UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM____ TO____

Commission File Number: 001-37985

ANAPTYSBIO, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-3828755**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
10421 Pacific Center Court, Suite 200 San Diego, CA	**92121**
(Address of principal executive offices)	**(Zip Code)**

(858) 362-6295
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: Common Stock, Par Value $0.001 Per Share; Common stock traded on the Nasdaq stock market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☒ NO ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	x
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	x

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

The aggregate market value of voting common equity held by non-affiliates of the Registrant was $267,648,042 as of June 30, 2017.

The number of shares of Registrant's Common Stock outstanding was 23,809,914 as of February 28, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement relating to the 2018 Annual Meeting of Shareholders, scheduled to be held on June 12, 2018, are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent stated herein. The Definitive Proxy Statement will be filed within 120 days of the Registrant's fiscal year ended December 31, 2017.

TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (Annual Report) contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act), and section 27A of the Securities Act of 1933, as amended (Securities Act). The words “believe,” “may,” “will,” “potentially,” “estimate,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “plan” and “expect,” and similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements.

The forward-looking statements in this report include, among other things, statements about:

- the success, cost and timing of our product candidate development activities and ongoing and planned clinical trials;
- our plans to develop and commercialize antibodies, including our lead product candidates ANB020 for patients with severe allergic and atopic diseases and ANB019 for patients with generalized pustular psoriasis, or GPP, and palmo-plantar pustular psoriasis, or PPP;
- the likelihood that the clinical data generated in any study we are performing or plan to perform in a non-US jurisdiction will be subsequently accepted by the U.S. Food and Drug Administration, or FDA and/or by foreign regulatory authorities outside of the jurisdiction where the study was being performed;
- the timing and ability of our collaborators to develop and commercialize our partnered product candidates;
- the potential benefits and advantages of our product candidates and approaches versus those of our competitors;
- our ability to execute on our strategy, including advancing our lead product candidates, identifying emerging opportunities in key therapeutic areas, continuing to expand our wholly-owned pipeline and retaining rights to strategic products in key commercial markets;
- our ability to obtain funding for our operations, including funding necessary to complete further development and commercialization of our product candidates;
- the timing of and our ability to obtain and maintain regulatory approvals for ANB020 and ANB019 and our other product candidates;
- our ability to develop our product candidates;
- the rate and degree of market acceptance and clinical utility of any approved product candidates;
- the size and growth potential of the markets for any approved product candidates, and our ability to serve those markets;
- our commercialization, marketing and manufacturing capabilities and strategy;
- our expectations regarding our ability to obtain and maintain intellectual property protection for our product candidates;
- regulatory developments in the United States, the United Kingdom, Australia and other foreign countries;
- the success of competing therapies that are or may become available;
- our ability to attract and retain key scientific or management personnel;
- our use of the net proceeds from our public offerings;
- our ability to identify additional products or product candidates with significant commercial potential that are consistent with our commercial objectives; and
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Item 1A, “Risk Factors,” and elsewhere in this Annual Report. Moreover, we operate in a competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Annual Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update publicly any forward-looking statements to conform these statements to actual results or to changes in our expectations, except as required by law.

You should read this Annual Report with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

Unless the context indicates otherwise, as used in this Annual Report, the terms “AnaptysBio,” “company,” “we,” “us” and “our” refer to AnaptysBio, Inc., a Delaware corporation, and its subsidiaries taken as a whole, unless otherwise noted. AnaptysBio is our common law trademark. This Annual Report contains additional trade names, trademarks and service marks of other companies, which are the property of their respective owners. We do not intend our use or display of other companies’ trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

PART I

Item 1. Business

Overview

We are a clinical stage biotechnology company developing first-in-class antibody product candidates focused on unmet medical needs in inflammation. We develop our product candidates to address emerging biological targets using our proprietary antibody discovery technology platform, which is based upon a breakthrough understanding of the natural process of antibody generation, known as somatic hypermutation, or SHM, and replicates this natural process of antibody generation *in vitro*. Our strategy is to advance the development and commercialization of our proprietary product candidates, and for certain programs, establish partnerships with leading biopharmaceutical companies where we retain certain development and commercialization rights in the United States.

Our most advanced wholly-owned antibody programs, ANB020 and ANB019, neutralize therapeutic targets that are genetically associated with severe inflammatory disorders in humans. ANB020 inhibits the activity of the interleukin-33 cytokine, or IL-33, for the treatment of moderate-to-severe adult atopic dermatitis, severe adult peanut allergy and severe adult eosinophilic asthma. We have completed a Phase 1 trial of ANB020 in healthy volunteers in Australia, the results of which were presented at the 2017 American Academy of Dermatology, or AAD, Annual Meeting and the American Academy of Allergy, Asthma and Immunology, or AAAAI, 2017 Annual Meeting in March 2017. We believe the results of this Phase 1 trial demonstrate a favorable safety profile of ANB020, which was well-tolerated and for which no dose-limiting toxicities were observed, and favorable pharmacodynamic properties of ANB020, where a single dose was sufficient to suppress IL-33 function for approximately three months post-dosing as measured by an *ex vivo* pharmacodynamic assay. We have subsequently completed a Phase 2a trial of ANB020 in 12 moderate-to-severe adult atopic dermatitis patients, under an approved Clinical Trial Authorisation, or CTA, with the U.K. Medicines and Healthcare Products Regulatory Agency, or MHRA, announced top-line data from an interim analysis of this trial in October 2017 and presented data upon completion of this trial at the 2018 AAD Annual Meeting on February 17th 2018.

The Phase 2a proof-of-concept trial enrolled 12 moderate-to-severe adult atopic dermatitis patients, who were initially administered a single intravenous dose of placebo within 14 days of enrollment, followed by a single intravenous 300mg dose of ANB020 one week subsequent to placebo. Prior to enrollment in the study, patients were not permitted any systemic or topical medications during a wash-out period. Patients were permitted to take a monitored amount of topical corticosteroids as rescue therapy during the course of the study. Clinical response was assessed by a number of endpoints, including the improvement of each patient's Eczema Area Severity Index, or EASI, score, a tool used to measure the extent and severity of atopic dermatitis, at key time points following ANB020 administration relative to their enrollment baseline. The average baseline EASI score at enrollment amongst all 12 patients was 32. Other efficacy endpoints measured during the trial included the 5-dimensional pruritus (5-D pruritus) scale which measures itchiness, the 5-point Investigator's Global Assessment (IGA) scale, Dermatology Life Quality Index (DLQI) and the SCORing Atopic Dermatitis (SCORAD) scale. Exploratory mechanistic biomarkers included granulocyte infiltration and cytokine levels in localized skin lesions measured five days after placebo administration and five days after ANB020 administration.

We believe these data demonstrate proof-of-concept for ANB020 in moderate-to-severe adult atopic dermatitis and suggest that ANB020 may provide meaningful differentiation in terms of patient convenience. As further development in atopic dermatitis, we plan to initiate, during the first half of 2018, a Phase 2b randomized, double-blinded, placebo-controlled study in 200-300 adults patients with moderate-to-severe atopic dermatitis to evaluate different dose levels and dosing frequencies of subcutaneous administration of ANB020, with data expected in 2019.

We have completed enrollment, under our Investigational New Drug application, or IND, with the U.S. Food and Drug Administration, or FDA, of a Phase 2a trial of ANB020 with 20 severe adult peanut allergy patients where efficacy is assessed by measuring the cumulative dose of peanut tolerated in an oral food challenge, or OFC, within one month before and within one month after a single dose of ANB020 or placebo. This trial randomizes severe adult peanut allergy patients, each of which have a history of anaphylaxis to accidental peanut exposure, to drug versus placebo on a 3 versus 1 ratio. Top-line data from this trial is expected in March 2018.

We are enrolling, under a CTA with MHRA, of a randomized, placebo controlled Phase 2a trial of ANB020 in 24 severe adult eosinophilic asthma patients, where efficacy will be assessed using improvement in Forced Expiratory Volume in One Second after administration of a single dose of ANB020 or placebo. Top-line data are anticipated during the second quarter of 2018.

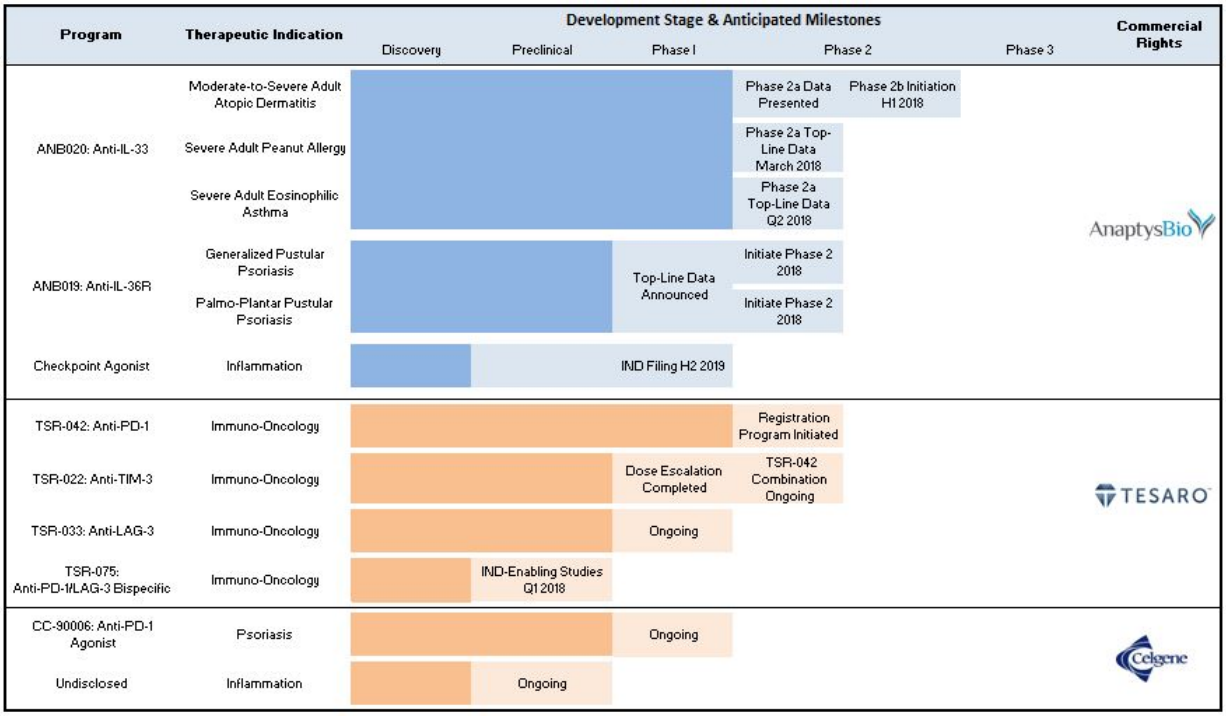
ANB019 inhibits the interleukin-36 receptor, or IL-36R, for the treatment of rare inflammatory diseases including generalized pustular psoriasis, or GPP, and palmo-plantar pustular psoriasis, or PPP. We have completed, under an approved Clinical Trial Notification, or CTN, a Phase 1 clinical trial in healthy volunteers, where 48 subjects are dosed with ANB019 and 24 are dosed with placebo in single and multi-dose cohorts at various subcutaneous and intravenously administered dose levels. In November 2017, we announced positive top-line results from an interim analysis, which showed favorable safety, pharmacokinetics and pharmacodynamic properties that support advancement of ANB019 into Phase 2 studies for GPP and PPP during 2018. We have submitted a CTA filing to the MHRA supporting the initiation of a 10-patient open-label multi-dose Phase 2 study of ANB019 in GPP patients. We anticipate filing an additional CTA application to support the initiation of a placebo-controlled multi-dose study of ANB019 in PPP.

In addition to ANB020 and ANB019, our wholly-owned pipeline includes novel checkpoint receptor agonist antibodies that we believe are applicable for treatment of certain autoimmune diseases where immune checkpoint receptors are insufficiently activated, and have demonstrated efficacy in an animal model of graft-versus-host disease, where we anticipate filing an IND in the second half of 2019.

In addition to our wholly-owned antibody programs, multiple AnaptysBio-developed antibody programs have been advanced to preclinical and clinical milestones under our collaborations. Our collaborations include an immuno-oncology-focused collaboration with TESARO, Inc. and TESARO Development, Ltd., or collectively, TESARO and an inflammation-focused collaboration with Celgene Corporation, or Celgene. For more information about these collaborations, see "— Collaborations".

Our Product Candidates

We have developed, and will continue to develop, antibody product candidates that leverage emerging insights into biological mechanisms to treat severe diseases with unmet medical need. The following table summarizes certain key information about our wholly-owned and partnered product candidates:



Our most advanced, wholly-owned product candidates are summarized below:

- **ANB020** is a potentially first-in-class antibody that inhibits the activity of IL-33, a pro-inflammatory cytokine that multiple studies have indicated is a central mediator of atopic diseases, including atopic dermatitis, food allergies and asthma. IL-33 directly mediates release of disease-associated cytokines, which recruit pro-inflammatory cells that mediate atopic disease. Because ANB020 inhibits IL-33 function, and acts upstream broadly across the key cell types

and cytokines involved in atopy, we believe that its mechanism has advantages in the treatment of atopic diseases over competing agents that block only a subset of the cytokines responsible for atopic diseases. The role of IL-33 signaling in asthma and atopic dermatitis has been genetically validated through human studies published in the medical literature.

- **ANB019** is an antibody that inhibits the function of IL-36R, which we are initially developing as a potential first-in-class therapy for GPP and PPP patients. GPP is a life-threatening, rare, systemic inflammatory disorder with no approved therapies. Studies have shown that GPP can be associated in some patients with mutations that lead to abnormally high signaling through the IL-36R, which we believe can be addressed by treatment with ANB019 irrespective of whether a GPP patient has a mutated IL-36R signaling pathway. PPP is a non-fatal form of pustular psoriasis and is believed to be caused by increased systemic levels of interleukin-36 resulting in inflammatory pustules on the hands and feet of patients that cause significant inability to stand, walk or do manual work, which we believe can be addressed by treatment with ANB019. We believe ANB019 is the most advanced therapeutic antibody targeting IL-36R in development. The FDA may grant Orphan Drug Designation to a drug intended to treat a disease or condition that generally affects fewer than 200,000 individuals in the United States.
- **Checkpoint receptor agonist** antibodies are being developed by AnaptysBio to multiple different immune checkpoint receptors for the treatment of certain autoimmune diseases where we believe checkpoint receptor function is insufficiently activated. Known human immune checkpoint receptors include CTLA-4, PD-1, LAG-3, BTLA, TIM-3 and TIGIT. We have discovered certain checkpoint receptor agonist antibodies that have demonstrated efficacy in a rodent model of graft-versus-host disease. We anticipate filing an IND for one such checkpoint agonist antibody in the second half of 2019.

Our Strategy

We are a leading antibody development company with a pipeline of novel therapeutic antibodies, which is being further expanded by applying our technology platform to emerging biological targets. The key elements of our strategy include:

- **Advancing our wholly-owned lead product candidates to clinical milestones.** We are working to demonstrate the safety and efficacy of our wholly-owned pipeline programs, and have completed a Phase 1 trial of ANB020 in healthy volunteers in Australia, which we believe has demonstrated favorable safety and *ex vivo* pharmacodynamic properties. We have completed a Phase 2a trial of ANB020 in patients with moderate-to-severe adult atopic dermatitis where top-line data efficacy was announced in October 2017 and completed trial data was presented at the 2018 AAD Annual Meeting, and have completed enrollment of a severe adult peanut allergy Phase 2a trial where top-line data is anticipated in March 2018 and a severe adult eosinophilic asthma Phase 2a trial where enrollment is ongoing and top-line data is anticipated during the second quarter of 2018. We have conducted, under an approved CTN, a Phase 1 clinical trial in healthy volunteers to assess the safety, pharmacokinetics and pharmacodynamics of ANB019 and have announced top-line data from this trial in November 2017. We plan to initiate Phase 2 studies of ANB019 in GPP and PPP patients during 2018, subject to clearance of applicable regulatory filings.
- **Continuing to expand our proprietary pipeline by generating new product candidates using our technology platform.** Using our proprietary SHM antibody generation platform, we are able to rapidly develop novel antibodies against biological targets. Our goal is to continue expanding our wholly-owned new therapeutic antibody program pipeline by innovating one or more wholly-owned novel pipeline antibodies to potentially first-in-class immune-related targets.
- **Identifying emerging opportunities in key therapeutic areas.** We intend to remain at the forefront of discovery and development of new therapeutic opportunities in inflammation by understanding and translating biological breakthroughs into first-in-class therapeutic antibodies. Our approach includes translational biology assessments, such as human genetics, *ex vivo* tissue pathology and target expression patterns, to understand the relevance of emerging targets to patients with unmet medical needs. We plan to leverage this knowledge to create new product candidates and position our current and future programs for rapid initial efficacy assessment.
- **Retaining rights to strategic products in key commercial markets.** We intend to retain ownership and control of our pipeline programs to key preclinical and clinical data inflection points. We may build sales and marketing capabilities in the United States with a focused commercial organization. For certain programs, we plan to seek strategic collaborations that provide us with funding, infrastructure and marketing resources to advance through development and commercialization.

Milestones

The following chart describes milestones achieved during fiscal 2017 and anticipated during fiscal 2018 and 2019:

Program	Milestone	Timing
ANB020 (Anti-IL-33)	Atopic Dermatitis Phase 2a Data	Presented at AAD February 2018
	Peanut Allergy Top-Line Phase 2a Data	March 2018
	Eosinophilic Asthma Top-line Phase 2a Data	Q2 2018
	Atopic Dermatitis Phase 2b Data	2019
ANB019 (Anti-IL-36R)	Healthy Volunteer Top-line Phase I Data	Announced November 2017
	GPP Phase 2 Initiation	2018
	PPP Phase 2 Initiation	2018

Our Wholly-Owned Product Pipeline

Our most advanced, wholly-owned pipeline programs, ANB020 and ANB019, are described below:

ANB020: Anti-IL-33 Antibody

ANB020 is a potentially first-in-class antibody that inhibits the activity of IL-33 and is being developed to treat atopic diseases, including moderate-to-severe adult atopic dermatitis, severe adult peanut allergy and severe adult eosinophilic asthma. Despite the key role of IL-33 in atopic diseases, it has been historically difficult for other antibody technologies to generate a functional anti-IL-33 therapeutic agent. We believe ANB020 is the most advanced antibody therapeutic candidate in development targeting the IL-33 cytokine. We have completed a Phase 1 trial of ANB020 in healthy volunteers in Australia under an approved CTN, completed a Phase 2a clinical trial of ANB020 in moderate-to-severe atopic dermatitis under an approved UK CTA, completed enrollment of a Phase 2a clinical trial of ANB020 in severe peanut allergy patients under an approved US IND and enrollment is ongoing for a Phase 2a trial of ANB020 in severe adult eosinophilic asthma patients.

IL-33 Target Biology

IL-33 is a pro-inflammatory cytokine that signals through the ST2 receptor, which multiple studies suggest serves as a central mediator of various immune responses leading to Th2-type inflammatory disorders, including atopic dermatitis, food allergies, asthma and other atopic diseases. In response to pathogens, viruses, toxins or allergens, IL-33 is rapidly released from mucosal epithelial and endothelial cells. For example, a recent scientific study has indicated that individuals with asthma symptoms express higher levels of IL-33 than healthy control subjects. IL-33 initiates a diverse array of cellular immune responses, including the activation of mast cells, basophils and eosinophils, leading to production of downstream cytokines, such as IL-4, IL-5 and IL-13, which are associated with atopic diseases. IL-33 also acts on T helper 2, or Th2, effector cells and Innate Lymphoid Cell Type 2, or ILC2, two types of white blood cells that initiate and orchestrate atopic responses.

Because ANB020 inhibits IL-33 function and acts upstream of key cell types involved in atopy and the subsequent release of Th2 cytokines, we believe that its mechanism has advantages over that of competing therapeutic antibodies which block only a subset of IL-4, IL-5 or IL-13 cytokines.

The role of IL-33 in peanut allergy is supported by translational research data, generated under our scientific collaboration with the Benaroya Research Institute at Virginia Mason (BRI), which was presented at the AAAAI's 2017 Annual Meeting on March 4th. This study assessed the biology of a distinct subset of T cells, called TH2A cells, which are found in elevated frequency in peanut allergic patients when compared to non-allergic individuals. TH2A cells isolated from peanut allergy patients demonstrated increased sensitivity to IL-33 signaling as a result of elevated expression of the IL-33 receptor. Data showed that, upon stimulus with IL-33, TH2A cells express significantly greater levels of effector cytokines IL-4, IL-5, and IL-13, which are believed to be associated with severe peanut allergy. The research concluded that IL-33 is a key checkpoint of allergic responses, and blocking IL-33 has the potential to reduce expression of the effector cytokines involved in

severe peanut allergy. These findings provide further scientific support for the development of AnaptysBio's proprietary anti-IL-33 antibody, known as ANB020, for the treatment of severe adult peanut allergy.

Genetic studies support the importance of the IL-33 pathway in atopic diseases. These studies have demonstrated that certain ST2 mutations reduce IL-33 mediated signaling and thereby protect individuals with mutated ST2 from asthma. Certain studies also demonstrate that mutation that increase IL-33 mediated signaling increase incidence of asthma and atopic dermatitis. This supports the hypothesis that an anti-IL-33 antibody, such as ANB020, has the potential to benefit asthma patients.

We believe that targeting IL-33 activity is a more promising therapeutic intervention strategy than targeting its receptor, ST2, because (i) ST2 is present in significantly larger quantities, in comparison to IL-33, which will likely require high anti-ST2 antibody dosing levels, (ii) anti-ST2 antibodies are likely to be internalized in vivo, which will likely require frequent dosing and (iii) soluble ST2 inhibits IL-33 function, therefore blocking ST2, and likely leading to the release of additional IL-33, thereby exacerbating atopic disease.

ANB020 Description

ANB020, which is a potential first-in-class therapeutic antibody, is our wholly-owned anti-IL-33 antibody product candidate generated using our SHM technology platform. Our preclinical studies have provided evidence of ANB020's favorable potency and functional activity in human and cynomolgus monkey *in vitro* assays. The high potency and functional activity of ANB020 for human and cynomolgus monkey IL-33 was measured using standard *in vitro* assays: equilibrium dissociation constant, or KD, and half-maximal inhibitory concentration values, or IC50. ANB020 demonstrated highly potent KD values of approximately 1 pM and 37 pM for human and cynomolgus monkey IL-33, respectively. ANB020 inhibits secretion of IL-5 from primary basophils purified from peripheral blood of healthy human subjects with an IC50 of approximately 1.5 nM, which is approximately 15-fold greater than that of the soluble ST2 antagonist. Lower KD and IC50 values indicate higher potency and functional activity, respectively.

Using peripheral blood mononuclear cells, or PBMC, ANB020 inhibited human and cynomolgus monkey interferon-gamma release with an IC50 of approximately 1.1 nM and approximately 20.4 nM, respectively. We have developed a whole blood version of the PBMC assay, which we used in our Phase 1 trial to understand the pharmacodynamic activity of ANB020 in clinical trials.

Our preclinical development has also demonstrated that ANB020 has favorable manufacturability, pharmacokinetics and toxicology to support development. Studies have demonstrated desirable manufacturing properties for ANB020, including robust expression from Chinese hamster ovary cells, or CHO cells, efficient purification using standard downstream techniques and stable formulation up to concentrations required for subcutaneous dosing in humans. ANB020 demonstrated a half-life of approximately seven days in cynomolgus monkeys, retained full functional activity when incubated in normal human serum at 37 °C for one week and proved to be fully active in cynomolgus monkey sera two weeks after dosing. We have conducted preclinical toxicology studies under good laboratory practices, or GLPs, for ANB020. In addition, we have conducted manufacturing under good manufacturing practice to produce ANB020 in quantities for initial clinical use.

