ALLIGATOR bioscience

Interim report January-September 2016

Contents

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Summary

- A quarter with continued work according to plan for all ongoing development projects.
- Continued activities for the planned listing on the stock exchange.

Q3 2016 in summary

- Net sales for the period totaled TSEK 4,661 (289,286). Last year, a payment was received in connection with the signing of a license agreement.
- Profit/loss for the period amounted to TSEK -7,545 (278,570), which is equivalent to earnings per share before and after dilution of SEK -0.13 (5.08 and 4.94 respectively).
- Cash flow for the period amounted to TSEK -17,783 (356,114) and cash and cash equivalents at the end of the quarter totaled TSEK 346,457 (394,895).
- During the quarter, an agreement with BioInvent International AB was signed for the contract manufacturing of clinical material for ATOR-1015.

Events after the end of the period

- After the end of the period, Janssen has treated the first patient in an intravenous phase I study with ADC-1013.

January - September 2016 in summary

- Net sales for the period totaled TSEK 51,808 (289,286) and related primarily to the payment received for the milestone attained in Q1 in the ADC-1013 project.
- Profit/loss for the period amounted to TSEK -29,008 (246,827), which is equivalent to earnings per share before and after dilution of SEK -0.49(4.62 and 4.48 respectively).
- Cash flow for the period amounted to TSEK -23,757 (354,922).
- During the quarter, the participation in the Biosynergy project was written down with TSEK 22,120.
- Alligator has so far in 2016 hired eight people, including seven people in research and development.

Financial summary (Group)

	July-September		January-September		full year
	2016	2015	2016	2015	2015
Net sales, TSEK (SEK thousand)	4,661	289,286	51,808	289,286	289,797
Profit/loss for the period, TSEK	-7,545	278,570	-29,008	246,827	207,377
Cash flow for the period, TSEK	-17,783	356,114	-23,757	354,922	326,232
Cash and cash equivalents, TSEK	346,457	394,895	346,457	394,895	365,605
Equity ratio, %	97%	96%	97%	96%	95%
R&D costs as % of operating costs excluding impairments	67.9%	55.1%	63.6%	60.9%	61.5%
Earnings per share before dilution, SEK	-0.13	5.08	-0.49	4.62	3.81
Earnings per share after dilution, SEK	-0.13	4.94	-0.49	4.48	3.70
Average number of employees	33	25	31	26	27

CEO’s comments on the first three quarters of 2016

Alligator is in a strong phase of development since the significant agreement with Janssen Biotech Inc. and confidence is very strong among the Board, management and staff. During Q3 2016, we have continued dosage in the clinical study with ADC-1013, which is now administered both intravenously and intratumorally. Now that we can directly compare the intratumoral and systemic administration of ADC-1013 in the same study, we expect to gain crucial knowledge for the planned Phase II clinical studies. It also increases the number of potential cancer indications considerably, while a larger patient base allows the clinical development to be driven forward even faster. This creates favorable conditions for Janssen’s future clinical studies. The study is proceeding according to plan and is expected to be completed during the first half of 2017. In addition to the license agreement for ADC-1013, the research collaboration with Janssen is continuing where the goal is to further increase understanding of how ADC-1013 acts in the treatment of cancer.

Next to ADC-1013, ATOR-1015 is our main drug candidate. ATOR-1015 has a good chance of becoming the first immune activating bispecific antibody directed at both OX40 and CTLA-4. ATOR-1015 is in the preclinical phase. During the third quarter of 2016, we contracted BioInvent International AB for antibody production, specifically for process development and subsequent production of clinical material. Cell line development for antibody production started during Q1 2016. This work was assigned to contract manufacturer Cobra Biologics, which previously performed cell line development for the ADC-1013 project for Alligator. In parallel, we are preparing internally for future clinical trials of ATOR-1015.

During the first three quarters of 2016, we have grown by 30% in terms of staff, most of whom have been employed in research and development.

Our overall goal is to establish Alligator as a major player in tumor-directed immune-oncology, where the focus is on selective activation of the relevant part of the immune response.

We have expanded our pipeline with more product candidates within the field, and we are allocating more resources to them, to drive them forward even more rapidly. In addition, we have increased our ambitions in terms of clinical development and our aim is to drive projects through the clinical Phase II stage before we seek licensing partners. This strategy will lead to successively increased costs, but also greater opportunities. To ensure long-term financing, we have initiated preparatory activities for an upcoming main market listing on Nasdaq Stockholm.

