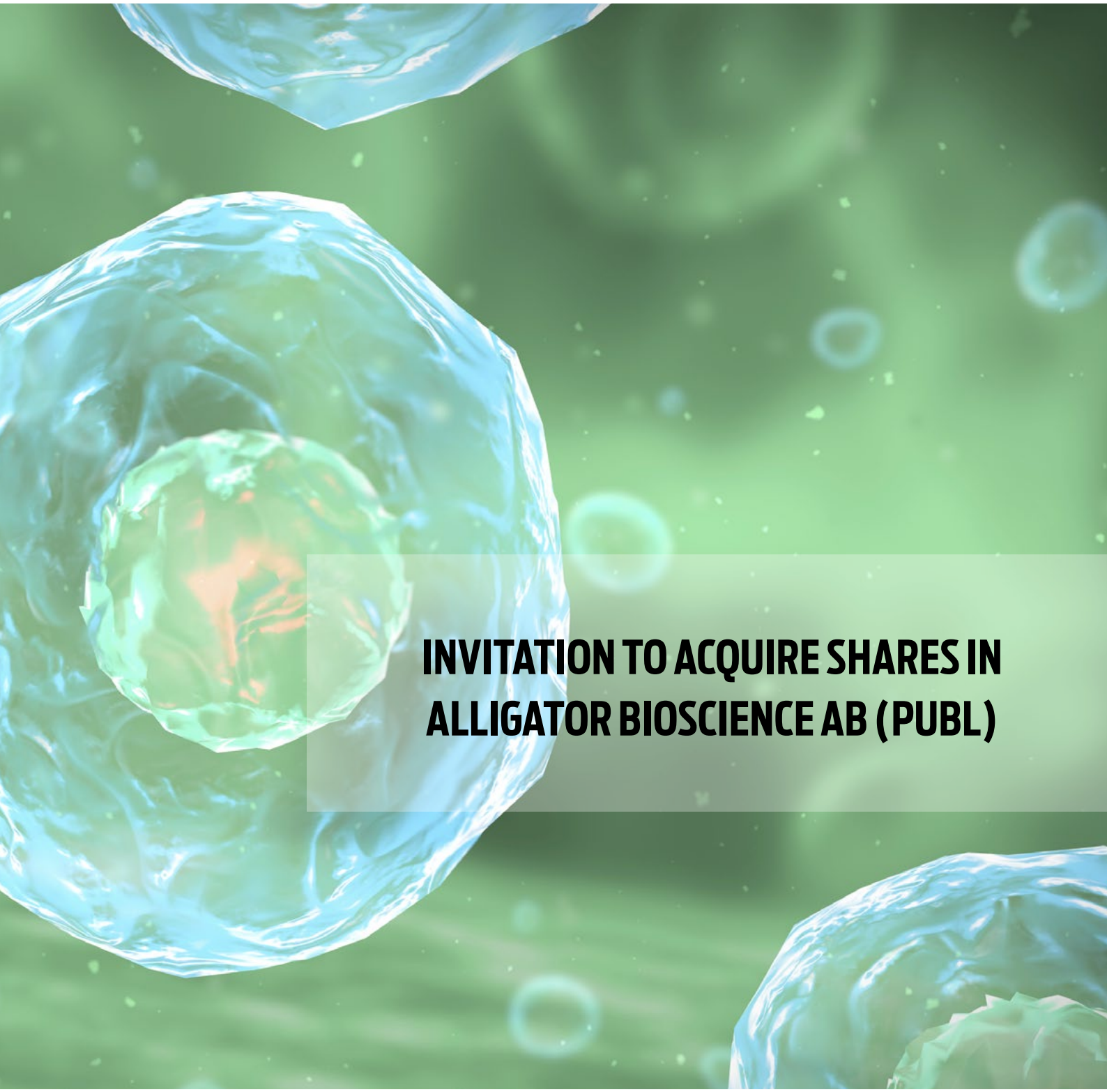
ALLIGATOR bioscience



# INVITATION TO ACQUIRE SHARES IN ALLIGATOR BIOSCIENCE AB (PUBL)

GLOBAL COORDINATOR AND JOINT BOOKRUNNER

Carnegie

JOINT BOOKRUNNER

DNB MARKETS

CO-LEAD MANAGER

REDEYE

## IMPORTANT INFORMATION

This prospectus (the **"Prospectus**") has been prepared in connection with the offering to the public in Sweden, Norway, Denmark and Finland as well as to institutional investors in Sweden and abroad to subscribe for new and existing shares in Alligator Bioscience AB (a Swedish public limited-liability company), and admission to trading of said shares on Nasdaq Stockholm (the **"Offering**"). In the present Prospectus, "**Alligator**", the **"Company**", or the **"Group**" means, depending of the context, Alligator Bioscience AB, a subsidiary in the group or the group in which Alligator Bioscience AB is the Parent Company. "**Selling Shareholders**" refers to Sunstone Life Science Ventures Fund II K/S and Duba AB. "**Carnegie**" or "**Global Coordinator**" refers to Carnegie Investment Bank AB (publ), "**DNB**" refers to DNB Markets, a part of DNB Bank ASA Sweden Branch and "**Redeye**" refers to Redeye AB. "**Joint Bookrunners**" refers to Carnegie and DNB, and "**Managers**" refers to Carnegie, DNB and Redeye. "**Cornerstone Investors**" refers to Catella Fondförvaltning, Investment AB Öresund and Norron Asset Management. "**JJDC**" refers to Johnson & Johnson Innovation-JJDC, Inc. "**Janssen**" refers to Janssen Biotech, Inc., one of the Janssen Pharmaceutical Companies of Johnson & Johnson. For definitions of other terms used in this Prospectus, please see the section "Glossary".

The Offering is not aimed at the general public in any other country than Sweden, Norway, Denmark or Finland. Nor is the Offering aimed at persons whose participation necessitates additional prospectuses, registration or other measures than those that follow from Swedish law. No measure has been taken, or will be taken, in any jurisdiction other than Sweden, Norway, Denmark or Finland, which might permit the shares to be offered to the public, or which might permit possession or dissemination of this Prospectus or any other document relating to the Company, or shares in such a jurisdiction. Application to acquire shares that contravene such regulations may be declared invalid. Persons who receive the Prospectus are encouraged by the Company and the Managers to obtain information about and to observe such restrictions. Neither the Company nor any of the Managers assume legal liability for infringement of such restrictions by any person, whether potential investors or not.

The shares in the Offering have not been reviewed by any federal or state securities commission or regulatory authority in the United States. Nor have the aforementioned authorities confirmed the accuracy of, or assessed the adequacy of the Prospectus. Any claim to the contrary is a criminal offense in the United States. The Offering does not constitute an offer to sell, or solicitation of an offer to buy, Securities in any jurisdiction in which such offer or solicitation would be unlawful. The Securities have not been and will not be registered under the Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, except to persons reasonably believed to be QIBs or outside the United States in offshore transactions in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a discussion of certain restrictions on transfers of the Securities, see "Selling and Transfer Restrictions".

The Prospectus is provided on a confidential basis solely to allow a potential investor to consider purchase of the specific securities described. The information in the Prospectus has been provided by the Company and other sources identified herein. Distribution of the Prospectus to other persons than those recipients specified by the Managers or their representatives is prohibited, as it is to persons who may have been hired to inform the recipient about the matter, and any disclosure of the contents without the prior written permission of the Company is prohibited. Any reproduction or distribution of this Prospectus, in its entirety or parts thereof, and all disclosure of the content to other persons is prohibited. The Prospectus is personal to each recipient and does not constitute an offer to any other person or to the general public to acquire shares in the Offering.

This Prospectus has been approved and registered by the Swedish Financial Supervisory Authority in accordance with the provisions of Chapter 2, §§ 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980). Neither the approval nor registration implies a guarantee from the Swedish Financial Supervisory Authority that the factual information in the Prospectus is accurate or complete. The Prospectus will also be passported to Norway, Denmark and Finland through application to the respective financial supervisory authority according to Chapter 2, § 35 of the Swedish Financial Instruments Trading Act (1991:980). The Prospectus has been prepared in both a Swedish and an English version. In the event of any inconsistency between different language versions, the Swedish language version shall take precedence except for the sections "Certain U.S. federal income tax considerations" and "Selling and transfer restrictions" which only address issues related to the United States.

The Offering and the Prospectus are governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any conflict or dispute arising out of or in connection with the Offering or the Prospectus.

### PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, all financial amounts are expressed in Swedish kronor ("**SEK**"). "**SEK thousand**" means thousands of kronor, "**SEK million**" means millions of kronor. "**USD**" means US dollars. "**USD million**" means millions of dollars. Certain financial information and other information presented in this Prospectus have been rounded out to make information easily accessible to the reader. As a consequence, the figures in certain columns do not tally with the totals stated.

### FORWARD-LOOKING INFORMATION

The Prospectus contains certain forward-looking information that reflects Alligators current views of future events and financial and operational performance. Words such as "intends", "anticipates", "expects", "can", "plans", "estimates" and similar expressions regarding indications or forecasts of future developments or trends, and which are not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties because it is dependent on future events and circumstances. Forward-looking information is not a guarantee of future results or developments and actual results may differ materially from those in the forward-looking information.

Factors that could cause Alligator's future results and developments to differ from those in the forward-looking information include, but are not limited to, those described in the section "Risk Factors". Forward-looking information in the Prospectus is only applicable on the date of issue of the Prospectus. Neither Alligator, the Selling Shareholders nor the Managers give any commitment to publish updates or revision of any forward-looking statements as a result of new information, future events or similar circumstances other than those required by applicable legislation.

### INDUSTRY AND MARKET INFORMATION

This Prospectus contains information about the Company's geographic and product markets, market size, market shares, market position and other market-related information pertaining to Alligator's operations and market. Unless otherwise stated, such information is based on the Company's analysis of several different sources, including statistics and information from external industry or market reports, market surveys, publicly available information and commercial publications. The sources which are the basis for Alligator's assessment include information from the IMS Institute for Healthcare Informatics, WHO and GlobalData. Other sources are indicated where required. Such information as originates from third parties has been accurately reproduced herein and, and as far as Alligator is aware and can confirm through comparison with other information published by the relevant third party, no information has been omitted in any way which could render the reproduced information inaccurate or misleading. As a rule, industry and market publications state that, while the information in the publication has been obtained from sources deemed reliable, the accuracy and completeness of such information cannot be guaranteed. The Company has not independently verified, and cannot therefore guarantee the accuracy of the market information that is contained in this Prospectus and which has been taken from or derived from these market publications. Neither the Company nor any of the Managers assume any responsibility for the accuracy of any industry or market information from third parties which is included in the Prospectus. In their nature, market information and statistics are forward-looking, subject to uncertainty, may be interpreted subjectively, and may therefore not necessarily reflect actual or future market conditions. Such information and statistics are based on market surveys, which in turn are based on selections, subjective interpretations and assessments, including assessments of the types of products and transactions which should be covered by the relevant market, both by those carrying out the surveys and the respondents. As a result, potential investors should be aware of the fact that the financial information, market information, as well as the forecasts and estimates of market information contained in this Prospectus, do not necessarily represent reliable indicators of Alligator's future performance.

The content on the Company's website or the websites of third parties referred to herein does not constitute part of the Prospectus.

### STABILIZATION

In connection with the Offering, the Global Coordinator may carry out transactions with the aim of keeping the market price of the shares at a level higher than what otherwise might have been the case in the market. Such stabilization transactions may be carried out on Nasdaq Stockholm, the OTC market or otherwise, and may be carried out at any time during the period beginning on the first day when the shares are traded on Nasdaq Stockholm and ending no later than 30 calendar days thereafter. However, the Global Coordinator is under no obligation to carry out stabilization of any kind, nor is there any guarantee that stabilization will be carried out. See also under "Stabilization" in the section "Legal issues and supplementary information".

The fact that the Global Coordinator has the opportunity to implement stabilization measures does not mean that such measures will necessarily be taken. Any such stabilization measures may also be discontinued at any time. When the stabilization period (30 calendar days) has expired, the Global Coordinator, through the Company, will announce whether stabilization measures have been taken, the date when any stabilization measures have been taken, including the final date for such measures, and the price interval within which the stabilization transactions were carried out.

### IMPORTANT INFORMATION REGARDING THE POSSIBILITY TO SELL ALLOTTED SHARES

Allotment to the general public in Sweden, Norway, Denmark and Finland will be notified by the sending out of a contract note, which is expected to happen on or around 23 November 2016. Once payment for the allotted shares has been processed by Carnegie, the shares paid for will be transferred to a custody account or securities account that is designated by the acquirer. The time required for the transfer of payment, and the transfer of paid shares to acquirers of the shares in Alligator, may mean that such acquirers will not have the shares they have acquired available in the designated custody or securities account earlier than 25 November 2016. Trading in Alligator's shares on Nasdaq Stockholm is expected to commence on or around 23 November 2016. Note the possibility that shares may not be available in the acquirer's custody or securities account may mean that the acquirer is not able to sell these shares on the stock exchange as of the date upon which trading in the shares commenced. Instead, they will be able to do so when the shares are available in their securities or custody account.

### AVAILABLE INFORMATION

So long as any of the Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 1 2g3-2 (b) under the Exchange Act, furnish, upon request, to any holder or beneficial owner of such restricted securities, or any prospective purchaser designated by any such holder or beneficial owner, the information required to be delivered to such persons pursuant to Rule 144A(d)(4) under the Securities Act. In such cases, the Company will also furnish to each such holder or beneficial owner all notices of Shareholders' meetings and other reports and communications that are generally available to the shareholders.

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## THE OFFERING IN SUMMARY

| | |
|---|---|
| Price | 32.50 SEK per share. |
| Application period for the general public | 15 November – 22 November 2016 |
| Application period for institutional investors | 15 November – 22 November 2016 |
| First day of trading | 23 November 2016 |
| Settlement date | 25 November 2016 |

## OTHER INFORMATION

| | |
|---|---|
| Market | Nasdaq Stockholm |
| Ticker symbol | ATORX |
| ISIN code | SE0000767188 |

## FINANCIAL INFORMATION

| | |
|---|---|
| Year-End-Report 2016 | 17 February 2017 |
| Interim report January – March 2017 | 2 May 2017 |
| Annual General Meeting | 2 May 2017 |

# SUMMARY

*The summary of the Prospectus consists of information requirements set out in "Items". The items are numbered in the sections A – E (A.1 – E.7).*

*The summary in the Prospectus contains all the items required in a summary for the relevant type of security and issuer. However, since some items do not apply to all types of prospectuses, there may be gaps in the item numbering.*

*While it is required that an item be included in the summary of the relevant securities and issuers, it is possible that no relevant information can be given on that item. In that case, the information is replaced with a brief description of the item, along with the comment "Not applicable".*

## SECTION A – INTRODUCTION AND WARNINGS

| | | |
|---|---|---|
| **A.1** | *Introductions and warnings* | This summary should be considered an introduction to the Prospectus.<br>Investors should base any decision to invest in Alligator on an assessment of the Prospectus as a whole.<br>If a claim relating to the information contained in the Prospectus is brought before a court, the investor claimant may, under the national laws of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.<br>Civil liability may only be imposed on persons who have submitted the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent with other parts of the Prospectus, or if the summary and other parts of the Prospectus are inadequate in providing investors with the key information they require to consider whether or not to invest in Alligator. |
| **A.2** | *Consent to use of the Prospectus* | Not applicable. Alligator does not consent to the use of the Prospectus by financial intermediaries for the purposes of subsequent resale or placement of the securities covered by this Prospectus. |

## SECTION B – ISSUER, AND GUARANTOR (IF ANY)

| | | |
|---|---|---|
| **B.1** | *Corporate name and trading name* | The name of the Company (and trading name) is Alligator Bioscience AB and its company reg. no. is 556597-8201. |
| **B.2** | *Domicile and legal form* | Alligator is a Swedish public limited-liability company, established in Sweden and registered in Lund municipality. The Company has been established under Swedish law and its organizational structure is governed by the Swedish Companies Act (2005: 551). |
| **B.3** | *Description of the issuer's operations* | Alligator is a research-based biotechnology company that develops innovative antibody-based drugs for tumor-directed immunotherapy. The Company is primarily active in the early phases of drug development, from the idea stage until and including clinical studies in phase IIa. The Company conducts a number of projects both in-house and together with international biotechnology and pharmaceutical companies and academic institutions. Alligator's main product candidates are:<br>■ ADC-1013, an agonistic antibody aimed at the CD40 receptor. The product candidate is undergoing a clinical phase I study and has been licensed to Janssen.<br>■ ATOR-1015, a bispecific agonistic antibody that has properties that mean that it is primarily activated in the tumor tissue. The product candidate is undergoing pre-clinical development and a decision for large-scale production prior to clinical studies has been taken.<br>■ ATOR-1016, a tumor-localizing bispecific agonistic antibody. The product candidate is undergoing concept-validation studies.<br><br>In addition thereto, Alligator has two yet unnamed product candidates in the research phase. In 2015, Alligator posted net sales of SEK 290 million and pre-tax profits of SEK 207 million. The Company's registered office is in Lund, Sweden and it had 35 employees as per 30 September 2016. |

**B.4a** *A description of significant trends in the industry*

Alligator believes that the need and demand for immunotherapy will increase in the future. The main trends in the market are presented below.

*Increasing number of areas of application for immunotherapy:* The Company's view is that immunotherapeutic drugs have the potential to revolutionize the treatment of cancer. Immunotherapeutic drugs were initially used for the treatment of malignant melanoma, but these drugs have the potential to be effective in essentially all forms of cancer and have already started to be used for the treatment of renal, head and neck, lung and bladder cancer as well as lymphoma. The Company's view is that as the research in immuno-oncology develops, immunotherapeutic drugs will start to be used for treatment of a great number of cancer forms.

*Cooperation between pharmaceutical companies:* It is becoming increasingly common that Big Pharma collaborates with small research-based biotechnology and pharmaceutical companies in the development of pharmaceutical drugs. The cost of developing drugs is high which is why smaller research-based pharmaceutical companies often choose to license their products to Big Pharma before comprehensive clinical studies shall be implemented. Big Pharma then conducts the necessary clinical studies and commercializes the drug on the global market. In this way, product development from concept to commercialization is made more efficient and the risks are divided among the parties. The research-based biotech and pharmaceutical companies also get early returns through for example advances and part-payments linked to development. By means of licensing collaborations, these smaller companies also usually gain the right to part-payments linked to sales as well as royalties on sales and can thus secure long-term future income.

*Demographic trends:* Demographic trends such as a growing elderly population in developed countries as well as higher incomes and improved access to, and more widespread use of drugs in emerging markets is expected to lead to growth in the total pharmaceutical drug market.

*Increased expenses and investments:* Expenditure growth in coming years will also be driven by an increase in the cost of medicines within new and more expensive therapies, and an increase in the price per product in some countries, such as the USA. The introduction of the Affordable Care Act in the USA, which led to more widespread insurance coverage, will continue to affect expenditure growth.[1)] In addition, this development is expected to increase in i.a. developing countries in coming years due to an improvement in the social safety net and private insurance cover. The scope and pace of both public and private investment in these countries will be decisive for the continued increase in the use of pharmaceutical drugs.[2)]

*Improved access to pharmaceutical drugs:* The global access to pharmaceutical drugs is expected to grow. The growth will be driven by a more significant use of expensive branded medicines in developed countries, a more widespread use of cheaper alternatives when patents expire and a more widespread access to pharmaceutical drugs in developing countries.

1) The IMS Institute for Healthcare Informatics' global forecast for pharmaceuticals up to 2020, November 2015.
2) The IMS Institute for Healthcare Informatics' global forecast for pharmaceuticals up to 2020, November 2015.

**B.5** *The Group*

Alligator Bioscience AB is the parent company in a group, which in addition to Alligator Bioscience AB, consists of the wholly-owned subsidiaries Atlas Therapeutics AB and Alligator Bioscience Incentive AB.

**B.6** *Notifiable parties, major shareholders, and control of the Company*

In Sweden, the lower limit for notifiable holdings (so-called flagging) is five percent of all the shares or of the voting rights of all shares. The Company's shareholders with holdings of at least five percent of the shares and voting rights as of 4 November 2016, with the addition of changes occured until the publishing date of the Prospectus that are known to the Company, are listed below.

| Shareholders | Number of shares | Percentage of shares and voting rights |
|---|---|---|
| Banque Internationale à Luxembourg SA[1)] | 12,491,620 | 21.1% |
| Sunstone Life Science Ventures Fund II K/S | 7,623,719 | 12.9% |
| Duba AB | 6,497,620 | 11.0% |
| Euroclear Bank SA[2)] | 4,431,631 | 7.5% |
| Lars Spånberg | 3,213,858 | 5.4% |
| Other shareholders | 24,985,936 | 42.2% |
| **Total** | **59,244,384** | **100.00%** |

1) Includes Board member Jonas Sjögren's holdings of 4,674,700 shares.
2) Includes JJDC's holdings of 4,346,631 shares.

As of the date of the Prospectus, there is a shareholder agreement between Sunstone Life Science Ventures Fund II K / S, Duba AB, Carl Borrebaeck and Mathias Uhlén. However, this shareholder agreement will cease to be valid in connection with the listing on Nasdaq Stockholm.

As far as the Company's Board of Directors is aware, there are no other shareholder agreements or other agreements between the Company's shareholders intended to have a joint impact on the Company. Nor is the Company's Board of Directors aware of any agreements or similar that could lead to a change in the control of the Company.

**B.7** *Selected historical financial information*

The following summarized financial information presented in this section regarding the full year is taken from Alligator's complete financial information for the 2014–2015 financial years, which have been prepared especially for the Prospectus and have been prepared in accordance with the Swedish Annual Accounts Act, IFRS and RFR 1 Supplementary Accounting Rules for Groups, and has been audited by the Company's auditor in accordance with RevR 5 review of financial information in prospectuses. The information regarding the period January–September 2015 and 2016 has been taken from Alligator's interim report for the period January–September 2016, which has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report has been reviewed by the Company's auditor.

The Prospectus contains certain financial ratios 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 key financial ratios 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 key ratios as Alligator has defined them, should not be compared with other key ratios with similar names used by other companies. This is because the above mentioned key ratios are not always defined in the same manner, and other companies may calculate them differently than Alligator.

## CONSOLIDATED INCOME STATEMENT

| | Unaudited | | Audited | |
|---|---|---|---|---|
| **Amounts in SEK thousand** | **01.01.2016 –30.09.2016** | **01.01.2015 –30.09.2015** | **01.01.2015 –31.12.2015** | **01.01.2014 –31.12.2014** |
| Net sales | 51,808 | 289,286 | 289,797 | 0 |
| Other operating income | 1,045 | 3,508 | 3,822 | 1,171 |
| **Total operating income** | **52,852** | **292,794** | **293,619** | **1,171** |
| *Operating expenses* | | | | |
| Other external costs | –42,874 | –27,604 | –49,335 | –48,605 |
| Personnel costs | –19,908 | –21,272 | –28,611 | –27,594 |
| Depreciation and impairment of tangible assets and intangible assets | –24,022 | –1,799 | –12,667 | –2,185 |
| **Total operating expenses** | **–86,804** | **–50,675** | **–90,613** | **–78,385** |
| **Operating profit/loss** | **–33,951** | **242,118** | **203,006** | **–77,213** |
| *Results from financial items* | | | | |
| Result from other securities and receivables | 0 | 2,126 | 2,291 | 0 |
| Financial income | 5,838 | 2,583 | 2,081 | 432 |
| Financial expenses | –894 | –1 | –1 | –1 |
| **Total financial items** | **4,944** | **4,709** | **4,371** | **431** |
| **Profit/loss before tax** | **–29,008** | **246,827** | **207,377** | **–76,782** |
| Tax on profit for the period | 0 | 0 | 0 | 0 |
| **Profit for the year attributable to Parent Company shareholders** | **–29 008** | **246 827** | **207,377** | **–76,782** |

**B.7** *Utvald historisk finansiell information, forts*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Unaudited | | Audited | |
|---|---|---|---|---|
| **Amounts in SEK thousand** | **30.09.2016** | **30.09.2015** | **31.12.2015** | **31.12.2014** |
| **ASSETS** | | | | |
| ***Fixed assets*** | | | | |
| *Intangible assets* | | | | |
| Participations in development projects | 17,949 | 50,149 | 40,069 | 50,149 |
| Patents | 2,535 | 3,757 | 3,354 | 3,934 |
| *Tangible assets* | | | | |
| Equipment, machinery and computers | 4,322 | 1,979 | 2,323 | 2,305 |
| *Financial assets* | | | | |
| Other investments held as fixed assets | 94 | 126 | 95 | 0 |
| **Summa anläggningstillgångar** | **24,900** | **56,012** | **45,840** | **56,388** |
| ***Current assets*** | | | | |
| *Current receivables* | | | | |
| Accounts receivable | 0 | 0 | 689 | 0 |
| Other receivables | 7,743 | 2,224 | 2,804 | 2,740 |
| Prepaid expenses and accrued income | 4,200 | 1,268 | 1,319 | 1,239 |
| Cash and cash equivalents | 346,457 | 394,895 | 365,605 | 37,428 |
| **Total current assets** | **358,401** | **398,387** | **370,417** | **41,407** |
| **TOTAL ASSETS** | **383,301** | **454,399** | **416,256** | **97,794** |
| **EQUITY AND LIABILITIES** | | | | |
| ***Equity*** | | | | |
| Share capital (59,014,384 shares) | 23,698 | 23,606 | 23,606 | 19,445 |
| Other capital contributions | 337,766 | 335,051 | 335,051 | 218,139 |
| Retained earnings | 38,398 | –169,065 | –169,065 | –92,283 |
| Profit/loss for the year | –29,008 | 246,827 | 207,377 | –76,782 |
| **Equity attributable to Parent Company shareholders** | **370,854** | **436,419** | **396,969** | **68,519** |
| ***Current liabilities*** | | | | |
| Accounts payable | 3,064 | 2,233 | 4,890 | 4,195 |
| Other liabilities | 484 | 9,339 | 632 | 17,735 |
| Accrued expenses and deferred income | 8,899 | 6,408 | 13,765 | 7,345 |
| **Total current liabilities** | **12,447** | **17,980** | **19,287** | **29,275** |
| **TOTAL EQUITY AND LIABILITIES** | **383,301** | **454,399** | **416,256** | **97,794** |

**B.7** *Selected historical financial information, (cont)*

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | Unaudited | | Audited | |
|---|---|---|---|---|
| **Amounts in SEK thousand** | **01.01.2016 –30.09.2016** | **01.01.2015 –30-09-2015** | **01.01.2015 –31.12.2015** | **01.01.2014 –31.12.2014** |
| **Operating activities** | | | | |
| Operating profit/loss | –33,951 | 242,118 | 203,006 | –77,213 |
| Effect from share-based remunerations | 86 | 0 | 0 | 0 |
| Depreciation and impairments | 24,022 | 1,799 | 12,667 | 3,186 |
| **Cash flow from operating activities** | **–9,843** | **243,916** | **215,673** | **–74,027** |
| Interest received | 343 | 38 | 42 | 431 |
| Interest paid | –3 | –1 | –1 | –1 |
| Tax paid | 0 | 0 | 0 | 0 |
| **Cash flow from operating activities before changes in working capital** | **–9,503** | **243,954** | **215,715** | **–73,597** |
| *Changes in working capital* | | | | |
| Change in operating receivables | –7,131 | 487 | –833 | 3,195 |
| Change in operating liabilities | –6,840 | –11,296 | – 9,988 | 7,665 |
| **Cash flow from operating activities** | **–23,474** | **233,145** | **204,894** | **–62,737** |
| *Investments activities* | | | | |
| Result from participations in other companies | 0 | 2,000 | 2,291 | 0 |
| Acquisition of intangible assets | –164 | –1,019 | –1,187 | –2,667 |
| Acquisition of tangible assets | –2,926 | –277 | –838 | –1,359 |
| **Cash flow from investment activities** | **–3,090** | **704** | **266** | **–4,026** |
| *Financing activities* | | | | |
| New share issue | 2,070 | 121,073 | 121,073 | 34,034 |
| Warrant premiums received | 737 | 0 | 0 | 931 |
| **Cash flow from financing activities** | **2,807** | **121,073** | **121,073** | **34,965** |
| **Cash flow for the period** | **–23,757** | **354,922** | **326,232** | **–31,797** |
| **Cash and cash equivalents at beginning of period** | **365,605** | **37,428** | **37,428** | **69,224** |
| **Exchange rate differences in cash and cash equivalents** | **4,608** | **2,545** | **1,944** | **1** |
| **Cash and cash equivalents at end of period** | **346,457** | **394,895** | **365,605** | **37,428** |

**B.7** *Selected historical financial information, (cont)*

## PERFORMANCE MEASURES

Of the performance measures listed below, only "Earning per share before dilution" and "Earning per share after dilution" are mandatory performance measures defined by IFRS. Of the remaining measures, "Net sales", "Profit/loss for the period", "Cash and cash equivalents at the end of the period", "Cash flow from the operating activities", "Cash flow for the period" and "Equity" are taken from an IFRS defined economic formation, while "Operating profit/loss", "R&D costs", "R&D costs as a percentage of operating costs excluding impairments", "Equity per share before dilution", "Equity per share after dilution", "Equity ratio", "Average number of employees" and "Average number of employ-ees employed within R&D" are alternative performance measures selected by the Company.

| | 01.01.2016 –30.09.2016 | 01.01.2015 –30-09-2015 | 01.01.2015 –31.12.2015 | 01.01.2014 –31.12.2014 |
|---|---|---|---|---|
| Net sales[1)], TSEK | 51,808 | 289,286 | 289,797 | 0 |
| Operating profit/loss[1)], TSEK | –33,951 | 242,118 | 203,006 | –77,213 |
| Profit/loss for the period,[1)] TSEK | –29,008 | 246,827 | 207,377 | –76,782 |
| Earnings per share before dilution[1)], SEK | –0.49 | 4.62 | 3.81 | –1.59 |
| Earnings per share after dilution[1)2)], SEK | –0.49 | 4.48 | 3.70 | –1.59 |
| R&D costs[3)], TSEK | –40,206 | –30,880 | –49,490 | –42,352 |
| R&D costs as a percentage of operating costs excluding impairments[3)], TSEK | 63.6% | 60.9% | 61.5% | 54.0% |
| Cash and cash equivalents at end of period[1)], TSEK | 346,457 | 394,895 | 365,605 | 37,428 |
| Cash flow from operating activities[1)], TSEK | –23,474 | 233,145 | 204,894 | –62,737 |
| Cash flow for the period[1)], TSEK | –23,757 | 354,922 | 326,232 | –31,797 |
| Equity[1)], TSEK | 370,854 | 436,419 | 396,969 | 68,519 |
| Equity per share before dilution[3)], SEK | 6.26 | 7.40 | 6.73 | 1.41 |
| Equity per share after dilution[3)], SEK | 5.91 | 7.20 | 6.55 | 1.36 |
| Equity ratio[3)], % | 97% | 96% | 95% | 70% |
| Average number of employees[3)] | 31 | 26 | 27 | 26 |
| Average number of employees employed within R&D[3)] | 28 | 23 | 24 | 23 |

1) For the full year 2014 and 2015, the ratio is audited and taken from Alligator's audited financial information. For the periods 1 January – 30 September 2015 and 2016, the ratio is not audited and taken from Alligator's reviewed interim report for the period 1 January – 30 September 2016.
2) The dilution effect is not taken into consideration for negative results.
3) The ratio is neither audited nor reviewed.

**Definitions**

*Net sales*
Revenues for goods and services sold in the main operations during the current period.

*Operating result*
Profit/loss before financial items and tax.

*Profit/loss per share before and after dilution*
Profit/loss divided by the weighted average number of shares during the period before and after dilution.

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

*R&D costs*
The Company's direct costs for research and development. Relates 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 impairment losses.

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| **B.7** | *Selected historical financial information, (cont)* | *Liquid assets*<br>Cash and bank balances.<br><br>*Cash flow from the operating activities*<br>Cash flow before investment activities and financing activities.<br><br>*Cash flow for the period*<br>The change of liquid assets excluding effect from unrealized profits and losses on exchange rates.<br><br>*Equity per share before and after dilution*<br>Equity divided by number of shares at the end of the period before and after dilution.<br><br>*Equity ratio*<br>Equity as a percentage of total assets.<br><br>*Average number of employees*<br>The average number of employees in the Company at the beginning and at the end of the period.<br><br>*Average number of employees in R&D*<br>The average number of employees in the Company's research and development departments at the beginning and at the end of the period.<br><br>**Significant events after 30 September 2016**<br>After 30 September 2016, Janssen has started dosing the first patient in an intravenous phase I study with ADC-1013.<br><br>**Significant changes during the period covered by the historical financial information**<br>Alligator's net sales amounted to TSEK 51,808 thousand during the period January – September 2016 compared with TSEK 289,286 during the same period in 2015. Revenue during January – September 2016 relates to milestone payments according to the license agreement with Janssen, whereas revenue during the same period 2015 relates to the initial payment according to the license agreement with Janssen.<br>Alligator's net sales amounted to SEK 289,797 thousand in 2015 compared with SEK 0 in 2014. Net sales were attributable in their entirety to the initial payment under the licensing agreement with Janssen. |
| **B.8** | *Proforma financial information* | Not applicable. The Prospectus does not contain any proforma financial information. |
| **B.9** | *Earnings forecast* | Not applicable. The Prospectus does not contain any earnings forecast or calculation of expected earnings. |
| **B.10** | *Audit remarks* | Not applicable. There are no notes in the auditor's reports for the historical financial information covered by the Prospectus. |
| **B.11** | *Working capital* | Alligator believes that the current working capital is sufficient to cover needs over the next twelve months. This means that the Company can meet its payment obligations as they fall due for payment. |

## SECTION C – SECURITIES

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| **C.1** | *Securities offered* | Shares in Alligator Bioscience AB (ISIN SE0000767188). |
| **C.2** | *Currency* | The shares are denominated in Swedish kronor (SEK). |
| **C.3** | *Shares issued* | The registered share capital of the Company as per the date of this Prospectus is SEK 23,697,753.60 in the form of 59,244,384 shares, each with a quota value of SEK 0.40. All shares are fully paid-up. |
| **C.4** | *Rights associated with the securities* | Each share gives entitlement to one vote at the General Meeting. If the company decides to issue new shares, warrants or convertible bonds by means of a cash issue or offset issue, the shareholders as a general rule will have preferential subscription rights in proportion to the number of shares they already own. All the shares provide equal rights to the Company's profits and to any surplus on liquidation. Decisions to pay dividends will be made by the General Meeting and payment will be arranged by Euroclear Sweden AB. The right to receive dividend payment belongs to the person who is registered as a holder of shares in Euroclear Sweden AB's share register on the dividend record date as determined by the General Meeting. |
| **C.5** | *Transfer restrictions, if any* | Not applicable. The shares are not subject to any restrictions on their free transferability. |

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| **C.6** | *Admission for trading on the regulated market* | On 27 October 2016, the Nasdaq Stockholm Listing Committee decided to admit the shares to trading on the Nasdaq Stockholm provided that the dispersion requirement for the Company's shares is met. Trading is expected to commence on or around 23 November 2016. |
| **C.7** | *Dividend policy* | According to the dividend policy adopted by the Board, Alligator will continue to focus on further developing and expanding the Company's project portfolio. Available financial resources and the reported results shall therefore be reinvested in the business to finance the Company's long-term strategy. The Board's intention is therefore not to propose a dividend to shareholders before the Company is able to generate long-term sustainable profitability. Any future dividends and the size thereof will be determined on the basis of the Company's long-term growth, earnings growth and capital requirements, taking into account the current objectives and strategies adopted. Dividends shall, in so far as a dividend is proposed, be well-balanced with respect to the Company's goals, scope and risk. |

## SECTION D – RISKS

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| **D.1** | *Principal risks relating to Alligator and the industry* | Alligator's operations and market are subject to a number of risks which affect or may affect, the Company's operations, financial position and results. The following risk factors, described in no particular order, are considered to be of importance for Alligator's future development. The principal risks that could have an material negative impact on Alligator's operations, results and financial positions, related to the Company's operations and industry, are:<br>■ risks related to that the Company and its partners do not obtain and maintain necessary permits and regulatory approvals in order to conduct pre-clinical and clinical studies, that clinical studies are delayed, interrupted or provide unexpected or unwanted results, high costs, the possibility to recruit participants for clinical studies or that participants are exposed to unacceptable health risks;<br>■ risks related to that the Company's product candidates does not fulfill the requirements for marketing approval, that the Company and its partners lack the resources to successfully complete applications for marketing approval or that the Company and its partners do not meet the extensive regulatory requirements set out by authorities for, inter alia, conducting clinical studies, manufacturing and sales on the market;<br>■ risks related to that the Company has a limited project portfolio in early development stage, that setbacks in individual projects may have a significant impact on Alligator's operations, that it is difficult to predict how and to what extend individual projects in early stage can reach commercialization, or that the Company's project portfolio due to its narrow scope may be affected by setbacks in the research field or due to competing products;<br>■ risks related to that the Company is dependent on collaboration partners for the development and commercialization of its product candidates, that the Company cannot develop its product candidates beyond phase II studies on its own accord, that collaborations entail that development and commercialization is placed outside the Company's control and that the Company may have to relinquish important rights, that collaboration partners do not fulfill their obligations or that collaborations are interrupted as well as the absence of royalties and other payments;<br>■ risks related to that the Company may infringe the patents and other intellectual property rights of third parties, which could entail costly and time-consuming proceedings or that the Company fails to identity relevant intellectual property matters when developing new product candidates or technologies;<br>■ risks related to that the Company's patents and other intellectual property rights do not provide adequate commercial protection, that the Company does not obtain or maintain necessary patent protection, that the Company's intellectual property rights are bypassed or replaced, that the Company lacks the possibilities to acquire necessary licenses, or that third parties infringe on the Company's intellectual property rights, which could lead to costly and time-consuming proceedings;<br>■ risks related to that none of the Company's product candidates yet have been commercialized, that commercial success does not occur due to lacking market acceptance by physicians, patients and healthcare payers, prevalence of side-effects, alternative treatments and potential limitations and warnings on approved labeling;<br>■ risks related to that the Company is dependent on its senior executives and a number of other key employees, that the Company's operations may be delayed or interrupted due to loss of key employees or that the Company fails to recruit qualified employees going forward. |

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| **D.3** | *Principal risks relating to securities* | Investments in securities are associated with risks. Such risks may cause the price of the Company's shares to fall significantly, and that investors may lose all or parts of their investment. Principal risks deemed relevant for Alligator's shares, and described in no particular order, are:<br><br>■ risks related to that the price in the Offering will not match the price at which the shares in Alligator will be traded on the stock market after the Offering, that the shares are subject to substantial fluctuations on the stock market or that active trading will not be developed and established after the listing;<br>■ risks related to that Alligator has previously not paid any dividends and the existence and size of any future dividends will be dependent on the Company's future development;<br>■ risks related to sales of shares which are made by major shareholders, as well as the general market expectation that sales will be carried out, could have a negative effect on the price of Alligator's shares, and that any new share issue may lead to dilution of the holdings of the shareholders;<br>■ risks related to that Cornerstone Investors and JJDC will not be able to fulfill their undertakings, since these undertakings are not secured by bank guarantee, blocked funds or pledging or similar arrangement, and since the undertakings, as regards Cornerstone Investors, are subject to certain conditions. |

## SECTION E – THE OFFERING

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| **E.1** | *Revenues and costs relating to the Offering* | The new share issue in the Offering is expected to bring Alligator around SEK 312 million after deduction of issue expenses. The Company's expenses for the Offering and listing on the Nasdaq Stockholm are expected to be a maximum of SEK 38 million. Alligator will not receive any proceeds from the Selling Shareholders' sales of shares. |
| **E.2a** | *Reasons for the Offering* | The Board of Directors is focused on realizing Alligator's long-term strategy, to strengthen the Company's position as a key player within the field of tumor-directed immunotherapy by developing innovative immune-activating product candidates with the potential to become "first in class", "best in class" or both. The Company's existing funds are sufficient to finance this strategy up to 2020. However, the Board of Directors believes that the offer is justified in order to secure the development of ATOR-1015 in clinical phase II and of ATOR-1016, and at least one of the Company's unnamed research projects in research phase into clinical phase I, where substantial financial undertakings are expected during 2020. Furthermore, the Board of Directors intends to intensify the development of product candidates, both through development of the Company's projects in the early research phase and by initiating new research projects.<br>As the Company intends to independently develop its product candidates and pursue phase IIa studies before licensing, and in parallel carry out several research projects – which by itself entails significant investments – the Board therefore believes that the Company's funds need to be further strengthened.<br>The development of pharmaceutical drugs often experiences delays as it is associated with risks and uncertainty. Some impacting factors are beyond the Company's control, such as assessments and decisions of regulatory authorities, which may affect the timing and contribute to possible delays, and lead to higher costs and capital requirements. Based on these reasons, the Board of Directors believes that it is justified for a company like Alligator to carry out a share issue in connection with a listing of the Company's shares in order to have sufficient working capital and to give the Company scope to exploit opportunities that benefit the Company's business and which otherwise could not be realized. A listing of the Company's shares will give Alligator access to the Swedish and international capital markets but also contribute to broadening the Company's shareholder base and create liquidity in the shares for the Company's existing shareholders. Accordingly, the Board considers that the time is now appropriate for a listing of the Company's shares on Nasdaq Stockholm. If the Offering is fully subscribed, the net proceeds after transaction costs are estimated to be approximately SEK 312 million. The Company intends to use the net proceeds from the new share issue according to the following order of priority, with an approximate share of the proceeds given in percent, and with the aim of achieving the following milestones: |

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| **E.2a** | *Reasons for making the Offering, (cont)* | 1. Continued development of ATOR-1015 up to and including phase IIa in order to optimize the opportunities for successful licensing: 40 percent<br>2. Continued development of ATOR-1016 with the aim of taking development of the product candidate up to and including phase I: 30 percent<br>3. Continued development of the Company's two furthest advanced unnamed product candidates in research phase: 30 percent<br><br>The Board of Director's decision is also based on the fact that other milestone payments from the cooperation agreement with Janssen cannot be planned in time and for precautionary reasons should not be included in the expected future cash flow. If the Company would receive additional capital through milestone payments from Janssen in the coming years, the proceeds will help to strengthen the Company's financial flexibility and position in the market for immunotherapy.<br><br>Existing funds prior to the Offering are up to 2020 also expected to cover:<br>1. Extension of antibody library and bispecific technology platform<br>2. Development of limited CMC-capacity for cell line development<br>3. Development of new research projects<br>4. General business-related purposes such as administration costs and other operational investments |
| **E.3** | *Terms of the Offering* | **The Offering**<br>The Offering is directed to the general public in Sweden, Norway, Denmark and Finland[1)] as well as to institutional investors[2)]. The Offering includes 10,769,231 new issued shares and 2,153,846 existing shares in Alligator, equivalent to 18.5 percent of the total number of shares in the Company after the Offering.<br><br>**Over-allotment option**<br>The Selling Shareholders have provided an over-allotment option to the Joint Bookrunners, which means that the Joint Bookrunners, within 30 days from the first day of trading in the Company's shares on the Nasdaq Stockholm, have the right to acquire up to an additional 1,938,462 shares from the Selling Shareholders, equivalent to a maximum of 15 percent of the number of shares in the Offering at a price equal to the price in the Offering. The Over-allotment option may only be exercised in order to cover any over-allotment of the Offering.<br><br>**Application period and application**<br>The application period for the general public in Sweden, Norway, Denmark and Finland as well as for institutional investors will be the period 15 November - 22 November 2016.The Selling Shareholders and Alligator reserve the right to extend the application period for the Offering. Notice of any such extension will be given by press release prior to the end of the application period.<br>For the general public in Sweden, Norway, Denmark and Finland, application for the acquisition of shares must be for a minimum of 300 shares and a maximum of 25,000 shares, in blocks of 100 shares.<br><br>**Offer price**<br>The price in the Offering has been set to SEK 32.50 by the Company's Board of Directors and the Selling Shareholders in consultation with the Joint Bookrunners, based on a number of factors, including discussions with certain institutional investors, a comparison with the market price of other comparable listed companies, an analysis of previous transactions carried out for companies in the same industry and development phase, current market conditions and estimations regarding the Company's commercial potential and earnings prospects. No commission will be charged.<br><br>**Allotment**<br>Decisions on the allotment of shares will be made by the Company's Board of Directors and the Selling Shareholders in consultation with the Joint Bookrunners, where the goal is to achieve a wide spread of shares among the public in order to enable regular and liquid trading of the Company's shares on Nasdaq Stockholm. When deciding on the allotment of shares in the Offering to institutional investors, efforts will be made to achieve a good institutional ownership base for Alligator. Cornerstone Investors, however, are guaranteed allocation in accordance with their respective commitments.<br>In the event of oversubscription, allotment may be withheld or made with a lower number of shares than that stated in the application, when allocation may be determined in full or in part by random selection. |

1) The general public includes private individuals and legal persons in Sweden who apply to acquire a maximum of 25,000 shares.
2) Institutional investors includes private individuals and legal persons in Sweden who apply to acquire more than 25,000 shares.

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| **E.3** | *Terms of the Offering, (Cont)* | Employees of Alligator and customers of Managers can be given special consideration in connection with allotment. Allotment can also be made to employees of Managers, however no priority will be given. Allotment in such cases is made in accordance with the rules of the Swedish Securities Dealers Association and regulations of the Swedish Financial Supervisory Authority. Also existing shareholders may be prioritized in connection with allotment.<br><br>**Conditions for completion of the Offering**<br>The Selling Shareholders, Alligator and the Joint Bookrunners intend to enter into an agreement on the placing of shares in Alligator on or around 22 November 2016 (the **"Placing Agreement**"). The Offering is conditional upon that interest for the Offering is large enough, in the view of the Joint Bookrunners, for achieving appropriate trading in the share, that the Placing Agreement is entered into, that certain customary completion conditions in the agreement are fulfilled, and that the Placing Agreement is not terminated. The Joint Bookrunners can terminate the Placing Agreement up to the settlement date, 25 November 2016, if any material adverse events occur that, in the good faith judgment of the Global Coordinator, would make it inadvisable or impracticable to carry out the Offering in the manner contemplated in the Prospectus, if the guarantees that the Company has given the Joint Bookrunners should prove to be deficient or if any of the other customary completion conditions imposed by the Placing Agreement are not met.<br><br>**First day of trading**<br>First day of trading is expected to be 23 November 2016. Allotment to the general public in Sweden, Norway, Denmark and Finland will be notified by the sending out of a contract note, which is expected to happen on or around 23 November 2016. Once payment for the allotted shares has been processed by Global Coordinator, the shares paid for will be transferred to a custody account, service account or securities account that is designated by the acquirer. The time required for the transfer of payment, and the transfer of paid shares to acquirers of the shares in Alligator, may mean that such acquirers will not have the shares they have acquired available in the designated custody account, service account or securities account earlier than 25 November 2016. In the event the shares are not available on the acquirer's custody account, service account or securities account, it may mean that the acquirer cannot sell these shares on the exchange on the day on which trading in the shares begins.<br><br>**Stabilization**<br>For a period of 30 days following the first day of trading, the Global Coordinator may carry out transactions on Nasdaq Stockholm that stabilize the price of the shares or that maintain this price at a level that deviates from what would otherwise have been the case in the market. |
| **E.4** | *Interests and conflicts of interest* | Carnegie, DNB and Redeye are the Managers in the Offering. The Managers will provide financial advice and other services to the Company and the Selling Shareholders in connection with the Offering. None of the Managers owns shares in the Company, nor will they receive any financial interests in the Company other than previously agreed fees for their services. |
| **E.5** | *Selling shareholders / Lock-up agreements* | Sunstone Life Science Ventures II K/S and Duba AB are Selling Shareholders.<br>Selling Shareholders, board members and senior executives holding shares and certain selected existing shareholders have undertaken not to sell their respective holdings during a period starting from the first day of trading on Nasdaq Stockholm (the "**Lock-up Period**"). The undertaking does not apply for shares that are acquired in the Offering or thereafter. As regards the Selling Shareholders, the undertaking does also not apply for the shares that are sold in the Offering. In total, approximately 44.5 percent of the shares in the Company after the Offering are covered based on full subscription in the Offering and that the Over-allotment option is exercised in full. For board members and senior executives holding shares in Alligator, the Lock-up Period is 360 days. For the Selling Shareholders, the Lock-up Period is 270 days. For other shareholders who have undertaken not to sell any shares, the Lock-up Period is 180 days. The Global Coordinator may discretionary grant exceptions from said undertakings.<br><br>1) JJDC, Stena AB, Atlas Antibodies AB, Johan Rockberg, Mikael Lönn, Marianne Rapp and Staffan Rasjö. |
| **E.6** | *Share dilution* | With full subscription of the share issue in the Offering, the number of shares in Alligator will increase by 10,769,231 shares from 59,244,384 to 70,013,615, which corresponds to a dilution for existing shareholders of 15.4 percent of the total number of shares in the Company after the Offering. |
| **E.7** | *Costs for the investor* | Not applicable. No costs will be imposed on investors in the Offering. |

# RISK FACTORS

*Investment in securities is associated with risk. When considering a possible investment decision, it is important to carefully analyze the risk factors considered to be of significance to the Company and the share's future development. The following describes risk factors considered to be of importance for Alligator, without any specific ranking. This applies for both risks regarding circumstances that are attributable to Alligator and its industry and those of a more general nature, and risks associated with the shares and the Offering. Certain risks relate to factors beyond the Company's control. The following account does not claim to be complete and all risk factors can naturally not be predicted or described in detail, which is why an overall assessment must also include other information in the Prospectus as well as a general assessment. The risks and uncertainty factors below can have a significant negative impact on Alligator's operations, financial position and/or earnings. They can also cause the shares of Alligator to decreases in value, which could lead to shareholders in Alligator losing all or part of their investment. Additional factors that are not currently known to Alligator, or that are currently not deemed to pose risks, may also negatively impact Alligator.*

*The Prospectus contains forward-looking statements that may be affected by future events, risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements for a variety of factors, including but not limited to, those described below and elsewhere in the Prospectus".*

## RISKS RELATED TO THE COMPANY'S INDUSTRY AND BUSINESS

### ALLIGATOR'S PRODUCT CANDIDATES MUST UNDERGO EXTENSIVE PRE-CLINICAL AND CLINICAL TESTING, THE RESULTS OF WHICH ARE UNCERTAIN AND COULD SUBSTANTIALLY DELAY OR PREVENT THE PRODUCT CANDIDATE FROM REACHING THE MARKET

All Alligator's product candidates[1)] must undergo extensive pre-clinical and clinical studies in order to demonstrate the product candidate's safety and efficacy in humans before it can receive regulatory approval to be launched on the market as finished products. Clinical studies are expensive and time consuming and their outcome and results are highly uncertain. There is a risk that the Company, its licensee Janssen or other third parties may not successfully complete their pre-clinical and studies, which may lead to that the commercialization of product candidates are is delayed or, in worst case, prevented.