Clinical Development Plan

We have completed a Phase 1 trial of ANB020 in healthy volunteers in Australia under an approved CTN. Our Phase 1 trial assessed, in single ascending doses, or SAD, and multiple ascending doses, or MAD, safety, tolerability and pharmacokinetic characteristics of ANB020. The SAD cohorts of this Phase 1 trial have been completed and, subsequent to review of the clinical data generated under the SAD, the Australian regulatory authority approved the initiation of MAD cohorts, which have also been completed. In the double-blind, placebo- controlled Phase 1 trial, 96 healthy volunteer subjects were dosed with either a single subcutaneous or intravenous dose of ANB020 ranging between 10 mg and 750 mg, or four multiple doses of ANB020 ranging between 40 mg and 300 mg over a period of four consecutive weeks. In the SAD portion of our Phase 1 clinical trial of ANB020, 51 subjects (80%) experienced at least one treatment-emergent adverse events (AE) however the occurrence of AEs was similar between ANB020 (38 of 48; 79%) versus placebo (13 of 16, 81%) dosed individuals, and the most common AEs were upper respiratory tract infection (ANB020 48% vs. placebo 50%) and headache (ANB020 27% vs. placebo 31%). The only serious adverse event reported in the SAD portion of the trial was severe neutropenia 22 days post single dose of intravenous 750 mg ANB020 in a single subject. Neutrophil levels in this subject returned to normal by 29 days post-dose and this event was preceded by prodromal viral symptoms consistent with an on-going viral infection. In the MAD portion of the Phase 1 clinical trial of ANB020, 24 subjects (75%) experienced an AE, however there was no difference in the percentage of AEs observed amongst subjects dosed with ANB020 (18 of 24, 75%) versus

placebo (6 of 8, 75%), and the most common AEs were upper respiratory tract infections (ANB020 21% versus placebo 38%) and headache (ANB020 33% versus placebo 38%). No severe adverse events were reported in the MAD portion of the clinical trial. None of these adverse events were determined to be drug-related and no dose-limiting toxicities were observed at any dose level. We concurrently evaluated the pharmacodynamics of ANB020 in the SAD portion of the Phase 1 study using a whole blood ex-vivo assay upon stimulation with IL-33/IL-12, where ANB020 inhibition of IFN-gamma release was measured. Persistent and nearly complete inhibition was observed at 1032 hours (day 43) post-dosing for all SAD cohorts dosed with 40 mg ANB020 or greater, regardless of whether such dose was through a subcutaneous or intravenous route of administration. In the 300 mg and 750 mg IV dosed cohorts of the SAD portion of the study, the pharmacodynamic assay was also performed at 2040 hours (day 85) post-dosing, and nearly complete IFN-gamma inhibition was observed through this time point. Pharmacokinetic testing indicated that the terminal half-life of ANB020 among the SAD cohorts was approximately 372 hours (15–16 days) with comparable values across all doses and regardless of intravenous or subcutaneous route of administration. Anti-drug antibodies were detected at only low titer levels, and were observed in 5 of 48 ANB020 dosed subjects in the SAD cohorts and 2 of 24 ANB020 dosed subjects in the MAD cohorts, and no effect was observed on pharmacokinetic parameters in any of the subjects with anti-drug antibody titers. All safety information generated under the single-ascending dose segment of our Phase 1 clinical trial was included in the US IND and UK CTA submissions which have been subsequent cleared. There were no adverse events that were determined to be drug-related, and no dose-limiting toxicities were observed at any dose level. We have concurrently utilized a whole blood *ex vivo* assay to evaluate pharmacodynamics, and we believe the results of this assay suggest that the pharmacodynamic activity of ANB020 can, at certain dose levels, extend to three months subsequent to a single administration. We have disclosed detailed data from this Phase 1 trial at the AAD and AAAAI conferences in early March 2017.

We have subsequently completed a Phase 2a trial of ANB020 in 12 moderate-to-severe adult atopic dermatitis patients, under an approved CTA with the MHRA, announced top-line data from an interim analysis of this trial in October 2017 and presented data upon completion of this trial at the 2018 AAD Annual Meeting on February 17, 2018.

The Phase 2a proof-of-concept trial enrolled 12 moderate-to-severe adult atopic dermatitis patients, who were initially administered a single intravenous dose of placebo within 14 days of enrollment, followed by a single intravenous 300mg dose of ANB020 one week subsequent to placebo. Prior to enrollment in the study, patients were not permitted any systemic or topical medications during a wash-out period. Patients were permitted to take a monitored amount of topical corticosteroids as rescue therapy during the course of the study. Clinical response was assessed by a number of endpoints, including the improvement of each patient's EASI score, a tool used to measure the extent and severity of atopic dermatitis, at key time points following ANB020 administration relative to their enrollment baseline. The average baseline EASI score at enrollment amongst all 12 patients was 32. Other efficacy endpoints measured during the trial included the 5-D pruritus scale which measures itchiness, the 5-point IGA scale, the DLQI and the SCORAD scale. Exploratory mechanistic biomarkers included granulocyte infiltration and cytokine levels in localized skin lesions measured five days after placebo administration and five days after ANB020 administration.

Trial data indicated rapid and sustained clinical achievement of EASI-50, which is 50% or better improvement in EASI score relative to enrollment baseline, in 83% of patients at Day 29, and the 5-D pruritus score was reduced by 32% relative to enrollment baseline. As early as Day 15 post-ANB020 administration, 75% of patients reached EASI-50 and pruritus was reduced by 28%, which was sustained until Day 57 when 75% of patients achieved EASI-50; pruritus was reduced by 21% at Day 57. All 12 patients achieved EASI-50 on or before Day 57 post-ANB020 administration. Efficacy was sustained in some patients by Day 140 post-ANB020 administration where 42% of patients achieved EASI-50. ANB020 efficacy was not limited by disease severity as ANB020 had similar EASI score improvement in the 7 of 12 enrolled patients treated with systemic immuno-modulators pre-study, which exhibited an average EASI baseline score of 36 upon enrollment, relative to the remaining 5 of 12 enrolled patients that did not require systemic immuno-modulators pre-study, which exhibited an average EASI baseline score of 27. Twenty five percent of patients enrolled in this study achieved an IGA score of 0 or 1, indicating clear or almost clear skin, subsequent to a single ANB020 administration. Average DLQI score was maximized at 55% on Day 78 following ANB020 dosing and sustained to 43% at Day 140 relative to baseline. SCORAD efficacy was maximized at 40% at Day 29 following ANB020 dosing and sustained to 32% at Day 140 relative to baseline. Exploratory biomarker assessment indicated reduction of granulocyte infiltration into localized skin lesions by an average of 30% amongst all patients and 60% among the 10 patients achieving EASI-50 at 29 days post-ANB020 administration, while exploratory cytokine biomarker levels were below detection limit and therefore inconclusive. ANB020 was generally well-tolerated by all patients and no drug-related safety signals were observed. The most frequent adverse events reported were dizziness in 17% of patients post-placebo and headache in 25% of patients post-ANB020 administration, while one serious adverse event of severe depression was reported by a single patient on Day 140 post-ANB020, which was deemed not drug related since the patient had a 10 year pre-trial history of severe depression. This trial was completed in December 2017 including patient follow-up through 140 days post-ANB020 dosing

We believe these data demonstrate proof-of-concept for ANB020 in moderate-to-severe adult atopic dermatitis and suggest that ANB020 may provide meaningful differentiation in terms of patient convenience. As further development in atopic dermatitis, we plan to initiate, during the first half of 2018, a Phase 2b randomized, double-blinded, placebo-controlled study in 200-300 adults patients with moderate-to-severe atopic dermatitis to evaluate different dose levels and dosing frequencies of subcutaneous administration of ANB020, with data expected in 2019.

We have completed enrollment, under our Investigational New Drug application, or IND, with the U.S. Food and Drug Administration, or FDA, a Phase 2a trial of ANB020 with 20 severe adult peanut allergy patients where efficacy is assessed by measuring the cumulative dose of peanut tolerated in an oral food challenge within one month before and within one month after a single dose of ANB020 or placebo. This trial randomizes severe adult peanut allergy patients, each of which have a history of anaphylaxis to accidental peanut exposure, to drug versus placebo on a 3 versus 1 ratio. Top-line data from this trial is expected in March 2018.

We are enrolling, under a CTA with MHRA, of a Phase 2a trial of ANB020 in 24 severe adult eosinophilic asthma patients, where efficacy will be assessed using improvement in Forced Expiratory Volume in One Second after administration of a single dose of ANB020 or placebo. Top-line data are anticipated during the second quarter of 2018.

Each of the aforementioned clinical trials are subject to regulatory review by the respective regulatory authority applicable to the jurisdiction of the trial.

As described in the section titled “Risk Factors” and elsewhere in this report, the clinical development of drug product candidates is subject to a wide range of risks and uncertainties, any of which could cause our actual development strategy or timeframes to vary.

ANB020 Market Opportunity

A significant portion of individuals in the U.S. population experiences at least one atopic disease during their lifetime, and it is well understood that most patients with one type of atopic condition tend to present with other allergic conditions. While we believe ANB020 may be effective across atopic diseases, we have prioritized our development efforts based on unmet medical need and potential market opportunity. We have chosen to focus our ANB020 program initially on three indications: severe adult eosinophilic asthma, severe adult peanut allergy and moderate-to-severe adult atopic dermatitis.

Atopic Dermatitis. Atopic dermatitis is a chronic inflammatory skin disease that affects approximately 1.4 million adults in the United States. Human studies have demonstrated that IL-33 is highly expressed in atopic dermatitis lesions and leads to the recruitment of downstream cytokines (IL-4, IL-5 and IL-13) and eosinophils to the disease site in patients. By inhibiting IL-33 function in patients, we believe ANB020 will suppress the production of the aforementioned downstream cytokines and lead to therapeutic benefit in patients with moderate to severe adult atopic dermatitis.

Current therapies for atopic dermatitis include the topical use of non-biologic small molecules and anti-IL-4/13 receptor antibody known as dupilumab (Dupixent®). Dupilumab has been approved for the treatment of adults with moderate-to-severe atopic dermatitis that is not well controlled with prescription topical therapies or for those who cannot use topical therapies. While dupilumab has shown some benefit in disease remission, it requires the administration of a substantial antibody dose (300 mg) every other week, which we believe may not be convenient for atopic dermatitis patients. In addition, a significant number of atopic dermatitis patients taking dupilumab have reported conjunctivitis as a drug-related side effect.

Based upon public data analyses and discussions with physicians and key opinion leaders in the field, we believe approximately 280,000 atopic dermatitis patients in the United States are diagnosed with a moderate-to- severe form of this disease that significantly impairs their daily professional and social lifestyle. We estimate that 98,000 atopic dermatitis patients would be eligible for treatment with a systemic biologic therapy such as ANB020.

Peanut Allergy. Peanuts are the most common cause of food-induced allergy in the United States. We estimate, based on our analysis of publicly available data sources and interviews with physicians and key opinion leaders in the field, that approximately 1.7 million adults in the United States have allergic responses to peanut. We estimate approximately 600,000 are treated by allergists and approximately 400,000 are at risk for severe reactions and therefore we believe are suitable for treatment with systemic biological therapies.

Existing therapies have failed to prevent the occurrence of severe reactions due to accidental peanut exposure, which often results in systemic anaphylaxis and can lead to death. Immunotherapy approaches, such as oral or transdermal desensitization, currently being developed for this indication require patients to be dosed with quantities of peanut antigens

over time. If patients are able to overcome the toxicities of this allergen- based approach, therapeutic benefit, on an allergen-specific basis, may be observed after 12 to 24 months of oral or skin patch based delivery of peanut allergens. The long-term safety and efficacy of immunotherapy is still uncertain, and these desensitization treatments have not yet been approved by the FDA. Immunotherapy approaches are generally not applicable for treatment of severe peanut allergy patients due to safety concerns.

ANB020 has the potential to rapidly suppress severe adult peanut allergy through its cytokine targeting mechanism, which is allergen non-specific, allowing patients with multiple allergic responses to benefit from a single therapy, and avoids tolerability issues by acting without allergen dosing. If approved, we anticipate that ANB020 could become a prophylactic therapy for severe adult peanut allergy patients at risk of accidental peanut exposure.

Asthma. We estimate, based on our analysis of publicly available data sources and interviews with physicians and key opinion leaders in the field that asthma affects approximately 7.7% of the adult U.S. population, or 19.0 million individuals, of which 1.1 million individuals have severe disease that cannot be controlled by standard-of-care therapy. As a chronic inflammatory disorder, severe asthma can lead to permanent structural damage to the airways and long-term reductions in lung function. Although many mild-to-moderate asthmatics respond well to currently available treatments, which include inhaled corticosteroids, or ICS, and long-acting beta agonists, or LABA, severe asthma in patients is generally not adequately controlled by such available therapies. We will initially focus on the treatment of severe asthma that, based on our analysis, includes 1.1 million adult patients whose disease is not sufficiently controlled through standard-of-care therapy. We have conducted primary market studies that estimate approximately 45% of these patients are candidates for biologic therapies, such as ANB020.

Existing biologic therapies include Xolair, also known as omalizumab, which is approved for the treatment of moderate to severe persistent allergic asthma patients whose asthma symptoms are not controlled by ICS, carries a black box warning about the risk of anaphylaxis, a severe, potentially fatal, allergic reaction. and Nucala, also known as mepolizumab, which was approved for the add-on maintenance treatment in patients aged 12 years or older with severe eosinophilic asthma and Fasenra, also known as benralizumab, which has been approved for the add-on maintenance treatment of patients with severe asthma aged 12 years or older with an eosinophilic phenotype, and Cinqair, also known as reslizumab, approved for add-on maintenance treatment of patients with severe asthma aged 18 years and older with an eosinophilic asthma. Other emerging therapies currently in development, such as, benralizumab, dupilumab, MSTT1041A and GSK3772847, have yet to be approved by the FDA for treatment of asthma. We believe that ANB020 may have therapeutic benefit across a broad range of ICS-refractory severe adult eosinophilic asthma patients, and plan to differentiate ANB020's therapeutic efficacy, dosing frequency and safety relative to competitors.

ANB019: Anti-IL-36R Antibody

Overview

ANB019 is an antibody that inhibits the function of IL-36R, which we are initially developing as a potential first-in-class therapy for GPP and PPP patients. GPP is a life-threatening, rare systemic inflammatory disorder reported to affect approximately 3,000 patients in the United States alone, with no currently approved therapies. Studies have shown that GPP can be associated with mutations in the gene encoding the IL-36R antagonist, or IL-36RA, or can be caused by excessive IL-36 cytokine levels, that lead to abnormally high signaling through the IL-36R and thereby cause the systemic inflammatory condition, GPP. We also plan to develop ANB019 for other IL-36R driven inflammatory conditions, including PPP, which is reported to affect approximately 150,000 patients in the United States. We plan to seek FDA Orphan Drug Designation for ANB019 for the treatment of GPP and PPP, which we believe may be differentiated from the non-rare plaque psoriasis, or psoriasis vulgaris, based upon distinctive genetic and translational features unique to GPP and/or PPP. We have completed a Phase 1 trial of ANB019 in healthy volunteers in Australia under an approved CTN.

IL-36R Target Biology

The IL-36 subfamily of proteins consists of the IL-36 receptor antagonist, or IL-36RA, as well as three cytokines, IL-36 alpha, IL-36 beta and IL-36 gamma, each of which have agonistic characteristics and signal through IL-36R. These IL-36 proteins are mainly expressed in keratinocytes, the predominant cell type in the epidermis. The role of the IL-36RA is to dampen the inflammatory effects of IL-36 alpha, IL-36 beta and IL-36 gamma.

Studies have demonstrated the relevance of IL-36 in regulating inflammation in the skin. Mice over-expressing the IL-36 alpha cytokine undergo a psoriasis-like condition when challenged with an inflammatory stimulus. Additionally,

immuno-deficient mice transplanted with human psoriatic skin have been shown to require the IL-36R signaling to maintain disease.

Recent human studies have demonstrated that mutations in the IL-36RA can lead to the occurrence of GPP by dysregulating the IL-36R signaling pathway. However, translational studies conducted by AnaptysBio have also demonstrated that a significant number of GPP patients do not have mutations in the IL- 36RA but are likely to have excessive levels of IL-36 cytokines leading to the same disease as patients with mutations. These findings support our hypothesis that IL-36 signaling plays a significant role in GPP.

In addition, studies have demonstrated that humans with genetic mutations that downregulate IL-36 receptor activity are otherwise normal with no specific clinical phenotype.

We believe that ANB019 has the potential to be the first-in-class therapeutic antibody targeting IL-36R, serving as a therapeutic opportunity for patients with IL-36 signaling mediated inflammatory disease, including GPP and PPP.

ANB019 Description

ANB019 was generated using our SHM technology platform and has demonstrated high functional potency in blocking human and cynomolgus monkey IL-36 signaling in preclinical studies.

ANB019 blocks signal transduction through the human IL-36R and cynomolgus monkey IL-36R by inhibiting the interaction between the receptor and IL-36 alpha, IL-36 beta, and IL-36 gamma cytokines. The high potency and functional activity of ANB019 for human and cynomolgus monkey IL-36R was measured using standard *in vitro* assays to determine K D, and IC 50 values. ANB019 has demonstrated potent K D values of approximately of 71 pM and 209 pM for human IL-36R and cynomolgus monkey IL-36R, respectively. The antibody exhibits high specificity for IL-36R, displaying no detectable binding to related proteins. Functional potency of ANB019 is at least 100-fold greater than IL-36RA in human systems, which is measured as the IC 50 of inhibition of interleukin-8, or IL-8, release from human keratinocytes.

ANB019 functional activity has been demonstrated through inhibition of IL-8 secretion from human primary keratinocytes when stimulated by IL-36 gamma of approximately 0.15 nM and 1.2 nM, respectively. Lower K D and IC 50 values indicate higher potency and functional activity, respectively. Similar IC 50 values were observed in those same preclinical studies when keratinocytes were stimulated with IL-36 alpha or beta.

To date, we have demonstrated that the half-life of ANB019 in cynomolgus monkeys is more than nine days. ANB019 is well-expressed from CHO mammalian cells and is readily purified using standard methodologies. In addition, the antibody retained full functional activity when incubated in normal human serum at 37 °C for one week.

Clinical Development Plan

We are currently conducting, under an approved CTN, a double-blind, placebo-controlled Phase 1 clinical trial in healthy volunteers, where 54 subjects are dosed with a single subcutaneous or intravenous dose of ANB019 between 10mg and 750mg, 18 subjects were administered multiple ascending doses of ANB019 intravenously ranging between 40mg and 300mg weekly for four consecutive weeks and 18 are dosed with placebo. In November 2017, we announced positive top-line results from an interim analysis, which was conducted after the 85-day, post-dosing monitoring period has been completed for the single ascending dose cohorts while monitoring is on-going for the multiple ascending dose cohorts. ANB019 was well-tolerated by all subjects and no dose-limiting toxicities were observed to date. The most frequent treatment-emergent adverse events observed in the single ascending dose cohorts were mild upper respiratory tract infections in 10 of 36 (28%) subjects dosed with ANB019 versus six of 12 (50%) subjects dosed with placebo. No serious adverse events were reported among the single ascending dose cohorts through completion of monitoring, and none have been observed in the multiple ascending dose cohorts to date. The *in vivo* half-life of ANB019 was approximately 28 days for both subcutaneous and intravenous routes of administration, with bioavailability of approximately 90%. A single dose of ANB019 at certain dose levels was able to completely suppress IL-36 cytokine function for 85 days, as measured using an *ex vivo* pharmacodynamic assay.

Based upon the favorable Phase 1 results described above, we have submitted a CTA filing to the MHRA supporting the initiation of a 10-patient open-label multi-dose Phase 2 study of ANB019 in GPP patients, and anticipate filing additional regulatory applications to support the initiation of a randomized placebo-controlled multi-dose study of ANB019 in PPP.

As described in the section titled “Risk Factors” and elsewhere in this report, the clinical development of drug product candidates is subject to a wide range of risks and uncertainties, any of which could cause our actual development strategy or timeframes to vary.

ANB019 Market Opportunity

IL-36R cytokine dysfunction is implicated in multiple inflammatory disorders including GPP and PPP.

Generalized Pustular Psoriasis. GPP is a chronic, life-threatening, rare disease with no currently approved therapies. GPP is a systemic inflammatory disease characterized by the development of widespread pustules marked by idiopathic exacerbations. In severe cases, GPP patients can die from cardio-pulmonary failure, exhaustion, toxicity and/or infection subsequent to occurrences of pustular flares. Patients with GPP suffer without robust therapeutic options because currently approved psoriasis management therapies have not demonstrated clear efficacy in the treatment of this condition.

Through assessment of public literature and primary key opinion leader discussions, we estimate GPP affects approximately 3,000 individuals in the United States. We have conducted, and will continue to conduct, translational studies to identify GPP patients for potential enrollment in our upcoming clinical trials in this indication. Given the limited size of this patient population in the United States, we plan to seek Orphan Drug Designation from the FDA for ANB019 for the treatment of GPP. The FDA may grant Orphan Drug Designation to a product intended to treat a rare disease or condition—generally one that affects fewer than 200,000 individuals in the United States. If we obtain Orphan Drug Designation for ANB019 for the treatment of GPP and subsequently are the first Biologics License Application, or BLA applicant to receive FDA approval for a product containing the same active molecular structure as ANB019, ANB019 would be entitled to a seven-year exclusive marketing period in the United States for the treatment of GPP. Although the GPP patient population is small, we believe there is an unmet medical need that ANB019 may be able to address.

Palmo-plantar Pustular Psoriasis. PPP is a non-fatal form of pustular psoriasis that we estimate affects approximately 2% of total psoriasis cases, approximately 150,000 patients in the United States alone. Patients experience a chronic occurrence of sterile pustules on their hands and feet, while systemic levels of IL-36 cytokines and other inflammatory disease biomarkers are also elevated. Patients with severe symptoms may have significant pain and be unable to stand, walk or do manual work, resulting in greatly diminished quality of life. Existing anti-inflammatory therapeutic options to our knowledge have not proven to be consistently effective in treating PPP. As we believe the PPP patient population to be less than 200,000 individuals in the United States, we plan to seek Orphan Drug Designation from the FDA for ANB019 in this indication as well.

Checkpoint Receptor Agonist Programs

Our strategy includes the discovery and development of therapeutic antibodies targeting emerging opportunities in inflammation. We are developing checkpoint receptor agonist antibodies to multiple different immune checkpoint receptors for the treatment of certain autoimmune diseases where we believe checkpoint receptor function is insufficiently activated. Known human immune checkpoint receptors include CTLA-4, PD-1, LAG-3, BTLA, TIM-3 and TIGIT. Certain checkpoint receptor agonist antibodies that we have developed have demonstrated efficacy in a rodent model of graft-versus-host disease. We anticipate filing an IND for one of our checkpoint receptor antibodies during the second half of 2019.

Our SHM Antibody Discovery Platform

Antibody Overview

Antibodies are complex proteins naturally generated by the immune system to neutralize foreign pathogens such as bacteria or viruses. B cells, a white blood cell type responsible for the generation of antibodies in response to pathogens, secrete billions of antibodies with different specificities into the bloodstream. Antibodies are structurally distinct Y-shaped proteins formed through the combination of two long proteins, called heavy chains, and two short proteins, called light chains. Each heavy and light chain pair forms a binding site where the antibody specifically binds its target, otherwise known as an antigen, at the Fab domain of the antibody molecule. The specificity of each antibody to a target, and the potency of its binding strength to that target are defined by the amino acid sequences of heavy and light chains in the Fab domain of the antibody molecule. The other end of the antibody, called the Fc domain, is responsible for communication between the antibody and the rest of the immune system. Fc domains bind to various receptors and cause immune system effector responses.

Therapeutic antibodies are typically non-naturally occurring, or recombinant, antibodies specifically developed to treat human diseases by binding to certain proteins, and thereby modulating key biological processes. Therapeutic antibodies are injectable products that are typically dosed subcutaneously or intravenously, unlike synthetic chemistry-based "small molecule" therapeutics that may also be administered orally. Therapeutic antibodies have the following key features that we believe make them more predictable than small molecules:

- **Target Specificity.** Due to the large size and complex nature of the antibody Fab domain, antibodies generally bind with high specificity to the desired therapeutic target and tend to exhibit less off-target binding to unrelated proteins, which lowers the risk of unintended biological side effects such as toxicity.
- **Pharmacokinetics and Dosing Frequency**. As complex proteins, antibodies are metabolized and distributed differently than small molecules. Full length antibodies tend to exhibit serum half-lives of seven to 24 days in humans, leading to bi-weekly or monthly dosing as typical practice for therapeutic antibodies.
- **Potency and Dose Quantities.** Antibodies are typically highly potent in binding to their desired target, with binding dissociation constants in the low nanomolar to picomolar range. Hence, antibodies tend to be dosed at low amounts (less than 1 gram quantities per course of therapy).

We believe that therapeutic antibodies can be significantly de-risked pre-clinically for specificity, toxicology and pharmacokinetics, which is not generally true for small molecule drugs.

Since the first therapeutic antibody was approved by the FDA in 1986, the pharmaceutical industry has sought opportunities to leverage antibodies as therapeutic agents to treat human disease. Global sales of therapeutic antibodies have reached over $40 billion annually and are predicted to remain a fast-growing segment of the therapeutic market.

