and a board member of the Royal Swedish Academy of Engineering Sciences (IVA) and former Vice-Chancellor of Lund University. In 2009, Carl was awarded AkzoNobel's Science Prize and 2012 he received IVA's gold medal for his pioneering research on biomarkers. In 2017 he was designated as the Biotech builder of the Year for his entrepreneurship. He has founded five companies in life science and eHealth.
Other current positions: Chairman of Immunovia AB, PainDrainer AB and SenzaGen AB. Board member of Qlucore AB, Scandion AS and CB Ocean Capital AB. Partner of Immunova HB.
Holdings in Alligator: 1,200,833 shares.
Non-independent in relation to the Company, its management, but dependent in relation to major shareholders.

Ulrika Danielsson

Born 1972. Board member since 2016. MBA from the Gothenburg School of Business, Economics and Law at the University of Gothenburg, and has been the CFO of Castellum AB (publ) since 2014. She has worked for the Castellum Group in various senior positions since 1998 and has been a member of the corporate management of Castellum since 2006.
Other current positions: Ulrika Danielsson is a Board member and deputy Board member respectively for a number of subsidiaries and second-tier subsidiaries within the Castellum Group, and Board member of Slättö Förvaltning AB and John Mattson Fastighetsföretagen AB.
Holdings in Alligator: None
Independent in relation to the Company, its senior management and major shareholders.

Anders Ekblom

Born 1954. Board member since 2017. Physician, board certified in anesthesia and intensive care, dentist and Associate Professor in physiology at the Karolinska Institute. Anders Ekblom has extensive experience from the biopharmaceutical industry globally, including being EVP Global Medicines Development at AstraZeneca and CEO and President of AstraZeneca AB Sweden.
Other current positions: Chairman of TFS International AB and Elypta AB. Board member of AnaMar AB, NxtScience AB, Infant Bacterial Therapeutics AB, LEO Pharma A/S and Mereo BioPharma Group plc.
Holdings in Alligator: 19,658 shares
Independent in relation to the Company, its senior management and major shareholders.

Kenth Petersson

Born 1956. Board member since 2001. BA from Lund University with long experience of working in both the finance and biotechnology sectors, including as an analyst. He has been a business angel for more than 15 years and has founded a number of biotechnology companies.

Other current positions: Chairman of AlphaBeta AB, Biocrine AB, Biocrine Regenative Medicine AB and Spiber Technologies AB. Board member of Science Pacific AB and Genovis AB.
Holdings in Alligator: 408,000 shares.
Independent in relation to the Company, its senior management and major shareholders.

Jonas Sjögren

Born 1966. Board member since 2015. Swedish graduate engineer in electrical engineering from Chalmers University of Technology, Registered medical doctor from the Sahlgrenska Academy (Faculty of Health Sciences at the University of Gothenburg), and has an MBA from INSEAD.
Other current positions: Chariman of Exceca Allocation AB and Alsteron AB. Board member of Storytel AB (publ), Oblique Therapeutics AB and CMC SPV of 3 April 2017 AB. Deputy Board member of Delibr AB.
Holdings in Alligator: 4,936,388 shares.
Independent in relation to the Company, its senior management and major shareholders.

Laura von Schantz

Born 1982. Board member since 2017. Swedish graduate engineer in biotechnical engineering with a PhD in immuno-technology from Lund University. Employee representative.

Other current positions: None
Holdings in Alligator: 25,000 warrants,
25,000 employee stock options in the 2016/2020 program,
25,000 employee stock options in the 2018/2022 program.

Information regarding individuals' own and related parties' shareholdings pertain to the situation on December 31, 2018.

Alligator's management.

Per Norlén | CEO

Born 1970. Medical doctor with board certification in clinical pharmacology, and a PhD and associate professorship in experimental and clinical pharmacology at Lund University. Per Norlén has 25 years of research experience in pharmacology including 15 years of experience in clinical drug development. Employed since 2010 and member of the Management Team since 2010.

Other current positions: Chariman of A Bioscience Incentive AB and board member of Atlas Therapeutics AB.
Holdings in Alligator: 110,500 shares, 200,000 warrants, 250,000 employee stock options in the 2016/2020 program and 230,000 employee stock options in the 2018/2022 program.

Anu Balendran | VP Business Development

Born 1975. PhD in biochemistry from the University of Dundee, UK. Anu has close to 20 years' experience from different positions within AstraZeneca R&D, the last eight years in international business development, most recently as External Innovation Director. Employed since 2018 and member of the Management Team since 2018.

Other current positions: None.
Holdings in Alligator: 1,000 shares and 135,000 employee stock options in the 2018/2022 program.

Peter Ellmark | VP Discovery

Born 1973. PhD and associate professor in Immunotechnology at Lund University. More than 15 years' experience of developing antibodies for immunotherapy of cancer. Employed since 2008 and member of the Management Team since 2018.

Other current positions: None
Holdings in Alligator: 10,000 shares, 50,000 warrants, 50,000 employee stock options in the 2016/2020 program and 135,000 employee stock options in the 2018/2022 program.

Christina Furebring | SVP Preclinical Development

Born 1964. PhD in immune technology from Lund University. She is also a co-founder of the FIND technology which is a cornerstone of Alligator's technology platform. Christina Furebring has more than 20 years' experience of working on the optimization of proteins and antibodies. Employed since 2001 and member of the Management Team since 2001.

Other current positions: Deputy Board Member in A Bioscience Incentive AB and Atlas Therapeutics AB.
Holdings in Alligator: 100,000 shares, 120,000 warrants, 150,000 employee stock options in the 2016/2020 program and 135,000 employee stock options in the 2018/2022 program.

Charlotte A. Russell | Chief Medical Officer

Born 1964. Medical doctor with board certifications in hematology and internal medicine, and has a PhD in medical science from Copenhagen University. Charlotte has more than 25 years of research and clinical experience, including 10 years with clinical drug development in biotech/pharmaceutical companies. Employed since 2018 and member of the Management Team since 2018.

Other current positions: None
Holdings in Alligator: 135,000 employee stock options in the 2018/2022 program.

Per-Olof Schrewelius | Chief Financial Officer

Born 1963. MSc in Business Administration and Economics from Lund University and over 20 years of experience from different CFO and Finance Manager positions in various industries including medical technology and engineering. Employed since 2016 and member of the Management Team since 2016.

Other current positions: Board member of A Bioscience Incentive AB.
Holdings in Alligator: 10,000 shares, 125,000 warrants, 135,000 employee stock options in the 2018/2022 program.

Information regarding individuals' own and related parties' shareholdings pertain to the situation on December 31, 2018.

Financial Statements

Consolidated income statement

TSEK	Note	2018	2017
Net sales	6	26,959	56,875
Other operating income	7	1,555	895
Total operating income		**28,514**	**57,770**
Operating costs			
Other external costs	8,9,10	-121,162	-77,899
Personnel costs	11,12	-52,144	-37,920
Depreciation and impairment of tangible and intangible assets	19,20,21,22,23	-5,902	-3,204
Other operating costs	13	-2,387	-1,045
Total operating costs		**-181,594**	**-120,068**
Operating profit/loss		**-153,080**	**-62,299**
Financial items			
Profit/loss from other securities and receivables	14	1,160	745
Financial income	15	7,465	3,969
Financial costs	16	-5,587	-6,173
Net financial items		**3,037**	**-1,460**
Profit/loss before tax		**-150,043**	**-63,758**
Tax on profit for the period	17	0	0
Profit/loss for the year attributable to Parent Company shareholders		**-150,043**	**-63,758**
Earnings per share, SEK	18		
Before dilution		-2.10	-0.89
After dilution		-2.10	-0.89

Consolidated statement of comprehensive income

TSEK	Note	2018	2017
Profit/loss for the year		-150,043	-63,758
Other comprehensive income		0	0
Comprehensive income attributable to Parent Company shareholders		**-150,043**	**-63,758**

Consolidated statement of financial position

Assets

TSEK	Note	12/31/2018	12/31/2017
ASSETS			
Fixed assets			
Intangible assets			
Participations in development projects	19	17,949	17,949
Patents	20	702	1,454
Softwares	21	464	0
Tangible assets			
Improvements in leased premises	22	2,434	2,459
Equipment, machinery and computers	23	15,804	13,739
Financial noncurrent assets			
Other investments helds as fixed assets	25	53,259	74,122
Total fixed assets		**90,612**	**109,722**
Current assets			
Accounts receivables	26	25,328	53,096
Other receivables	27	4,564	3,604
Prepayments and accrued income	28	4,521	3,692
Other short-term financial assets	25	20,254	0
Cash and cash equivalents	29	362,878	472,919
Total current assets		**417,545**	**533,311**
TOTAL ASSETS		**508,156**	**643,033**

Consolidated statement of financial position

Equity and liabilities

TSEK	Note	12/31/2018	12/31/2017
EQUITY AND LIABILITIES			
Equity			
Share capital (71,388,615 shares at a par value of SEK 0.40)	30	28,555	28,555
Other Capital contributions	30	662,614	662,614
Retained earning		-222,860	-73,214
Equity attributable to Parent Company shareholders		**468,310**	**617,956**
Current liabilities			
Accounts payable		17,702	13,569
Other liabilities		1,564	1,193
Accrued expenses and deferred income	31	20,580	10,315
Total current liabilities		**39,847**	**25,078**
TOTAL EQUITY AND LIABILITIES		**508,156**	**643,033**

Consolidated statement of changes in equity

	Attributable to Parent Company shareholders			
TSEK	Share capital	Other Capital Contributions	Retaind earnings incl. profit/loss for the period	Total Equity
Equity, January 1, 2017	**28,045**	**657,949**	**-9,809**	**676,185**
Profit/loss for the period			-63,758	-63,758
Other comprehensive income				0
Comprehensive income for the period	**0**	**0**	**-63,758**	**-63,758**
Other changes in equity				
New share issue	510	4,665		5,175
Underwriting expenses				0
Option premiums received				0
Effect of share-based payments			354	354
Equity, December 31, 2017	**28,555**	**662,614**	**-73,214**	**617,956**
Equity, January 1, 2018	**28,555**	**662,614**	**-73,214**	**617,956**
Profit/loss for the period			-150,043	-150,043
Other comprehensive income				0
Comprehensive income for the period	**0**	**0**	**-150,043**	**-150,043**
Other changes in equity				
New share issue				0
Underwriting expenses				0
Option premiums received				0
Effect of share-based payments			397	397
Equity, December 31, 2018	**28,555**	**662,614**	**-222,860**	**468,310**

Consolidated statement of cash flows

TSEK	Note	2018	2017
Cash flow from operating activities			
Operating profit/loss		-153,080	-62,299
Adjustments for items not generating cash flow			
Depreciation and impairments	19,20,21,22,23	5,902	3,204
Effect from warrant program		397	354
Other items, no impact on cash flow		32	822
Interest received		1,886	1,178
Interest paid		0	-19
Tax paid		0	0
Cash flow from operating activities before changes in working capital		**-144,863**	**-56,760**
Changes in working capital			
Change in operating receivables		25,979	-43,351
Change in operating liabilities		14,769	482
Cash flow from operating activities		**-104,115**	**-99,629**
Investing activities			
Acquisition of securities		0	-74,520
Acquisition of intangible assets	20,21	-541	-174
Acquisition of tangible assets	22,23	-7,124	-14,026
Sales of tangible assets	23	10	0
Cash flow from investing activities		**-7,655**	**-88,720**
Financing activities			
New share issue		0	5,175
Cash flow from financing activities		**0**	**5,175**
Cash flow for the period		**-111,770**	**-183,174**
Cash and cash equivalents at beginning of period		472,919	659,136
Exchange rate differences in cash and cash equivalents		1,728	-3,043
Cash and cash equivalents at end of period	29	**362,878**	**472,919**

Parent Company income statement

TSEK	Note	2018	2017
Net sales	6	1,751	55,715
Other operating income	7	1,555	895
Total operating income		**3,307**	**56,609**
Operating costs			
Other external costs	8,9,10	-121,159	-77,895
Personnel costs	11,12	-52,144	-37,920
Depreciation and impairment of tangible assets	20,21,22,23	-5,902	-3,204
Other operating costs	13	-2,121	-1,045
Total operating costs		**-181,325**	**-120,064**
Operating profit/loss		**-178,019**	**-63,454**
Results from financial items			
Result from other securities and receivables	14	1,160	745
Other interest income and similar income statement items	15	7,871	3,147
Interest expense and similar income statement items	16	-5,587	-6,173
Net financial items		**3,444**	**-2,281**
Profit/loss after financial items		**-174,575**	**-65,736**
Appropriations			
Group contribution received		14,677	0
Total appropriations		**14,677**	**0**
Result before tax		**-159,898**	**-65,736**
Tax on profit for the year	17	0	0
Profit/loss for the period		**-159,898**	**-65,736**