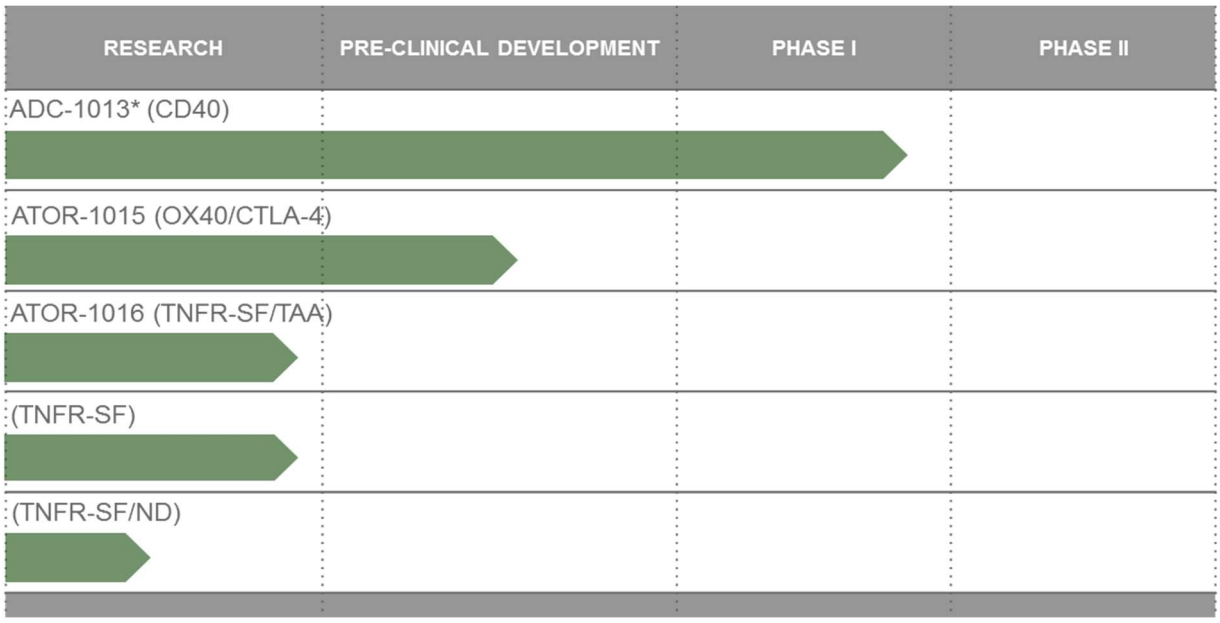
Per Norlén
CEO of Alligator Bioscience AB

Business operations

Alligator's core business is focused on research and development (R&D). New product ideas are evaluated on the basis of medical need, market potential and the possibility of patent protection, and then enter a structured R&D process. In the early research phase, Alligator uses its technology platforms to produce new antibodies and, where necessary, optimizes them in terms of function, affinity and stability. Once candidates have been identified, they are characterized in vitro and in vivo, and finally a product candidate is selected. In the late research stage, the product candidate's mechanism of action in vivo is confirmed, and then the Company will start preclinical studies. These aim to ensure the product candidate's safety and efficacy prior to clinical trials in cancer patients. The research is usually conducted at Alligator's laboratory by its own staff working in project teams where all the expertise needed to manage projects effectively is represented. In addition, research is also conducted in collaboration with academia and international biotechnology partners. Alligator engages CROs to conduct GXP studies. Alligator conducts clinical studies to Phase II in-house and then licenses product candidates to larger biotech or pharmaceutical companies.

Alligator's project portfolio

All Alligator's pipeline projects are focused on the immune activating receptors belonging to the Tumor Necrotic Factor Receptor superfamily (TNFR-SF) and are developed for tumor-directed immunotherapy. The goal is to develop product candidates that selectively activate the tumor-directed part of the immune system. Alligator believes that future immunotherapies against cancer will involve several different products in combination. This increases the clinical effect, but also the risk of developing severe immune-related side effects. The advantage of tumor-directed immunotherapy is that it becomes possible to increase the clinical effect without increasing side effects.



TNFR-SF: Tumor Necrosis Factor Receptor-Superfamily
TAA: Tumor-Associated Antigen
ND: Not Disclosed
*Partnered with Janssen Biotech Inc., developed as JNJ-64457107

ADC-1013

ADC-1013 is a mono-specific immune activating antibody for the treatment of metastatic cancer. The drug candidate is licensed to Janssen Biotech, an oncology company within the Johnson & Johnson group.
ADC-1013 is directed at CD40, which is a receptor in antigen-presenting dendritic cells. Dendritic cells are the cells that detect internal and external enemies such as bacteria or cancer cells. Activation of CD40 with ADC-1013 means that dendritic cells can more effectively activate the immune system's weapons, which in this case are T cells. In this way, the immune system's attack is directed at the cancer.

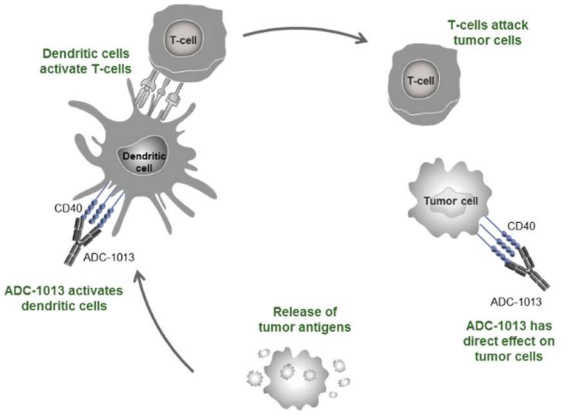


Diagram text: The figure shows the cancer immunity cycle, which describes how the immune system attacks tumors. The primary mechanism behind ADC-1013 is the activation of dendritic cells. Dendritic cells that are activated by stimulation with ADC-1013 can effectively show a cancer antigen to T cells and instruct the T cells to find and kill these cancer cells throughout the body. Because some cancer cells have CD40 on the surface, ADC-1013 can also work through a secondary mechanism and directly kill the cancer cells.

ADC-1013 has been FIND®-optimized with the aim of improving affinity and potency, which makes it possible to achieve efficacy at very low doses. Models with human immune cells from healthy blood donors and various mouse models have been used to prove the immune activating effect. ADC-1013 induces a powerful tumor-directed immune response and a long-lasting immunity against tumors in preclinical models. Furthermore, preclinical studies have shown that ADC-1013 can be used against a large number of cancers such as lymphomas, melanomas, and bladder cancer.
The ongoing Phase I clinical trial is being conducted by Alligator and dose escalation is in progress as planned. The main objective of the Phase I study is to identify a safe, tolerable and biologically active dose of intratumoral and systemically administered ADC-1013.