Alligator currently has a product candidate that is in clinical phase I and a number of product candidates that are subject to pre-clinical studies and research. All of the Company's product candidates require continued extensive research and development work. There is a risk that pre-clinical and clinical studies will not demonstrate sufficient safety and efficacy for the Company's product candidateds to obtain marketing approval. Results from pre-clinical studies may not be consistent with the results obtained in clinical studies and results from early clinical studies may not always be consistent with results in subsequent or more extensive studies. For example, the Company's current and future clinical studies involve and will continue to involve testing in larger patient populations, which could reveal a higher prevalence of certain side-effects compared to previous smaller scale studies. The clinical studies may be suspended or terminated if participating subjects are exposed to unacceptable health risks or if the product candidates cause undesired side-effects.

If clinical studies, regardless of clinical phase, should prove that a product candidate does not have the intended effect, triggers intolerable side-effects or does not have the requisite safety profile, there is a risk that additional testing must be carried out or that clinical studies must be stopped. These circumstances may also have the consequence that Alligator and its partners cannot obtain the necessary authorization to enable commercialization. If any of these risks were to realize, it could have a material adverse effect on the Company's operations, earnings and financial position.

### THE COMPANY'S PRODUCT CANDIDATES MAY NOT OBTAIN REGULATORY APPROVAL WHEN EXPECTED, IF AT ALL, AND EVEN AFTER OBTAINING APPROVAL, THE PRODUCTS WILL BE SUBJECT TO ONGOING REGULATION

Before any product candidate can be sold in a market, the Company must obtain marketing approval or authorization for the product candidate from relevant authorities, such as the Medical Products Agency in Sweden, the Food and Drug Administration ("**FDA**") in the United States or the European Medicines Agency ("**EMA**") in the EU. Each regulatory agency may impose its own requirements and may refuse to grant or may require additional data before granting approval even if approval has been granted by other agencies.

The process for marketing approval is in general cost and time consuming, requires extensive documentation and the timing of marketing approval is difficult to predict. Neither the

1) The term "product candidate" is used in the Prospectus as a general term for pharmaceutical drugs in research and development that have thus not yet been approved or commercialized, while the term "product" is used as a general term for pharmaceutical drugs that have been approved or commercialized.

Company nor its partners has yet applied for marketing approval for any of the Company's product candidates and Alligator and its partners may lack the necessary experience to efficiently and successfully conduct such proceedings. Delay or failure to obtain marketing approval for the product candidates could adversely impact the ability to commercialize the product candidates and could substantially impair the Company's ability to generate revenues. Even after marketing approval, products may, inter alia for safety reasons, be subject to further studies or may be subject to limitations on their indicated uses and may be withdrawn from the market for various reasons, including if they are shown to be unsafe or ineffective.

In addition to the regulatory approval process, the Company and its existing and potential partners are, or may be, subject to numerous ongoing regulatory obligations, such as personal data protection, environmental, health and safety laws and restrictions on the experimental use of animals and/or human beings. In addition, the Company's and its partners' external manufacturers will be required to follow the rules for the manufacture of pharmaceuticals, including rules for testing, quality control and documentation regarding the Company's product candidates. Production facilities must be approved by official inspection and will be subject to regular inspections by the authorities, which may lead to objections and new production requirements. The costs of compliance with applicable regulations, requirements or guidelines could be substantial, and failure to comply could result in sanctions, including fines, injunctions, civil penalties, denial of applications for marketing approval of its product candidates, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products, operating restrictions and criminal prosecutions, any of which could significantly increase the Company's or its partners' costs, delay the development and commercialization of its product candidates and substantially impair its ability to generate revenues and achieve profitability. If these risks were to materialize, it could have a material adverse effect on Alligator's operations, earnings and financial position.

### DELAYS IN CLINICAL STUDIES COULD RESULT IN INCREASED COSTS AND JEOPARDIZE THE COMPANY'S ABILITY TO ACHIEVE REGULATORY APPROVAL

Delays in clinical studies are common and can occur for a variety of reasons. The Company does not know whether future clinical studies will begin on time, will need to be redesigned or will be completed on schedule, if at all. Clinical studies can be delayed for a variety of reasons, including delays in:

- obtaining regulatory approval to commence a study;
- reaching agreement on acceptable terms with prospective contract research organizations and prospective contract manufacturing organizations;
- suppliers not performing their services satisfactory or providing compounds that do not comply with agreed quantity or quality requirements;
- finding and reaching agreements with clinical investigational sites;
- recruiting suitable patients to participate in a study and in having patients complete a study or return for follow-up;
- adding new sites when extending a study or when clinical sites drop out of a study; or
- obtaining sufficient supplies of clinical study materials.

Particularly in regard to patients, many factors affect the potential for successful enrolment, including the size and nature of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the study, the design of the clinical study, competing clinical studies, clinicians 'and patients 'perceptions as to the potential advantages of the product candidate being studied in relation to other available therapies, including any new products that may be approved for the indications the Company is investigating and whether the clinical study design involves comparison to placebo. If the Company experiences lower than expected enrolment in the studies, the studies may not be completed as currently scheduled. Furthermore, with respect to the clinical studies conducted by third parties, the Company will have no control over their timing or outcome. If these risks were to materialize, it could have a material adverse effect on the Company's operations, earnings and financial position.

### THE COMPANY HAS A LIMITED PROJECT PORTFOLIO IN EARLY DEVELOPMENT STAGE AND THE OUTCOME OF RESEARCH AND DEVELOPMENT CONDUCTED IS HIGHLY UNCERTAIN

The Company has five product candidates in its project portfolio with ADC-1013 in clinical phase I, ATOR-1015 in pre-clinical phase and the rest in research phase. Alligator has invested significant amounts in the development of these product candidates and additional significant amounts will need to be invested for the ongoing and future development. The Company has licensed ADC-1013 to Janssen who among other things are responsible for the financing and continuous clinical development of the product candidate.

Due to this, the Company's remaining project portfolio is compiled only of a few product candidates that, at the most, are in a pre-clinical phase. Considering the extensive remaining amount of research and capital that will need to be invested in these product candidates, it could have a severe negative impact on Alligator if one or some product candidates would be subject to setbacks. How, if and to what extent the Company's remaining product candidates may be commercialized is highly uncertain. In addition, it is very difficult to estimate the level of resources that will be needed to potentially reach a commercialization of the Company's product candidates as they are in early research and development stages.

The narrow focus of the project portfolio i.e. the focus on immune-activating product candidates exposes Alligator to the risk that the value and potential of the project portfolio is reduced or depleted, for example if this research field in general would be subject to setbacks or if the Company's competitors in a more successful way manage to develop and commercialize products with similar properties.

There is a risk that one or more of the product candidates in Alligator's project portfolio, for a number of different reasons of which several are stated above, may not be completed and may not become commercially viable for the Company. If the risk was to materialize, it could have a material adverse effect on the Company's operations, earnings and financial position.

### THE COMPANY IS DEPENDENT ON PARTNERS RELATING TO THE DEVELOPMENT AND COMMERCIALIZATION OF MOST OF ITS CURRENT AND FUTURE PRODUCT CANDIDATES

The Company is, and expects to be, dependent on current and future license, collaboration and other agreements with experienced partners relating to the development of most of its existing and future product candidates and to the successful commercialization thereof. One example of this is the Company's licensing of ADC-1013 to Janssen who are responsible for the financing and continuous clinical development of ADC-1013. In return, the Company has the right to initial payment, development and sales-related milestone payments and sales-based royalties, which currently constitute the Company's main income. The collaboration agreement with Janssen is thus of great importance for Alligator's operations, earnings and financial position.

Due to the anticipated size and cost of phase III studies it is currently not likely that the Company will develop any other product candidate beyond phase II clinical studies on its own. If the Company fails to enter into collaborations on favorable terms or at all, or if the Company does not provide such partners with suitable product candidates for development and/or commercialization, the Company's ability to develop and commercialize its existing or future product candidates could be delayed and its costs of development and commercialization could increase. However, such collaborations may mean that the development and commercialization of the Company's product candidates is placed outside the Company's control and that the Company may be required to relinquish important rights. The Company's dependence on collaborative arrangements with experienced partners subjects it to a number of risks, including the following:

- the Company may not be able to control the amount or timing of resources that its collaborative partners devote to its product candidates;
- the Company may incur additional costs and delays;
- the Company may be required to relinquish important rights, including intellectual property, marketing and distribution rights;
- the Company may not receive any future milestone payments or royalties if a collaborator fails to develop or commercialize one of its product candidates;
- the Company's collaborators' willingness or ability to complete its obligations under the Company's collaboration arrangements may be adversely affected by business combinations or significant changes in a collaborator's business strategy; and
- the Company may experience delays in, or increases in the costs of, the development of the Company's product candidates due to the termination of collaborative research and development arrangements, or, in the event such termination is due to Alligator's breach or insolvency, may need to provide a perpetual royalty-free license to its collaborator.

If any of these risks were to materialize, the Company's ability to develop and commercialize one or more of its product candidates could be impaired which could have a material adverse effect on the Company's operations, earnings and financial position.

### THE COMPANY MAY INFRINGE THE PATENTS OR OTHER INTELLECTUAL PROPERTY RIGHTS OF OTHERS AND MAY FACE LITIGATION WHICH MAY BE COSTLY AND TIME CONSUMING

Alligator has an extensive patent portfolio relating to technology as well as products and has exclusive rights to several families of granted patents and pending patent applications, which have been granted or are pending in major territories including the United States, Europe and Japan. As a result of these exclusive patent rights, Alligator believes that it has a very strong patent position, which is required for the commercialization of its product candidates. Nevertheless, the Company's success will depend in part on its ability to operate without infringing or misappropriating the proprietary rights of others. As the biotechnology industry continously develops and expands and more patents are granted, the risk increases that any technology or product developed by the Company may give rise to third party claims of patent infringement. The Company may expend significant time and effort and may incur substantial costs if required to defend such claims or to assert its proprietary rights against third parties.

There is a risk that the Company's efforts to search for existing proprietary rights, so called freedom-to-operate analyses, before embarking on a research and development program with respect to a particular technology or product, will fail to uncover all relevant third party rights relating to such technology or product (for example protein optimization or phage display). As a result, competitors of the Company may have obtained or may in the future obtain patents in respect of technologies or products similar to or competitive with those of the Company. If the Company's freedom-to-operate analyses fail to disclose all possible intellectual property issues relating to its activities, it could result in Alligator becoming subject to infringement allegations and claims for damages or other legal remedies which could have a material adverse effect on the Company's operations, earnings and financial position.

### RISK THAT THE COMPANY'S PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS MAY NOT ADEQUATELY PROTECT ITS PRODUCT CANDIDATES AND POTENTIAL PRODUCTS, WHICH MAY IMPEDE THE COMPANY'S ABILITY TO COMPETE EFFECTIVELY

Patents and other intellectual property rights is a key asset in Alligator's operations which is why the Company's potential future success largely depends on the possibilities to maintain existing patent protection and to obtain patent protection for product candidates and technologies that are used or may be used in the business operations. Pharmaceutical and biotechnology companies' patent legal status is generally an uncertain one and involves complex medical, legal and technical assessments.

There is a risk that Alligator may not obtain the requisite patent protection, that granted patents will not be maintained or that granted patents will not be sufficient to protect against infringement and competition. In addition, the biotechnology and pharmaceutical industry is characterized by a high level of innovation and rapid technological development, which is why new technologies and products could be developed by other players which can cause Alligator's intellectual property rights to be bypassed or replaced. Patents also have a limited life. Rights held by a third party could prevent Alligator from utilizing a particular technology, method or substance, which means that the Company may be burdened with increased costs for licens-

ing or forced to stop or limit investments in technology or product development. The Company's inability to secure such licenses on commercially reasonable terms, or at all, have such patents revoked or declared invalid, or to develop or otherwise obtain alternative technology may have a material adverse effect on Company's operations, earnings and financial position.

In addition, there is a risk that competitors or other parties may infringe Alligator's intellectual property rights which means that Alligator could be forced to defend its intellectual property rights in court proceedings. Disputes concerning intellectual property rights are often time-consuming and expensive, and can therefore adversely affect Alligator's operations and financial position. The uncertainty associated with patent protection means that the outcome of such potential dispute litigation is difficult to predict.

In the event that Alligator's patents and other intellectual property rights should be lost or curtailed, or if the Company is otherwise unable to maintain the requisite patent protection, this could entail difficulties or delays in the commercialization of the Company's product candidates, which could have a material adverse effect on Alligator's operations, earnings and financial position.

### ALLIGATOR IS DEPENDENT ON TRADE SECRETS AND KNOW-HOW WHICH ARE MORE DIFFICULT TO PROTECT THAN OTHER INTELLECTUAL PROPERTY RIGHTS

Alligator is dependent on trade secrets and know-how in its operations which cannot be protected by registration in the same way as other intellectual property rights. There is a risk that Alligator's employees, consultants, advisers or partners may act in breach of their duty of confidentiality in regard to confidential information, or that confidential information may otherwise be used by competitors, which could have a material adverse effect on Alligator's operations, earnings and financial position.

### THE COMPANY HAS NOT YET COMMERCIALIZED ANY PRODUCT AND ITS COMMERCIAL SUCCESS WILL DEPEND UPON ATTAINING SIGNIFICANT MARKET ACCEPTANCE OF ITS PRODUCT CANDIDATES

To date, none of the Company's product candidates have been commercialized. Even if the Company's product candidates are approved by the appropriate regulatory authorities for marketing and sale, physicians may not prescribe them, which would prevent the Company from generating revenues or becoming profitable. Market acceptance of the Company's future product candidates by physicians, patients and healthcare payers will depend on a number of factors, including:

- the clinical indications for which the product candidate is approved;
- acceptance by physicians, patients and healthcare payers of each product candidate as a safe and effective treatment;
- relative convenience, ease of administration and other perceived advantages over competing treatments;
- prevalence and severity of adverse side-effects;
- the cost of treatment in relation to alternative treatments;
- the extent to which the product candidate is approved for inclusion on formularies of hospitals and managed care organizations;
- whether the product candidate is designated under physician treatment guidelines as initial or first-line therapy or as therapy in relapsing/recurrent disease;
- the availability of adequate reimbursement and price subsidies; and
- limitations or warnings contained in a product's approved labeling.

Lack of commercial success could have a material adverse effect on Alligator's operations, earnings and financial position.

### ALLIGATOR'S FUTURE REVENUES WILL BE AFFECTED BY VARIOUS COMPENSATION AND PAYMENT SYSTEMS AND RELY ON THAT THE PRICE OF THE POTENTIAL PRODUCTS ARE ELIGIBLE FOR SUBSIDIES

A significant part of Alligator's potential future revenues are likely to be affected by compensation and payment systems, and will be dependent on that the Company's and its partners' products are eligible for subsidies from for example public insurance schemes, public care providers or private health insurers. There is a risk that the products do not qualify for subsidies from publicly or privately funded health care programs or that compensation will be lower than expected, which could affect the Company's and its partners' sales and profitability. Changes in compensation and subsidy schemes, or applicable regulations are difficult to predict and may affect possible sales and the Company's ability to operate profitably. In several countries, there are various measures to curb rising drug costs, which may affect Alligator's and its partners' future sales opportunities in various markets. If these risks were to materialize, it could have a material adverse effect on Alligator's operations, earnings and financial position.

### ALLIGATOR EXPECTS TO FACE SUBSTANTIAL COMPETITION, WHICH MAY RESULT IN OTHERS DISCOVERING, DEVELOPING OR COMMERCIALIZING PRODUCTS BEFORE, OR MORE SUCCESSFULLY THAN THE COMPANY

The development and commercialization of new pharmaceutical products is highly competitive. Alligator faces competition with respect to its current product candidates, and will face competition with respect to any product candidates that it may seek to develop or commercialize in the future, from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. In addition to existing therapeutic treatments for the indications the Company is targeting with its product candidates, it also faces potential competition from other product candidates in development by other companies. There are a few approved products on the market for cancer treatment by immunotherapy and the Company knows of several pharmaceutical and biotechnology companies operating within the field of research and development of immunotherapeutic drugs for use in cancer treatment. These companies include large, well-financed and experienced pharmaceutical and biotechnology companies or companies that have been partnered with such companies, which may give them development, regulatory and marketing advantages over Alligator's product candidates.

Alligator's commercial opportunity could be reduced or eliminated if its competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any products that the Company and its partners may develop. Alligator's competitors may also obtain EMA, FDA or other regulatory

approval for their products more rapidly than Alligator may obtain approval, which could result in Alligator's competitors establishing a strong market position before the Company is able to enter the market.

Some of the companies against which Alligator and its partners are competing or against which Alligator and its partners may compete in the future have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical studies, obtaining regulatory approvals and marketing approved products than the Company and its partners. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of the Company's and its partners' competitors. Smaller and other early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with Alligator and its partners in recruiting and retaining qualified scientific and management personnel, establishing clinical study sites and patient registration for clinical studies, as well as in acquiring technologies complementary to, or necessary for, Alligator's programs.

If Alligator is unable to compete successfully, it may be unable to grow and sustain its revenues, which may have a material adverse effect on the Company's operations, earnings and financial position.

### THE COMPANY IS DEPENDENT ON CERTAIN KEY EMPLOYEES AND QUALIFIED PERSONNEL

Alligator is dependent on the Company's senior executives and a number of other key people. Alligator's ability to retain and recruit qualified employees is of great importance for the Company's future success and growth opportunities, and there is a risk that recruitment cannot take place on satisfactory terms in relation to competition from other companies in the industry, universities and other institutions. If the Company were to lose key people, or if the Company fails to recruit qualified employees going forward, this could lead to delays or interruptions in the Company's projects which could have a material adverse effect on Alligator's operations, earnings and financial position.

### THE COMPANY MAY NOT HAVE ADEQUATE INSURANCE COVER, PARTICULARLY IN CONNECTION WITH PRODUCT LIABILITY RISK

The Company is exposed to potential product liability claims that are inherent in clinical testing and could potentially be exposed to product liability claims relating to the future sale and marketing of drugs if the Company's product candidates reach commercialization. The Company faces the risk of substantial liability for damages if its product candidates were to cause that patients who participate in clinical studies or others who come in contact with the Company's product candidates suffer side effects that cause illness, bodily injury, death, or other damage. The Company may not be able to accurately predict the possible side-effects that may result from use of its product candidates or potential products.

Alligator has insurance cover to the extent that is deemed commercially justified to cover its product liability. Some types of losses are usually not insured because they are either not considered insurable or they have been excluded from relevant insurance cover for other reasons. There could be for example loss of property through war or terrorism or professional/personal liability claims resulting from negligence or criminal intent. Furthermore, most of Alligator's insurance (the insured amounts) are limited by a compensation ceiling that is paid for a single loss event, a series of losses and overall during an insurance period. Compensation normally also presupposes that the policyholder has paid an excess and that the maximum amount has not already been paid out. Moreover, product liability claims may require significant financial and managerial resources, may cause harm to the Company's reputation if the market perceives its product candidates to be unsafe or ineffective due to unforeseen side effects, and may limit or prevent the further development or commercialization of the Company's product candidates. A loss that is not covered by insurance, a loss that exceeds the monetary threshold or a series of such losses could have a material adverse effect on Alligator's operations, earnings and financial position.

### ALLIGATOR MAY BECOME INVOLVED IN LEGAL AND ADMINISTRATIVE PROCEEDINGS, INCLUDING CLAIMS RELATING TO ALLIGATOR'S INTELLECTUAL PROPERTY AS WELL AS CLAIMS OF POTENTIAL INFRINGEMENT OF THIRD PARTY'S INTELLECTUAL PROPERTY RIGHTS BY ALLIGATOR

Substantial litigation pertaining to intellectual property exists in the industry where Alligator is active. Due to this, the Company is subject to the risk of becoming involved in legal or administrative proceedings in the future, which may include substantial claims for damages or other payments. Preparations, defense and resolution of initiated proceedings can be lengthy and costly. The outcome of such proceedings is difficult to predict. In the event of a negative outcome of any material legal, administrative or arbitration proceeding, whether based on a judgment or a settlement agreement, the Company could be obligated to make substantial payments. In addition, the costs related to disputes and arbitration proceedings may be significant. Alligator's competitors or other persons may have already obtained, or may in the future, obtain patents relating to one or more aspects of the Company's technology. If Alligator is sued for patent infringement, the Company may be forced to incur substantial costs in defending itself and potentially be served with an injunction halting sales of products that are based on the challenged patent as long as the legal process regarding the patent is ongoing. If litigation were to result in a judgment that Alligator infringed a valid and enforceable patent, a court may order the Company to pay substantial damages or licensing fees to the owner of the patent and/or to stop using any infringing technology or products. This could cause a significant disruption in Alligator's business and force the Company to incur substantial costs to develop and implement alternative, non-infringing compounds or products, or to obtain a license from the patent owner. This could also cause Alligator's licensees and customers to bring warranty claims against the Company. There is a risk that a successful patent infringement claim by an external party could lead to Alligator being unable to develop competitive alternatives at a reasonable cost that would be commercially acceptable, or that the Company would not be able to obtain a license from a patent owner on commercially reasonable terms, or at all.

Future disputes may lead to substantial costs and/or damages which could have a material adverse effect on Alligator's operations, earnings and financial position.

### THE COMPANY HAS A HISTORY OF OPERATING LOSSES AND THE COMPANY MAY IN THE FUTURE NEED FURTHER FINANCING AND IS AT RISK OF NEVER BECOMING PROFITABLE OR MAY NOT BE ABLE TO SUSTAIN PROFITABILITY IN SUBSEQUENT PERIODS

Alligator has since its formation in 2001 been financed by risk capital and has historically accumulated significant losses. These losses have resulted principally from costs incurred in research and development, business development, clinical development and from general and administrative costs associated with the Company's operations. The Company will also in the future be required to conduct significant research and development, market research and business development, clinical testing and regulatory compliance activities. Such activities, together with anticipated general and administrative expenses and the anticipated increase of costs and expenses associated with the expected growth of the Company, could result in the Company sustaining significant losses for the foreseeable future. The 2015 financial year was the first year in which Alligator posted an operating profit. The positive result was related to the initial payment that the Company received on entering into the license agreement with Janssen. Further payments from Janssen are dependent on the established development and sales goals being reached and a revenue stream will only be generated when the products are on the market. Even with the licensing of additional product candidates, Alligator's revenues will most likely be linked to the commercial success of the project candidates. To the extent that financing cannot be obtained from licensing and other collaborations, Alligator will be forced to seek external financing. If such funding cannot be obtained when the need arises or cannot be obtained on terms that are acceptable terms for Alligator, the Company may be required to significantly curtail the development of one or more of its product candidates and ultimately to fully suspend its operations. If Alligator cannot generate revenue or obtain external financing, it could have a material adverse effect on the Company's business, earnings and financial position.

Even if the Company does achieve profitability in the future, it may not be able to sustain profitability in subsequent periods. In addition, it is likely that the Company will continue to experience uneven cash flows. As a result, period-to-period comparisons of financial results are not necessarily meaningful and results of operations in prior periods should not be relied upon as an indication of future performance.

### EXPOSURE TO CURRENCY EXCHANGE RISKS MAY IMPACT ALLIGATOR'S CASH FLOW, PROFIT AND LOSS STATEMENT AND BALANCE SHEET

Alligator is domiciled in Sweden and reports its financial position and earnings in SEK. Alligator's revenue currently consists primarily of payments in accordance with the license agreement concluded with Janssen. This revenue is received in USD while Alligator's operating costs arise primarily in SEK but also in EUR to a certain extent. Currency flows associated with the purchase and sale of goods and services in currencies other than SEK give rise to a so-called transaction exposure. For the 2015 financial year, a 5 percent stronger SEK against the USD had a negative impact on profit after tax and equity of approximately SEK 14.4 million. Accordingly, potential exchange rate fluctuations could have a material adverse effect on Alligator's operations, financial position and/or result.

### THE COMPANY HAS ACCUMULATED SUBSTANTIAL TAX LOSSES WHICH ARE SUBJECT TO EXTENSIVE RESTRICTION RULES

Alligator has accumulated tax losses that as per 31 December 2015 amounted to SEK 241 million. The accumulated losses could in the future reduce any taxable profits that the Company makes, and thus reduce the corporate tax that would arise on any future profits. Tax losses and the use thereof are subject to extensive restriction rules. Alligator's opportunity to utilize, in full or in part, the accumulated deficit in the future will be determined, among other things, by future changes in ownership of the Company. Alligator's opportunity to utilize, in full or in part, the accumulated deficit in the future may also be affected by, among other things, changes in the applicable tax legislation. If the tax losses carried forward cannot be used to reduce the tax on future profits, it will mean that the Company's income tax expense will be higher, which could have a material adverse effect on Alligator's financial position and earnings.

## RISKS RELATED TO THE SHARES AND THE OFFERING

### RISK THAT AN ACTIVE, LIQUID AND ORDERLY TRADING IN ALLIGATOR'S SHARES MAY NOT DEVELOP AND THAT THE SHARE WILL BE SUBJECT TO FLUCTUATIONS DUE TO EXTERNAL FACTORS

Share ownership is always associated with risk and risk-taking. Since an investment in shares can both rise and fall in value, there is a risk that investors will not get back the capital invested. Both the general development on the stock market and the specific company's stock price depend on a number of factors that include the development of the Company's business and product portfolio, changes in the Company's earnings and financial position, changes in the market's expectations of future profits and dividends, as well as supply and demand for the Company's shares. Alligator's share price can also be affected by factors that are completely beyond the Company's control, such as competitor activity and market position.

Prior to the Offering, there has been no organized market for shares in Alligator. There is a risk that the offer price will not match the price at which the shares in Alligator will be traded on the stock market after the Offering and that active trading will not be developed and established after the listing. There is a risk that the shares will be subject to significant fluctuations in the stock market in general. Such fluctuations may occur regardless of how Alligator performs. The share price and trading in Alligator's shares is influenced by among other factors supply and demand, changes in earnings forecasts or actual results, conditions on the stock market in general or in the Company's industry in particular, regulatory developments or the economic and political changes and events in Sweden as well as abroad.

In addition, the stock price is affected by monitoring and reporting on the Company by equity and industry analysts. If one or more of these analysts stop following the Company or do not publish periodic reports, the Company may become less visible in the financial markets, which in turn can lead to fluctuations in share price and/or trading volumes.

### POTENTIAL FUTURE DIVIDENDS FROM ALLIGATOR ARE DEPENDENT ON SEVERAL FACTORS AND MAY NOT OCCUR OR VARY

Investors who participate in the Offering may be eligible for any future dividend which is decided after the listing. Historically, Alligator has not paid any dividends and the existence and size of any future dividends will be dependent among other things on the company's future earnings, financial position, cash flows, working capital requirements, legal and financial constraints and other factors. There is thus a risk that dividends will not be made in the future and as long as no dividend is paid, investors' returns will depend solely on future share price performance.

### FUTURE SALES OF MAJOR SHAREHOLDINGS OR NEW SHARE ISSUES COULD ADVERSELY AFFECT THE SHARE PRICE

Significant sales of shares which are made by major shareholders, as well as a general market expectation that further sales will be carried out, could have a negative effect on the price of Alligator's shares. Moreover, any possible issue of new shares would lead to a dilution of ownership for shareholders who cannot participate in such an issue or choose not to exercise their right to subscribe for shares. The same applies if an issue is directed to persons other than the Company's shareholders.

Selling Shareholders, board members and senior executives holding shares and certain selected existing shareholders have undertaken not to sell their respective holdings during a period starting from the first day of trading in the Company's shares on Nasdaq Stockholm. For board members and senior executives holding shares in Alligator, the lock-up period is 360 days. For the Selling Shareholders, the lock-up period is 270 days. For other shareholders who have undertaken not to sell any shares, the lock-up period is 180 days. Even if the lock-up commitments limit the ability of the shareholders to sell their shares, the Global Coordinator can discretionary decide to grant exemptions from the restrictions on the sale of shares during the respective lock-up period. After each lock-up period expires, the shareholders concerned are free to sell their shares in the Company. The sale of large quantities of shares of the shareholders concerned, as well as an expectation that such sales could occur, could cause Alligator's share price to fall.

### SUBSCRIPTION UNDERTAKINGS ARE NOT SECURED AND MAY THEREFORE NOT BE FULFILLED

Cornerstone Investors have agreed to acquire shares in the Offering equivalent to SEK 150 million. Based on full subscription of the Offering and that the Over-allotment option is exercised in full, the commitment equates to 4,615,386 shares, which corresponds to 31.1 percent of the number of shares in the Offering, and 6.6 of the total number of shares in the Company after the Offering.

In addition, JJDC has in accordance with the investment agreement entered into in connection with JJDC's initial investment in the Company in August 2015 undertaken to, upon request from the Company, acquire shares for an aggregate amount of up to the SEK equivalent of USD 5 million in an offering carried out in connection with a listing on Nasdaq Stockholm. Based on the undertaking, the Board of Directors of the Company has utilized the right to request JJDC to apply for acquisition of shares in the Offering for a total amount in SEK corresponding to USD 5 million, whereby the conversion from USD to SEK shall be based on the exchange rate as per the 17 November 2016. Based on full subscription in the Offering, that the Over-allotment option is exercised in full and assuming a USD/SEK exchange rate of 8.95, the undertaking corresponds to 1,376,923 shares, corresponding to 9.3 percent of the number of shares in the Offering and 2.0 percent of the total number of shares in the Company after the Offering. For the sake of clarity, it should be noted that the calculation of number of shares as per the foregoing has been made for illustration purposes only and that the final number of shares covered by the undertaking will be established based on the exchange rate as of 17 November 2016.

Neither Cornerstone Investors' nor JJDC's commitments are covered by any bank guarantee, blocked funds or pledging or similar arrangement, why there is a risk that these undertakings will not be fulfilled. Cornerstone Investors' commitments are also subject to conditions. In the event that any of these conditions are not met, there is a risk that Cornerstone Investors will not fulfil their undertakings, which could have an adverse effect on the execution of the Offering. If JJDC does also not fulfil its undertaking, this could also have an adverse effect on the execution of the Offering.

### THE US SHAREHOLDERS OF THE COMPANY MAY BE SUBJECT TO CERTAIN TAX REGULATIONS IN THE UNITED STATES

In general, if at least 75 percent of Alligator's gross income for any taxable year consists of passive income or at least 50 percent of the average quarterly value of assets attributable to assets that produce passive income or are held for the production of passive income, including cash, then Alligator will be classified as a passive foreign investment company ("**PFIC**") for federal income tax in the United States. For the purposes of this provision, passive income includes dividends, interest, capital gains from the sale or exchange of investment property and rents and royalties (other than rents and royalties received from non-related parties in connection with the active operation of commerce or business). For the 2015 fiscal year, Alligator believes that it was categorized as a PFIC. The PFIC classification means that the US shareholders may suffer adverse tax consequences, including that profit on the sale of Alligator shares can be treated as ordinary income rather than capital gains, the loss of the preferential rate applicable to dividends on shares in Alligator to individuals who are US shareholders, and interest expense will be paid on dividends on Alligator shares and the shares' sales proceeds.

Alligator's status as a PFIC may partially depend on how quickly the Company processes the proceeds of the Offering in its business operations. As PFIC status depends on the Company's composition of revenue and composition of the value of its assets, much of which may be determined by the market value of Alligator's shares, which can be volatile from time to time, Alligator may be considered to be a PFIC for any given fiscal year. PFIC tests are carried out at the end of a fiscal year and there is a risk that Alligator will continue to be given PFIC status for the current or future years. When Alligator is classified as a PFIC, it may have adverse tax consequences for the Company's US investors. Potential US Investors should discuss the issue regarding the consequences of Alligator's possible PFIC status with their tax advisors.

### FOREIGN SHAREHOLDERS MAY BE PREVENTED FROM PARTICIPATING IN FUTURE RIGHTS ISSUES AND MAY BE NEGATIVELY AFFECTED BY CURRENCY EXCHANGE RATE RISKS IN CONNECTION WITH POTENTIAL FUTURE DIVIDENDS

Alligator's shares will be quoted in SEK and any dividends will be paid in SEK. This means that shareholders outside Sweden may experience an adverse effect on the value of shareholdings and dividends when these are converted into other currencies if SEK decreases in value against the currency in question.

If Alligator issues new shares in a cash issue, as a general rule shareholders have preferential rights to subscribe for new shares in proportion to the number of shares held prior to the issue. Shareholders in certain countries may be subject to limitations that mean they are unable to participate in such a rights issue, or that participation is made more difficult or restricted in other ways. For example, shareholders in the USA may be unable to exercise such preferential right if the shares and subscription rights are not registered under the Securities Act, unless an exemption from the registration requirements of the Securities Act is applicable. Shareholders in other jurisdictions outside Sweden may be affected in the same way if the subscription rights or the new shares are not registered or approved by the competent authorities in these jurisdictions.

Alligator has no obligation to apply for registration under the Securities Act or to apply for the equivalent approvals under the laws of any jurisdiction outside of Sweden with respect to such shares and subscription rights, and to do so in the future may be impractical and costly. To the extent that Alligator's shareholders in jurisdictions outside Sweden cannot exercise their rights to subscribe for new shares in any preferential rights issue, their proportionate ownership in Alligator will decrease.

# INVITATION TO ACQUIRE SHARES IN ALLIGATOR

In order to further Alligator's continued development, the Company's Board of Directors, together with the Selling Shareholders, has resolved on a new share issue in Alligator while at the same time thereby broadening the ownership through the sale of existing shares (the "**Offering**"). The Offering is directed to the general public in Sweden, Norway, Denmark and Finland[1] and to institutional investors.[2] Alligator's Board of Directors has applied for admission of the Company's shares for trading on Nasdaq Stockholm. On 27 October 2016, the Nasdaq Stockholm Listing Committee decided to admit the Company's shares for trading provided, among other things, that customary dispersion requirements are met at the latest on the first day of trading, which is expected to be 23 November 2016.

Investors are hereby invited, in accordance with the terms of this Prospectus, to subscribe for 10,769,231 new issued shares in Alligator, which will be issued pursuant to the authorization given at the Annual General Meeting of 20 April, 2016, and to acquire 2,153,846 existing shares in Alligator from the Selling Shareholders. In total, the Offering thereby includes 12,923,077 shares. The price in the Offering has been set to SEK 32.50 by the Company's Board of Directors and the Selling Shareholders in consultation with the Joint Bookrunners, based on a number of factors, including discussions with certain institutional investors, a comparison with the market price of other comparable listed companies, an analysis of previous transactions carried out for companies in the same industry and development phase, current market conditions and estimations regarding the Company's commercial potential and earnings prospects. As a starting point for the discussions with institutional investors, a valuation has been made in order to establish an indicative value of the Company. The valuation consists of two parts, a DFC analysis and a comparative analysis. The DFC analysis includes estimations of the Company's future cash flows based on several assumptions, including growth in the underlying patient population, price per treatment, royalty per product and the probability of reaching the market. The comparative valuation consists of an analysis of previous transactions carried out for companies in the same industry and development phase as well as a comparison with the market prices of comparable listed companies.

The new share issue is expected to provide Alligator around SEK 312 million after deduction of expenses related to the Offering[3]. The subscription price in the new share issue shall correspond to the price in the Offering. The right to subscribe for the new shares shall, notwithstanding the preference right of shareholders, be available to the public in Sweden, Norway, Denmark and Finland as well as institutional investors. With full subscription of the new share issue, the number of shares in Alligator will increase by 10,769,231 shares from 59,244,384 to 70,013,615, which corresponds to a dilution of 15.4 percent of the total shares in the Company after the Offering.

In order to cover any over-allotment in connection with the Offering, the Selling Shareholders have committed to sell, at the request of the Joint Bookrunners, additionaly up to 1,938,462 existing shares, which corresponds to a maximum of 15 percent of the total number of shares in the Offering and to a maximum of 2.8 percent of the total number of shares in the Company after the Offering (the "**Over-allotment option**"). If the Offering is fully subscribed and the Over-allotment option is exercised in full, the Offering will include 14,861,539 shares in Alligator, representing 21.2 percent of the total number of shares in the Company after completion of the Offering.

Catella Fondförvaltning, Investment AB Öresund and Norron Asset Management have agreed to acquire a total of 4,615,386 shares in the Offering, equivalent in the aggregate to SEK 150 million. If the Offering is fully subscribed and the Over-allotment option is exercised in full, the undertakings correspond to 31.1 percent of the number of shares in the Offering and 6.6 percent of the total number of shares in the Company after completion of the Offering. In addition, JJDC has, in accordance with the investment agreement entered into in connection with JJDC's initial investment in the Company in August 2015, undertaken to, upon request from the Company, acquire shares for an aggregate amount of up to the SEK equivalent of USD 5 million in an offering carried out in connection with a listing on Nasdaq Stockholm. Based on the undertaking, the Board of Directors of the Company has utilized the right to request JJDC to apply for acquisition of shares in the Offering for a total amount in SEK corresponding to USD 5 million, whereby the conversion from USD to SEK shall be based on the exchange rate as per the 17 November 2016. Based on full subscription in the Offering, that the Over-allotment option is exercised in full and assuming a USD/SEK exchange rate of 8.95, the undertaking corresponds to 1,376,923 shares, corresponding to 9.3 percent of the number of shares in the Offering and 2.0 percent of the total number of shares in the Company after the Offering. For the sake of clarity, it should be noted that the calculation of number of shares as per the foregoing has been made for illustration purposes only and that the final number of shares covered by the undertaking will be established based on the exchange rate as of 17 November 2016.

The total value of the Offering amounts to SEK 420 million and to SEK 483 million if the Over-allotment option is exercised in full.

*In other respects, reference is made to the full particulars of this Prospectus, which has been prepared by the Board of Directors of Alligator in connection with the application for admission to trading of the Company's shares on Nasdaq Stockholm and the Offering made in connection therewith.*

Lund 11 November 2016

**Alligator Bioscience AB (publ)**

*The Board of Directors*

Copenhagen and Stockholm 11 November 2016

**Selling Shareholders[4]**

1) The general public includes private individuals and legal persons in Sweden who apply to acquire a maximum of 25,000 shares.
2) Institutional investors includes private individuals and legal persons who apply to acquire more than 25,000 shares.
3) Alligator's costs for the Offering are estimated to amount to a maximum of SEK 38 million, see further under "Costs related to the Offering" in the section "Legal considerations and supplementary information".
4) Selling Shareholders consist of Sunstone Life Science Ventures Fund II K/S (CVR no. 30582268, address Lautrupsgade 7, 5. DK-2100 København Ø, Denmark) and Duba AB (company registration no. 556593-5508, address Arsenalsgatan 8 C, SE-111 47 Stockholm, Sweden).

# BACKGROUND AND REASONS

Over the past eight years, Alligator has worked to develop proprietary antibody-based product candidates in immuno-oncology and since 2013 all new product candidates have been based on the Company's own technology platforms ALLIGATOR-Gold® and FIND®. In 2015, Alligator has entered into a strategically important collaboration agreement with Janssen regarding the Company's most advanced product candidate, ADC-1013, which not only contributes financially to the further development of the product portfolio, but also validates the Company's technology and business model.

Alligator's strategy is to strengthen the Company's position as a key player within the field of tumor-directed immunotherapy by developing innovative immune-activating product candidates with the potential to become "first in class", "best in class" or both. In order to reach this goal Alligator will have to further broaden its product portfolio, pursue the product candidates further into the clinical development phase and further accelerate the pace of development. For the Company's non-licensed product candidates ATOR-1015 and ATOR-1016, and two other unnamed product candidates in research phase, this will mean that clinical studies will, as a starting point, be funded by own resources until proof-of-concept in cancer patients has been proven, i.e. up to and including completion of clinical phase IIa. These product candidates will thus be taken further in clinical development before licensing, as compared with the development of ADC-1013. Licensing at a later stage is justified for two main reasons. The first is that the further in clinical development the product candidate has reached, the better the opportunity to achieve favorable contracts with higher royalty percentages. The second reason is that fierce competition in immuno-oncology will lead to big pharmaceutical companies (so called "**Big Pharma**") requiring extensive clinical efficacy documentation prior to licensing.

The Board of Directors is focused on realizing Alligator's long-term strategy. The Company's existing funds are sufficient to finance this strategy until 2020. However, the Board of Directors believes that the Offering is justified in order to secure the development of ATOR-1015 in clinical phase II and of ATOR-1016, and at least one of the Company's unnamed research projects in research phase into clinical phase I, where substantial financial undertakings are expected in 2020. Furthermore, the Board of Directors intends to intensify the development of product candidates, both through development of the Company's projects in the early research phase and by initiating new research projects.

As the Company intends to independently develop its product candidates and pursue phase IIa studies before licensing, and in parallel carry out several research projects – which by itself will entail significant investments – the Board of Directors believes that the Company's funds need to be further strengthened.

The development of pharmaceutical drugs often experiences delays as it is associated with risks and uncertainty. Some of the impacting factors are beyond the Company's control, such as assessments and decisions of regulatory authorities, which may affect the timing and contribute to possible delays, and lead to higher costs and capital requirements. Based on these reasons, the Board of Directors believes that it is justified for a company like Alligator to carry out a new share issue in connection with a listing of the Company's shares in order to have sufficient working capital in the long-term and to give the Company scope to exploit opportunities that benefit the Company's business and which otherwise could not be realized. A listing of the Company's shares will give Alligator access to the Swedish and international capital markets but also contribute to broadening the Company's shareholder base and create liquidity in the shares for the Company's existing shareholders. Accordingly, the Board of Directors considers that the time is now appropriate for a listing of the Company's shares on Nasdaq Stockholm. If the Offering is fully subscribed, the net proceeds after transaction costs are estimated to be approximately MSEK 312. The Company intends to use the net proceeds from the new share issue according to the following order of priority, with an approximate share of the proceeds given in percent, and with the aim of achieving the following milestones:

1. Continued development of ATOR-1015 up to and including phase IIa in order to optimize the opportunities for successful licensing: 40 percent
2. Continued development of ATOR-1016 with the aim of taking development of the product candidate up to and including phase I: 30 percent
3. Continued development of the Company's two furthest advanced unnamed product candidates in research phase: 30 percent

The Board of Director's decision is based on the fact that other milestone payments from the cooperation agreement with Janssen cannot be planned in time and for precautionary reasons should not be included in the expected future cash flow. If the Company would receive additional capital through milestone payments from Janssen in the coming years, the proceeds will help to strengthen the Company's financial flexibility and position in the market for immunotherapy.

Existing funds prior to the Offering are up to 2020 also expected to cover:
1. Extension of antibody library and bispecific technology platform
2. Development of limited CMC-capacity for cell line development
3. Development of new research projects
4. General business-related purposes such as administration costs and other operational investments

*In other respects, reference is made to the full particulars of this Prospectus, which has been prepared by the Board of Directors of Alligator in connection with the application for admission to trading of the Company's shares on Nasdaq Stockholm and the Offering made in connection therewith.*

*The Board of Directors of Alligator is responsible for the content of this Prospectus. It is hereby declared that all reasonable precautionary measures have been taken to ensure that the information in this Prospectus, as far as the Board of Directors is aware, corresponds to the actual circumstances and that nothing has been omitted that could affect its meaning.*

Lund 11 November 2016

**Alligator Bioscience AB (publ)**
*The Board of Directors*

*The Board of Alligator is solely responsible for the content of this Prospectus in accordance with what is stated herein. The Selling Shareholders confirm, however, their commitment under the terms of the Offering in accordance with what is stated in the sections "Invitation to acquire shares in Alligator" and "Terms and conditions".*

**Selling Shareholders**

# TERMS AND CONDITIONS

## THE OFFERING

The Offering is directed to the general public in Sweden, Norway, Denmark and Finland[1] as well as to institutional investors[2].The Offering includes 10,769,231 newly issued shares in Alligator and 2,153,846 existing shares in Alligator, equivalent to 18.5 percent of the total number of shares in the Company after the completion of the Offering.

The Offering is divided into two parts, (i) the Offering to the general public in Sweden, Norway, Denmark and Finland, and (ii) the Offering to institutional investors in Sweden and abroad. The outcome of the Offering is expected to be announced by means of a press release around 23 november 2016.

## OVER-ALLOTMENT OPTION

The Selling Shareholders have provided an over-allotment option to the Joint Bookrunners, which means that the Joint Bookrunners, within 30 days from the first day of trading in the Company's shares on Nasdaq Stockholm, have the right to acquire additionaly up to 1,938,462 shares from the Selling Shareholders, equivalent to a maximum of 15 percent of the number of shares in the Offering at a price equal to the price in the Offering. The Over-allotment option may only be exercised in order to cover any over-allotment of the Offering.

## ALLOCATION OF SHARES

The allocation of shares to the respective parts of the Offering will be made on the basis of demand. The allocation will be decided by the Board of Directors of the Company and the Selling Shareholders in consultation with the Joint Bookrunners.

## OFFER PRICE

The price in the Offering has been set to SEK 32.50 per share by Alligator's Board and the Selling Shareholders in consultation with the Joint Bookrunners, based on a number of factors, including discussions with certain institutional investors, a comparison with the market price of other comparable listed companies, an analysis of previous transactions carried out for companies in the same industry and development phase, current market conditions and estimations regarding the Company's commercial potential and earnings prospects, see also section "Invitation to acquire shares in Alligator" above. No commission will be charged.

## OFFERING TO THE GENERAL PUBLIC

### APPLICATION

Application for the acquisition of shares under the Offering to the general public will take place during the period 15 November – 22 November 2016 and be for a minimum of 300 shares and a maximum of 25,000 shares[3], in blocks of 100 shares. Application is binding.

Application shall be made on an application form that can be obtained at any of Carnegie's offices or ordered from the Company. The application form is also available on the Company's website (alligatorbioscience.se) and on Carnegie's website (carnegie.se). Application must be received by Carnegie by 17.00 CET on 22 November 2016 at the latest. Application can also be made through Nordnet's internet service, see further below.

Late applications and incomplete or incorrectly completed application forms may be disregarded. No additions or amendments may be made to the text printed on the application form. If several applications are made by the same purchaser, only the first registered by Carnegie or Nordnet will be considered. Note that application is binding.

The Selling Shareholders and the Company, in consultation with the Joint Bookrunners, reserve the right to extend the application period. Notice of any such extension will be given by press release prior to the end of the application period. Applicants who have a custody account with specific rules for securities transactions, such as a custody account in an endowment insurance, should check with their bank or institute managing the depot if they can acquire shares in the Offering. Note that the application must be made through such bank or institute managing the depot.

If you are not a customer of Carnegie or Nordnet, you can submit the application to the administrator in the bank where you are a customer. Investors are therefore advised to contact their respective administrator to check how application should be made.

**Application via Carnegie**

Investors who apply for acquisition of shares through Carnegie must have a custody account, a service account or a securities account with any Swedish account operator, or a securities account or alternatively an investment savings account at Carnegie. An investment savings account in any other bank than Carnegie cannot be used. Investors who do not have a custody account, a service account or a securities account or alternatively an investment savings account at Carnegie, must open one prior to making the application to acquire shares. Note that it

1) The general public includes private individuals and legal persons in Sweden, Norway, Denmark and Finland who apply to acquire a maximum of 25,000 shares.
2) Institutional investors includes private individuals and legal persons who apply to acquire more than 25,000 shares.
3) Investors who apply to acquire more than 25,000 shares must contact Joint Bookrunners in accordance with what is stated under "Offering to Institutional Investors".

could take some time to open a custody account, a service account, a securities account or alternatively an investment savings account.

For customers with an investment savings account at Carnegie, if the application results in allotment, Carnegie will acquire the corresponding number of shares in the Offering and sell these shares to the customer at the price of the Offering. Application can be made through the application form and be submitted to any of Carnegie's offices in Sweden or sent by mail well in time prior to the last application day, to:

Carnegie Investment Bank AB (publ)
Transaction Support
Regeringsgatan 56
SE-103 38 Stockholm, Sweden

**Application via Nordnet**

Investors in Sweden, Norway, Denmark and Finland who are custody account customers of Nordnet can apply via the Nordnet website. Application can be made through Nordnet's internet service up to 23.59 CET on 21 November 2016. In order not to lose the right to allotment, account customers at Nordnet are to have enough cash equivalents available at the account during the period from 23:59 CET on 21 November 2016 until the settlement day which is estimated to be 25 November 2016. More information about the application procedure via Nordnet is available at nordnet.se, nordnet.no, nordnet.dk and nordnet.fi.

## CERTAIN INSTRUCTIONS TO ACQUIRERS IN NORWAY, DENMARK AND FINLAND

Shares can only be acquired, paid for and traded in SEK and any future dividend will be paid in SEK. The Company's shares are neither intended to be listed in Norway, Denmark or Finland nor to be registered at the central security depository in Norway, Denmark or Finland.

Acquirers among the general public in Norway, Denmark and Finland who wish to apply for acquisition of shares in the Offering are recommended to contact their local Norwegian, Danish or Finnish bank or other securities institute for information regarding which type of securities account can be used and how application for acquisition shall be made through Norwegian, Danish or Finnish manager. An aquirer who does not have a Norwegian, Danish or Finnish securities account through which Swedish shares, denominated in SEK and registered with Euroclear, can be kept, must contact a Norwegian, Danish or Finnish bank or other securities institute in order to open a depot before application for acquisition is made. Note that this can take some time. Also note that application and payment shall be made in accordance with agreements, rules and procedures at the manager and that the last application day may be earlier than the last day of the application period.