Parent Company statement of comprehensive income

TSEK	Note	2018	2017
Profit/loss for the period		-159,898	-65,736
Other comprehensive income		0	0
Profit/loss for the year		**-159,898**	**-65,736**

Parent Company balance sheet

Assets

TSEK	Note	12/31/2018	12/31/2017
ASSETS			
Fixed assets			
Intangible assets			
Patents	20	702	1,454
Softwares	21	464	0
		1,166	**1,454**
Tangible assets			
Improvements in leased premises	22	2,434	2,459
Equipment, machinery and computers	23	15,804	13,739
		18,238	**16,198**
Financial assets			
Participations in Group companies	24	20,294	20,294
Other investments held as fixed assets	25	53,259	74,122
		73,553	**94,416**
Total fixed assets		**92,957**	**112,068**
Current assets			
Current receivables			
Accounts receivable	26	387	53,096
Receivables from Group companies		14,677	0
Other receivables	27	4,563	3,604
Prepayments and accrued income	28	4,521	3,692
Total current receivables		**24,148**	**60,392**
Other short-term investments	25,29	270,693	275,000
Cash and bank deposits	29	109,353	194,424
Total current assets		**380,047**	**469,424**
Total current assets		**404,195**	**529,816**
TOTAL ASSETS		**497,152**	**641,883**

Parent Company balance sheet

Equity and liabilities

TSEK	Note	12/31/2018	12/31/2017
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (71,388,615 shares at a par value of SEK 0.40)	30	28,555	28,555
		28,555	**28,555**
Non-restricted equity			
Share premium reserve		662,741	662,741
Retained earnings		-74,094	-8,755
Profit/loss for the period		-159,898	-65,736
		428,750	**588,251**
Total equity		**457,305**	**616,806**
Current liabilities			
Accounts payable		17,702	13,569
Other liabilities		1,564	1,193
Accrued expenses and deferred income	31	20,580	10,315
Total current liabilities		**39,847**	**25,078**
TOTAL EQUITY AND LIABILITIES		**497,152**	**641,883**

Parent Company statement of changes in equity

	Restricted equity		Non-restricted equity			
TSEK	Share capital	Paid not registered share capital	Share Premium reserve	Retained earnings	Profit/loss for the period	Total
Equity, January 1, 2017	**28,045**	**6,300**	**651,775**	**40,147**	**-49,256**	**677,013**
Conversion of previous year's results				-49,256	49,256	0
Profit/loss for the period					-65,736	-65,736
Other comprehensive income						0
Comprehensive income for the period	**0**	**0**	**0**	**-49,256**	**-65,736**	**-65,736**
Other changes in equity						
New share issue	510		4,665			5,175
Underwriting expenses		-6,300	6,300			0
Effect of share-based payments				354		354
Equity, December 31, 2017	**28,555**	**0**	**662,741**	**-8,755**	**-65,736**	**616,805**
Equity, January 1, 2018	**28,555**	**0**	**662,741**	**-8,755**	**-65,736**	**616,805**
Conversion of previous year's results				**-65,736**	**65,736**	**0**
Profit/loss for the period					-159,898	-159,898
Other comprehensive income						0
Comprehensive income for the period	**0**	**0**	**0**	**0**	**-159,898**	**-159,898**
Other changes in equity						
Effect of share-based payments				397		397
Equity, December 31, 2018	**28,555**	**0**	**662,741**	**-74,094**	**-159,898**	**457,305**

Parent Company statement of cash flows

TSEK	Note	2018	2017
Cash flow from operating activities			
Operating profit/loss		-178,019	-63,454
Adjustments for items not generating cash flow			
Depreciation and impairments	20,21,22,23	5,902	3,204
Effect from warrant program		397	354
Other items, no impact on cash flow		0	0
Devist of shares in interest funds		439	0
Interest received		1,886	1,177
Interest paid		0	-19
Tax paid		0	0
Cash flow from operating activities before changes in working capital		**-169,395**	**-58,738**
Changes in working capital			
Change in operating receivables		50,920	-43,351
Change in operating liabilities		14,769	483
Cash flow from operating activities		**-103,705**	**-101,606**
Investing activities			
Acquisition of securities		0	-74,520
Acquisition of intangible assets	20,21	-541	-174
Acquisition of tangible assets	22,23	-7,124	-14,026
Sales of tangible assets	23	10	0
Cash flow from investing activities		**-7,655**	**-88,720**
Financing activities			
New share issue		0	5,175
Cash flow from financing activities		**0**	**5,175**
Cash flow for the period		**-111,360**	**-185,151**
Cash and cash equivalents at beginning of period		469,424	657,619
Exchange rate differences in cash and cash equivalents		1,728	-3,043
Cash and cash equivalents at end of period	29	**359,792**	**469,424**

Notes.

1. General information

Alligator Bioscience AB (publ), corporate ID number 556597-8201, is a public limited company based in Lund, Sweden. The address of the head office is Medicon Village, SE-223 81 Lund, Sweden.

Alligator is a biotech company which develops innovative antibody- based medicines for immunotherapy of cancer. These consolidated accounts cover the parent company and its wholly-owned subsidiaries Atlas Therapeutics AB (corporate ID no 556815-2424) and A Bioscience Incentive AB (559056-3663), both based in Lund, Sweden. All operations are run by the parent company.

2. Accounting policies

The consolidated financial statements for Alligator Bioscience AB (publ.) have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU, and interpretations from the IFRS Interpretations Committee (IFRIC).

The Group also complies with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 'Reporting for legal entities'.

The consolidated accounts are denominated in Swedish kronor (SEK) and relate to the period January 1 – December 31 for income statement items of December 31 for balance-sheet items. Assets and liabilities are recognized according to the historical cost method unless stated otherwise. The key accounting principles applied are described below.

New and amended standards and improvements which entered into force in during 2018

IFRS 9 Financial Instruments

This standard entered into force for financial years beginning January 1, 2018 and supersede IAS 39 Financial Instruments. The adoption of the standard induced new principles for classification of financial assets, security hedging and reserves for credit losses. In particular, the financial statement account that mostly is affected is Alligator's corporate bonds, that continue to be reported at amortized cost. Therefore, the adoption of IFRS 9 had no impact on the company´s financial reports. At the transition to IFRS 9, modified retroactivity was applied.

IFRS 15 Revenue from Contracts with Customers

The standard entered into force for financial years beginning January 1, 2018, supersedes all previously published standards and interpretations which manages revenue. The standard had no effect on the Group's consolidated income statement or consolidated statement of financial position. The transition to IFRS 15 Revenue from contracts with customers is reported according to the retrospective method, ie. the comparative figures for 2017 are presented in accordance with IFRS 15.

New and amended standards and interpretations that have not yet taken effect

The International Accounting Standards Board (IASB) has issued a number of new and amended standards that have not yet taken effect. None of these has been applied in advance. The new and amended standards that are considered to affect the Group's financial statements in the period when they are first applied are described below.

IFRS 16 Leases

The new standard, IFRS 16 Leases, enters into force for financial years beginning January 1, 2019 or later and will be applied by Alligator for the first time in the interim report for the period January to March 2019. The standard replaces IAS 17 Leases. The transition to IFRS 16 Leases will be reported in accordance with the modify retrospective approach, Alligator will present the transition as an adjustment of the opening balance at the transition date. Comparative figures and previous years will not be recalculated.

The implementation of the standard means that almost all leases will be reported in the lessee's balance sheet, since no distinction is made between operational and financial leases. The standard contains one exception that Alligator will use, leasing agreements for which the underlying assets has a smaller value (in Alligator's case computers' to employees). This exception means that for Alligator's leasing agreements that fall within the scope of this exemption can continue to report these leases on a straight-line basis over the lease term as other external costs.

According to the new standard, an asset (the right to use a leased asset) and a financial liability relating to the obligation to pay leasing fees shall be presented. For leases that to date have been classified as operating leases in accordance with IAS 17, a lease liability will be presented at the present value of the remaining future lease payments, discounted by the lessee's incremental borrowing rate at the time the standard first enters into force. The right of use asset will generally be reported at the value of the leasing debt plus initial direct costs. Any advance payments and liabilities from the previous year will also be included. The Group's analysis indicates that upon initial application of IFRS 16, the leasing debt will amount to approximately MSEK 23.5 (January 1, 2019) as a result of the transition. The right of use asset will amount to MSEK 23.5 (January 1, 2019). As a result of the increase in assets and liabilities, the company's equity ratio will decrease by 4% to 88%.

Lessee's must separately present interest expense on lease liabilities and depreciation on right of use assets. This will improve the company's operating profit for 2019 by about MSEK 0.2 based on the Group's current leasing agreements as of January 1, 2019.

The Group's cash flow report will change at the transition to IFRS 16 as cash flows from operating activities will improve and cash flow from financing activities will deteriorate.

Management believes that other new and amended standards which have not yet taken effect will not have any material

impact on the Group's financial statements in the period when they are first applied.

Consolidated reporting
The consolidated accounts cover the parent company Alligator Bioscience AB (publ) and the companies over which the parent company directly exercises a controlling influence (subsidiaries). The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are included in the consolidated accounts from the acquisition date onwards, and excluded from the date on which the controlling influence ceases.

The Group's results and components of comprehensive income are attributable in their entirety to the shareholders in the parent company.

All intra-Group transactions, balances and unrealized gains and losses attributable to intra-Group transactions have been eliminated in the preparation of the consolidated accounts.

Joint operation
Joint operations are activities where the group through agreements with one or more parties have a common decision power and the parties report assets, liabilities, revenue and cost and their share of common assets, liabilities, revenue and cost. Currently the only joint operation is with Aptevo Therapeutics Inc. (Aptevo) regarding ALG.APV-527. The companies will under this agreement jointly own and finance the development of the drug candidate through Phase II. During Phase II can the companies chose to out-license the candidate or continue the development jointly or individually. Furthermore the agreement contains an option for the companies to jointly develop another bi-specific antibody. Also for this project will financing and revenues be shared equally. The operations in the project will be conducted in both Lund at Alligator and in Seattle at Aptevo.

Business acquisitions
Business acquisitions are reported by the acquisition method.

The purchase price for the acquisition is assessed at fair value on the date of acquisition, calculated as the sum of assets paid, liabilities incurred or assumed and shareholders' equity issued in exchange for control over the acquired operation. Acquisition-related costs are reported in the income statement when they arise.

The identifiable assets acquired and liabilities assumed are reported at fair value on the acquisition date – apart from the exceptions specified in IFRS 3.

Segment reporting
The Group currently has only one business activity, and hence only one operating profit for the chief executive to take regular decisions on and allocate resources to. In light of this, there is only one operating segment which represents the Group as a whole, so there is no other segment reporting. Within the Group, the CEO of the company has been identified as the senior executive.

Revenue from Contracts with Customers
The Group's operating income is made up of revenues from collaboration agreements and out-licensing pharmaceutical projects.

The business model of Alligator is to develop drug candidates up to and including clinical Phase II to subsequently out-license the drug candidate to a partner (customer) for further development and market launch. Agreements with a partner can also contain other performance obligations such as further development work.

In all existing license and collaboration agreements, the license for intellectual property has been deemed to be distinct from other services in the agreement. In all cases, the assessment has also been made that the license entitles the licensee to use the company's intellectual property in its existing condition at the time the license is granted. In principle, compensation for the license shall be reported as revenue at the time when control of the license is transferred to the licensee.

Development work is considered performed and fulfilled over time as the customer receives and uses the services provided by Alligator Bioscience.

The terms of these agreements usually entail compensation in the form of one or more payment streams:

- Non-refundable, initial fixed license fees
- Milestone payments for various development, government, and commercial milestones
- Remuneration for development work
- Sales-based royalties on future drugs that reach the market.

While the initial license fees by nature are fixed, milestone payments, remuneration for development work and sales-based royalties are variable.

Alligator evaluates the most likely amount for each milestone payment at the start of each contract. The estimated amount is included in the transaction price if it is very likely that a substantial reversal of revenue will not occur when the uncertainty associated with the milestone payment ceases. Milestone payments that are not within Alligator's or the licensee's control, such as regulatory approvals, are not included in the transaction price until such approval has been received. Alligator Bioscience re-evaluates the likelihood that milestones will be achieved at the end of each reporting period, and if necessary, updates the estimated transaction price.

Alligator will report future sales-based royalties first when the related sales has taken place.

For all Alligator's agreements, milestone payments and royalty payments have been allocated to performance obligations according to the license agreements. This means that milestone payments are recognized as revenue as soon as they are included in the transaction price and that royalty payments

will be recognized as revenue when the underlying sales have taken place.