Events during Q3

During Q3 2016, we have continued dosage in the clinical study with ADC-1013, which is now administered both intravenously and intratumorally.

ATOR-1015

ADC-1015 is a bispecific antibody for tumor-directed immuno-oncology and has been developed by Alligator for the treatment of metastatic cancer. ADC-1015 binds to two different agonistic target molecules: the checkpoint receptor CTLA-4, and the co-stimulatory receptor OX40. A very powerful anti-tumor response is achieved by combining antibodies to OX40 and CTLA-4. Research studies have found that ATOR-1015 creates interaction between CTLA-4 and OX40 expressing cells. ATOR-1015's ability to bind to both receptors at the same time has been found to lead to a significant increase of the immune stimulatory effect. The strong immune activation is expected therefore to be achieved primarily in environments where both the target molecules are found expressed at high levels, as inside a tumor.

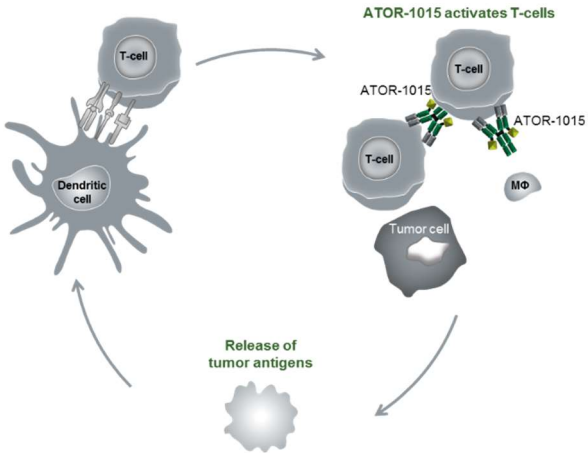


Diagram text: ATOR-1015 is a bispecific agonistic antibody that binds to two different target molecules: CTLA-4 and OX40, at the same time. Both CTLA-4 and OX40 are overexpressed in regulatory T cells in the tumor environment. ATOR-1015 reduces the number of regulatory T cells and activates effector T cells, which together give an immune-mediated anti-tumor effect.

The objective for ATOR-1015 is that, as the first CTLA-4 and OX40 binding bispecific antibody, to achieve a superior clinical anti-tumor effect, either as a monotherapy or in combination with other immunotherapies. ATOR-1015 is expected to be able to be used to treat a large number of different types of cancer. Cell line development for future large-scale production of ATOR-1015 began in January 2016. This work was allocated to contract manufacturer Cobra Biologics, a company that has specialized in antibody production within clinical studies and which previously performed cell line development for the ADC-1013 project for Alligator.

Events during Q3

In Q3 2016, agreements were signed with BioInvent International AB concerning the production of clinical materials for ATOR-1015.

ATOR-1016

ATOR-1016 is a bispecific antibody developed for tumor-directed immuno-oncology. ATOR-1016 binds to a tumor-associated antigen and a TNFR-SF member. The binding elements have been developed using the antibody library ALLIGATOR-GOLD®.
By combining a tumor-binding and an immunomodulatory antibody in the same molecule, a bispecific antibody is created whose effect is localized to the tumor area and the tumor-specific immune cells that are found there. This enables effective tumor-directed immune activation with minimal adverse reactions. ATOR-1016 has been developed to be used as a monotherapy or in combination with currently established immunotherapies or other cancer therapy, and could be used for the treatment of metastatic cancer.

Other research projects

Alligator has two research projects in its product portfolio. One project is an agonistic monoclonal antibody that activates a TNFR-SF member, and has been developed using the antibody library ALLIGATOR-GOLD®. Antibodies against this receptor are already in early clinical development. The antibody's characteristics are optimized currently using FIND® technology, with the goal to become the "best in class".

Alligator's other research project is a bispecific agonistic antibody that binds to a TNFR-SF member and another target protein. The product components have been created with the help of ALLIGATOR-GOLD® and FIND®.
Through its subsidiary, Atlas Therapeutics AB, the Group holds a stake in a research project, "Biosynergy", run by Korean AbClon Inc. Alligator allocates no resources to this project but has the right to a share of any future profits.

Comments on the report

The Group is being referred to unless otherwise stated in this interim report. Figures in parentheses are for the corresponding period last year.
Amounts are in TSEK (SEK thousand) unless otherwise stated.
All amounts stated are correctly rounded, which may lead to some totals not matching exactly.

Revenue, expenses and earnings

July - September 2016

Because of the nature of the business operations, there may be large fluctuations between revenues for different periods. These are not seasonal or regular otherwise but are primarily related to when milestones are attained that trigger payments in licensed research projects.

Net sales in Q3 totaled TSEK 4,661 (289,286). Net sales this year refer to revenue from the licensing agreement for ADC 1013. Revenue last year was related in its entirety to payment in connection with the signing of the same agreement.

Other operating income TSEK 550 (2,638) refers to research grants and exchange gains in operations. The decrease between the years is primarily attributable to higher currency gains in 2015.

Like revenues, expenses can also fluctuate between periods. Among other things, which phases the various projects are in has an effect as certain phases generate more costs.

Operating costs totaled TSEK 14,343 (17,597). The decrease between years was primarily attributable to the previous year’s cost to the Company associated with the final settlement of an employment relationship with a former CEO and consulting expenses in connection with the signing of the licensing agreement for ADC-1013. The expenses in the current year are affected positively in that parts of expected and reserved costs relating to ADC-1013 (TSEK 1,600) have been able to be adjusted while costs for the planned listing on NASDAQ Stockholm have had a negative effect.