Limitations of Competing Antibody Technologies

Despite the promise of antibodies as a therapeutic modality, historically it has been difficult and time- consuming to generate therapeutic-grade antibodies utilizing competing antibody discovery technologies. Such technologies have relied primarily on mouse immunization methodologies (such as wild-type or engineered mice),

microbial antibody display libraries (such as phage or yeast cell display) or human B cell screening to generate antibodies against therapeutic targets of interest. We believe the key limitations of these competitive approaches include:

- **Insufficient Diversity**. Each of the prior technologies has limited, and often static, diversity of antibodies available for selection. The number of therapeutic targets that can be addressed by the available antibodies is therefore limited. It is particularly difficult for mouse immunization approaches to identify therapeutics against conserved proteins that are homologous between human and mouse species;
- **Lack of Functional Activity Selection.** Competing technologies have not been able to drive antibody selection on the basis of functional activity. Even if antibodies are available against a certain target, they may not bind the correct region or epitope of the protein to achieve the intended functional therapeutic effects;
- **Low Potency.** Antibodies from competing technologies tend to demonstrate low binding potencies against their targets. Such incomplete binding may not result in therapeutic effect that is sufficient to change disease outcomes, or require impractically high doses to convey therapeutic benefit; and
- **Unpredictable Manufacturing Properties.** Using microbial display systems such as phage and yeast display libraries has resulted in unpredictable expression, stability and formulation when manufacturing is initiated using mammalian cells, thus leading to poor production yields and product stability.

Mouse immunization methodologies. Mouse immunization methodologies involve the administration of human target antigen to mice with wild-type or engineered immune systems, with the assumption that their immune systems will generate antibodies with sufficient potency against the desired human antigen epitope to convey biological effect. A key limitation of this approach is that when the mouse is dosed with an antigen that is similar in the human and mouse, the antigen is seen by the mouse immune system as one of its own proteins, and very few, if any, antibodies are generated. In addition, the mouse immune system often generates mouse antibodies to epitopes that are not therapeutically relevant to humans, leading the resulting antibodies to bind the human target but failing to convey therapeutic effect.

Microbial antibody display systems. Microbial antibody display systems require screening of antibodies, typically formatted as antibody fragments, from a static library diversity displayed on a bacterial or yeast microbial cell surface. The static nature of these libraries limits the range of antibody specificities to 10 9 or 10 10 range, which is generally insufficient to avail high-affinity antibodies against many antigens. This can lead to suboptimal potency, and subsequently require phage/

yeast antibodies to be matured significantly, typically with random mutagenesis, to obtain therapeutic level potencies, which is a labor-intensive and inefficient process. In addition, antibodies selected using this approach are expressed through the microbial cell expression machinery, which differs significantly in terms of manufacturability (expression level, glycosylation, formulation and stability) from mammalian cell expression typically utilized for clinical and commercial manufacturing of therapeutic antibodies. Such differences typically lead to difficulties in mammalian cell manufacturing of microbial display-derived antibodies.

Human B cell screening methodologies. Human B cell screening methodologies involve the screening and isolation of antibodies from peripheral human blood against therapeutic antigens of interest. The key limitation of this approach is that circulating human B cells generally do not develop antibodies against endogenous proteins because their function is to develop humoral immunity against foreign pathogens, such as bacteria and viruses. Therefore, it is challenging to obtain therapeutic antibodies against human antigens through this approach.

Our Technology Solution

Our innovative platform is designed to replicate the natural process of SHM embedded within the human immune system to rapidly develop a diverse range of therapeutic-grade antibodies *in vitro*. SHM is a critical, endogenous process that generates the essential antibody diversity required to develop a natural immune response to pathogens. Human genomes encode a limited number of antibody genes, which are insufficient to generate antibodies against the wide variety of foreign pathogens encountered from the external environment. SHM enables the human immune system to expand the limited diversity encoded within human genomes to the billions of antibody specificities required to defend against external pathogens.

The key enzyme required for SHM is called activation-induced cytidine deaminase, or AID. AID has been genetically conserved throughout mammalian biology and is required for the non-random mutagenesis pattern associated with SHM. AID is specifically expressed by B cells after contact with a foreign pathogen and modifies antibody sequences in a non-random fashion. Through SHM, B cells evolve antibodies with the potency and specificity required to clear the foreign pathogen. However, within the *in vivo* environment, SHM does not generally progress to the creation of high potency antibodies or develop antibodies against the body's own proteins.

By coupling *in vitro* SHM with our mammalian cell system that simultaneously displays and secretes antibodies, we believe SHM is able to rapidly identify and mature antibodies with desired functional activity to high potency while simultaneously mitigating the risks associated with manufacturing. We introduce AID into mammalian cells to replicate the non-random mutagenesis SHM pattern observed within B cells *in vivo*. Starting with a library of either fully-human or humanized antibodies, our platform generates AID-based variants of the starting antibody library throughout the process. We have demonstrated that the pattern of mutagenesis we observe *in vitro* using our platform technology closely mimics the pattern observed among *in vivo* generated antibodies, thereby increasing confidence that antibodies generated by our platform will be tolerated when used as therapeutic drugs in humans.

By selecting antibodies based on their antigen binding from the broad antibody library population SHM develops, we are able to evolve in an iterative fashion the binding potency and function of antibodies to levels that we believe will be required for therapeutic use. We believe this approach allows us to rapidly generate antibodies with high binding potency against a target. Through this approach, we have successfully generated therapeutic antibody product candidates to more than 25 targets, including targets that we believe have been challenging for competing antibody technology platforms to generate such as IL-33 and TIM-3.

Each evolving antibody is expressed within the SHM-active mammalian cell to concurrently display the evolved antibody on the cell surface to permit cell sorting selection for potency properties while the same antibody is secreted into the extracellular media at sufficient quantities to permit functional assays to be conducted. In this manner, the evolving antibodies expressed by each transfected cell are assessed in a high- throughput fashion for the desired functional activity relevant to the therapeutic mechanism.

We believe our antibody discovery platform, as described above, has the following advantages over competing approaches:

- **Diversity against difficult targets.** We are able to generate an unprecedented diversity of antibodies by applying SHM-based diversification outside of the constraints of an *in vivo* environment. This enables us to develop antibodies against human targets that we believe have not otherwise been accessible to prior technologies.

- **High potency.** Because our platform generates highly-potent antibodies, we are potentially able to modulate every extracellular target associated with human disease, and believe only small therapeutic doses may be required to mediate therapeutic effect *in vivo*.
- **Functional activity selection.** Our mammalian cell system simultaneously displays and secretes antibodies during the antibody discovery process, allowing us to incorporate functional assays throughout the process and focus on producing product candidates that are optimized for the desired therapeutic activity.
- **Speed.** Our platform technology has enabled us to generate therapeutic-grade antibodies and initiate subsequent preclinical manufacturing and toxicology studies, typically in less than 12 months. We believe this timeline is significantly shorter than conventional approaches based upon mouse immunization and microbial display systems.
- **Manufacturability.** By utilizing our mammalian cell display system, we believe our approach increases the probability of success in manufacturing and commercialization by mitigating the risks associated with antibody expression, formulation and stability during the antibody generation process.

Collaborations

TESARO

In March 2014, we entered into a collaboration and exclusive license agreement with TESARO. We executed an amendment in November 2014 to add an additional dual-reactive antibody product candidate. Under the terms of the amended agreement, we granted TESARO an exclusive, royalty-bearing, sub-licensable worldwide license to research, develop, manufacture, market and sell products based on our proprietary technology for the discovery, generation and optimization of certain specified immunotherapy antibodies. We have granted TESARO exclusive rights to three monospecific antibody product candidates targeting TIM-3 (TSR-022), LAG-3 (TSR-033) and PD-1 (TSR-042) and a bispecific antibody product candidates targeting PD-1 and LAG-3. Under the amended agreement, we are responsible for performing initial discovery and development of therapeutic antibodies with the goal of generating immunotherapy antibodies for use in the treatment of cancer. TESARO is responsible for all subsequent preclinical, clinical, regulatory, manufacturing and other activities necessary to develop and commercialize antibodies selected under each of six development programs, and TESARO is obligated to use commercially reasonable efforts to research, develop and commercialize at least one product to each of the four targets. During the term, other than under the collaboration, both TESARO and we are prohibited from developing and commercializing, independently or with a third party, any agents targeting LAG-3, PD-1 or TIM- 3, as single agents or in combination with other therapies. We have completed our responsibilities under the terms of the agreement as of December 31, 2016 to generate and develop antibodies to certain defined stages of preclinical development.

Under the terms of this agreement, TESARO made up-front, non-creditable and non-refundable cash payments aggregating $19.0 million to us during 2014. TESARO is also required to reimburse us on a quarterly basis for specified costs incurred by us in our initial discovery and development activities covered by the agreement. For each of the targets for which TESARO is granted exclusive rights, TESARO is required to make milestone payments to us of up to $18.0 million if certain research and development milestone events are achieved, up to an additional $90.0 million of milestone payments if certain U.S. and non-U.S. regulatory submissions and approvals occur in initial and subsequent indications, and up to an additional $165.0 million upon the achievement of specified levels of annual worldwide net sales. TESARO will also be required to pay us tiered single-digit royalties, on a product- by-product basis, on worldwide annual net sales, and additional commercial milestone payments if specified levels of annual net sales of a product are attained.

This agreement expires when no further payments are due to us, unless earlier terminated. Either party may terminate the agreement in the event of an uncured material breach by the other party. TESARO may terminate the agreement at any time upon 90 days' prior written notice to us.

Celgene

In December 2011, we entered into a collaboration agreement with Celgene, or the Collaboration Agreement, to develop human therapeutic antibodies against multiple biological targets. We completed our responsibilities under the terms of the agreement to generate antibodies against various mutually agreed biological targets during fiscal 2014. On a target-by-target basis, we provided Celgene an option to obtain rights to develop and commercialize a defined number of antibodies against each target. We were successful in generating antibodies against multiple targets and Celgene has exercised its option with respect to antibodies against three targets. Celgene is currently advancing two anti-inflammatory antibodies, of which an anti-PD-1 agonist antibody, also known as CC-90006, is currently in a Phase 1 trial, while the other program is currently in preclinical development.

Upon execution of the Collaboration Agreement in 2011, Celgene paid us a one-time, non-refundable, non- creditable initial fee of $6.0 million. Celgene has reimbursed us for specified research costs in accordance with the research plans. Celgene is also obligated, on a project-by-project basis, to pay us up to a total of an additional $18.0 million if certain research and development milestone events are achieved under such project and up to a total of an additional $35.0 million if certain regulatory milestone events are achieved under such project. Celgene will also be required to pay us single digit royalties on net sales of products containing the delivered antibodies on a product-by-product and country-by-country basis until the later of the expiration of the last patent right that covers manufacture, use or sale of such product in such country, and in any case at least ten years after the first commercial sale of the product in such country.

The Collaboration Agreement continues until our royalty rights on any Celgene product resulting from the collaboration expire, which period will last at least ten years after any such product first goes to market. Either we or Celgene may terminate the agreement in the event of an uncured material breach by the other party.

In-Licensing Agreements License Agreement with MRC

In 2006, we entered into an exclusive worldwide license agreement with the Medical Research Council, or MRC, to obtain rights to multiple patents and patent applications relating to fundamental discoveries with respect to SHM and AID by Dr. Michael Neuberger and his colleagues. We since amended this license agreement to include additional subject matter. Under the terms of the agreement, or the MRC Agreement, we obtained an exclusive, worldwide, sublicensable license under specified patent rights to manufacture, use, sell and commercialize products and methods covered by such patents for all fields of use. We are responsible for prosecution of the licensed patents and the development of therapeutic products covered by the intellectual property. We are obligated to research and develop licensed methods and licensed products for the purpose of commercializing such methods and products at least as diligently as we research and develop our other products of similar market potential and stages of development.

We are responsible for paying MRC an annual fee of $55,000. Additionally, for each product developed and commercialized under the MRC Agreement, we are obligated to pay MRC up to an additional $175,000 upon the achievement of specified development milestone events and up to an additional $275,000 upon the achievement of specified regulatory milestone events. In addition we owe MRC royalties at 0.25% of annual net sales for worldwide sales on a product-by-product at or below $750 million and 1% of annual net sales of products worldwide above $750 million, payable on a country-by-country basis until the expiration of the last licensed patent covering such product in such country. Under this license agreement, we have rights to 19 patents and three pending patent applications worldwide.

Unless earlier terminated, the MRC Agreement will expire upon expiration of all royalty payment obligations under the MRC Agreement. Either party may terminate the MRC Agreement in the event of an uncured material breach by the other party or upon the occurrence of specified bankruptcy events for the other party. We may terminate the MRC Agreement upon 60 days' notice to MRC.

License Agreement with Millipore

In May 2009, we signed a non-exclusive research and commercial license agreement with Millipore Corporation, or Millipore, to obtain a non-exclusive license to patents and patent applications directed to the ubiquitous chromatin opening elements technology for the expression of proteins, particularly antibodies, generated by us, which license may be sublicensed to our contractors and partners. Under the terms of the agreement, or the Millipore Agreement, we are obligated to pay Millipore $87,500 in annual license fees, adjusted annually for inflation using the Consumer Price Index. Additionally, for each product developed and commercialized under the Millipore Agreement, we are obligated to pay Millipore up to an additional $75,000 upon the achievement of specified development milestone events and up to an additional $4.4 million upon the achievement of specified commercial milestone events. We do not owe Millipore any royalties on net sales of products commercialized under the Millipore Agreement.

Unless affirmatively terminated by one of the parties, the Millipore Agreement will continue in effect. Either party may terminate the Millipore Agreement in the event of an uncured material breach by the other party. We may terminate the Millipore Agreement upon 90 days' notice to Millipore.

Australian Operations

In March 2015, we established a wholly-owned Australian subsidiary called AnaptysBio Pty. Ltd, in order to conduct various preclinical and clinical activities for ANB020 and ANB019. We believe our Australian subsidiary will be eligible for certain financial incentives made available by the Australian government for biotech research and development

expenses. Specifically, Australia provides a refundable tax credit in the form of a cash rebate equal to 43.5% of qualified expenditures on biotech research and development projects to Australian companies that operate the majority of their research and development activities associated with such projects in Australia. A wholly-owned Australian subsidiary of a non-Australian parent company is eligible to receive the refundable tax credit, provided that the Australian subsidiary retains the rights to the data and intellectual property generated in Australia, and provided that the total revenues of the parent company and its consolidated subsidiaries during the period for which the refundable tax credit is claimed are less than $20.0 million Australian dollars.

In addition, by establishing operations in Australia, we are able to access an established network of manufacturing and clinical development support contractors located in Australia and benefit from Australia's streamlined approval processes for the initiation of first-in human studies. We have few employees with experience advancing product candidates through the Australian regulatory review process and have therefore engaged Australian consultants with expertise in the regulatory requirements and clinical development of therapeutic products in Australia. We are also working with established manufacturing and clinical development support contractors located in Australia, who are familiar with Australian regulatory and product development processes.

Intellectual Property

Our intellectual property is critical to our business and we strive to protect it, including by obtaining and maintaining patent protection in the United States and internationally for our technology platform, product candidates, novel biological discoveries, epitopes, new therapeutic approaches and potential indications, and other inventions that are important to our business. In total, our patent portfolio, including patents to our technology platform licensed from MRC and patents licensed from Kyoto University, consisted of 42 issued patents and 84 pending patent applications as of December 31, 2017.

For our product candidates, generally we initially pursue patent protection covering compositions of matter, antibody sequence diversity, epitopes, functional activity and methods of use. Throughout the development of our product candidates, we seek to identify additional means of obtaining patent protection that would potentially enhance commercial success, including through additional methods of use and biomarker and companion diagnostic related claims.

The patent portfolios for our two internal programs and platform technology are outlined below:

ANB020

As of December 31, 2017, we owned 16 patent applications in various countries directed to the antibody sequence of ANB020 and its variants, epitopes, methods of use and related matters. We also intend to prosecute our pending applications and pursue patent issuance and protection in key commercial markets where significant product sales may occur. Patents that may issue from our pending applications would provide protection until October 2038.

ANB019

As of December 31, 2017, we owned 13 patent applications in various countries directed to the antibody sequence of ANB019 and its variants, epitopes, methods of use and related matters. We also intend to prosecute our pending applications and pursue patent issuance and protection in key commercial markets where significant product sales may occur. Patents that may issue from our pending applications would provide protection until April 2036.

Platform Technology

Our platform technology is covered by U.S. and foreign issued patents and pending patent applications, emanating from our in-licensed portfolio and wholly-owned portfolio, currently under prosecution in various jurisdictions.

Our wholly-owned portfolio includes patents and patent applications directed to platform technology related inventions associated with antibody library design, antibody humanization, mammalian cell display and secretion, and other technical attributes relating to the discovery, maturation and optimization of antibodies using our technology platform. Patents relating to our platform technology that have been issued to date provide protection through May 2033.

The patent positions of biotechnology companies like ours are generally uncertain and involve complex legal, scientific and factual questions. In addition, the coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Consequently, we may not obtain or maintain adequate patent protection for any of our product candidates or for our technology platform. We cannot predict whether the patent applications

we are currently pursuing will issue as patents in any particular jurisdiction or whether the claims of any issued patents will provide sufficient proprietary protection from competitors. Any patents that we hold may be challenged, circumvented or invalidated by third parties. For a more comprehensive discussion of the risks related to our intellectual property, please see "Risk Factors— Risks Related to Our Intellectual Property."

The term of individual patents depends upon the legal term of the patents in the countries in which they are obtained. In most countries in which we file, the patent term is 20 years from the earliest date of filing a non-provisional patent application related to the patent. A U.S. patent also may be accorded a patent term adjustment, or PTA, under certain circumstances to compensate for delays in obtaining the patent from the U.S. Patent and Trademark Office, or USPTO. In some instances, such a PTA may result in a U.S. patent term extending beyond 20 years from the earliest date of filing a non-provisional patent application related to the U.S. patent. In addition, in the United States, the term of a U.S. patent that covers an FDA-approved drug may also be eligible for patent term extension, which permits patent term restoration as compensation for the patent term lost during the FDA regulatory review process. The Hatch-Waxman Act permits a patent term extension of up to five years beyond the expiration of the patent. The length of the patent term extension is related to the length of time the drug is under regulatory review. Patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval and only one patent applicable to an approved drug may be extended. Similar provisions are available in Europe and other foreign jurisdictions to extend the term of a patent that covers an approved drug. In the future, if and when our products receive FDA approval, we expect to apply for patent term extensions on patents covering those products. We plan to seek patent term extensions to any of our issued patents in any jurisdiction where these are available, however there is no guarantee that the applicable authorities, including the FDA in the United States, will agree with our assessment of whether such extensions should be granted, and if granted, the length of such extensions.

We also rely on trade secrets relating to our technology platform and product candidates and seek to protect and maintain the confidentiality of proprietary information to protect aspects of our business that are not amenable to, or that we do not consider appropriate for, patent protection. Although we take steps to protect our proprietary information and trade secrets, including through contractual means with our employees and consultants, third parties may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or disclose our technology. Thus, we may not be able to meaningfully protect our trade secrets.

It is our policy to require our employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These agreements provide that all confidential information concerning our business or financial affairs developed or made known to the individual during the course of the individual's relationship with us is to be kept confidential and not disclosed to third parties except in specific circumstances. Our agreements with employees also provide that all inventions conceived by the employee in the course of employment with us or from the employee's use of our confidential information are our exclusive property.

Manufacturing

We must manufacture drug product for clinical trial use in compliance with current good manufacturing practices, or cGMP. The cGMP regulations include requirements relating to organization of personnel, buildings and facilities, equipment, control of components and drug product containers and closures, production and process controls, packaging and labeling controls, holding and distribution, laboratory controls, records and reports, and returned or salvaged products. The manufacturing facilities for our product candidates must meet cGMP requirements and FDA satisfaction before any product is approved and we can manufacture commercial products. Our third-party manufacturers will also be subject to periodic inspections of facilities by the FDA and other authorities, including procedures and operations used in the testing and manufacture of our products to assess our compliance with applicable regulations.

Our internal manufacturing capabilities include non-cGMP antibody and reagent production using small scale quantities for characterization and *in vitro* and *in vivo* preclinical assessment of product candidates. We do not have and we do not currently plan to acquire or develop the facilities or capabilities to manufacture cGMP drug substance or filled drug product for use in human clinical trials.

We rely on third-party manufacturers to generate cGMP-grade cell lines and will rely on them to produce cGMP drug product required for our planned clinical trials, and expect to continue to rely on third parties to manufacture clinical trial drug supplies for the foreseeable future. We also contract with additional third parties for the filling, labeling, packaging, storage and distribution of investigational drug products. We have personnel with significant technical, manufacturing, analytical, quality, including cGMP, and project management experience to oversee our third-party manufacturers and to manage manufacturing and quality data and information for regulatory compliance purposes. While our contract manufacturers have

not yet produced cGMP batches of our product candidates, they have previously manufactured products for other companies in compliance with cGMP and have been previously inspected by regulatory authorities for compliance with cGMP standards. Similarly, our personnel have had experience with cGMP at previous positions.

Failure to comply with statutory and regulatory requirements subjects a manufacturer to possible legal or regulatory action, including warning letters, the seizure or recall of products, injunctions, consent decrees placing significant restrictions on or suspending manufacturing operations and civil and criminal penalties. These actions could have a material impact on the availability of our products. Contract manufacturers often encounter difficulties involving production yields, quality control and quality assurance, as well as shortages of qualified personnel.

Competition

The biotechnology and pharmaceutical industries are characterized by continuing technological advancement and significant competition. While we believe that our product candidates, technology, knowledge, experience and scientific resources provide us with competitive advantages, we face competition from major pharmaceutical and biotechnology companies, academic institutions, governmental agencies and public and private research institutions, among others. Any product candidates that we successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future. Key product features that would affect our ability to effectively compete with other therapeutics include the efficacy, safety and convenience of our products and the ease of use and effectiveness of any companion diagnostics. The level of generic competition and the availability of reimbursement from government and other third-party payors will also significantly affect the pricing and competitiveness of our products. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market.

Many of the companies against which we may compete have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

Specifically, there are several companies developing or marketing treatments that may be approved for the same indications and/or diseases as our lead product candidates, ANB019 and ANB020, including major pharmaceutical companies.

For asthma, our competitors include omalizumab (Xolair; Roche) which has received FDA approval and functions by inhibiting the binding between free IgE and FceRI; antibodies that bind IL-5 and inhibit its interaction with the IL-5 receptor such as mepolizumab (Nucala; Glaxosmithkline), which the FDA approved for the add-on maintenance treatment in patients aged 12 years or older with severe eosinophilic asthma, and reslizumab (Cinqair, Teva), which has been approved for adult patients aged 18 years and older for the treatment of inadequately controlled asthma in patients with elevated eosinophils, despite an inhaled corticosteroids treatment regimen; antibodies such as benralizumab (Fasenra, AstraZeneca) that bind the IL-5 receptor; antibodies that bind to IL-13 such as lebrikizumab (Dermira), tralokinumab (AstraZeneca) and anrukinzumab (Pfizer), which are in clinical testing; antibodies that bind the IL-4 receptor alpha chain, such as dupilumab (Regeneron, Sanofi), currently under review by the FDA under a BLA filing, an ST2-binding antibodies including MSTT1041A (Roche) and GSK3772847 (GSK) currently in Phase 2 clinical trials. Regeneron and Sanofi have recently announced an IL-33 related program (REGN 3500) in clinical development indicated for asthma, chronic obstructive pulmonary disease and atopic dermatitis, AstraZeneca has also recently announced an IL-33 related program (MEDI3506) in a Phase 1 clinical trial and is indicated for chronic obstructive pulmonary disease, Pfizer has recently announced an IL-33 related program (PF-06817024) for chronic rhinosinusitis with nasal polyps and atopic dermatitis and Eli Lilly has announced an IL-33 related program for atopic dermatitis.

For peanut allergy, our competitors include DBV Technologies, which is developing transdermal products for tolerization of food allergies, while Aimmune Therapeutics is developing oral products for peanut allergy desensitization, including combinations of Aimmune’s oral peanut allergy therapy with dupilumab (Dupixent, Regeneron, Sanofi).

For atopic dermatitis, our competitors include dupilumab (Dupixent, Regeneron, Sanofi), which has been approved by the FDA, crisaborole (EUCRISA, Pfizer), which has recently been approved by the FDA, VTP-38543 (Vitae, acquired by Allergan), which is currently in a Phase 2 trial, and JAK inhibitors including upadacitinib (Abbvie), PF-04965842 (Pfizer) and baricitinib (Eli Lilly and Incyte) currently clinical development for atopic dermatitis.

For GPP and PPP, our competitors include marketed therapies such as secukinumab (Cosentyx; Novartis) which binds IL-17A; ustekinumab (Stelara; Janssen) which blocks IL-12 and 23 cytokine function; and acitretin (Soriatane; Glaxosmithkline), as well as therapies in development such as guselkumab (Janssen) which blocks IL-23 cytokine function, gevokizumab (Xoma 052) and canakinumab (Ilaris, Novartis) which bind IL-1 beta and BI-655130 (Boehringer Ingelheim).