In all cases where agreements include development work, Alligator has made the assessment that the agreed remuneration for development work corresponds to the independent sales price for promised services.

Payment terms are usually 30 to 60 days after transferred license rights, achieved milestone or for completed development work. This means that performance obligations are made before payment is received.

For accounting of accounts receivable linked to revenues from contracts with customers, reference is made to accounting principles for financial instruments.

Government grants
Government grants are reported as other income when the performance required in order to receive the contribution is carried out. If the contribution is received before performance is affected, the contribution is reported as a liability in the balance-sheet. Government grants are recognized at the fair value of whatever has been or is to be received.

Dividends and interest income
Dividend income is reported when the right of shareholders to receive payment has been established.

Interest income is spread across the term, by the effective interest method. Effective interest is the interest that causes the present value of all future payments and receipts to be equal to the reported value of the receivable.

Leases with the Group as lessor
A financial lease is an agreement whereby the economic risks and benefits associated with ownership of an object are essentially transferred from the lessor to the lessee. Other leasing agreements are classified as operational leases. The Group current has only operational leases.

Leasing charges for operational leases are posted to expenses in a linear manner over the leasing period and reported as other external costs.

Foreign currency
The consolidated accounts are drawn up in Swedish kronor (SEK), which is the parent company's functional and reporting currency. Transactions in foreign currency are converted to SEK at the rate in effect on the transaction date. Receivables and liabilities in foreign currency are converted at the rate in effect on the reporting date. Exchange rate gains and losses on operating receivables and liabilities are reported under operating profit as other operating income or other operating costs. Gains and losses on financial receivables and liabilities are reported as financial items.

Exchange rate differences are reported in the income statement in the period in which they arise.

Borrowing costs
Borrowing costs are reported in the income statement in the period in which they arise.

Payments to employees
Short-term payments to employees
Payments to employees in the form of salary, bonuses, paid vacation, paid sick leave etc. and pensions are reported as and when they are accrued (usually monthly).

Severance payments
The Group reports severance payments when there is an existing legal or informal obligation and when it is likely that an outflow of resources will be required to meet the commitment and the amount can be calculated in a reliable manner.

Pensions
Pensions and other payments after cessation of employment are classified as defined-contribution or defined-benefit pension plans.

The Group's defined-benefit pension plans cover commitments for old-age and family pensions for salaried employees in Sweden covered by insurance with Alecta. According to an opinion from the Financial Reporting Board, UFR 10, this a defined-benefit plan covering multiple employers. The Group has not had access to the information that would allow it to report this as a defined-benefit plan. The ITP (white-collar) pension plan covered by insurance with Alecta is therefore reported as a defined-contribution plan.

Other pension plans in the Group are defined-contribution. A defined-contribution plan is a pension plan under which the Group makes fixed payments to a separate legal entity. The Group has no legal or informal obligations to make further payments if this legal entity does not have sufficient assets to make all payments to employees associated with the employees' service in the current or earlier periods. The Group's payments into defined-contribution pension plans are charged to profit/loss for the period in the year to which they are attributable.

Share-related payments
In 2018 and 2016, Alligator issued staff options which were granted free of charge. The fair value of the staff options is determined on the date of assignment of the right to payment. This value is reported as a personnel cost in the income statement, distributed over the qualifying period, with a corresponding increase in equity. The cost reported is equal to the fair value of the number of options expected to be accrued. In subsequent periods, this cost is adjusted to reflect the fair value of options accrued.

Associated social security charges are reported as a cost and a liability and regularly revalued based on changes in the fair value of the options according to Financial Reporting Board opinion UFR 7.

Taxes
Income taxes are the sum of current and deferred tax.

Current tax
Current tax is calculated on the taxable profit/loss for the period, adjusted for current tax for previous periods. Taxable profits differ from the reported profit in the income statement because they have been adjusted for non-taxable income and non-deductible expenses and for income and expenses that are taxable or deductible in other periods. The Group's current tax debt is calculated at the tax rates decided on or announced as of the reporting date.

Deferred tax
Deferred tax is reported on temporary differences between the reported value of assets and liabilities in the financial statements and the taxable value used to calculated the taxable profit. Deferred tax is reported by the balance-sheet method. Deferred tax liabilities are reported for essentially all taxable temporary differences, and deferred tax assets are reported for essentially all deductible temporary differences where it is likely that the amount can be offset against a future taxable surplus. Deferred tax liabilities and assets are not reported if the temporary difference is attributable to goodwill or arises out of a transaction which triggers the initial recognition of an asset or liability (which is not a business acquisition) and which affects neither the reported nor the taxable profit at the date of the transaction.

Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is recovered or the debt paid, based on the tax rates (and laws) decided on or published at the reporting date.

Deferred tax assets and liabilities are netted off when they are related to income tax charged by the same authority and the Group intends to settle the tax as a net amount.

Current and deferred tax for the period
Current and deferred tax are reported as expenses or as income in the income statement, except where the tax is attributable to transactions reported under other operating profit or directly against equity. In these cases, the tax should also be reported under other operating profit or directly under equity. For current and deferred tax arising from the recognition of business acquisitions, the tax effect should be shown in the acquisition calculation.

Investments in leased premises
Investments in leased premises refer to adjustments made to the leased premises for a new laboratory. This lab was opened and used in the fourth quarter of 2017. This asset is recognized in accordance with the accounting policy for tangible assets and depreciation is expensed on a straight-line basis over the duration of the five year lease.

Tangible assets
Tangible assets consist of computers, equipment and machinery. These are reported at historical cost minus cumulative depreciation and any impairments. The historical cost includes the purchase price and any expenses directly attributable to the asset for putting it in place and making it fit for its intended purpose.

Depreciation of tangible assets is posted to expenses in such a way that the value of the asset minus its estimated residual value at the end of its service life is written down on a linear basis over its expected service life, estimated at:

Computers 3 years
Equipment and machinery 5 years

Estimated service lives, residual values and depreciation methods are reviewed at least at the end of each accounting period, and the effects of any changes in estimates are reported in advance.

The reported value of a tangible asset is removed from the statement of financial position when it is scrapped or sold, or when no future economic benefits are expected from using or scrapping/disposing of the asset. The gain or loss made from scrapping or disposing of the asset is the difference between any net income from the disposal and its reported value, posted to the income statement in the period in which the asset is removed from the statement of financial position.

Intangible assets
Separately acquired intangible assets – Participations in development projects
Intangible assets with definable periods of use which have been acquired separately are reported at historical cost minus cumulative depreciation and any cumulative impairments. Depreciation is linear over the estimated period of use of the asset. Estimated periods of use and depreciation methods are reviewed at least at the end of each accounting period, and the effects of any changes in estimates are reported in advance.

Depreciation starts when the projects are ready for sale or licensing or otherwise ready for commercialization. Depreciation has not yet been initiated for acquired participations in development projects.

Acquisition through internal processing
Work to produce an internally processed intangible asset is broken down into a research phase and a development phase. All costs deriving from the Group's research phase are reported as expenses in the period in which they arise. The costs of developing an asset may be reported as an asset if all of the following conditions are met:

- it is technically possible to finish the intangible asset so it can be used or sold;
- the company intends to finish the intangible asset and to use or sell it;
- the conditions exist to use or sell the intangible asset;
- it is likely that the intangible asset will generate future economic benefits;
- necessary and adequate technical, economic and other resources are in place to complete the development and to use or sell the intangible asset; and
- the costs attributable to the intangible asset during its development can be calculated in a reliable manner.

If all of the above criteria are not satisfied, the development costs are reported as an operating cost as and when they arise.

The above rules will normally mean that capitalization starts when the end-product has been approved for sale on the market. This means that in-house projects will not reach the capitalization phase because the company has no rights to sell the final pharmaceutical products in the market. With Alligator's present business model, the capitalization phase of development costs is unlikely to be an issue.

Patents
Patents relating to Alligator's technology platforms are reported at historical cost minus any depreciation and impairments. These patents are depreciated over a period of five years. Annual service costs and internal costs associated with these patents are posted to operating costs when they arise. Patent costs attributable to development projects where the capitalization phase (see above) has not been reached are posted to operating costs as they arise.

Software
Separately acquired software's are reported at historical cost minus any depreciation and impairments. Software's are depreciated over a period of 5 years.

Disposals
An intangible asset is removed from the statement of financial position when it is scrapped or sold, or when no future economic benefits are expected from using or scrapping/disposing of the asset. The gain or loss made when an intangible asset is removed from the statement of financial position is the difference between any net income from the disposal and the reported value of the asset, posted to the income statement when the asset is removed from the statement of financial position.

Impairment of tangible and intangible assets
Assets which have an undefinable period of use, such as the Group's intangible assets for which depreciation has not yet started, are impairment-tested at least once a year and when there is any indication of impairment. Assets being depreciated should be assessed for a possible decrease in value whenever events or changed circumstances indicate that the reported value is not recoverable.

An impairment is raised in the amount by which the reported value of the asset exceeds its recoverable value. The recoverable value is the greater of the fair value of the asset minus sales costs and its value in use. An impairment should be posted to the income statement immediately as an expense.

To test the value of intangible assets, Alligator uses a probability-adjusted cash flow model. The value of ongoing development projects is calculated by estimating the present value of future cash flows probability-adjusted to allow for the development risk.

Previously reported impairments are reversed if the recoverable value is considered to exceed the reported value. However, the reversal value cannot be greater than the reported value would have been if no impairments had been reported in previous periods.

Financial instruments
A financial asset or liability is reported in the balance-sheet when the company becomes a party to the contractual terms for the instrument.

Financial assets
Initial recognition and measurement
The group classifies and report financial assets in the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income or financial assets through profit and loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initial measures a financial assets at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs. Transaction costs related to financial assets at fair value through profit and loss are expensed directly in the profit and loss.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
Subsequent measurement of investment in debt instruments depends on the Group's business model for managing assets and what kind of cash flow the asset gives rise to. The Group classifies its investments in debt instruments in two categories:

- Financial assets at amortized costs (debt instrument)
- Financial assets at fair value through profit and loss

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
  and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest method, less any provisions for impairment. Amortized cost corresponds to the amount recognized on the acquisition date after a deduction for the repayment of the nominal amount plus or minus any adjust-

ments for the effective interest rate. Interest income for such financial assets is reported as financial income by applying the effective interest method.

The Group's financial assets valued at amortized cost include other investments held as fixed assets (corporate bonds), accounts receivables and cash and cash equivalents. Due to the fact that cash and cash equivalents are payable on demand, the amortized cost value corresponds to the nominal amount.

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of cash flows include cash, bank balances and other short-term liquid assets investments in interest funds that can easily be converted into cash and are subject to an insignificant risk of value changes. Other short term investments are classified as cash and cash equivalents when they have maturity within three months from the date of acquisition, can easily be converted into cash at a known amount and are exposed to a negligible risk of value fluctuations. Cash in hand and bank balances are categorized as financial assets valued at amortized cost. Short-term liquid investments in interest funds are valued at fair value and categorized as financial assets measured at fair value with changes in value reported in the profit and loss.

Fair value through profit and loss
Assets that do not meet the requirements for being recognized at amortized cost or fair value through other comprehensive income are valued at fair value through the profit and loss. A profit or loss on a debt instrument that is reported at fair value through the profit and loss and which is not included in a hedging relationship is reported net in the profit and loss in the period in which the profit or loss arises.

The Group's financial assets valued at fair value through the profit and loss include interest funds which are classified as cash and cash equivalents. The interest funds can easily be converted into cash and are subject to an insignificant risk of changes in value.

Expected credit losses
For the Group's receivables other than cash and cash equivalents, credit assessments are made on an ongoing basis based on history and current and prospective factors. Due to the short maturity of the receivables and the company's assessment, no credit reservation has been made. For cash and cash equivalents, the reserve is judged based on the banks' probability of failure and forward-looking factors. Due to short maturity and high liquidity, no provision has been made.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and accounts payable.

All financial liabilities are recognised initially at fair value and, in the case of loans and accounts payable, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and other liabilities.

Subsequent measurement
The valuation of financial liabilities relating to accounts payable and other liabilities is initially recognized at fair value through the income statement and subsequently at amortized cost using the effective interest method.

Loans
The Group has no loans.

Derivate financial instruments and hedge accounting
The Group holds no derivate financial instruments or financial contracts for hedge accounting.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Classifications of financial assets and financial liabilities 2017
For classification of financial assets and liabilities 2017, reference is made to the Annual Report 2017.

Provisions
Provisions are raised when the Group has an existing obligation (legal or informal) as a result of an event that has occurred, it is likely that an outflow of resources will be needed to discharge the obligation, and a reliable estimate of the amount can be made.