Operating profit/loss before financial items amounted to TSEK -9,132 (274,327).

Net financial items amounted to TSEK 1,587 (4,243) and relate to accrued interest income and foreign exchange gains/losses resulting from significant cash balances in EUR and USD. The decrease from the previous year is due to lower foreign exchange gains, and a capital gain of TSEK 2,000 was reported last year in respect to the sale of securities.

Profit/loss before and after tax was TSEK -7,545 (278,570).

Earnings per share before and after dilution were SEK -0.13 (5.08 and 4.94 respectively).

January - September 2016

Net sales during the period totaled TSEK 51,808 (289,286). This year's revenue has been largely generated in Q1 when a milestone in ADC-1013 was achieved while revenues last year were largely generated in Q3 when the license agreement for ADC-1013 was concluded.

Other operating income TSEK 1,045 (3,508) relates primarily to government grants for a Vinnova project and exchange gains in operations.

Operating costs totaled TSEK 86,804 (50,675). The single biggest difference between the years is that a research project, Biosynergy, was written down by TSEK 22,120 in Q2 this year. The impairment was prompted by changed assessments regarding market conditions for the project in which the probability of achieving milestones and that the project will deliver a drug are estimated to have declined, and that changed contract terms have been agreed which gives Alligator right to a lesser extent than in the past to future revenues. Other significant differences between years have been increased costs for external contract research (relates above all to ATOR-1016) and costs related to the stock exchange listing. The previous year’s costs related to the final settlement of an employment relationship with a former CEO and consulting expenses in connection with the signing of the licensing agreement for ADC-1013 have a positive effect on the comparison.

Operating profit/loss before financial items amounted to TSEK -33,951 (242,118).

Net financial items amounted to TSEK 4,944 (4,709) and relate to accrued interest income and foreign exchange gains/losses resulting from significant cash balances in EUR and USD. A capital gain of TSEK 2,000 was made last year in respect to the sale of securities.

Profit/loss before and after tax amounted to TSEK -29,008 (246,827).

Earnings per share before and after dilution amounted to SEK -0.49 (4.62 and 4.48 respectively).

Statement of financial position

Comparative figures refer to 31 December 2015.

Equity amounted to TSEK 370,854 (396,969). This corresponds at the end of the period to an equity per outstanding share of SEK 6.26 (6.73) before dilution. The equivalent figure after dilution is SEK 5.91 (6.55).

Consolidated cash and cash equivalents consist of bank balances and at the end of the period totaled TSEK 346,457 (365,605). There were no borrowings as per 30 September 2016, and no loans have been taken out since this date. The Group has no loans or loan commitments.

The Group's liquid funds are planned to be used for operating activities.

Some liquid funds are invested in USD and EUR foreign currency accounts. In accordance with the Group's Financial Policy, inflows of foreign currencies exceeding eighteen months' supply are converted SEK at the time of payment.

Capital expenditure and cash flow

Investments for the Group for Q3 totaled TSEK 465 (425) and consisted mainly of laboratory equipment and capitalization of patents relating to its technology platforms.

Cash flow for the quarter amounted to TSEK -17,783 (356,114). The difference between years is because last year a payment was received in connection with the signing of the license agreement for ADC-1013.

Investments for the first nine months totaled TSEK 3,090 (1,296) and relate mainly to laboratory equipment.

Cash flow for the first nine months of the year was TSEK -23,757 (354,922).

Alligator's shares

The total number of outstanding shares in the Company at the end of the quarter was 59,244,384 (59,014,384). The increase of 230,000 shares since the end of last year is attributable to the exercise of warrants from the 2014 program. The subscription of shares provided the Company with a total of TSEK 2,070, of which TSEK 92 in share capital. At the end of the quarter, a total of 1,375,000 warrants remained in the 2014 program, each of which entitles the holder to subscribe for one share.

At the AGM held in Q2, a decision was adopted for two incentive programs: an employee stock option program and a warrant program. A total of 900,000 stock options were allocated in the employee stock option program. The options were granted free of charge. To enable the delivery of shares under the employee stock option program and thereby to guarantee ancillary costs, primarily social security expenses, a wholly-owned subsidiary has subscribed for a total of 1,182,780 warrants. Each warrant issued in relation to the employee stock options program entitles the holder to subscribe for one share. A total of 1,000,000 warrants were issued under the warrant program to a subsidiary for transfer at market value to participants in the program. Each warrant issued in relation to the warrant program entitles the holder to subscribe for one share. At the end of the quarter, a total of 857,000 warrants had been transferred at market value at the time of transfer to participants in the program.

With full exercise of all warrants that have been issued in respect of incentive programs for subscription of shares, a total of 3,557,780 shares will be issued and thus increase the maximum number of shares to 62,802,164.

Significant events during the quarter

The Company is preparing for a main market listing on Nasdaq Stockholm. During the quarter, work to prepare the Company has been carried out according to plan. Current ambition and timetables are aimed at a listing in 2016.

Other information

Personnel

The number of employees in the Group at the end of the period was 35 (25). Of these, 8 (5) were men and 27 were women (20).
Of the total number of employees, 31 (22) were employed within Research and Development.

Risks and uncertainties

The Group is exposed through its activities to various financial risks such as market risk (comprised of foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management entails striving for minimal adverse effects on earnings and financial position. The Group's business risks and risk management, and financial risks are described in detail in the Annual Report for 2015. No significant events have occurred during the first nine months that affect or change these descriptions of the Group's risks and management of these.