Government Regulation and Product Approval

Government authorities in the United States, at the federal, state and local level, and in other countries and jurisdictions, including the European Union, extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, packaging, storage, recordkeeping, labeling, advertising, promotion, distribution, marketing, post-approval monitoring and reporting, and import and export of pharmaceutical products. The processes for obtaining regulatory approvals in the United States and in foreign countries and jurisdictions, along with subsequent compliance with applicable statutes and regulations and other regulatory authorities, require the expenditure of substantial time and financial resources.

FDA approval process

In the United States, pharmaceutical products are subject to extensive regulation by the FDA. The Federal Food, Drug, and Cosmetic Act, or the FDC Act, and other federal and state statutes and regulations, govern, among other things, the research, development, testing, manufacture, storage, recordkeeping, approval, labeling, promotion and marketing, distribution, post-approval monitoring and reporting, sampling, and import and export of pharmaceutical products. Biological products used for the prevention, treatment, or cure of a disease or condition of a human being are subject to regulation under the FDC Act, except the section of the FDC Act which governs the approval of new drug applications, or NDAs. Biological products are approved for marketing under provisions of the Public Health Service Act, or PHSA, via a BLA. However, the application process and requirements for approval of BLAs are similar to those for NDAs, and biologics are associated with similar approval risks and costs as drugs. Failure to comply with applicable U.S. requirements may subject a company to a variety of administrative or judicial sanctions, such as clinical hold, FDA refusal to approve pending NDAs or BLAs, warning or untitled letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, civil penalties, and criminal prosecution.

Biological product development for a new product or certain changes to an approved product in the United States typically involves preclinical laboratory and animal tests, the submission to the FDA of an IND, which must become effective before clinical testing may commence in the United States, and adequate and well- controlled clinical trials to establish the safety and effectiveness of the drug for each indication for which FDA approval is sought. Satisfaction of FDA pre-market approval requirements typically takes many years and the actual time required may vary substantially based upon the type, complexity, and novelty of the product or disease.

Preclinical tests include laboratory evaluation of product chemistry, formulation, and toxicity, as well as animal trials to assess the characteristics and potential safety and efficacy of the product. The conduct of the preclinical tests must comply with federal regulations and requirements, including GLPs. The results of preclinical testing are submitted to the FDA as part of an IND along with other information, including information about product chemistry, manufacturing and controls, and a proposed clinical trial protocol. Long term preclinical tests, such as animal tests of reproductive toxicity and carcinogenicity, may continue after the IND is submitted. A 30-day waiting period after the submission of each IND is required prior to the commencement of clinical testing in humans. If the FDA has neither commented on nor questioned the IND within this 30-day period, the clinical trial proposed in the IND may begin. Clinical trials involve the administration of the investigational biologic to healthy volunteers or patients under the supervision of a qualified investigator. Clinical trials must be conducted: (i) in compliance with federal regulations; (ii) in compliance with good clinical practices, or GCPs, an international standard meant to protect the rights and health of patients and to define the roles of clinical trial sponsors, administrators, and monitors; as well as (iii) under protocols detailing the objectives of the trial, the parameters to be used in monitoring safety, and the effectiveness criteria to be evaluated. Each protocol involving testing on U.S. patients and subsequent protocol amendments must be submitted to the FDA as part of the IND.

The FDA may order the temporary, or permanent, discontinuation of a clinical trial at any time, or impose other sanctions if it believes that the clinical trial either is not being conducted in accordance with FDA requirements or presents an

unacceptable risk to the clinical trial patients. The trial protocol and informed consent information for patients in clinical trials must also be submitted to an institutional review board, or IRB, for approval. An IRB may also require the clinical trial at the site to be halted, either temporarily or permanently, for failure to comply with the IRB's requirements, or may impose other conditions.

Clinical trials to support BLAs for marketing approval are typically conducted in three sequential phases, but the phases may overlap. In Phase 1, the initial introduction of the biologic into healthy human subjects or patients, the product is tested to assess metabolism, pharmacokinetics, pharmacological actions, side effects associated with increasing doses, and, if possible, early evidence on effectiveness. Phase 2 usually involves trials in a limited patient population to determine the effectiveness of the drug or biologic for a particular indication, dosage tolerance, and optimal dosage, and to identify common adverse effects and safety risks. If a compound demonstrates evidence of effectiveness and an acceptable safety profile in Phase 2 evaluations, Phase 3 trials are undertaken to obtain the additional information about clinical efficacy and safety in a larger number of patients, typically at geographically dispersed clinical trial sites, to permit the FDA to evaluate the overall benefit risk relationship of the drug or biologic and to provide adequate information for the labeling of the product. In most cases, the FDA requires two adequate and well-controlled Phase 3 clinical trials to demonstrate the efficacy of the biologic. A single Phase 3 trial with other confirmatory evidence may be sufficient in rare instances where the trial is a large multicenter trial demonstrating internal consistency and a statistically persuasive finding of a clinically meaningful effect on mortality, irreversible morbidity or prevention of a disease with a potentially serious outcome and confirmation of the result in a second trial would be practically or ethically impossible.

After completion of the required clinical testing, a BLA is prepared and submitted to the FDA. FDA approval of the BLA is required before marketing of the product may begin in the United States. The BLA must include the results of all preclinical, clinical, and other testing and a compilation of data relating to the product's pharmacology, chemistry, manufacture, and controls. The cost of preparing and submitting a BLA is substantial. The submission of most BLAs is additionally subject to a substantial application user fee, and the applicant under an approved BLA is also subject to annual product and establishment user fees. These fees are typically increased annually. The FDA has 60 days from its receipt of a BLA to determine whether the application will be accepted for filing based on the agency's threshold determination that it is sufficiently complete to permit substantive review. Once the submission is accepted for filing, the FDA begins an in-depth review. The FDA has agreed to certain performance goals in the review of BLAs. Most such applications for standard review biologic products are reviewed within ten months of the date the BLA is filed with the FDA; most applications for priority review biologics are reviewed within six months of the date the BLA is filed with the FDA. Priority review can be applied to a biologic that the FDA determines has the potential to treat a serious or life-threatening condition and, if approved, would be a significant improvement in safety or effectiveness compared to available therapies. The review process for both standard and priority review may be extended by the FDA for three additional months to consider certain late-submitted information, or information intended to clarify information already provided in the submission.

The FDA may also refer applications for novel biologic products, or biologic products that present difficult questions of safety or efficacy, to an advisory committee—typically a panel that includes clinicians and other experts—for review, evaluation, and a recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee, but it generally follows such recommendations. Before approving a BLA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP. Additionally, the FDA will inspect the facility or the facilities at which the biologic product is manufactured. The FDA will not approve the product unless compliance with cGMP is satisfactory and the BLA contains data that provide substantial evidence that the biologic is safe, pure, potent and effective in the indication studied.

After the FDA evaluates the BLA and the manufacturing facilities, it issues either an approval letter or a complete response letter. A complete response letter generally outlines the deficiencies in the submission and may require substantial additional testing, or information, in order for the FDA to reconsider the application. If, or when, those deficiencies have been addressed to the FDA's satisfaction in a resubmission of the BLA, the FDA will issue an approval letter. The FDA has committed to reviewing such resubmissions in two or six months depending on the type of information included. An approval letter authorizes commercial marketing of the biologic with specific prescribing information for specific indications. As a condition of BLA approval, the FDA may require a risk evaluation and mitigation strategy, or REMS to help ensure that the benefits of the biologic outweigh the potential risks. REMS can include medication guides, communication plans for healthcare professionals, and elements to assure safe use, or ETASU. ETASU can include, but are not limited to, special training or certification for prescribing or dispensing, dispensing only under certain circumstances, special monitoring, and the use of patient registries. The requirement for a REMS can materially affect the potential market and profitability of the product. Moreover, product approval may require substantial post-approval testing and surveillance to monitor the product's safety or efficacy.

Once granted, product approvals may be withdrawn if compliance with regulatory standards is not maintained or problems are identified following initial marketing. Changes to some of the conditions established in an approved application, including changes in indications, labeling, or manufacturing processes or facilities, require submission and FDA approval of a new BLA or BLA supplement before the change can be implemented. A BLA supplement for a new indication typically requires clinical data similar to that in the original application, and the FDA uses the same procedures and actions in reviewing BLA supplements as it does in reviewing BLAs.

Foreign clinical studies to support an IND

The FDA will accept as support for an IND a well-designed, well-conducted, non-IND foreign clinical study if it was conducted in accordance with GCP and the FDA is able to validate the data from the study through an onsite inspection, if necessary. A sponsor or applicant who wishes to rely on a non-IND foreign clinical study to support an IND must submit the following supporting information to the FDA to demonstrate that the study conformed to GCP:

- the investigator's qualifications;
- a description of the research facilities;
- a detailed summary of the protocol and study results and, if requested, case records or additional background data;
- a description of the drug substance and drug product, including the components, formulation, specifications, and, if available, the bioavailability of the drug product;
- information showing that the study is adequate and well controlled;
- the name and address of the independent ethics committee that reviewed the study and a statement that the independent ethics committee meets the required definition;
- a summary of the independent ethics committee's decision to approve or modify and approve the study, or to provide a favorable opinion;
- a description of how informed consent was obtained;
- a description of what incentives, if any, were provided to subjects to participate;
- a description of how the sponsors monitored the study and ensured that the study was consistent with the protocol;
- a description of how investigators were trained to comply with GCP and to conduct the study in accordance with the study protocol; and
- a statement on whether written commitments by investigators to comply with GCP and the protocol were obtained.

Orphan drug designation

Under the Orphan Drug Act, the FDA may grant orphan drug designation to biological products intended to treat a rare disease or condition—generally a disease or condition that affects fewer than 200,000 individuals in the United States, or if it affects more than 200,000 individuals in the United States, there is no reasonable expectation that the cost of developing and making a product available in the United States for such disease or condition will be recovered from sales of the product.

Orphan drug designation must be requested before submitting a BLA. After the FDA grants orphan drug designation, the generic identity of the biological product and its potential orphan use are disclosed publicly by the FDA. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process. The first BLA applicant to receive FDA approval for a biological product containing a particular active moiety to treat a particular disease with FDA orphan drug designation is entitled to a seven-year exclusive marketing period in the United States for that product for that indication. During the seven-year exclusivity period, the FDA may not approve any other applications to market a biological product containing the same active moiety for the same disease, except in limited circumstances, such as a showing of clinical superiority to the product with orphan drug exclusivity. A product is clinically superior if it is safer, more effective or makes a major contribution to patient care. Orphan drug exclusivity does not prevent the FDA from approving a different drug or biological product for the same disease or condition, or the same biological product for a different disease or condition. Among the other benefits of orphan drug designation are tax credits for certain research and a waiver of the BLA user fee.

Disclosure of clinical trial information

Sponsors of clinical trials of FDA-regulated products, including biological products, are required to register and disclose certain clinical trial information. Information related to the product, patient population, phase of investigation, trial sites and investigators, and other aspects of the clinical trial is then made public as part of the registration. Sponsors are also obligated to discuss the results of their clinical trials after completion. Disclosure of the results of these trials can be delayed in certain circumstances for up to two years after the date of completion of the trial. Competitors may use this publicly available information to gain knowledge regarding the progress of development programs.

Pediatric information

Under the Pediatric Research Equity Act, or PREA, NDAs or BLAs or supplements to NDAs or BLAs must contain data to assess the safety and effectiveness of the biological product for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the biological product is safe and effective. The FDA may grant full or partial waivers, or deferrals, for submission of data. Unless otherwise required by regulation, the PREA does not apply to any biological product for an indication for which orphan designation has been granted.

Additional controls for biologics

To help reduce the increased risk of the introduction of adventitious agents, the PHSA emphasizes the importance of manufacturing controls for products whose attributes cannot be precisely defined. The PHSA also provides authority to the FDA to immediately suspend licenses in situations where there exists a danger to public health, to prepare or procure products in the event of shortages and critical public health needs, and to authorize the creation and enforcement of regulations to prevent the introduction or spread of communicable diseases in the United States and between states.

After a BLA is approved, the product may also be subject to official lot release as a condition of approval. As part of the manufacturing process, the manufacturer is required to perform certain tests on each lot of the product before it is released for distribution. If the product is subject to official release by the FDA, the manufacturer submits samples of each lot of product to the FDA together with a release protocol showing a summary of the history of manufacture of the lot and the results of all of the manufacturer's tests performed on the lot. The FDA may also perform certain confirmatory tests on lots of some products, such as viral vaccines, before releasing the lots for distribution by the manufacturer.

In addition, the FDA conducts laboratory research related to the regulatory standards on the safety, purity, potency, and effectiveness of biological products. As with drugs, after approval of biologics, manufacturers must address any safety issues that arise, are subject to recalls or a halt in manufacturing, and are subject to periodic inspection after approval.

Patent term restoration

After approval, owners of relevant drug or biologic patents may apply for up to a five year patent extension. The allowable patent term extension is calculated as half of the drug's testing phase—the time between IND application and NDA or BLA submission—and all of the review phase—the time between NDA or BLA submission and approval up to a maximum of five years. The time can be shortened if FDA determines that the applicant did not pursue approval with due diligence. The total patent term after the extension may not exceed 14 years.

For patents that might expire during the application phase, the patent owner may request an interim patent extension. An interim patent extension increases the patent term by one year and may be renewed up to four times. For each interim patent extension granted, the post-approval patent extension is reduced by one year. The director of the USPTO must determine that approval of the drug covered by the patent for which a patent extension is being sought is likely. Interim patent extensions are not available for a drug or biologic for which an NDA or BLA has not been submitted.

Biosimilars

The Biologics Price Competition and Innovation Act of 2009, or BPCIA, creates an abbreviated approval pathway for biological products shown to be highly similar to or interchangeable with an FDA licensed reference biological product. Biosimilarity sufficient to reference a prior FDA-approved product requires that there be no differences in conditions of use, route of administration, dosage form, and strength, and no clinically meaningful differences between the biological product and the reference product in terms of safety, purity, and potency. Biosimilarity must be shown through analytical trials, animal trials, and a clinical trial or trials, unless the Secretary of Health and Human Services waives a required element. A

biosimilar product may be deemed interchangeable with a prior approved product if it meets the higher hurdle of demonstrating that it can be expected to produce the same clinical results as the reference product and, for products administered multiple times, the biologic and the reference biologic may be switched after one has been previously administered without increasing safety risks or risks of diminished efficacy relative to exclusive use of the reference biologic. To date, a handful of biosimilar products and no interchangeable products have been approved under the BPCIA. Complexities associated with the larger, and often more complex, structures of biological products, as well as the process by which such products are manufactured, pose significant hurdles to implementation, which is still being evaluated by the FDA.

A reference biologic is granted 12 years of exclusivity from the time of first licensure of the reference product, and no application for a biosimilar can be submitted for four years from the date of licensure of the reference product. The first biologic product submitted under the abbreviated approval pathway that is determined to be interchangeable with the reference product has exclusivity against a finding of interchangeability for other biologics for the same condition of use for the lesser of (i) one year after first commercial marketing of the first interchangeable biosimilar, (ii) 18 months after the first interchangeable biosimilar is approved if there is no patent challenge, (iii) 18 months after resolution of a lawsuit over the patents of the reference biologic in favor of the first interchangeable biosimilar applicant, or (iv) 42 months after the first interchangeable biosimilar's application has been approved if a patent lawsuit is ongoing within the 42-month period.

Post-approval requirements

Once a BLA is approved, a product will be subject to certain post-approval requirements. For instance, the FDA closely regulates the post-approval marketing and promotion of biologics, including standards and regulations for direct-to-consumer advertising, off-label promotion, industry-sponsored scientific and educational activities and promotional activities involving the internet. Biologics may be marketed only for the approved indications and in accordance with the provisions of the approved labeling.

Adverse event reporting and submission of periodic reports is required following FDA approval of a BLA. The FDA also may require post-marketing testing, known as Phase 4 testing, REMS, and surveillance to monitor the effects of an approved product, or the FDA may place conditions on an approval that could restrict the distribution or use of the product. In addition, quality control, biological product manufacture, packaging, and labeling procedures must continue to conform to cGMPs after approval. Biologic manufacturers and certain of their subcontractors are required to register their establishments with the FDA and certain state agencies. Registration with the FDA subjects entities to periodic unannounced inspections by the FDA, during which the agency inspects manufacturing facilities to assess compliance with cGMPs. Accordingly, manufacturers must continue to expend time, money, and effort in the areas of production and quality-control to maintain compliance with cGMPs. Regulatory authorities may withdraw product approvals or request product recalls if a company fails to comply with regulatory standards, if it encounters problems following initial marketing, or if previously unrecognized problems are subsequently discovered.

FDA regulation of companion diagnostics

If use of an *in vitro* diagnostic is essential to safe and effective use of a drug or biologic product, then the FDA generally will require approval or clearance of the diagnostic, known as a companion diagnostic, at the same time that the FDA approves the therapeutic product. The review of an *in vitro* companion diagnostic in conjunction with the review of a biologic involves coordination of review by the FDA's Center for Biologics Evaluation and Research and by the FDA's Center for Devices and Radiological Health. Pursuing FDA approval of an *in vitro* companion diagnostic would require us to obtain a
pre-market approval, or PMA. The PMA process, including the gathering of clinical and preclinical data and the submission to and review by the FDA, can take several years or longer. It involves a rigorous premarket review during which the applicant must prepare and provide the FDA with reasonable assurance of the device's safety and effectiveness and information about the device and its components regarding, among other things, device design, manufacturing and labeling. PMA applications are subject to an application fee, which exceeds $250,000 for most PMAs. In addition, PMAs for certain devices must generally include the results from extensive preclinical and adequate and well-controlled clinical trials to establish the safety and effectiveness of the device for each indication for which FDA approval is sought. In particular, for a diagnostic, the applicant must demonstrate that the diagnostic produces reproducible results when the same sample is tested multiple times by multiple users at multiple laboratories. As part of the PMA review, the FDA will typically inspect the manufacturer's facilities for compliance with the Quality System Regulation, or QSR, which imposes elaborate testing, control, documentation and other quality assurance requirements.

PMA approval is not guaranteed, and the FDA may ultimately respond to a PMA application submission with a not approvable determination based on deficiencies in the application and require additional clinical trial or other data that may be expensive and time-consuming to generate and that can substantially delay approval. If the FDA's evaluation of the PMA

application is favorable, the FDA typically issues an approvable letter requiring the applicant's agreement to specific conditions, such as changes in labeling, or specific additional information, such as submission of final labeling, in order to secure final approval of the PMA. If the FDA concludes that the applicable criteria have been met, the FDA will issue a PMA for the approved indications, which can be more limited than those originally sought by the applicant. The PMA can include post-approval conditions that the FDA believes necessary to ensure the safety and effectiveness of the device, including, among other things, restrictions on labeling, promotion, sale and distribution.

After a device is placed on the market, it remains subject to significant regulatory requirements. Medical devices may be marketed only for the uses and indications for which they are cleared or approved. Device manufacturers must also establish registration and device listings with the FDA. A medical device manufacturer's manufacturing processes and those of its suppliers are required to comply with the applicable portions of the QSR, which cover the methods and documentation of the design, testing, production, processes, controls, quality assurance, labeling, packaging and shipping of medical devices. Domestic facility records and manufacturing processes are subject to periodic unscheduled inspections by the FDA. The FDA also may inspect foreign facilities that export products to the United States.

Other U.S. healthcare laws and compliance requirements

In the United States, our activities are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including but not limited to, the Centers for Medicare and Medicaid Services, or CMS, other divisions of the U.S. Department of Health and Human Services (such as the Office of Inspector General), the U.S. Department of Justice, or DOJ, and individual U.S. Attorney offices within the DOJ, and state and local governments. For example, sales, marketing and scientific/educational grant programs may have to comply with the anti-fraud and abuse provisions of the Social Security Act, the false claims laws, the privacy and security provisions of the Health Insurance Portability and Accountability Act, or HIPAA, and similar state laws, each as amended, as applicable.

The federal Anti-Kickback Statute prohibits, among other things, any person or entity, from knowingly and willfully offering, paying, soliciting or receiving any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce or in return for purchasing, leasing, ordering or arranging for the purchase, lease or order of any item or service reimbursable under Medicare, Medicaid or other federal healthcare programs. The term remuneration has been interpreted broadly to include anything of value. The Anti-Kickback Statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on one hand and prescribers, purchasers, and formulary managers on the other. There are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution. The exceptions and safe harbors are drawn narrowly and practices that involve remuneration that may be alleged to be intended to induce prescribing, purchasing or recommending may be subject to scrutiny if they do not qualify for an exception or safe harbor. Failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor does not make the conduct per se illegal under the Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all of its facts and circumstances. Our practices may not in all cases meet all of the criteria for protection under a statutory exception or regulatory safe harbor.

Additionally, the intent standard under the Anti-Kickback Statute was amended by the Patient Protection and Affordable Care Act, or ACA, to a stricter standard such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. In addition, the ACA codified case law that a claim including items or services resulting from a violation of the federal Anti- Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act (discussed below).

The civil monetary penalties statute imposes penalties against any person or entity that, among other things, is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent.

Federal false claims and false statement laws, including the federal False Claims Act, prohibit, among other things, any person or entity from knowingly presenting, or causing to be presented, a false or fraudulent claim for payment to, or approval by, the federal healthcare programs, including Medicare and Medicaid, or knowingly making, using, or causing to be made or used a false record or statement material to a false or fraudulent claim to the federal government. As a result of a modification made by the Fraud Enforcement and Recovery Act of 2009, a claim includes "any request or demand" for money or property presented to the U.S. government. Recently, several pharmaceutical and other healthcare companies have been prosecuted under these laws for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. Other companies have been prosecuted for causing false claims to be submitted because of the companies' marketing of the product for unapproved, and thus generally non-reimbursable, uses.

HIPAA created additional federal criminal statutes that prohibit, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud or to obtain, by means of false or fraudulent pretenses, representations or promises, any money or property owned by, or under the control or custody of, any healthcare benefit program, including private third-party payors, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up by trick, scheme or device, a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Like the Anti-Kickback Statute, the ACA amended the intent standard for certain healthcare fraud statutes under HIPAA such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

Also, many states have similar fraud and abuse statutes or regulations that apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor. Additionally, to the extent that our product is sold in a foreign country, we may be subject to similar foreign laws.

We may be subject to data privacy and security regulations by both the federal government and the states in which we conduct our business. HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and its implementing regulations, imposes requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA's privacy and security standards directly applicable to business associates, independent contractors or agents of covered entities that receive or obtain protected health information in connection with providing a service on behalf of a covered entity. HITECH also created four new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce HIPAA and seek attorneys' fees and costs associated with pursuing federal civil actions. In addition, many state laws govern the privacy and security of health information in specified circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Additionally, the federal Physician Payments Sunshine Act within the ACA, and its implementing regulations, require that certain manufacturers of drugs, devices, biological and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) report annually to CMS information related to certain payments or other transfers of value made or distributed to physicians and teaching hospitals, or to entities or individuals at the request of, or designated on behalf of, the physicians and teaching hospitals and to report annually certain ownership and investment interests held by physicians and their immediate family members. Moreover, the Drug Supply Chain Security Act imposes new obligations on manufacturers of pharmaceutical products related to product tracking and tracing. Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products.

In order to distribute products commercially, we must comply with state laws that require the registration of manufacturers and wholesale distributors of drug and biological products in a state, including, in certain states, manufacturers and distributors who ship products into the state even if such manufacturers or distributors have no place of business within the state. Some states also impose requirements on manufacturers and distributors to establish the pedigree of product in the chain of distribution, including some states that require manufacturers and others to adopt new technology capable of tracking and tracing product as it moves through the distribution chain. Several states have enacted legislation requiring pharmaceutical and biotechnology companies to establish marketing compliance programs, file periodic reports with the state, make periodic public disclosures on sales, marketing, pricing, clinical trials and other activities, and/or register their sales representatives, as well as to prohibit pharmacies and other healthcare entities from providing certain physician prescribing data to pharmaceutical and biotechnology companies for use in sales and marketing, and to prohibit certain other sales and marketing practices. All of our activities are potentially subject to federal and state consumer protection and unfair competition laws.

If our operations are found to be in violation of any of the federal and state healthcare laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including without limitation, civil, criminal and/or administrative penalties, damages, fines, disgorgement, exclusion from participation in government programs, such as Medicare and Medicaid, injunctions, private "qui tam" actions brought by individual whistleblowers in the name of the government, or refusal to allow us to enter into government contracts, contractual damages, reputational harm, administrative burdens, diminished profits and future earnings, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

Coverage, pricing and reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any product candidates for which we obtain regulatory approval. In the United States and markets in other countries, sales of any products for which we receive regulatory approval for commercial sale will depend, in part, on the extent to which third- party payors provide coverage, and establish adequate reimbursement levels for such products. In the United States, third-party payors include federal and state healthcare programs, private managed care providers, health insurers and other organizations. The process for determining whether a third-party payor will provide coverage for a product may be separate from the process for setting the price of a product or for establishing the reimbursement rate that such a payor will pay for the product. Third-party payors may limit coverage to specific products on an approved list, also known as a formulary, which might not include all of the FDA-approved products for a particular indication. Third-party payors are increasingly challenging the price, examining the medical necessity and reviewing the cost-effectiveness of medical products, therapies and services, in addition to questioning their safety and efficacy. We may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of our products, in addition to the costs required to obtain the FDA approvals. Our product candidates may not be considered medically necessary or cost-effective. A payor's decision to provide coverage for a product does not imply that an adequate reimbursement rate will be approved. Further, one payor's determination to provide coverage for a product does not assure that other payors will also provide coverage for the product. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development.