Statement of cash flows
Cash and cash equivalents consist of available cash, cash equivalents and, where appropriate, other short-term highly liquid investments with a maturity of 3 months or less that are exposed to insignificant fluctuation in value. The statement

of cash flows is prepared according to the indirect method. The reported cash flow includes only transactions that led to payments and receipts.

ACCOUNTING POLICIES FOR THE PARENT COMPANY

The parent company complies with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 'Reporting for legal entities'. The application of RFR 2 means that, as far as possible, the parent company applies all IFRS standards approved by the EU within the Annual Accounts Act and the Pension Obligations Vesting Act, and observes the relationship between reporting and taxation. Amendments to RFR 2 which entered into force in 2016 had no material impact on the Group's financial statements for the period. The differences between the accounting principles applied by the parent company and the Group are described below:

Classification and presentation

The parent company's income statement and balance-sheet are prepared in accordance with the schema in the Annual Accounts Act. The main difference from IAS 1 Presentation of Financial Statements applied in preparing the Group's financial statements is in the reporting of financial income and expenses, fixed assets and equity, and in the inclusion of provisions as a separate heading.

Subsidiaries

Participations in subsidiaries are reported at historical cost in the parent company's financial statements. Acquisition-related costs to subsidiaries which are posted to expenses in the consolidated report are included as part of the historical cost of participations in subsidiaries. An impairment is raised in the amount by which the reported value of a subsidiary exceeds its recoverable value. The recoverable value is the greater of the fair value of the subsidiary minus sales costs and its value in use. An impairment should be posted to the income statement immediately as an expense. To test the value of a subsidiary intangible assets, Alligator uses a probability-adjusted cash flow model. The value of ongoing development projects is calculated by estimating the present value of future cash flows probabilityadjusted to allow for the development risk.

Financial instruments

The parent company does not apply IFRS 39 Financial Instruments: Recognition and Measurement. The parent company uses a method based on historical costs pursuant to the Swedish Annual Accounts Act.

Approved changes to RFR 2 which have not yet taken effect

Management judges that changes to RFR 2 which have not yet taken effect are not expected to have any material impact on the parent company's financial statements when they are applied for the first time.

Proposed changes to RFR 2 which have not yet taken effect

Management judges that proposed changes to RFR 2 which have not yet taken effect are not expected to have any material impact on the parent company's financial statements when they are applied for the first time.

Note 3 Important estimates and judgments

When the Board and management prepare financial statements in accordance with the accounting principles applied, some estimates have to be made which may affect the reported values of assets, liabilities, income and expenses.

The estimates and assumptions are reviewed on a regular basis. Changes to estimates are reported in the period in which the change is made if it only affects that period, or in the period in which it is made and in future periods if it affects both the current and future periods.

Uncertainties in estimates carry a substantial risk of the value of assets or liabilities needing to be significantly adjusted during the coming financial year. Regular impairment tests are therefore performed on intangible assets with indeterminate periods of use, at least once a year.

For impairment testing of intangible assets with an indeterminate period of use, a number of key assumptions and estimates have to be taken into account in order to calculate a recoverable value. Among other things, the assumptions and estimates relate to the expected sale price for the company's products, expected market penetration, expected development, sales and marketing costs and the probability of the product passing through the remaining development stages. The assumptions are based on industry and market-specific data and are produced by management and reviewed by the Board. For more information on impairment testing of intangible assets with an indeterminate period of use, see Note 19 – Intangible assets.

Cash and cash equivalents include cash, bank balances and other short-term liquid investments in interest funds. The investment in interest funds can easily be converted into cash and is subject to an insignificant risk of changes in value, whereby the investment is considered classified as cash and cash equivalents. The placement has risk class 1 and is made in SEK whereby no currency risk exists.

4. Financial risk management and financial instruments

The Group is exposed through its activities to various types of financial risk such as market, liquidity and credit risks. The market risks are made up mainly of interest rate risk, currency risk and other price risk. The Board of the company bears the ultimate responsibility for exposure and handling and following up the Group's financial risks. The limits that apply to exposure, handling and following up the financial risks are set by the Board in a financial policy which is revised each year. In the finance policy, the Board has delegated the responsibility for day-to-day risk management to the company's CFO. The Board can decide on temporary deviations from the approved financial policy.

The Group's overall risk management focuses on the unpredictability in the financial markets and strives to minimize potential adverse effects on the Group's financial results. The Group's overarching objective for financial risks is to minimize the risk by investing surplus liquidity.

Market risks

Currency risks

Currency risk is the risk of fair value of future cash flows fluctuating as a result of changed exchange rates. The exposure to currency risk derives mainly from payment flows in foreign currency, known as transaction exposure.

The Group has transaction exposure from contracted payment flows in foreign currency. See table below for exposures in each currency.

	2018		2017	
	Operating income	Operating costs	Operating income	Operating costs
Foreign exchange exposure				
USD	100%	8%	100%	5%
EUR	0%	27%	0%	17%
GBP	0%	21%	0%	9%
SEK	0%	44%	0%	68%
Other	0%	1%	0%	0%
	100%	**100%**	**100%**	**100%**

As can be seen from the table above, most of the Group's transaction exposure is in USD, GBP and EUR. A 5% stronger SEK against the USD would have a negative effect on post-tax profits and equity of approx. TSEK -799 (-2,630). A 5% stronger SEK against the EUR would have a positive effect on post-tax profits and equity of approx. TSEK 1,796 (827). A 5% stronger SEK against the GBP would have a positive effect on post-tax profits and equity of approx. TSEK 1,383 (457).

Interest rate risks

Interest rate risk is the risk of fair value or future cash flows fluctuating as a result of changed market interest rates. The Group is exposed to interest rate risk mainly through its investment of surplus liquidity, as it has no borrowing. A 0.5% fall in interest rates would have a negative effect of approx. TSEK -1,725 (-990) on post-tax profits.

Liquidity and financing risk

Liquidity risk refers to the risk that the Group will encounter difficulties in meeting its commitments related to the Group's financial liabilities. Liquidity risks are limited by liquidity planning and placement of excess liquidity in short term financial instruments with maturities up to 3 months. Excess of liquidity is only invested in bank accounts.

Financing risk is the risk that cash and cash equivalents might not be available and that financing could be only partly obtainable, if at all, or only at increased cost. The Group now has substantial funds, mainly from licensing ADC-1013 and the new share issue in 2016. Alligator has used and will continue to need to use substantial sums to carry out research and development. The company's financial position has been strengthened but it may still need to seek external financing in the future.

The Group's contractual and undiscounted interest payments and repayments of financial liabilities can be seen in the table below. Amounts in foreign currency have been converted to SEK at the rate on the reporting date. Financial liabilities with variable interest rates have been calculated at the rate in place on the reporting date. Liabilities have been included in the earliest period in which repayment can be requested.

4. Financial risk management and financial instruments, cont'd

The maturity periods for the Group's financial liabilities are shown below.

	12/31/2018			12/31/2017		
TSEK	Within 3 mths	3-12 mths	Total	Within 3 mths	3-12 mths	Total
Accounts payable	17,702	0	17,702	13,569	0	13,569
Accrued expenses and deffered income	15,827	0	15,827	7,525	0	7,525
Total	**33,529**	**0**	**33,529**	**21,094**	**0**	**21,094**

Credit and counterparty risk

Credit risk is the risk of the counterparty to a transaction causing a loss to the Group by not meeting its contractual obligations. The Group's exposure to credit risk is mainly attributable to cash and cash equivalents and accounts receivable. The Group has established guidelines to ensure that sales of products and services are made to customers with a suitable credit record. The payment terms may be between 30-60 days depending on the counterparty. There were no credit losses in 2018 or 2017.

Credit risk also arises when the company's surplus liquidity is invested in various types of financial instrument. According to the financial policy, surplus liquidity can be deposited in interest-bearing bank accounts or invested in interest-bearing securities. According to the financial policy, the credit risk from investing surplus liquidity should be reduced by only dealing with counterparties with a very good rating. The financial policy also states that investments should be spread across multiple counterparties or issuers.

The Group has no significant concentration of credit risks.

The Group's maximum exposure to credit risk is considered to be matched by the reported value of all financial assets, as shown in the table below

	Group	
Financial assets, TSEK	12/31/2018	12/31/2017
Other investments held as fixed assets	53,259	74,122
Accounts receivables	25,328	53,096
Other current receivables	843	0
Short-term deposits	20,254	0
Cash and cash equivalents	362,878	472,919
Maximum exposure to credit risk	**462,562**	**600,137**

Categorization of financial instruments

The carrying value of financial assets and liabilities broken down by valuation category in accordance with IFRS 9 is shown in the table below.

	Group	
Financial assets, TSEK	12/31/2018	12/31/2017
Financial assets valued at fair value through profit and loss		
Liquid assets - Interest funds	250,854	275,822
Financial assets valued at amortized cost		
Other investments held as fixed assets	53,259	74,122
Other short-term investments	20,254	0
Accounts payable	25,328	53,096
Other receivables	843	0
Liquid assets - Bank accounts	112,024	197,097
Total financial assets	**462,562**	**600,137**

	Group	
Financial liabilities, TSEK	12/31/2018	12/31/2017
Accounts payable	17,702	13,569
Accrued expenses and deffered income	15,827	7,525
Total financial liabilities	**33,529**	**21,094**

There were no reclassifications between the valuation categories above during the period.

Other investments held as fixed assets and other short-term investments refers to publicly traded corporate bonds which initialy are recorded at fair value and then recorded to amortized cost with use of the effective interest method, reduced with eventual provision for impairments. The accrued acquisition value is equal to the amount recognized at the date of acquisition after deduction of repayment of nominal amounts plus or minus any adjustments for effective interest. The Company has invested in corporate bonds in Aker, Castellum, Stena, Storebrand, Telia and Vattenfall. The acquisition value for these corporate bonds is TSEK 74,520, nominal amount is TSEK 72,500, fair value is TSEK 73,094, and carrying amount as per 31 Dec 2018, after adjustment of the effective interest method, is SEK 73,513. Financial assets recorded at fair value through profit or loss refers to Interest Fund positions which are valued at fair value. For other financial assets and liabilities, the reported value as stated above is considered to be a reasonable approximation to their fair value.

4. Financial risk management and financial instruments, cont'd

Net gains/losses from financial assets and liabilities broken down by valuation category in accordance with IFRS 9 are shown in the table below.

	Group	
TSEK	2018	2017
Financial assets at fair value through profit or loss	32	822
Financial assets at amortised cost	1,276	779
Other financial liabilities	0	0
Net gain/loss	**1,308**	**1,601**

5. Capital management

The Group's objective for capital management is to maintain its ability to remain in operation to generate a reasonable return to shareholders and benefit to other stakeholders.

The Group monitors its capital structure on the basis of cash and cash equivalents (net). Cash and cash equivalents (net) should amount to at least the expected capital needs for the next eighteen months. Cash and cash equivalents (net) are calculated as cash and cash equivalents minus borrowing.

At the end of the financial year, cash and cash equivalents (net) totaled:

	Group	
TSEK	12/31/2018	12/31/2017
Cash and cash equivalents	362,878	472,919
Borrowing	0	0
Cash and cash equivalents (net)	**362,878**	**472,919**
Covering expected capital needs for the next eighteen months	YES	YES

Payment for the milestone revenue for ADC-1013, which was recongnized during Q4 2017, has been received during 2018. The decline in cash and cash equivalents during the financial year is mainly due to operation costs.

6. Revenue from contracts with customers

Net Sales per project, Group

TSEK				2018				2017
Project	**ADC-1013**	**Biosynergy**	**Other**	**Total**	**ADC-1013**	**Biosynergy**	**Other**	**Total**
Out-licensing	0	25 207	0	25 207	0	0	0	0
Reimbursement for development work	1 720	0	32	1 751	6 322	0	0	6 322
Milestone revenue	0	0	0	0	49 393	1 160	0	50 554
Total	**1 720**	**25 207**	**32**	**26 959**	**55 715**	**1 160**	**0**	**56 875**

Net Sales per project, Parent Company

TSEK			2018			2017
Project	**ADC-1013**	**Other**	**Total**	**ADC-1013**	**Other**	**Total**
Out-licensing	0	0	0	0	0	0
Reimbursement for development work	1 720	32	1 751	6 322	0	6 322
Milestone revenue	0	0	0	49 393	0	49 393
Total	**1 720**	**32**	**1 751**	**55 715**	**0**	**55 715**

Geographical distribution of Net Sales, Group

TSEK				2018				2017
Project	**ADC-1013**	**Biosynergy**	**Other**	**Total**	**ADC-1013**	**Biosynergy**	**Other**	**Total**
USA	1 720	0	0	1 720	55 715	0	0	55 715
Asia	0	25 207	0	25 207	0	1 160	0	1 160
Sweden	0	0	32	32	0	0	0	0
Other	0	0	0	0	0	0	0	0
Total	**1 720**	**25 207**	**32**	**26 959**	**55 715**	**1 160**	**0**	**56 875**

Geographical distribution of Net Sales, Parent Company

TSEK			2018			2017
Project	**ADC-1013**	**Other**	**Total**	**ADC-1013**	**Other**	**Total**
USA	1 720	0	1 720	55 715	0	55 715
Asia	0	0	0	0	0	0
Sweden	0	32	32	0	0	0
Other	0	0	0	0	0	0
Total	**1 720**	**32**	**1 752**	**55 715**	**0**	**55 715**

6. Revenue from contracts with customers, cont'd

For 2018, the Group's net sales came mainly from Asia where AbClon Inc. is located. For 2017, the Group's net sales came mainly from the USA where Janssen Biotech, Inc. is located.