Parent Company

Net sales and earnings trend, financial position and liquidity

Both Group management functions as well as all operational activities are carried on within the Parent Company. During the nine-month period, the shares in its Atlas Therapeutics AB subsidiary were written down by TSEK 22,120. The impairment was prompted by changed assessments regarding market conditions for the project in which the probability of achieving milestones and that the project will deliver a drug are estimated to have declined, and that changed contract terms have been agreed which gives Alligator right to a smaller entitlement than in the past to future revenues. The corresponding impairment in the consolidated accounts is recorded as an impairment of intangible assets (shares in development projects).
Please refer otherwise to data for the Group, as the subsidiary does not carry on any business.

Consolidated income statement

All amounts in TSEK	Note	July-September 2016	July-September 2015	January-September 2016	January-September 2015	Full year 2015
Net sales	5	4,661	289,286	51,808	289,286	289,797
Other operating income	5	550	2,638	1,045	3,508	3,822
Total operating income		**5,210**	**291,924**	**52,852**	**292,794**	**293,619**
Operating costs						
Other external costs		-7,861	-9,596	-42,874	-27,604	-49,335
Personnel costs		-5,822	-7,395	-19,908	-21,272	-28,611
Depreciation and impairment of tangible assets and intangible assets	3	-659	-607	-24,022	-1,799	-12,667
Total operating costs		**-14,343**	**-17,597**	**-86,804**	**-50,675**	**-90,613**
Operating profit/loss		**-9,131**	**274,327**	**-33,951**	**242,118**	**203,006**
Result from other securities and receivables		0	1,688	0	2,126	2,291
Financial income		1,941	2,554	5,838	2,583	2,081
Financial expenses		-354	0	-894	-1	-1
Net financial items		**1,587**	**4,243**	**4,944**	**4,709**	**4,371**
Profit/loss before tax		**-7,545**	**278,570**	**-29,008**	**246,827**	**207,377**
Tax on profit for the period		0	0	0	0	0
Profit for the year attributable to Parent Company shareholders		**-7,545**	**278,570**	**-29,008**	**246,827**	**207,377**
Earnings per share before dilution, SEK		**-0.13**	**5.08**	**-0.49**	**4.62**	**3.81**
Earnings per share after dilution, SEK		**-0.13**	**4.94**	**-0.49**	**4.48**	**3.70**

Consolidated statement of comprehensive income

All amounts in TSEK	July-September 2016	July-September 2015	January-September 2016	January-September 2015	Full year 2015
Profit/loss for the period	-7,545	278,570	-29,008	246,827	207,377
Other comprehensive income	0	0	0	0	0
Comprehensive income for the period	**-7,545**	**278,570**	**-29,008**	**246,827**	**207,377**

Consolidated statement of financial position

All amounts in TSEK	Note	30.09.2016	30.09.2015	31.12.2015
Assets				
Fixed assets				
Intangible assets				
Participations in development projects	3	17,949	50,149	40,069
Patents		2,535	3,757	3,354
Tangible assets				
Equipment, machinery and computers		4,322	1,979	2,323
Financial assets				
Other investments held as fixed assets	6	94	126	95
Total fixed assets		**24,900**	**56,012**	**45,840**
Current assets				
Current receivables				
Accounts receivable	6	0	0	689
Other receivables	6	7,743	2,224	2,804
Prepayments and accrued income		4,200	1,268	1,319
Cash and cash equivalents	6	346,457	394,895	365,605
Total current assets		**358,401**	**398,387**	**370,417**
TOTAL ASSETS		**383,301**	**454,399**	**416,256**
Equity and liabilities				
Equity				
Share capital		23,698	23,606	23,606
Other capital contributions		337,766	335,051	335,051
Retained earnings		38,398	-169,065	-169,065
Profit/loss for the period		-29,008	246,827	207,377
Equity attributable to Parent Company shareholders		**370,854**	**436,419**	**396,969**
Current liabilities				
Accounts payable	6	3,064	2,233	4,890
Other liabilities	6	484	9,339	632
Accrued expenses and deferred income		8,899	6,408	13,765
Total current liabilities		**12,447**	**17,980**	**19,287**
TOTAL EQUITY AND LIABILITIES		**383,301**	**454,399**	**416,256**

Consolidated statement of changes in equity, in summary

	January-September		Full year
All amounts in TSEK	**2016**	**2015**	**2015**
Opening balance	**396,969**	**68,519**	**68,519**
New capital issue	2,070	121,073	121,073
Option premiums received	737	0	0
Effect of share-based payments	86	0	0
Profit/loss for the period	-29,008	246,827	207,377
Other comprehensive income in the period	0	0	0
Closing balance	**370,854**	**436,419**	**396,969**