A person in Norway, Denmark or Finland who has a custodian account, service account or securities account at a Swedish bank or any other Swedish securities institution and participates in the Offering through such Swedish depot or account shall follow the instructions noted above and on the application form for the Offering.

## ALLOTMENT

Decisions on the allotment of shares will be made by the Company's Board of Directors and the Selling Shareholders in consultation with the Joint Bookrunners, where the goal is to achieve a wide spread of shares among the public to allow for regular and liquid trading of the Company's shares on Nasdaq Stockholm.

The allotment is not dependent on when during the application period the application was submitted.

In the event of oversubscription, allotment may be withheld or made with a lower number of shares than that stated in the application, whereby allocation may be determined in full or in part by random selection.

Employees of Alligator and customers of the Managers can be given special consideration in connection with allotment. Allotment can also be made to employees of the Managers, however no priority will be given. Allotment in such cases is made in accordance with the rules of the Swedish Securities Dealers Association and regulations of the Swedish Financial Supervisory Authority. Also existing shareholders may be prioritized in connection with allotment.

## NOTIFICATION OF ALLOTMENT

Allocation is estimated to take place on or around 23 November 2016. As soon as possible thereafter, a contract note will be sent out to those persons who have received an allotment under the Offering. Those who have not been allotted shares will not receive any notification.

**Via Carnegie**

Notification of allotment is also expected to be received from 09.00 CET on 23 November 2016 with regards to such applications made to Carnegie via phone +46 (0) 8 5886 9483. In order to receive notification of allotment, the following information must be provided: name, personal identification number/company identification number as well as custody account, service account, securities account, investment savings account or account number at bank or securities institution. Acquired and allotted shares must be paid according to the instructions on the contract note, however at the latest on 25 November 2016.

**Via Nordnet**

Those who applied via Nordnet's internet service will receive notification of allotment in that the allotted number of shares will register against the debit of payment on the specified depot, which will occur around 09:00 CET on 23 November 2016.

## PAYMENT

**Via Carnegie**

Payment for allotted shares shall be made according to the instruction on the contract note received. Full payment for allotted shares shall be made in cash via bank giro 507-7409 at the latest on 25 November 2016.

**Via Nordnet**

The allotted shares will register against the debit of payment on the specified depot, which will occur around 9:00 CET on 23 November 2016.

### FAILURE TO PAY OR INCORRECT PAYMENT

Note that if full payment is not made on time or if funds are not available on the specified bank account, the allocated shares may be transferred to another person. If the sale price in connection with such a transfer is less than the offer price under the Offering, the person who was originally allotted these shares may be liable for the difference.

## OFFERING TO INSTITUTIONAL INVESTORS

### APPLICATION

The application period for institutional investors in Sweden and other countries will be the period 15 November – 22 November 2016. The Selling Shareholders and Alligator reserve the right to extend the application period in the institutional Offering. Such extension of the application period will be published by the Company in a press release before the end of the application period. Application must be made to Joint Bookrunners in accordance with special instructions.

### ALLOTMENT

Decisions on the allotment of shares will be made by the Board of Directors of the Company and the Selling Shareholders in consultation with the Joint Bookrunners, the objective being to achieve a good institutional ownership base and a broad distribution of shares among the public in order to enable regular and liquid trading in Alligator's shares on Nasdaq Stockholm. When deciding on the allotment of shares in the Offering to institutional investors in Sweden and in other countries, as mentioned above, efforts will be made to achieve a good institutional ownership base for Alligator. Distribution and allotment among the institutions that have registered expressions of interest will be entirely discretionary. Existing shareholders may however be prioritized in connection with allotment. Furthermore, Cornerstone Investors are, however, guaranteed allotment in line with their respective commitments.

### NOTIFICATION OF ALLOTMENT

Allocation is estimated to take place on or around 23 November 2016. It is expected that institutional investors will be notified of allocation by special arrangement on or around 23 November 2016 after which contract notes will be sent.

### PAYMENT

Full payment for allotted shares must be made in cash in accordance with the contract note and against the delivery of shares by 25 November 2016 at the latest.

### FAILURE TO PAY OR INCORRECT PAYMENT

Note that if full payment is not made within the stipulated time, the allotted shares may be transferred to another person. If the sale price in connection with such a transfer is less than the offer price under the Offering, the person who was originally allotted these shares may be liable for the difference.

## REGISTRATION OF ALLOTTED AND PAID SHARES

Registration with Euroclear Sweden AB ("**Euroclear**") of alloted and paid shares, for both institutional investors and the public in Sweden, Norway, Denmark and Finland is expected to begin on 25 November 2016, after which Euroclear will send a securities notice indicating the number of shares in the Company registered in the recipient's securities account. This may, depending on where, how and at what time of day the payment is made, take two to three business days from the payment date. Notification to shareholders who specified that the shares shall be delivered to a securities account will be made in accordance with each administrator's routines.

## LISTING ON NASDAQ STOCKHOLM

Alligator's Board of Directors has applied for listing of the Company's shares on Nasdaq Stockholm. On 27 October 2016, the Nasdaq Stockholm Listing Committee decided to admit the shares for trading on Nasdaq Stockholm on certain conditions, including that the dispersion requirement for the Company's shares is met by the first trading day at the latest. The first day of trading is expected to be 23 November 2016. This means that trading will begin before the shares have been transferred to the acquirer's securities account, service account or custody account and in some cases before the contract note has been received. Furthermore, this means that trading will begin before the conditions for completion of the Offering have been met. Trading in the Company's share made before the conditions for the fulfilment of the Offering have been fulfilled, will be returned in case the Offering is not completed.

## STABILIZATION

In connection with the Offering, the Global Coordinator may carry out transactions on Nasdaq Stockholm that stabilize the market price of the shares or that maintain this price at a level that deviates from what would otherwise have been the case in the market. See also the section "Legal issues and supplementary information - Substitution".

## PUBLICATION OF THE OUTCOME OF THE OFFERING

The final outcome of the Offering is expected to be announced by means of a press release on or around 23 November 2016. The press release will be available on Alligator's website alligatorbioscience.se.

## RIGHT TO RECEIVE DIVIDEND PAYMENTS

The offered shares will carry the right to dividends for the first time on the dividend record date that falls after completion of the Offering. Payment will be administered by Euroclear, or, for nominee-registered shares, in accordance with each nominee's routines.

## CONDITIONS FOR COMPLETION OF THE OFFERING

The Selling Shareholders, Alligator and the Joint Bookrunners intend to enter into an agreement on the placing of shares in Alligator on or around 22 November 2016 (the "**Placing Agreement**"). The Offering is conditional upon that interest for the Offering is large enough, in the view of the Joint Bookrunners, for achieving appropriate trading in the share, that the Placing Agreement is entered into, that certain customary completion conditions in the agreement are fulfilled, and that the Placing Agreement is not terminated. The Placing Agreement stipulates that the Joint Bookrunners' obligation to procure buyers for or, in the event that the Joint Bookrunners do not succeed in this, to purchase the shares themselves that are covered by the Offering, is conditional on among other things, that no events occur that have such a material adverse effect on the Company or the completion of the Offering that, in the good faith judgment of the Global Coordinator, it would be inadvisable or impracticable to carry out the Offering in the manner contemplated in the Prospectus ("**material adverse events**"), and certain customary completion conditions.

When determining if the interest in the Offering is sufficient to achieve an appropriate trading in the share, factors such as the number of received applications and the aggregate amount applied for will be taken into consideration. This assessment is made discretionary by Joint Bookrunners. Material adverse events may, for example, be of economic, financial or political nature and may relate to material adverse events in Sweden as well as abroad. The completion conditions of the Placing Agreement include, among other things, the furnishing of customary opinions by legal advisors and auditors, the approval of the Prospectus by the Swedish Financial Supervisory Authority and the approval of the Company's listing application by Nasdaq Stockholm.

## IMPORTANT INFORMATION REGARDING THE POSSIBILITY TO SELL ALLOTTED SHARES

Allotment to the general public in Sweden, Norway, Denmark and Finland will be notified by the issue of a contract note, which is expected to happen on or around 23 November 2016. Once payment for the allotted shares has been processed by the Global Coordinator, the shares paid for will be transferred to a custody account or securities account designated by the acquirer. The time required for the transfer of payment and the transfer of paid shares to the acquirers of the shares in Alligator, may mean that such acquirers will not have the shares they have acquired available in the designated custody or securities account until at the earliest on 25 November 2016. Trading in Alligator's shares on the Nasdaq Stockholm is expected to commence on or around 23 November 2016. Note that the possibility that shares may not be available in the acquirer's custody or securities account could mean that the acquirer is not able to sell these shares on the stock exchange from the date upon which trading in the shares is commenced.

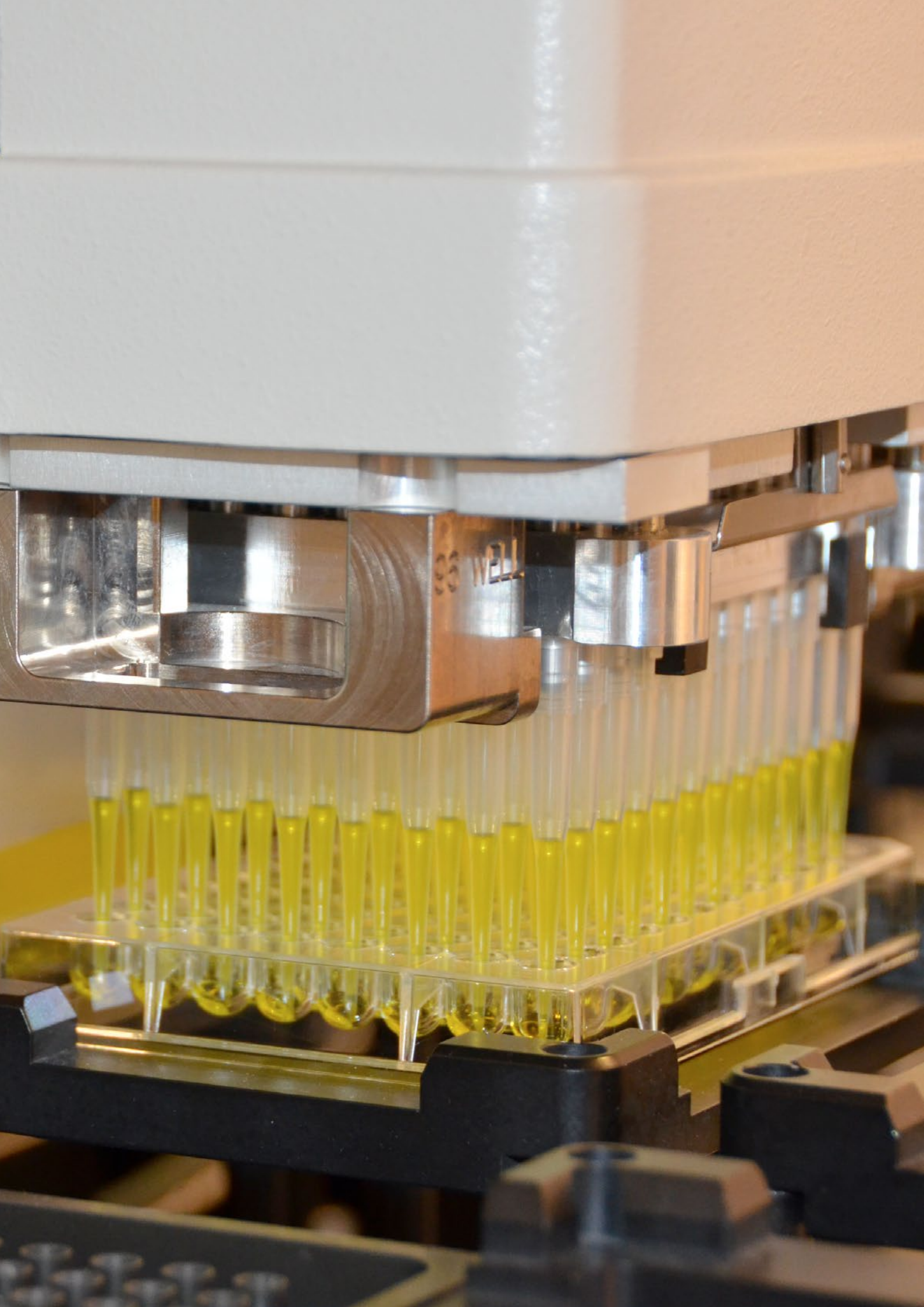
## INFORMATION ON THE PROCESSING OF PERSONAL DATA

Anyone who acquires shares in the Offering will disclose personal information to Managers and Nordnet respectively. Personal information provided to Managers and Nordnet respectively will be processed in data systems to the extent necessary in order to provide services and manage customer engagement. Personal data obtained from sources other than the customer in question may also be processed. It may also occur that personal data is processed in the data systems of companies or organizations with which Managers and Nordnet respectively cooperate. Information on the processing of personal data will be provided by the offices of Managers and Nordnet respectively, which will also accept requests to correct personal information.

## OTHER

The fact that Carnegie is the issuing house does not in itself mean that Carnegie considers a person who has submitted an application under the Offering to be a customer of the bank for the placement.

The receipt and handling of application forms by the Managers or Nordnet does not lead to the creation of a customer relationship between the acquirer in the Offering and the Managers or Nordnet. The acquirer is considered for the placement as a customer of Managers and Nordnet only if the the Managers or Nordnet has provided advice to the acquirer about the placement or otherwise contacted the acquirer individually about the placement. The consequence that the Managers and Nordnet do not consider the acquirer as a customer for the placement is that the rules on the protection of investors in the Swedish Securities Market Act will not apply to the placement. This means, among other things, that neither so-called customer categorization nor so-called suitability assessment will be made regarding the placement. The acquirer is therefore responsible him/herself for ensuring that he/she has sufficient experience and knowledge to understand the risks associated with the investment.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# MARKET OVERVIEW

*The Prospectus contains information about the Company's activities and the markets in which the Company operates. Information on market growth, market size and Alligator's market position relative to competitors listed in this Prospectus relates to Alligator's overall assessment based on both internal and external sources. Unless otherwise stated, the information in this section is based on the Company's analyses and internal market information. The sources which are the basis for Alligator's assessment include information from the IMS Institute for Healthcare Informatics, WHO and GlobalData. Other sources are indicated where required. Although the information has been accurately reproduced and Alligator believes that the stated sources are reliable, Alligator has not independently verified the information, so its accuracy and completeness cannot be guaranteed. However, as far as Alligator is aware and is able to ascertain by means of comparison with other information published by these sources, no information has been omitted in a manner that would make the information reproduced incorrect or misleading. None of the Joint Bookrunners accept liability for the accuracy of any such information and prospective investors are advised to use such information with caution.*

*Market and industry information contains estimates regarding future market development and other so-called forward-looking information. Forward-looking information is not a guarantee of future results or developments and actual results may differ materially from those in the forward-looking information. See also "Forward-looking information" in the section "Important information" on the inside cover.*

## INTRODUCTION TO ALLIGATOR'S OPERATIONS AND LINE OF BUSINESS

Alligator is a research-based biotechnology company that develops innovative antibody-based drugs for tumor-directed immunotherapy, the area within cancer research that is aimed towards activating the immune system to treat and even cure cancer. Biotechnology operations include the research and development of products that are created using cells, proteins or other active biological substances in technical applications. Biotechnology companies thus normally have both a technology platform and a product portfolio. Many biotechnology companies are only active in research and development in the early development phases, while the major international pharmaceutical companies (the so-called "Big Pharma") commercialize pharmaceutical products on the global market.

## THE NEED FOR CANCER TREATMENT

Each year 14 million people are diagnosed with cancer[1] worldwide. This figure is expected to increase to 22 million within the next two decades, which is equivalent to an average annual increase of 2.7 percent. A study by the American Cancer Society, published in 2016, showed that every second man and every third woman in the United States will be diagnosed with cancer sometime in their lifetime, which means a great need for advanced cancer treatment. One reason that the number of cancer cases is increasing is the increase in life expectancy. Another reason is that diagnostics have improved. This is leading to more cases of cancer being detected, and increasingly often at an early stage, which improves the chances of successfully treating the cancer. More than 24 percent of the world's cancer cases occur in Europe, approximately 13 percent occur in North America and almost half of the world's cancer cases occur in Asia. The most common forms of cancer are breast, prostate, colorectal, and lung cancer. The incidence rate is about 182 individuals per 100,000 and is highest in high-income countries such as countries in North America and Western Europe as well as Japan, Korea, Australia and New Zealand.[2]

Cancer is one of the most common causes of illness and death. In 2012, 8.2 million people died of cancer. More than 70 percent of global deaths in cancer occur in Africa, Asia and Central and South America. This is partly due to the fact that health care is not as well developed in these regions, but also because people are more susceptible to forms of cancer with high mortality rates, such as liver, stomach and esophageal cancer, while the cancer forms that primarily affect people in high-income countries, such as breast and prostate cancer, have lower mortality rates. Considering the geographical distribution, the mortality is higher in Asia (about 27 percent relates to China and about 8 percent to India) in relation to Europe (21 percent) and North America (about 8 percent).[3]

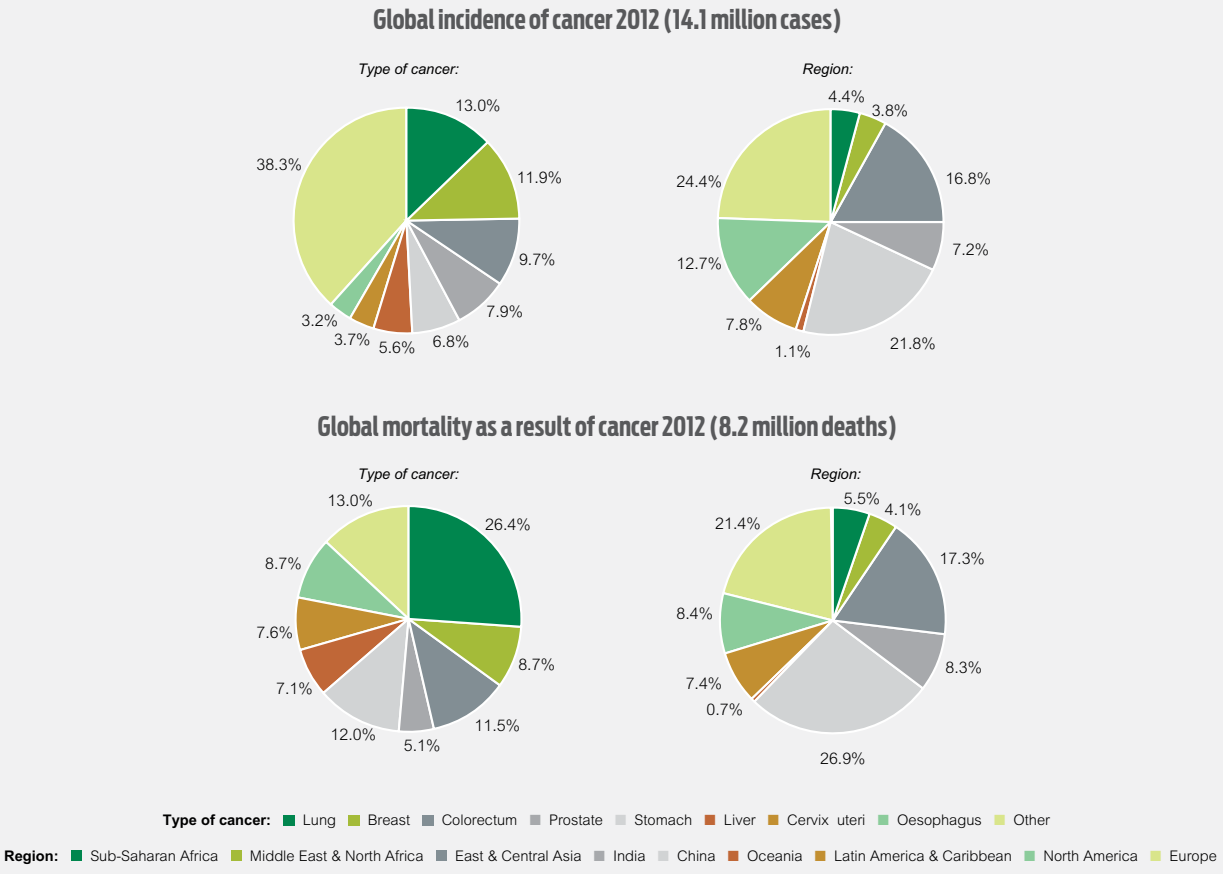
1) Skin cancer that is not malignant melanoma is not included in these figures.
2) World Cancer Report 2014, WHO.
3) World Cancer Report 2014, WHO.

## THE TOTAL MARKET FOR ONCOLOGY

The increase in cancer cases is reflected in the high social costs for the treatment of cancer. Sales of cancer drugs in recent years have passed sales of cardiovascular drugs. In 2014, the sales figures for cancer drugs increased by 7.9 percent and reached more than USD 81 billion from a level of USD 60 billion only five years earlier[1]. 45 new cancer drugs have been marketed during 2010 – 2014 for use in 53 different therapeutic areas and in 2014 ten new cancer drugs were marketed on the global market. Five of these were biological therapies, of which two were immunotherapies.[2] Up to 2019, sales of cancer drugs are expected to continue to grow by an average annual growth rate of around 4.4 percent and reach USD 100 billion.[3] In the next few years, a series of new innovative treatment methods are expected to be released on the market, of which new immunotherapies will constitute an important part of treatment options for cancer.[4]

In 2014, the oncology market corresponded to approximately 17 percent of the total drugs market and is expected to account for around 18 percent of the total drug market in 2019.[5]

### INCIDENCE AND MORTALITY ON A GLOBAL SCALE




*Source: WHO World Cancer Report 2014.*

1) GlobalData.
2) IMS Institute for Healthcare Informatics Developments in Cancer Treatments, Market Dynamics, Patient Access and Value, May 2015.
3) GlobalData.
4) The IMS Institute for Healthcare Informatics' global forecast for pharmaceuticals up to 2020, November 2015.
5) GlobalData.

## THE MARKET FOR IMMUNOTHERAPY

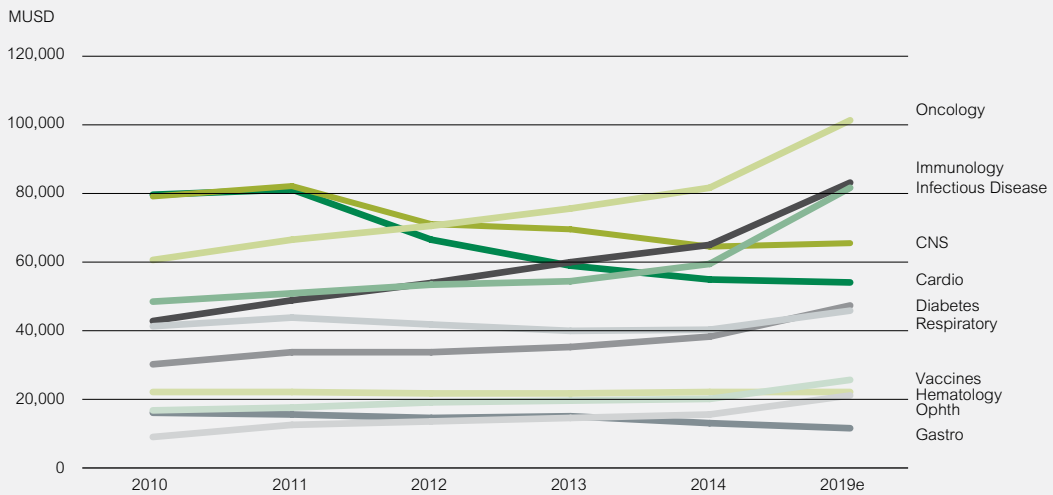
Out of the ten best-selling drugs in the global market for drugs, six are biological, three of which are antibody-based.[1] Oncology is the segment in which dominance is largest for antibody-based drugs. Out of the 54 antibody-based drugs that are approved in Europe and/or the USA, 22 are within oncology[2], including best-sellers such as Avastin® (Roche), Herceptin® (Roche) and Rituxan® (Roche). From 2011 to 2014, three new antibody-based immunotherapies were approved for the treatment of cancer, Yervoy® (Bristol-Myers Squibb), Opdivo® (Bristol Myers Squibb) and Keytruda® (Merck & Co.). In addition, Tecentriq® (Roche) was approved by the FDA in 2016. Antibody-based immunotherapy has the potential to be used in the treatment of essentially all forms of cancer, and such immunotherapeutic drugs are already being used in the treatment of malignant melanoma, but also for the treatment of renal, head and neck, lung and bladder cancer as well as lymphoma. Moreover, there are ongoing registration procedures for other forms of cancer precisely because of the general immunological effect exhibited.

Major advances in immuno-oncology have been made in recent years and the market for immunotherapy drugs is also expected to grow rapidly in the future. GlobalData estimates that the total market for immune-oncology will be USD 14 billion already in 2019 and continue to grow to USD 34 billion in 2024.[3]

The average cost of treatment with existing immunotherapy drugs is currently around USD 150,000 per patient per year. Variations occur between geographic regions and forms of cancer.

A particular characteristic of the immunotherapy market is that it relates to biological drugs. This means that there is not the same competition from generic drugs as it is not possible to produce identical molecules at a low cost when patents expire. In order to create competition at product level, new products must be produced instead that are as similar as possible, so-called biosimilars. In practice this means that companies that want to compete with the help of biosimilars must conduct clinical development before the product is released on the market. This especially applies for Alligator's product candidates (agonistic antibodies) because the candidate's effect can be dependent on the manufacturing process which further complicates copying.

### EXPECTED MARKET DEVELOPMENT WITHIN DIFFERENT THERAPEUTIC AREAS




*Expected market development in different therapeutic areas (numbers are stated in USD billion) Expenditure on specialty pharmaceuticals is expected to be greatest for drugs within oncology. The spending on these drugs is expected to amount to USD 100 billion in 2019. Source: GlobalData.*

1) IMS Health Pharmaceutical trends Top 20 Global Products 2014.
2) antibodysociety.org/news/approved-antibodies/, Accessed 14 October 2016.
3) GlobalData.

## TREATMENT OF CANCER

Cancer is treated by both various local treatments such as surgery and radiotherapy, and by general treatments such as chemotherapy with cytotoxic drugs, hormone therapy, targeted cancer therapies with e.g. monoclonal antibodies and immunotherapy. Surgery and radiotherapy is generally used for the treatment of individual solid tumor diseases. In order for a patient with a solid tumor disease to be successfully treated with surgery, it is crucial that the tumor is detected at an early stage, that it is accessible for surgery, and that the patient's condition is such that the patient is able to be operated. The general methods are used both for the treatment of metastatic cancer and as postoperative treatment to reduce the risk of recurrence. In contrast to local treatments, general treatments reach cancer cells throughout the body. Chemotherapy is a non-selective form of treatment, that is, it attacks all fast-growing cells, and therefore also affects normal cells which generally leads to serious side effects. Hormone treatment inhibits the hormone system so that it cannot stimulate growth in the cancer cells. Targeted treatments consist for example of antibody-based drugs that have an effect directly on the cancer cells but which do not activate the immune system. Immunotherapy also includes antibody-based drugs but, unlike targeted treatments, activates the immune system to attack cancer cells.

## TREATMENT OF CANCER BY IMMUNOTHERAPY

The immune system protects the body against attacks by pathogenic microorganisms (such as viruses and bacteria) and by cancer cells. Cancer cells often develop their own protection against the immune system, for example by forming immunosuppressant substances. In growing tumors, there are often a large number of immune cells that should be able to attack cancer cells but which have been disabled by the tumor's protective mechanisms. It is therefore difficult for the immune system to attack these cancer cells by itself. With immunotherapy, the body's ability to fight cancer cells is increased in an effective manner, which means that the tumor defenses are blocked or weakened. The immune cells that destroy the cancer cells can then survive in the body and thus form a protection against metastases that may arise after treatment has ended. This "vaccination effect" is unique for immunotherapy. Antibody-based immunotherapies for cancer include monospecific and bispecific antibodies. Monospecific antibody drugs are products containing antibodies that only bind to one target, such as a receptor in a cell, while bispecific antibody drugs are products that bind to two different targets and thus have double and often synergistic functions.

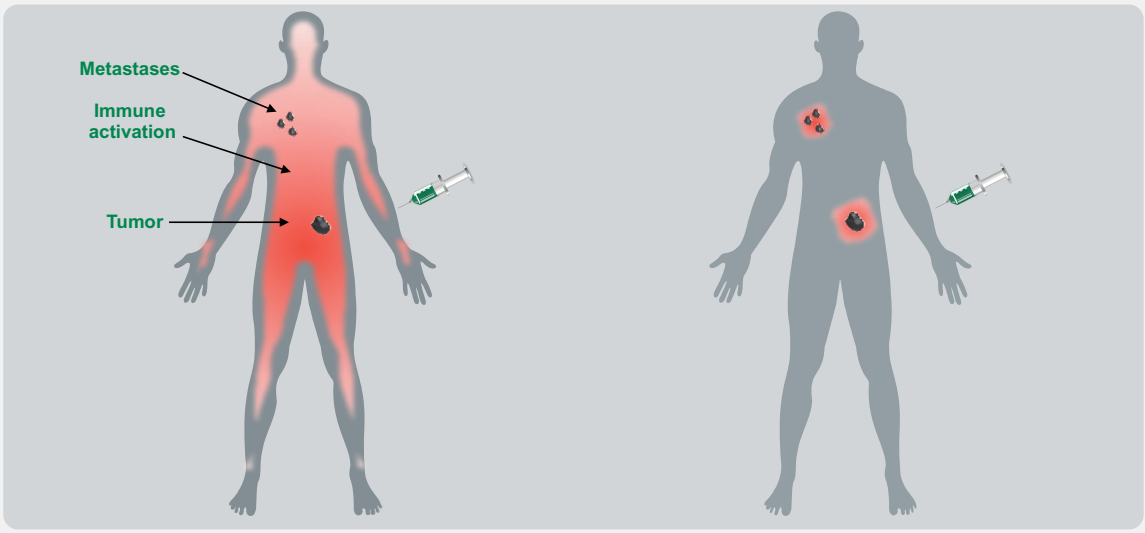
**Agonistic and antagonistic antibodies**

Immune-activating antibodies can be of two different kinds, agonists or antagonists. Agonists are stimulating antibodies that make the receptors send signals to activate the immune system. Antagonists have no stimulating effect on the receptors themselves, but activate the immune system by blocking the cancer cell's immunosuppressive signals. Yervoy®, Keytruda®, Opdivo® and Tecentriq® are all antagonists and work by blocking the respective receptor CTLA-4 (Yervoy®), PD-1 (Keytruda® and Opdivo®) and PD-L1 (Tecentriq®). There are currently no agonistic antibody-based drugs for immunotherapy on the market, but there are in clinical development. The development of an agonistic antibody is more complex than the development of an antagonistic antibody. This is because agonistic antibodies must be developed with regards to having a high degree of binding as well as activation properties for the specific receptor. Agonistic and antagonistic antibodies also distinguish themselves in respect to their side effect profile. Agonists usually cause inflammation that occurs within hours after initiation of treatment, whereas antagonists can cause autoimmune reactions that do not become apparent until after longer periods of treatment.

**Tumor-directed immunotherapy**

The antibody-based drugs for immunotherapy on the market today are administered intravenously and cause a general immune activation throughout the body. Such treatments result in long lasting anti-tumor effects, but since they cause a general immune activation throughout the body, they may also be associated with severe side effects as there is a risk of a direct effect also on healthy tissues. Alligator has instead chosen to focus on what the Company refers to as tumor-directed immunotherapy. This means therapies that cause a selective activation of tumor-specific immune cells, which reduces the risk of damage to healthy tissue. The tumor-specific immune cells that are activated can then patrol the body and incapacitate metastases without damaging any other tissue. Tumor-directed immunotherapy can be done by administering antibodies directly in the tumor, but also through administering antibodies systemically after which the antibodies are activated when coming in contact with a tumor.

### ACTIVATION OF THE IMMUNE SYSTEM




**SYSTEMIC IMMUNOTHERAPY**

Systemic administration of immunotherapeutic drugs, for instance by intravenous injection, results in a general activation of the immune system, which may lead to severe side effects

**TUMOR-DIRECTED IMMUNOTHERAPY**

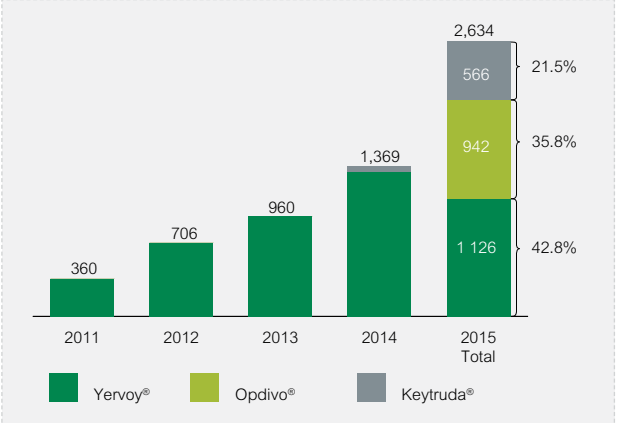
In tumor-directed immunotherapy, tumor-specific immune cells residing in the tumor are activated. This results in an immune-mediated attack of tumors and metastases throughout the body without causing severe side effects. Tumor-directed immunotherapy can be achieved by tumor-localizing bispecific antibodies

## COMPETITION

### EXISTING IMMUNOTHERAPEUTIC PRODUCTS

Major advances in immuno-oncology have been made in recent years. In 2011, Yervoy® (Bristol-Myers Squibb) was approved by the US Food and Drug Administration ("**FDA**"). Yervoy® was the first drug that improved survival for patients with malignant melanoma. In 2014, the FDA also approved Keytruda® and Opdivo®. All three were initially launched for the treatment of malignant melanomas but have now begun to be used for treatment of other cancers, such as head and neck, renal and lung cancer as well as lymphoma. Common to these three drugs is their antagonistic properties, meaning they block key receptors, CTLA-4 or PD1, so that the tumor can no longer use them to evade the immune system. Tecentriq® (Roche), which was approved in 2016 for the treatment of bladder cancer by the FDA, also prevents activation of the receptor PD1, but instead by binding the target protein PD-L1.

### SALES DEVELOPMENT FOR EXISTING IMMUNOTHERAPEUTIC PRODUCTS 2011–2015




*Source: Annual reports of Bristol-Myers Squibb and Merck Co.*

### THE NEXT GENERATION OF IMMUNO-ONCOLOGY

Today, there are many promising antibody-based product candidates in the research phase, as well as in pre-clinical and clinical development. In addition to research on new antibodies, progress is also expected to occur in combination therapies with the goal of increasing the efficacy of immunotherapy for the treatment of cancer. Antibody-based drugs can be combined with either other types of cancer drugs, such as cytostatic drugs and cancer vaccines, or with antibodies targeted at other receptors in the immune system. Several clinical studies are in progress for combinations of immunotherapies, including antibodies targeting the target proteins PD-1, PD-L1 and CTLA-4. One example of such a combination is Bristol-Myers Squibb's use of Yervoy® in combination with Opdivo® which has shown promising effects in clinical studies. The development of more combination therapies will also probably drive research towards the development of bispecific antibodies with optimized properties. As stated above, the next generation of immuno-oncology is also focused on selectively activating the immune system against cancer cells in order to reduce the risk of damage to healthy tissue and thereby limiting the severe side effects due to activation of the immune system throughout the body and the risk of direct effect also against healthy tissues.

## COMPETING PRODUCTS AND PRODUCT CANDIDATES

In addition to the existing immunotherapeutic products, there are a number of antibody-based product candidates in the clinical development phase. The following table lists the approved products as well as a selection of the total of roughly 70 immunotherapeutic product candidates in clinical development. The product candidates listed in the table include four targeted against the CD40 receptor, of which one is Alligator's product candidate ADC-1013.

| Company | Product / Product candidate | Indication | Phase* | Target |
|---|---|---|---|---|
| Bristol-Myers Squibb | Yervoy® (ipilimumab) | Melanoma | A | CTLA-4 |
| Merck | Keytruda® (pembrolizumab) | Melanoma, non-small cell lung cancer, head and neck cancer | A | PD-1 |
| Bristol-Myers Squibb | Opdivo® (nivolumab) | Melanoma, non-small cell lung cancer, renal cancer, Hodgkin's lymphoma | A | PD-1 |
| Roche | Tecentriq® (atezolizumab) | Bladder cancer | A | PD-L1 |
| AstraZeneca | tremelimumab | Non-small cell lung cancer, bladder cancer, head and neck cancer, pancreatic cancer | III | CTLA-4 |
| AstraZeneca | durvalumab | Non-small cell lung cancer, bladder cancer, head and neck cancer, pancreatic cancer | III | PD-L1 |
| Pfizer & Merck | avelumab | non-small cell lung cancer, lung, gastrointestinal, bladder | III | PD-L1 |
| AstraZeneca | MEDI-6469 | Solid tumors and lymphomas | II | OX40 |
| Bristol-Myers Squibb | Urelumab | Solid tumors and lymphomas | II | CD137 |
| Celldex | varlilumab | Solid tumors | II | CD27 |
| Novartis | PDR-001 | Head and neck cancer | II | PD-1 |
| Regeneron | REGN-2810 | Solid tumors, B-cell lymphoma | II | PD-1 |
| Bristol-Myers Squibb | BMS-986016 | Advanced cancer | II | LAG3 |
| Prima Biomed | IMP-321 | Breast cancer | II | LAG3 |
| Bristol-Myers Squibb | BMS-986178 | Solid tumors | I/II | OX40 |
| Novartis | LAG-525 | Solid tumors | I/II | LAG3 |
| Novartis | MBG-453 | Cancer | I/II | TIM-3 |
| **Alligator Bioscience** | **ADC-1013** | **Solid tumors** | **I** | **CD40** |
| Apexigen | APX-005M | Lymphomas | I | CD40 |
| Roche | RG-7876 | Solid tumors | I | CD40 |
| Seattle Genetics | SEA-CD40 | Solid tumors | I | CD40 |
| Roche | RG7888 | Cancer | I | OX40 |
| AstraZeneca | MEDI-0562 | Cancer | I | OX40 |
| GlaxoSmithKline | GSK-3174998 | Cancer | I | OX40 |
| Pfizer | PF-04518600 | Cancer | I | OX40 |
| Pfizer | Utomilumab | Solid tumors and lymphomas | I | CDE137 |
| Bristol-Myers Squibb | BMS-986156 | Solid tumors | I | GITR |
| Merck | MK-4166 | Solid tumors | I | GITR |
| Merck | MK-1248 | Cancer | I | GITR |
| AstraZeneca | MEDI-1873 | Solid tumors | I | GITR |
| Leap therapeutics | TRX-518 | Solid tumors and melanomas | I | GITR |
| Amgen | AMG-228 | Solid tumors | I | GITR |
| Novartis | GWN-323 | Solid tumors | I | GITR |
| Agenus & Incyte | INCAGN 1876 | Solid tumors | I | GITR |
| Novartis | IMP-701 | Cancer | I | LAG3 |

* A = Approved product
* I-III = Clinical study phases

## TRENDS

Alligator believes that the need and demand for new drugs in immunotherapy will increase in the future. The main trends in the market are presented below.

- *Increasing number of areas of application for immunotherapy:* The Company's view is that immunotherapy drugs have the potential to revolutionize the treatment of cancer. Immunotherapeutic drugs were initially used for the treatment of malignant melanoma, but these drugs have the potential to be effective in essentially all forms of cancer and have already been started to be used for the treatment of renal, head and neck, lung and bladder cancer as well as lymphoma. The Company's view is that as the research in immuno-oncology develops, the immunotherapeutic drugs will be used in the treatment of a great number of cancer forms.
- *Cooperation between pharmaceutical companies:* It is becoming increasingly common that Big Pharma collaborates with smaller research-based biotechnology and pharmaceutical companies in the development of pharmaceutical drugs. The cost of developing drugs is high, which is why smaller research-based pharmaceutical companies often choose to license their products to Big Pharma before comprehensive clinical studies shall be implemented. Big Pharma then conducts the necessary clinical studies and commercializes the drug on the global market. In this way, product development from concept to commercialization is made more efficient and the risks are divided among the parties. The research-based biotech and pharmaceutical companies also get early returns through, for example, advances and part-payments linked to development. By means of licensing collaborations, these smaller companies also usually gain the right to part-payments linked to sales as well as royalties on sales and can thus secure long-term future income.
- *Demographic trends:* Demographic trends such as a growing elderly population in developed countries as well as higher incomes and improved access to, and more widespread use of drugs in emerging markets is expected to lead to a growth in the total pharmaceutical market.
- *Increased expenses and investments:* In coming years expenditure growth is expected to occur, primarily in developed countries, driven by an increase in the cost of medicines within new and more expensive therapies, and an increase in the price per product in some countries, such as the United States. The introduction of the Affordable Care Act has led to more widespread insurance coverage in the United States and will continue to affect expenditure growth[1]. In addition, this development is expected to increase in developing countries among others in coming years due to an improvement in the social safety net and private insurance cover. The scope and pace of both public and private investment in these countries will be decisive for the continued increase in the use of pharmaceutical drugs.[2]
- *Improved access to pharmaceutical drugs:* The global access to pharmaceutical drugs is expected to grow. The growth will be driven by a more significant use of expensive patent protected original drugs in developed countries, a more widespread use of cheaper alternatives when patents expire and a more widespread access to pharmaceutical drugs in developing countries.

## PHARMACEUTICAL DRUG DEVELOPMENT

Marketing permission for a drug is only granted when there is sufficient information that the drug is safe and effective. Behind this information, both time-consuming and resource-intensive scientific work is involved, including conducting pre-clinical and clinical studies. It takes at least 10–15 years from the discovery phase until a drug is approved, and the whole process requires major financial investments.

### RESEARCH PHASE

The development phase starts with the identification and optimization of a product candidate to achieve the desired properties. This is done together with in vitro studies to establish the effect and characterize the properties in the early research phase. The late research phase comprises more extensive concept validation studies in vivo in animal models in order to further study the effect and properties of the product candidate. Conducting studies on animals necessitates special permission from the relevant authorities.

### PRE-CLINICAL STUDY PHASE

Following completion of concept validation studies in vivo, pre-clinical studies are initiated. These are conducted primarily to examine whether there is a risk that the product candidate could lead to serious harm or toxicity. In the pre-clinical phase, production of the product candidate will also begin, where the first step is cell line development. Smaller amounts of the product candidate are initially produced to be used in pre-clinical tests, after which the manufacturing of the product candidate for clinical studies will start. This manufacturing phase is a relatively time-consuming process that often takes up to two years, and which is carried on in parallel with pre-clinical activities.

### CLINICAL STUDY PHASE

When the pre-clinical phase is completed and the product candidate is ready for clinical studies, it must be demonstrated that the product can be manufactured according to good manufacturing practice ("**GMP**"). GMP requires the product to be manufactured with consistently high quality and that there are methods to test the identity, strength, quality and purity of the final product candidate. Furthermore, stability studies must be performed to prove that the product candidate does not undergo unacceptable degradation during the time it is stored.

To be able to proceed to the clinical studies stage it is also required that the product candidate meets the extensive regulatory requirements, and that the sponsor, that is to say the person who initiates, organizes or finances the clinical studies, holds the permits required to carry out the studies. All clinical studies of product candidates within the EU must be performed in accordance with both the EU legal framework and national regulations as well as in accordance with good clinical practice ("**GCP**"). Within the EU there is a requirement that clinical studies are registered in the EU database EudraCT. There are also similar regulatory requirements in the United States and other parts of the world.

1) The IMS Institute for Healthcare Informatics' global forecast for pharmaceuticals up to 2020, November 2015.
2) The IMS Institute for Healthcare Informatics' global forecast for pharmaceuticals up to 2020, November 2015.

The purpose of clinical studies is, for example, to discover or verify the clinical effects of the drug or to identify any adverse reactions. No clinical studies may take place unless the written consent of the participants in the study has been obtained. The sponsor has the overall responsibility for the study. The sponsor can however delegate his tasks to a person, company or organization, a so-called Contract Research Organization ("**CRO**").

### THE FOUR PHASES OF CLINICAL STUDIES (PHASE I - IV)

The clinical studies are divided into four different phases.

*Phase I studies* are conducted primarily on healthy volunteers, but can also be performed on patients who have the disease for which the product candidate is intended. This phase primarily examines how safe the product candidate is and therefore the concentration of the substance is initially very low. The dose is often gradually increased during the course of the study. Generally, a dozen individuals are involved. Phase I is divided into an A and a B-phase where the difference is that in phase Ia, tests are done with a single low dose on a few individuals and then, if no serious side effects are found, the studies are escalated and a new group of individuals is tested while phase Ib means that tests for several low but escalating doses are performed on the same group of individuals.

*Phase II studies* primarily aim at studying the effectiveness and possible side effects. Focus is on determining the appropriate dosage for later testing of the product candidate on a wider circle of patients, normally a couple of hundred individuals. Phase II is divided into an A and a B-phase where the difference is that Phase IIa means that the studies are conducted to determine the size of the dose while in Phase IIb tests are performed to evaluate the product candidate's performance and efficacy at the prescribed dose before the start of phase III.

*Phase III studies* aim to collect more data on safety and tolerance, and on demonstrating statistically significant treatment effect and is therefore usually multinational. In some cases differences are studied in the efficacy in patients who are administered with the product candidate compared to the effect in patients who receive another treatment or a non-active substance (placebo).

During the phases I – III, which normally involve a few hundred to several thousand participants, the sponsor (the pharmaceuticals company responsible), or the CRO (the service company that the sponsor uses to carry out the study), will submit a safety report either annually or more frequently if major incidents occur. If the study participants could be exposed to unacceptable health and safety hazards, the study will be paused or terminated by the competent authority.

Finally, *phase IV* studies can be conducted. This usually occurs after marketing authorization has been obtained and whether such has been obtained with the condition that the holder performs additional studies or if the pharmaceutical company wishes to carry out further studies in order to obtain more information about the product.

## THE APPROVAL PROCESS

The regulatory framework for obtaining marketing authorization for the drug is very comprehensive. The drug must be approved by the competent authority in the country or the region where the drug shall be marketed. An approved drug continues to be subject to extensive rules on for example record keeping, periodic safety reporting, product testing and distribution, and advertising and marketing. If these requirements are not met, there is a risk that marketing authorization is revoked or that civil or criminal penalties become an issue.

In the EU/EEA, there are four different procedures for obtaining marketing authorization in a given specific country. One of these is the central procedure. Applications are made to the European Medicines Agency ("**EMA**") and decisions are ultimately made by the EU Commission. The procedure takes about nine months, and approval leads to marketing authorization for the whole EU/EEA market. This procedure is mandatory for certain drugs, such as drugs produced by biotechnical methods, orphan drugs and new drugs for the indications AIDS, cancer, neurodegenerative diseases and diabetes. The second and third procedures are called the procedure for mutual recognition and the decentralized procedure, which take place at the respective national authorities. Consideration of and decision on the application within the procedure for mutual recognition takes place with the authority which the company has chosen to turn to. Marketing authorization can then be applied for in other EU countries with this report as the basis. In the decentralized procedure, application is made for marketing authorization in all countries where the company wishes to market the product, whereupon an investigating authority is appointed. Decisions by all of these authorities are taken simultaneously. These two procedures must not take longer than 210 days. The fourth procedure is the national procedure that gives the holder a marketing authorization in only a single EU country.

In addition to these procedures, which require extensive data from pre-clinical and clinical studies, a company that can demonstrate that the active substances in the medicinal product have been in well-established use within the EEA for at least ten years, can replace this extensive data with appropriate scientific documentation and thus shorten the development process. A marketing authorization in the EU is initially valid for five years and can be renewed on the basis of a reassessment of the balance between risk and benefit.

There are similar rules for approval in the United States. If an applicant during an application process, or a manufacturer who after approval must comply with certain requirements, does not comply with the regulations, they can at any time during the process be subject to a variety of administrative or legal sanctions, such as refusal by the FDA on a current "New Drug Application" ("**NDA**"), the withdrawal of approval, product recalls, full or partial production or distribution stops, injunctions, governmental authorities' refusal to enter into agreement, forfeiture or civil or criminal penalties.

# BUSINESS DESCRIPTION

## INTRODUCTION TO ALLIGATOR

### ABOUT THE COMPANY

Alligator is a research-based biotechnology company that develops innovative immune activating antibody drugs for tumor-directed immunotherapy. With immunotherapy, the immune system is activated to effectively attack the cancer, and the term tumor-directed means that the drug is administered or designed in a certain way to localize the pharmacological effect to the tumor. This results in an advantageous efficacy and safety profile. The Company's registered office is in Lund, Sweden and it had 35 employees as per 30 September 2016. The Company is primarily active in the early phases of drug development, from the idea stage to clinical studies in phase IIa.

Alligator conducts a number of projects both in-house and together with international biotechnology and pharmaceutical companies and academic institutions. An example that can be mentioned is that in August 2015 the Company signed a licensing agreement regarding the further development and commercialization of the product candidate ADC-1013 with Janssen. ADC-1013 is an agonistic antibody aimed at the CD40 receptor, a receptor that among other things is manifested in antigen-presenting so called dendritic cells. These cells are located in tissue and bloodstreams where they absorb proteins from, for example, pathogenic microorganisms (such as viruses or bacteria) or cancer cells and presents these to so called T cells which are thereby activated and kills the infected cells and the cancer cells. The product candidate is currently undergoing a clinical phase I study. In addition to ADC-1013, Alligator's product portfolio consists primarily of the product candidates ATOR-1015 and ATOR-1016. ATOR-1015 is an immune activating antibody that binds the target proteins OX40 and CTLA-4, which both are highly expressed on T cells in the tumor area. The product candidate is currently undergoing pre-clinical development and simultaneously cell line production for large scale clinical study production is being carried out. ATOR-1016 is a bispecific agonistic antibody whose therapeutic effect is first activated when it comes into contact with the tumor tissue. The product candidate is currently in the late research phase and Alligator plans to begin cell line development for large-scale clinical production in 2017. In addition to these product candidates, Alligator has a number projects in the early research phase.