The Group's intangible assets in the form of participations in development projects relate to collaboration with the South Korean company AbClon Inc. and are therefore attributed to Asia.

Details of intra-Group purchases and sales
There were no purchases or sales within the Group in 2018 or 2017.

7. Other operating income

	Group		Parent Company	
TSEK	2018	2017	2018	2017
Swedish Government grants received	68	0	68	0
EU grants received	0	0	0	0
Exchange rate gains from operations	1,488	730	1,488	730
Other items	0	165	0	165
Total	**1,555**	**895**	**1,555**	**895**

8. Other external expenses

	Group		Parent Company	
TSEK	2018	2017	2018	2017
Costs of R&D projects	-102,921	-60,335	-102,921	-60,335
Other costs	-18,241	-17,565	-18,238	-17,560
Total	**-121,162**	**-77,899**	**-121,159**	**-77,895**

9. Details of the auditor's fee and reimbursement of costs

	Group		Parent Company	
TSEK	2018	2017	2018	2017
EY				
Audit assignment	521	535	521	535
Audit activities other than the audit assignment	70	75	70	75
Tax advice	0	0	0	0
Other services	0	0	0	0
Total	**591**	**610**	**591**	**610**

10. Leasing

Operational leasing – lessees
The cost for the year of operational leases totals TSEK 6,617 (5,828) for the Group and TSEK 6,617 (5,828) for the parent company.

On the reporting date, the parent company and the Group had outstanding commitments in the form of minimum leasing charges under non-terminable operational leases with maturity dates as below:

	Group		Parent Company	
TSEK	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Within 1 year	6,419	6,448	6,419	6,448
Between 1 and 5 years	16,820	22,298	16,820	22,298
Later than 5 years	0	0	0	0
Total	**23,240**	**28,746**	**23,240**	**28,746**

The total amount on the reporting date of future minimum leasing charges for non-terminable leasing agreements was TSEK 23,240 (28,746) for the parent company and TSEK 23,240 (28,746) for the Group.

The operational leases relate mainly to the hire of premises in Medicon Village, a rental agreement with Office IT Partner for computers and a rental agreement with Ikano Bank for photocopiers.

The leasing period for the Group's and the parent company's rented premises is five years. The lease may be extended at the end of the leasing period for what the Group considers to be a normal market price. The rental payments are made annually according to the agreement and include no variable components. The leasing period for other premises is 3 years.

The leasing period for photocopiers and computers varies between 3 and 5 years.

Effect of IFRS 16 Leases
The table below explains the deviation between the operational leasing obligations which has been reported in accordance with IAS 17 as per 2018-12-31 and lease liabilities reported in accordance with IFRS 16 at effective date 2019-01-01. For accounting principles regarding IFRS 16 Leases, see note 2.

Opening balance January 1, 2019, based on operational leasing obligations as per December 31, 2018:

Reconciliation, MSEK	1/1/2019
Operational lease obligations as per December 31, 2018	23.2
Releif option for leases of low-value asset	-0.3
Lease contracts with service components	-1.0
Adjustment due to option to extend agreement	2.5
Discounting using the Groups borrowing rate	-0.9
Lease liability reported as per January 1, 2019	**23.5**

The leasing liabilities were discounted with the company's borrowing interest rate as of January 1, 2019. The weighted average discount rate was 2.05%.

11. Number of employees, salaries, other remuneration and social security costs

Average number of employees	2018 No. of employees	2018 Of which men	2017 No. of employees	2017 Of which men
Parent company				
Sweden	51	13	42	11
Total in parent company	**51**	**13**	**42**	**11**
Subsidiaries				
Sweden	0	0	0	0
Total in subsidiaries	**0**	**0**	**0**	**0**
Total in the group	**51**	**13**	**42**	**11**

Breakdown of senior executives on the reporting date	Group 12/31/2018	Group 12/31/2017	Parent Company 12/31/2018	Parent Company 12/31/2017
Women				
Board members	2	2	2	2
Other members of management incl. CEO	2	1	2	1
Men:				
Board members	5	5	5	5
Other members of management incl. CEO	4	2	4	2
Total	**13**	**10**	**13**	**10**

Salaries, remuniration etc. TSEK	2018 Salaries and other remunieration	2018 Soc.sec.costs (of which pension costs)	2017 Salaries and other remunieration	2017 Soc.sec.costs (of which pension costs)
Parent Company	34,321	15,770	26,098	10,786
		(6 090)		(3 826)
Subsidiaries	0	0	0	0
		(0)		(0)
Total Group	**34,321**	**15,770**	**26,098**	**10,786**
		(6 090)		(3 826)

12. Payments to senior executives

Salaries and remuneration broken down between board members etc. and employees, TSEK	2018 Board and CEO (of which bonus etc.)	2018 Other employees	2017 Board and CEO (of which bonus etc.)	2017 Other employees
Parent Company	4,118	30,203	3,657	22,441
	(228)	(547)	(357)	(225)
Subsidiaries	0	0	0	0
	(0)	(0)	(0)	(0)
Total Group	**4,118**	**30,203**	**3,657**	**22,441**
	(228)	(547)	(357)	(225)

Of the parent company's pension costs, TSEK 540 (492) pertains to the Board and CEO.

Of the Group's pension costs, TSEK 540 (492) pertains to the Board and CEO.

Pensions
For salaried staff in Sweden, the defined-contribution pension commitments under the ITP plan for old-age and family pensions are covered by insurance with Alecta. According to an opinion from the Financial Reporting Board, UFR 10 'Classification of ITP plans financed through insurance with Alecta', this a defined-benefit plan covering multiple employers. For the 2016 financial year, the company has not had access to information to allow it to report its proportional share of the obligations under the plan, assets under management and total costs, so it was not possible to report it as a defined-benefit plan. The ITP (white-collar) pension plan covered by insurance with Alecta is therefore reported as a defined-contribution plan. Premiums for the defined-benefit old-age and family pension are calculated individually and depend among other things on salary, previously accrued pension and expected remaining period of employment.
The collective consolidation level is made up of the market value of Alecta's assets as a percentage of the insurance commitments calculated by Alecta's actuarial methods and assumptions, which do not conform to IAS 19. The collective consolidation level should normally be allowed to vary between 125 and 155 percent. If Alecta's collective consolidation level drops below 125 percent or exceeds 155 percent, measures should be taken to create the conditions for the consolidation level to return to the normal range. For low consolidation, a possible action might be to increase the agreed price for new cover and increasing existing benefits. For high consolidation, a measure might be to introduce premium reductions. Alectas collectively consolidation level for defined-contribution plan have preliminary been calculated to 142 procent (154) as per 2018-12-31.

The Group's total cost for defined contribution pension plans amounts to TSEK 4,093 (2,844). The parent company's total cost for defined-contribution pension plans amounts to TSEK 4,093 (2,844).

Payments to senior executives
Guidelines
According to the Swedish Companies Act, the shareholders' meeting should decide on guidelines for payments to the CEO and other senior executives. The annual general meeting on April 26, 2018 adopted guidelines with essentially the following content.

The company's assumption is that payments should be made on market-based and competitive terms that enable senior executives to be recruited and retained. Payments to senior executives may consist of basic salary, variable remuneration, other benefits and sharerelated incentive programs. The CEO and other senior executives are generally entitled to other customary benefits according to what may be considered reasonable in terms of market practice and the benefit to the company.

Payments to the CEO and other senior executives should be based on factors such as work responsibilities, expertise, experience, position and performance. The breakdown between basic salary and variable remuneration should also be in proportion to the employee's position and responsibilities. Variable remuneration should be tied to predefined and measurable criteria, designed to promote the company's long-term value creation. The remuneration should not discriminate on the basis of gender, ethnic background, national origin, age, disability or other irrelevant circumstances.

The CEO and other senior executives should be offered a fixed salary which is in line with the market and based on the individual's responsibilities, competence and performance. Apart from their salary, the CEO and other senior executives will normally be entitled to an annual bonus of no more than 25 percent of their basic salary.

Over and above what has been defined in collective agreements or other agreements, the CEO and other senior executives may be entitled to arrange pension solutions on an individual basis. Reductions in salary and variable remuneration may be used to increase pension provisions provided that the cost to the company is unchanged over time.

According to the guidelines, the notice period for the CEO is six months on either side, and for other senior executives, the notice period may not exceed six months. Severance payments, apart from salary paid during the notice period, will only arise for the CEO who will be entitled to a severance payment equal to six months' salary in the case of termination by the company.

12. Payments to senior executives, cont'd

To the extent that the board member performs work on behalf of the company, in addition to the work of the board, consultancy fees and other remuneration for such work shall be payable. Remuneration shall be market-based and remuneration as well as other conditions shall be decided by the Board.

The Board may deviate from the guidelines if there are specific grounds for doing so in a given case. The Board will consider each year whether or not to propose a share-based incentive program to the annual general meeting. New issues and transfers of securities decided by the shareholders' meeting according to the rules in Chapter 16 of the Companies Act where the shareholders' meeting has taken or is about to take such decisions.

2018, TSEK	Basic salary/fee	Variable remuneration	Other benefits	Pension costs	Share-based remuneration	Total
Peter Benson (Chairman)	500	0	0	0	0	500
Carl Borrebaeck*	275	0	0	0	0	275
Kenth Petersson	303	0	0	0	0	303
Jonas Sjögren	303	0	0	0	0	303
Ulrika Danielsson	392	0	0	0	0	392
Anders Ekblom	295	0	0	0	0	295
CEO	1,821	228	0	540	0	2,589
Other senior executives (5 persons)	5,328	547	0	1,954	0	7,829
Total	**9,218**	**776**	**0**	**2,494**	**0**	**12,487**

2017, TSEK	Basic salary/fee	Variable remuneration	Other benefits	Pension costs	Share-based remuneration	Total
Peter Benson (Chairman)	367	0	0	0	0	367
Carl Borrebaeck*	200	0	0	0	0	200
Kenth Petersson	225	0	0	0	0	225
Mathias Uhlén	50	0	0	0	0	50
Jakob Lindberg	50	0	0	0	0	50
Jonas Sjögren	225	0	0	0	0	225
Ulrika Danielsson	283	0	0	0	0	283
Anders Ekblom	150	0	0	0	0	150
CEO	1,750	357	0	492	0	2,599
Other senior executives (2 persons)	2,185	215	0	636	0	3,036
Total	**5,485**	**572**	**0**	**1,128**	**0**	**7,185**

* In 2018 and 2017, Carl Borrebaeck received payment for consulting services of TSEK 720 (720) according to the specification in note 33 - Transactions with related parties.

12. Payments to senior executives, cont'd

Pensions
The retirement age for the CEO is 65. Pension premiums are determined in accordance with the current ITP plan. Pensionable salary is the basic salary plus the average of the last three years' variable remuneration.

For other senior executives, the retirement age is 65. Pension premiums are determined in accordance with the current ITP plan.

Severance payments
Between the company and the CEO, the notice period is six months on either side. In the case of termination by the company, a severance payment of six months' salary will be payable. The severance payment is not set off against other income. In the case of termination by the CEO, no severance payment will be made.

Between the company and other senior executives, the notice period is six months on either side. No severance payment will be made.

Shared-based compensation
Warrent program compensation refers to employee stock options assigned to employees in 2016 and 2018. For more information about the warrant program see note 30.

13. Other operating costs

	Group		Parent Company	
TSEK	2018	2017	2018	2017
Exchange rate losses from operations	-2,377	-1,045	-2,111	-1,045
Loss on scrap of fixed assets	-10	-0	-10	-0
Total	**-2,387**	**-1,045**	**-2,121**	**-1,045**

14. Profit/loss from other securities and receivables

	Koncernen		Moderföretaget	
TSEK	2018	2017	2018	2017
Return on corporate bonds	1,160	745	1,160	745
Total	**1,160**	**745**	**1,160**	**745**

Profit and loss from other securities and receivables is attributable to the return on corporate bonds valued as financial assets valued at amortized cost.