Consolidated statement of cash flows

All amounts in TSEK	July-September 2016	July-September 2015	January-September 2016	January-September 2015	Full year 2015
Operating activities					
Operating profit/loss	-9,132	274,327	-33,951	242,118	203,006
Effect of share-based payments	86	0	86	0	0
Depreciation and impairments	659	607	24,022	1,799	12,667
Cash flow from operating activities	**-8,387**	**274,934**	**-9,843**	**243,916**	**215,673**
Interest received	125	9	343	38	43
Interest paid	0	0	-3	-1	-1
Tax paid	0	0	0	0	0
Cash flow from operating activities before changes in working capital	**-8,262**	**274,943**	**-9,503**	**243,954**	**215,715**
Changes in working capital					
Change in operating receivables	-1,801	903	-7,131	487	-833
Change in operating liabilities	-7,375	-3,393	-6,840	-11,296	-9,988
Cash flow from operating activities	**-17,438**	**272,453**	**-23,474**	**233,145**	**204,894**
Investing activities					
Result from participations in other companies	0	2,000	0	2,000	2,291
Acquisition of intangible assets	-164	-334	-164	-1,019	-1,187
Acquisition of tangible assets	-301	-91	-2,926	-277	-838
Cash flow from investing activities	**-465**	**1,576**	**-3,090**	**704**	**266**
Financing activities					
New share issue	0	82,085	2,070	121,073	121,073
Option premiums received	120	0	737	0	0
Cash flow from financing activities	**120**	**82,085**	**2,807**	**121,073**	**121,073**
Cash flow for the period	**-17,783**	**356,114**	**-23,757**	**354,922**	**326,232**
Cash and cash equivalents at beginning of period	**362,777**	**36,236**	**365,605**	**37,428**	**37,428**
Exchange rate differences in cash and cash equivalents	1,465	2,545	4,608	2,545	1,945
Cash and cash equivalents at end of period	**346,457**	**394,895**	**346,457**	**394,895**	**365,605**

Parent Company income statement

All amounts in TSEK	Note	July-September 2016	July-September 2015	January-September 2016	January-September 2015	full year 2015
Net sales	5	4,661	289,286	51,808	289,286	289,797
Other operating income	5	550	2,638	1,045	3,508	3,822
Total operating income		**5,210**	**291,924**	**52,852**	**292,794**	**293,619**
Operating costs						
Other external costs		-7,861	-9,596	-42,872	-27,602	-49,333
Personnel costs		-5,822	-7,395	-19,908	-21,272	-28,611
Depreciation and impairment of tangible assets and intangible assets		-659	-607	-1,902	-1,799	-2,587
Total operating costs		**-14,342**	**-17,597**	**-64,682**	**-50,673**	**-80,531**
Operating profit/loss		**-9,131**	**274,327**	**-11,829**	**242,120**	**213,088**
Results from financial items						
Impairment of investments in subsidiaries	3	0	0	-22,120	0	-10,080
Result from other securities and receivables		0	1,688	0	2,126	2,291
Other interest income and similar income statement items		1,941	2,554	5,838	2,583	2,081
Interest expense and similar income statement items		-350	0	-890	-1	-1
Net financial items		**1,591**	**4,242**	**-17,172**	**4,709**	**-5,709**
Profit/loss after financial items		**-7,540**	**278,570**	**-29,002**	**246,829**	**207,379**
Tax on profit for the year		0	0	0	0	0
Profit/loss for the period		**-7,540**	**278,570**	**-29,002**	**246,829**	**207,379**

Parent Company statement of comprehensive income

All amounts in TSEK	July-September 2016	July-September 2015	January-September 2016	January-September 2015	full year 2015
Profit/loss for the period	-7,540	278,570	-29,002	246,829	207,379
Other comprehensive income	0	0	0	0	0
Profit/loss for the year	**-7,540**	**278,570**	**-29,002**	**246,829**	**207,379**

Parent Company balance sheet

All amounts in TSEK	Note	30.09.2016	30.09.2015	31.12.2015
ASSETS				
Fixed assets				
Intangible assets				
Patents		2,535	3,757	3,354
Tangible assets				
Equipment, machinery and computers		4,322	1,979	2,323
Financial assets				
Participations in Group companies	3	20,294	52,200	42,120
Other investments held as fixed assets		95	126	95
Total financial assets		**20,388**	**52,326**	**42,215**
Total fixed assets		**27,246**	**58,063**	**47,891**
Current assets				
Current receivables				
Accounts receivable		0	0	689
Other receivables		7,743	2,224	2,804
Prepayments and accrued income		4,200	1,268	1,319
Total current receivables		**11,943**	**3,492**	**4,812**
Cash and bank deposits		345,843	394,446	365,156
Total current assets		**357,786**	**397,937**	**369,967**
TOTAL ASSETS		**385,031**	**456,000**	**417,857**
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		23,698	23,606	23,606
Paid in, non-registered new share issue		0	0	0
Total restricted equity		**23,698**	**23,606**	**23,606**
Non-restricted equity				
Share premium reserve		337,889	335,051	335,051
Retained earnings		39,999	-167,466	-167,466
Profit/loss for the period		-29,002	246,829	207,379
Total non-restricted equity		**348,887**	**414,414**	**374,964**
Total equity		**372,585**	**438,020**	**398,570**
Current liabilities				
Accounts payable		3,064	2,233	4,889
Other liabilities		484	9,339	632
Accrued expenses and deferred income		8,899	6,408	13,765
Total current liabilities		**12,447**	**17,980**	**19,286**
TOTAL EQUITY AND LIABILITIES		**385,031**	**456,000**	**417,857**