Alligator's research and development rests on the Company's technology platforms which consist of the human antibody library (ALLIGATOR-Gold®) and the protein-optimization technology (FIND®). The Company intends to continue to develop and further improve its technology platforms in order to be a able to continue developing innovative antibodies.

### HISTORY

Alligator was founded in Lund in 2001. The business is based on the FIND® technology, which had been previously developed at the Institution for Immune Technology at Lund University under the leadership of Professor Carl Borrebaeck. The rights to FIND® were initially owned by BioInvent International AB (publ) ("**BioInvent**"). In connection with the founding of Alligator, the Company took over ownership of all the rights to FIND®.

Initially, Alligator's operations were wholly focused on contract assignments for FIND® optimization (improvement) of external customers' protein products. A large number of assignments were carried out during the first years of Alligators operations, in which in all cases Alligator managed to improve the customer's protein according to the targets set.

A brief company history comprising a few milestones in Alligator's history is shown below:

| | |
|---|---|
| **2015** | An exclusive licensing agreement was entered into with Janssen for further development and commercialization of ADC-1013 |
| | A Phase I clinical study of ADC-1013 in cancer patients was initiated |
| **2013** | The ALLIGATOR-GOLD® antibody library was completed that has since been used to develop Alligator's products. |
| | Atlas Therapeutics AB was acquired |
| **2012** | The decision was taken to focus the business operations on both monospecific and bispecific antibodies |
| **2009** | FIND® optimization of the antibody that later became ADC-1013 was initiated |
| **2008** | The strategic decision was taken to focus activities on immuno-oncology |
| **2007** | It was decided that Alligator would primarily use the FIND® technology to develop its own product candidates |
| **2001** | Alligator was founded in Lund |

## STRENGTHS AND COMPETITIVE ADVANTAGES

Alligator believes that the company has a number of strengths and competitive advantages that have contributed to its success and will enable Alligator to retain and enhance its strong position in the production and development of innovative agonistic antibodies for tumor-directed immunotherapy. Alligator's strengths and competitive advantages include the following:

- A management team and a research team with substantial experience and comprehensive expertise within immuno-oncology
- Technology platforms that enable the development and optimization of innovative agonistic antibodies for tumor-directed immunotherapy
- Strong strategic partnership with Janssen which validates Alligator's business model, technology and leading research position
- Operates in a market that shows rapid growth and development
- Well-positioned project portfolio of product candidates with significant market potential
- Substantial portfolio of intellectual property rights and a structured patent strategy

### A MANAGEMENT TEAM AND A RESEARCH TEAM WITH SUBSTANTIAL EXPERIENCE AND COMPREHENSIVE EXPERTISE WITHIN IMMUNO-ONCOLOGY

Alligator's management team has substantial experience in pharmaceutical drug development. Several members of Alligator's management team have extensive backgrounds in research and development, particularly within immuno-oncology and have been instrumental in the development of the Company's technology platforms and product candidates. Because research and development is Alligator's core competence, the Company has an extensive internal research department consisting of around twenty doctoral-level researchers, which means that more than half of the Company's employees have a PhD within relevant research areas, several of which have extensive experience within immuno-oncology and protein optimization. Alligator, through its internal research department, has the knowledge base required to maximize the use of the unique advanced technologies that the Company possesses. In addition, the Company has extensive research collaborations with some of the world's most prominent immuno-oncologists and institutions. Thus, through both internal and external expertise, Alligator has access to a very large group of specialists in immuno-oncology.

### TECHNOLOGY PLATFORMS THAT ENABLE THE THE DEVELOPMENT AND OPTIMIZATION OF INNOVATIVE AGONISTIC ANTIBODIES FOR TUMOR-TARGETED IMMUNOTHERAPY

Antibodies are complex molecules and the development of effective and safe antibody-based medicines requires high-tech platforms. The Company's activities are therefore deeply rooted in its core competencies which include identifying and optimizing antibodies through the use of its proprietary technology platforms ALLIGATOR-GOLD® and FIND®. ALLIGATOR GOLD® is the engine in all the Company's research and development projects and is used to develop new antibody-based product candidates. The FIND® technology is used to optimize the properties and these technology platforms are used together to develop product candidates with unique properties and a high probability of being successful in the clinical phases. This unique technology combined with the comprehensive expertise, means that Alligator is well-equipped to develop and optimize innovative product candidates in immuno-oncology.

### STRONG STRATEGIC PARTNERSHIP WITH JANSSEN WHICH VALIDATES ALLIGATOR'S BUSINESS MODEL, TECHNOLOGY AND LEADING RESEARCH POSITION

In order to maintain the Company's core competencies and enable an attractive risk and reward profile in the development of highly innovative product candidates, Alligator intends to license the development of future product candidates to major pharmaceutical and biotechnology companies after proof-of-concept in patients, or when a favorable deal can otherwise be closed . Alligator has entered into a strategic partnership with Janssen, under which Janssen has been granted an exclusive, global license to Alligator's clinical product candidate ADC-1013. The agreement includes both an initial payment and milestone payments which together are worth up to USD 695 million, as well as a royalty percentage of sales at different levels between a high single digit percentage and low double digit percentage. The agreement concluded in August 2015 provides validation of Alligator's business model and reflects (i) Big Pharma's demand for new, innovative antibodies, (ii) the pharmacological properties and market potential for ADC-1013 and (iii) Alligator's internal expertise in technology development and research.

Janssen is a leading Big Pharma company focused on oncology and also has a wealth of experience and extensive experience from supporting smaller research-oriented companies such as Alligator. These two aspects make Janssen an ideal partner for Alligator. Furthermore, Janssen has shown great commitment in the continued development of ADC-1013, one of the Janssen's main assets within immuno-oncology. In addition to the licensing agreement of ADC-1013, Alligator and Janssen have entered into a cooperation agreement for research of ADC-1013 with the aim of increasing knowledge of how the product candidate acts on metastatic cancer. Within the framework of this agreement, Janssen has undertaken to take over all the costs of the research project.

These strategic partnerships suggests a significant potential for Alligator's product candidates, exemplified by the agreement with Janssen, and allow Alligator to utilize the partner's expertise in the later stages of development and commercialization. As both ATOR-1015 and ATOR-1016 are fully Alligator's own projects, the Company has every possibility for future licensing and partnership in order to maximize value for shareholders.

### OPERATES IN A MARKET SHOWING RAPID GROWTH AND DEVELOPMENT

Immuno-oncology is a relatively new field of medicine that focuses on producing and developing immunotherapies that strengthen the body's, and more specifically the immune system's, own ability to fight effectively against cancer. As almost all types of cancer in theory can be treated with immunotherapy, there is significant market potential in immuno-oncology as the total market for cancer treatments amounted to USD 81 billion in 2014. Furthermore, the total market for cancer treatment is expected to grow by an average of 4.4 percent annually up to

2019, partly driven by future innovations within immuno-oncology.

There are currently four approved antibody-based drugs for immunotherapy for various types of cancer. In 2015, three of these drugs together generated sales of USD 2.6 billion and have had an average annual sales growth of 64 percent since 2011, making this one of the fastest growing segments in the pharmaceutical industry and demonstrate the high demand for better treatment methods for cancer.

Alligator believes that the Company, due to its leading technology and knowledge base, is well-positioned to become a key player in the field of tumor-directed immunotherapy in the rapidly growing market for immunotherapy.

### WELL-POSITIONED PROJECT PORTFOLIO OF PRODUCT CANDIDATES WITH SIGNIFICANT MARKET POTENTIAL

Alligator has a well-positioned project portfolio with antibody-based product candidates for tumor-directed immunotherapy, most of which are agonistic antibodies that activate immune receptors in the Tumor Necrosis Factor Receptor Super Family ("**TNFR-SF**"). The challenge with agonist antibodies is that they, in addition to their selective binding to a specific target molecule, must produce a stimulating effect on the immune cells. The Company believes that its three most advanced product candidates, ADC-1013, ATOR-1015 and ATOR-1016, due to their hitherto proved properties have the potential to take a differentiated positioning with the potential to become the "first-in-class", "best-in-class" or both.

ADC-1013 is one of only four known agonistic CD40 antibodies that biotech and pharmaceutical companies are using in clinical development for future use as immunotherapy for cancer. The Company believes that the product candidate has the possibility of becoming the first CD40 directed drug on the market. ATOR-1015 is a bispecific antibody with properties that are expected to give a powerful antitumor effect, especially combined with established immunotherapies. Its tumor-localizing properties are also expected to lead to fewer side effects. ATOR-1016 is a bispecific antibody and is developed to be administered in combination with other immunotherapies. The product candidate is expected to generate a powerful tumor-directed immune activation without side effects, which the Company believes to be a crucial competitive advantage.

Finally, Alligator has several unnamed product candidates in research phase with good development potential, which form a solid foundation for the development of the Company's project portfolio.

### SUBSTANTIAL PORTFOLIO OF INTELLECTUAL PROPERTY RIGHTS AND A STRUCTURED PATENT STRATEGY

Alligator has an active patent strategy that covers all major geographical markets, including the USA, the EU and Japan. The Company has secured 16 patent families consisting of more than 50 patents and patent applications covering the Company's technology platforms and all antibody molecules in pre-clinical development phase. The duration of Alligator's patents for its proprietary technology platforms ALLIGATOR-Gold® and FIND® varies according to the technology, applications and geographical areas.

In addition to the technological platforms used in the Company's research and development, Alligator also has a number of antibody-specific patent applications to protect the Company's various product candidates. For example, patent applications relating to ADC-1013 have, following patent approval, an expected earliest expiry date in 2032. In addition to provide a more product-oriented protection of various properties, molecular structures and application areas, these patents and patent applications enable a more flexible management of patents and intellectual property issues in Alligator's cooperation and partnership agreements.

## STRATEGY

Alligator's goal is to build an innovative and competitive portfolio of product candidates for tumor-directed immunotherapy. Alligator's product candidates can be monospecific or bispecific antibodies. Through both the Company's own innovations, as well as through partnerships with other biotechnology and pharmaceutical companies and academic institutions, the Company's research team can identify, evaluate and initiate projects to develop new antibody based product candidates. Alligator's strategy includes the following important elements.

- Strengthening competitive advantages through a strong focus on product candidates with the potential to be "first-in-class", "best-in-class" or both.
- Extending internal product development until and including clinical phase IIa followed by licensing or strategic partnerships after proof-of-concept in patients
- Expanding its project portfolio of agonistic tumor-directed product candidates
- Further developing technological platforms and strengthening intellectual property rights
- Promoting an attractive environment for human capital and increasing the number of research collaborations

### STRENGTHENING COMPETITIVE ADVANTAGES THROUGH A STRONG FOCUS ON PRODUCT CANDIDATES WITH THE POTENTIAL TO BE "FIRST-IN-CLASS", "BEST-IN-CLASS" OR BOTH

The goal with all of Alligator's projects is to develop product candidates that have the potential to be "first-in-class", "best-in-class" or both. The major focus is on creating product candidates with improved safety and efficacy profile, by using the Company's technology platforms. Alligator also utilizes its extensive expertise within immuno-oncology to identify optimal combinations for bispecific antibodies. The goal is to achieve superior immune activating effect while enabling selective activation of the relevant part of the immune system.

### EXTENDING INTERNAL PRODUCT DEVELOPMENT UNTIL AND INCLUDING CLINICAL PHASE IIA FOLLOWED BY LICENSING OR STRATEGIC PARTNERSHIPS AFTER PROOF-OF-CONCEPT IN PATIENTS

An important goal for Alligator is to find suitable partners for licensing or partnership agreements and to maximize value for shareholders based on the Company's product candidates. An important factor for achieving favorable agreements is to have valuation support in extensive data from pre-clinical and clinical studies. Therefore, the Company's strategy is also to continue to develop its most advanced non-licensed product candidates, ATOR-1015 and ATOR-1016, until proof-of-concept in patients has been proven, i.e. in clinical phase IIa. By allowing development to remain internal until and including clinical phase IIa, the licensing agreements are expected to become more favorable with higher fees at the same time as the Company avoids the costs for performing larger phase IIb/III studies and commercialization. Furthermore, Alligator believes that the increasing competition in immuno-oncology will lead to Big Pharma in the future requiring clinical efficacy data before licensing product candidates. This development strategy also applies for Alligator's ongoing unnamed product candidates in research phase. Alligator will however ensure that pre-clinical and clinical studies of these candidates are manageable and optimal for the Company in terms of cost, size and scope. Should this not be the case, Alligator can choose to license or enter into partnerships before proof-of-concept in patients has been established.

### EXPANDING ITS PROJECT PORTFOLIO OF AGONISTIC TUMOR-DIRECTED PRODUCT CANDIDATES

Alligator intends to continue to expand its portfolio of innovative and differentiated product candidates in immuno-oncology. The Company will continue to focus on monospecific and bispecific antibodies with agonistic and tumor-directed properties as the Company has an extensive knowledge base within this type of antibody development. Furthermore, there is a clear advantage in differentiating itself from Big Pharma which already has access to a variety of monospecific antibodies with antagonistic properties. Thus Alligator will continue to take a leading role in

cutting edge research through the development of new antibodies with agonistic and tumor-directed properties, and thereby act as an incubator for the large number of pharmaceutical companies specializing in immuno-oncology.

A first step in realizing the strategy for Alligators product portfolio will be to pursue the projects ATOR-1015 and ATOR-1016 into clinical phase, which is expected to occur in 2018 and 2019 respectively. Alligator will also seek to broaden its pre-clinical program with the goal to take its two unnamed product candidates to pre-clinical development within the next 18 months given that they demonstrate potential for significant improvements in relation to the products currently in development.

### FURTHER DEVELOPING TECHNOLOGICAL PLATFORMS AND STRENGTHENING OF INTELLECTUAL PROPERTY RIGHTS

Alligator will continue to invest significant resources in research and development in order to both further develop the ALLIGATOR-Gold® and FIND® platforms as well as to develop new and improved technologies to create the next generation of products in immuno-oncology. A wide and updated antibody library will be important in order for Alligator to continue to produce and develop antibodies for immunotherapy. ALLIGATOR-GOLD® will thus be further developed in coming years. In regard to the optimization of antibodies for effective product candidates, Alligator aims to base the development of next generation technologies on the knowledge acquired through the Company's development and improvement of FIND® over the past 15 years. The Company believes its ability to optimize antibodies will strengthen Alligator's ability to create increasingly complex bispecific combinations and strongly contribute to the Company's bispecific technological platform. The Company regards these factors as essential to maintain leadership within immuno-oncology.

The Company will continuously protect all innovations, proprietary technology platforms and product candidates and successively expand and strengthen its intellectual property portfolio by registering patents in all major markets.

### PROMOTING AN ATTRACTIVE ENVIRONMENT FOR HUMAN CAPITAL AND INCREASING THE NUMBER OF RESEARCH COLLABORATIONS

Alligator aims to be an employer of choice for leading researchers in immuno-oncology and antibody development. Human capital is Alligator's most important asset and is essential for realizing the Company's vision of becoming the leading research-based company in tumor-directed immunotherapy and development of agonistic antibodies. The Company will therefore act to attract and retain the most qualified employees by offering them a stimulating work environment and an opportunity to be at the forefront of research in immuno-oncology. Alligator will also seek to expand the number of partnerships with external competence, from universities as well as from small- to medium-sized biotechnology companies.

## ALLIGATOR'S TECHNOLOGY PLATFORM

Antibodies are complex molecules and the development of effective and safe antibody-based medicines requires high-tech platforms.

Alligator's technologies are comprised of the antibody library ALLIGATOR-GOLD® and the protein optimization technology FIND®. ALLIGATOR GOLD® is the engine of all of Alligator's research and development projects, and it is used to develop new product candidates. The FIND® technology is used to optimize the properties of the product candidates and these technology platforms are used together to develop the Company's immunotherapeutic product candidates with unique properties and a high probability of showing good results in clinical studies. ALLIGATOR-GOLD® and FIND® are patented.

### ALLIGATOR-GOLD®

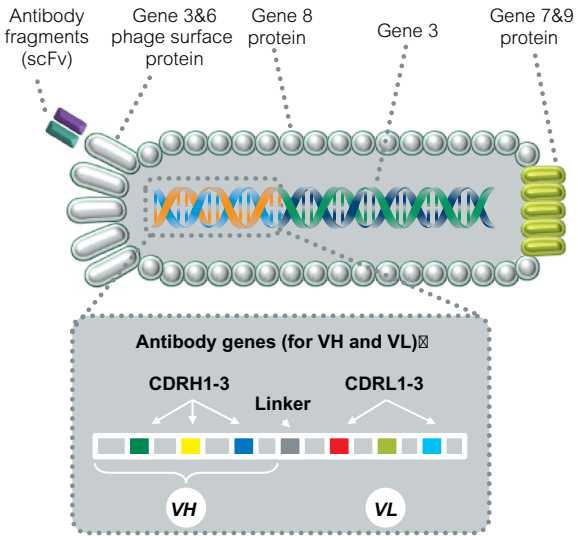
ALLIGATOR-GOLD® is a proprietary human antibody library that contains more than 60 billion unique antibody fragments (also termed "**scFv**"). From this antibody library, product candidates which are aimed at all possible target molecules can be developed. The library has been designed to be able to develop highly functional antibodies. ALLIGATOR-GOLD® is Alligator's most important technology platform which enables development of new product candidates for the project portfolio and it has also been used for developing ATOR-1015 and ATOR-1016. The library is also used in external international collaborations within immuno-oncology.

The different antibody fragments in ALLIGATOR-GOLD® distinguish themselves from each other in specific sequences in the antibody surface that binds to the target molecules in the six different so-called hypervariable regions. The remaining parts of the scFv are identical in all antibodies in the library, and these components are selected to achieve optimal properties in regard inter alia to stability and production. The constant components consist of a "variable heavy" (VH) component (IGHV3-23) and a "variable light" (VL) component (IGKV1-39). The variability in ALLIGATOR-GOLD® is designed to emulate and surpass the variability that is found in human antibodies.

Alligator uses phage display technology to develop product candidates from ALLIGATOR-GOLD®. The phage display technique is based on each scFv being manifested in a phage particle which in turn contains the gene that encodes that specific antibody fragment (see the Phage display library diagram). All antibody fragments that bind to a specific target molecule can be identified with the help of a selection process (see the Selection process for antibody fragments diagram). When a specific antibody fragment has been identified, a large number of new copies of it can be made as the gene coding for the particular antibody is inside the phage particle.

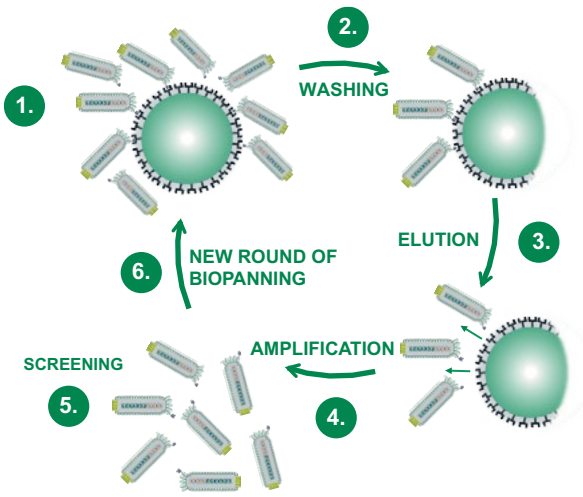
An antibody fragment can be selected from ALLIGATOR-GOLD® using phage display technique. By combining the various sub-libraries containing a large number of antibody fragments (randomized and/or customized) an optimum adaptation to each specific project /target is achieved. The strategy used for the selection is adapted to the specific needs of each individual project. The selection process is repeated three to five times with increased rigor to specifically enrich the antibody fragments that meet all objectives.

### PHAGE DISPLAY LIBRARY




*Each phage particle in a phage display library contains the gene encoding the antibody fragment (scFv).*

### SELECTION PROCESS FOR ANTIBODY FRAGMENTS




***Description of the selection process for antibody fragments from a phage display library***

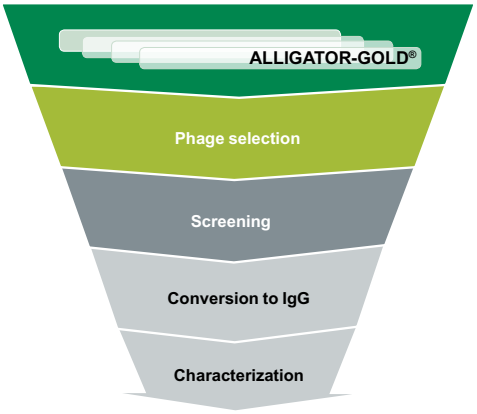
1. *The phage display library is mixed with magnetic beads with the target molecule on and all the phages which have an antibody that can bind to the target molecule stick to the magnetic beads.*
2. *The remaining phages are rinsed away.*
3. *The phages that have bound to the beads are released (eluted).*
4. *A large number of new copies of the phages that have bound to the beads are made.*
5. *Screening is then initiated of all the remaining beads.*
6. *The selection process is repeated three to five times with increased rigor to specifically enrich the antibodies that meet all objectives.*

After the selection process, the antibody fragments are screened for binding to the target protein, binding characteristics, specificity and heat stability. Then the antibody fragments are converted to whole antibodies (IgG) that are evaluated more thoroughly, including in different functional tests and in regard to affinity (how strongly they bind) and the binding epitope (the exact location on the target molecule to which they bind).

### FIND®

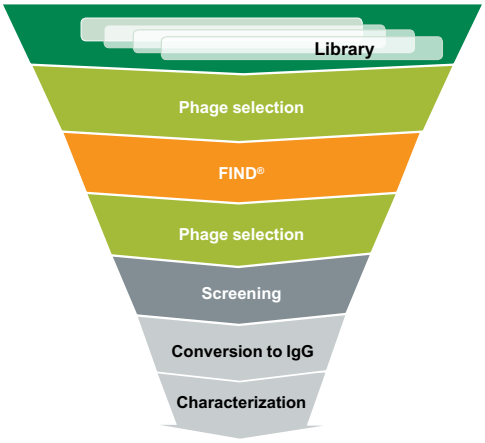
FIND® (Fragment Induced Diversity) is a technology for optimization of antibodies and other proteins that is based on molecular evolution. FIND® is used to further optimize antibodies that have previously been identified in ALLIGATOR-Gold®. The technology makes it possible to create a large number of functional variants of an antibody in a short time. From these, antibodies with optimized properties can thereafter be selected. FIND® technology can be used to change practically any property of an antibody. The improved properties may result in significant clinical benefits in terms of for example power and potency, pharmacokinetics (the drug's conversion in the body), safety or reduced antigenicity (tendency to be perceived as foreign to the body by the immune system).

### FLOW DIAGRAM OF THE SELECTION PROCESS FOR THE DEVELOPMENT OF A PRODUCT CANDIDATE FROM ALLIGATOR-GOLD®



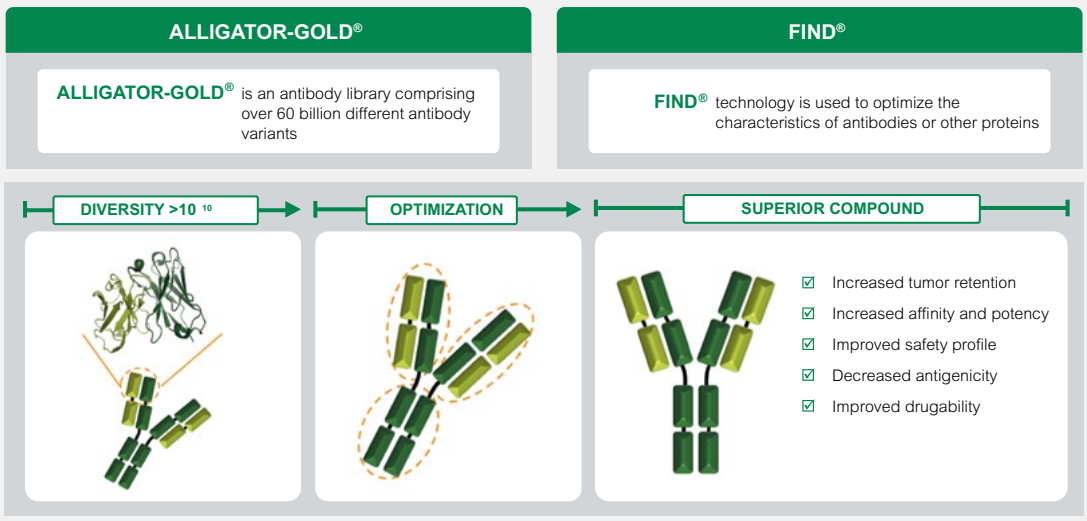

*The optimized variants of antibody fragments are identified using phage display selection. These variants are then screened before they are converted to whole antibodies. Then characterization of the whole antibodies takes place in order to identify a product candidate.*

### FLOW DIAGRAM OF THE DEVELOPMENT OF A PRODUCT CANDIDATE THROUGH FIND® OPTIMIZATION



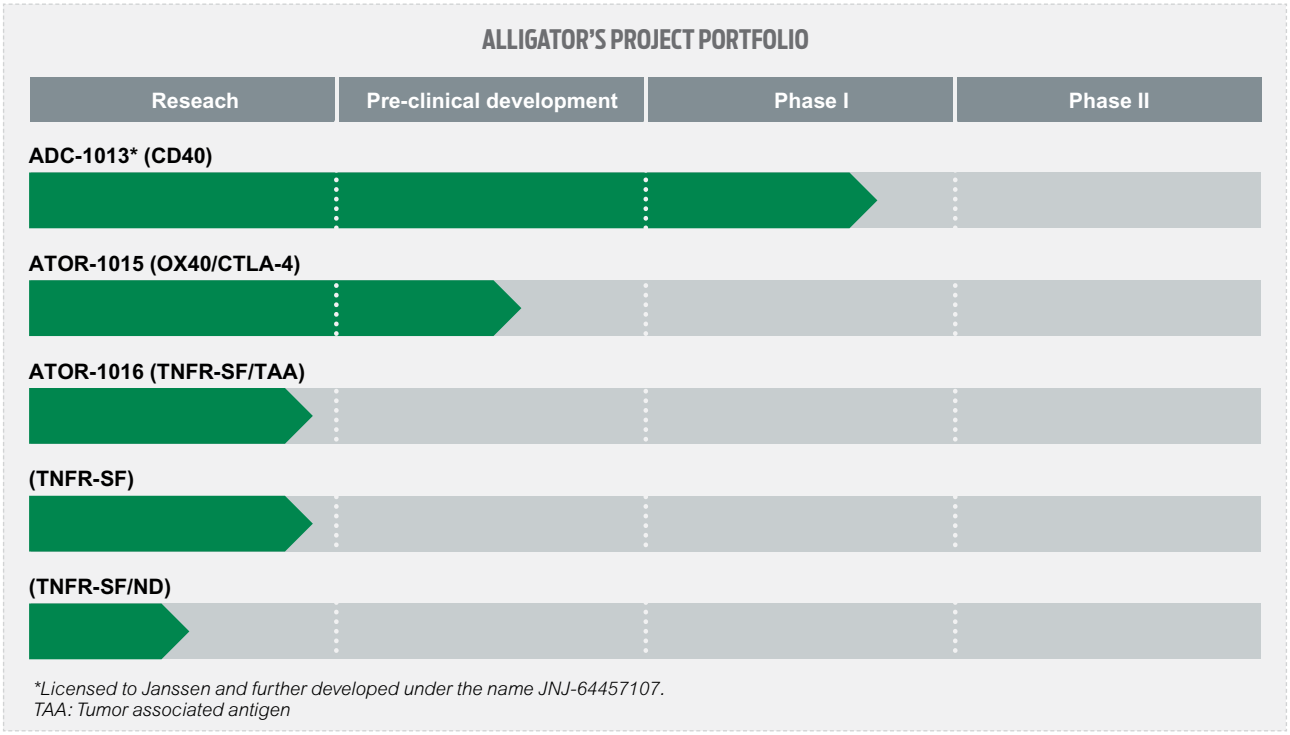

*One or more sub-libraries are constructed on the basis of the protein or the antibody fragment that shall be improved. All functional variants are taken from the library using phage selection. These functional variants are then combined using FIND®. The improved variants are then identified using phage selection and screening. These are then converted to whole antibodies. Then characterization of the whole antibodies takes place in order to identify a product candidate.*

### SCHEMATIC DESCRIPTION OF ALLIGATOR-GOLD® AND FIND®



## ALLIGATOR'S PROJECT PORTFOLIO

Alligator's strategy is to develop product candidates to be used in tumor-directed immunotherapy focusing on the receptors in the TNFR superfamily. ADC-1013, ATOR-1015 and ATOR-1016 are the Company's product candidates that have come furthest in development. ADC-1013 is a monospecific antibody that was initially developed for intratumoral injection. It also has added properties that make it stay longer in the tumor. ADC-1013 was licensed in August 2015 to Janssen for further development and commercialization. Alligator will continue as the sponsor of the ongoing clinical study, but Janssen sponsors a recently initiated phase I study and all future studies will be conducted with Janssen as a sponsor. Both intramural injection and systemic administration will be evaluated in the clinical program. ATOR-1015 and ATOR-1016 are both bispecific antibodies developed for tumor-directed immunotherapy for cancer. In addition, Alligator has two confidential product candidates in research phase which are estimated to go on to pre-clinical development within 18 months. These are also agonistic antibodies (monospecific and bispecific respectively) intended primarily to activate the relevant tumor-directed part of the immune system.



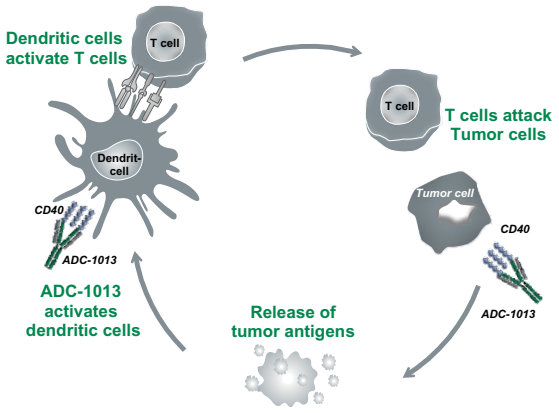

**Licensed to Janssen and further developed under the name JNJ-64457107.*
*TAA: Tumor associated antigen*

## ADC-1013

ADC-1013 is a human monospecific agonistic IgG1 antibody intended for immunotherapy against cancer. The product candidate is targeted at the co-stimulatory CD40 receptor; a receptor manifested in among other things antigen-presenting dendritic cells. These cells exist in tissue and bloodstreams where they absorb proteins from for example pathogens (such as viruses and bacteria) or cancer cells and present these to so called T cells which are thereby activated and kill the infected cells and the cancer cells. ADC-1013 activates CD40 and enables the dendritic cells to activate T cells and thus direct the immune system's attack on the cancer, which is the product candidate's primary mechanism of action. Because some cancer cells have CD40 on the surface, ADC-1013 can also work by directly killing cancer cells, which is the product candidate's secondary mechanism of action.

ADC-1013 has been FIND®-optimized with the aim of improving its affinity and potency which may make it possible to achieve efficacy at low doses. As ADC-1013 was initially developed for intratumoral injection, it has also been optimized for improved tumor retention, that is, an ability to stay within the tumor. Clinical studies in which ADC-1013 is administered systemically have also been initiated.

### MECHANISMS OF ACTION OF ADC-1013



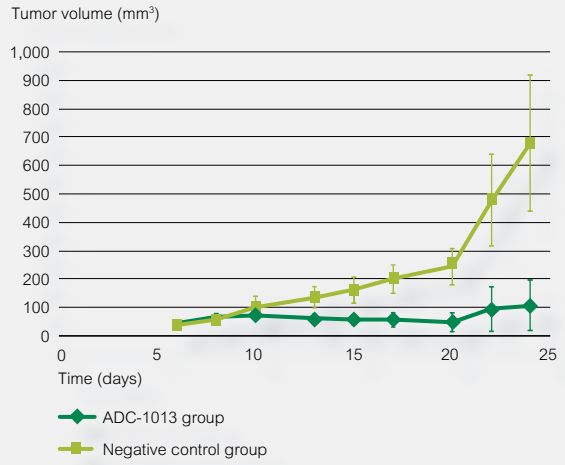

*The diagram shows the cancer immunity cycle that describes how the immune system attacks tumors. The primary mechanism of action of ADC-1013 is activation of dendritic cells. For antigen-presenting cells, primarily dendritic cells, CD40 is the most important so-called co-stimulatory receptor. Dendritic cells that are activated by stimulation with ADC-1013 can effectively show a tumor cell to T cells and instruct the T cells to find and kill the tumor cells in the whole body. Because some tumor cells have CD40 on the surface, ADC-1013 can also work through a secondary mechanism of action by directly killing tumor cells.*

The product candidate's functionality has been assessed in several different concept validation in vitro models in which the immune cells from healthy blood donors have been used. In these experiments, ADC-1013 has consistently been shown to have strong agonistic effects. The in vivo effect has been evaluated in several separate tumor models. The effect was initially concept validated in immunodeficient mice, i.e. mice lacking their own immune system. These mice were given human immune cells from blood donors after which the immune activation and anti-tumor effects of ADC-1013 could be demonstrated. For pre-clinical studies Alligator has also developed an advanced mouse model where the mice maintain their normal immune system except that their dendritic cells represent the human CD40 receptor. The so-called hCD40 transgenic mouse is a great asset and has made it possible to study both direct immune-mediated anti-tumor effects and long-term tumor immunity. In several tumor models, a large proportion of the mice were cured with ADC-1013 and these mice were then found to be completely resistant to new tumor growth (a so called "vaccination effect"). The immunity was further shown to be dependent on T cells and selective to the tumor which the mouse was cured of. There was no sign of waning immunity for up to six months, which was the longest duration studied. Moreover, it has been shown that tumors that themselves manifest CD40 can be attacked directly by ADC-1013, which could make the product candidate even more effective in patients with CD40-expressing tumors.

Pre-clinical studies indicate that agonistic CD40 antibody therapy can be used against several cancers such as lymphoma, melanoma, hepatocellular cancer, osteosarcoma, renal cell carcinoma, breast cancer, colorectal cancer, lung cancer and bladder cancer.

The pre-clinical results show the high tolerance of the product candidate, which supports the ongoing and future clinical development both with regards to intratumoral injection as well as being systemically administered. Furthermore, the product candidate has been evaluated in terms of efficacy, safety and pharmacological effect. Data from pre-clinical studies have been published in Clinical Cancer Research (2015).

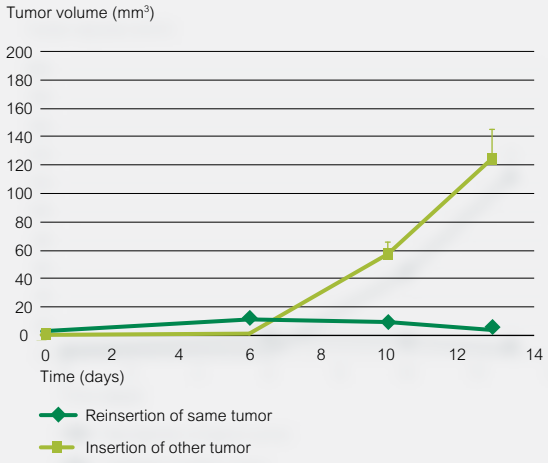
## TUMOR GROWTH IN MOUSE MODELS WITH CONTROL GROUPS[1)]




*The graph shows the growth of tumors in bladder cancer in hCD40 transgenic mice that have been treated with ADC-1013 compared with a control group (i.e. mice that were not treated with ADC-1013). The mice were treated on day 7 and day 10 with 100 µg of ADC-1013 or with a negative control antibody and all but two mice were cured in the group which was treated with ADC-1013. All the mice in the control group died.*

1) The data in the diagram is taken from Mangsbo et al (2015). The human agonistic CD40 antibody ADC-1013 eradicates bladder tumors and generates T-cell-dependent tumor immunity. Clinical Cancer Research, 21(5), 1115-26. Available at clincancerres.aacrjournals.org/content/21/5/1115.long Accessed on 14 October 2016.

## TUMOR GROWTH IN MOUSE MODELS WITH OTHER TUMORS[1)]




*The figure shows tumor growth in hCD40 transgenic mice which have been cured of bladder cancer by treatment with ADC 1013. On the one flank bladder cancer cells were reinserted, and lung cancer cells on the other. The ADC-1013 treatment made the mice immune to bladder cancer so that it couldn't grow in the mice, they thus became immune to the tumor through treatment with ADC 1013. The lung cancer tumor grows just as in normal mice, which demonstrates that tumor immunity generated by treatment with ADC-1013 is tumor-specific.*

1) The data in the diagram is taken from Mangsbo et al (2015). The human agonistic CD40 antibody ADC-1013 eradicates bladder tumors and generates T-cell-dependent tumor immunity. Clinical Cancer Research, 21(5), 1115-26. Available at clincancerres.aacrjournals.org/content/21/5/1115.long Accessed on 14 October 2016.

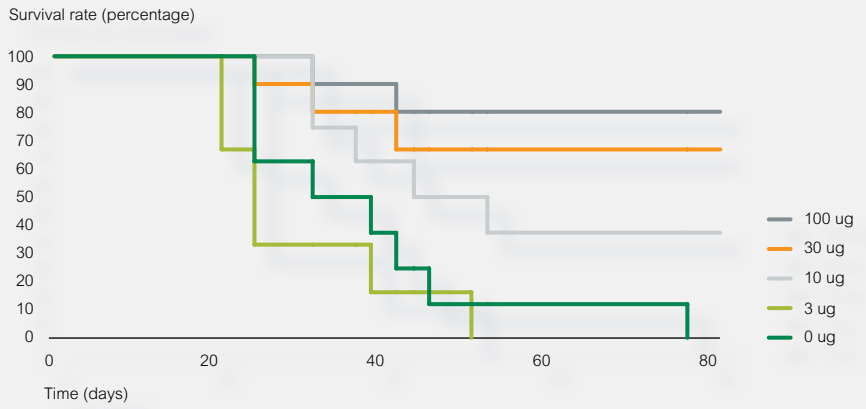
ADC-1013 was originally developed from an antibody, B44, which was identified in Professor Carl Borrebaeck's laboratory at the Department of Immunotechnology at Lund University already in 1999. The researchers who worked on identifying B44 are today some of the main people at Alligator and were the driving force, with the help of the FIND® technology, to optimize the antibody to what would become ADC-1013. B44 was developed with an antibody library which was patented by BioInvent. As a result, BioInvent was given the option to join the ADC-1013 project, which the company did in March 2013. During this time, cell line development was initiated, followed by large-scale production of ADC-1013 for clinical studies, which was carried out by BioInvent. In May 2014 the collaboration between BioInvent and Alligator ended, and Alligator obtained all rights to ADC-1013.

A phase I study of ADC-1013 began in April 2015. Through a partnership with Theradex (Europe) Ltd ("**Theradex**"), an international clinical oncology specialized contract company, the study is conducted at five centers in the UK, Denmark and Sweden. About 40 patients with metastatic cancer will receive ADC-1013 by intratumoral or intravenous injection. The first patients received very low doses of ADC-1013. Thereafter, the dose has gradually been increased in different patient groups. This is a so-called open study, that is to say that both doctors and patients know that it is ADC-1013 which is administered. The goal of the study is to identify the maximum tolerated dose and evaluate the product candidate's safety. Furthermore, the product candidate's pharmacokinetics (drug conversion in the body), antitumor activity and mechanism of action will be studied.

In August 2015, Alligator licensed all rights to further development and commercialization of ADC-1013 to Janssen. Alligator will continue as sponsor for the ongoing clinical phase I study, while Janssen will finance the study. Janssen will also finance and be the sponsor for all further development of ADC-1013 and will continue development of the product candidate under the name JNJ-64457107, see more about the partnership in the section "Out-licensing and Partnership with Janssen". Alligator has also extended the ongoing clinical phase I study with another dose escalation arm where ADC-1013 is administered systemically rather than by intratumoral injection. By directly comparing the intratumoral and systemic administration of the same study, Alligator and Janssen expect to gain crucial knowledge prior to the planned phase II clinical studies. In addition to the ongoing clinical study, in October 2016 Janssen initiated a multinational dose-escalation study of intravenous administration of ADC-1013 (JNJ-64457107). The purpose of this study is to identify a safe dose for future phase II studies.

In addition to the license agreement, Alligator and Janssen entered into a cooperation agreement for research in the beginning of 2016 where Alligator will conduct pre-clinical studies to further improve understanding of how ADC-1013 works. Janssen is responsible for all costs related to this research collaboration.

### SURVIVAL RATE OVER TIME IN THE MOUSE MODEL[1)]




*The graph shows the survival of CD40-transgenic mice with bladder cancer which have been treated with different doses of ADC-1013. The mice were treated on day 7 and day 10 with 0, 3, 10, 30 or 100 µg of ADC-1013. Even with a relatively low dose (10 µg) some of the mice were cured and the maximum effect was achieved at doses of 30-100 µg when the majority of the mice were cured of the bladder cancer tumor.*

1) The data in the diagram is taken from Mangsbo et al (2015). The human agonistic CD40 antibody ADC-1013 eradicates bladder tumors and generates T-cell-dependent tumor immunity. Clinical Cancer Research, 21(5), 1115-26. Available at clincancerres.aacrjournals.org/content/21/5/1115.long Accessed on 14 October 2016.

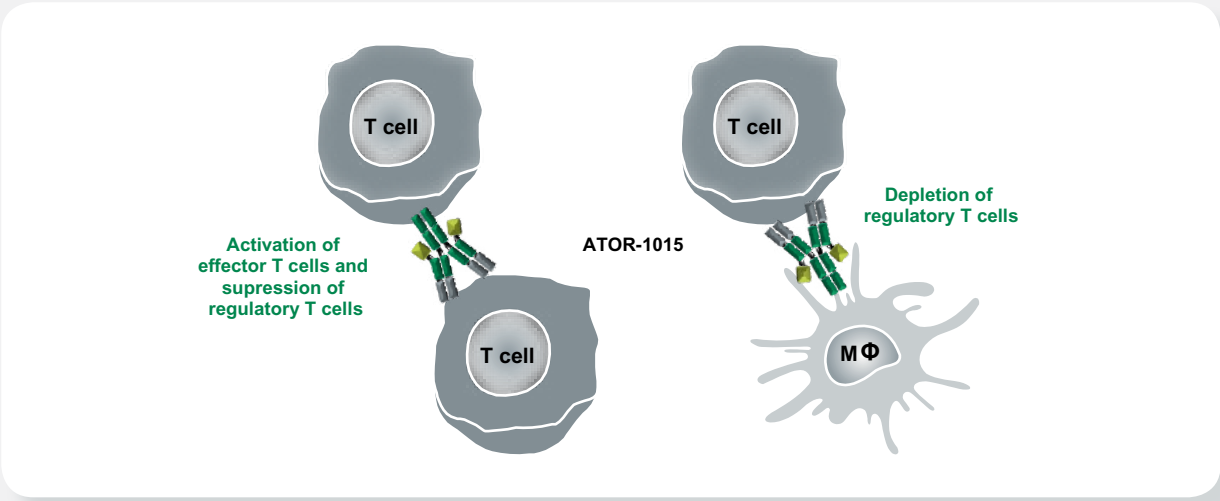
## ATOR-1015

ATOR-1015 (previously ADC-1015) is a bispecific immune activating antibody, developed for tumor-directed immunotherapy. The product candidate binds to two different immune modulating target proteins: the inhibitory checkpoint receptor CTLA-4, and the co-stimulatory receptor OX40. Both parts of the bispecific antibodies were developed by Alligator. The portion which binds to OX40 originates from ALLIGATOR-GOLD®, and the CTLA-4 binding part was generated via FIND® optimization of CD86, which is a natural binder to CTLA-4.

The product candidate has properties that make it combine T cells, which can increase the immune activating effect. The strong immune activation is expected to be achieved primarily in environments where both the target molecules are expressed at high levels, such as inside a tumor. Overall, this means both an effective immune activation and localization of the effect to the tumor environment, which is expected to also lead to fewer side effects. The objective for ATOR-1015 is to be the first CTLA-4 and OX40-binding bispecific antibody to achieve a strong anti-tumor effect, either as a monotherapy or in combination with currently established immunotherapies. ATOR-1015 is expected to be able to be used for treating a large number of different forms of cancer.

As the concept validation studies and the initial pre-clinical studies have shown promising results, Alligator has started cell line development, which is aimed at subsequent large-scale production for coming clinical studies. Cell line development is carried out for Alligator by the contract manufacturing company Cobra Biologics Ltd ("**Cobra**"). In addition, Alligator has entered into an agreement for the process development and production with BioInvent. ATOR-1015 is planned to be ready for clinical studies in early 2018. The clinical phase will likely be pursued further by Alligator for ATOR-1015 as compared to ADC-1013. The goal is to license the product candidate only once effects have been shown in patients, that is after phase IIa studies.

## MECHANISMS OF ACTION OF ATOR-1015




*ATOR-1015 is a bispecific agonistic antibody that binds to two different target molecules at the same time, CTLA-4 and OX40. Both CTLA-4 and OX40 are overexpressed in regular T cells in the tumor environment. ATOR-1015 reduces the number of regulatory T cells and activates effector T cells, which taken together gives and immune-mediated anti-tumor effect. ATOR-1015 has also proven to create interactions between CTLA-4 and OX40-expressive cells, which can further reinforce the anti-tumor effect.*

### ATOR-1016

ATOR-1016 (previously ADC-1016), like ATOR-1015, is a bispecific agonistic antibody for tumor-directed immunotherapy. The product candidate has been developed for systemic administration for treatment of several types of metastatic cancers.

ATOR-1016 consists of a tumor-binding and an immune-activating antibody (the product candidate's bispecific structure is still confidential). By combining a tumor binding and 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 without causing the adverse reactions otherwise associated with systemic administration of immune activating drugs. Because ATOR-1016 is being developed to be administered in combination with other immunotherapies, the property of being efficacious without adding adverse reactions is expected to be a decisive competitive advantage.

The product candidate is currently in the late research phase and the project is operated in collaboration with world-leading experts in immuno-oncology and tumor-localization. Cell line development for subsequent clinical production is expected to start in mid 2017.

### OTHER RESEARCH PROJECTS

In addition to the product candidates mentioned above, Alligator also has a number of ongoing, unspecified research projects, both internally and in collaboration with various international biotech and pharmaceutical companies.

One such project involves research and development of an agonistic monospecific antibody directed against a receptor in TNFR-SF. The antibody was developed using ALLIGATOR-GOLD®. Similar antibodies are already in early clinical development, but Alligator intends to use FIND® to produce a candidate with an improved profile. The research project is currently in the late research phase and concept validation studies are in progress.

Alligator has a further research project ongoing regarding a bispecific antibody which is composed of an agonistic antibody targeted at a receptor in TNFR-SF and a confidential target protein. The project is currently in the early research phase.

Through its subsidiary Atlas Therapeutics AB which Alligator acquired in 2013, Alligator also has a partnership with the Korean company AbClon Inc. ("**AbClon**") which is developing an anti-HER2 antibody that potentiates the effect of Herceptin®. Professor Mathias Uhlén who is a board member of Alligator is also co-founder of AbClon. This collaboration relates to certain target molecules, including HER2. Since the project is not within Alligator's strategic focus on immunotherapy, this project is primarily driven with resources from AbClon, while Alligator will guide the pre-clinical and clinical development. Alligator will be entitled to a certain share of AbClon's net income from out-licensing. Alligator's share of the net income varies between 50 percent and down 10 percent depending on when the licensing is entered into.

In October 2016, AbClon out-licensed its anti-HER2 antibody to an external party. The out-licensing will generate revenue for AbClon in terms of advance payments and milestone payments related to development and sales as well as royalty on any future sales. Alligator is entitled to 35 percent of AbClons net income from the current out-licensing, and in connection with the out-licensing, Alligator is expected to receive an initial payment of approximately SEK 1.2 million.

Besides Alligator's collaborations contributing to Alligator's research and development of its technology platform, the collaborations are also expected to result in new product candidates, with potential for out-licensing for further development and commercialization and revenue in the form of development and sales milestone payments as well as royalties on sales.

## RESEARCH AND DEVELOPMENT

Alligator's core business is exclusively focused on research and development ("**R&D**"), which differs from a company that also commercializes products to end users. For Alligator to be able to continue to be successful, innovation and development must always be the highest priority. To create this long-term focus requires constant market analysis and interaction among researchers, both internally and externally, as well as interaction with doctors, regulators, academic institutions and other medical experts.

Alligator also collaborates with other biotechnology and pharmaceutical companies, and in these cases, innovation may come from the other company. In these cases, an internal assessment is always carried out if the project is of strategic interest to Alligator. The criteria which may be crucial in Alligator's assessment of whether to initiate cooperation on a research project, include whether the other company's product portfolio can complement Alligator's product portfolio and whether the product has high scientific level with clear positioning in relation to other product candidates. Alligator may also wish to initiate various partnerships with other companies when the companies' technologies complement Alligator's technology platforms, such as technologies regarding bispecific formats.

### INTERNAL AND EXTERNAL EXPERTISE

Alligator conducts its research and development of product candidates both in its own R&D department and through partnerships with other companies. Alligator's R&D department consists of about twenty researchers (i.e. more than half of all employees) with a completed doctoral degree (PhD). Researchers have long experience within antibody research and immuno-oncology. Out of the total number of researchers, eight of them have more than ten years' experience in protein optimization and eight researchers have more than five years of dedicated experience within immuno-oncology. Their role has been crucial for the development of Alligator's current technologies and product candidates.

Alligator's R&D organization consists of a research unit and a development unit where the latter is responsible for pre-clinical and clinical development. The research unit has access to modern laboratories and equipment. In 2016, the premises have been expanded and new equipment has been purchased to improve the efficiency of working in the development of new product candidates.