15. Financial income

	Group		Parent Company	
TSEK	2018	2017	2018	2017
Interest income	116	36	116	36
Valuation of interest funds at fair value	32	822	0	0
Income from divest of interest fund	0	0	439	0
Exchange rate gains	7,316	3,111	7,316	3,111
Total financial income	**7,465**	**3,969**	**7,871**	**3,147**

All interest income is attributable to financial assets valued at amortized cost.

Exchange rate gains refers to unrealized foreign exchange gains as a result of significant holdings in USD, EUR and GBP.

16. Financial costs

	Group		Parental Company	
TSEK	2018	2017	2018	2017
Exchange rate losses	-5,587	-6,154	-5,587	-6,154
Other interest costs	0	-19	0	-19
Total financial costs	**-5,587**	**-6,173**	**-5,587**	**-6,173**

All interest costs are attributable to financial liabilities valued at amortized cost.

17. Tax

	Group		Parent Company	
TSEK	2018	2017	2018	2017
Current tax on profit/loss for the period	0	0	0	0
Deferred tax attributable to temporary differences	0	0	0	0
Total reported tax	**0**	**0**	**0**	**0**

Income Tax in Sweden is calculted with 22% (22%) on the years taxable result. In the table below a reconciliation between the accounted result and the accounted tax for the year:

Reconciliation of reported tax for the year

	Group		Parent Company	
TSEK	2018	2017	2018	2017
Profit before tax	-150,043	-63,758	-159,898	-65,736
Reported tax for the year				
Tax reported at Swedish tax rate (22%)	33,009	14,027	35,177	14,462
Tax effect of non-deductible costs	-731	-96	-115	-96
Tax effect of non-taxable income	0	0	0	0
Tax effect of deductible costs reported directly against equity	0	0	0	0
Loss carry-forwards during the year whose taxable values is not reported as an asset	-32,278	-13,931	-35,062	-14,366
Other	0	0	0	0
Reported tax for the year	**0**	**0**	**0**	**0**

No tax is recorded in the Consolidated of Comprehensive Income Statement or directly against the equity.

The Group's cumulative loss carry-forwards as of December 31, 2018 amounted to MSEK 515, of which MSEK 231 are Group contribution-locked. There is no maturity date which limits the use of the loss carry-forwards. However, it is uncertain when it will be possible to use these loss carry-forwards to set off against taxable gains. Deferred tax assets attributable to the loss carry-forward are therefore not reported with any value.

18. Earnings per share

Earnings per share before dilution

The following results and weighted average numbers of ordinary shares have been used to calculate earnings per share before dilution:

	Group	
	2018	2017
Profit/loss for the year attributable to parent company shareholders, TSEK	-150,043	-63,758
Weighted average number of ordinary shares before dilution, number of shares	71,388,615	71,283,273
Earnings per share before dilution, SEK	-2.10	-0.89

Earnings per share after dilution

The following results and weighted average numbers of ordinary shares have been used to calculate earnings per share after dilution:

	Group	
	2018	2017
Profit/loss for the year attributable to parent company shareholders, TSEK	-150,043	-63,758
Weighted average number of ordinary shares before dilution, number of shares	71,388,615	71,283,273
Effect of potential ordinary shares from options	N/A	N/A
Weighted average number of ordinary shares after dilution, number of shares	71,388,615	71,283,273
Earnings per share after dilution, SEK	-2.10	-0.89

To calculate earnings per share after dilution, the weighted average number of outstanding ordinary shares is adjusted for the dilution effect or all potential ordinary shares. These potential ordinary shares relate to the options acquired at market value by management and employees in the company in 2014. If the profit/loss for the year is negative, the options are not regarded as diluting. Nor are the options diluting if the exercise price including mark-up for the value of outstanding future services to be reported during the qualifying period exceeds the average quotation for the period. There is no dilution effect for the 2018 or 2017 option program because the profit/loss for the year was negative.

For details of changes in the number of ordinary shares, see Note 30 Equity.

19. Participations in development projects

TSEK	Group 12/31/2018	12/31/2017
Historical cost brought-forward	50,149	50,149
Acquisitions in the period	0	0
Cum. historical cost carried-forward	**50,149**	**50,149**
Imparments brought-forward	-32,200	-32,200
Impairments for the period	0	0
Cum. impairments carried-forward	**-32,200**	**-32,200**
Reported value carried-forward	**17,949**	**17,949**

When Atlas Therapeutics AB was acquired, a premium of TSEK 50,149 was paid; this was classified under 'Participations in development projects'. The acquisition of the subsidiary Atlas Therapeutics AB brought the Group 50% of a project together with the Korean company AbClon Inc. (80% of the total value) and exclusive rights to all therapeutic targets from the Human Protein Atlas (HPA) project (20% of the total value). These assets have been developed in the Biosynergy and 'Identification of new target molecules' projects.

With regard to the participation in the Biosynergy project, an impairment test was performed in 2018, as described below. The Board considers that the reported value of this project as of the December 31, 2018 cut-off is likely to exceed the previously reported value, and should certainly not be less.

Impairment test

To test the value of ongoing development projects, Alligator uses a probability-adjusted cash flow model. The fair value of the projects after deducting sales costs is calculated by estimating the present value of future cash flows probability-adjusted to allow for the development risk. The valuation is classed at level 3 in the valuation hierarchy and is based on the following key assumptions:

- Future income and expenditure forecasts for the development project. Income is calculated from estimates based on available data for various types of possible indicator, such as forecasts of total market size, expected market share for the product, projected price level and market-conformant level of one-off, milestone and royalty payments. The size of the market, royalty levels and milestone payments are estimated with the aid of information from secondary sources, assumptions accepted within the industry and assumptions made by Alligator. Revenues during 15 years after a market introduction has been included for impairments done in 2018 and 2017.
- Costs cover development expenses and direct and indirect costs based on usual production and marketing costs within the pharmaceutical industry, and the experience Alligator has from previous development projects.
- The cash flows are calculated at present value and adjusted for the probability of the project succeeding. The probability is based on the assumptions as to the likelihood of a similar product reaching the market.
- A discount rate before tax of 12.7% (12,7%).

The most critical assumptions are those concerning market size, market share and the likelihood of the projects reaching a point where they can be licensed. As in many projects in the pharmaceutical industry, there are risks of delays, of failure to achieve the expected clinical effects, or of the market and competitive situation changing. A 5 percentage point change in the discount rate or in the estimated probability would not result in a write-down either.

The impairment test for the year showed that, with the assumptions made for various milestones, the project would generate cash flows well in excess of the present book value.

Write-offs will be initiated when the asset can be used, i.e. when it is in place and in the state required for it to be used in the manner intended by management.

20. Patents

	Group		Parent Company	
TSEK	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Historical cost brought-forward	13,852	13,678	13,852	13,678
Acquisitions in the period	0	174	0	174
Disposal/scrapping	0	0	0	0
Cum. historical cost carried-forward	**13,852**	**13,852**	**13,852**	**13,852**
Depreciation brought-forward	-12,398	-11,372	-12,398	-11,372
Disposal/scrapping	0	0	0	0
Depreciation in the period	-751	-1,026	-751	-1,026
Cum. depreciation carried-forward	**-13,150**	**-12,398**	**-13,150**	**-12,398**
Reported value carried-forward	**702**	**1,454**	**702**	**1,454**

21. Softwares

	Group		Parent Company	
TSEK	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Historical cost brought-forward	0	0	0	0
Acquisitions in the period	541	0	541	0
Disposal/scrapping	0	0	0	0
Cum. historical cost carried-forward	**541**	**0**	**541**	**0**
Depreciation brought-forward	0	0	0	0
Disposal/scrapping	0	0	0	0
Depreciation in the period	-77	0	-77	0
Cum. depreciation carried-forward	**-77**	**0**	**-77**	**0**
Reported value carried-forward	**464**	**0**	**464**	**0**

22. Improvements in leased premises

	Group		Parent Company	
TSEK	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Historical cost brought-forward	2,500	0	2,500	0
Acquisitions in the period	573	2,500	573	2,500
Disposal/scrapping	0	0	0	0
Cum. historical cost carried-forward	**3,073**	**2,500**	**3,073**	**2,500**
Depreciation brought-forward	-41	0	-41	0
Disposal/scrapping	0	0	0	0
Depreciation in the period	-599	-41	-599	-41
Cum. depreciation carried-forward	**-640**	**-41**	**-640**	**-41**
Reported value carried-forward	**2,434**	**2,459**	**2,434**	**2,459**

23. Equipment, machinery and computers

	Group		Parent Company	
TSEK	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Historical cost brought-forward	24,846	13,320	24,846	13,320
Acquisitions in the period	6,550	11,526	6,550	11,526
Disposal/scrapping	-1,678	0	-1,678	0
Cum. historical cost carried-forward	**29,718**	**24,846**	**29,718**	**24,846**
Depreciation brought-forward	-11,107	-8,971	-11,107	-8,971
Disposal/scrapping	1,669	0	1,669	0
Depreciation in the period	-4,476	-2,136	-4,476	-2,136
Cum. depreciation carried-forward	**-13,914**	**-11,107**	**-13,914**	**-11,107**
Reported value carried-forward	**15,804**	**13,739**	**15,804**	**13,739**

24. Participations in Group companies

	Parent Company	
TSEK	12/31/2018	12/31/2018
Historical cost brought-forward	52,494	52,494
Shareholder contributions	0	0
Historical cost carried-forward	**52,494**	**52,494**
Impairments brought-forward	-32,200	-32,200
Impairments for the period	0	0
Cum.impairments carried-forward	**-32,200**	**-32,200**
Reported value carried-forward	**20,294**	**20,294**

Subsidiaries	Registered Office	12/31/2018 Share of capital, %*	12/31/2017 Share of capital, %*	12/31/2018 Reported value	12/31/2017 Reported value
Atlas Therapeutics AB (556815-2424)	Lund	100%	100%	20,000	20,000
A Bioscience Incentive AB (559056-3663)	Lund	100%	100%	294	294
				20,294	**20,294**

*Also the voting rights

Atlas Therapeutics is engaged in research, development and production of antibodies and other types of binder molecules for commercialization within the field of antibody-based therapy. The business of A Bioscience Incentive AB is to administer the company's option programs.

25. Other investments held as fixed assets

	Group		Moderföretaget	
TSEK	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Publicly traded corporate bonds	53,259	74,122	53,259	74,122
Summa	**53,259**	**74,122**	**53,259**	**74,122**

The company holds two listed corporate bonds as of December 31, 2018, which are reported at TSEK 20,254, which fall due within 12 months. These corporate bonds have been classified as Other short-term investments. For more information, see Note 4.

26. Accounts receivable

	Group		Parent Company	
TSEK	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Accounts receivable, gross	25,328	53,096	387	53,096
Provision for doubtful receivables	0	0	0	0
Total accounts receivable, net of provisions for doubtful receivables	**25,328**	**53,096**	**387**	**53,096**

Management considers that the reported value of total accounts receivable, net of provisions for doubtful receivables, matches the fair value.

27. Other receivables

	Group		Parent Company	
TSEK	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Value-added tax	2,035	2,726	2,035	2,726
Other items	2,528	878	2,528	878
Total	**4,564**	**3,604**	**4,563**	**3,604**

28. Prepayments and accrued income

	Group		Parent Company	
TSEK	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Prepaid rents	1,497	1,463	1,497	1,463
Prepaid insurance premiums	144	132	144	132
Accrued income interest rates	269	207	269	207
Other items	2,611	1,889	2,611	1,889
Total	**4,521**	**3,692**	**4,521**	**3,692**

29. Cash and cash equivalents

	Group		Parent Company	
TSEK	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Cash in hand	0	0	0	0
Disposable bank deposits				
'SEK	76,896	169,768	74,226	167,095
'USD	17,603	8,566	17,603	8,566
'EUR	13,911	18,763	13,911	18,763
'GBP	3,613	0	3,613	0
Interest funds	250,854	275,822	250,439	275,000
Total	**362,878**	**472,919**	**359,792**	**469,424**

30. Equity

Share capital and Other capital contributions

	No. of ordinary shares	Share Capital TSEK	Other Contributions TSEK
As at 31 December 2016	**70,113,615**	**28,045**	**657,949**
Conversion of subscription options	1,275,000	510	4,665
A at 31 December 2017	**71,388,615**	**28,555**	**662,614**
Conversion of subscription options	0	0	0
As at 31 December 2018	**71,388,615**	**28,555**	**662,614**

As of December 31, 2018, the registered share capital totaled 71,388,615 ordinary shares with a par value of SEK 0.40. All shares are of the same type, fully paid-up and entitling the holder to one vote. No shares are reserved for transfer under option contracts or other agreements. No shares are held by the company itself or its subsidiaries.