Different pricing and reimbursement schemes exist in other countries. In the EU, governments influence the price of pharmaceutical products through their pricing and reimbursement rules and control of national health care systems that fund a large part of the cost of those products to consumers. Some jurisdictions operate positive and negative list systems under which products may only be marketed once a reimbursement price has been agreed. To obtain reimbursement or pricing approval, some of these countries may require the completion of clinical trials that compare the cost effectiveness of a particular product candidate to currently available therapies. Other member states allow companies to fix their own prices for medicines, but monitor and control company profits. The downward pressure on health care costs has become intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, in some countries, cross-border imports from low-priced markets exert a commercial pressure on pricing within a country.

The marketability of any product candidates for which we receive regulatory approval for commercial sale may suffer if the government and third-party payors fail to provide adequate coverage and reimbursement. In addition, emphasis on managed care in the United States has increased and we expect will continue to increase the pressure on healthcare pricing. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which we receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

Healthcare reform

Government and other third-party payers (including pharmacy benefit management companies) are challenging the prices charged for healthcare products and increasingly limiting, and attempting to limit, both coverage and level of reimbursement for prescription drugs, such as by requiring outcomes-based or other pay-for-performance pricing arrangements. They are also imposing restrictions on eligible patient populations and the reimbursement process (including by means of required prior authorizations and utilization management criteria). In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively the ACA, was enacted in the United States. This legislation imposes cost-containment and other measures that are likely to adversely affect the amount of reimbursement for our current and future products. The full effects of this legislation depend on a number of factors, many of which are beyond our control, including new regulations and guidance issued by CMS and other federal and state agencies. Some states are also considering legislation that would control the prices and reimbursement of prescription drugs, and state Medicaid programs are increasingly requesting manufacturers to pay supplemental rebates and requiring prior authorization by the state program for use of any prescription drug for which supplemental rebates are not being paid. It is likely that federal and state legislatures and health agencies will continue to focus on additional health care reform measures in the future that will impose additional constraints on prices and reimbursements for our products.

Some of the provisions of the ACA have yet to be implemented and there have been judicial and Congressional challenges to certain aspects of the ACA. In addition, the current administration and Congress have previously sought, and will likely continue to seek, legislative and regulatory changes, including repeal and replacement of all or certain provisions of the ACA. While Congress has not passed repeal legislation, the Tax Cuts and Jobs Act of 2017 includes a provision repealing,
effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to
maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate". Congress

may consider other legislation to repeal or replace elements of the ACA.

The Foreign Corrupt Practices Act

The Foreign Corrupt Practices Act, or FCPA, prohibits any U.S. individual or business from paying, offering, or authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the United States to comply with accounting provisions requiring us to maintain books and records that accurately and fairly reflect all transactions of the corporation, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations.

Additional regulation

In addition to the foregoing, we are also subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control, and disposal of hazardous or potentially hazardous substances, including the Occupational Safety and Health Act, the Resource Conservancy and Recovery Act and the Toxic Substances Control Act. These and other laws govern our use, handling and disposal of various biological, chemical and radioactive substances used in, and wastes generated by, our operations. If our operations result in contamination of the environment or expose individuals to hazardous substances, we could be liable for damages and governmental fines. We believe that we are in material compliance with applicable environmental laws and that continued compliance therewith will not have a material adverse effect on our business. We cannot predict, however, how changes in these laws may affect our future operations.

Europe / rest of world government regulation

In addition to regulations in the United States, we will be subject to a variety of regulations in other jurisdictions governing, among other things, clinical trials and any commercial sales and distribution of our products. Whether or not we obtain FDA approval of a product, we must obtain the requisite approvals from regulatory authorities in foreign countries prior to the commencement of clinical trials or marketing of the product in those countries. Certain countries outside of the United States have a similar process that requires the submission of a clinical trial application much like the IND prior to the commencement of human clinical trials. In the United Kingdom and other countries in the EU, for example, a CTA must be submitted to each country's national health authority and an independent ethics committee, much like the FDA and IRB, respectively. Once the CTA is approved in accordance with a country's requirements, clinical trial development may proceed. Because biologically sourced raw materials are subject to unique contamination risks, their use may be restricted in some countries. The requirements and process governing the conduct of clinical trials, product licensing, pricing and reimbursement vary from country to country. In all cases, the clinical trials are conducted in accordance with GCP and the applicable regulatory requirements and the ethical principles that have their origin in the Declaration of Helsinki.

To obtain regulatory approval of an investigational drug or biological product under EU regulatory systems, we must submit a marketing authorization application. The application used to file the BLA in the United States is similar to that required in the EU, with the exception of, among other things, country-specific document requirements. For other countries outside of the EU, such as countries in Eastern Europe, Latin America or Asia, the requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary from country to country. In all cases, again, the clinical trials are conducted in accordance with GCP and the applicable regulatory requirements and the ethical principles that have their origin in the Declaration of Helsinki.

If we or our potential collaborators fail to comply with applicable foreign regulatory requirements, we may be subject to, among other things, fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

Australia

Conducting clinical trials for therapeutic drug candidates in Australia is subject to regulation by Australian governmental entities. Approval for inclusion in the Australian Register of Therapeutic Goods, or the ARTG, is required before a pharmaceutical drug product may be marketed in Australia.

Typically, the process of obtaining approval of a new therapeutic drug product for inclusion in the ARTG requires compilation of clinical trial data. Clinical trials conducted using "unapproved therapeutic goods" in Australia, being those

which have not yet been evaluated by the TGA for quality, safety and efficacy must occur pursuant to either the Clinical Trial Notification, or CTN, or Clinical Trial Exemption, or CTX, process.

The CTN process broadly involves:

- completion of pre-clinical laboratory and animal testing;
- submission to a Human Research Ethics Committee, or the HREC, of all material relating to the proposed clinical trial, including the trial protocol. The TGA does not review any data relating to the clinical trial;
- the institution or organisation at which the trial will be conducted, referred to as the "Approving Authority" gives the final approval for the conduct of the trial at the site, having due regard to the advice from the HREC; and
- CTN trials cannot commence until the trial has been notified to the TGA.

Under the CTX process:

- a sponsor submits an application to conduct a clinical trial to the TGA for evaluation and comment; and
- a sponsor cannot commence a CTX trial until written advice has been received from the TGA regarding the application and approval for the conduct of the trial has been obtained from an ethics committee and the institution at which the trial will be conducted.

In each case, it is required that:

- adequate and well-controlled clinical trials demonstrate the quality, safety and efficacy of the therapeutic product;
- evidence is compiled which demonstrates that the manufacture of the therapeutic drug product complies with the principles of cGMP;
- manufacturing and clinical data is derived to submit to the Australian Committee on Prescription Medicines, which makes recommendations to the TGA as to whether or not to grant approval to include the therapeutic drug product in the ARTG; and
- an ultimate decision is made by the TGA whether to include the therapeutic drug product in the ARTG.

Pre-clinical studies include laboratory evaluation of the therapeutic drug product as well as animal studies to assess the potential safety and efficacy of the drug. The results of the pre-clinical studies form part of the materials submitted to the investigators HREC in the case of a CTN trial and part of the application to the TGA in the case of a CTX trial.

Clinical trials involve administering the investigational product to healthy volunteers or patients under the supervision of a qualified principal investigator. The TGA has developed guidelines for a CTN. Under the CTN process, all material relating to the proposed trial is submitted directly to the HREC of each institution at which the trial is to be conducted. An HREC is an independent review committee set up under guidelines of the Australian National Health and Medical Research Council. The role of an HREC is to ensure the protection of rights, safety and wellbeing of human subjects involved in a clinical trial by, among other things, reviewing, approving and providing continuing review of trial protocols and amendments, and of the methods and material to be used in obtaining and documenting informed consent of the trial subjects. The TGA is formally notified by submission of a CTN application but does not review the safety of the drug or any aspect of the proposed trial. The approving authority of each institution gives the final approval for the conduct of the clinical trial, having due regard to advice from the HREC. Following approval, responsibility for all aspects of the trial conducted under a CTN application remains with the HREC of each investigator's institution.

The standards for clinical research in Australia are set by the TGA and the National Health and Medical Research Council, and compliance with GCP is mandatory. Guidelines, such as those promulgated by the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use, or ICH, are required across all fields, including those related to pharmaceutical quality, nonclinical and clinical data requirements and study designs. The basic requirements for preclinical data to support a first-in- human study under ICH guidelines are applicable in Australia. Requirements related to adverse event reporting in Australia are similar to those required in other major jurisdictions.

Employees

As of December 31, 2017, we had 60 full-time employees. Of these employees, 48 were primarily engaged in research and development activities and 10 have an M.D. or a Ph.D. None of our employees are represented by a labor union or covered by collective bargaining agreements, and we believe our relationship with our employees is good.

Financial Information

We manage our operations and allocate resources as a single reporting segment. Financial information regarding our operations, assets and liabilities, including our net loss for the years ended December 31, 2017, 2016 and 2015 and our total assets as of December 31, 2017 and 2016, is included in our Consolidated Financial Statements in Part II Item 8 of this Annual Report.

Corporate Information

We were incorporated under the laws of the State of Delaware in November 2005. Our principal executive offices are located at 10421 Pacific Center Court, Suite 200, San Diego, California 92121, and our telephone number is (858) 362-6295. Our website address is www.anaptysbio.com. The information contained on, or that can be accessed through, our website is not part of, and is not incorporated by reference into, this report.

Available Information

We file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other information with the Securities and Exchange Commission (SEC). Our filings with the SEC are available free of charge on the SEC's website at *www.sec.gov* and on our website under the "Investors" tab as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. You may also read and copy, at SEC prescribed rates, any document we file with the SEC at the SEC's Public Reference Room located at 100 F Street, N.E., Washington D.C. 20549. You can call the SEC at 1-800-SEC-0330 to obtain information on the operation of the Public Reference Room.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below, as well as the other information in this report, including our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," before deciding whether to invest in our common stock. The occurrence of any of the events or developments described below could harm our business, financial condition, results of operations and growth prospects. In such an event, the market price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to Discovery and Development of Our Product Candidates

Our product candidates are in early stages of development and may fail in development or suffer delays that adversely affect their commercial viability. If we or our collaborators are unable to complete development of or commercialize our product candidates or experience significant delays in doing so, our business will be materially harmed.

We are using our proprietary technology platform to develop therapeutic antibodies, including our wholly-owned product candidates, as well as other programs that are being developed by our collaborators. However, all of our wholly-owned and partnered product candidates are in the early stages of development, and, for a wide variety of reasons discussed below, may fail in development or suffer delays that adversely affect their commercial viability.

A product candidate can unexpectedly fail at any stage of preclinical and clinical development. The historical failure rate for product candidates is high due to scientific feasibility, safety, efficacy, changing standards of medical care and other variables. The results from preclinical testing or early clinical trials of a product candidate may not predict the results that will be obtained in later phase clinical trials of the product candidate. For example, product candidates in later clinical trials may fail to demonstrate sufficient efficacy despite having progressed through initial clinical trials, even if certain analyses of primary or secondary endpoints in those early trials showed trends toward efficacy or, in some analyses, nominal statistical significance. In addition, the results of clinical trials in one set of patients or line of treatment may not be predictive of those obtained in another.

The success of our current product candidates, and any other product candidates we may develop in the future, will depend on many factors, including the following:

- obtaining regulatory permission to initiate clinical trials;
- successful enrollment of patients in, and the completion of, our planned clinical trials;
- receiving marketing approvals from applicable regulatory authorities;
- establishing commercial manufacturing capabilities or making arrangements with third-party manufacturers;
- obtaining and maintaining patent and trade secret protection and non-patent exclusivity for our product candidates and their components;
- enforcing and defending intellectual property rights and claims;
- achieving desirable therapeutic properties for our product candidates' intended indications;
- launching commercial sales of our product candidates, if and when approved, whether alone or in collaboration with third parties;
- acceptance of our product candidates, if and when approved, by patients, the medical community and third-party payors;
- effectively competing with other therapies; and
- maintaining an acceptable safety profile of our product candidates through clinical trials and following regulatory approval.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or an inability to successfully commercialize our product candidates, which would harm our business.

Furthermore, delays or difficulties in patient enrollment or difficulties in retaining trial participants can result in increased costs, longer development times or termination of a clinical trial. Clinical trials of a new product candidate require the enrollment of a sufficient number of patients, including patients who are suffering from the disease the product candidate is intended to treat and who meet other eligibility criteria. Rates of patient enrollment are affected by many factors, including the size of the patient population, the eligibility criteria for the clinical trial, the age and condition of the patients, the stage and severity of disease, the nature of the protocol, the proximity of patients to clinical sites and the availability of effective treatments for the relevant disease. We may not be able to initiate our planned clinical trials if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the FDA, or foreign regulatory authorities. More specifically, some of our product candidates, including ANB019, initially target indications that are very rare, which can prolong the clinical trial timeline for the regulatory process if sufficient patients cannot be enrolled in a timely manner.

We have only limited data regarding the safety profile of our wholly-owned product candidates when dosed in humans. Our ongoing and planned clinical trials or those of our collaborators may reveal significant adverse events, toxicities or other side effects and may result in a safety profile that could inhibit regulatory approval or market acceptance of any of our product candidates.

In order to obtain marketing approval for any of our product candidates, we must demonstrate the safety and efficacy of the product candidate for the relevant clinical indication or indications through preclinical studies and clinical trials as well as additional supporting data. If our product candidates are associated with undesirable side effects in preclinical studies or clinical trials or have characteristics that are unexpected, we may need to interrupt, delay or abandon their development or limit development to more narrow uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective.

We have conducted various preclinical studies of our product candidates, but we do not know the predictive value of these studies for humans, and we cannot guarantee that any positive results in preclinical studies will successfully translate to human patients. We have only recently completed our Phase 1 clinical trial for ANB020 in healthy humans, and patient trials with ANB020 are currently ongoing. We also have only recently completed a Phase 1 clinical trial with ANB019. It is not uncommon to observe results in human clinical trials that are unexpected based on preclinical testing, or to observe results in later stage clinical trials that are unexpected based on early clinical trials. Many product candidates fail in clinical trials despite promising preclinical and early clinical results. In addition, top-line results of a clinical trial, which generally reflect preliminary reviews of primary efficacy and/or safety results, do not necessarily predict final results, and any top-line findings or assessments are subject to change pending the completion of final data review procedures. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that believed their product candidates

performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval for their products.

In the single-ascending dose segment of our Phase 1 clinical trial of ANB020, the most common adverse events were upper respiratory tract infection and headache, and we observed one case of severe neutropenia in one individual, which was acute and not persistent, and was considered not to be drug-related. No adverse events were determined to be drug related. All safety information generated under the single-ascending dose segment of our Phase 1 clinical trial was included in the US IND and UK CTA submissions which were subsequently cleared by the FDA and MHRA, respectively. In our Phase 2a proof-of-concept trial for moderate-to-severe adult atopic dermatitis patients, one serious adverse event of severe depression was reported by a single patient on Day 140 post-ANB020, which was deemed not drug related since the patient had a pre-trial history of severe depression. The most frequent treatment-emergent adverse events reported were mild dizziness in patients subsequent to placebo dosing, and mild headache in patients post-ANB020 administration. Subjects in our ongoing and planned clinical trials may in the future suffer significant adverse events or other side effects not observed in our preclinical studies or in our Phase 1 or Phase 2a clinical trials. The observed potency and kinetics of our product candidates in preclinical studies may not be observed in human clinical trials. We have tested the dosing frequency and route of administration of our product candidates in preclinical studies, which will inform our dosing strategy for future clinical trials, however such dose and route of administration may not result in sufficient exposure or pharmacological effect in humans, and may lead to unforeseen toxicity not previously observed in preclinical testing. If preclinical studies of our product candidates fail to provide preliminary evidence of safety to the satisfaction of regulatory authorities or do not otherwise produce satisfactory results, we may incur additional costs or experience delays in initiating and/or advancing the development and commercialization of our product candidates. Further, if clinical trials of our product candidates fail to demonstrate efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.

If further significant adverse events or other side effects are observed in any of our current or future clinical trials, we may have difficulty recruiting patients to the clinical trial, patients may drop out of our trial, or we may be required to abandon the trial or our development efforts of that product candidate altogether. We, the FDA, or other applicable regulatory authorities, or an Institutional Review Board, or IRB, may suspend clinical trials of a product candidate at any time for various reasons, including a belief that subjects in such trials are being exposed to unacceptable health risks or adverse side effects. Some potential therapeutics developed in the biotechnology industry that initially showed therapeutic promise in early-stage studies have later been found to cause side effects that prevented their further development. Even if the side effects do not preclude the drug from obtaining or maintaining marketing approval, undesirable side effects may inhibit market acceptance of the approved product due to its tolerability versus other therapies. Any of these developments could materially harm our business, financial condition and prospects.

Further, if any of our product candidates obtain marketing approval, toxicities associated with our product candidates may also develop after such approval and lead to a requirement to conduct additional clinical safety trials, additional warnings being added to the labeling, significant restrictions on the use of the product or the withdrawal of the product from the market. We cannot predict whether our product candidates will cause toxicities in humans that would preclude or lead to the revocation of regulatory approval based on preclinical studies or early stage clinical testing.

We and/or our collaborators may be unable to obtain, or may be delayed in obtaining, required regulatory approvals in the United States or in foreign jurisdictions, which would materially impair our ability to commercialize and generate revenue from our product candidates.

Our ability to continue to develop our product candidates, and to have the potential to achieve and sustain profitability, depends on the FDA and foreign regulatory authorities permitting us to conduct human clinical trials and, if our products are safe and effective, obtaining approval from the FDA and foreign regulatory authorities to market them and subsequently successfully commercializing them, either alone or with our collaborators. The research, testing, manufacturing, labeling, approval, selling, marketing and distribution of drug and biologic products are subject to extensive regulation by the FDA and foreign regulatory authorities. Though we have cleared an IND and CTA to conduct clinical trials for ANB020 in the United States and United Kingdom, respectively, and a CTN for ANB019 in Australia, before commencing clinical trials in the United States for any other product candidate, we must submit an IND to the FDA; foreign regulatory authorities enforce similar requirements for initiation of clinical trials in other countries. An IND or foreign equivalent requires extensive preclinical studies, and there is no guarantee that the FDA or foreign regulatory authorities will allow clinical trials to proceed based on the IND or equivalent submission. For example, although we have initiated toxicology studies for our product candidates, the FDA in the United States, the TGA in Australia or other foreign regulatory authorities, as applicable, may not allow our clinical trials to proceed in the regulatory authority's jurisdiction if we are unable to show safety margins acceptable to the particular regulatory authority in appropriate animal species in our preclinical toxicology studies.

Even if we or our collaborators initiate and complete clinical trials for our product candidates, we will not be permitted to market our product candidates in the United States until we receive approval of a BLA from the FDA, and will not be permitted to market in other countries without marketing approval from foreign regulatory authorities. Obtaining approval of a BLA or other marketing approvals is often a lengthy, expensive and uncertain process over which the FDA and foreign regulatory authorities have substantial discretion. Other than submitting and receiving acceptance for our CTN for ANB020 in Australia, obtaining clearance for our IND for a Phase 2a clinical trial of ANB020 in severe adult peanut allergy in the United States, obtaining clearance for our CTA for two Phase 2a clinical trials of ANB020 in both moderate-to-severe adult atopic dermatitis and adult eosinophilic asthma patients in the United Kingdom and obtaining clearance for our CTN for ANB019 in Australia, we have not yet discussed with the FDA or foreign regulatory authorities the development plans for any of our product candidates or the designs of any of our later-stage clinical studies. We thus may not have the full benefit of the FDA's or foreign regulatory authorities' current thinking on trial designs or product development for our target indications. For example, we believe a small pivotal trial, potentially with approximately 100 patients, may be sufficient to demonstrate substantial evidence of efficacy of ANB019 in generalized pustular psoriasis, or GPP, patients. However, we have not yet discussed clinical trial design for this indication with the FDA, and the FDA may disagree with our proposed trial design, including the number of patients necessary to demonstrate efficacy and/or may require us to conduct more than one pivotal study in order to obtain approval of a BLA. In addition, with regard to ANB020, although we intend for our investigators for our Phase 2a study to enroll only patients with severe adult peanut allergy, the protocol does not preclude enrollment of patients with non-severe adult peanut allergy. It is possible that our investigator could enroll patients with non-severe peanut allergy, which could provide us with less information than anticipated with regard to ANB020's effect on severe peanut allergy.

Preclinical studies and clinical trials are expensive, difficult to design and implement, can take many years to complete and are uncertain as to outcome. Products, on average, take 10 to 15 years to be developed from the time they are discovered to the time they are approved and available for treating patients. The start or end of a clinical trial is often delayed or halted for many reasons, including:

- imposition of a clinical hold for safety reasons or following an inspection of clinical trial operations or site by the FDA or other regulatory authorities;
- manufacturing challenges;
- insufficient supply or quality of product candidates or other materials necessary to conduct clinical trials;
- delays in reaching or failure to reach agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites and contract research organizations, or CROs, or failure by such CROs or trials sites to carry out the clinical trial in accordance with our agreed-upon terms;
- clinical sites electing to terminate their participation in one of our clinical trials;
- inability or unwillingness of patients or medical investigators to follow clinical trial protocols;
- required clinical trial administrative actions;
- slower than anticipated patient enrollment;
- changing standards of care;
- safety concerns;
- availability or prevalence of use of a comparative drug or required prior therapy; or
- clinical outcomes or financial constraints.

Our product candidates may not be effective, may be only moderately effective or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude our obtaining marketing approval or prevent or limit commercial use. Regulatory authorities may refuse to accept any application or may decide that our data are insufficient for approval and require additional preclinical or other studies or clinical trials. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent marketing approval of a product candidate. Moreover, regulatory authorities may determine that the clinical and other benefits of a product candidate do not outweigh the safety or other risks. Changes in marketing approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for each submitted product application, may also cause delays in or prevent the approval of an application.

If we experience any of the issues described above, or other similar or related issues, we may:

- be delayed in obtaining marketing approval for our product candidates;

- not obtain marketing approval at all;
- obtain marketing approval in some countries and not in others; obtain approval for indications or patient populations that are not as broad as intended or desired;
- obtain approval with labeling that includes significant use or distribution restrictions or safety warnings, including boxed warnings;
- be subject to additional post-marketing testing requirements; or
- have the product removed from the market after obtaining marketing approval.

We may not be successful in our efforts to use our technology platform to expand our pipeline of product candidates and develop marketable products.

Because we have limited financial and managerial resources, we focus on research programs and product candidates that we identify for specific indications. Our business depends on our successful development and commercialization of the limited number of internal product candidates we have in preclinical and early-stage clinical development. Even if we are successful in continuing to build our pipeline, development of the potential product candidates that we identify will require substantial investment in additional clinical development, management of clinical, preclinical and manufacturing activities, regulatory approval in multiple jurisdictions, obtaining manufacturing supply capability, building a commercial organization, and significant marketing efforts before we generate any revenue from product sales. Furthermore, such product candidates may not be suitable for clinical development, including as a result of their harmful side effects, limited efficacy or other characteristics that indicate that they are unlikely to be products that will receive marketing approval and achieve market acceptance. If we cannot validate our technology platform by successfully developing and commercializing product candidates based upon our technological approach, we may not be able to obtain product or partnership revenue in future periods, which would adversely affect our business, prospects, financial condition and results of operations.

As a result of our current focus on our lead product candidates, we may forego or delay pursuit of opportunities with other product candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs and product candidates for specific indications may not yield any commercially viable products. Our understanding and evaluation of biological targets for the discovery and development of new product candidates may fail to identify challenges encountered in subsequent preclinical and clinical development. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights.

We have recently commenced clinical development of ANB020 and ANB019, and have no other history of conducting clinical trials or commercializing biotechnology products, which may make it difficult to evaluate the prospects for our future viability.

Our operations to date have been largely limited to financing and staffing our company, developing our technology and developing our wholly-owned product candidates, and other product candidates in partnerships with our collaborators. As a company, we have only very limited experience conducting clinical trials and have not had previous experience commercializing product candidates, including submitting a BLA to the FDA. In part because of this lack of experience, we cannot be certain that planned clinical trials will begin or be completed on time, if at all, that our planned development programs would be acceptable to the FDA or other regulatory authorities, or that, if approval is obtained, such product candidates can be successfully commercialized. Clinical trials and commercializing our wholly-owned product candidates will require significant additional financial and management resources, and reliance on third-party clinical investigators, CROs, consultants or collaborators. Relying on third-party clinical investigators, CROs or collaborators may result in delays that are outside of our control.