Performance measures, Group

		July-September		January-September		full year
	Note	2016	2015	2016	2015	2015
Net sales, TSEK	5	4,661	289,286	51,808	289,286	289,797
Operating profit/loss, TSEK		-9,131	274,327	-33,951	242,118	203,006
Profit/loss for the period, TSEK		-7,545	278,570	-29,008	246,827	207,377
Earnings per share before dilution, SEK		-0.13	5.08	-0.49	4.62	3.81
Earnings per share after dilution, SEK*		-0.13	4.94	-0.49	4.48	3.70
R&D costs, TSEK		-9,588	-9,695	-40,206	-30,880	-49,490
R&D costs as a percentage of operating costs excluding impairments, TSEK		67.9%	55.1%	63.6%	60.9%	61.5%
Cash and cash equivalents at end of period, TSEK		346,457	394,895	346,457	394,895	365,605
Cash flow from operating activities, TSEK		-17,438	272,453	-23,474	233,145	204,894
Cash flow for the period, TSEK		-17,783	356,114	-23,757	354,922	326,232
Equity, TSEK		370,854	436,419	370,854	436,419	396,969
Equity per share before dilution, SEK		6.26	7.40	6.26	7.40	6.73
Equity per share after dilution, SEK		5.91	7.20	5.91	7.20	6.55
Equity ratio, %		97%	96%	97%	96%	95%
Average number of employees		33	25	31	26	27
Average number of employees employed within R&D		30	22	28	23	24

*The dilution effect is not taken into consideration for negative results.
For definitions and calculations, see the sections later in this report.

Notes

Note 1 General information

This report covers the Swedish parent company Alligator Bioscience AB (publ), Swedish corporate identity no. 556597-8201 and its subsidiaries Atlas Therapeutics AB, Swedish corporate identity no. 556815-2424 and A Bioscience Incentive AB, Swedish corporate identity no. 559056-3663. All the Group's business operations are carried on in the Parent Company.

Alligator is a Swedish public limited liability company registered in and with its registered office in the Municipality of Lund. The head office is located at Medicon Village, 223 81 LUND.

The Alligator Group's quarterly report for Q3 2016 was approved for publication on October 21 2016 in accordance with the Board decision of 20 October 2016.

Note 2 Accounting policies

The consolidated financial statements for Alligator Bioscience AB (publ.) have been prepared in accordance with International Financial Reporting Standards (IFRS), the Swedish Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Board's recommendation RFR 1 'Supplementary accounting rules for groups of companies'. The Parent Company's financial reports are prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Board's recommendation RFR 2 'Reporting for legal entities'.

Share-based payments
In 2016, Alligator issued employee stock options which were granted free of charge. The fair value of employee stock options is determined at the time of allocation of the right to compensation. The value is reported as a personnel cost in the income statement over the vesting period with a corresponding increase in equity. The expense recognized is the fair value of the number of options expected to be earned. In subsequent periods, this cost is adjusted to reflect the actual number of earned options. Associated social security contributions are recognized as an expense and a liability with continuous revaluation based on changes in the fair value of the warrants in accordance with the Swedish Financial Reporting Board's UFR 7.

In other respects, the accounting principles and methods of calculation applied in conformity with these are described in the Annual Report for 2015. New standards and interpretations that came into force on 1 January 2016 have had no impact on the Group's or the Parent Company's financial statements for the interim period.

The interim report is prepared in accordance with IAS 34 "Interim Financial Reporting". Information in accordance with IAS 34 is provided both in notes and elsewhere in the interim report.

ESMA's Guidelines on Alternative Performance Measures are applied from and including this report and involve disclosure requirements related to financial measures that are not defined under IFRS.

Note 3 Effects of changed estimates and judgments

Significant estimates and evaluations are described in note 2 in the Annual Report for 2015. Impairment testing of tangible assets is described in this note. Note 16 of the Annual Report for 2015 states how impairment testing of the Group's acquired participations in development projects has been carried out. The impairment test in 2015 for the Biosynergy project shows that there was no impairment at that time. The impairment in 2016 was prompted by changed assessments regarding market conditions for the project in which the probability of achieving milestones and that the project will deliver a drug are estimated to have declined and that changed contract terms have been agreed which give Alligator a smaller entitlement than in the past to future revenues.

Note 4 Segment information

The Company has only one business activity, research and development within immunotherapy, and therefore has only one operating result on which the principal executive decision-maker regularly makes decisions and allocates resources. On the basis of these circumstances, there is only one operating segment corresponding to the Group as a whole and so no separate segment reporting is provided.
The Board of Directors has been identified as the principal executive decision-maker within the Group.

Note 5 Consolidated income

A breakdown of the Group's revenue is as follows:

	July-September		January-September		Full year
All amounts in TSEK	**2016**	**2015**	**2016**	**2015**	**2015**
Licensing income	2,498	289,286	45,438	289,286	289,286
Income from research cooperation	2,163	0	6,369	0	512
EU grants received	0	343	0	640	640
Swedish government grants received	429	295	671	889	1,184
Other	120	2,000	374	1,979	1,997
Total	**5,210**	**291,924**	**52,852**	**292,794**	**293,619**

Alligator's income consists primarily of income from the licensing of ADC-1013 to Janssen Biotech Inc. Alligator receives license income in USD when specific milestones in the development project are attained.

Note 6 Financial instruments

All amounts in TSEK	**30.09.2016**	**30.09.2015**	**31.12.2015**
Available-for-sale financial assets			
Other investments held as fixed assets	94	126	95
Loans and receivables			
Accounts receivable	0	0	689
Other receivables	7,743	2,224	2,804
Cash and cash equivalents	346,457	394,895	365,605
Financial assets	**354,295**	**397,246**	**369,193**
Financial liabilities			
Accounts payable	3,064	2,233	4,890
Other liabilities	484	9,339	632
Financial liabilities	**3,548**	**11,572**	**5,522**

Other investments held as fixed assets refers to unlisted shares and whose fair value cannot be reliably be calculated, which is why these are recognized at cost.
For other financial assets and liabilities, the carrying amount according to the above is deemed to be a reasonable approximation of fair value.