In order to strengthen Alligator's research and development, the company endeavors

to collaborate with world leading experts in research areas where Alligator operates. The company has established a valuable network of advisors and partners comprising:

- **Ignacio Melero**, Navarra University Hospital, Spain, is an expert in tumor immunology and immunotherapy against cancer. Professor Melero's research focuses on translational studies including the TNNF receptor superfamily and clinical development of immunotherapeutic drugs.
- **Professor Jeffrey Weber**, expert in clinical immuno-oncology at Langone Faculty at the Perlmutter Cancer Center, USA. Professor Weber has led several clinical studies of i.a. CTLA-4 and PD-1 blocking antibodies and is one of the pioneers in the clinical treatment of autoimmune side effects of immunological therapies. With his vast expertise in the clinical development of immunotherapies against cancer, he is an important discussion partner for Alligator's clinical studies.
- **Professor Thomas Tötterman**, Uppsala University, Sweden, is a pioneer in immunotherapy against cancer, not least as regards intratumoral injections of CD40 activating immunotherapies.
- **Professor Peter Stern**, Manchester University, United Kingdom, is an expert on tumor associated antigen and virus associated tumor forms. Professor Stern's research has contributed greatly to the development of both cancer vaccine and antibody based drugs for cancer treatment.
- **Doctor Holbrook Kohrt**, Stanford University, USA, was one of the pioneers within immuno-oncology until his passing in 2016 and has been an important discussion partner for the Company regarding the development of ATOR-1015. The collaboration with Stanford University still continues.

Alligator's management has extensive experience in both pre-clinical and clinical drug development as well as the licensing of product candidates. Alligator's senior management has a well-balanced complement of backgrounds within R&D and knowledge in immuno-oncology and has also been central to the development of the Company's technology platforms and product candidates. In addition, two of the board members are experts in biotechnology, who together have more than 700 publications in international scientific journals.

### RESEARCH PROJECTS

Alligator's evaluation of new ideas – internally generated or from third parties (companies or academia) – follows a distinct process. The Company evaluates the medical need, market potential and the possibility of patent protection and anchor ideas with external experts within immuno-oncology.

If a project has been deemed interesting to continue developing, resources will be allocated and work commenced in accordance with detailed project plans produced in concept development. The early part of the research phase entails that Alligator with its technology platforms produces new antibodies and, where necessary optimizes them to achieve set goals in terms of function, affinity and stability. Once product candidates have been identified, they are characterized as in vitro and in vivo, and finally a candidate is selected for the next step, the late research phase, which means that the product candidate's mechanism of action is confirmed in concept validation studies in vivo. The research in the projects 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.

### PRE-CLINICAL DEVELOPMENT

After identification and optimization of product candidates, the Company begins pre-clinical studies to ensure product safety and efficacy, and to investigate the product candidate's clinical relevance. These studies are conducted both internally and in conjunction with external partners. The management of pre-clinical and clinical regulatory studies requiring good laboratory practice (GLP) and good clinical practice (GCP) for the subsequent approval process is carried out by contract laboratories and organizations pursuant to service contracts. Studies are

under the strict control of Alligator's personnel in accordance with the Company's quality system. Alligator has access when required to external expertise through consultants, for example in the pre-clinical development and regulatory activities. Research activities continue to be carried out alongside the pre-clinical activities for a specific product candidate in order to increase understanding of the candidate in vitro and in vivo.

### CLINICAL DEVELOPMENT

Alligator's core business is focused on research and early development of product candidates. Alligator's intention is therefore to license product candidates to Big Pharma after phase IIa, that is, after proof of concept in patients, or as soon as an attractive business deal is possible.

CRO:s are engaged for conducting the studies, which can perform all or part of the sponsor's responsibilities in respect to the implementation of the study at the study site in accordance with the approved study protocol. In the ongoing phase I clinical studies of ADC-1013, Alligator has engaged the CRO company Theradex to carry out a large part of Alligator's tasks associated with the study.

## MANUFACTURING

Alligator outsources all contract manufacturing of antibody drugs to companies that specialize in the development and production of substances for pre-clinical and clinical studies. A thorough procurement process is carried out for the manufacturing of each product candidate. The contract manufacturer must be able to demonstrate a quality system in compliance with the regulatory requirements for production for clinical studies. In addition, the company must have the capacity and expertise needed, as well as acceptable personnel turnover and economy.

In order to manufacture the product candidate for pre-clinical and clinical studies, cell line production needs to be carried out at a contract manufacturer. Production for pre-clinical studies is not subject to the same high demands as those placed on products for clinical studies. Large-scale manufacturing of the product candidate is first required ahead of clinical studies. Each stage of the large-scale manufacturing is subject to GMP requirements.

In 2014, the ADC-1013 was manufactured in an amount calculated to cover the need for a clinical phase I study. For the manufacture of this test drug, Alligator contracted the cell line production to Cobra and the GMP production was then carried out by BioInvent. During 2016, cell line production of ATOR-1015 was initiated with Cobra and an agreement for process development and production relating to ATOR-1015 was entered into with BioInvent.

## LICENSING AND PARTNERSHIPS

### LICENSING AND PARTNERSHIP WITH JANSSEN

In August 2015, Alligator and Janssen entered into an exclusive licensing agreement for further development and commercialization of ADC-1013. Janssen is part of the global Johnson & Johnson Group. Johnson & Johnson is one of the fastest-growing top 10 pharmaceutical companies in the world and Janssen is active in the global market in various pharmaceutical fields and has a robust research program, a well-positioned project portfolio within oncology and is a market leader in the oncology segment. In addition, immuno-oncology is one of Janssen's primary fields of research in oncology.

Through the agreement Alligator grants a license to Janssen to, among other things, further develop, manufacture and sell products containing CD40 antibodies, with the right to sublicense. The agreement is exclusive which in this respect means that the parties during the ongoing collaboration cannot commercialize other monospecific agonistic antibodies that bind specifically to CD40. The parties have agreed that Alligator will continue to be the sponsor for the ongoing phase I study while all further development, management of registrations, marketing authorizations, price and benefits as well as commercial manufacturing and commercialization will be arranged by Janssen. The parties have recently decided in a supplementary agreement to extend the ongoing phase I clinical study to also evaluate systemic administration. This extension is associated with payment of a further milestone payment for ADC-1013. Alligator will also remain responsible for the ongoing Phase III study, while Janssen continues to bear the costs of this. The future clinical study will be led by Janssen, which will continue development of the product candidate under the name JNJ-64457107.

In connection with the conclusion of the license agreement, Alligator reached the conditions for an initial payment of USD 35 million. Beyond this, under the license agreement Janssen shall pay milestone payments to Alligator at different study phases and on completion of certain regulatory stages, and on the first commercial sale in the US, European and Japanese markets in regard to three different forms of cancer. In Q1 2016, Alligator reached conditions for a first milestone payment of USD 5 million. Furthermore, Alligator is also entitled to sales-based milestone payments. The initial payment and the milestone payments amount in total to a maximum of USD 695 million. Alligator is ultimately also entitled to royalties on sales at different levels between a high single digit percentage and low double-digit percentage during the period when the royalty obligations apply if the agreement and the license continue as anticipated.

In connection with the conclusion of the agreement, JJDC, another company in the Johnson & Johnson Group, invested USD 10 million in Alligator through a private placement by which the company received a shareholding of approximately 7.4 percent in Alligator.

### STRATEGY FOR FUTURE LICENSING

An important factor for achieving favorable agreements is to have valuation support in extensive data from pre-clinical and clinical studies. Alligator's strategy is therefore to develop its product candidates until and including phase IIa. By allowing development to remain internal until and including clinical phase IIa studies, the licensing agreement is expected to become more favorable while the Company avoids costs for larger phase IIb/III studies and commercialization, thereby reducing the risk relating to the remaining stages of clinical development. In addition to this, Alligator believes that the fierce competition in the market for immunotherapy will lead to Big Pharma requiring ever more extensive clinical efficacy data before licensing product candidates. Alligator will, however, continue to be open to the possibility of choosing to license or enter into partnerships in an earlier clinical phase. In the longer term, Alligator may also be bringing individual projects beyond phase IIa if conditions are deemed favorable and financially feasible.

## INTELLECTUAL PROPERTY RIGHTS

Alligator has an active IPR strategy and strives to maximize the protection for the Company's innovations and technologies with patents in all key markets worldwide, including the United States, the EU and Japan. Alligator has made a large number of innovations and the Company's patent portfolio is in effect divided into two subgroups of patent rights. The first subgroup refers to Alligator's internal projects and collaboration projects. The majority of these patents will provide intellectual property protection for Alligator's antibody development projects in major commercial markets, and include anti-CD40 antibodies and several bispecific antibody projects. The second subgroup of patent rights provides protection in large commercial markets for Alligator's ALLIGATOR-Gold® and FIND® technology platforms.

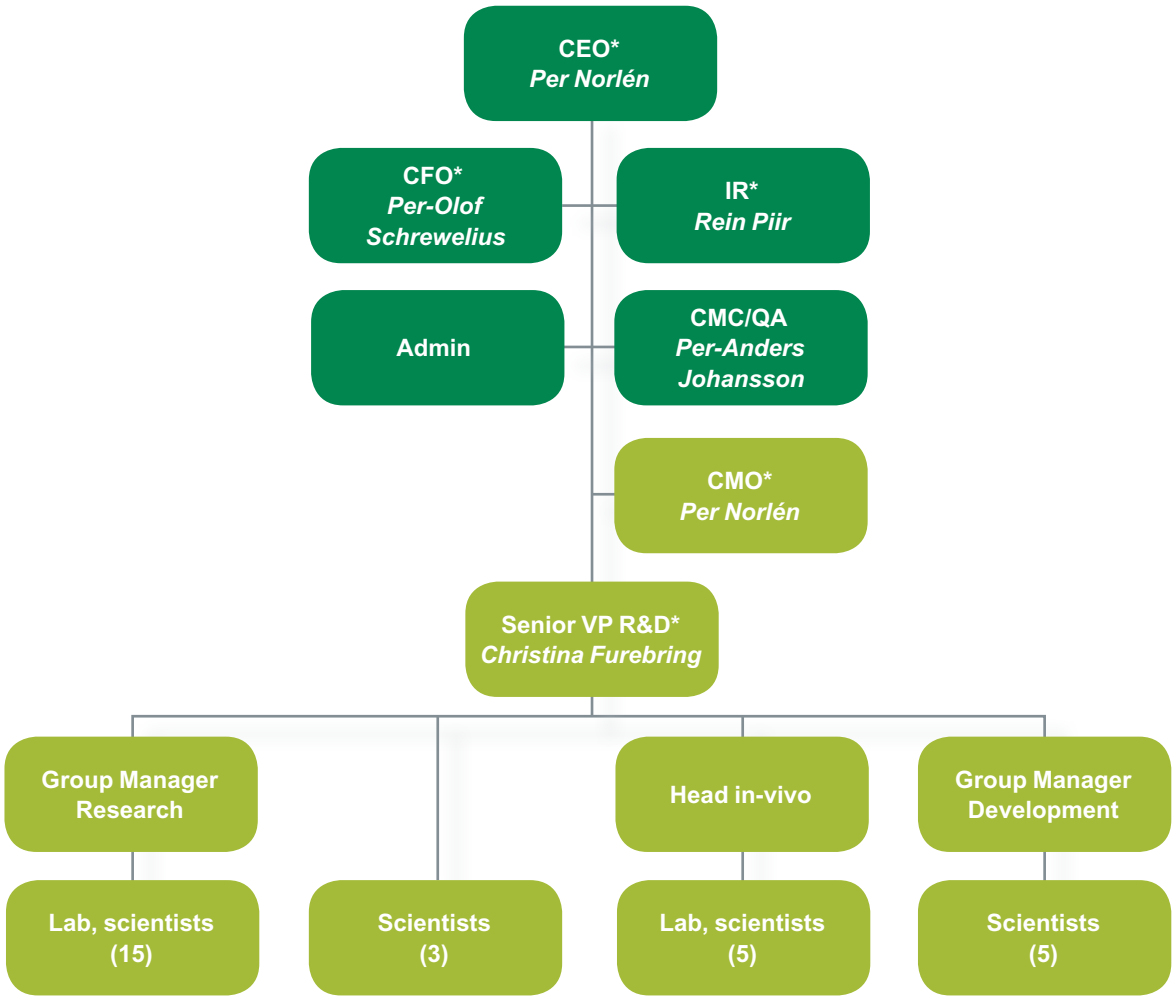
Alligator's policy is to file patent applications to protect its technology, innovations and improvements related to product candidates that are considered important for the development of the Company. The Company also relies on trade secrets, know-how and continued technological innovation in order to maintain and strengthen its position in the market for antibody-based immunotherapy.

Alligator's most important patents and patent applications are summarized in the table below.

| | | Patent status in the largest markets | | | |
|---|---|---|---|---|---|
| | | **Europe** | **USA** | **Japan** | **Due** |
| **Product candidate** | | | | | |
| ADC-1013 | Two patent families, related to antibodies against CD40, and combination therapies including the same | 2 applications (incl. PCT-EP) | 2 applications (incl. PCT-US) | 2 applications (incl. PCT-JP) | 2032 to 2035 |
| ATOR-1015 | A patent family related to the use of bispecific polypeptides which bind OX40 and CTL-4 | 2 applications | 1 application | 1 application | 2034 to 2036 |
| ATOR-1016 | A patent family related to a bispecific antibody | 1 application | | | 2036 |
| **Technology** | | | | | |
| FIND® | Five patent families related to methods for evolution technology for optimizing antibodies and proteins | 3 patents | 10 patents<br>1 application | 2 patents | 2018 to 2026 |
| ALLIGATOR-GOLD® | Method for producing antibodies | 1 application | 1 application | | 2035 |

Alligator uses advanced research and unique technologies in its operations. In order to ensure effective development and effective protection for its inventions, the Company has built internal processes to monitor its intellectual property rights. These processes include adequate contracting terms with employees, consultants and partners Alligator has also built up a long term relationship with a leading international patent agency in order to continually assess whether there are opportunities to develop new intellectual property rights and to file new patent and trademark applications. There is also an ongoing review of the Company's patent strategy in key projects to ensure that they are fully in accordance with Alligator's commercial objectives.

## ORGANIZATIONAL OVERVIEW




* Part of the senior management team. Dark green features belong to Administration and light green features belong to the R&D department.

As per 30 September 2016, Alligator had 35 employees of whom 27 are women and 8 are men. Out of the total number of employees, 31 where active in R&D. The average number of employees in the Company during the 2014–2015 financial years is shown in the table below.

| | 2015 | 2014 |
|---|---|---|
| Average number of employees during the period | 27 | 26 |
| Of whom men | 19 % | 16 % |

Alligator's head office, where all employees are based, is located in the Medicon Village in Lund. Of the employees, about 89 percent are active in R&D while the remaining staff are mainly involved in administration.

# SELECTED HISTORICAL FINANCIAL INFORMATION

*The following summarized financial information presented in this section regarding the full year is taken from Alligator's complete financial information for the 2014 and 2015 financial years, which has been made especially for the Prospectus and prepared in accordance with the Swedish Annual Accounts Act, IFRS and RFR 1 Supplementary Accounting Rules for Groups, and has been audited by the Company's auditor according to RevR 5 Review of financial information in prospectuses. The information regarding the period January–September 2015 and January–September 2016 has been taken from Alligator's interim report for the period January–September 2016, which has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report has been reviewed by the Company's auditor. For further information on applied accounting policies, refer to Note 1 ("Accounting policies and valuation principles") in the section "Historical financial information".*

*The Prospectus contains certain financial performance measures that are not defined under IFRS. The Company believes that these performance measures 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 than Alligator.*

*The information below should be read together with the Company's complete financial information for the 2014 and 2015 financial years, and accompanying notes, and the interim report for the period January – September 2016 (see section "Historical financial information").*

## CONSOLIDATED INCOME STATEMENT

| | Unaudited | | Audited | |
|---|---|---|---|---|
| **Amounts in SEK thousand** | **01.01.2016 –30.09.2016** | **01.01.2015 –30.09.2015** | **01.01.2015 –31.12.2015** | **01.01.2014 –31.12.2014** |
| Net sales | 51,808 | 289,286 | 289,797 | 0 |
| Other operating income | 1,045 | 3,508 | 3,822 | 1,171 |
| **Total operating income** | **52,852** | **292,794** | **293,619** | **1,171** |
| *Operating expenses* | | | | |
| Other external costs | –42,874 | –27,604 | –49,335 | –48,605 |
| Personnel costs | –19,908 | –21,272 | –28,611 | –27,594 |
| Depreciation and impairment of tangible assets and intangible assets | –24,022 | –1,799 | –12,667 | –2,185 |
| **Total operating expenses** | **–86,804** | **–50,675** | **–90,613** | **–78,385** |
| **Operating profit/loss** | **–33,951** | **242,118** | **203,006** | **–77,213** |
| *Results from financial items* | | | | |
| Result from other securities and receivables | 0 | 2,126 | 2,291 | 0 |
| Financial income | 5,838 | 2,583 | 2,081 | 432 |
| Financial expenses | –894 | –1 | –1 | –1 |
| **Total financial items** | **4,944** | **4,709** | **4,371** | **431** |
| **Profit/loss before tax** | **–29,008** | **246,827** | **207,377** | **–76,782** |
| Tax on profit for the period | 0 | 0 | 0 | 0 |
| **Profit for the year attributable to Parent Company shareholders** | **–29 008** | **246 827** | **207,377** | **–76,782** |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Unaudited | | Audited | |
|---|---|---|---|---|
| **Amounts in SEK thousand** | **30.09.2016** | **30.09.2015** | **31.12.2015** | **31.12.2014** |
| **ASSETS** | | | | |
| ***Fixed assets*** | | | | |
| *Intangible assets* | | | | |
| Participations in development projects | 17,949 | 50,149 | 40,069 | 50,149 |
| Patents | 2,535 | 3,757 | 3,354 | 3,934 |
| *Tangible assets* | | | | |
| Equipment, machinery and computers | 4,322 | 1,979 | 2,323 | 2,305 |
| *Financial assets* | | | | |
| Other investments held as fixed assets | 94 | 126 | 95 | 0 |
| **Total fixed assets** | **24,900** | **56,012** | **45,840** | **56,388** |
| ***Current assets*** | | | | |
| *Current receivables* | | | | |
| Accounts receivable | 0 | 0 | 689 | 0 |
| Other receivables | 7,743 | 2,224 | 2,804 | 2,740 |
| Prepaid expenses and accrued income | 4,200 | 1,268 | 1,319 | 1,239 |
| Cash and cash equivalents | 346,457 | 394,895 | 365,605 | 37,428 |
| **Total current assets** | **358,401** | **398,387** | **370,417** | **41,407** |
| **TOTAL ASSETS** | **383,301** | **454,399** | **416,256** | **97,794** |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital | 23,698 | 23,606 | 23,606 | 19,445 |
| Other capital contributions | 337,766 | 335,051 | 335,051 | 218,139 |
| Retained earnings | 38,398 | –169,065 | –169,065 | –92,283 |
| Profit/loss for the period | –29,008 | 246,827 | 207,377 | –76,782 |
| **Equity attributable to Parent Company shareholders** | **370,854** | **436,419** | **396,969** | **68,519** |
| ***Current liabilities*** | | | | |
| Accounts payable | 3,064 | 2,233 | 4,890 | 4,195 |
| Other liabilities | 484 | 9,339 | 632 | 17,735 |
| Accrued expenses and deferred income | 8,899 | 6,408 | 13,765 | 7,345 |
| **Total current liabilities** | **12,447** | **17,980** | **19,287** | **29,275** |
| **TOTAL EQUITY AND LIABILITIES** | **383,301** | **454,399** | **416,256** | **97,794** |

## CONSOLIDATED STATEMENT OF CASH FLOW

| | Unaudited | | Audited | |
|---|---|---|---|---|
| **Amounts in SEK thousand** | **01.01.2016 –30.09.2016** | **01.01.2015 –30-09-2015** | **01.01.2015 –31.12.2015** | **01.01.2014 –31.12.2014** |
| **Operating activities** | | | | |
| Operating profit/loss | –33,951 | 242,118 | 203,006 | –77,213 |
| Effect from share related remuneration | 86 | 0 | 0 | 0 |
| Depreciation and impairments | 24,022 | 1,799 | 12,667 | 3,186 |
| **Cash flow from operating activities** | **–9,843** | **243,916** | **215,673** | **–74,027** |
| Interest received | 343 | 38 | 43 | 431 |
| Interest paid | –3 | –1 | –1 | –1 |
| Tax paid | 0 | 0 | 0 | 0 |
| **Cash flow from operating activities before changes in working capital** | **–9,503** | **243,954** | **215,715** | **–73,597** |
| *Changes in working capital* | | | | |
| Change in operating receivables | –7,131 | 487 | –833 | 3,195 |
| Change in operating liabilities | –6,840 | –11,296 | –9,988 | 7,665 |
| **Cash flow from operating activities** | **–23,474** | **233,145** | **204,894** | **–62,737** |
| *Investment activities* | | | | |
| Disposal of participations in other companies | 0 | 2,000 | 2,291 | 0 |
| Acquisition of intangible assets | –164 | –1,019 | –1,187 | –2,667 |
| Acquisition of tangible assets | –2,926 | –277 | –838 | –1,359 |
| **Cash flow from investment activities** | **–3,090** | **704** | **266** | **–4,026** |
| *Financing activities* | | | | |
| New share issue | 2,070 | 121,073 | 121,073 | 34,034 |
| Warrant premiums received | 737 | 0 | 0 | 931 |
| **Cash flow from financing activities** | **2,807** | **121,073** | **121,073** | **34,965** |
| **Total cash flow for the period** | **–23,757** | **354,922** | **326,232** | **–31,797** |
| **Cash and cash equivalents at beginning of period** | **365,605** | **37,428** | **37,428** | **69,224** |
| **Exchange rate differences in cash and cash equivalents** | **4,608** | **2,545** | **1,944** | **1** |
| **Cash and cash equivalents at end of period** | **346,457** | **394,895** | **365,605** | **37,428** |

## PERFORMANCE MEASURES

Of the performance measures listed below, only "Earning per share before dilution" and "Earning per share after dilution" are mandatory performance measures defined by IFRS. Of the remaining performance measures, "Net sales", "Profit/loss for the period", "Cash and cash equivalents at the end of the period", "Cash flow from the operating activities", "Cash flow for the period" and "Equity" are performance measures taken from an IFRS defined economic formation, while "Operating profit/loss", "R&D costs", "R&D costs as a percentage of operating costs excluding impairments", "Equity per share before dilution", "Equity per share after dilution", "Equity ratio", "Average number of employees" and "Average number of employees employed within R&D" are alternative performance measures selected by the Company.

| | 01.01.2016 –30.09.2016 | 01.01.2015 –30-09-2015 | 01.01.2015 –31.12.2015 | 01.01.2014 –31.12.2014 |
|---|---|---|---|---|
| Net sales[1], TSEK | 51,808 | 289,286 | 289,797 | 0 |
| Operating profit/loss[1], TSEK | –33,951 | 242,118 | 203,006 | –77,213 |
| Profit/loss for the period,[1] TSEK | –29,008 | 246,827 | 207,377 | –76,782 |
| Earnings per share before dilution[1], SEK | –0.49 | 4.62 | 3.81 | –1.59 |
| Earnings per share after dilution[1)2)], SEK | –0.49 | 4.48 | 3.70 | –1.59 |
| R&D costs[3], TSEK | –40,206 | –30,880 | –49,490 | –42,352 |
| R&D costs as a percentage of operating costs excluding impairments[3] | 63.6% | 60.9% | 61.5% | 54.0% |
| Cash and cash equivalents at end of period[1], TSEK | 346,457 | 394,895 | 365,605 | 37,428 |
| Cash flow from operating activities[1], TSEK | –23,474 | 233,145 | 204,894 | –62,737 |
| Cash flow for the period[1], TSEK | –23,757 | 354,922 | 326,232 | –31,797 |
| Equity[1], TSEK | 370,854 | 436,419 | 396,969 | 68,519 |
| Equity per share before dilution[3], SEK | 6.26 | 7.40 | 6.73 | 1.41 |
| Equity per share after dilution[3], SEK | 5.91 | 7.20 | 6.55 | 1.36 |
| Equity ratio[3], % | 97% | 96% | 95% | 70% |
| Average number of employees[3] | 31 | 26 | 27 | 26 |
| Average number of employees employed within R&D[3] | 28 | 23 | 24 | 23 |

1) For the full year 2014 and 2015, the performance measure is audited and taken from Alligator's audited financial information. For the periods 1 January – 30 September 2015 and 2016, the performance measure is unaudited and taken from Alligator's reviewed interim report for the period 1 January – 30 September 2016.
2) The dilution effect is not taken into consideration for negative results.
3) The performance measure is neither audited nor reviewed.

## DERIVATION OF PERFORMANCE MEASURES

Alligator presents in the Prospectus certain financial performance measures, including measures that are not defined under IFRS. The Company believes that these measures 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 the performance measures "Earnings per share before dilution" and "Earnings per share after dilution" which are mandatory according to IFRS, but also for the performance measures "R&D costs", "R&D costs / Operating costs excluding impairments %", "Equity per share before dilution", "Equity per share after dilution" and "Equity ratio" that are not defined under IFRS or where the calculation is not shown in another table in the Prospectus.

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

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 "Definitions" below.

| | 01.01.2016 –30.09.2016 | 01.01.2015 –30-09-2015 | 01.01.2015 –31.12.2015 | 01.01.2014 –31.12.2014 |
|---|---|---|---|---|
| Profit/loss for the period[1], TSEK | –29,008 | 246,827 | 207,377 | –76,782 |
| Average number of shares before dilution[1] | 59,108,267 | 53,445,002 | 54,393,338 | 48,355,761 |
| **Earnings per share before dilution[1], SEK** | **–0.49** | **4.62** | **3.81** | **–1.59** |
| Average number of shares after dilution[1] | 61,495,683 | 55,050,002 | 55,998,338 | 48,355,761 |
| **Earnings per share after dilution[1], SEK** | **–0.49** | **4.48** | **3.70** | **–1.59** |
| Operating costs[1], TSEK | –85,347 | –50,675 | –90,613 | –78,385 |
| Impairment of tangible assets and intangible assets[1], TSEK | 22,120 | 0 | 10,080 | 0 |
| **Operating costs excluding impairments[2], TSEK** | **–63,227** | **–50,675** | **–80,533** | **–78,385** |
| Administrative expenses[2], TSEK | 21,120 | 17,996 | 28,456 | 33,848 |
| Depreciation[1], TSEK | 1,901 | 1,799 | 2,587 | 2,185 |
| **R&D costs[2], TSEK** | **–40,206** | **–30,880** | **–49,490** | **–42,352** |
| **R&D costs / Operating costs excluding impairments[2] %** | **63.6%** | **60.9%** | **61.5%** | **54.0%** |
| Equity[1], TSEK | 370,854 | 436,419 | 396,969 | 68,519 |
| Average number of shares before dilution[2] | 59,244,384 | 59,014,384 | 59,014,384 | 48,612,244 |
| **Equity per share before dilution[2], SEK** | **6.26** | **7.40** | **6.73** | **1.41** |
| Average number of shares after dilution[2] | 62,802,164 | 60,619,384 | 60,619,384 | 50,217,244 |
| **Equity per share after dilution[2], SEK** | **5.91** | **7.20** | **6.55** | **1.36** |
| Equity[1], TSEK | 370,854 | 436,419 | 396,969 | 68,519 |
| Total assets[1], TSEK | 383,301 | 454,399 | 416,256 | 97,794 |
| **Equity ratio[2], %** | **97%** | **96%** | **95%** | **70%** |

1) For the full year 2014 and 2015, the item is audited and taken from Alligator's audited financial information. For the periods 1 January – 30 September 2015 and 2016, the item is unaudited and taken from Alligator's reviewed interim report for the period 1 January – 30 September 2016.
2) The item is neither audited nor reviewed.

## DEFINITIONS

| Performance measure | Definition | Reason for including financial performance measures not defined by IFRS |
|---|---|---|
| **Net sales** | Revenues for goods and services sold in the main operation during the current period. | |
| **Operating profit/loss** | Profit/loss before financial items and tax. | Operating result provides a view of the profit/loss that the Company's ordinary operation has generated. |
| **Profit/loss per share before and after dilution** | Profit/loss divided by the weighted average number of shares during the period before and after dilution. | |
| **Average number of shares before and after dilution** | Average number of shares outstanding during the period before and after dilution. | |
| **R&D costs** | The Company's direct costs for research and development. Relates to costs for personnel, materials and external services. | The Company's main business operation is to conduct research and development. The management considers R&D costs an important parameter to monitor as an indicator of the level of activity in the Company. |
| **R&D costs/Operating costs excluding impairments** | R&D costs divided by operating costs excluding impairment losses. Operating costs excluding impairment losses includes other external costs, costs for personnel and depreciations (excluding impairments of tangible and intangible assets). | Management considers the Company's R&D costs in relation to total costs excluding impairments to be an important parameter to monitor as an indicator showing the share of the Company's total costs relating to its main operation. |
| **Cash and cash equivalents** | Cash and bank balances. | |
| **Cash flow from the operating activities** | Cash flow before investment activities and financing activities. | |
| **Cash flow for the period** | The change of liquid assets excluding effect from unrealized profits and losses on exchange rates. | |
| **Equity per share before and after dilution** | Equity divided by number of shares at the end of the period before and after dilution. | Management uses this ratio to monitor the value of the equity per share before and after dilution. |
| **Equity ratio** | Equity as a percentage of total assets. | Management monitors this ratio as an indicator of the financial stability of the Company. |
| **Average number of employees** | The average number of employees in the Company at the beginning and at end of period. | |
| **Average number of employees in R&D** | The average number of employees in the Company's research and development departments at the beginning and at the end of the period. | |

# OPERATING AND FINANCIAL REVIEW

*The information presented below should be read together with the sections "Selected historical financial information" and "Historical financial information". The information below contains forward-looking statements which are subject to various risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements for a variety of factors, including but not limited to, those described in the section "Important Information – Forward-looking Information" on the inside of the Prospectus and in the section "Risk Factors".*

## FACTORS AFFECTING THE RESULT OF THE BUSINESS OPERATIONS

The successful development of product candidates is highly uncertain, and the Company expects to continue to incur operating losses for the foreseeable future as it develops its product candidates. At this time, the Company cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the remainder of the development of these product candidates. The Company is also unable to predict when, if ever, material cash inflows will commence from sales of products based on the Company's product candidates.

The main factors that Alligator judges to have affected the results of operations and which can be expected to continue to affect the Company's results, are described below.

### RESEARCH AND DEVELOPMENT

Alligator's core business is focused exclusively on research and development. For Alligator to be able to continue to be successful, innovation and development must always be the highest priority. Alligator currently has one product candidate that is in the clinical phase and a number of product candidates that are subject to pre-clinical studies and research, see "Alligator's project portfolio" in the section "Business description". The product candidates require further research and development and projects are therefore subject to the usual risks, including that the development is delayed and that the costs will be higher than expected or that product candidates may prove to be ineffective or have unacceptable side effects, see further in the section "Risk Factors".

The Company's research and development costs relate to the development of its product candidates and other research projects and includes the salaries of research personnel, renting of laboratory facilities, laboratory supplies and the costs of outsourced services, such as cell line development and clinical studies. It also includes the costs of maintaining and overseeing the Company's intellectual property portfolio, including the costs of legal counsel and associated filing and maintenance fees.

Alligator's research and development costs in 2015 amounted to SEK 49.5 million (SEK 42.4 million in 2014), which is equivalent to 61.5 percent (54.0 percent in 2014) of the operating costs excluding write-downs, see definition in the section "Selected Historical Financial Information". The Company expects that expenditures for research projects and the further development of product candidates will continue to increase as the Company progresses its pre-clinical and clinical programs into their next phases. The total cost of running Alligator's ongoing development projects up to licensing is expected to be substantial and will largely be dependent on Alligator's ability to timely and successfully complete the various project activities.

### LICENSING, COLLABORATIONS AND OTHER INCOME

Alligator's revenue has previously been generated from collaboration and license agreements, governmental grant support and partly from research and development support. The Company has so far entered into a licensing agreement for ADC-1013 with Janssen – see "Licensing and partnership with Janssen" in the section "Business Decription" for a detailed description of this collaboration – which has generated the main part of the Company's revenue so far and accounted for the Company's full net revenue during 2015. Thus, Alligator is and will continue to be dependent on license and collaboration agreements on the development of product candidates and commercialization of these in different markets respectively in order to generate income.

In the future, the Company will seek to generate revenue from license and collaboration agreements through a combination of upfront fees, milestone payments, licensing and royalty payments. In addition, Alligator may be entitled to compensation for services rendered and for costs incurred, e.g. for studies conducted and for maintaining patent protection. All revenues, apart from compensation for services rendered and costs incurred, is dependent on the specific project progressing well and achieving agreed development or regulatory milestones and that the finished products are then launched and sold. The size of potential future sales is uncertain and the Company expects future fluctuations over time due to the terms of its collaboration agreements, the rate of which any of its product candidates is successfully commercialized as well as the volume and timing of potential sales of final products.

### TAXES

With the exception of the 2015 financial year, Alligator has been generating operating losses since its formation. These losses have accumulated tax losses which amounted to approximately SEK 241 million as per 31 December 2015. However, it is uncertain when these losses carried forward will be able to be utilized to offset against taxable profits. A deferred tax asset attributable to the loss carried forward is therefore of no value in the consolidated statement of financial position. As stated in the section "Risk Factors", Alligators opportunities to utilize losses carried forward is affected by certain applicable limitation rules and any future changes in applicable tax laws.

### EXCHANGE RATE FLUCTUATIONS

Alligator is domiciled in Sweden and reports its financial position and earnings in SEK. Alligator's revenue currently consists primarily of payments in accordance with the license agreement concluded with Janssen and these payments are received in USD. Alligator also purchases, on an ongoing basis, services in currencies other than SEK, primarily in EUR. Currency flows associated with the purchase and sale of goods in currencies other than SEK give rise to a so-called transaction exposure. Subsequently, potential currency exchange rate fluctuations could have a material adverse effect on the Company's earnings. See also the section "Risk factors".

## SEGMENT

The Company has only one business operation and therefore a single operating profit on which the board 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.

## ITEMS IN THE INCOME STATEMENT

### NET SALES

Net sales are the Company's income in the form of milestone payments, license revenues, royalties and the sales of development related goods and services.

### OTHER OPERATING INCOME

Other operating income includes EU grants, Swedish government grants, other grants received and foreign exchange rate gains attributable to operations.

### OPERATING EXPENSES

Operating expenses consist of other costs, personnel costs and depreciation, amortization and impairment.

Other external costs consist of administrative costs such as rent, Board members' fees and fees to the auditor and other advisers. Other costs include costs for research, research collaborations, pre-clinical studies, production of product candidates for clinical studies, and the implementation of clinical studies.

Personnel costs include fixed and variable remuneration, social security fees and pension costs.

Depreciation according to plan and impairment of tangible and intangible assets consist of depreciation and impairment of tangible and intangible assets.

### OPERATING PROFIT/LOSS

Operating profit/loss is calculated by deducting other operating costs, personnel costs and depreciation, amortization and impairment from the sum of net sales and other operating income.

### RESULTS FROM FINANCIAL ITEMS

The result from financial items consist primarily of interest income on the Company's bank deposits, profits from the sale of securities and foreign exchange rate profits and losses which are reported on a net basis.

### PROFIT BEFORE AND AFTER TAX

Profit before and after tax refers to the profit/loss for the period before and after income tax respectively.

## COMPARISON OF THE PERIOD JANUARY – SEPTEMBER 2016 AND JANUARY – SEPTEMBER 2015

### NET SALES

Alligator's net sales amounted to SEK 51,808 thousand during the period January – September 2016 compared with SEK 289,286 thousand during the same period in 2015. Revenue during the period January – September 2016 has mainly been generated during the first quarter as the Company achieved a milestone payment according to the license agreement with Janssen, whereas the revenue during the same period 2015 was mainly generated in the third quarter as an initial payment according to the license agreement with Janssen was received.

### OTHER OPERATING INCOME

Alligator's other operating income amounted to SEK 1,045 thousand during the period January – September 2016 compared with SEK 3,508 thousand during the same period in 2015. This income mainly relates to governmental grants for a Vinnova project and profits on exchange.

### OPERATING EXPENSES

Alligator's total operating costs totaled SEK 86,804 thousand in the period January–September 2016 compared with SEK 50,675 thousand in the same period in 2015, corresponding to an increase of 71 percent. The single largest difference between the periods is that a research project with Biosynergy was written down by SEK 22,120 thousand during the second quarter of 2016. The write-down was made due to revised assessments of the project's market conditions as the probability to achieve milestones and for the project to result in a drug were considered to have been reduced as well as an agreement on new terms giving Alligator the right to less future proceeds than before. Other material differences between the periods include increased costs for external contract research (primarily for ATOR-1016) and costs relating to the initial public offering during the period January – September 2016 as well as costs for advisors in connection with the concluding of the license agreement for ADC-1013 during the same period 2015, which positively affects the comparison.

Alligator's personnel costs totaled SEK 19,908 thousand in the period January–September 2016 compared with SEK 21,272 thousand in the same period in 2015, corresponding to and decrease of approximately 6 percent. The Company has had more employees and higher costs during January – September 2016, but the same period for 2015 included costs relating to dismissal pay, redundancy payments and pension costs for retiring CEO.

Alligator's total depreciation, amortization and impairments amounted to SEK 24,022 thousand in the period January–September 2016 compared with SEK 1,799 thousand in the same period in 2015, corresponding to an increase of approximately 1,235 percent. The increase is explained by write-downs in the Biosynergy research project, which is described above.

### OPERATING PROFIT/LOSS

Alligator's operating profit/loss amounted to SEK –33,951 thousand for the period January–September 2016 compared with SEK 242,118 thousand in the same period in 2015. The change is essentially explained by what is described under "Net sales" and "Operating expenses" above.

### RESULTS FROM FINANCIAL ITEMS
Alligator's net sales amounted to SEK 4,944 thousand during the period January – September 2016 compared with SEK 4,709 thousand during the same period in 2015. This mainly reflects accrued interest income and currency exchange rate profits and losses due to retaining cash funds in EUR and USD. During the same period previous year a capital gain of SEK 2,000 thousand was made due to disposal of securities.

### PROFIT BEFORE AND AFTER TAX
Alligator's operating profit/loss both before and after tax amounted to SEK –29,008 thousand for the period January–September 2016 compared to SEK 246,827 thousand in the same period in 2015.

### CASH FLOW
Alligator's cash flow amounted to SEK –23,757 thousand for the period January–September 2016 compared to SEK 354,922 thousand in the same period in 2015. The cash flow from the operating activities amounted to SEK –23,474 thousand during 2016 compared to SEK 233,145 thousand during 2015. The change was mainly due to the initial payment according to the license agreement with Janssen which was received during 2015. The cash flow from the investment activities generated a net outflow of SEK –3,090 thousand during January – September 2016 compared to a net inflow of SEK 704 thousand during the same period 2015. The change was mainly due to disposal of securities during 2015 which generated an inflow of SEK 2,000 thousand. The cash flow from the financing activities generated an inflow of SEK 2,807 thousand during January – September 2016 compared to an inflow of SEK 121,073 thousand during the same period 2015. The inflow during 2015 was due to executed share issues of which SEK 82,586 thousand were directed to JJDC in connection with the conclusion of the license agreement with Janssen.

### LIQUIDITY AND FINANCIAL POSITION
Alligator's equity at the end of September 2016 totaled SEK 370,854 thousand compared with SEK 436,419 thousand at the end of September 2015. Alligator's equity at the end of September 2016 totaled SEK 383,301 thousand compared with SEK 454,399 thousand at the end of September 2015. Alligator's cash and cash equivalents at the end of September 2016 totaled SEK 346,457 thousand compared with SEK 394,895 thousand at the end of September 2015.

## COMPARISON OF THE 2015 AND 2014 FINANCIAL YEARS
### NET SALES
Alligator's net sales amounted to SEK 289,797 thousand in 2015 compared with SEK 0 in 2014. Net sales were attributable in their entirety to the initial payment under the licensing agreement with Janssen.

### OTHER OPERATING INCOME
Alligator's other operating revenue amounted to SEK 3,822 thousand in 2015 compared with SEK 1,171 thousand in 2014, equivalent to an increase of around 226 percent. The increase is mainly attributable to a foreign exchange gain related to operations (invoicing of the initial payment from Janssen).

### OPERATING EXPENSES
Alligator's total operating expenses amounted to SEK 90,613 thousand in 2015 compared with SEK 78,385 thousand in 2014, equivalent to an increase of around 16 percent. In 2015, a phase I clinical study was started for ADC-1013, which accounted for the bulk of other external costs during the year (a total of SEK 49,335 thousand). In 2014, the largest item in other external costs (total SEK 48,605 thousand) was the production of drug candidates and pre-clinical studies for ADC-1013.

Alligator's personnel costs amounted to SEK 28,611 thousand in 2015 compared with SEK 27,594 thousand in 2014, equivalent to an increase of around 4 percent. In 2015, SEK 5,254 thousand was charged to personnel costs in respect of dismissal pay, redundancy payments and pension costs for the former CEO.

Alligator's total depreciation, amortization and impairments amounted to SEK 12,667 thousand in 2015 compared with SEK 2,185 thousand in 2014, equivalent to an increase of around 480 percent. The increase is explained by the fact that an impairment of SEK 10,080 thousand was made in 2015 in respect to the rights to a joint project.

### OPERATING PROFIT/LOSS
Alligator's operating profit totaled SEK 203,006 thousand in 2015 compared with a loss of SEK –77,213 thousand in 2014. The rise can be explained in all material respects by that stated under "Net sales" and "Operating expenses" above.

### RESULTS FROM FINANCIAL ITEMS
Alligator's profit from financial items amounted to SEK 4,371 thousand in 2015 compared with SEK 431 thousand in 2014, equivalent to an increase of around 914 percent. The increase is explained by the fact that in 2015 Alligator received a gift of unlisted shares which were sold in 2015 with a capital gain of SEK 2,290 thousand and in 2015 Alligator made a profit in respect of exchange rate differences of SEK 1,944 thousand.

### PROFIT BEFORE AND AFTER TAX
Alligator's profit both before and after tax amounted to SEK 207,377 thousand in 2015 compared with a loss of SEK –76,782 thousand in 2014.

### CASH FLOW
Alligator's cash flow amounted to SEK 326,232 thousand in 2015 compared with SEK –31,797 thousand in 2014. Cash flow from operating activities amounted to SEK 204,894 thousand in 2015 compared with SEK –62,737 thousand in 2014. The change was largely attributable to the initial payment under the licensing agreement with Janssen. Cash flow from investing activities generated a net outflow of SEK 266 thousand in 2015 compared with a net outflow of SEK 4,026 thousand in 2014. Cash flow from financing activities generated an inflow of SEK 121,073 thousand in 2015 compared with an inflow of SEK 34,965 thousand in 2014. The inflow in 2015 was attributable to new share issues, of which SEK 82,586 thousand related to the share issue directed to JJDC in connection with the conclusion of the license agreement with Janssen.

### LIQUIDITY AND FINANCIAL POSITION
Alligator's equity at the end of 2015 totaled SEK 396,969 thousand compared with SEK 68,519 thousand at the end of 2014. The balance sheet total at the end of 2015 totaled SEK 416,256 thousand compared with SEK 97,794 thousand at the end of 2014. Alligator's cash and cash equivalents at the end of 2015 totaled SEK 365,605 thousand compared with SEK 37,428 thousand at the end of 2014.

# CAPITAL STRUCTURE AND OTHER FINANCIAL INFORMATION

*The tables in this section show Alligator's capitalization and indebtedness at Group level as of 30 September, 2016. See the section "Share capital and ownership structure" for additional information on Alligator's share capital and shares. The tables in this section should be read together with sections "Operational and financial overview" and "Historical financial information".*

## EQUITY AND LIABILITIES

Alligator's capitalization as per 30 September 2016 is shown below.

| SEK thousand | 30 september 2016 |
|---|---|
| **Current liabilities:** | |
| Against guarantee or surety | 0 |
| Against collateral | 0 |
| Without guarantee/surety or security | 12,447 |
| Total current liabilities | 12,447 |
| **Long-term liabilities:** | |
| Against guarantee or surety | 0 |
| Against collateral | 0 |
| Without guarantee/surety or security | 0 |
| Total long-term liabilities | 0 |
| **Total indebtedness:** | **12,447** |
| **Equity:** | |
| Share capital | 23,698 |
| Other capital contributions | 337,766 |
| Accumulated profit or loss including profit/ loss for the period | 9,390 |
| Total equity: | 370,854 |
| **Total capitalization:** | **383,301** |

## NET INDEBTEDNESS

Alligator's net indebtedness as per 30 September 2016 is shown below.

| | SEK thousand | 30 september 2016 |
|---|---|---|
| (A) | Cash | 0 |
| (B) | Cash equivalents | 346,457 |
| (C) | Easily realizable securities | 0 |
| **(D)** | **Total cash and cash equivalents (A)+(B)+(C)** | **346,457** |
| (E) | Current financial receivables | 0 |
| (F) | Current liabilities to banks | 0 |
| (G) | Current part of long-term liabilities | 0 |
| (H) | Other current liabilities (non interest-bearing) | 12,447 |
| **(I)** | **Total current liabilities (F)+(G)+(H)** | **12,447** |
| **(J)** | **Net current financial indebtedness (I)-(E)-(D)** | **–334,010** |
| (K) | Long-term bank loans | 0 |
| (L) | Bonds issued | 0 |
| (M) | Other long-term liabilities | 0 |
| **(N)** | **Long-term financial indebtedness (K)+(L)+(M)** | **0** |
| **(O)** | **Financial net indebtedness (J)+(N)** | **–334,010** |

## STATEMENT REGARDING WORKING CAPITAL

Alligator believes that the current working capital is sufficient to cover needs over the next twelve months. This means that the Company can meet its payment obligations as they fall due for payment.

## RESEARCH AND DEVELOPMENT

Alligator's core business is focused exclusively on research and development (R&D). In order for Alligator to be able to continue to be successful, innovation and development must always be the highest priority. Development related to the Company's product candidates is associated with considerable risk and it is possible that licensing and/or commercialization is never achieved. Alligator's research and development activities are described in more detail under "Research and development" in the section entitled "Description of the Business".

In accordance with IAS 38, all costs related to research and development related to the development of the Company's product candidates are expensed. The Company's research and development costs will only be capitalized as intangible assets in accordance with IFRS rules.

The table below shows Alligator's costs for research and development during the 2014 and 2015 financial years and for the period January to September in 2015 and 2016. For a definition of "R&D costs", see "Definitions" in the section "Selected historical financial information".

| | 01.01.2016 –30.09.2016 | 01.01.2105 –30.09.2015 | 01.01.2015 –31.12.2015 | 01.01.2014 –31.12.2014 |
|---|---|---|---|---|
| R&D costs | 40,206 | 30,880 | 49,490 | 42,352 |

## INVESTMENTS

The table below summarizes Alligator's total investments during the 2014 and 2015 financial years and during the period January to September in 2015 and 2016. Investments in intangible assets relate mainly to patents and investments in tangible assets relate mainly to laboratory equipment.

| SEK thousand | 01.01.2016 –30.09.2016 | 01.01.2105 –30.09.2015 | 01.01.2015 –31.12.2015 | 01.01.2014 –31.12.2014 |
|---|---|---|---|---|
| Intangible assets | 164 | 1,019 | 1,187 | 1,666 |
| Tangible assets | 2,926 | 277 | 838 | 1,359 |
| **Total** | **3,090** | **1,296** | **2,025** | **3,025** |

### ONGOING AND FUTURE INVESTMENTS

The Company does not have any ongoing or planned significant future investments.

## FIXED ASSETS

Alligator's tangible assets totaled SEK 4,322 thousand as per 30 September 2016 and consist primarily of laboratory equipment. The Company's intangible assets amounted to SEK 20,484 thousand as per 30 September 2016 and consist of patents and participations in development projects.

## NEW SHARE ISSUE

With the authorization from the Annual General Meeting of 20 April 2016, the Board of Alligator intends to decide on a new issue of shares in connection with the Offering. The new share issue will give Alligator SEK 350 million before transaction costs, see also the section "Invitation to acquire shares in Alligator".

## TAX SITUATION

As per 31 December 2015, Alligator had accumulated unused losses carried forward amounting to SEK 241 million. There is no maturity date that limits the opportunity to utilize of losses carried forwards. However, it is uncertain when these losses carried forward will be able to be utilized to offset against taxable profits. A deferred tax asset attributable to the loss carried forward is therefore of no value in the consolidated statement of financial position. As stated in the section "Risk Factors", Alligators opportunities to utilize losses carried forward is affected by certain applicable limitation rules and any future changes in applicable tax laws.

## SIGNIFICANT EVENTS AFTER 30 SEPTEMBER 2016

- Janssen has started dosing the first patient in an intravenous phase I study with ADC-1013.

Beyond the events mentioned above, there have not been any material changes to the Company's financial position or market position since 30 September 2016.

# BOARD OF DIRECTORS, SENIOR MANAGEMENT AND AUDITORS

## BOARD MEMBERS

According to Alligator's Articles of Association, the Board of Directors shall consist of no less than three and no more than eight members. The Board currently consists of seven members who were elected by the general meeting on 20 April 2016 for the period until the end of the 2017 annual general meeting.

| Name | Position | Elected | Independent in relation to the Company and its management | Independent in relation to major shareholders | Holdings in Alligator [1)] |
|---|---|---|---|---|---|
| Peter Benson | Chairman | 2011 | Yes | No | |
| Carl Borrebaeck | Board member | 2001 | No | Yes | 1,200,833 shares |
| Jakob Lindberg | Board member | 2013 | Yes | No | |
| Kenth Petersson | Board member | 2001 | Yes | Yes | 408,000 shares |
| Mathias Uhlén | Board member | 2013 | Yes | Yes | 1,152,000 shares |
| Jonas Sjögren | Board member | 2015 | Yes | Yes | 4,674,700 shares / 40,000 warrants |
| Ulrika Danielsson | Board member | 2016 | Yes | Yes | |

1) Refers to shares and warrants held in their own name as well as by affiliated natural and legal persons.