Furthermore, we may not have the financial resources to continue development of, or to enter into collaborations for, a product candidate if we experience any problems or other unforeseen events that delay or prevent regulatory approval of, or our ability to commercialize, product candidates, including:

- negative or inconclusive results from our clinical trials or the clinical trials of others for product candidates similar to ours, leading to a decision or requirement to conduct additional preclinical testing or clinical trials or abandon a program;

- delays in submitting INDs or comparable foreign applications or delays or failure in obtaining the necessary approvals from regulators to commence a clinical trial, or a suspension or termination of a clinical trial once commenced;
- conditions imposed by the FDA or foreign regulatory authorities regarding the number, scope or design of our clinical trials;
- delays in enrolling research subjects in clinical trials;
- high drop-out rates of research subjects;
- inadequate supply or quality of clinical trial materials or other supplies necessary for the conduct of our clinical trials;
- greater than anticipated clinical trial costs;
- poor effectiveness or unacceptable side effects of our product candidates during clinical trials;
- unfavorable FDA or other regulatory agency inspection and review of a clinical trial site;
- failure of our third-party contractors or investigators to comply with regulatory requirements or otherwise meet their contractual obligations in a timely manner, or at all;
- serious and unexpected drug-related side effects experienced by participants in our planned clinical trials or by individuals using drugs similar to our product candidates;
- delays and changes in regulatory requirements, policy and guidelines, including the imposition of additional regulatory oversight around clinical testing generally or with respect to our technology in particular; or
- varying interpretations of data by the FDA and foreign regulatory authorities.

Consequently, any predictions you make about our future success or viability based on our short operating history may not be as accurate as they could be if we had a longer operating history or an established track record in conducting clinical trials or commercializing products.

Further, as a new business, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. We will need to transition from a company with a research focus to a company capable of supporting commercial activities. We may not be successful in such a transition.

We face significant competition, and if our competitors develop and market products that are more effective, safer or less expensive than our product candidates, our commercial opportunities will be negatively impacted.

The biotechnology industry is highly competitive and subject to rapid and significant technological change. Products we may develop in the future are also likely to face competition from other drugs and therapies, some of which we may not currently be aware. We have competitors both in the United States and internationally, including major multinational pharmaceutical and biotechnology companies, established biotechnology companies, specialty biotechnology companies, emerging and start-up companies, universities and other research institutions. Many of our competitors have significantly greater financial, manufacturing, marketing, drug development, technical and human resources and commercial expertise than we do. Large pharmaceutical and biotechnology companies, in particular, have extensive experience in clinical testing, obtaining regulatory approvals, recruiting patients and manufacturing biotechnology products. These companies also have significantly greater research and marketing capabilities than we do and may also have products that have been approved or are in late stages of development, and collaborative arrangements in our target markets with leading companies and research institutions. Established pharmaceutical and biotechnology companies may also invest heavily to accelerate discovery and development of novel compounds or to in-license novel compounds that could make the product candidates that we develop obsolete. As a result of all of these factors, our competitors may succeed in obtaining patent protection and/or approval from the FDA or foreign regulatory authorities or discovering, developing and commercializing products in our field before we do.

For asthma, our competitors include omalizumab (Xolair; Roche) which has received FDA approval and functions by inhibiting the binding between free IgE and FceRI; antibodies that bind IL-5 and inhibit its interaction with the IL-5 receptor such as mepolizumab (Nucala; Glaxosmithkline) and reslizumab (Cinqair; Teva), both of which the FDA has approved for the add-on maintenance treatment in patients with severe eosinophilic asthma; antibodies such as benralizumab (AstraZeneca) that bind the IL-5 receptor; antibodies that bind to IL-13 such as lebrikizumab (Roche), tralokinumab (AstraZeneca) and anrukinzumab (Pfizer), which are in clinical testing; antibodies that bind the IL-4 receptor alpha chain, such as dupilumab (Regeneron, Sanofi) and AMG 317 (Amgen) each in clinical testing, ST2-binding antibodies including Roche's RG6149, GSK's GSK3772847 and Regeneron's REGN3500 each in clinical development for asthma and related conditions, a recently

announced an IL-33 related program (MEDI3506) in a Phase 1 clinical trial indicated for chronic obstructive pulmonary disease and an anti-TSLP antibody called tezepelumab (AMG 157, MEDI9929) being developed by Amgen and AstraZeneca for asthma and atopic dermatitis. For peanut allergy, our competitors include DBV Technologies, which is developing transdermal products for tolerization of food allergies, while Aimmune Therapeutics is developing oral products for peanut allergy desensitization. For atopic dermatitis, our competitors include dupilumab (Dupixent, Regeneron, Sanofi), which has been approved by the FDA, crisaborole (EUCRISA, Pfizer), which has recently been approved by the FDA, VTP-38543 (Vitae, acquired by Allergan), and JAK inhibitors such as baricitinib, PF-04965842 and upadacitinib under development by Lilly/Incyte, Pfizer and Abbvie, respectively. For GPP and PPP, our competitors include marketed therapies such as secukinumab (Cosentyx; Novartis) which binds IL-17A; ustekinumab (Stelara; Janssen) which blocks IL-12 and 23 cytokine function; and acitretin (Soriatane; Glaxosmithkline), as well as therapies in development such as guselkumab (Janssen) which blocks IL-23 cytokine function, gevokizumab (Xoma 052) and canakinumab (Ilaris, Novartis) which bind IL-1 beta and BI-655130 (Boehringer Ingelheim).

With the enactment of the BPCIA an abbreviated pathway for the approval of biosimilar and interchangeable biological products was created. The abbreviated regulatory pathway establishes legal authority for the FDA to review and approve biosimilar biologics, including the possible designation of a biosimilar as interchangeable based on its similarity to an existing reference product. Under the BPCIA, an application for a biosimilar product cannot be approved by the FDA until 12 years after the original branded product is approved under a BLA. To date, several biosimilar products have been approved under the BPCIA, but no interchangeable biological products have been approved. The law is complex and is still being interpreted and implemented by the FDA. As a result, its ultimate impact, implementation, and meaning are subject to uncertainty. While it is uncertain when such processes intended to implement BPCIA may be fully adopted by the FDA, any such processes could have a material adverse effect on the future commercial prospects for our biological products.

We believe that if any of our product candidates are approved as a biological product under a BLA it should qualify for the 12-year period of exclusivity. However, there is a risk that the FDA will not consider any of our product candidates to be reference products for competing products, potentially creating the opportunity for biosimilar competition sooner than anticipated. Additionally, this period of regulatory exclusivity does not apply to companies pursuing regulatory approval via their own traditional BLA, rather than via the abbreviated pathway. Moreover, the extent to which a biosimilar, once approved, will be substituted for any one of our reference products in a way that is similar to traditional generic substitution for non-biological products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe effects, are more convenient, are less expensive or capture significant market share prior to or during our commercialization. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. In addition, our ability to compete may be affected in many cases by insurers or other third party payors seeking to encourage the use of biosimilar products. Even if our product candidates achieve marketing approval, they may be priced at a significant premium over competitive biosimilar products if any have been approved by then.

Smaller and other early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These companies compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for planned clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs. In addition, the biotechnology industry is characterized by rapid technological change. If we fail to stay at the forefront of technological change, we may be unable to compete effectively. Technological advances or products developed by our competitors may render our technologies or product candidates obsolete, less competitive or not economical.

Our product candidates may not achieve adequate market acceptance among physicians, patients, healthcare payors and others in the medical community necessary for commercial success.

Even if our product candidates receive regulatory approval, they may not gain adequate market acceptance among physicians, patients, healthcare payors and others in the medical community. The degree of market acceptance of any of our approved product candidates will depend on a number of factors, including:

- the efficacy and safety profile as demonstrated in planned clinical trials;
- the timing of market introduction of the product candidate as well as competitive products;
- the clinical indications for which the product candidate is approved;

- restrictions on the use of our products, if approved, such as boxed warnings or contraindications in labeling, or a REMS, if any, which may not be required of alternative treatments and competitor products;
- acceptance of the product candidate as a safe and effective treatment by physicians, clinics and patients;
- the potential and perceived advantages of product candidates over alternative treatments, including any similar generic treatments;
- the cost of treatment in relation to alternative treatments;
- the availability of coverage and adequate reimbursement and pricing by third parties and government authorities;
- relative convenience and ease of administration;
- the frequency and severity of adverse events;
- the effectiveness of sales and marketing efforts; and
- unfavorable publicity relating to the product candidate.

If any product candidate is approved but does not achieve an adequate level of acceptance by physicians, hospitals, healthcare payors and patients, we may not generate or derive sufficient revenue from that product candidate and may not become or remain profitable.

If companion diagnostics for our product candidates for which such diagnostics are required, are not successfully, and in a timely manner, validated, developed or approved, we may not achieve marketing approval or realize the full commercial potential of our product candidates.

If companion diagnostics are developed in conjunction with clinical programs, the FDA may require regulatory approval of a companion diagnostic as a condition to approval of the product candidate. For example, if we use a genetic test to determine which patients are most likely to benefit from ANB019 for the treatment of GPP or PPP by designing our pivotal trial or trials of ANB019 in that indication to require that subjects test positive for specific genetic mutations as a criterion for enrollment, then we will likely be required to obtain FDA approval or clearance of a companion diagnostic, concurrent with approval of ANB019, to test for those genetic mutations; we may also be required to demonstrate to the FDA the predictive utility of the companion diagnostic—namely, that the diagnostic selects for patients in whom the biologic therapy will be effective or more effective compared to patients not selected for by the diagnostic. We do not have experience or capabilities in developing or commercializing diagnostics and plan to rely in large part on third parties to perform these functions. We do not currently have any agreement in place with any third party to develop or commercialize companion diagnostics for any of our product candidates. Companion diagnostics are subject to regulation by the FDA and foreign regulatory authorities as medical devices and require separate regulatory approval or clearance prior to commercialization.

If we or our partners, or any third party, are unable to successfully develop companion diagnostics for our product candidates, or experience delays in doing so:

- the development of our product candidates may be adversely affected if we are unable to appropriately select patients for enrollment in our planned clinical trials;
- our product candidates may not receive marketing approval if their safe and effective use depends on a companion diagnostic; and
- we may not realize the full commercial potential of any product candidates that receive marketing approval if, among other reasons, we are unable to appropriately identify patients with the specific genetic alterations targeted by our product candidates.

In addition, although we believe genetic testing is becoming more prevalent in the diagnosis and treatment of various diseases and conditions, our product candidates may be perceived negatively compared to alternative treatments that do not require the use of companion diagnostics, either due to the additional cost of the companion diagnostic or the need to complete additional procedures to identify genetic markers prior to administering our product candidates.

If any of these events were to occur, our business would be harmed, possibly materially.

The manufacture of biologics is complex and our third-party manufacturers may encounter difficulties in production. If any of our third-party manufacturers encounter such difficulties, our ability to provide supply of our product

candidates for clinical trials, our ability to obtain marketing approval, or our ability to provide supply of our products for patients, if approved, could be delayed or stopped.

The process of manufacturing biologics is complex, highly-regulated and subject to multiple risks. Manufacturing biologics is highly susceptible to product loss due to contamination, equipment failure, improper installation or operation of equipment, vendor or operator error, inconsistency in yields, variability in product characteristics and difficulties in scaling the production process. Even minor deviations from normal manufacturing processes could result in reduced production yields, product defects and other supply disruptions. If microbial, viral or other contaminations are discovered at the facilities of our manufacturer, such facilities may need to be closed for an extended period of time to investigate and remedy the contamination, which could delay clinical trials and adversely harm our business. Moreover, if the FDA determines that our manufacturer is not in compliance with FDA laws and regulations, including those governing cGMPs, the FDA may deny BLA approval until the deficiencies are corrected or we replace the manufacturer in our BLA with a manufacturer that is in compliance.

In addition, there are risks associated with large scale manufacturing for clinical trials or commercial scale including, among others, cost overruns, potential problems with process scale-up, process reproducibility, stability issues, compliance with good manufacturing practices, lot consistency and timely availability of raw materials. Even if we or our collaborators obtain regulatory approval for any of our product candidates, there is no assurance that manufacturers will be able to manufacture the approved product to specifications acceptable to the FDA or other regulatory authorities, to produce it in sufficient quantities to meet the requirements for the potential launch of the product or to meet potential future demand. If our manufacturers are unable to produce sufficient quantities for clinical trials or for commercialization, commercialization efforts would be impaired, which would have an adverse effect on our business, financial condition, results of operations and growth prospects.

Scaling up a biologic manufacturing process is a difficult and uncertain task, and we may not be successful in transferring our production system or the manufacturer may not have the necessary capabilities to complete the implementation and development process. If we are unable to adequately validate or scale-up the manufacturing process with our current manufacturer, we will need to transfer to another manufacturer and complete the manufacturing validation process, which can be lengthy. If we are able to adequately validate and scale-up the manufacturing process for our product candidates with a contract manufacturer, we will still need to negotiate with such contract manufacturer an agreement for commercial supply and it is not certain we will be able to come to agreement on terms acceptable to us.

Risks Related to Our Financial Position and Capital Needs

We have limited operating revenue and a history of operational losses and may not achieve or sustain profitability. We have no products approved for commercial sale, and to date we have not generated any revenue or profit from product sales.

We are an early-stage biotechnology company with a limited operating history. We have no approved products. To date, our revenue has been primarily derived from our research collaboration and license agreements with third parties, including TESARO and Celgene, and we are significantly dependent on such collaborators for the successful development of product candidates in these collaborations. Our ability to generate revenue and become profitable depends upon our ability, alone or with our collaborators, to successfully complete the development of our product candidates for our target indications and to obtain necessary regulatory approvals.

Since our inception, we have incurred significant operating losses in every year except fiscal year 2014. Our collaboration revenue was $17.6 million and our net loss was $5.4 million for the year ended December 31, 2015 and our collaboration revenue was $16.7 million and our net loss was $4.3 million for the year ended December 31, 2016. For the year ended December 31, 2017, our collaboration revenue was $10.0 million and our net loss was $30.1 million. As of December 31, 2017, we had an accumulated deficit of $85.0 million.

We have financed our operations primarily through our initial public offering of common stock in January 2017, our follow-on public offering of common stock in October 2017, private placements of our preferred stock and the issuance of debt. We have devoted substantially all of our efforts to research and development. We have only recently initiated clinical development for two of our product candidates and expect that it will be many years, if ever, before we have a product candidate ready for commercialization. We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future, and the net losses we incur may fluctuate significantly from quarter to quarter. Our revenue has been historically derived from amortization of upfront payments, research and development funding and milestone payments under collaboration and license agreements with our collaborators. Our ability to generate future product revenue from our current or future product candidates depends on a number of additional factors, including our or our collaborators' ability to:

- continue our research and preclinical development of our product candidates;
- identify additional product candidates;
- maintain existing and enter into new collaboration agreements;
- conduct additional preclinical studies and initiate clinical trials for our product candidates;
- obtain approvals for the product candidates we develop or developed under our collaboration arrangements;
- establish a sales, marketing and distribution infrastructure to commercialize any product candidates for which we may obtain marketing approval;
- maintain, expand and protect our intellectual property portfolio;
- hire additional executive, clinical, quality control and scientific personnel;
- add operational, financial and management information systems and personnel, including personnel to support our product development;
- establish and maintain supply and manufacturing relationships with third parties, and ensure adequate and legally compliant manufacturing of our products;
- obtain coverage and adequate product reimbursement from third-party payors, including government payors;
- acquire or in-license other product candidates and technologies; and
- achieve market acceptance for our or our collaborators' products, if any.

We are unable to predict the timing or amount of increased expenses, or when, or if, we will be able to achieve or maintain profitability because of the numerous risks and uncertainties associated with product development. In addition, our expenses could increase significantly beyond expectations if we are required by the FDA or other regulatory authorities to perform studies or trials in addition to those that we currently anticipate. Even if ANB019 and ANB020, or any of our other product candidates, are approved for commercial sale, we anticipate incurring significant costs associated with the commercial launch of any product candidate.

We are currently only in the clinical development stages for our most advanced product candidates. In order to become and remain profitable we must, alone or with our collaborators, develop and eventually commercialize a product or products with significant market potential. This may require us to be successful in a range of challenging activities, including completing clinical trials of our product candidates, successfully developing companion diagnostics, obtaining marketing approval for these product candidates and manufacturing, marketing and selling those products for which we may obtain marketing approval. We may never succeed in these activities and, even if we do, may never generate revenues that are significant or large enough to achieve profitability. If we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would decrease the value of our company and could impair our ability to raise capital, maintain or expand our research and development efforts, expand our business or continue our operations. A decline in the value of our company would also cause you to lose part or even all of your investment.

We will require additional capital to finance our operations, which may not be available to us on acceptable terms, or at all. As a result, we may not complete the development and commercialization of our product candidates or develop new product candidates.

As a research and development company, our operations have consumed substantial amounts of cash since our inception. We expect our research and development expenses to increase substantially in connection with our ongoing activities, particularly as we continue our discovery and preclinical development to identify new clinical candidates, and we and our collaborators initiate clinical trials of, and seek marketing approval for, our product candidates. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. Furthermore, we incur additional costs associated with operating as a public company. We believe that our existing cash, cash equivalents and investments will fund our current operating plan through the end of 2019. However, circumstances may cause us to consume capital more rapidly than we currently anticipate. For example, as we continue to move our product candidates through preclinical studies, submit INDs or foreign equivalents and commence clinical development, we may have adverse results requiring us to find new product candidates, or our collaborators may not elect to pursue the development and commercialization of any of our product candidates that are subject to their respective agreements with us. Any of these events may increase our development costs more than we expect. We may need to raise additional funds or otherwise obtain funding through product collaborations to continue development of our product candidates.

If we need to secure additional financing, such additional fundraising efforts may divert our management from our day-to-day activities, which may adversely affect our ability to develop and commercialize future product candidates. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. If we do not raise additional capital when required or on acceptable terms, we may need to:

- significantly delay, scale back or discontinue the development or commercialization of our product candidates or cease operations altogether;
- seek strategic alliances for research and development programs at an earlier stage than we would otherwise desire or on terms less favorable than might otherwise be available;
- relinquish, or license on unfavorable terms, our rights to technologies or future product candidates that we otherwise would seek to develop or commercialize ourselves; or
- eliminate staff to conserve resources.

If we need to conduct additional fundraising activities and we do not raise additional capital in sufficient amounts or on terms acceptable to us, we may be prevented from pursuing development and commercialization efforts, which will have a material adverse effect on our business, operating results and prospects. Our forecast of the period of time through which our financial resources will adequately support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors, including the factors discussed elsewhere in this "Risk Factors" section. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. Our future funding requirements, both short and long-term, will depend on many factors, including:

- the initiation, progress, timing, costs and results of preclinical studies and clinical trials for our product candidates and future product candidates we may develop;
- the number and size of clinical trials needed to show safety, efficacy and an acceptable risk/benefit profile for any of our product candidates;
- the outcome, timing and cost of seeking and obtaining regulatory approvals from the FDA and foreign regulatory authorities, including the potential for such authorities to require that we perform more studies or trials than those that we currently expect;
- our ability to maintain existing and enter into new collaboration agreements;
- the cost to establish, maintain, expand and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with licensing, preparing, filing, prosecuting, defending and enforcing of any patents or other intellectual property rights;
- the effect of competing technological and market developments;
- market acceptance of any approved product candidates;
- the costs of acquiring, licensing or investing in additional businesses, products, product candidates and technologies;
- the cost of recruiting and retaining key employees;
- the cost and timing of selecting, auditing and potentially validating a manufacturing site for commercial-scale manufacturing; and
- the cost of establishing sales, marketing and distribution capabilities for our product candidates for which we may receive regulatory approval and that we determine to commercialize ourselves or in collaboration with our collaborators.

If we cannot expand our operations or otherwise capitalize on our business opportunities due to a lack of capital, our business, financial condition and results of operations could be adversely affected.

Raising additional capital may cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights to our product candidates on unfavorable terms to us.

We may seek additional capital through a variety of means, including through public or private equity, debt financings or other sources, including up-front payments and milestone payments from strategic collaborations. To the extent that we raise additional capital through the sale of equity or convertible debt or equity securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a stockholder. Such financing may

result in dilution to stockholders, imposition of debt covenants, increased fixed payment obligations, or other restrictions that may affect our business. If we raise additional funds through up-front payments or milestone payments pursuant to strategic collaborations with third parties, we may have to relinquish valuable rights to our product candidates, or grant licenses on terms that are not favorable to us. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans.

Risks Related to Managing Growth, Operations and Macroeconomic Conditions

We must attract and retain highly skilled employees in order to succeed.

To succeed, we must recruit, retain, manage and motivate qualified clinical, scientific, technical and management personnel, and we face significant competition for experienced personnel. If we do not succeed in attracting and retaining qualified personnel, particularly at the management level, it could adversely affect our ability to execute our business plan, harm our operating results and increase our capabilities to successfully commercialize our product candidates. In particular, the loss of one or more of our executive officers could be detrimental to us if we cannot recruit suitable replacements in a timely manner. The competition for qualified personnel in the biotechnology field is intense and as a result, we may be unable to continue to attract and retain qualified personnel necessary for the development of our business or to recruit suitable replacement personnel. In addition, certain members of our senior management team, including our Chief Financial Officer, who joined us in January 2017, have worked together for only a relatively short period of time and it may be difficult to evaluate their effectiveness, on an individual or collective basis, and ability to address future challenges to our business.

Many of the other biotechnology companies that we compete against for qualified personnel have greater financial and other resources, different risk profiles and a longer history in the industry than we do. They also may provide more diverse opportunities and better chances for career advancement. Some of these characteristics may be more appealing to high-quality candidates than what we have to offer. If we are unable to continue to attract and retain high-quality personnel, the rate and success at which we can discover and develop product candidates and our business will be limited.

We currently have no marketing and sales force. If we are unable to establish effective sales or marketing capabilities or enter into agreements with third parties to sell or market our product candidates, we may not be able to effectively sell or market our product candidates, if approved, or generate product revenue.

We currently do not have a marketing or sales team for the marketing, sales and distribution of any of our product candidates that are able to obtain regulatory approval. In order to commercialize any product candidates, we must build on a territory-by-territory basis marketing, sales, distribution, managerial and other non-technical capabilities or make arrangements with third parties to perform these services, and we may not be successful in doing so. If our product candidates receive regulatory approval, we may decide to establish an internal sales or marketing team with technical expertise and supporting distribution capabilities to commercialize our product candidates, which will be expensive and time-consuming and will require significant attention of our executive officers to manage. Any failure or delay in the development of our internal sales, marketing and distribution capabilities would adversely impact the commercialization of any of our product candidates that we obtain approval to market. With respect to the commercialization of all or certain of our product candidates, we may choose to collaborate, either globally or on a territory-by-territory basis, with third parties that have direct sales forces and established distribution systems, either to augment our own sales force and distribution systems or in lieu of our own sales force and distribution systems. If we are unable to enter into such arrangements when needed on acceptable terms, or at all, we may not be able to successfully commercialize any of our product candidates that receive regulatory approval or any such commercialization may experience delays or limitations. If we are not successful in commercializing our product candidates, either on our own or through collaborations with one or more third parties, our future product revenue will suffer and we may incur significant additional losses.

We expect to expand our development and regulatory capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of product candidate development and growing our capability to conduct clinical trials. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

We conduct significant operations through our Australian wholly-owned subsidiary. If we lose our ability to operate in Australia, or if our subsidiary is unable to receive the research and development tax credit allowed by Australian regulations, our business and results of operations will suffer.

In March 2015, we formed a wholly-owned Australian subsidiary, AnaptysBio Pty Ltd, or AnaptysBio Pty, to develop and commercialize our ANB019 and ANB020 antibody program in Australia. Due to the geographical distance and lack of employees currently in Australia, as well as our lack of experience operating in Australia, we may not be able to efficiently or successfully monitor, develop and commercialize our lead products or antibody program in Australia, including conducting clinical trials. Furthermore, we have no assurance that the results of any clinical trials that we conduct for our product candidates in Australia will be accepted by the FDA or foreign regulatory authorities for development and commercialization approvals.

In addition, current Australian tax regulations provide for a refundable research and development tax credit equal to 43.5% of qualified expenditures. If we are ineligible or unable to receive the research and development tax credit, or if we lose our ability to operate AnaptysBio Pty in Australia, or the Australian government significantly reduces or eliminates the tax credit, our business and results of operation would be adversely affected.

The manufacture of biotechnology products is complex and manufacturers often encounter difficulties in production. If we or any of our third-party manufacturers encounter any loss of our master cell banks or if any of our third-party manufacturers encounter other difficulties, or otherwise fail to comply with their contractual obligations, our ability to provide product candidates for clinical trials or our products to patients, once approved, the development or commercialization of our product candidates could be delayed or stopped.