Note 7 Transactions with affiliated parties

The consulting agreement with Board Member Carl Borrebaeck relates to expert assistance with evaluation of discovery projects and new antibodies. Carl Borrebaeck also has an important role in building and developing contacts with leading researchers and prominent organizations within cancer immunotherapy. Pricing has been determined on market conditions. For Q3, this is an expense of TSEK 180 and for the first nine months of 2016, the fee amounts to TSEK 540.

Calculation of performance measures

Alligator presents in this report certain financial performance measures, including measures that are not defined under IFRS. The Company believes that these ratios are an important complement because they allow for a better evaluation of the Company's economic trends. These financial performance measures should not be viewed in isolation or be considered to replace the performance indicators that have been prepared in accordance with IFRS. In addition, such performance measures as Alligator has defined them should not be compared with other performance measures with similar names used by other companies. This is because the above-mentioned performance measures are not always defined in the same manner, and other companies may calculate them differently to Alligator.

The table below shows the calculation of key figures, for the mandatory earnings per share according to IFRS and also for performance measures that are not defined under IFRS or where the calculation is not shown in another table in this report.

The Company's business operation is to conduct research and development which is why “R&D costs / Operating costs excluding impairment in %" is an essential indicator as a measure of efficiency, and how much of the costs of the Company have been used within R&D.

As commented earlier in this report, the Company does not have a steady flow of revenue, and instead revenue comes irregularly in connection with the signing of license agreements and achievement of milestones. Therefore, the Company monitors performance indicators such as equity ratio and equity per share in order to assess the Company's solvency and financial stability. These are monitored along with the cash position and the various measures of cash flows shown in the consolidated statement of cash flow.

For definitions, see the section "Definitions of performance measures" at the end of this report.

	July-September		January-September		Full year
	2016	2015	2016	2015	2015
Profit/loss for the period, TSEK	-7,545	278,570	-29,008	246,827	207,377
Average number of shares before dilution	59,241,993	54,809,491	59,108,267	53,445,002	54,393,338
Earnings per share before dilution, SEK	**-0.13**	**5.08**	**-0.49**	**4.62**	**3.81**
Average number of shares after dilution	62,802,164	56,414,491	61,495,683	55,050,002	55,998,338
Earnings per share after dilution, SEK	**-0.13**	**4.94**	**-0.49**	**4.48**	**3.70**
Operating costs, TSEK	-14,118	-17,597	-85,347	-50,675	-90,613
Impairment of tangible assets and intangible assets, TSEK	0	0	22,120	0	10,080
Operating costs excluding impairments, TSEK	**-14,118**	**-17,597**	**-63,227**	**-50,675**	**-80,533**
Administrative expenses, TSEK	3,871	7,295	21,120	17,996	28,456
Depreciation, TSEK	659	607	1,901	1,799	2,587
Research and development costs, TSEK	**-9,588**	**-9,695**	**-40,206**	**-30,880**	**-49,490**
R&D costs / Operating costs excluding impairments %	**67.9%**	**55.1%**	**63.6%**	**60.9%**	**61.5%**
Equity, TSEK	370,854	436,419	370,854	436,419	396,969
Average number of shares before dilution	59,244,384	59,014,384	59,244,384	59,014,384	59,014,384
Equity per share before dilution, SEK	**6.26**	**7.40**	**6.26**	**7.40**	**6.73**
Average number of shares after dilution	62,802,164	60,619,384	62,802,164	60,619,384	60,619,384
Equity per share after dilution, SEK	**5.91**	**7.20**	**5.91**	**7.20**	**6.55**
Equity, TSEK	370,854	436,419	370,854	436,419	396,969
Total assets, TSEK	383,301	454,399	383,301	454,399	416,256
Equity ratio, %	**97%**	**96%**	**97%**	**96%**	**95%**

The Board and the CEO confirm that the interim report provides a true and fair overview of the Company and the Group's operations, position and earnings and describes the material risks and uncertainty factors faced by the Parent Company and the companies within the Group.

Lund, 20 October 2016

Peter Benson Chairman	Carl Borrebaeck Member of the Board	Ulrika Danielsson Member of the Board
Jakob Lindberg Member of the Board	Kenth Petersson Member of the Board	Jonas Sjögren Member of the Board
Mathias Uhlén Member of the Board	Per Norlén CEO	

Definitions

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

Earnings per share before and after dilution
Earnings divided by the weighted average number of shares during the period before and after dilution respectively.

Average number of shares before and after dilution
Average number of outstanding shares during the period before and after dilution respectively.

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

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 divided by Operating costs excluding impairments

Cash and cash equivalents
Cash and bank deposits

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

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

Equity per share before and after dilution
Equity divided by the number of shares at the end of the period before and after dilution respectively

Total assets
Total of the Company's assets.

Equity ratio
Equity as a percentage of Total assets.

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

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

Contacts

For further information, please contact:
Rein Piir, VP IR, rein.piir@alligatorbioscience.com, +46 (0) 46 286 42 80
Per Norlén, CEO, per.norlen@alligatorbioscience.com, +46 (0) 46 286 42 80

Alligator Bioscience AB (publ) Swedish corporate identity no. 556597-8201, Medicon Village, Scheelevägen 2, 223 81 Lund,
Tel: + 46 (0) 46 286 42 80

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Review report

Alligator Bioscience AB (publ), corporate identity number 556597-8201

To the Board of Directors of Alligator Bioscience AB (publ)

Introduction

We have reviewed the condensed interim report for Alligator Bioscience AB (publ) as at September 30, 2016 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material aspects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Malmö, October 21, 2016

Ernst & Young AB

Göran Neckmar
Authorized Public Accountant