### Peter Benson (Chairman of the Board)

born 1955, Chairman since 2014 and Board member since 2011 – is a Swedish graduate in business administration from Lund University in Sweden and has an MA in Economics from the University of California. Peter Benson is the Managing 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 a part of Pharmacia AB's group management.

**Other current positions**: Board member of Arcoma Aktiebolag, Jollingham AB, Montela Aktiebolag, Opsona Therapeutics Ltd., Sunstone Capital A/S, Sunstone LSV Management A/S, Sunstone LSV Partners & Co. Holding ApS, Sunstone LSV GP BI Holding ApS, Sunstone LSV General Partner BI ApS, Sunstone LSV General Partner II ApS, Sunstone LSV GP I Holding ApS, Sunstone LSV Invest II Holding ApS, Sunstone LSV Invest II ApS, Sunstone LSV Special Limited Partner II ApS, Sunstone LSV General Partner I ApS and Sunstone LSV Special LP II Holding ApS. Board member of Jelly-Bean Aktiebolag. CEO of Sunstone LSV Partners Holding ApS. member of management (executive) in Sunstone Capital A/S, Sunstone LSV Management A/S, Sunstone LSV Special Limited Partner III Holding ApS, Sunstone LSV Invest III Holding ApS, Sunstone TV (LSV) Special Limited Partner III ApS, Sunstone LSV Special Limited Partner III ApS, Sunstone LSV General Partner III ApS, Sunstone LSV Invest III ApS and Jollingham ApS.

**Previous positions (in the last five years)**: Board member of Spiber Technologies AB, XIMI 2015 Holding AB, Virogates A/S, Atlas Therapeutics AB, Zealand Pharma A/S, Virogates A/S, Asante Solutions Inc. and P/S Sunstone Biomedicinsk Venture III. Member of management (direktion) of Sunstone LSV & Co. Invest III Holding ApS, Sunstone LSV Special Limited Partner III Holding ApS, Sunstone LSV & Co. Special Limited Partner III Holding ApS, Sunstone LSV Invest III Holding ApS, P/S Sunstone Biomedicinsk Venture III, Sunstone LSV Partners & Co. Holding III ApS and Sunstone LSV Partners Holding III ApS.

**Holdings in Alligator**: –

*Independent in relation to the Company and its senior management, but not in relation to major shareholders.*

### Carl Borrebaeck (Board member)

Carl Borrebaeck – born 1948, Board member since 2001 – is a Swedish graduate engineer from Lund University, Professor at the Department of Immunotechnology and Programme Director of the CREATE Health Translational Cancer Research Center at Lund University. Carl Borrebaeck is a co-founder of Alligator and is a board member of the Royal Swedish Academy of Engineering Sciences and former Vice-Chancellor of Lund University.

**Other current positions**: Chairman of Immunovia AB (publ) and SanzaGen AB. Board member of Clinical Laserthermia Systems AB and CB Ocean Capital AB. Deputy Board member of Endo Medical AB. Partner of Immunova HB.

**Previous positions (in the last five years)**: Chairman of LU Holding AB. Board member of Atlas Therapeutics AB, BioInvent International Aktiebolag, Wntresearch AB and Medicon Village AB. Deputy board member of Ideon Center AB.

**Holdings in Alligator**: 1,200,833 shares.

*Non-independent in relation to the Company and its senior management, but independent in relation to major shareholders.*

### Jakob Lindberg (Board member)

Jakob Lindberg – born 1972, Board member since 2013 – is a Med. Lic. in molecular immunology, has an MSc in Pre-clinical Medicine from Karolinska Institutet medical university and a BA in Finance and Administration from Stockholm University. Jakob Lindberg is CEO of Oncopeptides AB and Venture Partner in Investor Growth Capital Europe.

**Other current positions**: Board member of Dipylon Medical AB, Atlas Antibodies AB, Affibody Medical AB, Lindberg Life-Science AB and Bostadsrättsföreningen Astraea. Deputy Board member of Oncopeptides Incentive AB. CEO of Lindberg Life-Science AB and Oncopeptides AB.

**Previous positions (in the last five years)**: Board member of Atlas Therapeutics AB, Aktiebolaget Kihlströms Frimärkshandel, Newron Sweden AB, Fiomi Diagnostics AB, Ginolis AB, SciBase Intressenter AB, SciBase Holding AB (publ), SciBase AB, Vårdapoteket i Norden AB, Bostadsrättsföreningen Johannes Mindre and Newron SpA. Deputy Board member of Dipylon AB and Eirus Medical AB. Holder of the private business Marikob.

**Holdings in Alligator**: –

*Independent in relation to the Company and its senior management, but not in relation to major shareholders.*

### Kenth Petersson (Board member)

Kenth Petersson – born 1956, Board member since 2001 – has a BA from Lund University and has 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 Aktiebolag, Biocrine AB, Biocrine Regenative Medicine Aktiebolag and Spiber Technologies AB. Board member of Science Pacific Aktiebolag and Genovis Aktiebolag.

**Previous positions (in the last five years)**: Chairman of Diabetes Tools Sweden AB. Board member of BioInvent International Aktiebolag, Immunovia AB (publ) and Oligomer Sciences AB. Deputy Board member of Diabetes Tools Sweden AB.

**Holdings in Alligator**: 408,000 shares.

*Independent in relation to the Company, its senior management and major shareholders.*

### Mathias Uhlén (Board member)

Mathias Uhlén – born 1954, Board member since 2013 – is Professor of Microbiology at the Swedish Royal Institute of Technology and the Technical University of Denmark and is active in a wide range of biotechnology, with a focus on antibody-based methods and analyzes. Mathias Uhlén is a member of the National Academy of Engineering (NAE) in the USA, the Royal Swedish Academy of Sciences (KVA) and the Royal Swedish Academy of Engineering Sciences (IVA) .

**Other current positions**: Chairman of Antibodypedia AB and Atlas Antibodies AB. Board member of Affibody Medical AB, Antibodies Incentive AB, Atlasab Intressenter AB, Bure Equity AB, MU Bioteknik AB and Woodheads AB, Novozymes A/S, Stockholm Science City Foundation and the Human Proteome Resource research foundation.

**Previous positions (in the last five years)**: Board member of KTH Holding AB, Atlas Therapeutics AB, Nordiag ASA, SweTree technologies AB and the Swedish Foundation for Strategic Environmental Research (MISTRA).

**Holdings in Alligator**: 1,152,000 shares.

*Independent in relation to the Company, its senior management and major shareholders.*

### Jonas Sjögren (Board member)

Jonas Sjögren – born 1966, Board member since 2015 – is a 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**: Board member of Storytel AB (publ), Orbit E-sport AB, Roxette Photo NV and Omentum SA. Deputy Board member of Execca Allocation AB.

**Previous positions (in the last five years)**: Board member of Storytel Sweden AB, Tellander Holding AB and Smartphoto NV. Deputy Board member of Battleriff Gaming AB.

**Holdings in Alligator**: 4,674,700 shares and 40,000 warrants. The warrants have been acquired from participants in the 2013/2017 warrant program.

*Independent in relation to the Company, its senior management and major shareholders.*

### Ulrika Danielsson (Board member)

Ulrika Danielsson – born 1972, Board member since 2016 – has an MBA from the School of Business, Economics and Law at the University of Gothenburg, and is 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 and previous positions (in the last five years)**: Ulrika Danielsson is, and has been for the last five years, a Board member and deputy Board member respectively for a number of Swedish and foreign subsidiaries and second-tier subsidiaries within the Castellum group. Due to the large amount, Ulrika Danielsson's positions within the Castellum group are not listed. However, the Company has concluded that there is no conflict of interest between Ulrika Danielsson's position as Board member of Alligator and her positions within the Castellum group.

**Holdings in Alligator**: –

*Independent in relation to the Company, its senior management and major shareholders.*

## SENIOR MANAGEMENT TEAM

| Name | Position | Member of the senior management team since | Employed at the Company since | Holdings in Alligator[1] AK | TO | PO |
|---|---|---|---|---|---|---|
| Per Norlén | CEO and Chief Medical Officer | 2010 | 2010 | 100 000 | 200 000 | 250 000 |
| Per-Olof Schrewelius | Chief Financial Officer | 2016 | 2016 | 0 | 125 000 | 0 |
| Christina Furebring | Senior Vice President, Research and Development | 2001 | 2001 | 106 000 | 120 000 | 150 000 |
| Rein Piir | Vice President, Investor Relations | 2016 | 2016[2] | 0 | 0 | 0 |

1) Refers to shares ("AK"), warrants ("TO"), and employee stock options ("PO") held in their own name and by affiliated natural and legal persons.
2) The role is carried out on a consultancy basis.

### Per Norlén (CEO and CMO)

Per Norlén – born 1970, CEO since 2015, before this CMO since 2010 – is a registered medical doctor with a doctoral degree and specialist doctor in clinical pharmacology, and docent in experimental and clinical pharmacology at Lund University. Per Norlén has 25 years research experience in pharmacology including 14 years of experience in clinical drug development with a focus on clinical phase I/II studies.

**Other current positions**: Board member of A Bioscience Incentive AB and Atlas Therapeutics AB.

**Previous positions (in the last five years)**: Deputy board member in Atlas Therapeutics AB.

**Holdings in Alligator**: 100,000 shares, 200,000 warrants and 250,000 employee stock options.

### Per-Olof Schrewelius (CFO)

Per-Olof Schrewelius – born 1963, Chief Financial Officer since 2016 – holds a BA in Economics from Lund University and has over 20 years of experience in CFO positions within a range of industry sectors, including the medical and technical industry. Per-Olof Schrewelius most recent position was at the Getinge Group, where he held various positions as CFO.

**Other current positions**: –

**Previous positions (in the last five years)**: Board member of Getinge Disinfection Aktiebolag, Getinge International Aktiebolag, Getinge India Pvt Ltd, Getinge USA Inc., Getinge Holding USA Inc., Getinge Poland Sp.z.o.o., Getinge Sourcing LLC, Getinge Australia Pty Ltd. and Getinge Water Systems A/S. External signatory for Maquet Critical Care AB.

**Holdings in Alligator**: 125,000 warrants

### Christina Furebring (Senior VP Research and Development)

Christina Furebring – born 1964, Senior Vice President Research and Development since 2001 – is a Swedish graduate engineer and has a doctorate in immune technology from Lund University and is 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 work on the optimization of proteins and antibodies.

**Other current positions**: Deputy board member in A Bioscience Incentive AB and Atlas Therapeutics.

**Previous positions (in the last five years)**: –

**Holdings in Alligator**: 106,000 shares, 120,000 warrants and 150,000 employee stock options.

### Rein Piir (VP Investor Relations)

Rein Piir – born 1958, Vice President Investor Relations since 2016 – is a Swedish graduate in business administration from Uppsala University and has many years of experience of providing consultancy services to stock market companies, including as a strategist at Alecta and head of analysis at Carnegie Investment Bank AB. Other experience includes CFO/Head of Investor Relations at Medivir AB and accountant at PricewaterhouseCoopers AB. Rein Piir currently also holds the position of VP Investor Relations at Camurus AB.

**Other current positions**: Chairman and CEO of Piir & Partner AB. Board member of Integrative Research Laboratories Sweden AB, L. E. Svensson Snickeri Aktiebolag and Trygga Pengar i Mobilen Sverige AB.

**Previous positions (in the last five years)**: Board member of H W Svenskt Reklamscreen Aktiebolag, Medivir Personal AB and Medivir HIV Franchise AB.

**Holdings in Alligator**: –

## OTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Rein Piir is a Board member of Trygga Pengar i Mobilen Sverige AB which was declared bankrupt in March 2016.

Apart from what is stated above, none of the Company's Board members or senior executives have during the past five years (i) been convicted of fraud-related offenses, (ii) represented a company which has been declared bankrupt, filed for liquidation or undergone corporate restructuring, (iii) been subject to accusations or sanctions by statutory or regulatory authorities (including recognized professional bodies) or (iv) been disqualified by a court from acting as a member of an issuer's administrative, management or supervisory body or from holding any senior or overarching position in an issuer.

There are no family ties between any Board members or senior executives. None of the Board members or senior executives have any private interests that could conflict with the Company's interests. As stated above, however, several Board members and senior executives have financial interests in the Company through holdings of shares, warrants or employee stock options. None of the Board members or senior executives have been elected or appointed as a result of a special agreement with major shareholders, customers, suppliers or other parties. None of the Board members or senior executives has entered into agreements that entitle them to benefits upon termination of their assignment, except for regular severance pay for senior executives and severance package for the CEO in accordance with that described in the section "Remuneration to senior executives". Alligator has not set aside or accrued amounts for pensions or similar benefits for Board members or senior executive upon termination of employment or assignment.

All Board members and senior executives can be reached via the Company's address: Scheelevägen 2, 223 81 Lund, Sweden.

## AUDITORS

Ernst & Young AB has been the Company's auditor since 2001 with Göran Neckmar as the auditor in charge since 2010. Göran Neckmar is an authorized public accountant and member of FAR, the institute for the accounting profession in Sweden. The auditor can be reached via Ernst & Young AB, Box 7850, 103 99 Stockholm.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE WITHIN ALLIGATOR

Alligator's corporate governance has, prior to listing on Nasdaq Stockholm, been governed by the Swedish Companies Act and other applicable laws and regulations, the Company's articles of association and internal policy documents. The internal policy documents include first and foremost the rules of procedure for the Board of Directors, instructions for the CEO and instructions for financial reporting. Furthermore, Alligator also has a number of policy documents and manuals containing rules and recommendations, which contain principles and provide guidance in the Company's operations and for its employees.

Following the listing on Nasdaq Stockholm, corporate governance will also be based on Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the **"Code"**), good practice in the stock market and other applicable rules and recommendations. Any deviations from the Code will be disclosed in the Company's corporate governance report. The Company does currently not expect to report any deviations from the Code in the corporate governance report.

## GENERAL MEETING

The shareholders' right to decide on the Company's affairs is exercised at its highest decision-making body - the general meetings (the annual general meeting or an extraordinary general meeting). The general meeting decides, for example, on changes to the articles of association, the election of the Board of Directors and auditors, adoption of the income statement and balance sheet, discharge from liability of the Board of Directors and the CEO, the appropriation of profit or loss, the principles for the appointment of the nomination committee and remuneration guidelines for senior executives.

Shareholders have the right to have a specified matter brought before the general meeting. Shareholders who wish to exercise this right must submit a written request to the Company's Board of Directors. Such a submission must normally have been received by the Board of Directors no later than seven weeks before the general meeting.

General meetings shall be held in Lund. Notice convening the annual general meetings and extraordinary general meetings where amendments to the articles of association are to be addressed, shall be issued no earlier than six weeks and no later than four weeks prior to the meeting. Notice convening other extraordinary general meetings shall be issued no earlier than six weeks and no later than three weeks prior to the meeting. Notice shall be published in the Swedish National Gazette (Sw. *Post- och Inrikes Tidningar*) and by making the notice available on the Company's website. Information regarding the notice shall at the same time be advertised in Dagens Industri.

To participate in the general meeting, shareholders must be registered in the share register kept by Euroclear Sweden AB five business days prior to the meeting and also register their participation to the Company no later than on the date specified in the notice convening the meeting. This date cannot be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and not fall earlier than the fifth business day prior to the meeting.

## NOMINATION COMMITTEE

According to the Code, the Company shall have a nomination committee, the duties of which shall include the preparation and drafting of proposals regarding the election of member of the Board of Directors, the Chairman of the Board of Directors, the Chairman of the general meeting and auditors. The nomination committee shall also propose remuneration for Board members and the auditor. It was decided at the annual general meeting on 20 April 2016 to adopt instructions and rules of procedure for the nomination committee according to which the nomination committee shall consist of four members representing the three largest shareholders as per the last day of September, together with the Chairman of the Board of Directors. The largest shareholders refers to the registered shareholders or otherwise known shareholders on the last business day in September. Before accepting an invitation to join the nomination committee, a member must carefully consider whether a conflict of interest exists.

If any of the three largest shareholders refrains from appointing a representative, or such representative resigns or is incapacitated before the assignment is completed without the shareholder who appointed the representative appointing a replacement, the Chairman of the Board of Directors shall invite the next shareholder down to the tenth largest shareholder (i.e. first the fourth largest shareholder) to appoint a representative within one week of the invitation to do so. If, despite such invitations, only three members have been able to be appointed four months before the annual general meeting, the nomination committee shall be able to constitute itself with three ordinary members and the nomination committee shall then be able to decide whether or not the process to appoint a fourth member shall be continued.

The composition of the nomination committee shall be announced on the Company's website no later than six months prior to the annual general meeting. In the event of significant changes in ownership less than six weeks prior to the annual general meeting, a new shareholder representative be appointed. The Chairman of the Board of Directors shall then contact the one of the three largest shareholders who does not have a representative and invite him to appoint one. When such a representative has been appointed, he/she shall be a member of the nomination committee and shall replace the former committee member who no longer represents one of the three largest shareholders.

The nomination committee shall fulfil the composition requirements that are set out in the Code. If the major shareholders who have the right to appoint members to the nomination committee wish to appoint persons that would entail that the composition requirements, as set out in the Code, are not met, a larger shareholder shall have priority for their first choice of member ahead of a smaller shareholder. When appointing a new member as a result of significant changes in ownership, the shareholder who shall appoint a new member, shall when appointing a new member, consider the existing composition of the nomination committee.

The nomination committee itself shall appoint the Chairman of the nomination committee. The Chairman of the Board of Directors or other Board member shall not chair the nomination committee. The term of office of the appointed nomination committee shall run until the appointment of a new nomination committee.

Fees may be paid to the members of the nomination committee after a decision by the general meeting.

In accordance with the adopted instruction, a nomination committee for the annual general meeting of 2017 has been constituted consisting of Ulf Winberg (chairman) representing Sunstone Life Science Ventures Fund II K/S, Thomas Kidane representing Duba AB and Jonas Sjögren representing Jonas Sjögren and the chairman of the Board of Directors, Peter Benson.

## THE BOARD OF DIRECTORS

### ROLE OF THE BOARD OF DIRECTORS

After the general meeting, the Board of Directors is the highest decision-making body of the Company. The Board of Directors shall be responsible for the organization and management of the Company's affairs, for example by establishing targets and strategy, securing procedures and systems for monitoring of set targets, continuously assess the Company's financial position and evaluate the operational management. Furthermore, the Board of Directors is responsible for ensuring that proper information is given to the Company's stakeholders, that the Company complies with laws and regulations and that the Company develops and implements internal policies and ethical guidelines. The Board of Directors also appoints the Company's CEO and determines his/her salary and other remuneration on the basis of the guidelines adopted by the general meeting.

### COMPOSITION OF THE BOARD OF DIRECTORS

Board members elected by the general meeting are elected annually at the annual general meeting for the period until the end of the next annual general meeting. According to the Company's articles of association, the Board of Directors shall consist of no less than three and no more than eight members without any deputy members.

According to the Code, the majority of the Board members elected at the annual general meeting shall be independent of the Company and its management. In determining whether or not a Board member is independent, an overall assessment shall be made of all the circumstances that could call into question the independence of the Board member in relation to the Company or its management. According to the Code, at least two of the Board members who are independent in relation to the Company and its management shall also be independent in relation to major shareholders. Major shareholders are defined as shareholders who directly or indirectly control 10 percent or more of all shares and voting rights in the Company. To determine a Board member's independence, the extent of the member's direct and indirect relationships with the major shareholder must be considered for the assessment. A Board member who is an employee or a Board member of a company that is a major shareholder is not considered to be independent.

The Board members and the assessment of their independence in relation to both the Company/management as well as major shareholders are presented in the section "Board of Directors, senior management and auditors". As indicated, the Board of Directors believes that the Company fulfils the Code's requirement in regard to independence.

### CHAIRMAN OF THE BOARD OF DIRECTORS

The role of the Chairman is to lead the Board of Director's work and to ensure that the work is carried out efficiently, and that the Board of Directors fulfils its obligations. The Chairman shall, through contact with the CEO, monitor the development of the Company and ensure that Board members regularly receive from the CEO the information needed to be able to monitor the Company's financial position, financial planning and development. The Chairman shall also consult with the CEO on strategic issues and verify that the Board of Director's decisions are implemented in an effective manner.

The Chairman is responsible for contacts with owners in respect of ownership matters and to communicate the viewpoints of the owners to the Board of Directors. The Chairman does not participate in the operative work within the Company. He is also not part of the group management.

### WORK OF THE BOARD OF DIRECTORS

The Board of Directors adheres to written rules of procedure which are revised annually and are set at the constituting Board meeting. The rules of procedure regulate, among other things, the practice of the Board of Directors, tasks, decision-making within the Company, the Board's meeting agenda, the Chairman's duties and allocation of responsibilities between the Board of Directors and the CEO. Instruction for financial reporting and instructions for the CEO are also determined in connection with the constituting board meeting.

The Board of Director's work is also carried out based on an annual briefing plan which fulfils the board's need for information. The Chairman and the CEO maintain, alongside the Board meetings, an ongoing dialogue on the management of the Company.

The Board meets according to a pre-determined annual schedule and at least seven ordinary Board meetings shall be held between each annual general meeting. In addition to these meetings, extra meetings can be arranged for processing matters which cannot be referred to any of the ordinary meetings.

### COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has set up two committees: the Audit Committee and the Remuneration Committee. The Board has adopted rules of procedure for both committees.

**Audit Committee**

The Audit Committee's role is mainly to monitor the Company's financial position, to monitor the effectiveness of the Company's internal control, internal audit and risk management, to be informed about the audit of the annual report and consolidated financial statements, and to review and monitor the auditor's impartiality and independence. The Audit Committee shall also assist the nomination committee in proposals for decisions on the election and remuneration of the auditor. After the annual general meeting on 20 April 2016, the Audit Committee has been comprised of Ulrika Danielsson (Chair), Kenth Petersson and Jonas Sjögren.

**Remuneration Committee**

The Remuneration Committee's role is primarily to prepare matters regarding remuneration and other terms of employment for the CEO and senior executives. The Remuneration Committee shall also monitor and evaluate ongoing and completed programs for variable remuneration to the Company's management and to monitor and evaluate the implementation of the guidelines for remuneration to senior executives which the annual general meeting has adopted. After the annual general meeting on 20 April 2016, the Remuneration Committee has been comprised of Jakob Lindberg (Chair), Mathias Uhlén and Peter Benson.

### REMUNERATION TO THE BOARD OF DIRECTORS

Fees to Board members elected by the annual general meeting are approved by the annual general meeting. Ahead of the annual general meeting for 2017, the nomination committee will submit proposals in regard to remuneration. It was decided at the annual general meeting on 20 April 2016 that fees be paid at a rate of SEK 300,000 to the Chairman and SEK 150,000 to each of the other Board members who are not employed by the Company. In addition, it was decided that compensation for committee work shall be paid at a rate of SEK 50,000 to the Chairman of the Audit Committee and SEK 25,000 to each of the other members of the Audit Committee.

For the 2015 financial year Board members received remuneration as set out in the table below. All amounts in SEK.

| Name | Position | Board fee | Other remuneration | Total |
|---|---|---|---|---|
| Peter Benson | Chairman | 170,000 | 0 | 170,000 |
| Carl Borrebaeck[1)] | Board member | 85,000 | 0 | 85,000 |
| Jakob Lindberg | Board member | 85,000 | 0 | 85,000 |
| Kenth Petersson | Board member | 85,000 | 3,840[2)] | 88,840 |
| Mathias Uhlén | Board member | 85,000 | 0 | 85,000 |
| Jonas Sjögren[1)] | Board member | 49,583 | 0 | 49,583 |
| **Total:** | | **559,583** | **3,840** | **563,423** |

1) In 2015, Carl Borrebaeck has also received payment for consultancy services of SEK 720,000, see also under "Transactions with affiliated parties" in the section "Legal issues and supplementary information".
2) Refers to mileage allowance in connection with Board meetings.

## THE CEO AND OTHER SENIOR EXECUTIVES

The role of CEO is subordinate to the Board of Directors and its main task is to carry out the daily management of the Company and the daily activities of the Company. The Board of Director's rules of procedure and instructions for the CEO stipulate for which matters the Board is responsible to decide upon, and which decisions fall within the CEO's area of responsibility. The CEO is also responsible for producing reports and necessary information for decision-making ahead of Board meetings and for presenting the material at Board meetings.

Alligator has a management team consisting of four people, which in addition to the CEO is comprised of the Company's Chief Financial Officer, Senior Vice President Research & Development and Vice President Investor Relations.

Information on senior executives can be found in the section "Board of Directors, senior management and auditors".

### REMUNERATION TO THE SENIOR MANAGEMENT

Remuneration to the senior management consists of basic salary, variable remuneration, pension benefits, share-related incentive programs, other benefits and terms on severance. Salary and other remuneration paid to the CEO and other senior executives for the financial year 2015 is shown in the table below. All amounts in SEK.

| | Fixed salary and other benefits | Severance pay | Bonus | Pension expenses | Total |
|---|---|---|---|---|---|
| CEO Sibylle Lenz[1)] | 2,222,125 | 2,280,000 | 0 | 752,076 | 5,254,201 |
| Appointed CEO Claes Eriksson | 857,673 | 0 | 297,561 | 261,652 | 1,416,886 |
| Other senior executives[2)] | 2,081,637 | 0 | 438,029 | 751,764 | 3,271,430 |
| **Total** | **5,161,435** | **2,280,000** | **735,590** | **1,765,492** | **9,942,517** |

1) Sibylle Lenz left her position as CEO in January 2015 after which Claes Eriksson was appointed CEO in 2015.
2) Two persons in 2015.

The notice period for the CEO is six months irrespective of which party gives notice. If the Company gives notice of termination, the CEO will be entitled to severance pay corresponding to six months' salary. Other senior executive have a notice period of six months irrespective of which party gives notice. No severance pay has been agreed for other senior executives. VP Investor Relations acts as a consultant and the consultancy agreement has a fixed term of 12 months from the date of listing. However, each party has the right to terminate the contract in advance with a mutual notice period of six months.

### GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

According to the Swedish Companies Act, the general meeting shall determine the guidelines for remuneration to the CEO and other senior executives. At the annual general meeting on 20 April 2016, guidelines were adopted with the following content.

The Company's starting point is that remuneration and benefits should be paid at competitive and market based terms which will enable senior executives to be recruited and retained. Remuneration to senior executives may consist of basic salary, variable remuneration, pension benefits, other benefits and share-related incentive programs. The CEO and other senior executives are generally entitled to other customary benefits as may be considered reasonable in relation to market practice and the benefit for the Company.

Remuneration to the CEO and other senior executives is based on factors such as work tasks, expertise, experience, position and performance. Furthermore, the relationship between basic salary and variable remuneration shall be related to the person's responsibilities and tasks. Variable remuneration shall be linked to predetermined and measurable criteria, designed to promote the Company's long-term value creation. Remuneration must not discriminate on grounds of gender, ethnic background, national origin, age, disability or other irrelevant factors.

The CEO and other senior executives shall be offered a fixed salary that is on market terms and based on the individual's responsibility, competence and performance. In addition to salary, the CEO and other senior executives are generally entitled to an annual bonus of up to 25 percent of base salary.

In addition to that agreed in collective agreements or other agreements, the CEO and other senior executives may have the right to arrange individual pension solutions. Waiver of salary and variable remuneration can be used to increase pension provisions provided that the costs for the Company remain unchanged during the period.

According to the guidelines, a mutual notice period of six months applies for the CEO and a mutual notice period not exceeding six months shall apply for other senior executives. Severance pay, in addition to salary during the notice period, will only be paid to the CEO, who will be entitled to severance pay corresponding to 6 months' salary in the event the Company terminates the contract of employment.

The Board of Directors shall be entitled to deviate from these guidelines in individual cases should there be special reasons for doing so.

The Board of Directors shall every year consider whether or not a share price-related incentive program shall be proposed to the annual general meeting. Issuance and transfer of securities decided by the general meeting in accordance with the rules of chapter 16 of the Swedish Companies Act are not covered by these guidelines in the extent that the annual general meeting has taken, or will take, such decisions.

## EXTERNAL AUDITING

The Company's auditor is appointed by the annual general meeting for the period until the end of the next annual general meeting. The auditor examines the annual report and accounts as well as the management performed by the Board of Directors and the CEO. Following each financial year, the auditor shall submit an audit report to the annual general meeting. The Company's auditor reports annually to The Board of Directors his observations from the audit and his assessment of the Company's internal control.

At the annual general meeting on 20 April 2016, Ernst & Young AB was re-elected as the Company's auditor with Authorized Public Accountant Göran Neckmar as auditor in charge. It was decided at the annual general meeting that the fees for the auditor shall be paid in accordance with normal charging standards and approved invoice. The auditor's fee for the financial year 2015 totaled SEK 325,000.

Information on the auditor can be found in the section "Board of Directors, senior management and auditors".

## INTERNAL CONTROL

The Board of Director's responsibility for internal control is regulated in the Swedish Companies Act, the Swedish Annual Reports Act – which requires that information about the main features of Alligator's system of internal control and risk management related to financial reporting each year must be included in the corporate governance report – and the Code. The Board of Directors shall, among other things, see to it that Alligator has sufficient internal control and formalized routines to ensure that established principles for financial reporting and internal control are followed and that there are effective systems for monitoring and control of the Company's operations and the risks associated with the Company and its operations.

The overall aim of the internal control is to ensure to a reasonable degree that the Company's operating strategies and targets are followed up and that the owners' investments are protected. The internal control shall also ensure that the external financial reporting, with reasonable certainty, is reliable and prepared in accordance with GAAP, that applicable laws and regulations are followed, and that the requirements imposed on listed companies are complied with. The internal control environment consists primarily of the following five components.

### CONTROL ENVIRONMENT

The Board of Directors has overall responsibility for the internal control in regard to financial reporting. In order to create and maintain a functioning control environment, The Board of Directors has adopted a number of policies and steering documents governing financial reporting. The internal policy documents consist first and foremost of the rules of procedure for the Board of Directors, instructions for the CEO and instructions for financial reporting. The Board of Directors has also adopted a special authorization procedure and a finance policy. The company also has a finance manual which contains principles, guidelines and process descriptions for accounting and financial reporting. The Board of Directors has established an Audit Committee whose main task is to ensure that established principles for financial reporting and internal control are followed and that regular contacts with the Company's auditors are maintained. Responsibility for maintaining an effective control environment and the ongoing work of the internal control over financial reporting have been delegated to the Company's CEO. The CEO reports regularly to The Board of Directors in accordance with the established instructions for the CEO and the instructions for financial reporting.

### RISK ASSESSMENT

Risk assessment includes identifying risks that may arise if the basic requirements for the financial reporting of the Company are not met. Alligator's management team has in a specific risk assessment document identified and evaluated the risks that arise in the Company's operations, and has assessed how these risks can be managed. Within the Board of Directors, the Audit Committee is primarily responsible for continuously assessing the Company's risk situation, after which The Board of Directors also conducts an annual review of the risk situation.

### CONTROL ACTIVITIES

Control activities limit the identified risks and ensure accurate and reliable financial reporting. The Board of Directors is responsible for the internal control and monitoring of the Company's management. This is done by internal control activities and through examination and monitoring of the Company's steering documents that are related to risk management.

### INFORMATION AND COMMUNICATION

The Company has information and communication channels intended to promote the accuracy of financial reporting and to facilitate reporting and feedback from operations to The Board of Directors and management, for example by making corporate governance documents such as internal policies, guidelines and instructions regarding the financial reporting available and known for the employees concerned. The Board of Directors has also adopted an information policy that governs the Company's provision of information.

### MONITORING

The compliance and effectiveness of internal controls are constantly monitored. The CEO ensures that the Board of Directors receives continuous reports on the development of the Company's activities, including the development of the Company's results and financial position, and information about important events, such as research and important contracts. The CEO also reports on these issues at each Board meeting.

# SHARE CAPITAL AND OWNERSHIP STRUCTURE

## SHARE INFORMATION

Alligator's shares have been issued in accordance with Swedish law (aktiebolagslagen (SFS 2005:551)) and are denominated in SEK. The Company's articles of association stipulate that the share capital shall be no less than SEK 23,600,000 and no more than SEK 94,400,000, and that the number of shares shall be no less than 59,000,000 and no more than 236,000,000. The registered share capital of the Company as per the date of this Prospectus is SEK 23,697,753.60 divided between 59,244,384 shares, each with a quota value of SEK 0.40. All shares are of the same share class.

The new share issue in connection with the Offering entails, at full subscription, that the number of shares in Alligator will increase by 10,769,231 shares from 59,244,384 to 70,013,615 shares, which corresponds to a dilution of 15.4 percent of the total number of shares in the Company after the new share issue. Registration of the new shares with the Swedish Companies Registration Office is expected to occur about one week after the listing.

The shares in the Offering are not subject to any offer made due to a mandatory bid, redemption rights or redemption obligation. There have been no public takeover bids for the Company's shares.

## SPECIFIC RIGHTS LINKED TO THE SHARES

### RIGHT TO PARTICIPATE AT GENERAL MEETINGS

To participate in the general meeting, shareholders must be registered in the Company's share register five business days prior to the meeting and also register their participation to the Company no later than the date specified in the notice.

### VOTING RIGHTS AT GENERAL MEETINGS

Each share entitles the holder to one vote at general meetings and every shareholder is entitled to vote with the full number of shares owned and represented by him or her.

### PREFERENTIAL RIGHTS IN CONNECTION WITH NEW SHARE ISSUES ETC.

If the Company decides to issue new shares, warrants or convertible bonds by means of a cash issue or offset issue, the shareholders will, as a general rule, have preferential subscription rights in proportion to the number of shares they already own. In accordance with the provisions of the Swedish Companies Act, it is possible to deviate from shareholders' preferential rights.

### RIGHT TO RECEIVE DIVIDEND PAYMENTS AND ANY SURPLUS ON LIQUIDATION

All the shares provide equal rights to the Company's profits and to any surplus in the event of liquidation. Decisions to pay dividends will be made by the general meeting and payment will be arranged by Euroclear Sweden AB. Dividends may, under the Swedish Companies Act, only be paid with such an amount that after the dividend there is full coverage for the Company's restricted equity and only if the dividend is justifiable in view of (i) the requirements which the nature, scope and risk of the business operations impose on the equity and ( ii) the Company's consolidation requirements, liquidity and financial position in general. As a general rule, the shareholders may not decide on dividends exceeding that which the Board of Directors has proposed or approved.

The right to receive dividend payment belongs to the person who is registered as a holder of shares in share register kept by Euroclear Sweden AB on the dividend record day as determined by the general meeting. If a shareholder cannot be reached through Euroclear Sweden AB, the shareholder's claim on the Company for the dividend amount will remain in force and will only be limited in time by a ten-year statute of limitations. In the event of statutory limitation, the dividend amount will revert to the Company. Neither the Swedish Companies Act nor the articles of association contain any restrictions on the right to receive dividends for shareholders outside Sweden. In addition to any limitations imposed by bank or clearing systems in the relevant jurisdictions, payment to such shareholders shall be made in the same manner as for shareholders resident in Sweden. However, shareholders who have limited tax liability in Sweden will normally be subject to withholding tax, see the section "Certain tax considerations".

## SHARE CAPITAL DEVELOPMENT

As per 1 January 2014 the Company's share capital amounted to SEK 18,339,519.60 divided between 45,848,799 shares, each with a quota value of SEK 0.40. Thereafter, the share capital has changed according to the table below:

| Year | Transaction | Increase of the share capital | Increase of the number of shares | Share capital total | Number of shares | Quota value |
|---|---|---|---|---|---|---|
| 2014 | New share issue | 1,056,749.20 | 2,641,873 | 19,396,268.80 | 48,490,672 | 0.40 |
| 2014 | Warrants exercised | 1,200.00 | 3,000 | 19,397,468.80 | 48,493,672 | 0.40 |
| 2014 | Warrants exercised | 47,428.80 | 118,572 | 19,444,897.60 | 48,612,244 | 0.40 |
| 2015 | New share issue | 1,578,355.20 | 3,945,888 | 21,023,252.80 | 52,558,132 | 0.40 |
| 2015 | New share issue | 224,000.00 | 560,000 | 21,247,252.80 | 53,118,132 | 0.40 |
| 2015 | New share issue | 619,848.40 | 1,549,621 | 21,867,101.20 | 54,667,753 | 0.40 |
| 2015 | New share issue | 1,738,652.40 | 4,346,631 | 23,605,753.60 | 59,014,384 | 0.40 |
| 2016 | Warrants exercised | 83,200.00 | 208,000 | 23,688,953.60 | 59,222,384 | 0.40 |
| 2016 | Warrants exercised | 8,800.00 | 22,000 | 23,697,753.60 | 59,244,384 | 0.40 |
| *2016* | *New issue in the Offering*[1)] | *4,307,692.40* | *10,769,231* | *28,005,446.00* | *70,013,615* | *0.40* |

1) Calculation of the number of new shares in the Offering is based on full subscription in the Offering.

## OWNERSHIP STRUCTURE

The number of shareholders of Alligator totaled 283 as per 4 November 2016. In the table below, column 1 details the ownership structure as per the same date based on information from Euroclear , with the addition of changes known to the Company that have occured until the date of the publication of the Prospectus. Columns 2 and 3 respectively details the ownership structure immediately after completion of the Offering in terms of whether the Over-allotment option is not exercised or if the Over-allotment option is exercised.

| | Ownership before the Offering (shares and votes) | | Ownership after the Offering (shares and votes) assuming full subscription and that the Over-allotment option is not exercised[1)] | | Ownership after the Offering (shares and votes) assuming full subscription and that the Over-allotment option is fully exercised[1)] | |
|---|---|---|---|---|---|---|
| **Shareholders** | **Number** | **Percent** | **Number** | **Percent** | **Number** | **Percent** |
| *The ten largest shareholders of the Company* | | | | | | |
| Banque Internationale à Luxembourg SA[2)] | 12,491,620 | 21.1% | 12,491,620 | 17.8% | 12,491,620 | 17.8% |
| Sunstone Life Science Ventures Fund II K/S | 7,623,719 | 12.9% | 6,460,917 | 9.2% | 5,414,395 | 7.7% |
| Duba AB | 6,497,620 | 11.0% | 5,506,576 | 7.9% | 4,614,636 | 6.6% |
| Euroclear Bank SA[3)] | 4,431,631 | 7.5% | 4,431,631 | 6.3% | 4,431,631 | 6.3% |
| Lars Spånberg | 3,213,858 | 5.4% | 3,213,858 | 4.6% | 3,213,858 | 4.6% |
| Atlas Antibodies AB | 2,620,000 | 4.4% | 2,620,000 | 3.7% | 2,620,000 | 3.7% |
| Stena AB | 2,508,981 | 4.2% | 2,508,981 | 3.6% | 2,508,981 | 3.6% |
| Unionen | 1,442,000 | 2.4% | 1,442,000 | 2.1% | 1,442,000 | 2.1% |
| Johan Rockberg | 1,440,000 | 2.4% | 1,440,000 | 2.1% | 1,440,000 | 2.1% |
| Mikael Lönn | 1 288 734 | 2.2% | 1,200,833 | 1.8% | 1,200,833 | 1.8% |
| **Sum** | **43,558,163** | **73.5%** | **41,404,317** | **59.1%** | **39,465,855** | **56.4%** |
| *Board and management other than listed above* | | | | | | |
| Carl Borrebaeck | 1,200,833 | 2.0% | 1,200,833 | 1.7% | 1,200,833 | 1.7% |
| Kenth Petersson | 408,000 | 0.7% | 408,000 | 0.6% | 408,000 | 0.6% |
| Mathias Uhlén | 1,152,000 | 1.9% | 1,152,000 | 1.6% | 1,152,000 | 1.6% |
| Per Norlén | 100,000 | 0.2% | 100,000 | 0.1% | 100,000 | 0.1% |
| Christina Furebring | 106,000 | 0.2% | 106,000 | 0.2% | 106,000 | 0.2% |
| **Sum** | **2,966,833** | **5.0%** | **2,966,833** | **4.2%** | **2,966,833** | **4.2%** |
| Other shareholders | 12,719,388 | 21,5% | 12,719,388 | 18,2% | 12,719,388 | 18,2% |
| New shareholders | 0 | 0.0% | 12,923,077 | 18.5% | 14,861,539 | 21,2% |
| **Total** | **59,244,384** | **100.00%** | **70,013,615** | **100.0%** | **70,013,615** | **100.0%** |

1) Any allocation to JJDC in the Offering is not accounted for. For information regarding JJDC's subscription undertaking, see "Subscription undertaking by Johnson & Johnson Innovation-JJDC , Inc" in section "Legal considerations and supplmentary information".
2) Includes Board member Jonas Sjögren's holdings of 4,674,700 shares.
3) Includes JJDC's holdings of 4,346,631 shares.

## APPLICATION FOR LISTING

Alligator's Board of Directors has applied for listing of the Company's shares on Nasdaq Stockholm, see also "Listing on Nasdaq Stockholm" in the section "Terms and conditions, and instructions".

## CENTRAL SECURITIES DEPOSITORY

The Company's articles of association contain a so called CSD provision for electronic registration and the Company's shares are connected to the electronic securities system with Euroclear Sweden AB, (Box 191, 101 23 Stockholm) as central securities depository. The shares are registered in the name of the shareholder. No share certificates have been issued for the shares or will be issued for the new shares. The ISIN code for Alligator's shares is SE0000767188.

## SHAREHOLDER'S AGREEMENTS

On the date of this Prospectus, there is a shareholder's agreement between Sunstone Life Science Ventures Fund II K/S, Duba AB, Carl Borrebaeck and Mathias Uhlén. However, this shareholder's agreement will terminate in connection with the listing on Nasdaq Stockholm.

## UNDERTAKINGS NOT TO SELL SHARES

Selling Shareholders, board members and senior executives holding shares and certain selected existing shareholders[1)], have undertaken not to sell their respective holdings during a period starting from the first day of trading on Nasdaq Stockholm (the "**Lock-up Period**"). The undertaking does not apply for shares that are acquired in the Offering or thereafter. As regards the Selling Shareholders, the undertaking does also not apply for the shares that are sold in the Offering. In total, approximately 44.5 percent of the shares in the Company after the Offering are covered, based on full subscription in the Offering and that the Over-allotment option is exercised in full. For board members and senior executives holding shares in Alligator, the Lock-up Period is 360 days. For the Selling Shareholders, the Lock-up Period is 270 days. For other shareholders who have undertaken not to sell any shares, the Lock-up Period is 180 days. The Global Coordinator may discretionary grant exceptions from said undertakings. The Company will also enter into a lock-up arrangement, entailing inter alia that the Company undertakes not to issue any shares or other securities in the Company. For more information, please see "Legal considerations and supplementary information – Placing agreement".

## DIVIDEND POLICY

Alligator will continue to focus on further developing and expanding the Company's project portfolio. Available financial resources and the reported results shall therefore be reinvested in the business to finance the Company's long-term strategy. The Board's intention is not to propose a dividend to shareholders before the Company is able to generate long-term sustainable profitability. Any future dividends and the size thereof will be determined on the basis of the Company's long-term growth, earnings trend and capital requirements, taking into account the current objectives and strategies adopted. Dividends shall, in so far as dividends are proposed, be well-balanced with respect to the Company's targets, scope and risk.

## SHARE-RELATED INCENTIVE PROGRAMS

### WARRANT PROGRAM 2013/2017

The extraordinary general meeting of 5 November, 2013 decided in favor of a warrant program with the issue of no more than 1,750,000 warrants to employees of the Company. In total, 1,605,000 warrants were issued under the program. Each warrant gives the right to subscribe for one new share in the Company at an exercise price of SEK 9 per share. The warrants can be exercised as of 1 April 2014 until and including 31 March 2017. At per the publishing of the Prospectus, 230,000 warrants have been exercised. With full exercise of the remaining warrants, the Company's share capital will increase by SEK 550,000 through the issue of 1,375,000 shares, corresponding to a dilution of about 2.3 percent based on the number of shares in the Company prior to execution of the Offering. The warrants are subject to normal recalculation conditions in connection with share issues etc.

### WARRANT PROGRAM 2016/2020

The annual general meeting of 20 April, 2016 decided in favor of a warrant program with the issue of no more than 1,000,000 warrants to a Group subsidiary for transfer on to employees of the Company. In total, 1,000,000 warrants were subscribed for by the subsidiary of which 857,000 warrants have thus far been transferred to participants in the program while the remaining 143,000 warrants have been reserved for transfers to future employees. The transfer to the participants was made at market value calculated according to the Black-Scholes formula. Each warrant gives the right to subscribe for one new share in the Company at an exercise price of SEK 75 per share. The warrants can be exercised during the periods as of 1 June 2019 until and including 31 August 2019, and as of 1 March 2020 until and including 31 May 2020. With full exercise of the warrants, the Company's share capital will increase by SEK 400,000 through the issue of 1,000,000 shares, corresponding to a dilution of about 1.7 percent based on the number of shares in the Company prior to execution of the Offering. The warrants are subject to normal recalculation conditions in connection with share issues etc.

### EMPLOYEE STOCK OPTION PROGRAM 2016/2020

The annual general meeting of 20 April, 2016 decided to introduce an employee stock option program for a maximum of 1,000,000 employee stock options. In total, 900,000 employee stock options were issued free of charge to participants in the program. Granted employee stock options are vested with 1/3 on 1 May 2017, 1/3 on 1 May 2018 and 1/3 on 1 May 2019. Vesting requires that the participant continues to be employed by the Company and has not terminated his/her employment as of the date when the respective entitlement is vested. In the event the participant ceases to be an employee or terminates his employment with the Company prior to a vested date, stock options already vested can be exercised at the ordinary date for exercise according to that stated below, but no further vesting will occur. Each vested option entitles the holder to acquire one share of the Company at an exercise price of SEK 75. Vested employee stock options can be exercised during the periods from and including 1 June 2019 up to and including 31 August 2019, and from and including 1 March 2020 up to and including 31 May

1) JJDC, Stena AB, Atlas Antibodies AB, Johan Rockberg, Mikael Lönn, Marianne Rapp and Staffan Rasjö.

2020. The employee stock options are subject to normal recalculation conditions in connection with share issues etc.

In order to enable the Company's delivery of shares under the employee stock option program and to secure ancillary costs, primarily social security expenses, the annual general meeting also decided to issue up to 1,314,200 warrants to a wholly-owned subsidiary. In total, 1,182,780 warrants were subscribed for by the subsidiary. With full exercise of the warrants, the Company's share capital will increase by SEK 473,112 through the issue of 1,182,780 shares, corresponding to a dilution of about 2.0 percent based on the number of shares in the Company prior to execution of the Offering.

## AUTHORIZATION

The Extraordinary General Meeting of 20 April, 2016 decided to authorize the Board of Directors up until the next annual general meeting, on one or more occasions, with or without deviation from the shareholders preferential rights and with or without conditions for payment in kind, set-off or other conditions, decide upon issuing new shares. The reason for deviation from the shareholders' preferential rights to be made is to allow the Company to raise working capital, to carry out company acquisitions or the acquisition of operating assets, as well as to enable share issues to institutional investors and the public in connection with a listing of the Company. The total number of shares that may be issued as a result of the issue of new shares may not exceed 15,000,000 shares. In the event a share issue is made with deviation from the shareholders' preferential rights, the share issue shall take place on market terms.

# ARTICLES OF ASSOCIATION

*Adopted at the Extraordinary General Meeting of Shareholders held on 14 March 2016.*

**§ 1 Company name**
The Company's name is Alligator Bioscience AB. The company is a public limited liability company (publ).

**§ 2 Registered office of the board of directors**
The registered office of the board of directors shall be in the municipality of Lund, county of Skåne.

**§ 3 Business activity**
The Company shall, directly or through subsidiaries or other associated companies, conduct research and development work and manufacturing and trade within the field of protein chemistry and to conduct other business compatible therewith.

**§ 4 Share capital**
The share capital shall be no less than 23,600,000 and no more than 94,400,000.

**§ 5 Number of shares**
The number of shares shall be no less than 59,000,000 and no more than 236,000,000.

**§ 6 Board of Directors**
The board shall, in addition to the members that pursuant to law can be elected by other than the general meeting, consist of at least three (3) and not more than eight (8) members.

The company shall have at least one (1) and not more than two (2) auditors with up to two (2) deputy auditors. An authorized auditor or a registered audit company shall be appointed as auditor.

**§ 7 Notice**
Notice of a general meeting shall be given by announcement in the Swedish Official Gazette (Sw. *Post- och Inrikes Tidningar*) and by keeping the notice available at the company's website. Announcement that notice has been given shall at the same time be given in Dagens Industri.

In order to be entitled to participate in the meeting, shareholders shall both be recorded in a transcript or other account of the entire share ledger pertaining to the circumstances five business days before the meeting and notify the company accordingly on the day specified in the notice. Such day may not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and not fall earlier than on the fifth business day before the meeting.

A shareholder may bring one or two advisors to the general meeting, however only if the shareholder has notified the company of the number of such advisors in accordance with the provisions of the previous paragraph.

**§ 8 Annual General Meeting**
At the annual general meeting, the following matters shall be dealt with.

1. Election of the Chairman of the meeting
2. Preparation and approval of the voting list
3. Election of two persons to verify the minutes of the meeting
4. Approval of the agenda
5. Determination as to whether the meeting has been duly convened.
6. Presentation of the annual report and the auditor's report and, if applicable, the consolidated annual report and the auditor's report on the consolidated annual report.
7. Resolutions regarding:
   a) the adoption of the profit and loss statement and the balance sheet and, if applicable, the consolidated profit and loss statement and the consolidated balance sheet;
   b) the allocation of the company's profits or losses as set forth in the adopted balance sheet; and
   c) discharge from liability for the board members and the managing director.
8. Determination of the number of board members, auditors and deputy auditors.
9. Determination of fees for the board of directors and fees for the auditors.
10. Election of board of directors, auditors and deputy auditors.
11. Any other matter which rests with the general meeting in accordance with the Swedish Companies Act or the company's articles of association.