The manufacture of biotechnology products is complex and requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. We and our contract manufacturers must comply with cGMP, regulations and guidelines for the manufacturing of biologics used in clinical trials and, if approved, marketed products. To date, neither we nor our contract manufacturers has manufactured or attempted to manufacture cGMP batches of our products. Manufacturers of biotechnology products often encounter difficulties in production, particularly in scaling up and validating initial production. Furthermore, if microbial, viral or other contaminations are discovered in our products or in the manufacturing facilities in which our products are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. Delays in raw materials availability and supply may also extend the period of time required to develop our products.

All of our therapeutic antibodies are manufactured by starting with cells which are stored in a cell bank. We have one master cell bank for each antibody manufactured in accordance with cGMP and multiple working cell banks and believe we would have adequate backup should any cell bank be lost in a catastrophic event. However, it is possible that we could lose multiple cell banks and have our manufacturing severely impacted by the need to replace the cell banks.

We cannot assure you that any stability or other issues relating to the manufacture of any of our product candidates or products will not occur in the future. Additionally, our manufacturers may experience manufacturing difficulties due to resource constraints or as a result of labor disputes or unstable political environments. If our manufacturers were to encounter any of these difficulties, or otherwise fail to comply with their contractual obligations, our ability to provide product candidates to patients in planned clinical trials and products to patients, once approved, would be jeopardized. Any delay or interruption in the supply of clinical trial supplies could delay the completion of planned clinical trials, increase the costs associated with maintaining clinical trial programs and, depending upon the period of delay, require us to commence new clinical trials at additional expense or terminate clinical trials completely. Any adverse developments affecting clinical or commercial manufacturing of our product candidates or products may result in shipment delays, inventory shortages, lot failures, product withdrawals or recalls, or other interruptions in the supply of our product candidates or products. We may also have to take inventory write-offs and incur other charges and expenses for product candidates or products that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives. Accordingly, failures or difficulties faced at any level of our supply chain could adversely affect our business and delay or impede the development and commercialization of our product candidates or products and could have an adverse effect on our business, prospects, financial condition and results of operations.

We may be vulnerable to disruption, damage and financial obligation as a result of system failures.

Despite the implementation of security measures, any of the internal computer systems belonging to us, our collaborators or our third-party service providers are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failure. Any system failure, accident or security breach that

causes interruptions in our own, in collaborators' or in third-party service vendors' operations could result in a material disruption of our drug discovery and development programs. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our or our collaborators' regulatory approval efforts and significantly increase our costs in order to recover or reproduce the lost data. To the extent that any disruption or security breach results in a loss or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we may incur liability as a result, our drug discovery programs and competitive position may be adversely affected and the further development of our product candidates may be delayed. Furthermore, we may incur additional costs to remedy the damages caused by these disruptions or security breaches.

Our operations are vulnerable to interruption by fire, earthquake, power loss, telecommunications failure, terrorist activity and other events beyond our control, which could harm our business.

Our facility is located in a seismically active region, which has also historically been subject to electrical blackouts as a result of a shortage of available electrical power. We have not undertaken a systematic analysis of the potential consequences to our business and financial results from a major earthquake, fire, power loss, terrorist activity or other disasters and do not have a recovery plan for such disasters. In addition, we do not carry sufficient insurance to compensate us for actual losses from interruption of our business that may occur, and any losses or damages incurred by us could harm our business. We maintain multiple copies of each of our antibody sequences and electronic data records, most of which we maintain at our headquarters. If our facility was impacted by a seismic event, we could lose all our antibody sequences, which would have an adverse effect on our ability to perform our obligations under our collaborations and discover new targets.

Risks Related to Our Dependence on Third Parties

Our existing collaborations, including those with TESARO and Celgene, are important to our business, and future collaborations may also be important to us. If we are unable to maintain any of these collaborations, or if these collaborations are not successful, our business could be adversely affected.

We have entered into collaborations with other biotechnology companies to develop several of our product candidates, and such collaborations currently represent a significant portion of our product pipeline. In addition, we have entered into other collaborations pursuant to which we have provided access to our technology platform to our collaborators to enable the optimization of their own product candidates. We have entered into antibody generation and/or development collaborations with various collaborators, including TESARO and Celgene, under which we have generated therapeutic quality antibodies using our technology platform and conducted certain preclinical studies in collaboration. We are currently aware that TESARO and Celgene have advanced multiple antibodies generated through our collaboration into clinical trials. If our collaborators terminate any of our collaborations, we may not receive all or any of this funding, which would adversely affect our business or financial condition. Our operational obligations under each of our collaborations has ended.

We are unable to predict the success of our collaborations. Our collaborators have discretion in determining and directing the efforts and resources, including the ability to discontinue all efforts and resources, they apply to the development and, if approval is obtained, commercialization and marketing of the product candidates covered by such collaborations. As a result, our collaborators may elect to de-prioritize our programs, change their strategic focus or pursue alternative technologies in a manner that results in reduced, delayed or no revenue to us. Our collaborators may have other marketed products and product candidates under collaboration with other companies, including some of our competitors, and their corporate objectives may not be consistent with our best interests. Our collaborators may also be unsuccessful in developing or commercializing our products. If our collaborations are unsuccessful, our business, financial condition, results of operations and prospects could be adversely affected. In addition, any dispute or litigation proceedings we may have with our collaborators in the future could delay development programs, create uncertainty as to ownership of intellectual property rights, distract management from other business activities and generate substantial expense.

We may not succeed in establishing and maintaining additional development collaborations, which could adversely affect our ability to develop and commercialize product candidates.

In addition to our current licensing arrangements with TESARO and Celgene, a part of our strategy is to enter into additional strategic product development collaborations in the future, including collaborations to broaden and accelerate clinical development and potential commercialization of our product candidates. We may face significant competition in seeking appropriate development partners and the negotiation process is time-consuming and complex. Moreover, we may not succeed in our efforts to establish a development collaboration or other alternative arrangements for any of our other existing or future product candidates and programs because our research and development pipeline may be insufficient, our product candidates and programs may be deemed to be at too early a stage of development for collaborative effort and/or third parties

may not view our product candidates and programs as having the requisite potential to demonstrate safety and efficacy. Even if we are successful in our efforts to establish new development collaborations, the terms that we agree upon may not be favorable to us and we may not be able to maintain such development collaborations if, for example, development or approval of a product candidate is delayed or sales of an approved product candidate are disappointing. Any delay in entering into new development collaboration agreements related to our product candidates could delay the development and commercialization of our product candidates and reduce their competitiveness if they reach the market.

Moreover, if we fail to establish and maintain additional development collaborations related to our product candidates:

- the development of certain of our current or future product candidates may be terminated or delayed;
- our cash expenditures related to development of certain of our current or future product candidates would increase significantly and we may need to seek additional financing;
- we may be required to hire additional employees or otherwise develop expertise, such as sales and marketing expertise, for which we have not budgeted; and
- we will bear all of the risk related to the development of any such product candidates.

If third parties on which we depend to conduct our planned preclinical studies, or any future clinical trials, do not perform as contractually required, fail to satisfy regulatory or legal requirements or miss expected deadlines, our development program could be delayed with adverse effects on our business, financial condition, results of operations and prospects.

We rely on third party clinical investigators, contract research organizations (for non-clinical and clinical activities), or CROs, contract manufacturing organizations, or CMOs, and consultants to design, conduct, supervise and monitor key activities relating to, discovery, manufacturing, non-clinical studies and clinical trials of our product candidates and we intend to do the same for future activities relating to existing and future programs. Because we rely on third parties and do not have the ability to conduct all required discovery, manufacturing, preclinical studies or clinical trials independently, we have less control over the timing, quality and other aspects of discovery, manufacturing, preclinical studies and clinical trials than we would if we conducted them on our own. These investigators, CROs, CMOs and consultants are not our employees and we have limited control over the amount of time and resources that they dedicate to our programs. These third parties may have contractual relationships with other entities, some of which may be our competitors, which may draw time and resources from our programs. The third parties we contract with might not be diligent, careful or timely in conducting our discovery, manufacturing, preclinical studies or clinical trials, resulting in discovery, manufacturing, preclinical studies or clinical trials being delayed or unsuccessful, in whole or in part.

If we cannot contract with acceptable third parties on commercially reasonable terms, or at all, or if these third parties do not carry out their contractual duties, satisfy legal and regulatory requirements for the conduct of preclinical studies or clinical trials or meet expected deadlines, our clinical development programs could be delayed and otherwise adversely affected. In all events, we are responsible for ensuring that each of our preclinical studies and clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. Our reliance on third parties that we do not control does not relieve us of these responsibilities and requirements. Any such event could have an adverse effect on our business, financial condition, results of operations and prospects.

Risks Related to Regulatory Approval of Our Product Candidates and Other Legal Compliance Matters

Even if our product candidates receive regulatory approval, they will be subject to significant post-marketing regulatory requirements.

Any regulatory approvals that we may receive for our product candidates will require surveillance to monitor the safety and efficacy of the product candidate, may contain significant limitations related to use restrictions for specified age groups, warnings, precautions or contraindications, and may include burdensome post-approval study or risk management requirements. For example, the FDA may require a risk evaluation and mitigation strategy in order to approve our product candidates, which could entail requirements for a medication guide, physician communication plans or additional elements to ensure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. In addition, if the FDA or foreign regulatory authorities approve our product candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion, import, export and recordkeeping for our product candidates will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMPs and GCPs, for any clinical trials that we conduct post-approval. In addition, manufacturers of drug products and their facilities are subject to

continual review and periodic inspections by the FDA and other regulatory authorities for compliance with cGMP regulations and standards. If we or a regulatory agency discover previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facilities where the product is manufactured, a regulatory agency may impose restrictions on that product, the manufacturing facility or us, including requiring recall or withdrawal of the product from the market or suspension of manufacturing. In addition, failure to comply with FDA and foreign regulatory requirements may, either before or after product approval, if any, subject our company to administrative or judicially imposed sanctions, including:

- restrictions on our ability to conduct clinical trials, including full or partial clinical holds on ongoing or planned trials;
- restrictions on the products, manufacturers or manufacturing process;
- warning or untitled letters;
- civil and criminal penalties;
- injunctions;
- suspension or withdrawal of regulatory approvals;
- product seizures, detentions or import bans;
- voluntary or mandatory product recalls and publicity requirements;
- total or partial suspension of production;
- imposition of restrictions on operations, including costly new manufacturing requirements; and
- refusal to approve pending BLAs or supplements to approved BLAs.

The occurrence of any event or penalty described above may inhibit our ability to commercialize our product candidates and generate revenue.

Advertising and promotion of any product candidate that obtains approval in the United States will be heavily scrutinized by the FDA, the Department of Justice, the Department of Health and Human Services' Office of Inspector General, state attorneys general, members of Congress and the public. Violations, including promotion of our products for unapproved (or off-label) uses, are subject to enforcement letters, inquiries and investigations, and civil and criminal sanctions by the government. Additionally, comparable foreign regulatory authorities will heavily scrutinize advertising and promotion of any product candidate that obtains approval outside of the United States.

In the United States, engaging in the impermissible promotion of our products for off-label uses can also subject us to false claims litigation under federal and state statutes, which can lead to civil and criminal penalties and fines and agreements that materially restrict the manner in which a company promotes or distributes drug products. These false claims statutes include the federal False Claims Act, which allows any individual to bring a lawsuit against a biotechnology company on behalf of the federal government alleging submission of false or fraudulent claims, or causing to present such false or fraudulent claims, for payment by a federal program such as Medicare or Medicaid. If the government prevails in the lawsuit, the individual will share in any fines or settlement funds. Since 2004, these False Claims Act lawsuits against biotechnology companies have increased significantly in volume and breadth, leading to several substantial civil and criminal settlements regarding certain sales practices promoting off-label drug uses involving fines in excess of $1.0 billion. This growth in litigation has increased the risk that a biotechnology company will have to defend a false claim action, pay settlement fines or restitution, agree to comply with burdensome reporting and compliance obligations, and be excluded from Medicare, Medicaid and other federal and state healthcare programs. If we do not lawfully promote our approved products, we may become subject to such litigation and, if we do not successfully defend against such actions, those actions may have an adverse effect on our business, financial condition and results of operations.

Our failure to obtain regulatory approval in international jurisdictions would prevent us from marketing our product candidates outside the United States.

In order to market and sell our products in other jurisdictions, we must obtain separate marketing approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and can involve additional testing. The time required to obtain approval may differ substantially from that required to obtain FDA approval. The regulatory approval process outside the United States generally includes all of the risks associated with obtaining FDA approval. In addition, in many countries outside the United States, we must secure product reimbursement approvals before regulatory authorities will approve the product for sale in that country. Obtaining foreign regulatory approvals and compliance

with foreign regulatory requirements could result in significant delays, difficulties and costs for us and could delay or prevent the introduction of our products in certain countries.

If we fail to comply with the regulatory requirements in international markets and receive applicable marketing approvals, our target market will be reduced and our ability to realize the full market potential of our product candidates will be harmed and our business will be adversely affected. We may not obtain foreign regulatory approvals on a timely basis, if at all. Our failure to obtain approval of any of our product candidates by regulatory authorities in another country may significantly diminish the commercial prospects of that product candidate and our business prospects could decline.

We have conducted, or plan to conduct, our initial clinical trials for ANB020 and ANB019 outside of the United States. However, the FDA and other foreign equivalents may not accept data from such trials, in which case our development plans will be delayed, which could materially harm our business.

We have conducted our initial clinical trial for ANB020 in Australia and have initiated a Phase 1 clinical trial for ANB019 in Australia. We believe that clinical data generated in Australia will be accepted by the FDA and its foreign equivalents outside of Australia, and therefore may enable us to commence Phase 2 and possibly registration clinical trials in the United States or the United Kingdom following submission of an IND or CTA, without the need for us to repeat our Phase 1 trials in the United States or the United Kingdom. While we have received clearance from the FDA and MHRA to begin Phase 2 clinical trials for ANB020, there can be no assurance the FDA, MHRA or other foreign equivalents will accept data from the clinical trials we are conducting or plan to conduct in Australia for ANB019. If the FDA, MHRA or other foreign equivalents do not accept any such data, we would likely be required to conduct additional Phase 1 clinical trials, which would be costly and time consuming, and delay aspects of our development plan, which could harm our business.

Although the FDA, MHRA and other foreign equivalents may accept data from clinical trials conducted entirely outside the United States and not under an IND, acceptance of such study data is generally subject to certain conditions. For example, the FDA requires the clinical trial to have been conducted in accordance with GCPs and the FDA must be able to validate the data from the clinical trial through an onsite inspection if it deems such inspection necessary. In addition, when studies are conducted only at sites outside of the United States, the FDA generally does not provide advance comment on the clinical protocols for the studies, and therefore there is an additional potential risk that the FDA could determine that the study design or protocol for a non-U.S. clinical trial was inadequate, which would likely require us to conduct additional clinical trials.

Conducting clinical trials outside the United States also exposes us to additional risks, including risks associated with the following:

- additional foreign regulatory requirements;
- foreign exchange fluctuations;
- compliance with foreign manufacturing, customs, shipment and storage requirements;
- cultural differences in medical practice and clinical research; and
- diminished protection of intellectual property in some countries.

In addition, in June 2016, the United Kingdom held a referendum and voted in favor of leaving the European Union. This has created political and economic uncertainty, particularly in the United Kingdom and the European Union, and could cause disruptions to, and create uncertainty surrounding, our planned clinical trial in the United Kingdom, including affecting our relationships with our existing and prospective customers, partners and employees, and could have a material impact on the regulatory regime applicable to our planned clinical trial in the United Kingdom.

We plan to seek Orphan Drug Designation for ANB019 or certain of our other product candidates and we may not be able to obtain or maintain Orphan Drug Designation or obtain the benefits associated with Orphan Drug status, including market exclusivity.

We plan to seek Orphan Drug Designation for ANB019 or certain of our other product candidates. Regulatory authorities in some jurisdictions, including the United States and the European Union, or EU, may designate biologics for relatively small patient populations as Orphan Drugs. Under the Orphan Drug Act, the FDA may designate a biologic as an Orphan Drug if it is intended to treat a rare disease or condition, which is generally defined as a patient population of fewer than 200,000 individuals in the United States. Generally, if a biologic with an Orphan Drug Designation subsequently receives the first marketing approval for the indication for which it has such designation, the biologic is entitled to a period of marketing

exclusivity, which precludes the FDA, in the United States, or the European Medicines Agency, or EMA, in the EU, from approving another marketing application for a drug containing the same active moiety for the same indication for that time period. The applicable period is seven years in the United States and ten years in the European Union. The EU exclusivity period can be reduced to six years if a biologic no longer meets the criteria for Orphan Drug Designation or if the biologic is sufficiently profitable so that market exclusivity is no longer justified. Orphan Drug exclusivity may be lost if the FDA or EMA determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantity of the drug to meet the needs of patients with the rare disease or condition. In addition, the Orphan Drug Designation does not convey any advantage in, or shorten the duration of, the regulatory review or approval process. Also, regulatory approval for any product candidate may be withdrawn and other candidates may obtain approval before us.

We have not applied for Orphan Drug Designation for ANB019 for any indication, and may not be able to obtain designation or any of the potential benefits associated with it. For example, we plan to seek FDA Orphan Drug Designation for ANB019 for the treatment of GPP and PPP, which will likely require that we demonstrate to FDA that GPP and PPP are distinct diseases from psoriasis generally (a non-rare disease) or that use of ANB019 may be appropriate for the treatment of GPP and PPP but not appropriate for use in the general psoriasis population.

Even if we obtain Orphan Drug Designation, we may not receive Orphan Drug exclusivity, and such exclusivity, if obtained, may not effectively protect the candidate from competition because different drugs or biologics can be approved for the same condition and only the first biologic with an Orphan Drug Designation to receive regulatory approval for a particular indication will receive marketing exclusivity. Even after a drug or biological with Orphan Drug Designation is approved, the FDA can subsequently approve another biologic containing the same active moiety (which in the case of an antibody is the principal molecular structure) for the same condition if the FDA concludes that the later biologic is clinically superior in that it is shown to be safer, more effective or makes a major contribution to patient care.

Any drugs we develop may become subject to unfavorable third-party reimbursement practices and pricing regulations.

The availability and extent of coverage and adequate reimbursement by governmental and private payors is essential for most patients to be able to afford expensive treatments. Sales of any of our product candidates that receive marketing approval will depend substantially, both in the United States and internationally, on the extent to which the costs of our product candidates will be paid by health maintenance, managed care, pharmacy benefit and similar healthcare management organizations, or reimbursed by government health administration authorities, private health coverage insurers and other third-party payors. If reimbursement is not available, or is available only to limited levels, we may not be able to successfully commercialize our product candidates. Even if coverage is provided, the approved reimbursement amount may not be high enough to allow us to establish or maintain pricing sufficient to realize a sufficient return on our investment. Coverage and reimbursement may impact the demand for, or the price of, any product candidate for which we obtain marketing approval. If coverage and reimbursement are not available or reimbursement is available only to limited levels, we may not successfully commercialize any product candidate for which we obtain marketing approval.

There is significant uncertainty related to the insurance coverage and reimbursement of newly approved products. In the United States, the principal decisions about reimbursement for new products are typically made by the Centers for Medicare & Medicaid Services, or CMS, an agency within the U.S. Department of Health and Human Services because CMS decides whether and to what extent a new product will be covered and reimbursed under Medicare. Private payors often follow CMS's decisions regarding coverage and reimbursement to a substantial degree. However, one payor's determination to provide coverage for a drug product does not assure that other payors will also provide coverage for the drug product. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific and clinical support for the use of our products to each payor separately, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance.

Increasingly, third-party payors are requiring that drug companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. Further, such payors are increasingly challenging the price, examining the medical necessity, and reviewing the cost effectiveness of medical drug products. There may be especially significant delays in obtaining coverage and reimbursement for newly approved drugs. Third-party payors may limit coverage to specific drug products on an approved list, known as a formulary, which might not include all FDA approved drugs for a particular indication. We or our collaborators may need to conduct expensive pharmaco-economic studies to demonstrate the medical necessity and cost effectiveness of our products. Nonetheless, our product candidates may not be considered medically necessary or cost effective. We cannot be sure that coverage and reimbursement will be available for any product that we commercialize and, if reimbursement is available, what the level of reimbursement will be.

Outside the United States, international operations are generally subject to extensive governmental price controls and other market regulations, and we believe the increasing emphasis on cost containment initiatives in Europe, Canada and other countries has and will continue to put pressure on the pricing and usage of therapeutics such as our product candidates. In many countries, particularly the countries of the European Union, the prices of medical products are subject to varying price control mechanisms as part of national health systems. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of our product candidate to other available therapies. In general, the prices of products under such systems are substantially lower than in the United States.

Other countries allow companies to fix their own prices for products, but monitor and control company profits. Additional foreign price controls or other changes in pricing regulation could restrict the amount that we are able to charge for our product candidates. Accordingly, in markets outside the United States, the reimbursement for our products may be reduced compared with the United States and may be insufficient to generate commercially reasonable revenue and profits.

Moreover, increasing efforts by governmental and third-party payors, in the United States and internationally, to cap or reduce healthcare costs may cause such organizations to limit both coverage and level of reimbursement for new products approved and, as a result, they may not cover or provide adequate payment for our product candidates. We expect to experience pricing pressures in connection with the sale of any of our product candidates due to the trend toward managed healthcare, the increasing influence of health maintenance organizations and additional legislative changes. The downward pressure on healthcare costs in general, particularly prescription drugs and surgical procedures and other treatments, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products into the healthcare market.

In addition to CMS and private payors, professional organizations such as the American Medical Association, or AMA, can influence decisions about reimbursement for new products by determining standards for care. In addition, many private payors contract with commercial vendors who sell software that provide guidelines that attempt to limit utilization of, and therefore reimbursement for, certain products deemed to provide limited benefit to existing alternatives. Such organizations may set guidelines that limit reimbursement or utilization of our product candidates.

Furthermore, some of our target indications, including for GPP, are rare diseases with small patient populations. In order for therapeutics that are designed to treat smaller patient populations to be commercially viable, the reimbursement for such therapeutics must be higher, on a relative basis to account for the low volume of sales. Accordingly, we will need to implement a coverage and reimbursement strategy for any approved product candidate that accounts for the smaller potential market size.

If we are unable to establish or sustain coverage and adequate reimbursement for any future product candidates from third-party payors, the adoption of those products and sales revenue will be adversely affected, which, in turn, could adversely affect the ability to market or sell those product candidates, if approved. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which we or our collaborators receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

Recently enacted legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates and affect the prices we may obtain.

Government and other third-party payers (including pharmacy benefit management companies) are challenging the prices charged for healthcare products and increasingly limiting, and attempting to limit, both coverage and level of reimbursement for prescription drugs, such as by requiring outcomes-based or other pay-for-performance pricing arrangements. They are also imposing restrictions on eligible patient populations and the reimbursement process (including by means of required prior authorizations and utilization management criteria). In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively the ACA, was enacted in the United States. This legislation imposes cost-containment and other measures that are likely to adversely affect the amount of reimbursement for our current and future products. The full effects of this legislation depend on a number of factors, many of which are beyond our control, including new regulations and guidance issued by CMS and other federal and state agencies. Some states are also considering legislation that would control the prices and reimbursement of prescription drugs, and state Medicaid programs are increasingly requesting manufacturers to pay supplemental rebates and requiring prior authorization by the state program for use of any prescription drug for which supplemental rebates are not being paid. It is likely that federal and state legislatures and health agencies will continue to focus on additional health care reform measures in the future that will impose additional constraints on prices and reimbursements for our products.

Some of the provisions of the ACA have yet to be implemented and there have been judicial and Congressional challenges to certain aspects of the ACA. In addition, the current administration and Congress have previously sought, and will likely continue to seek, legislative and regulatory changes, including repeal and replacement of all or certain provisions of the ACA. While Congress has not passed repeal legislation, the Tax Cuts and Jobs Act of 2017 includes a provision repealing,
effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate". Congress may consider other legislation to repeal or replace elements of the ACA.

We may face difficulties from changes to current regulations and future legislation.

Existing regulatory policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not achieve or sustain profitability.

More recently, President Trump has signed an executive order and made statements that suggest he plans to seek repeal of all or portions of the ACA. There is uncertainty with respect to which legislation, if any, will be enacted and the impact President Trump's Administration may have, if any, and any changes likely will take time to unfold, and could have an impact on coverage and reimbursement for healthcare items and services covered by plans that were authorized by the ACA. However, we cannot predict the ultimate content, timing or effect of any healthcare reform legislation or the impact of potential legislation on us. In addition, other legislative changes have been proposed and adopted since the ACA was enacted. These changes included aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, effective April 1, 2013, which, due to subsequent legislative amendments, will stay in effect through 2025 unless additional Congressional action is taken. In January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several providers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws may result in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on customers for our drugs, if approved, and accordingly, our financial operations.