Other capital contributions
Other capital contributions are made up of capital contributed by the company's shareholders, e.g. share premiums.

Option programs
At the annual general meeting on April 26, 2018, it was decided to set up a staff option program whereby 2 275,000 staff options were allocated free of charge to participants in the program. The staff options allocated are accrued 1/3 on May 1, 2019, 1/3 on May 1, 2020 and 1/3 on May 1, 2021. Accrual is subject to the participant remaining in the company's employment and not having resigned on a given qualifying date. If a participant ceases to be employed or resigns from the company before a qualifying date, any staff options already accrued may be exercised in the normal exercise period, but no more rights will be accrued. Each accrued staff option entitles the holder to acquire one new share in the company at an exercise price of SEK 75. Earned employee stock options are expected to be exercised one month after the quarterly reports for the first quarters of 2021 and 2022 have been reported. At the end of the financial year, 0 option rights has been earned by the staff, 2 275 000 option rights are still possible to earn, and 0 option rights have become due when employees have left the company.

At the annual general meeting on April 20, 2016, it was decided to establish a subscription option program by issuing no more than 1,000,000 subscription options to a subsidiary for transfer on to employees of the company. In all, 1,000,000 subscription options were acquired by the subsidiary, of which 857,000 have so far been transferred to participants in the program while the remaining 143,000 have been reserved for transfer to future employees. The transfer to participants was made at market value calculated by the BlackScholes formula. Each accrued staff option entitles the holder to acquire one new share in the company at an exercise price of SEK 75. The subscription options can be exercised in the periods from June 1, 2019 to August 31, 2019 and from March 1, 2020 to May 31, 2020 inclusive.

At the annual general meeting on April 20, 2016, it was decided to set up a staff option program whereby 900,000 staff options were allocated free of charge to participants in the program. The staff options allocated are accrued 1/3 on May 1, 2017, 1/3 on May 1, 2018 and 1/3 on May 1, 2019. Accrual is subject to the participant remaining in the company's employment and not having resigned on a given qualifying date. If a participant ceases to be employed or resigns from the company before a qualifying date, any staff options already accrued may be exercised in the normal exercise period, but no more rights will be accrued. Each accrued staff option entitles the holder t o acquire one new share in the company at an exercise price of SEK 75. Accrued staff options can be exercised in the periods from June 1, 2019 to August 31, 2019 and from March 1, 2020 to May 31, 2020 inclusive. At the end of the financial year, 573 318 option rights has been earned by the staff, 273 346 option rights are still possible to earn, and 53 336 option rights have become due when employees have left the company.

To enable delivery of shares under the staff option program and to cover the associated costs (mainly social security charges), the annual general meeting also decided to issue further subscription options to a wholly-owned subsidiary. In all, the subsidiary acquired 1,182,780 subscription options under this program.

30. Equity, cont'd

Proposed appropriation of profits (SEK)

The Board propose that sums available to the shareholders' meeting:	
Share premium reserve	662,740,800
Retained earnings	-74,093,733
Profit/loss for the period	-159,897,695
Total	**428,749,372**
Be allocated as follows:	
Dividend to shareholders (SEK 0 per share)	0
Carried forward to new account	428,749,372
Total	**428,749,372**

31. Accrued expenses and deferred income

	Group		Parent Company	
TSEK	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Accrued salaries	833	573	833	573
Accrued vacation pay	3,042	2,507	3,042	2,507
Accruad social security changes	1,217	968	1,217	968
Accrued development costs	9,156	3,032	9,156	3,032
Prepaid income	216	0	216	0
Other items	6,116	3,236	6,116	3,236
Total	**20,580**	**10,315**	**20,580**	**10,315**

32. Securities and contingent liabilities

	Group		Parent Company	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Securities lodged	None	None	None	None
Contingent liabilities	None	None	None	None

33. Transactions with related parties

Transactions between the company and its subsidiaries, which are related to the company, have been eliminated by consolidation, so no details of these transactions are given in this Note. Details of transactions between the Group and other related parties are presented below.

Sales of goods and services

No sales of goods and services have been made to related parties.

Purchase of goods and services

	Group		Parent Company	
TSEK	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Consulting services from Board member Carl Borrebaeck through Ocean Capital	720	720	720	720
Totalt	**720**	**720**	**720**	**720**

Assets and liabilities at end of period resulting from sales and purchases of goods and services

Assets resulting from sales of goods and services

There are no claims from related parties.

Liabilities from sales of goods and services

	Group		Parent Company	
TSEK	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Consulting services from Board member Carl Borrebaeck through Ocean Capital	0	0	0	0
	0	**0**	**0**	**0**

Sales and purchases of goods and services are made under normal market conditions.

Loans to related parties

No loans have been granted to related parties.

Payments to senior executives

Details of payments to senior executives are presented in Note 12.

34. Participation in joint arrangements

The costs stated below are included in the Group's Consolidated Financial Statements which compose the Group's part in the project ALG.APV-527 which is driven in collaboration with Aptevo Therapeutics Inc. The project has not had any revenues and no assets or liabilities can be allocated directly to the project.

	Group	
TSEK	12/31/2018	12/31/2017
Costs in the project ALG.APV-527	18,557	3,108
Total	**18,557**	**3,108**

35. Events after the reporting date

Alligator launched RUBY™, a novel concept in bispecific antibody formats.

New preclinical data demonstrate strong anti-tumor effects for the 4-1BB antibody ATOR-1017.

First patient dosed in Phase I study of ATOR-1015.

No other material events have occured after the reporting date.

36. Dividends

No dividends were paid in 2018 or 2017.

No dividend will be proposed to the annual general meeting on May 9, 2019.

37. Approval of financial reports

The annual accounts and consolidated accounts were adopted by the Board and approved for publication on March 22, 2019. The annual accounts and consolidated accounts will be presented to the annual general meeting for adoption on May 9, 2019. The annual general meeting will be held in Lund, Sweden.

The Board and the CEO hereby declare that the annual accounts have been drawn up in accordance with the Annual Accounts Act and RFR 2 'Reporting for legal entities' and give a true picture of the company's position and results, and that the directors' report provides an accurate summary of the development of the company's business, position and results and describes the risks and uncertainty factors that the company faces. The Board and the CEO hereby declare that the consolidated accounts have been drawn up in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and give a true picture of the Group's position and results, and that the directors' report provides an accurate summary of the development of the Group's business, position and results and describes the risks and uncertainty factors that the Group faces.

Lund the March 21, 2019

Peter Benson Chairman of the Board	**Carl Borrebaeck** Board member
Ulrika Danielsson Board member	**Anders Ekblom** Board member
Kenth Petersson Board member	**Jonas Sjögren** Board member
Laura von Schantz Employee representative	**Per Norlén** CEO

Our audit report was submitted on March 21, 2019

Ernst & Young AB

Johan Thuresson
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Alligator Bioscience AB (publ), corporate identity number 556597-8201

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Alligator Bioscience AB (publ) except for the corporate governance statement on pages 35-41 for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 21-79 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 35-41. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition in accordance with license agreement

Description

Through the subsidiary Atlas Therapeutics AB, the Company is entitled to part of the revenue from the Biosynergy project, which is owned together with the Korean company AbClon Inc. The project is run by AbClon Inc. The Group's revenues in 2018 are mainly attributable to out-licensing of the global license rights to the project Biosynergy, in total 25.2 MSEK. The payment is made in two installments during the first quarter of 2019.

The agreement is significant to the Group and contains parameters relating to the milestones, i.e. the contractual conditions that must be met in order to receive agreed revenue. The Group posts the compensation for out-licensing when the counterparty has confirmed that these conditions have been met. As this is the Group's only significant revenue stream in 2018 and requires assessment of terms in the agreements, we have considered that revenue recognition in accordance with the license agreement is a key audit matter of the audit.

How our audit addressed this key audit matter

In our audit, we evaluated the Group's accounting principles for revenues from out-licensing, which are described in the Annual report, note 2, "Significant accounting principles" and in note 6 "Revenue from contracts with customers". We examined the license agreement between AbClon Inc. and Shanghai Henlius Biotech, Inc. as well as the license agreement between Atlas Therapeutics AB and AbClon Inc., and verified that entitlement to the revenue has been reached by reconciling the revenue against the terms and ownership in the agreement and against confirmation from AbClon Inc. The first installment of 13.1 MSEK has been reconciled against payment. We have reviewed the disclosures in the annual report.

Valuation of participations in development projects and valuation in participations in group companies

Description

The carrying value of participations in development projects as of December 31, 2018 amounts to 17.9 MSEK in the consolidated statement of financial position and valuation of participations in group companies (Atlas Therapeutics AB) amounts to 20.0 MSEK in the parent company's balance sheet. The Company tests annually and when there is any indication of impairment, that the carrying values do not exceed the calculated recoverable amount. To test the value, the Company uses a probability-adjusted cash flow model in which the present value of future cash flows is estimated and probability-adjusted to allow for the development risk. The most critical assumptions are those concerning market size, market share, and the likelihood of the project reaching a point where it can be licensed.

Changes in assumptions have a major impact on the calculation of the recoverable amount and if other assumptions had been used, this would have resulted in a different amount of impairment. We therefore considered that the valuation of participations in development projects and participations in group companies is a key audit matter of the audit.

A description of the impairment test is disclosed in Note 19 "Participations in development projects" and in Note 3 "Important estimates and judgments".

How our audit addressed this key audit matter

In our audit we evaluated and tested the process used by management to set up the impairment test. Together with our valuation specialists, we also made comparisons against other companies to assess the reasonableness of future cash flows and probability assumptions and tested the chosen discount rate. We also reviewed the Company's model and method for preparing the impairment test and evaluated the Company's sensitivity analysis. We have reviewed the disclosures in the annual report.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-20, 85-92. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Alligator Bioscience AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 35-41 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Alligator Bioscience AB (publ) by the general meeting of the shareholders on the 26th April 2018 and has been the company's auditor since the 4th January 2001. Alligator Bioscience AB (publ) has been a public interest entity since 23rd November 2016.

Malmö March 21, 2019

Ernst & Young AB

Johan Thuresson
Authorized Public Accountant

Change in share capital.

Year	Transaction	Increase in share capital, SEK	Increase in no. of shares	Share capital total, SEK	Number of shares	Par value, SEK
2000	Formation of company			100,000.00	1,000	100
2000	Split 250:1		249,000	100,000.00	250,000	0.40
2001	New share issues	1,230,869.60	3,077,174	1,330,869.60	3,327,174	0.40
2002	Non-cash issue	8,000.00	20,000	1,338,869.60	3,347,174	0.40
2002	New share issue	269,130.40	672,826	1,608,000.00	4,020,000	0.40
2003	New share issue	176,291.60	440,729	1,784,291.60	4,460,729	0.40
2004	New share issues	380,858.00	952,145	2,165,149.60	5,412,874	0.40
2004	Subscription options exercised	64,000.00	160,000	2,229,149.60	5,572,874	0.40
2005	New share issues	650,502.00	1,626,255	2,879,651.60	7,199,129	0.40
2005	Options exercised	33,600.00	84,000	2,913,251.60	7,283,129	0.40
2006	New share issues	973,901.20	2,434,753	3,887,152.80	9,717,882	0.40
2007	New share issues	987,432.00	2,468,580	4,874,584.80	12,186,462	0.40
2009	New share issues	1,105,743.20	2,768,358	5,980,328.00	14,950,820	0.40
2010	New share issue	134,000.00	335,000	6,114,328.00	15,285,820	0.40
2011	New share issues	2,240,874.40	5,602,186	8,355,202.40	20,888,006	0.40
2012	New share issue	849,405.20	2,123,513	9,204,607.60	23,011,519	0.40
2013	Convertible bonds	400,000.00	1,000,000	9,604,607.60	24,011,519	0.40
2013	Subscription options exercised	1,188,596	2,971,490	10,793,203.60	26,983,009	0.40
2013	New share issues	4,666,316.00	11,665,790	15,459,519.60	38,648,799	0.40
2013	Non-cash issue	2,880,000.00	7,200,000	18,339,519.60	45,848,799	0.40
2014	New share issue	1,056,749.20	2,641,873	19,396,268.80	48,490,672	0.40
2014	Subscription options exercised	48,628.80	121,572	19,444,897.60	48,612,244	0.40
2015	New share issues	4,160,856.00	10,402,140	23,605,753.60	59,014,384	0.40
2016	Subscription options exercised	132,000	330,000	23,737,753.60	59,344,384	0.40
2016	New share issue	4,307,692.40	10,769,231	28,045,446.00	70,113,615	0.40
2017	Subscription options exercised	510,000	1,275,000	28,555,446.00	71,388,615	0.40
				28,555,446.00	**71,388,615**	**0.40**

The table above shows the change in share capital since the company was formed in 2000.