**§ 9 Financial year**
The financial year shall be calendar year.

**§ 10 Record day provision**
The shareholder or trustee that on the record date is registered in the share ledger and noted in a CSD register according to chapter 4 of the Swedish Act (1998:1479) on Account Keeping of Financial Instruments, or the person that is noted at a securities account according to Chap. 4 Sec. 18 first section 6-8 in the said act shall be entitled to exercise the rights pursuant to Chap. 4 Sec. 39 the Swedish Companies Act (2005:551).

# LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

## GENERAL COMPANY INFORMATION

The name of the Company and its trading name is Alligator Bioscience AB. The Company's Swedish corporate identity no. is 556597-8201 and its registered office is in the Municipality of Lund, Sweden. The Company was established on 13 September 2000 and was registered by the Swedish Companies Registration Office 21 September 2000. Its operations commenced during 2001. Alligator is a public limited company and its legal form of business entity is governed by the Swedish Companies Act (2005:551). The Company is the parent company of the wholly-owned subsidiaries Atlas Therapeutics AB (corporate identity no. 556815-2424) and A Bioscience Incentive AB (corporate identity no. 559056-3663).

## SIGNIFICANT AGREEMENTS

In addition to agreements concluded within the framework of ongoing operations, Alligator has entered into the following agreements which the Company deems to be of significant importance.

### LICENSE AGREEMENT WITH JANSSEN

In August 2015, Alligator and Janssen entered into an exclusive licensing agreement for further development and commercialization of ADC-1013. Through the agreement Alligator grants a license to Janssen to, among other things, further develop, manufacture and sell products containing CD40 antibodies, with the right to sublicense. The agreement is exclusive, which in this respect means that the parties during the ongoing collaboration cannot commercialize other monospecific agonistic antibodies that bind specifically to CD40. The license does not cover bispecific antibodies that bind to CD40 but if one of the parties develops such an antibody, the other party has a preferential right to negotiate a commercialization of the same.

According to the agreement, Alligator will continue to be the sponsor and responsible for carrying out the ongoing phase I study. By means of a supplementary agreement concluded in spring 2016, the parties have agreed on an extension of the ongoing phase I study. Alligator will remain responsible for the ongoing original study, while Janssen continues to bear the costs of this.

Except with respect to that stated above regarding the ongoing phase I study, Janssen is responsible under the contract at his own expense for the development, management of registrations, marketing authorization, price and benefits as well as commercial manufacturing and commercialization. Janssen shall also indemnify Alligator for all costs that Alligator incurs for maintaining the patent rights which have been licensed to Janssen.

In connection with the conclusion of the agreement, Alligator received an initial payment of USD 35 million from Janssen. Beyond this, under the license agreement Janssen shall pay milestone payments to Alligator at different study phases and on completion of certain regulatory stages, and on the first commercial sale in the US, European and Japanese markets in regard to three different indications. In Q1 2016, Alligator reached the conditions for a first milestone payment totaling USD 5 million. Furthermore, Alligator is also entitled to sales-based milestone payments. The initial payment and the milestone payments amount in total to a maximum of USD 695 million. Alligator is also entitled to royalties on sales at different levels between a high single digit percentage and low double-digit percentage during the period when the royalty obligations apply if the agreement and the license continue as anticipated. Janssen has the right to terminate the agreement with a period of notice of 90 days up to the date the first marketing authorization has been approved and thereafter with a period of notice of 180 days.

### AGREEMENT WITH BIOINVENT TO TAKE BACK ADC-1013

According to a cooperation agreement entered into between Alligator and BioInvent in 2013, Alligator and BioInvent jointly developed the product candidate ADC-1013. In May 2014, Alligator and BioInvent entered into a termination agreement whereby the cooperation agreement from 2013 was terminated. According to the termination agreement, Alligator also took over all rights to the ADC-1013 project on payment of a fixed sum. The agreed sum has been paid in full in 2015.

## INSURANCE

The Board believes that the Company's current insurance cover is adequate with regard to the nature and scope of its business operations.

## DISPUTES AND LEGAL PROCEEDINGS

Alligator is not and has not been a party in any legal proceedings or arbitration proceedings, (including matters not yet decided or such that the Company is aware may arise) during the past 12 months that have recently had or could have had a significant impact on Alligator's financial position or profitability.

## PLACING AGREEMENT

Under the terms of an agreement on the placement of shares which is intended to be entered into on or around 22 November 2016 between the Company, the Selling Shareholders and the Joint Bookrunners (the "**Placing agreement**"), the Selling Shareholders undertake to dispose of and Company undertakes to issue no more than around 18.5 percent of the shares in the Company after the Offering to the buyers designated by the Joint Bookrunners. If the Joint Bookrunners do not succeed in providing buyers, the Joint Bookrunners have undertaken to buy the shares covered by the Offering themselves, provided that the Offering is not interrupted before that (see below). The Selling Shareholders also intend to leave the Over-allotment option that involves a commitment, at the request of the Joint Bookrunners, and within 30 days from the first day of trading in the Company's shares on the Nasdaq Stockholm exchange, to sell up to an additional 1,938,462 shares, representing more than 15 percent of the shares in the Offering at a price equivalent to the offer price. The Over-allotment option may only be exercised in order to cover any over-allotment of the Offering.

The Placing Agreement gives the Company and the Selling Shareholders the customary guaranties to the Joint Bookrun-

ners, mainly that the information in the Prospectus is correct, the Prospectus and the Offer comply with the relevant requirements of laws and regulations and that no legal or other barriers exist for the Company or the Selling Shareholders to enter into the Agreement, or for the execution of the Offering. The Placing Agreement stipulates that the Joint Bookrunners' obligation to procure buyers for or, in the event that the Joint Bookrunners do not succeed in this, to purchase the shares themselves that are covered by the Offering, is conditional, on among other things, that no events occur that have such a material adverse effect on the Company or the completion of the Offering that, in the good faith judgment of the Global Coordinator, it would be inadvisable or impracticable to carry out the Offering in the manner contemplated in the Prospectus ("**material adverse events**"), and certain customary completion conditions. The Joint Bookrunners can terminate the Placing Agreement up to the settlement date, 25 November 2016, if any significant adverse events occur, if the guarantees that the Company and the Selling Shareholders have given the Joint Bookrunners should prove to be deficient or if any of the other completion conditions imposed by the Placing Agreement are not met. In such an event, neither the delivery nor the payment of shares will take place under the Offering. Under the Placing Agreement, the Company, with the customary reservations, commit under certain conditions to indemnify the Joint Bookrunners against certain claims. Furthermore, the Company will indemnify the Joint Bookrunners for certain expenses that Joint Bookrunners incur in connection with the Offering.

In order for the Company to be able to deliver the shares that are issued by the Company as part of the Offering immediately upon payment for the shares and before the part of the Offering that consists of new issued shares has been been registered by the Swedish Companies Registration Office, the Selling Shareholders, and a company controlled by Board member Jonas Sjögren, will lend a total of 10,769,231 shares to the Global Coordinator in connection with the Placing Agreement.

Pursuant to the Placing Agreement, the Company will undertake in relation to the Joint Bookrunners during a period of 360 days following the first day of trading of the shares at Nasdaq Stockholm, (i) not to issue, offer, pledge, sell, contract to sell or otherwise dispose of shares or other securities in the Company, nor to present any proposal to the Company's General Meeting that would enable the Company to implement any of the aforementioned; (ii) nor to purchase or sell any option or any other security or enter into a swap agreement or other arrangement that has a similar economic effect to the measures listed in (i). The commitment does not prevent the Company from issuing shares in the Offering or issuing shares or other securities within the framework of the incentive program. The Global Coordinator can also allow exceptions from the commitment.

## STABILIZATION

In connection with the Offering, the Global Coordinator may over-allot shares or carry out other transactions in order to provide support for the shares' market price at a level higher than that which might otherwise prevail on the market. Such stabilization transactions may be carried out on the Nasdaq Stockholm, the OTC market or otherwise, and may be carried out at any time during the period beginning on the first day when the shares are traded on the Nasdaq Stockholm and ending no later than 30 calendar days thereafter. However, the Global Coordinator is under no obligation to carry out stabilization of any kind, nor is there any guarantee that stabilization will be carried out. Moreover, where undertaken, stabilization may be discontinued at any time without prior notice. No transactions will be carried out under any circumstances in order to provide support for the shares' market price at a level higher than the price set in the Offering. Within a week of the expiry of the stabilization period, the Global Coordinator, through the Company, will publish information on whether or not any stabilization has been carried out, the date when stabilization was undertaken, the last date when stabilization was carried out, as well as the price range within which stabilization was undertaken for all of the dates when stabilization transactions were carried out.

## ADVISERS' INTERESTS

Carnegie, DNB and RedEye are the Managers in the Offering. The Managers will provide financial advice and other services to the Company and Selling Shareholders in connection with the Offering. None of the Managers owns shares in the Company, nor do they have any financial interests in the Company other than previously agreed fees for their services.

## SUBSCRIPTION UNDERTAKINGS

### SUBSCRIPTION UNDERTAKINGS BY CORNERSTONE INVESTORS

Cornerstone Investors have undertaken to acquire shares in the Offering equivalent to SEK 150 million. Based on full subscription of the Offering and that the Overallotment Option is exercised in full, the undertakings corresponds to to 4,615,386 shares, corresponding to 31.1 percent of the number of shares in the Offering, and 6.6 percent of the total number of shares in the Company after the Offering.

The Cornerstone Investors will not receive any compensation for their respective undertakings. The Cornerstone Investors are, however, guaranteed allotment in accordance with their respective undertakings. The Global Coordinator, Selling Shareholders and the Board of Directors of Alligator consider that the Cornerstone Investors have good credit standing and thus will be able to fulfil their respective undertakings. However, the Cornerstone Investors' undertakings are not secured through bank guarantees, blocked funds or pledging or similar arrangements, why there is a risk that Cornerstone Investors will not be able to fulfill their commitments. Furthermore, the Cornerstone Investors' undertakings are also subject to conditions. In the event that any of these conditions are not met, there is a risk that Cornerstone Investor will not fulfill their undertakings.

| Cornerstone Investors | Subscription undertaking (SEK million) | Numer of shares[1)] | Percentage of Offering[1)] |
|---|---|---|---|
| Catella Fondförvaltning[2)] | 50 | 1,538,462 | 10.4 % |
| Investment AB Öresund[3)] | 50 | 1,538,462 | 10.4 % |
| Norron Asset Management[4)] | 50 | 1,538,462 | 10.4 % |
| **Total** | **150** | **4,615,386** | **31.1 %** |

1) Based on full subscription of the Offering and that the Overallotment Option is exercised in full.
2) Box 7328, SE-103 90 Stockholm, Sweden.
3) Box 7621, SE-103 94 Stockholm, Sweden.
4) Box 3054, SE-103 61 Stockholm, Sweden.

## DESCRIPTION OF CORNERSTONE INVESTORS

**Catella Fondförvaltning**

Catella Fonder, founded in 1997, is an active fund manager focusing on the Nordic capital markets. Catella manages equity funds, alternative funds, balanced funds and credit funds. For more information, see catella.com.

**Investment AB Öresund**

Investment AB Öresund is a listed investment company active in asset management. Öresund's overall goal as an investment company is to run its business in such a way as to generate a healthy long-term return for its shareholders. For more information, see oresund.se.

**Norron Asset Management**

Norron Asset Management is a Nordic investment manager with offices in Stockholm and Oslo. The company manages 6 different funds with primary focus on the Nordic capital markets. The fund offering consists of both absolute return funds and actively managed equity funds. Norron currently manages approximately SEK 10 billion, and the funds are distributed by market leading Nordic savings platforms, mainly targeting pension capital. For more in-formation, see norron.se.

## SUBSCRIPTION UNDERTAKING BY JOHNSON & JOHNSON INNOVATION-JJDC, INC

In addition to the Cornerstone Investors, JJDC has in accordance with the investment agreement entered into in connection with JJDC's initial investment in the Company in August 2015 undertaken to, upon request from the Company, acquire shares for an aggregate amount of up to the SEK equivalent of USD 5 million in an offering of the Company's shares carried out in connection with a listing on Nasdaq Stockholm. Based on the undertaking, the Board of Directors of the Company has utilized the right to request JJDC to apply for acquisition of shares in the Offering for a total amount in SEK corresponding to USD 5 million, whereby the conversion from USD to SEK shall be based on the exchange rate as per 17 November 2016. Based on full subscription in the Offering, that the Over-allotment option is exercised in full and assuming a USD/SEK exchange rate of 8.95, the undertaking corresponds to 1,376,923 shares, corresponding to 9.3 percent of the number of shares in the Offering and 2.0 percent of the total number of shares in the Company after the Offering. For the sake of clarity, it should be noted that the calculation of number of shares as per the foregoing has been made for illustration purposes only and that the final number of shares covered by the undertaking will be established based on the exchange rate as of 17 November 2016. It should however be noted that JJDC will not be guaranteed allotment in accordance with the undertaking. The Global Coordinator, the Selling Shareholders and the Board of Directors of Alligator consider JJDC as having good credit standing and thus will be able to fulfil its undertaking. However, JJDC's undertaking is not secured through bank guarantees, blocked funds or pledging or similar arrangements, why there is a risk that JJDC will not be able to fulfill its commitment should JJDC be allotted shares in the Offering.

## TRANSACTIONS WITH AFFILIATES

There is a consulting agreement between Alligator and a company owned by Board member Carl Borrebaeck in regard to expert assistance with evaluation of discovery projects and new antibodies. The consulting agreement also covers obtaining and developing contacts with leading researchers and prominent organizations within immunotherapy against cancer. According to the agreement, the consultancy fee is SEK 60 thousand per month. For 2014, the total compensation paid amounted to SEK 840 thousand, in 2015 the total compensation paid totaled SEK 720 thousand, and for the period January 1, 2016 – September 30, 2016 the total compensation paid was SEK 540 thousand. Pricing has been determined on market conditions. See also Note 5 (Transactions with affiliates) in the section "Historical financial information".

For information on remuneration to the Board of Directors and senior management team, see the section "Corporate governance".

## COSTS RELATED TO THE OFFERING

Alligators gross proceeds from the Offering amount to SEK 350 million before issue costs. The Company's expenses for the Offering and listing on the Nasdaq Stockholm are expected to be a maximum of SEK 38 million. In addition to the Company's share of fixed fees to the Managers, the Company's expenses mainly consist of expenses for accountants, legal advisers, printing of prospectuses, costs of presentation materials for advisers and similar. The Selling Shareholders' expenses in connection with the Offering are expected to amount to 7 million and relate primarily to fixed fees to the Managers.

## DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available on at Alligator's head office at Medicon Village, Scheelevägen 2 in Lund, during the period of validity of the Prospectus (regular business hours on weekdays):

- Alligator's Articles of Association;
- Annual reports for the 2014-2015 financial years (including auditor's reports) for Alligator and all its subsidiaries;
- Alligator's reviewed summary interim report for the period January-September 2016, which has been prepared in accordance with IAS 34 Interim Financial Reporting; and
- Auditor's review of financial information in prospectuses (RevR 5)

# CERTAIN TAX CONSIDERATIONS

*Below is a summary of specific tax rules for individuals and limited liability companies with unlimited tax liability in Sweden, unless otherwise stated. The summary is based on current legislation and is intended only as general information. The summary does not include securities which are held by partnerships or as inventory assets in business operations. Nor does it include any details about special rules pertaining to tax-free capital gains (including prohibition of deduction for capital losses) or corporate dividends which may become applicable should shareholders hold shares which may be considered business-related. Neither are the special rules that may apply to holdings in companies that are or have been so-called closely held companies or to shares purchased on the basis of so-called qualified shares in closely held companies. The summary also does not cover shares held in an investment savings account (ISK) and which are subject to special rules on standardized-rate taxation. Special tax rules apply to certain types of taxpayers, for example investment companies and insurance companies. Each individual shareholder's tax liability will depend on their particular situation. Each holder of shares should consult a tax advisor for information on the special implications that may arise in the individual situation, including the applicability and effect of foreign rules and tax treaties.*

## UNLIMITED LIABILITY TO PAY TAX IN SWEDEN

### NATURAL PERSONS

**Capital gains taxation**

When listed shares are sold or otherwise disposed of, a taxable capital gain or deductible capital loss may occur. Capital gains are taxed as income from capital at a rate of 30 per cent. Capital gain or loss is typically determined as the difference between the sales proceeds, after deduction for sales costs, and the acquisition cost. The acquisition cost for all shares of the same type and class is calculated as an aggregate using the averaging method. When selling listed shares, the acquisition cost may be alternatively calculated according to the standardized method at 20 per cent of the sales proceeds after deduction of sales costs.

Capital losses on listed shares are fully deductible against taxable capital gains incurred that arise during the same tax year on shares and other listed securities except shares of mutual funds or special funds containing only Swedish rights to recover debts, so-called bond funds. Capital losses on shares or other ownership interests that cannot be offset in this way may be deducted for up to 70 per cent of value against other capital income.

In the event of a deficit in capital income, a tax reduction is granted against municipal and national income tax, as well as against municipal property tax and national property tax. A tax reduction is allowed for 30 per cent of that part of the loss that does not exceed SEK 100 000, and 21 per cent of the remainder. Such a loss cannot be carried forward into a future tax year.

**Tax on dividends**

For natural persons, dividends on listed shares are taxed in the capital income category at a rate of 30 per cent. For natural persons who are resident in Sweden, a preliminary tax of 30 per cent is normally withheld from dividends. The preliminary tax is withheld by Euroclear Sweden or, for nominee-registered shares, by the nominee.

### LIMITED LIABILITY COMPANIES

**Tax on capital gains and dividends**

For a limited liability company, all income, including taxable capital gains and dividends, is taxed as business income at a rate of 22 per cent. Capital gains and losses are calculated in the same manner as described above in respect to natural persons.

Deductible capital losses on shares or other ownership interests can only be deducted against taxable capital gains on shares or other ownership interests. If certain conditions are met, such a capital loss may also be offset against capital gains on shares or other ownership interests in companies within the same group, provided that a right to make group contributions between companies exists. Any capital loss that cannot be utilized in a given year may be carried forward and offset against taxable capital gains on shares and other ownership interests in future years, without limitation in time.

## SHAREHOLDERS WHO HAVE LIMITED TAX LIABILITY IN SWEDEN

### WITHHOLDING TAX

Shareholders who have limited tax liability in Sweden and who receive dividends on shares in a Swedish limited liability company are subject to normal withholding tax. The tax rate is 30 per cent, which however is generally reduced through tax treaties that Sweden has entered into with certain other countries in order to avoid double taxation. Most of Sweden's tax treaties enable a reduction of the Swedish tax to the treaty rate directly at the time of dividend payment if the necessary information about the dividend recipient is provided. In Sweden, the deduction of withholding tax is normally made by Euroclear Sweden or, for nominee-registered shares, by the nominee.

If a 30 per cent withholding tax is withheld from a dividend payment to a person who has the right to be taxed at a lower rate, or if too much withholding tax has otherwise been withheld, repayment can be requested from the Swedish Tax Agency before the end of the fifth calendar year after the dividend payment.

### CAPITAL GAINS TAXATION

Shareholders who have limited tax liability in Sweden and whose holdings are not attributable to a permanent establishment in Sweden, are not normally taxed in Sweden for capital gains in connection with the sale of shares. Shareholders may, however, be subject to tax in their country of residence. According to a special tax rule, however, natural persons with limited tax liability in Sweden may be subject to Swedish capital gains tax on the sale of shares if at any time during the year of disposal or the ten calendar years, have been resident or lived permanently in Sweden. The applicability of this rule may however be limited by tax treaties between Sweden and other countries.

## NORWEGIAN, DANISH AND FINNISH INCOME TAX MATTERS

The following is a summary of certain tax consequences that may arise for investors participat-ing in the Offering resident in Norway, Denmark or Finland for tax purposes.

### DIVIDEND

Dividend payments to non-resident shareholders tax resident in Norway, Denmark or Finland are subject to a 15 percent withholding on dividends from Swedish limited liability companies as a main rule provided that the shareholder can provide a proof of residency in Norway, Denmark or Finland (as applicable). If shareholders are Norwegian, Danish or Finnish companies, the tax may under certain circumstances be re-duced to 0 percent (if the shares are listed a holding of 10 percent or more is amongst other required). In other situations, In Sweden, the withholding tax is 30 percent. The preliminary tax is withheld by Euroclear or, regarding nominee-registered shares, by the nominee. If a 30 percent withholding tax is withheld and the shareholder is entitled to an exemption or a reduced rate, a refund can be claimed from the Swedish Tax Agency at the end of the fifth calendar year fol-lowing the year in which the dividend was paid.

### CAPITAL GAINS TAXATION

Capital gains on shares are typically not taxable in Sweden for non-resident shareholders tax resident in Norway, Denmark or Finland, unless the holdings are allocated to a Swedish permanent establishment. The shareholders may, however, be subject to tax in their state of residence.

Individuals may be subject to tax in Sweden on capital gains according to a special rule in case they have been resident or stayed permanently in Sweden at any time during the year in which the shares or warrants are sold or the ten preceding years. The applicability of this rule may be limited under the Nordic tax treaty.

# CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

*Holders are hereby notified that (a) any discussion of U.S. Federal tax issues in this Prospectus is not intended or written to be relied upon, and cannot be relied upon, by holders for the purpose of avoiding penalties that may be imposed on holders under the internal revenue code of 1986, as amended (the "U.S. Code"); (b) such discussion is included herein by the Company in connection with the promotion or marketing of the Offering or matters addressed herein and (c) holders should seek advice based on their particular circumstances from an independent tax adviser*

The following is a description of certain U.S. federal income tax consequences that may be relevant with respect to the receipt, exercise and disposition of the shares by a U.S. Holder (as defined below). This summary deals only with initial purchasers of shares in the Offering, who use the U.S. dollar as their functional currency and will hold the shares as capital assets.

This description does not purport to address all material U.S. tax consequences of the receipt, exercise and disposition of the shares and does not address aspects of U.S. federal income taxation that may be applicable to investors that are subject to special tax rules, including without limitation:

- Certain financial institutions;
- dealers or certain traders in securities;
- real estate investment trusts, regulated investment entities or grantor trusts;
- persons holding shares as part of a straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the shares;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- persons who receive shares as compensation for the performance of services;
- persons who are resident in or have a permanent establishment in Sweden;
- tax-exempt entities;
- certain U.S. expatriates;
- "dual resident" corporations;
- persons that own or are deemed to own 10% or more of the Company's voting stock; or
- persons holding shares in connection with a trade or business outside the United States.

Further, this description does not address state, local, foreign or other tax laws, the alternative minimum tax, the Medicare tax on net investment income or the U.S. federal gift and estate tax consequences of the receipt, exercise and disposition of the shares.

This description is based on the U.S. Internal Revenue Code of 1986, as amended (U.S. Code), its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, as well as on the Income Tax Convention Between the United States of America and Sweden (the "**Treaty**"), in each case as in effect on the date of this Offering, all of which are subject to change (or to changes in interpretation), possibly with retroactive effect. The Company has not requested, and does not intend to request, a ruling from the U.S. Internal Revenue Service (the "IRS") with respect to matters addressed herein.

## U.S. HOLDERS

You are a "U.S. Holder" for purposes of this discussion if for U.S. federal income tax purposes you are a beneficial owner of the Company's shares and are:

- a citizen or individual resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state therein or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of the substantial decisions of such trust, or (ii) such trust has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds shares, the tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax adviser as to the U.S. federal income tax consequences of acquiring, holding, or disposing of the shares.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE HOLDERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

THE COMPANY BELIEVES IT WAS A "PASSIVE FOREIGN INVESTMENT COMPANY" OR "PFIC" FOR 2015 AND MAY BE TREATED, FOR U.S. FEDERAL INCOME PURPOSES, AS A PFIC FOR THE CURRENT TAXABLE YEAR AND FOR FUTURE TAX YEARS. POTENTIAL U.S. INVESTORS SHOULD REVIEW THE DISCUSSION UNDER "PASSIVE FOREIGN INVESTMENT COMPANY" BELOW.

### TAXATION OF DISTRIBUTIONS

Subject to the PFIC rules discussed below, distributions paid on the shares (including the amount of any Swedish taxes withheld), other than certain pro rata distributions of shares to all shareholders, will be treated as dividends to the extent paid out of the Company's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to you as dividends.

Subject to applicable limitations, if you are a non-corporate U.S. Holder, dividends paid to you may be eligible for taxation as "qualified dividend income" and therefore may be taxable at favorable rates. Dividends will be treated as qualified dividends (a) if certain holding period requirements are satisfied, (b) if the Company is eligible for benefits according to the comprehensive Treaty with the US that the IRS has approved for the purposes of the qualified dividend rules, and (c) provided that the Company was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a PFIC. The Treaty has been approved for the purposes of the qualified dividend rules. The Company believes that it was a PFIC in 2015. However, its status in the current year and future years will depend upon its use of the funds from the Offering, as well as its income and assets (which for this purpose depends in part on the market value of the Company's shares) in those years. See the discussion below under "Passive foreign investment company". You should consult your tax adviser regarding the availability of the reduced tax rate on qualified dividends.

Dividends will generally be included in your income on the date of receipt. Dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations under the U.S. Code. The amount of any dividend income paid in SEK will be the USD amount calculated by reference to the spot rate in effect on the date of receipt, regardless of whether the payment is in fact converted into USD. If the dividend is converted into USD on the date of receipt, you should not be required to recognize foreign currency gain or loss in respect of the amount received. You may have foreign currency gain or loss if the dividend is converted into USD after the date of receipt, and any such gain or loss will be U.S.-source ordinary income or loss.

Dividends will be treated as foreign-source dividend income for foreign tax credit purposes. Subject to applicable limitations, some of which vary depending upon your circumstances, Swedish income taxes withheld from dividend payments on shares at a rate not exceeding any applicable Treaty rate will be creditable against your U.S. federal income tax liability. Swedish income taxes withheld in excess of the applicable Treaty rate will not be eligible for credit against your U.S. federal income tax liability. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the creditability of foreign taxes in your particular circumstances. In lieu of claiming a foreign tax credit, you may elect to deduct foreign taxes, including any Swedish taxes, when computing your taxable income, subject to applicable limitations. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the relevant taxable year.

### SALE OR OTHER TAXABLE DISPOSITION OF SHARES

Subject to the PFIC rules discussed below, you generally will recognize taxable gain or loss on a sale or other taxable disposition of the shares equal to the difference between the amount realized on the sale or disposition and your tax basis in the shares, each as determined in USD. This gain or loss will generally be capital gain or loss, and will be long-term capital gain or loss if at the time of sale or disposition the shares have been held for more than one year. Any gain or loss will generally be U.S.- source for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

If you receive SEK (or other currency other than USD) upon a sale, exchange or other disposition of the shares, the amount realized generally will be the USD value of the payment received determined on (a) the date of receipt of payment in the case of a cash basis U.S. Holder and (b) the date of disposition in the case of an accrual basis U.S. Holder. If the shares are traded on an "established securities market", a cash basis taxpayer or, if it so elects, an accrual basis taxpayer, will determine the USD value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale. A U.S. Holder will have a tax basis in the foreign currency received equal to the USD amount realized. Any currency exchange gain or loss realized on a subsequent conversion of the foreign currency into USD for a different amount generally will be treated as ordinary income or loss from sources within the United States. However, if such foreign currency is converted into USD on the date received by the U.S. Holder, a cash basis or electing accrual basis U.S. Holder should not recognize any gain or loss on such conversion.

### PASSIVE FOREIGN INVESTMENT COMPANY

A Non-U.S. corporation will be classified as a "passive foreign investment company," or a PFIC, for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either:

- at least 75.0% of its gross income is "passive income"; or
- at least 50.0% of the quarterly average value of its gross assets is attributable to assets that produce "passive income" or are held for the production of passive income.

Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income. In determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least 25.0 % (by value) is taken into account. Based upon the Company's financial statements and its existing operations and assets, the Company believes that it was a PFIC for the tax year ended December 31, 2015. In addition, since PFIC status depends upon the composition of the Company's income and assets and the market value of the Company's assets from time to time and as the determination of PFIC status must be made annually at the close of each taxable year, there can be no assurance that the Company will not be considered a PFIC for 2016 or any future taxable year. Changes in the nature of the Company's income or assets, the manner and rate at which the Company utilizes the proceeds of the Offering, or a

decrease in the trading price of the Shares may cause the Company to be considered a PFIC in a future taxable year. If the Company were a PFIC in any year during a U.S. investor's holding period for the Shares, the Company would ordinarily continue to be treated as a PFIC for each subsequent year during which the U.S. investor owned the Shares, and similar rules could apply to the Company's subsidiaries that are or become PFICs. A U.S. Holder that owns Shares during any year that a Company is a PFIC must file IRS Form 8621.

If the Company were treated as a PFIC, a direct (and in certain cases, indirect) U.S. Holder would be subject to special rules with respect to (i) any gain realized on the sale or other disposition of the Shares and (ii) any "excess distribution" by the Company to the U.S. Holder in respect of the Shares (generally, any distributions to the U.S. Holder in respect of the Shares during a single taxable year that total more than 125 percent of the average annual distributions received by the U.S. Holder in respect of the Shares during the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the Shares). Under these rules, (a) the gain or excess distribution would be allocated ratably over the U.S. Holder's holding period for the Shares, (b) the amount allocated to the taxable year in which the gain or excess distribution was realized or to any year before the Company became a PFIC would be taxable as ordinary income, (c) the amount allocated to each other taxable year would be subject to tax at the highest tax rate in effect for ordinary income for that year and (d) an interest charge, at the rate generally applicable to underpayments of tax, would be imposed in respect of the tax attributable to each prior year described in (c). These rules effectively prevent a U.S. Holder from treating gain on the Shares as capital gain. For these purposes, gifts, exchanges pursuant to a corporate reorganization and use of the Shares as security for a loan may be treated as dispositions.

The above adverse U.S. tax results may be minimized if a U.S. Holder in a PFIC is eligible for and timely makes a valid qualified electing fund ("**QEF election**"). If a QEF election were made, such U.S. Holder generally would be required to include in income on a current basis its pro rata share of the Company's ordinary income and net capital gains. In order for a U.S. Holder to be able to make a QEF election, the Company would be required to provide such U.S. Holder with certain information. As the Company does not expect to provide U.S. Holders with the required information, prospective investors should assume that a QEF election will not be available.

Another way a U.S. Holder may minimize adverse PFIC tax consequences is by making a "mark-to-market" election. A mark-to-market election is available to a U.S. Holder only if the Shares are considered "marketable stock". Generally, stock will be considered marketable stock if it is "regularly traded" on a "qualified exchange" within the meaning of applicable U.S. Treasury regulations. A class of stock is regularly traded during any calendar year during which such class of stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. A qualified exchange includes a non-U.S. securities exchange that is regulated or supervised by a governmental authority of the country in which the securities exchange is located and meets certain trading, listing, financial disclosure and other requirements set forth in U.S. Treasury regulations. It is unclear whether Nasdaq Stockholm would be treated as a "qualified exchange" for these purposes. If the Company's stock qualifies as "marketable stock", a U.S. Holder who makes the mark-to-market election, for each year in which the Company is a PFIC, will generally include as ordinary income the excess, if any, of the fair market value of the Shares at the end of the taxable year over their adjusted tax basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted tax basis of the Shares, over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). If a U.S. Holder makes the election, the holder's tax basis in the Shares will be adjusted to reflect the amount of any such income or loss. Any gain or loss recognized on the sale or other disposition of Shares in a year in which the Company is a PFIC will be treated as ordinary income or ordinary loss. The mark-to-market election however, is inapplicable to any subsidiaries of the Company that are PFICs since their shares are not "marketable stock." Any excess distribution from a subsidiary of the Company or gain or loss on a disposition of stock in such a subsidiary will be subject to the adverse U.S. tax rules initially discussed above. U.S. Holders should consult their tax advisers regarding the availability or advisability of the mark-to-market election.

If the Company were regarded as a PFIC, a U.S. Holder of the Shares generally would be required to file an information return on IRS Form 8621 for any year in which it receives a direct or indirect distribution with respect to the Shares, recognizes gain on a direct or indirect disposition of Shares, or makes an election with respect to the Shares, reporting distributions received and gains realized with respect to the Shares. In addition, if the Company were regarded as a PFIC, a U.S. Holder of the Shares would be required to file an annual information return (also on IRS Form 8621) relating to the holder's ownership of the Shares. This requirement would be in addition to other reporting requirements applicable to ownership in a PFIC.

U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences of holding the Shares if the Company were considered to be a PFIC.

### BACKUP WITHHOLDING AND INFORMATION REPORTING

Payments of dividends and sales proceeds that are made within the United States or through U.S. or certain U.S.-related financial intermediaries will generally be subject to information reporting and backup withholding, unless (i) you are an exempt recipient or (ii) in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. You may be required to report information relating to non-U.S. accounts through which the shares are held (or information regarding the shares if the shares are not held through any financial institution). You should consult your tax adviser regarding your reporting obligations with respect to the shares.

Certain individual U.S. Holders (and under proposed Treasury regulations, certain entities) may be required to report to the IRS information with respect to their investment in the shares not held through an account with a U.S. financial institution. U.S. Holders who fail to report required information could become subject to substantial penalties. U.S. Holders are encouraged to

consult with their own tax advisors regarding foreign financial asset reporting requirements with respect to their investment in the shares.

U.S. Holders who acquire any of the shares for cash may be required to file an IRS Form 926 (Return by a U.S. Transferor of Property to a Foreign Corporation) with the IRS and to supply certain additional information to the IRS if (i) immediately after the transfer, the U.S. Holder owns directly or indirectly (or by attribution) at least 10 per cent of the Company's total voting power or value or (ii) the amount of cash transferred to the Company in exchange for the shares when aggregated with all related transfers under applicable regulations, exceeds US$100,000. Substantial penalties may be imposed on a U.S. Holder that fails to comply with this reporting requirement. Each U.S. Holder is urged to consult with its own tax advisor regarding these reporting obligations.

# SELLING AND TRANSFER RESTRICTIONS

The shares in the Offering have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or with any securities regulatory authority of any state of the United States, and may not be offered or sold, except in a transaction not subject to, or pursuant to an exemption from, the registration requirements of the Securities Act. In addition, until the end of the 40th calendar day after the closing of the Offering, an offer or sale of shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act

## RULE 144A SHARES

Each purchaser of shares in the Offering within the United States purchasing pursuant to Rule 144A under the Securities Act or another exemption from the registration requirements of the Securities Act will be deemed to have represented, agreed and acknowledged that:

- it has received a copy of the Offering Circular and such other information as it deems necessary to make an informed investment decision;
- the shares in the Offering have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state of the United States, may not be offered or sold, except in a transaction not subject to, or pursuant to an exemption from, the registration requirements of the Securities Act and are subject to significant restrictions on transfer;
- it (a) is a QIB as that term is defined by Rule 144A under the Securities Act, (b) is aware that, and each beneficial owner of such shares has been advised that, the sale to it is being made in reliance on Rule 144A under the Securities Act or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, (c) is acquiring such shares in the Offering for its own account or for the account of a QIB and (d) if it is acquiring such shares for the account of one or more QIBs, has sole investment discretion with respect to each such account and has full power to make the representations, agreements and acknowledgements herein on behalf of each such account;
- the shares in the Offering are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;
- if, in the future, it decides to offer, resell, pledge or otherwise transfer shares sold in the Offering, such shares may be offered, sold, pledged or otherwise transferred only (a) to a person whom the beneficial owner or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, or (c) in accordance with Rule 144 under the Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;
- the shares in the Offering are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for the resale of any shares;
- it will not deposit or cause to be deposited the shares in the Offering into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, for so long as such shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;
- the Company and the Global Coordinator and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representations, agreements and acknowledgements; and
- the Company shall not recognize any offer, sale, pledge or other transfer of the shares made otherwise than in compliance with the above stated restrictions.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE SHARES PURCHASED WITHIN THE UNITED STATES PURSUANT TO RULE 144A MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A UNDER THE SECURITIES ACT.

## REGULATION S SHARES

Each purchaser of the shares in the Offering purchasing pursuant to Regulation S will be deemed to have represented, agreed and acknowledged that (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

- it has received a copy of the Offering Circular and such other information as it deems necessary to make an informed investment decision;
- the shares in the Offering have not been, and will not be, registered under the Securities Act, or with any securities regulatory authority of any state of the United States;
- it and the person, if any, for whose account or benefit it is acquiring the shares in the Offering was located outside the United States at the time of the offer to it of the shares and at the time that the buy order for the shares was originated for the purposes of Rule 903 of Regulation S under the Securities Act;
- if it is acquiring shares as a fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and it has full power to make the representations, agreements and acknowledgements herein on behalf of each such account;
- the shares in the Offering are being offered outside the United States pursuant to Regulation S and, subject to certain exceptions, such shares may not be offered or sold within the United States;
- it is aware of the restrictions on the offer and sale of the shares in the Offering pursuant to Regulation S described in this Prospectus;
- the Company and the Global Coordinator and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representations, agreements and acknowledgements; and
- the Company shall not recognize any offer, sale, pledge or other transfer of the shares made otherwise than in compliance with the above stated restrictions.

# HISTORICAL FINANCIAL INFORMATION

*Apart from Alligator's audited financial statements for the financial years 2014 and 2015 and the reviewed iterim report for the period January –September 2016 on pages 90–109 in the Prospectus, no information in the Prospectus has been reviewed or audited by the Company's auditor.*

## FINANCIAL INFORMATION FOR THE PERIOD JANUARY–SEPTEMBER 2016



## FINANCIAL INFORMATION FOR THE FINANCIAL YEARS 2014 AND 2015

# Financial information for the period January–September 2016


## Interim report January-September 2016

## Contents



## Financial calendar

Full year report 2016 ..... 17 February 2017
Annual Report ..... 22 March 2017
Interim report Jan-Mar 2017 ..... 2 May 2017
General Meeting ..... 2 May 2017

# 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.

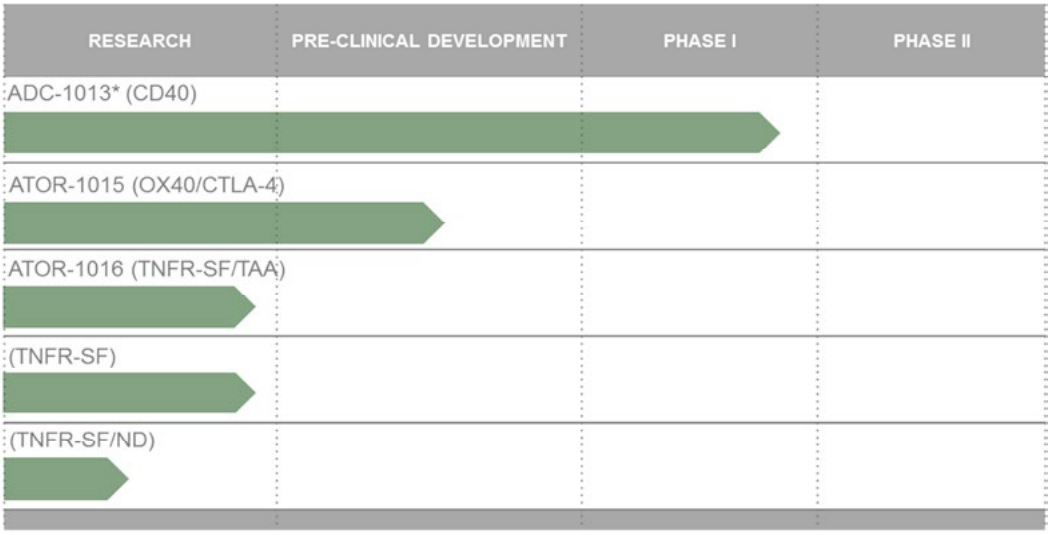
**Per Norlén**
CEO of Alligator Bioscience AB

# 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.

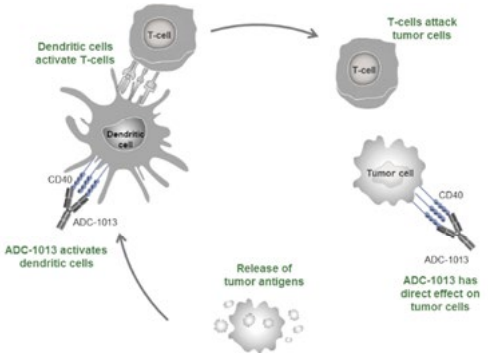



*Diagram text: The figure shows the cancer immunity cycle, which describes how the immune system attacks tumors. The primary mechanism behind ADC-1013 is the activation of dendritic cells. Dendritic cells that are activated by stimulation with ADC-1013 can effectively show a cancer antigen to T cells 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.

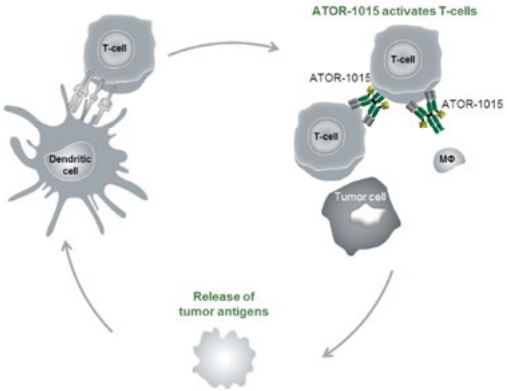



*Diagram text: ATOR-1015 is a bispecific agonistic antibody that binds to two different target molecules: CTLA-4 and OX40, at the same time. Both CTLA-4 and OX40 are overexpressed in regulatory T cells in the tumor environment. ATOR-1015 reduces the number of regulatory T cells and activates effector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

| | Note | July-September 2016 | July-September 2015 | January-September 2016 | January-September 2015 | full year 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<br>Chairman | Carl Borrebaeck<br>Member of the Board | Ulrika Danielsson<br>Member of the Board |
| Jakob Lindberg<br>Member of the Board | Kenth Petersson<br>Member of the Board | Jonas Sjögren<br>Member of the Board |
| Mathias Uhlén<br>Member of the Board | Per Norlén<br>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

## REVIEW REPORT

### 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

# Financial information for the 2014-2015 financial year

## CONSOLIDATED INCOME STATEMENT

| SEK thousand | Note | 01.01.2015 –31.12.2015 | 01.01.2014 –31.12.2014 |
|---|---|---|---|
| Net sales | 4 | 289,797 | 0 |
| Other operating income | 4 | 3,822 | 1,171 |
| **Total operating income** | | **293,619** | **1,171** |
| ***Operating expenses*** | | | |
| Other external costs | 5,6,9 | –49,335 | –48,605 |
| Personnel costs | 7,8 | –28,611 | –27,593 |
| Depreciation and impairment of tangible assets and intangible assets | 15,16,17 | –12,667 | –2,185 |
| **Total operating expenses** | **10** | **–90,613** | **–78,384** |
| **Operating profit/loss** | | **203,006** | **–77,213** |
| ***Results from financial items*** | | | |
| Result from other securities and receivables | 25 | 2,290 | 0 |
| Financial income | 11 | 2,081 | 431 |
| Financial expenses | 12 | –1 | –1 |
| **Total financial items** | | **4,371** | **430** |
| **Profit/loss before tax** | | **207,377** | **–76,782** |
| Tax on profit for the year | 13 | 0 | 0 |
| **Profit for the year attributable to Parent Company shareholders** | | **207,377** | **–76,782** |
| **Earnings per share before dilution** | **14** | **3.81** | **–1.59** |
| **Earnings per share after dilution** | **14** | **3.70** | **–1.59** |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| SEK thousand | Note | 01.01.2015 –31.12.2015 | 01.01.2014 –31.12.2014 |
|---|---|---|---|
| Profit/loss for the year | | 207,377 | –76,782 |
| Other comprehensive income | | 0 | 0 |
| **Comprehensive income for the year attributable to Parent Company shareholders** | | **207,377** | **–76,782** |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| SEK thousand | Note | 31.12.2015 | 31.12.2014 |
|---|---|---|---|
| **ASSETS** | | | |
| ***Fixed assets*** | | | |
| *Intangible assets* | | | |
| Participations in development projects | 16 | 40,069 | 50,149 |
| Patents | 15 | 3,354 | 3,934 |
| *Tangible assets* | | | |
| Equipment, machinery and computers | 17 | 2,323 | 2,305 |
| *Financial assets* | | | |
| Other investments held as fixed assets | 25 | 95 | 0 |
| **Total fixed assets** | | **45,840** | **56,388** |
| ***Current assets*** | | | |
| *Current receivables* | | | |
| Accounts receivable | | 689 | 0 |
| Other receivables | | 2,803 | 2,740 |
| Prepaid expenses and accrued income | 20 | 1,319 | 1,239 |
| Cash and cash equivalents | 21 | 365,605 | 37,428 |
| **Total current assets** | | **370,417** | **41,407** |
| **TOTAL ASSETS** | | **416,256** | **97,794** |
| **EQUITY AND LIABILITIES** | | | |
| ***Equity*** | | | |
| Share capital (59,014,384 shares) | 22 | 23,606 | 19,445 |
| Other capital contributions | | 335,051 | 218,139 |
| Retained earnings | | –169,065 | –92,283 |
| Profit/loss for the year | | 207,377 | –76,782 |
| **Equity attributable to Parent Company shareholders** | | **396,969** | **68,519** |
| **Current liabilities** | | | |
| Accounts payable | | 4,890 | 4,195 |
| Other liabilities | 23 | 632 | 17,735 |
| Accrued expenses and deferred income | 24 | 13,765 | 7,345 |
| **Total current liabilities** | | **19,287** | **29,275** |
| **SUMMA EGET KAPITAL OCH SKULDER** | | **416,256** | **97,794** |

For information on contingent liabilities see note 26.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Equity attributable to Parent Company shareholders | | | |
|---|---|---|---|---|
| **SEK thousand** | **Share capital** | **Other contributed equity** | **Capitalized earnings including profit/loss for the year** | **Total** |
| **Opening balance on 01-01-2014** | **18,340** | **184,279** | **–92,283** | **110,336** |
| Profit/loss for the year | 0 | 0 | –76,782 | –76,782 |
| Other comprehensive income | 0 | 0 | 0 | 0 |
| **Profit/loss for the year** | **0** | **0** | **–76,782** | **–76,782** |
| *Transactions with owners:* | | | | *0* |
| New share issue | 1,105 | 32,929 | 0 | 34,034 |
| Options | 0 | 931 | 0 | 931 |
| **Closing balance on 31-12-2014** | **19,445** | **218,139** | **–169,065** | **68,519** |
| **Opening balance on 01-01-2015** | 19,445 | 218,139 | –169,065 | 68,519 |
| Profit/loss for the year | 0 | 0 | 207,377 | 207,377 |
| Other comprehensive income | 0 | 0 | 0 | 0 |
| **Profit/loss for the year** | **0** | **0** | **207,377** | **207,377** |
| *Transactions with owners:* | | | | |
| New share issue | 4,161 | 117,413 | 0 | 121,573 |
| Issue expenses | 0 | –501 | 0 | –501 |
| **Closing balance on 31-12-2015** | **23,606** | **335,051** | **38,312** | **396,969** |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| SEK thousand | 01.01.2015 –31.12.2015 | 01.01.2014 –31.12.2014 |
|---|---|---|
| **Operating activities** | | |
| Operating profit/loss | 203,006 | –77,213 |
| Effect from share-related remunerations | 0 | 0 |
| Depreciation and impairments | 12,667 | 3,186 |
| **Cash flow from operating activities** | **215,673** | **–74,027** |
| Interest received | 43 | 430 |
| Interest paid | –1 | –1 |
| Tax paid | 0 | 0 |
| **Cash flow from operating activities before changes in working capital** | **215,715** | **–73,597** |
| *Changes in working capital* | | |
| Change in operating receivables | –833 | 3,195 |
| Change in operating liabilities | –9,988 | 7,665 |
| **Cash flow from operating activities** | **204,894** | **–62,736** |
| *Investments activities* | | |
| Result from participations in other companies | 2,291 | 0 |
| Acquisition of intangible assets | –1,187 | –2,667 |
| Acquisition of tangible assets | –838 | –1,359 |
| **Cash flow from investment activities** | **266** | **–4,025** |
| *Financing activities* | | |
| New share issue | 121,073 | 34,034 |
| Warrant premiums received | 0 | 931 |
| **Cash flow from financing activities** | **121,073** | **34,965** |
| **Cash flow for the year** | **326,232** | **–31,797** |
| **Cash and cash equivalents at beginning of year** | **37,428** | **69,224** |
| **Exchange rate differences in cash and cash equivalents** | **1,944** | **2** |
| **Cash and cash equivalents at end of year** | **365,605** | **37,428** |

# Notes to the consolidated financial statements

## Note 1 | Accounting policies and valuation principles

### APPLICABLE REGULATIONS

The consolidated financial statements for Alligator Bioscience AB (publ.) have been prepared in accordance with International Financial Reporting Standards ("IFRS") as they have been approved by the EU Commission for application within the EU. Furthermore, the Swedish Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Board's recommendation RFR 1 (Supplementary Accounting Rules for Groups" have been applied. The Group has applied the new and revised standards and interpretations from IASB and statements from IFRIC which have been adopted by the EU and which are mandatory from 1 January 2015. No standards or interpretations were applied early.

In 2015, no significant changes of IFRS have been introduced that have affected the Group.

The Parent Company applies the Swedish Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Board's recommendation RFR 2, "Reporting for legal entities". As there are limitations in the ability to apply IFRS in the parent company due to the Swedish Annual Accounts Act and applicable tax provisions, deviations in the Parent Company's and the Group's accounting policies may occur. However, there are no deviations for the current financial year or the comparative periods.

### BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on the going concern assumption and are based on historical cost unless otherwise stated. The Group's reporting currency is Swedish kronor, which is the functional currency of the parent company. Unless otherwise indicated, all financial sums are expressed in Swedish kronor (SEK).

### BASIS FOR CONSOLIDATION

The financial reports for the parent company and the subsidiary which is included in the consolidated financial statements refer to the same period and have been prepared according to the same accounting policies.

All inter-company transactions and balances are eliminated in their entirety and thus are not included in the consolidated financial statements.

### SEGMENT REPORTING

The Company has only one business operation and therefore a single operating profit on which the chief operating 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.

### REVENUE RECOGNITION

Group revenues consist of revenues from collaboration agreements and fro licensing of proprietary projects. Revenue is recognized at the fair value of the consideration received or receivable. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenues from collaboration agreements related to the licensing of proprietary projects consist of initial license fees, milestone payments, reimbursement for development work and future royalties on sales of the drug. Initial license fees (upfront payments) are obtained when the collaboration agreement is entered into. These payments are recognized in full when the collaboration agreement is entered into, provided that the Company fulfilled all obligations under the agreement.

Milestone payments are received when the licensed drug project passes essential steps in the development process, such as the start of the various clinical phases. Milestone payments are recognized when all conditions are met under contract. Payment for development work in connection with cooperation agreements are recognized as revenue in line with completion of the work. Future royalty revenues are recognized in accordance with the agreements financial implications.

### INTANGIBLE ASSETS

Intangible assets in the Group consist of patents and participations in development projects and are measured at cost less any accumulated depreciation and impairment losses.

Intangible assets with a finite life are recognized at cost less depreciation and impairment losses. Intangible assets are amortized systematically over the estimated useful life of the asset. The useful life is reviewed at each balance sheet date and adjusted if necessary. When the depreciation amount of the asset is determined, the residual value of the asset is taken into account, where appropriate.

Development costs are capitalized when they meet the criteria for capitalization and are estimated to amount to a material amount for the development project as a whole. Development costs are otherwise expensed as normal operating costs. The main criteria for capitalization are that the development work will lead to proven future earnings or cost savings and cash flow, and that there are technical and financial conditions for completing the development work once it is started. Normally this means that activation commences when the end product is approved for sale in the market.

The Group currently only has acquired intangible assets.

#### Participations in development projects

Depreciation commences when the projects are ready for sale, licensing or otherwise deemed ready for commercialization. Depreciation has not yet commenced for participations in development projects.

#### Patents

Patents are recognized at cost less depreciation and impairment losses, and are amortized over a period of 5 years.

### TANGIBLE ASSETS

Tangible assets consist of computers, equipment and machinery and are recognized in the Group at cost less accumulated depreciation and any impairment. The cost includes the purchase price and expenses directly attributable to the asset to bring it on site and in the condition to be used in accordance with its intended purpose.

#### Depreciation methods

Depreciation is made according to a systematic plan over the estimated useful life of the asset according to the following table:

| | |
|---|---|
| – Computers: | 3 years |
| – Equipment and machinery: | 5 years |

### IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, such as the Group's intangible assets for which amortization has not yet begun, are tested at least annually for impairment or when an indication of impairment exists. Assets which are amortized are assessed for impairment whenever events or changes in circumstances indicate that the carrying value is not recoverable.

An impairment is made for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses and value in use. When assessing impairment requirement, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Alligator uses a probability-adjusted cash flow model to test the value of intangible assets. The value of ongoing development projects is calculated by discounting expected future cash flows to present value and probability adjusting to take account of the development risk. The valuation takes into account the cash flow for the next 3 years and does not include estimates of any residual value thereafter.

The previously recognized impairment loss is reversed if the recoverable amount is estimated to exceed the carrying amount. However, recovery is not in an amount that is greater than that which the carrying amount would have been if the impairment had not been recognized in previous periods.

## GOVERNMENT GRANTS

Government grants are recognized as income when the future performance required to obtain the grant has been carried out. In cases where the grant is obtained before the performance has been carried out, the grant is recognized as a liability in the balance sheet. Revenue is recognized at the fair value of the consideration received or receivable.

## LEASE AGREEMENTS

Lease agreements are classified in the consolidated financial statements as financial or operating lease agreements. Leases where the financial risks and rewards normally associated with ownership of an asset essentially remain with the counterparty are classified as operating leases.

The Group has only operating lease agreements. Leasing fees are expensed on a straight-line basis in the income statement over the lease period.

## REMUNERATION TO EMPLOYEES

### Short-term remuneration to employees

Short-term employee benefits such as salary, social security contributions, holiday pay and bonus are expensed in the month in which the employees render service.

### Termination benefits

The Group recognizes severance pay when there is an existing legal or informal obligation and it is probable that an outflow of resources will be required to settle the obligation and when the amount can be estimated reliably.

### Pensions

The Group's defined benefit pension plans cover commitments for retirement and family pensions for salaried employees in Sweden are secured through insurance with Alecta. According to a statement by the Swedish Financial Reporting Board, UFR 10, this is a defined benefit plan covering several employers. The Group has not had access to information that makes it possible to report this plan as a defined benefit plan. ITP pension plans secured through insurance in Alecta are therefore reported as defined contribution plans.

Other pension plans in the Group are defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if this legal entity does not have sufficient assets to pay all benefits relating to employees service that are related to the employees' employment in the current or earlier periods. The Group's contributions to defined contribution pension plans are charged against profit/loss for the year in the year they are related to.

## FINANCIAL INSTRUMENTS

Financial instruments recognized in the statement of financial position include on the asset side cash and cash equivalents and accounts receivable. Liabilities include accounts payable and payables to partners.

A financial instrument or financial liability is recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Accounts receivable are recorded in the statement of financial position when the invoice has been sent. Liabilities are recognized when the counterparty has performed under the agreement and an obligation to pay exists, even if the invoice has not yet been received. Accounts payable are recorded when the invoice has been received. A financial liability is removed from the statement of financial position when the contractual obligation is fulfilled, expires or the Company loses control over them. A financial liability is removed from the statement of financial position when the contractual obligation is fulfilled.

In accordance with IAS 39, financial assets and liabilities are classified into different categories, depending on the purpose of their acquisition. Financial assets are primarily related to the loan receivables and accounts receivable category and recorded at amortized cost. Other investments held as fixed assets relate however to financial assets that shall be sold. The holdings relate to shares whose fair value cannot be reliably measured, which are recorded at cost. Financial liabilities are assigned to the other financial liabilities category and measured at amortized cost.

Cash and cash equivalents consist of cash and immediately available balances with banks and similar institutions, and short-term liquid investments with maturities of up to three months, which are subject to only an insignificant risk of changes in value.

## IMPAIRMENT LOSS ON FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that impairment exists for a financial asset or group of financial assets. A financial asset or group of financial assets has an impairment requirement and is written down only if there is objective evidence of an impairment requirement as a result of one or more events that occurred after the recognition of the asset (a 'loss event') and that this event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets and can be estimated reliably.

For the loan receivables and accounts receivables category, impairment is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective rate of interest. The asset's carrying amount is impaired and the impairment loss is recognized in the consolidated income statement.

Shares carried at cost are tested for impairment by comparing the share's net worth (book equity per share).

If the impairment requirement decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss will be reversed in the consolidated income statement.

## CURRENCY TRANSLATION

Swedish kronor (SEK), which is the Company's functional and reporting currency, is used in the consolidated financial statements. Transactions in foreign currencies are translated into SEK at the exchange rate on the transaction date. Receivables and liabilities in foreign currencies have been translated at the closing rate of exchange. Exchange gains and losses on operating receivables and liabilities are included in operating profit. Exchange gains and losses on financial receivables and liabilities are included in financial items.

## REPORTING OF CASH FLOW

Cash equivalents consist of available cash, bank balances available at banks and where appropriate other liquid investments with original maturities of three months or less and that are subject to insignificant fluctuations value. Deposits and payments are recognized in the cash flow statement. Cash flow from operating activities is reported according to the indirect method.

## TAXES

Income tax consists of the sum of current tax and deferred tax. Income tax is recognized in the profit/loss for the year except when the underlying transaction is recognized under other comprehensive income or in equity, in which connection the associated tax effect is recognized under other comprehensive income or equity.

Current tax is the tax payable or refundable for the current year, applying the tax rates enacted as per the balance sheet date, and any adjustment of current tax attributable to prior periods. Deferred tax is calculated using the balance sheet method on the basis of temporary differences between the carrying amount and tax base of assets and liabilities.

Deferred tax assets in regard to deductible temporary differences and loss carryforwards are only recognized to the extent it is probable they will be able to be utilized.

## KEY RATIOS

Equity ratio: Adjusted equity as a percentage of balance sheet total
Operating margin: Operating profit/loss as a percentage of net sales
Return on equity: Net income as a percentage of equity

## Note 2 | Significant accounting judgements, estimations and assumptions

When the Board prepares financial statements in accordance with applied accounting policies, certain estimates must be made that may affect the carrying amounts of assets, liabilities, income and expenses.

Estimates and assumptions are continually evaluated. Changes in estimates are recognized in the period the change is made if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Uncertainty in estimates involves a significant risk that the value of assets or liabilities may need to be adjusted significantly in the coming financial year. Impairment testing of intangible assets with indefinite useful life is therefore done on an ongoing basis, and at least once annually.

In connection with impairment testing of intangible assets with an indefinite useful life, a number of significant assumptions and estimates must be taken into account in order to be able to calculate a recoverable amount. These assumptions and estimates relate, among other things, to the expected sales prices of the company's products, anticipated market penetration, anticipated development, sales and marketing costs and the expected probability that the product comes through the remaining development stages. The assumptions are based on industry and market specific data and are developed by management and reviewed by the Board. For more information on the impairment testing of intangible assets with indefinite useful life, see Note 16 - Intangible assets.

## Note 3 | New accounting policies which shall be applied from 1 January 2016 or later

A number of new standards, amendments of interpretations and existing standards come into force for financial years that begin after January 1, 2016 or later. None of these are expected to have a material impact on the consolidated financial statements with the exception of that stated below:

**IFRS 9 – Financial instruments**

The standard will come into effect for financial years beginning January 1, 2018 or later and will then replace IAS 39 Financial Instruments: Recognition and measurement. The EU has not yet adopted the standard. The Group has not yet evaluated the new standard's impact on the consolidated financial statements, but the preliminary assessment is that the new standard will have a limited effect on the Group.

**IFRS 15 – Revenue from contracts with customers**

The standard is effective for financial years beginning January 1, 2018 or later.

The standard replaces all previously issued standards and interpretations that deal with revenue. The EU has not yet adopted the standard. The preliminary assessment is that the new standard will have a limited effect on the Group.

**IFRS 16, Leases**

In January 2016, the IASB published a new leasing standard that will replace IAS 17 Leases and related interpretations, IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities relating to all lease agreements, with some exceptions, are recognized in the balance sheet. This recognition is based on the view that the lessee has a right to use an asset for a specific period of time and at the same time an obligation to pay for that right. For the lessor, the new standard does not entail much difference. The definition of what is a lease has also changed. The standard will apply for financial years beginning January 1, 2019 or later. Early application is permitted if IFRS 15 also applies. The EU has not yet adopted the standard. The Group has not yet evaluated the effects of IFRS 16.

## Note 4 | Income

Net sales are distributed to lines of business as follows:

| | The Group | |
|---|---|---|
| **SEK thousand** | **2015** | **2014** |
| Licensing income | 289,797 | 0 |
| | **289,797** | **0** |

Revenue from licensing refers to initial license fees for licensing of ADC-1013.

Other operating income

| | The Group | |
|---|---|---|
| **SEK thousand** | **2015** | **2014** |
| EU grants received | 640 | 1,111 |
| Swedish government grants received | 1,184 | 68 |
| Other grants received | 0 | 55 |
| Invoiced costs | 0 | 0 |
| Exchange gains, operations | 1,997 | –63 |
| Other items | 2 | 0 |
| | **3,822** | **1,171** |

Alligator does not divide its business operations into segments but views the Group's operations as one segment instead. This categorization reflects the Company's internal organization and reporting system.

Consolidated net sales were zero in 2014. For 2015 all net sales were allocated to the North American market, where the licensee of ADC-1013 is domiciled.

Future net sales will be specified according to the distribution between North America, Europe, Japan and the rest of the world.

The Group's intangible assets relate mainly to the cooperation with the South Korean company AbClon Inc. and thus the rest of the world. Other intangible assets relate to the Company's proprietary technologies and thus to the geographical segment Europe.

Tangible assets relate entirely to the Parent Company's facilities in Sweden, thus Europe.

## Note 5 | Transactions with affiliates

| Nature of the transaction | Amount | Affiliate (relation) | Party |
|---|---|---|---|
| Consultancy services | 720,000 kr | Carl Borrebaeck (Board member) | Parent Company |

The consulting agreement relates to expert assistance with evaluation of discovery projects and new antibodies. Carl Borrebaeck also has an important role in mediating and obtaining and developing contacts with leading researchers and prominent organizations within immunotherapy of cancer. Pricing has been determined on market conditions. A sum of SEK 840,000 was paid in 2014. Further information on remuneration to the Board of Directors is provided in Note 8.

## Note 6 | Fees to the auditor

| | The Group | |
|---|---|---|
| **SEK thousand** | **2015** | **2014** |
| *EY* | | |
| Audit engagement | 250 | 200 |
| Other audit business | 0 | 50 |
| Tax consultancy | 0 | 15 |
| Other services | 75 | 50 |
| | **325** | **315** |

## Note 7 | Employees and personnel costs

| ***Average number of employees*** | **2015** | | **2014** | |
|---|---|---|---|---|
| | **Number of employees** | **Of whom men** | **Number of employees** | **Of whom men** |
| Sweden | 27 | 19% | 26 | 16% |
| **Group in total** | **27** | **19%** | **26** | **16%** |

| ***Salaries and other benefits*** | **2015** | | **2014** | |
|---|---|---|---|---|
| **SEK THOUSAND** | **Salaries and other benefits** | **Social security expenses (of which pension costs)** | **Salaries and other benefits** | **Social security expenses (of which pension costs)** |
| | 19,205 | 8,506 | 18,850 | 8,684 |
| | | (3,130) | | (3,286) |
| **Group in total** | **19,205** | **8,506** | **18,850** | **8,684** |
| | | **(3,131)** | | **(3,286)** |

| | **2015** | | **2014** | |
|---|---|---|---|---|
| | **Board of Directors and CEO (of which bonus etc.)** | **Other employees** | **Board of Directors and CEO (of which bonus etc.)** | **Other employees** |
| | 3,941 | 15,264 | 3,909 | 14,941 |
| | (298) | | (1,060) | |
| **Group in total** | **3,941** | **15,264** | **3,909** | **14,941** |

| ***Salaries and other benefits*** | **Group in total** | |
|---|---|---|
| **SEK THOUSAND** | **2015** | **2014** |
| Board of Directors and CEO | 3,941 | 3,909 |
| Of which bonus payments | (298) | (1,060) |
| Other employees | 15,264 | 14,941 |
| | **19,205** | **18,850** |
| *Social security expenses* | | |
| Pension costs for the Board of Directors and CEO | 1,014 | 798 |
| Pension costs for other employees | 2,117 | 2,489 |
| Other social security expenses | 5,375 | 5,397 |
| | **8,506** | **8,684** |
| *Pension obligations* | | |
| Board of Directors and CEO | 0 | 0 |

**Pensions**

The Group has both defined contribution and defined benefit pension plans. The plans consist of salaried workers' collectively-agreed ITP-plans that include both defined contribution pension according to ITP-1 and defined benefit pension according to ITP-2.

The ITP-2 plan's defined benefit pension obligations for retirement and family pensions are guaranteed in their entirety through insurance taken out with Alecta. This plan is a defined benefit plan that covers several employers, but when information is missing for recognition under defined benefit plan, it is reported as a defined contribution plan. Contributions to be paid to Alecta next year are estimated to amount to SEK 890 thousand (850 thousand). The Group's share of the total contributions to the plan amounted to under 0.01% in both 2015 and 2014.

The collective funding ratio is the market value of Alecta's assets as a percentage of insurance commitments calculated according to Alecta's actuarial methods and assumptions, which are not consistent with IAS 19. At the end of 2015, Alecta's surplus in the form of the collective funding ratio was 153 percent (143 percent) compared with the target of 140 percent.

The Group's total cost for defined contribution plans amounted to SEK 268 thousand.

## Note 8 | Remuneration to senior management

**2015**

| SEK thousand | Board fee | Fixed salary and benefits | Severance pay | Bonus | Pension costs | Total |
|---|---|---|---|---|---|---|
| **The Board of Directors:** | | | | | | |
| Peter Benson (Chairman of the Board) | 170 | 0 | 0 | 0 | 0 | **170** |
| Carl Borrebaeck[1)] | 85 | 0 | 0 | 0 | 0 | **85** |
| Jakob Lindberg | 85 | 0 | 0 | 0 | 0 | **85** |
| Kenth Petersson | 85 | 4 | 0 | 0 | 0 | **88** |
| Mathias Uhlén | 85 | 0 | 0 | 0 | 0 | **85** |
| Jonas Sjögren | 50 | 0 | 0 | 0 | 0 | **50** |
| **CEO:** | | | | | | |
| Sibylle Lenz | 0 | 2,222 | 2,280 | 0 | 752 | **5,254** |
| Claes Ericsson | 0 | 858 | 0 | 298 | 262 | **1,417** |
| Other senior executives[2)] | 0 | 2,082 | 0 | 438 | 751 | **3,271** |
| | **560** | **5,165** | **2,280** | **736** | **1,765** | **10,506** |

**2014**

| SEK thousand | Board fee | Fixed salary and benefits | Severance pay | Bonus | Pension costs | Total |
|---|---|---|---|---|---|---|
| **The Board of Directors:** | | | | | | |
| Mats Grahn (Chairman) | 0 | 0 | 0 | 0 | 0 | **0** |
| Peter Benson | 0 | 0 | 0 | 0 | 0 | **0** |
| Carl Borrebaeck[1)] | 85 | 0 | 0 | 0 | 0 | **85** |
| Jakob Lindberg | 85 | 0 | 0 | 0 | 0 | **85** |
| Kenth Petersson | 85 | 0 | 0 | 0 | 0 | **85** |
| Mathias Uhlén | 85 | 0 | 0 | 0 | 0 | **85** |
| **CEO:** | | | | | | |
| Sibylle Lenz | 0 | 2,351 | 0 | 1,060 | 798 | **4,209** |
| Other senior executives[3)] | 0 | 2,777 | 0 | 995 | 1,132 | **4,904** |
| **Total** | **340** | **5,128** | **0** | **2,055** | **1,930** | **9,453** |

**Gender breakdown of the senior management team**

| | The Group | |
|---|---|---|
| | **31.12.2015** | **31.12.2014** |
| Percentage of women on the Board of Directors | 0% | 0% |
| Number | 0 | 0 |
| Percentage of men on the Board of Directors | 100% | 100% |
| Number | 6 | 5 |
| Percentage of women among other senior executives | 33% | 50% |
| Number | 1 | 2 |
| Percentage of men among other senior executives | 67% | 50% |
| Number | 2 | 2 |

1) In 2015, Carl Borrebaeck has also received payment for consultancy services of SEK 720,000 (840,000) in accordance with the specification in Note 5 – Transactions with affiliated parties.
2) Other senior executives in the tables above refers to the VP Research and VP Development/CMO.
3) Other senior executives in the tables above refers to VP Research, VP Development/CMO and CFO.

The period of notice for the CEO is 6 months irrespective of which party gives notice. Severance pay on notice given by the Company is 6 months. Other senior executive have a period of notice of between 2 and 3 years. No severance pay has been agreed for other senior executives.

In 2015, severance pay to the former CEO Sibylle Lenz was paid for the sum equivalent to 12 months.

Bonus refers to variable remuneration based on the outcome in relation to targets set in advance. The entitlement earning period corresponds to the financial year and the bonus is paid in the following financial year after goal achievement has been evaluated. Reservations were made during the fiscal year for bonuses on the assumption of full target achievement.

## Note 9 | Lease agreements

***Finance leases***

The Group and the Parent Company have entered into an agreement in regard to the leasing of an auto. As the recognition of this agreement as a finance lease does not materially affect the reporting of the Group's financial position, the agreement is recognized as an operating lease. The agreement ceased in 2015.

***Operating leases***

The Group and the Parent Company have entered into the following significant lease agreements, which are recognized as operating leases:

– Rental agreement with Medicon Village AB in regard to the lease of premises.
- Lease agreement with Ikano Bank AB in regard to the lease of copiers.

| | The Group | |
|---|---|---|
| | **2015** | **2014** |
| Leasing cots for the period, SEK thousand | 3,872 | 3,763 |
| Future minimum lease payments on non-cancellable operating leases: | | |
| Within 1 year. | 4,152 | 3,772 |
| Later than 1 year but within 5 years | 6,978 | 6,659 |
| Later than 5 years | 0 | 0 |
| | **11,130** | **10,431** |

## Note 10 | Purchases and sales between Group companies

During the 2014 financial year, the Parent Company invoiced its subsidiary Atlas Therapeutics AB a total cost of EUR 1,654 thousand relating to expense the Parent Company incurred on behalf of the subsidiary.

In the 2015 financial year, there were no purchases or sales between Group companies.

## Note 11 | Financial income

| | The Group | |
|---|---|---|
| **SEK thousand** | **2015** | **2014** |
| Other financial income[1)] | 95 | 0 |
| Other interest income | 42 | 431 |
| Exchange rate differences | 1,944 | 1 |
| | **2,081** | **432** |

1) Refers to valuation at net worth of shares received as a gift

## Note 12 | Financial expenses

| | The Group | |
|---|---|---|
| **SEK thousand** | **2015** | **2014** |
| Other interest expense | –1 | –1 |
| | **–1** | **–1** |

## Note 13 | Tax on profit for the year

| | The Group | |
|---|---|---|
| **SEK thousand** | **2015** | **2014** |
| Current tax on profit for the year | 0 | 0 |
| Deferred tax in respect of temporary differences | 0 | 0 |
| **Total recorded tax** | **0** | **0** |
| Average effective rate of tax | – | – |
| **Reconciliation of effective rate of tax** | | |
| **Recorded profit before tax** | **207,377** | **–76,782** |
| Tax on recorded profit/loss according to the applicable rate of tax (22%): | –45,623 | 16,892 |
| **Tax effect of:** | | |
| Non-deductible expenses | –39 | –23 |
| Costs not-recognized in the income statement | 110 | 0 |
| Non-activated tax value of loss carry-forwards | 45,552 | –16,869 |
| **Recorded tax** | **0** | **0** |
| Effective rate of tax | – | – |

The Group's accumulated unutilized loss carry-forwards at December 31, 2015 amounted to SEK 241 million of which SEK 239 million is blocked as group contributions. There is no maturity date that limits the utilization of loss carry-forwards. However, it is uncertain when these loss carry-forwards will be utilized to offset against taxable profits. A deferred tax asset attributable to the loss carry-forward is therefore of no value.

## Note 14 | Earnings per share

| **SEK thousand** | **2015** | **2014** |
|---|---|---|
| ***Earnings per share before dilution*** | | |
| Profit for the year attributable to Parent Company shareholders | 207,377 | –76,782 |
| Average number of outstanding common stock | 54,393 | 48,356 |
| **Earnings per share before dilution (SEK)** | **3.81** | **–1.59** |
| | , | , |
| ***Earnings per share after dilution*** | | |
| Profit for the year attributable to Parent Company shareholders | 207,377 | –76,782 |
| Average number of outstanding common stock | 54,393 | 48,356 |
| Effect of potential common stock in respect to options | 1,605 | 0 |
| **Earnings per share after dilution (SEK)** | **3.70** | **–1.59** |

When calculating earnings per share after dilution, the weighted average number of outstanding common stocks is adjusted for the dilution effect of all potential outstanding common stocks. These potential outstanding common stocks are related to the options which have been acquired at market value by senior executives and employees of the Company in 2014. If earnings for the year are negative, the options are not deemed to have a dilutive effect. Nor will the options have a dilutive effect if the strike price, including supplement for the value of remaining future services to be recognized during the entitlement period, exceeds the average share price for the period. No dilution effects exist for the option program for 2014 as earnings for the year were negative.

For information on changes in the number of outstanding shares, see Note 22 Equity.

## Note 15 | Patents

| | The Group | |
|---|---|---|
| **SEK thousand** | **31.12.2015** | **31.12.2014** |
| Opening cost | 13,274 | 11,608 |
| Purchases during the year | 1,187 | 1,666 |
| Sales/withdrawals from use | –1,000 | 0 |
| **Closing accumulated balance cost** | **13,461** | **13,274** |
| Opening depreciation | –9,340 | –7,922 |
| Sales/withdrawals from use | 817 | 0 |
| Depreciation for the year | –1,584 | –1,418 |
| **Closing accumulated balance depreciation** | **–10,107** | **–9,340** |
| **Closing carrying amount** | **3,354** | **3,934** |

## Note 16 | Participations in development projects

| | The Group | |
|---|---|---|
| **SEK thousand** | **31.12.2015** | **31.12.2014** |
| Opening cost | 50,149 | 50,149 |
| Purchases during the year | 0 | 0 |
| **Closing accumulated balance cost** | **50,149** | **50,149** |
| Impairment loss for the year | –10,080 | 0 |
| **Closing accumulated balance impairments** | **–10,080** | **0** |
| **Closing carrying amount** | **40,069** | **50,149** |

In connection with the acquisition of Atlas Therapeutics AB, a surplus value of SEK 50,148,532 SEK was paid which was classified as participations in research projects. The acquisition of the subsidiary Atlas Therapeutics AB gave the Group both a 50% stakeholding in a project with the Korean company AbClone Inc. (80% of the total value), as well as exclusive rights to all therapeutic targets from the Human Protein Atlas (HPA) project (20% of the total value).

These assets have been developed under the BioSynergy and Identification of new target molecules projects which are described in the introduction of this Annual Report.

The rights to the targets from the HPA project are written down to zero in 2015. This is partly because the HPA project is nearing completion and that more targets therefore are unlikely to be identified. The targets already identified are in such an early stage that it is uncertain when an economic value can be realized. However, the work to identify new target molecules is continuing.

In regard to the participation in the Biosynergy project, an impairment test has been carried out as described below. The Board believes that the value of this project is likely to exceed the carrying amount, and in any event will not be less than the carrying amount.

### Impairment loss testing

Alligator uses a probability-adjusted cash flow model to test the value of intangible assets. Valuation of ongoing development projects is calculated by calculating the present value of the expected future cash flows and then adjusting probability to take the development risk into account. The valuation takes into account the cash flow for the next 3 years and does not include estimates of any residual value thereafter. The valuation is assigned to Level 3 of the valuation hierarchy and includes the following key assumptions:

- Revenue and cost forecasts over 3 years for the development project. The reason that a period of three years is used is that Alligator estimates that the project will have been able to be licensed within a period of three years. Revenue is calculated from estimates based on available data on the different types of prospective indicators, such as forecasts for the total market size, expected market share for the product, the estimated price level and market-payment of lump sum payments, milestone payments and royalty payments. The size of the market, royalty levels and milestone payments are estimated using information from secondary sources, accepted assumptions within the industry and assumptions made by Alligator.
- Costs include development costs and direct and indirect project costs based on normal production and marketing costs in the pharmaceutical industry, as well as the experience Alligator has from previous development projects
- Cash flow discounted to present value and adjusted for the probability of project success. The probability is based on sound assumptions about the possibility of a similar product reaching the market and is estimated to be 11%. The likelihood of reaching a point where the project can be licensed and begin generating revenue is estimated at 65%.
- A discount rate before tax of 14 %.

The most critical assumptions consist mainly of the assumptions about market size, market share and the probability that the project will reach a point where it can be licensed. As in many projects in pharmaceutical development, there are risks of delays, that the expected clinical effect is not achieved or that the market and competitive situation change. There are no reasonable changes in assumptions and estimates that could justify an impairment loss.

Depreciation commences when the asset can be used, i.e. when it is on-site and in the condition necessary for it to be used in the way that management intends. Depreciation has not yet begun for the Group's intangible assets with the exception of patents on technologies which are amortized over 5 years.

This year's impairment testing has shown that a Phase I clinical study can be started for the project with the assumed probability of 65% that CMC and pre-clinical studies will be successful. At this time, one licensing is expected to be concluded, which according to accepted assumptions within the industry and a comparison with similar licensing agreements, would generate cash flows that clearly exceed the current book value.

## Note 17 | Equipment, machinery and computers

| | The Group | |
|---|---|---|
| **SEK thousand** | **31.12.2015** | **31.12.2014** |
| Opening cost | 10,261 | 12,469 |
| Purchases during the year | 838 | 1,359 |
| Sales/withdrawals from use | –1,048 | –3,567 |
| **Closing accumulated balance cost** | **10 051** | **10,261** |
| Opening depreciation | –7,957 | –10,755 |
| Sales/withdrawals from use | 1,048 | 3,567 |
| Depreciation for the year | –820 | –768 |
| **Closing accumulated balance depreciation** | **–7 728** | **–7,957** |
| **Closing carrying amount** | **2,323** | **2,305** |

## Note 18 | Specification of participations in Group companies

| SEK thousand<br>Name | Company number | Registered office | Equity share | Voting right share | Number of No. of shares: | Booked value |
|---|---|---|---|---|---|---|
| Atlas Therapeutics AB | 556815-2424 | Lund | 100% | 100% | 50 000 | 42,120 |

The Company's business is to conduct research, development and production of antibodies and other types of binder molecules for commercialization within the field of antibody-based therapy.

The book value in 2014 was SEK 52,200,000. An impairment of SEK 10,080,000 has been made (see note 16)

## Note 19 | Finansiella instrument och finansiell riskhantering

| | The Group | |
|---|---|---|
| **SEK thousand** | **31.12.2015** | **31.12.2014** |
| ***Loan receivables and accounts receivable*** | | |
| Other investments held as fixed assets | 95 | |
| Accounts receivable | 689 | 0 |
| Parent Company's receivables from Group companies | 0 | 0 |
| Other receivables | 220 | 210 |
| Cash and cash equivalents | 365,605 | 37,428 |
| **Assets** | **366,608** | **37,638** |
| ***Other financial liabilities*** | | |
| Accounts payable | 4,890 | 4,195 |
| Other liabilities | 0 | 16,500 |
| Other accrued expenses | 3,129 | 1,650 |
| **Liabilities** | **8,018** | **22,345** |

As all items above relate to current receivables and liabilities with a maturity of less than six months, the carrying amount reflects the fair value.

### Financial risks

The Group is exposed through its activities to various financial risks: credit risk, market risk (foreign exchange risk, interest rate risk and other price risk) and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial results.

The Group's financial transactions and risks are managed centrally by the Parent Company and the Parent Company's central finance function, with the support of financial policy among other instruments. The Group's overall objective for financial risks is to minimize the risk when investing excess liquidity.

*Credit risk*

Credit risk is the risk that the Group's counterparty to a financial instrument fails to fulfil his obligation and thereby causes the Group a financial loss. The Group has no significant concentration of credit risks.

The Group has established guidelines to ensure that sales of products and services are made to customers with an appropriate credit history. The terms of payment are between 30-60 days depending on the counterparty and credit losses amounted to a modest amount in relation to the Group's turnover.

There have been no credit losses in 2015 or 2014.

*Market risks*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks are divided by IFRS into three types: foreign exchange risk, interest rate risk and other price risks. The market risk that affects the Group is foreign exchange risk. In the current situation the Group has no loans or holdings which expose the Group to interest rate risk or other price risk.

### Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The main exposure arises from the Group's sales and purchases in foreign currencies. This exposure is termed transaction exposure.

### Transaction exposure

The Group has transaction exposure from contracted cash flows in foreign currencies. See the table below for exposure in the respective currency.

| **Foreign exchange exposure 2015 (%)** | **Operating income** | **Operating expenses** |
|---|---|---|
| USD | 100% | 1% |
| EUR | 0% | 15% |
| SEK | 0% | 74% |
| Other | 0% | 0% |
| | **100%** | **0%** |

| **Foreign exchange exposure 2014 (%)** | | |
|---|---|---|
| USD | 0% | 1% |
| EUR | 0% | 3% |
| SEK | 100% | 94% |
| Other | 0% | 0% |
| | **100%** | **100%** |

As is shown in the table above, the Group's main transaction exposure is in USD and EUR. A 5% stronger SEK against the USD would have a negative impact on profit after tax and equity of approximately SEK 14,400 thousand (SEK -350 thousand). A 5% stronger SEK against the EUR would have a positive impact on profit after tax and equity of approximately SEK 700 thousand (SEK 550 thousand).

*Liquidity risk*

Liquidity risk is the risk that the Group may encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is minimized by liquidity planning and investment of excess liquidity in short-term financial instruments with maturities of up to 3 months. Excess liquidity is placed only in bank deposits.

Refinancing risk refers to the risk that cash and cash equivalents are not available and that funding is only partially or not at all available or only at an increased cost. The Group currently has significant funds primarily from the licensing of ADC-1013. Alligator has used and will continue to need to use substantial funds in order to carry on research and development. The Company's financial position has been strengthened but further external financing may however be required in the future. This could be done for example through further agreements with partners and by public or private financing.

The Group's contractual and non-discounted interest payments and repayments of financial liabilities are shown in the table below. Amounts in foreign currencies have been translated at the closing rate. Financial instruments with variable rates of interest have been calculated at the rate of interest on the closing day. Liabilities have been included in the period when the earliest repayment could be required.

### Term analysis

The terms to maturity of the Group's financial instruments are shown below.

| | As at 31.12.2015 | | | As at 31.12.2014 | | |
|---|---|---|---|---|---|---|
| **SEK thousand** | **< 3 months** | **3–12 months** | **Total** | **< 3 months** | **3–12 months** | **Total** |
| Accounts payable | 4,890 | 0 | 4,890 | 4,195 | | 4,195 |
| Other liabilities | 0 | 0 | 0 | 3,000 | 13,500 | 16,500 |
| Accrued interest expenses | 0 | 0 | 0 | 0 | | 0 |
| Other accrued expenses | 3,129 | 0 | 3,129 | 1,650 | | 1,650 |
| **Liabilities** | **8,018** | **0** | **8,018** | **8,845** | **13,500** | **22,345** |

## Note 20 | Prepaid expenses and accrued income

| | The Group | | |
|---|---|---|---|
| **SEK thousand** | **31.12.2015** | **31.12.2014** | **01.01.2014** |
| Lease prepayments | 932 | 916 | 883 |
| Prepaid insurance premiums | 70 | 72 | 62 |
| Other prepaid expenses | 317 | 251 | 374 |
| | **1,319** | **1,239** | **1,319** |

## Note 21 | Cash and cash equivalents

| | The Group | | |
|---|---|---|---|
| **SEK thousand** | **31.12.2015** | **31.12.2014** | **01.01.2014** |
| Cash funds | 0 | 1 | 1 |
| *Available balances:* | | | |
| SEK | 330,937 | 37,399 | 19,217 |
| USD | 9,467 | 0 | 0 |
| EUR | 25,201 | 28 | 5 |
| Current investments | 0 | 0 | 50,000 |
| | **365,605** | **37,428** | **69,224** |

## Note 22 | Equity

Share capital and other capital contributions

| **SEK thousand** | **Number of common stocks** | **Share capital** | **Other capital contributions** |
|---|---|---|---|
| **As at 1 January 2014** | **45,848,799** | **18,340** | **165,777** |
| New share issue 09-01-2014 | 2,641,873 | 1,057 | 17,436 |
| Options exercised 13-01-2014 | 3,000 | 1 | 8 |
| Subscription rights | | | 931 |
| Options exercised 22-07-2014 | 118,572 | 47 | 308 |
| **As at 31 December 2014*** | **48,612,244** | **19,445** | **184,460** |
| New share issue 02-02-2015 | 3,945,888 | 1,578 | 45,772 |
| New share issue 18-02-2015 | 560,000 | 224 | 6,496 |
| New share issue 06-05-2015 | 1,549,621 | 620 | 17,475 |
| New share issue 28-09-2015 | 4,346,631 | 1,739 | 80,847 |
| **As at 31 December 2015** | **59,014,384** | **23,606** | **335,051** |

*The difference in other capital contributions as at 1 January 2014 and as at 31 December 2014 between this note and the consolidated statement of financial position originates from paid but not registered share capital in December 2013 and December 2014 respectively.

*Share capital*

As per 31 December 2015, the registered share capital was 59,014,384 ordinary shares with a quota value of SEK 0.40. Holders of ordinary shares are entitled to receive dividends which are determined subsequently and the shareholding gives the right to vote at General Meetings with one vote per share. All shares have the same right to Alligator's remaining new assets. All shares are fully paid-up and no shares are reserved for transfer. No shares are held by the Company itself or its subsidiaries.

*Other capital contributions*

Other capital contributions consist of capital contributed by the Company's shareholders, e.g. share premium when subscribing for shares.

*Options*

In accordance with the decision of the Extraordinary General Meeting held on 5 November 2013, 1,605,000 warrants were issued in 2014. The warrants have been acquired at market value by senior executives and employees of the Company. Each warrant gives the right to subscribe for one share in Alligator Bioscience ab (publ) at a price of SEK 9 per share up to 31 March 2017. The market value of the warrants has been calculated with the help of the so-called Black & Scholes method, and set at SEK 0.58 per warrant.

## Note 23 | Other liabilities

| | The Group | | |
|---|---|---|---|
| **SEK thousand** | **31.12.2015** | **31.12.2014** | **01.01.2014** |
| Employee withholding taxes | 632 | 485 | 647 |
| Debt related to buy back of the share in ADC-1013 incl. VAT on the part already invoiced | 0 | 17,250 | 0 |
| | **632** | **17,735** | **647** |

## Note 24 | Accrued expenses and deferred income

| | The Group | | |
|---|---|---|---|
| **SEK thousand** | **31.12.2015** | **31.12.2014** | **01.01.2014** |
| Accrued salaries | 486 | 489 | 2,112 |
| Accrued vacation pay | 1,848 | 2,870 | 2,372 |
| Accrued social security contributions | 734 | 1,135 | 1,409 |
| Accrued interest expenses | 0 | 0 | 11 |
| Accrued development costs Phase I ADC-1013 | 7,120 | 572 | 0 |
| Other accrued expenses | 3,577 | 2,279 | 4,052 |
| | **13,765** | **7,345** | **9,955** |

## Note 25 | Other securities

In June 2015, Alligator and Mats Grahn entered into an agreement according to which Mats Grahn undertook to transfer to Alligator as a gift 1,650 shares in BioCrine AB and 400 shares in Spiber Technologies AB.

Alligator has thereafter transferred the shares in Spiber Technologies AB and 415 of the shares in BioCrine AB. The agreement has not been named as a related agreement in the Company's annual report since Mats Grahn was not considered a related party of the contract.

Profit from the sale of shares (SEK 2,290,500) has been recorded as Profit from other securities. The remaining shares in Biocrine AB have been valued at net asset value in Biocrine AB at the time of the gift (SEK 94,564).

## Note 26 | Contingent liabilities

A company chattel pledge for SEK 1 million issued in 2009 is outstanding in the Company. The company chattel pledge was issued in connection with the Company raising a bridging loan from the then Chairman of the Board Per-Olof Mårtensson. The bridging loan has been settled and the company chattel pledge returned to the company from which it came. The Company has initiated a cancellation procedure with the Registration Authority for chattel mortgages (Bolagsverket).

# THE AUDITORS' REPORT ON REVISED FINANCIAL STATEMENTS AND HISTORICAL FINANCIAL INFORMATION

*To the Board of Directors of Alligator BioScience AB (publ), reg. no. 556597-8201*

We have audited the financial statements for Alligator BioScience AB on pages 111-123, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014 and the consolidated state-ments of income, comprehensive income, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory notes.

## THE BOARD OF DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board of Directors are responsible for the preparation and the fair presentation of the financial position, financial performance, statement of changes in equity and cash flows in accordance with International Financial Reporting Standards as adopted by the EU and additional applicable frame-work. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting financial statements that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the preparation and fair presen-tation of the financial statements in accordance with the requirements in the Commission Regulation (EC) No 809/2004.

## THE AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with FAR´s Recommendation RevR 5 Examination of Financial Information in Prospec-tuses. This recommendation requires that we comply with ethical require-ments and have planned and performed the audit to obtain reasonable as-surance that the financial statements are free from material misstate-ments. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control in-cluding documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regu-latory requirements.

An audit in accordance with FAR´s Recommendation RevR 5 Examination of Financial Information in Prospectuses involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the fi-nancial statements. The audit procedures selected are based on our as-sessment of the risks of material misstatements in the financial state-ments, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the company's preparation and fair presentation of the financial statements as a basis for designing audit pro-cedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's in-ternal control. An audit also involves evaluating the accounting policies ap-plied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Managing Director and evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and ap-propriate to provide a basis for our opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional applicable framework, of the financial po-sition of the group as of December 31, 2015 and 2014 and its financial performance, statements of changes in equity and cash flows for these years.

Malmö, November 11, 2016

**Ernst & Young AB**

Göran Neckmar
*Authorized Public Accountant*

# GLOSSARY

| | |
|---|---|
| **Affinity** | Measure of reactions between chemical substances, for example between an antibody and an antigen. |
| **Agonist** | Substance that binds to and blocks a receptor and stimulates the receptor's activity. |
| **Antigen** | Substance which elicits a response in the immune system, for example, protein fragments from foreign substances. |
| **Antigenicity** | The propensity to be perceived as foreign by the body's immune system. |
| **Antagonist** | Substance that binds to and blocks a receptor without stimulating the receptor's activity. |
| **Antibody** | Proteins used by the body's immune system to detect and identify foreign substances. |
| **Best-in-class** | A product whose properties/mechanisms of action are the most effective for the treatment of a certain condition, thus being the best of its kind on the market. |
| **Biosimilar** | A drug similar to one already approved biological reference drug, but which is not identical. |
| **Biospecific antibodies** | Antibody-based products that bind to two different targets and thus have double functions. |
| **Contract Research Organization (CRO)** | Collective term for service companies active in contract research and services in drug development. |
| **Cytostatis** | Treatment to cure cancer, also called chemotherapy. |
| **Dendritic cell** | A type of cell that detects foreign substances in the body. |
| **EudraCT** | European Union Drug Regulating Authorities Clinical studies, the EU database for clinical studies. |
| **European Medicines Agency (EMA)** | The European pharmaceutical drugs supervisory authority. |
| **First-in-class** | A product with new and unique properties/mechanisms of action for the treatment of a certain condition, thus being the first of its kind on the market. |
| **Phage particle** | A virus that contains a gene for an antibody. |
| **Pharmacokinetics** | The branch of pharmacology concerned with the movement of drugs within the body, that is how the levels of a substance are altered by absorption, distribution, metabolism and excretion. |
| **Pharmacology** | Science of how substances integrate with living organisms to bring about a change in function. |
| **Food and Drug Administration (FDA)** | The US pharmaceutical drugs supervisory authority. |
| **R&D** | Research and development. |
| **Good Clinical Practice, GCP** | Internationally recognized ethical and scientific quality requirements which must be observed for designing, conducting, recording and reporting clinical drug studies in which test persons are involved. |
| **Good Laboratory Practice, GLP** | A quality system that includes the organizational processes and the conditions under which non-clinical safety studies are planned, performed, monitored, recorded, archived and reported. |

| | |
|---|---|
| **Good Manufacturing Practice (GMP)** | The part of quality assurance which is intended to ensure that products are manufactured and controlled in a consistent manner so that the quality standards appropriate to their intended use are achieved. |
| **Immune oncology** | Term for oncology targeted specifically at the treatment of tumor diseases by activation of the immune system. |
| **Incidence** | Measure of the number of cases of an event, e.g. of an illness. |
| **In vitro** | Biological process that has occurred outside a living cell or organism. |
| **In vivo** | Biological process that has occurred in living cells and tissues in an organism. |
| **Cardiovascular drug** | Drug for treating cardiovascular diseases. |
| **Clinical studies** | Studies conducted on humans. |
| **Concept validation (Proof of concept)** | Proof-of-concept studies are carried out to support dose selection and administration method in subsequent clinical studies. |
| **Lymphocyte** | A type of white blood cell. |
| **Milestone payment** | Financial payment received within the framework of a project/program when a certain specified target has been achieved. |
| **Monospecific antibody** | Antibody-based product containing antibodies that only bind to one target, such as a receptor. |
| **Mortality** | Measure of deaths in a given population. |
| **Oncology** | Term for the area of medicine related to diagnosis, prevention and treatment of tumor diseases. |
| **Pathogen** | Microorganism that causes disease, for example a virus or bacteria. |
| **Pre-clinical studies** | Tests performed in a model system, i.e. not on humans. |
| **Product candidate** | A product that has not been released on the market. |
| **Receptor** | Receptor in a cell that perceives chemical signals. |
| **Sponsor** | The person, company, institution or organization which is responsible for initiating, organizing or financing a clinical study. |
| **T-cell** | A type of white blood cell that is important for the specific immune response. |

# ADDRESSES

**ALLIGATOR BIOSCIENCE AB**
Medicon Village
223 81 Lund
Phone: 046-286 42 80
alligatorbioscience.se

**Global Coordinator and Joint Bookrunner**
**CARNEGIE INVESTMENT BANK AB (PUBL)**
103 38 Stockholm
Phone: 08-588 688 00
carnegie.se

**Joint Bookrunner**
**DNB MARKETS, A PART OF DNB BANK ASA, SWEDEN BRANCH**
105 88 Stockholm
Phone: 08-473 41 00
dnb.se

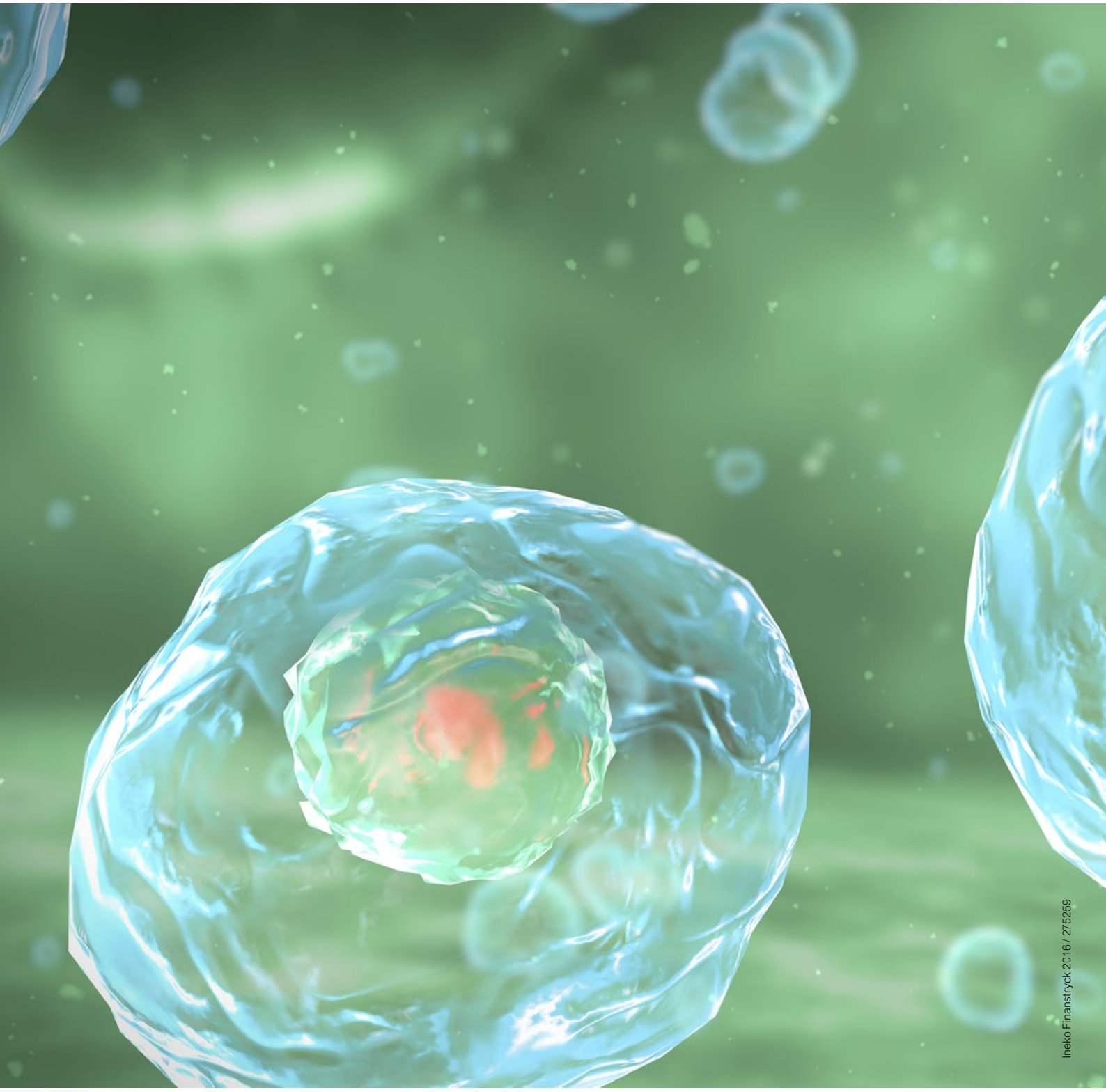
**Co-manager**
**REDEYE AB**
Box 7141
103 87 Stockholm
Phone: 08-545 013 30
redeye.se

**The Company's auditor**
**ERNST & YOUNG AB**
Box 4279
203 14 Malmö
Phone: 040-693 15 00
ey.se

**Legal advisor to the Company**
**SETTERWALLS ADVOKATBYRÅ AB**
Box 4501
203 20 Malmö
Phone: 010-690 04 00
setterwalls.se

**Legal advisor to the Company in regard to both Swedish and US law**
**BAKER & MCKENZIE ADVOKATBYRÅ KB**
Box 180
101 23 Stockholm
Phone: 08-566 177 00
bakermckenzie.com

**BAKER & MCKENZIE LLP**
100 New Bridge Street
London EC4V 6JA
United Kingdom
bakermckenzie.com



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**ALLIGATOR BIOSCIENCE AB**
Medicon Village, 223 81 Lund, Sweden.
Phone: : + 46 (0)46 286 4280
Fax: + 46 (0)46 286 4290