Financial definitions.

Average number of employees
Average number of employees at the beginning and end of the period.

Average number of employees within R&D
Average number of employees within the Company's R&D departments at the beginning and end of the period.

Average number of shares before and after dilution
Average number of outstanding shares during the period. The number of shares after dilution also takes account of outstanding options where the company's share price on the reporting date is at least equal to the conversion price of the option.

Cash and Cash equivalents
Cash and cash equivalents consists of bank balances, interest funds and publicly traded corporate bonds.

Cash flow for the period
Net change in cash and cash equivalents excluding the impact of unrealized foreign exchange gains and losses.

Cash flow from operating activities
Cash flow before investing and financing activities.

Equity per share after dilution
Equity divided by the total number of shares at the end of the period and any outstanding options where the company's share price on the reporting date is at least equal to the conversion price of the option.

Earnings per share before and after dilution
Earnings divided by the weighted average number of shares during the period before and after dilution respectively. If the result is negative, the number of shares before dilution is also used for the calculation after dilution.

Equity ratio
Equity as a percentage of Total assets.

Operating costs excluding impairments
Other external costs, personnel costs and depreciation (excluding impairments of tangible and intangible assets).

Operating profit/loss
Profit/loss before financial items and taxes.

R&D costs
The Company's direct costs for research and development. Refers to costs for personnel, materials and external services.

R&D costs as a percentage of operating costs excluding impairments
R&D costs as a percentage of operating costs excluding impairments.

Total assets
Total of the Company's assets.

Patents.

Project	Type	Region	Status	Expiry year
ADC-1013	Product patent (WO 2013/034904)	11 in total incl. Europe, US and Japan	6 granted (Europe, US, Japan, China, Australia, Russia)	2032
	Combination treatment patent (WO 2016/023960)	38 in total incl. Europe, US and Japan	1 allowed (Europe)	2035
ATOR-1015	Product patent (WO 2014/207063)	Europe, US and Japan	1 granted (US)	2034
	Product patent (WO 2016/185016)	13 in total incl. Europe, US and Japan	Pending applications	2036
	Product patent (WO 2018/202649)	PCT application		2038
ALG.APV-527	Product patent (WO 2017/182672)	13 in total incl. Europe, US and Japan	Pending applications	2037
	Product patent (WO/2019/016402)	PCT application		2038
	Product patent (US/2019/0016816)	US	Allowed	2038
ATOR-1017	Product patent (WO 2018/091740)	PCT application		2037

Glossary.

Agonist
A compound which binds to a receptor and stimulates its activity.

Antigen
Substance which triggers a reaction in the immune system, such as a bacteria or virus.

Antibody
Proteins used by the body's immune defenses to detect and identify xenobiotic material.

Bispecific antibodies
Antibody-based products which bind to two different targets and thus have dual functions.

Cancer
A disease in which cells divide in an uncontrolled manner and invade neighboring tissue. Cancer can also spread (metastasize) to other parts of the body through the blood and the lymphatic system.

Checkpoint inhibitor
An antibody with the ability to break the immune system's tolerance to something dangerous, for example a cancer tumor. Immune-inhibiting signals can be blocked through binding to a specific receptor such as CTLA-4 or PD-1.

Clinical trial
The examination of healthy volunteers or patients to study the safety and efficacy of a potential drug or treatment method.

CRO (Clinical Research Organization)
A company specialized in performing clinical trials.

CTA (Clinical Trial Authorization)
An application to start clinical trials in humans which is submitted to a regulatory authority.

CTLA-4 (Cytotoxic T-lymphocyte-Associated protein-4)
An immune-inhibiting molecule expressed in and on the surface of T cells, primarily regulatory T cells.

Dendritic cell
A type of cell which detects xenobiotic substances. A key role of dendritic cells is their ability to stimulate T cells in the immune system.

Discovery
This research phase usually encompasses the development and evaluation of treatment concepts, the evaluation of potential drug candidates, and early efficacy studies.

Drug candidate
A specific compound usually designated before or during the pre-clinical phase. The drug candidate is the compound that is then studied in humans in clinical trials.

EMA
The European Medicines Agency.

Experimental model
A model of a disease or other injury to resemble a similar condition in humans.

FDA
The US Food and Drug Administration.

Good Manufacturing Practice (GMP)
Quality assurance methodology designed to ensure that products are manufactured in a standardized manner, such that quality requirements are satisfied.

Immuno-oncology
Field of oncology in which cancer is treated by activating the immune system.

Lead
A potential drug candidate which binds to the actual target molecule/s.

Macrophages
A type of white blood cell of the immune system that engulfs and digests cellular debris and foreign materia such as bacteria.

Milestone payment
Financial consideration received in the course of a project/program when a specified objective is reached.

Monospecific antibodies
Antibody-based product which bind only to one target, such as a receptor.

NK cells
NK cells (Natural Killer) are lymphocytes with the ability to activate several different cells in the immune system, such as macrophages.

Oncology
Term for the field of medicine concerned with the diagnosis, prevention and treatment of tumor diseases.

Patent
Exclusive rights to a discovery or invention.

Glossary, cont'd.

PD-1 (Programmed Death-1)
Immune-inhibiting receptor on the surface of certain cells, for example tumor cells.

PD-L1 (Programmed Death-Ligand-1)
The ligand that binds to PD-1, helping the cancer evade the body's immune defense.

Phase I, II and III
The various stages of trials on the efficacy of a pharmaceutical in humans. See also "clinical trial." Phase I examines the safety on healthy human subjects, phase II examines efficacy in patients with the relevant disease and phase III is a large-scale trial that verifies previously achieved results. In the development of new pharmaceuticals, different doses are trialed and safety is evaluated in patients with relevant disease. Phase II is often divided into phase IIa and phase IIb. In phase IIa, which is open, different doses of the pharmaceutical are tested without comparison against placebo and focusing on safety and the pharmaceutical's metabolism in the body. Phase IIb is 'blind', and tests the efficacy of selected dose(es) against placebo.

Pharmacokinetics
The study of the turnover of substances in the body, for example how the amount of the substance is changed by absorption, distribution, metabolism and excretion.

Pharmacology
The study of how substances interact with living organisms to bring about a functional change.

Pre-clinical
The stage of drug development before the drug candidate is tested in humans. It includes the final optimization of the drug candidate, the production of materials for future clinical studies and the compilation of a data package for an application to start clinical trials.

Proof of concept studies
Studies carried out to provide support for dosages and administration paths in subsequent clinical trials.

R&D
Research & Development

Receptor
A receptor on a cell which picks up chemical signals.

Sponsor
The person, company, institution or organization responsible for initiating, organizing or financing a clinical trial.

T-cell
A type of white blood cell which is important to the specific immune defense.

Tumor-associated antigen (TAA)
A protein expressed to a much higher degree on the surface of tumor cells than healthy cells.

Tumor necrotic factor receptor superfamily (TNFR-SF)
A group of immune-modulating target proteins related to the tumor necrosis factor protein. The name 'tumor necrosis factor' was derived from the fact that the first function detected for the protein was its ability to kill some types of tumor cells, though it was later discovered to have an immune-regulatory function.

Other information.

Financial reports 2019
Alligator intends to give financial statements as follows:

- Q1 interim report on 17 April, 2019
- Q2 interim report on 11 July, 2019
- Q3 interim report on 24 October, 2019
- Year-end Report 2019 on 12 February 2020

Annual General Meeting
The Annual General Meeting is held on 9 May, 2019.

Contact
For further information, please contact:

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Prospective information
These annual accounts contain prospective statements which represent subjective estimates and forecasts of the future. These predictions are only valid as of the date on which they are made and are by their nature, like research and development work in the biotech field, fraught with risks and uncertainties. In view of this, the actual outcome may differ significantly from what is described in this annual report.

Brand names
FIND® and ALLIGATOR-GOLD® are Alligator proprietary brand names which are registered in Sweden and other countries.

If you are a shareholder, you are welcome to attend

ALLIGATOR'S AGM 2019

on May 9, 2019 at Medicon Village in Lund!

The Annual General Meeting (AGM) will be held on Thursday 9 May, 2019 at 4 p.m. at Medicon Village, Scheelevägen 2, Lund, Sweden. The invitation will be published in Post- och Inrikes Tidningar (the Swedish government gazette) and on the company's website.

Shareholders who wish to attend the Annual General Meeting must be entered in the register of shareholders maintained by Euroclear as of Friday 3 May, 2019 and must notify Alligator of their intention to attend no later than Friday 3 May, 2019 by letter to Alligator Bioscience AB, Att: Lotten Almén, Medicon Village, SE-223 81 Lund, Sweden, or by telephone to +46 540 82 00, or by e-mail to *anmalan@alligatorbioscience.com*.

Shareholders whose shares are registered with fund managers must request temporary entry in the Euroclear register of shareholders in order to participate in the Annual General Meeting. Re-registration must be completed by Friday 3 May, 2019, and the manager must be informed of this in good time before this date.

Notification

The notification should include the name, personal or corporate ID number, shareholding, telephone number and the number of any representatives (maximum two). For shareholders to be represented by a proxy, authorization must be sent together with the notification.

Anyone representing a legal person must carry a copy of the registration certificate or equivalent authorization documents showing authorized signatories. The company will provide authorization forms to shareholders who require them.

Notification should be sent to Lotten Almén:
Email: anmalan@alligatorbioscience.com
Phone: +46 46 540 82 00

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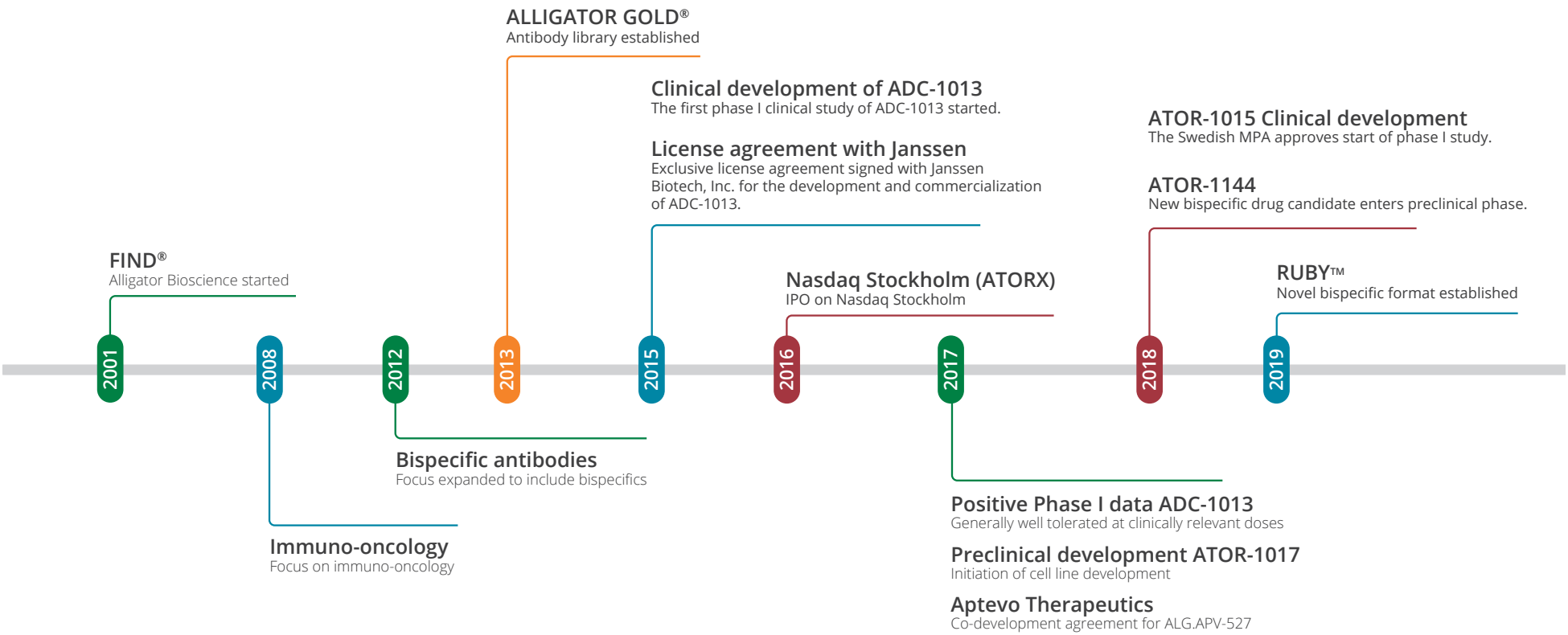
Important milestones in Alligator's history.

2019



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