Likewise, the annual Medicare Physician Fee Schedule update, which, until recently, was based on a target-setting formula system called the Sustainable Growth Rate, or SGR, was adjusted to reflect the comparison of actual expenditures to target expenditures. Because one of the factors for calculating the SGR was linked to the growth in the U.S. gross domestic product, or GDP, the SGR formula often resulted in a negative payment update when growth in Medicare beneficiaries' use of services exceeded GDP growth. Congress repeatedly intervened to delay the implementation of negative SGR payment updates. For example, on April 1, 2014, with the enactment of the Protecting Access to Medicare Act of 2014, Congress prevented the 24 percent cut that was to occur by continuing the previously implemented 0.5 percent payment increase through December 31, 2014 and maintaining a zero percent payment update from January 1, 2015 through March 31, 2015. However, on April 14, 2015, Congress passed the Medicare Access and CHIP Reauthorization Act of 2015, which was signed into law by President Obama on April 16, 2015. This law repeals the SGR methodology from the physician payment formula, institutes a 0% update to the Medicare Physician Fee Schedule for the January 1 to July 1, 2015 period, a 0.5% payment update for July 2015 through the end of 2019, and a 0% payment update for 2020 through 2025, along with a merit-based incentive payment system beginning January 1, 2019, that will replace current incentive programs. For 2026 and subsequent years, the payment update will be either 0.75% or 0.25%, depending on which Alternate Payment Model the physician participates.

We expect that the ACA, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our product candidates.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for biotechnology products. We cannot be sure whether additional legislative changes will be enacted, or whether FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of our product candidates, if any, may be. In addition, increased scrutiny by the U.S. Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us to more stringent product labeling and post-marketing testing and other requirements.

Our business entails a significant risk of product liability and our ability to obtain sufficient insurance coverage could have an adverse effect on our business, financial condition, results of operations or prospects.

Our business exposes us to significant product liability risks inherent in the development, testing, manufacturing and marketing of therapeutic treatments. Product liability claims could delay or prevent completion of our development programs. If we succeed in marketing products, such claims could result in an FDA investigation of the safety and effectiveness of our products, our manufacturing processes and facilities or our marketing programs and potentially a recall of our products or more serious enforcement action, limitations on the approved indications for which they may be used or suspension or withdrawal of approvals. Regardless of the merits or eventual outcome, liability claims may also result in decreased demand for our products, injury to our reputation, costs to defend the related litigation, a diversion of management's time and our resources, substantial monetary awards to trial participants or patients and a decline in our stock price. We currently have product liability insurance that we believe is appropriate for our stage of development and may need to obtain higher levels prior to marketing any of our product candidates. Any insurance we have or may obtain may not provide sufficient coverage against potential liabilities. Furthermore, clinical trial and product liability insurance is becoming increasingly expensive. As a result, we may be unable to obtain sufficient insurance at a reasonable cost to protect us against losses caused by product liability claims that could have an adverse effect on our business.

Our relationships with customers and third-party payors will be subject to applicable anti-kickback, fraud and abuse, transparency and other healthcare laws and regulations, which could expose us to, among other things, criminal sanctions, civil penalties, contractual damages, reputational harm, administrative burdens and diminished profits and future earnings.

Healthcare providers and third-party payors play a primary role in the recommendation and prescription of any product candidates for which we obtain marketing approval. Our future arrangements with third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute our products for which we obtain marketing approval. Restrictions under applicable federal and state healthcare laws and regulations, include the following:

- the federal Anti-Kickback Statute prohibits, among other things, persons and entities from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under a federal healthcare program such as Medicare and Medicaid;
- the federal false claims and civil monetary penalties laws, including the civil False Claims Act, impose criminal and civil penalties, including civil whistleblower or qui tam actions, against individuals or entities for, among other things, knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;
- HIPAA, imposes criminal and civil liability for, among other things, executing or attempting to execute a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- HIPAA, as amended by HITECH and its implementing regulations, also imposes obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;
- the federal Physician Payments Sunshine Act requires applicable manufacturers of covered drugs, devices, biologics, and medical supplies for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program, with specific exceptions, to report to CMS annually information regarding payments and other transfers of value to physicians and teaching hospitals as well as information regarding ownership and investment interests help by physicians and their immediate family members. The information was made publicly available on a searchable website in September 2014 and will be disclosed on an annual basis; and
- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers.

Some state laws require biotechnology companies to comply with the biotechnology industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government and may require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Efforts to ensure that our current and future business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant penalties, including civil, criminal and administrative penalties, damages, fines, disgorgement, imprisonment, exclusion from participation in government funded healthcare programs, such as Medicare and Medicaid, contractual damages, reputational harm, diminished profits and future earnings, and the curtailment or restructuring of our operations. Defending against any such actions can be costly, time-consuming and may require significant financial and personnel resources. Therefore, even if we are successful in defending against any such actions that may be brought against us, our business may be impaired. Further, if any of the physicians or other healthcare providers or entities with whom we expect to do business is found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements and insider trading.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include failures to comply with FDA regulations, to provide accurate information to the FDA, to comply with federal and state health care fraud and abuse laws and regulations, to report financial information or data accurately or to disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the health care industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. We have adopted a code of conduct, but it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

Risks Related to Intellectual Property

If we are unable to obtain or protect intellectual property rights, we may not be able to compete effectively in our market.

Our success depends in significant part on our and our licensors', licensees' or collaborators' ability to establish, maintain and protect patents and other intellectual property rights and operate without infringing the intellectual property rights of others. We have filed numerous patent applications both in the United States and in foreign jurisdictions to obtain patent rights to inventions we have discovered. We have also licensed from third parties rights to patent portfolios. Some of these licenses give us the right to prepare, file and prosecute patent applications and maintain and enforce patents we have licensed, and other licenses may not give us such rights. The patent prosecution process is expensive and time-consuming, and we and our current or future licensors, licensees or collaborators may not be able to prepare, file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we or our licensors, licensees or collaborators will fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection on them. Moreover, in some circumstances, we may not have the right to control the preparation, filing and prosecution of patent applications, or to maintain the patents, covering technology that we license from or license to third parties and are reliant on our licensors, licensees or collaborators. Therefore, these patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of our business. If our current or future licensors, licensees or collaborators fail to establish, maintain or protect such patents and other intellectual property rights, such rights may be reduced or eliminated. If our licensors, licensees or collaborators are not fully cooperative or disagree with us as to the prosecution, maintenance or enforcement of any patent rights, such patent rights could be compromised.

The patent position of biotechnology companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our and our current or future licensors', licensees' or collaborators' patent rights are highly uncertain. Our and our licensors', licensees' or collaborators' pending and future patent applications may not result in patents being issued which protect our technology or products, in whole or in part, or which effectively prevent others from commercializing

competitive technologies and products. The patent examination process may require us or our licensors, licensees or collaborators to narrow the scope of the claims of our or our licensors', licensees' or collaborators' pending and future patent applications, which may limit the scope of patent protection that may be obtained. In the past, we have not always been able to obtain the full scope of patent protection we have initially sought in our patent applications, and as described above and as is typical for most biotechnology patent prosecution, we have been required to narrow or eliminate patent claims as part of the patent prosecution process. In addition, some patent applications that we or our licensors have filed have not resulted in issued patents because we or our licensors have abandoned those patent applications as changes in business and/or legal strategies dictated.

We cannot assure you that all of the potentially relevant prior art relating to our patents and patent applications has been found. If such prior art exists, it can invalidate a patent or prevent a patent from issuing from a pending patent application. Even if patents do successfully issue and even if such patents cover our product candidates, third parties may initiate opposition, interference, re-examination, post-grant review, inter partes review, nullification or derivation action in court or before patent offices, or similar proceedings challenging the validity, enforceability or scope of such patents, which may result in the patent claims being narrowed or invalidated. Our and our licensors', licensees' or collaborators' patent applications cannot be enforced against third parties practicing the technology claimed in such applications unless and until a patent issues from such applications, and then only to the extent the issued claims cover the technology.

Because patent applications in the United States and most other countries are confidential for a period of time after filing, and some remain so until issued, we cannot be certain that we or our licensors were the first to file any patent application related to a product candidate. Furthermore, if third parties have filed such patent applications on or before March 15, 2013, an interference proceeding in the United States can be initiated by such third parties to determine who was the first to invent any of the subject matter covered by the patent claims of our applications. If third parties have filed such applications after March 15, 2013, a derivation proceeding in the United States can be initiated by such third parties to determine whether our invention was derived from theirs. Even where we have a valid and enforceable patent, we may not be able to exclude others from practicing our invention where the other party can show that they used the invention in commerce before our filing date or the other party benefits from a compulsory license. In addition, patents have a limited lifespan. In the United States, if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest U.S. filing date. Various extensions may be available, but the life of a patent, and the protection it affords, is limited. Even if patents covering our product candidates are obtained, once the patent life has expired for a product, we may be open to competition from competitive medications, including biosimilar or generic medications.

Furthermore, given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. We expect to seek extensions of patent terms where these are available in any countries where we are prosecuting patents. This includes in the United States under the Drug Price Competition and Patent Term Restoration Act of 1984, which permits a patent term extension of up to five years beyond the expiration of the patent. However the applicable authorities, including the FDA and the USPTO in the United States, and any equivalent foreign regulatory authority, may not agree with our assessment of whether such extensions are available, and may refuse to grant extensions to our patents, or may grant more limited extensions than we request. If this occurs, our competitors may take advantage of our investment in development and clinical trials by referencing our clinical and preclinical data and launch their product earlier than might otherwise be the case.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting, enforcing and defending patents on product candidates in all countries throughout the world would be prohibitively expensive, and our or our licensors' or collaborators' intellectual property rights may not exist in some countries outside the United States or may be less extensive in some countries than in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Consequently, we and our licensors or collaborators may not be able to prevent third parties from practicing our and our licensors' or collaborators' inventions in all countries outside the United States, or from selling or importing products made using our and our licensors' or collaborators' inventions in and into the United States or other jurisdictions. Competitors may use our and our licensors' or collaborators' technologies in jurisdictions where we have not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories where we and our licensors or collaborators have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our product candidates, and our and our licensors' or collaborators' patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biotechnology, which could make it difficult for us and our licensors or collaborators to stop the infringement of our and our licensors' or collaborators' patents or marketing of competing products in violation of our and our licensors' or collaborators' proprietary rights generally. Proceedings to enforce our and our licensors' or collaborators' patent rights in foreign jurisdictions could result in substantial costs and divert our and our licensors' or collaborators' efforts and attention from other aspects of our business, could put our and our licensors' or collaborators' patents at risk of being invalidated or interpreted narrowly and our and our licensors' or collaborators' patent applications at risk of not issuing and could provoke third parties to assert claims against us or our licensors or collaborators. We or our licensors or collaborators may not prevail in any lawsuits that we or our licensors or collaborators initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful.

Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involve technological and legal complexity, and obtaining and enforcing biopharmaceutical patents is costly, time-consuming, and inherently uncertain.

Patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our and our licensors' or collaborators' patent applications and the enforcement or defense of our or our licensors' or collaborators' issued patents. On September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications are prosecuted and may also affect patent litigation.

An important change introduced by the AIA is that, as of March 16, 2013, the United States transitioned to a "first-to-file" system for deciding which party should be granted a patent when two or more patent applications are filed by different parties claiming the same invention. A third party that files a patent application in the USPTO after that date but before us could therefore be awarded a patent covering an invention of ours even if we had made the invention before it was made by the third party. This will require us to be cognizant going forward of the time from invention to filing of a patent application, but circumstances could prevent us from promptly filing patent applications on our inventions.

Among some of the other changes introduced by the AIA are changes that limit where a patentee may file a patent infringement suit and providing opportunities for third parties to challenge any issued patent in the USPTO. This applies to all of our U.S. patents, even those issued before March 16, 2013. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in United States federal courts necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use the USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action. The Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents.

The USPTO has developed new regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and, in particular, the first to file provisions, only became effective in 2013. It is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our or our licensors' or collaborators' patent applications and the enforcement or defense of our or our licensors' or collaborators' issued patents, all of which could have an adverse effect on our business and financial condition. Moreover, in recent years, the Supreme Court and the U.S. Court of Appeals for the Federal Circuit have rendered decisions in several patent cases such as Association for Molecular Pathology v. Myriad Genetics, Inc. (Myriad I), BRCA1- & BRCA2-Based Hereditary Cancer Test Patent Litig., (Myriad II), Mayo Collaborative Services v. Prometheus Laboratories, Inc., and Alice Corporation Pty. Ltd. v. CLS Bank International, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our and our licensors' or collaborators' ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by Congress, the federal courts, and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our and our licensors' or collaborators' ability to obtain new patents or to enforce existing patents and patents that we and our licensors or collaborators may obtain in the future.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance and annuity fees on any issued patent are due to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of the patent. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If we or our licensors or collaborators fail to maintain the patents and patent applications covering our product candidates, our competitors might be able to enter the market, which would have an adverse effect on our business.

Our reliance on third parties requires us to share our trade secrets, which increases the possibility that a competitor will discover them or that our trade secrets will be misappropriated or disclosed.

Because we collaborate with various collaborators on the development and commercialization of one or more of our product candidates and because we rely on third parties to manufacture our product candidates, we must, at times, share trade secrets with them. We seek to protect our wholly-owned technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, consulting agreements or other similar agreements with our advisors, employees, third-party contractors and consultants prior to disclosing proprietary information. These agreements typically limit the rights of the third parties to use or disclose our confidential information, including our trade secrets. Despite the contractual provisions employed when working with third parties, the need to share trade secrets and other confidential information increases the risk that such trade secrets become known by our competitors, are inadvertently incorporated into the technology of others, or are disclosed or used in violation of these agreements. Given that our proprietary position is based, in part, on our know-how and trade secrets, a competitor’s discovery of our trade secrets or other unauthorized use or disclosure would impair our competitive position and may have an adverse effect on our business.

In addition, these agreements typically restrict the ability of our advisors, employees, third-party contractors and consultants to publish data potentially relating to our trade secrets, although our agreements may contain certain limited publication rights. For example, any academic institution that we may collaborate with in the future may be granted rights to publish data arising out of such collaboration, provided that we are notified in advance and given the opportunity to delay publication for a limited time period in order for us to secure patent protection of intellectual property rights arising from the collaboration, in addition to the opportunity to remove confidential or trade secret information from any such publication. Our existing collaborative research and development programs may require us to share trade secrets under the terms of our research and development collaborations or similar agreements. Despite our efforts to protect our trade secrets, our competitors may discover our trade secrets, either through breach of our agreements with third parties, independent development or publication of information by any of our third-party collaborators. A competitor’s discovery of our trade secrets would impair our competitive position and have an adverse impact on our business.

We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful and have an adverse effect on the success of our business.

Third parties may infringe our or our licensors’ or collaborators’ patents or misappropriate or otherwise violate our or our licensors’ or collaborators’ intellectual property rights. In the future, we or our licensors or collaborators may initiate legal proceedings to enforce or defend our or our licensors’ or collaborators’ intellectual property rights, to protect our or our licensors’ or collaborators’ trade secrets or to determine the validity or scope of intellectual property rights we own or control. Also, third parties may initiate legal proceedings against us or our licensors or collaborators to challenge the validity or scope of intellectual property rights we own or control. These proceedings can be expensive and time-consuming, and many of our or our licensors’ or collaborators’ adversaries in these proceedings may have the ability to dedicate substantially greater resources to prosecuting these legal actions than we or our licensors or collaborators. In addition, in an infringement proceeding, a court may decide that a patent owned by or licensed to us is invalid or unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our or our licensors’ or collaborators’ patents do not cover the technology in question. Furthermore, an adverse result in any litigation or administrative proceeding could put one or more of our or our licensors’ or collaborators’ patents at risk of being invalidated, held unenforceable or interpreted narrowly.

Accordingly, despite our or our licensors' or collaborators' efforts, we or our licensors or collaborators may not prevent third parties from infringing upon or misappropriating intellectual property rights we own or control, particularly in countries where the laws may not protect those rights as fully as in the United States. In addition, litigation and administrative proceedings could result in substantial costs and diversion of management resources, which could harm our business and financial results.

Within and outside of the United States, there has been a substantial amount of litigation and administrative proceedings regarding patent and other intellectual property rights in the pharmaceutical industry including opposition, derivation, reexamination, inter partes review or interference proceedings, or other preissuance or post-grant proceedings in the United States or other jurisdictions. Such proceedings may be provoked by third parties or by us or our licensors or collaborators to protect or enforce our or our licensors' or collaborators' patents or patent applications. Additionally, third-party preissuance submission of prior art to the USPTO or other foreign jurisdictions may jeopardize the issuance or scope of our or our licensors' or collaborators' patent applications. An unfavorable outcome in any such proceedings could require us or our licensors or collaborators to cease using the related technology, or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us or our licensors or collaborators a license on commercially reasonable terms or at all, and we could be forced to stop commercializing our product candidates. Even if we or our licensors or collaborators obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us or our licensors or collaborators.

In addition, if the breadth or strength of protection provided by our or our licensors' or collaborators' patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates. Even if we successfully defend such litigation or proceeding, we may incur substantial costs, and it may distract our management and other employees. We could be found liable for monetary damages, including treble damages and attorneys' fees if we are found to have willfully infringed a patent.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have an adverse effect on the price of shares of our common stock.

If we breach the license agreements related to our product candidates, we could lose the ability to continue the development and commercialization of our product candidates.

Our commercial success depends upon our ability, and the ability of our licensors and collaborators, to develop, manufacture, market and sell our product candidates and use our and our licensors' or collaborators' wholly-owned technologies without infringing the proprietary rights of third parties. A third party may hold intellectual property, including patent rights that are important or necessary to the development of our products. As a result, we are a party to a number of technology licenses that are important to our business and expect to enter into additional licenses in the future. For example, we have in-licensed the rights to certain intellectual property relating to SHM under our in-license agreement with the Medical Research Council, which is the subject of issued patents and pending patent applications in certain countries. If we fail to comply with the obligations under these agreements, including payment and diligence terms, our licensors may have the right to terminate these agreements, in which event we may not be able to develop, manufacture, market or sell any product that is covered by these agreements or may face other penalties under the agreements. Such an occurrence could adversely affect the value of the product candidate being developed under any such agreement. Termination of these agreements or reduction or elimination of our rights under these agreements may result in our having to negotiate new or reinstated agreements, which may not be available to us on equally favorable terms, or at all, or cause us to lose our rights under these agreements, including our rights to intellectual property or technology important to our development programs.

Disputes may arise regarding intellectual property subject to a licensing agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- the sublicensing of patent and other rights under any collaboration relationships we might enter into in the future;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;

- the ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our collaborators; and
- the priority of invention of patented technology.

If disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on acceptable terms, we may be unable to successfully develop and commercialize the affected product candidates.

Third parties may initiate legal proceedings against us alleging that we infringe their intellectual property rights or we may initiate legal proceedings against third parties to challenge the validity or scope of intellectual property rights controlled by third parties, the outcome of which would be uncertain and could have an adverse effect on the success of our business.

Third parties may initiate legal proceedings against us or our licensors or collaborators alleging that we or our licensors or collaborators infringe their intellectual property rights, or we or our licensors or collaborators may initiate legal proceedings against third parties to challenge the validity or scope of intellectual property rights controlled by third parties, including in oppositions, interferences, reexaminations, inter partes reviews or derivation proceedings in the United States or other jurisdictions. These proceedings can be expensive and time-consuming, and many of our or our licensors' or collaborators' adversaries in these proceedings may have the ability to dedicate substantially greater resources to prosecuting these legal actions than we or our licensors or collaborators.

Parties making claims against us may obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize one or more of our product candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of management and employee resources from our business. An unfavorable outcome could require us or our licensors or collaborators to cease using the related technology or developing or commercializing our product candidates, or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us or our licensors or collaborators a license on commercially reasonable terms or at all. Even if we or our licensors or collaborators obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us or our licensors or collaborators. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a patent. A finding of infringement could prevent us from commercializing our product candidates or force us to cease some of our business operations, which could harm our business.

We may be subject to claims by third parties asserting that our employees or we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.

Many of our employees, including our senior management, were previously employed at universities or at other biopharmaceutical companies, including our competitors or potential competitors. Some of these employees executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed confidential information or intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. Litigation may be necessary to defend against these claims.

If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel or sustain damages. Such intellectual property rights could be awarded to a third party, and we could be required to obtain a license from such third party to commercialize our technology or products, and could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. Such a license may not be available on commercially reasonable terms or at all. Even if we successfully prosecute or defend against such claims, litigation could result in substantial costs and distract management.

Our inability to protect our confidential information and trade secrets would harm our business and competitive position.

In addition to seeking patents for some of our technology and products, we also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, corporate collaborators, outside scientific collaborators, contract manufacturers, consultants,

advisors and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. Despite these efforts, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts both within and outside the United States may be less willing or unwilling to protect trade secrets. Furthermore, if a competitor lawfully obtained or independently developed any of our trade secrets, we would have no right to prevent such competitor from using that technology or information to compete with us, which could harm our competitive position. Additionally, if the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating the trade secret.

If we do not obtain protection under the Hatch-Waxman Amendments and similar foreign legislation for extending the term of patents covering each of our product candidates, our business may be harmed.

Depending upon the timing, duration and conditions of FDA marketing approval of our product candidates, one or more of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent term extension of up to five years for a patent covering an approved product as compensation for effective patent term lost during product development and the FDA regulatory review process. However, we may not receive an extension if we fail to apply within applicable deadlines, fail to apply prior to expiration of relevant patents or otherwise fail to satisfy applicable requirements. Moreover, the length of the extension could be less than we request. If we are unable to obtain patent term extension or the term of any such extension is less than we request, the period during which we can enforce our patent rights for that product will be shortened, and our competitors may obtain approval to market competing products sooner. As a result, our revenue from applicable products could be reduced, possibly materially.

Risks Related to Ownership of Our Common Stock

The market price of our stock has been and may continue to be volatile, and you could lose all or part of your investment.

The trading price of our common stock may be highly volatile and subject to wide fluctuations in response to various factors, some of which we cannot control. In addition to the factors discussed in this “Risk Factors” section and elsewhere in this report, these factors include:

- the success of competitive products;
- regulatory actions with respect to our products or our competitors’ products;
- actual or anticipated changes in our growth rate relative to our competitors;
- announcements by us or our competitors of significant acquisitions, strategic collaborations, joint ventures, collaborations or capital commitments;
- results of preclinical studies and clinical trials of our product candidates or those of our competitors;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our product candidates or clinical development programs;
- developments with respect to our existing collaboration agreements and announcements of new collaboration agreements;
- the results of our efforts to in-license or acquire additional product candidates or products;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- announcement or expectation of additional financing efforts;

- sales of our common stock by us, our insiders or our other stockholders;
- changes in the structure of healthcare payment systems;
- market conditions in the biotechnology sector; and
- general economic, industry and market conditions.

In addition, the stock market in general, and the Nasdaq Global Select Market and biotechnology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance. The realization of any of the above risks or any of a broad range of other risks, including those described in this "Risk Factors" section, could have a dramatic and adverse impact on the market price of our common stock.

We have broad discretion in the use of the net proceeds from our public offerings and may not use them effectively.

Our management has broad discretion in the application of the net proceeds from our public offerings, and you will be relying on the judgment of our management regarding the application of these proceeds. Our management might not apply the net proceeds from our public offerings in ways that ultimately increase the value of your investment. If we do not invest or apply the net proceeds from our public offerings in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

We may be subject to securities litigation, which is expensive and could divert management attention.

The market price of our common stock may be volatile and, in the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

We are an emerging growth company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding nonbinding advisory stockholder votes on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, are subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. As a result, changes in rules of U.S. generally accepted accounting principles or their interpretation, the adoption of new guidance or the application of existing guidance to changes in our business could significantly affect our financial position and results of operations.

We will remain an emerging growth company until the earlier of (i) the last day of the fiscal year (a) following the fifth anniversary of the closing of our initial public offering, (b) in which we have total annual gross revenue of at least $1 billion or (c) in which we are deemed to be a large accelerated filer, which requires the market value of our common stock that is held by non-affiliates to exceed $700 million as of the prior June 30th, and (ii) the date on which we have issued more than $1 billion in non-convertible debt during the prior three-year period. We no longer expect to be an emerging growth company in fiscal year 2018, and if so, will need to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act.

We incur increased costs and devote substantial management time as a result of operating as a public company.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company, and these expenses may increase even more after we are no longer an "emerging growth company." We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Protection Act, as well as rules adopted, and to be adopted, by the SEC and the Nasdaq Global Select Market. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations substantially increase our legal and financial compliance costs and make some activities more time-consuming and costly. The increased costs increase our net loss. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to incur substantial costs to maintain the sufficient coverage. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

In addition, as a public company we incur additional costs and obligations in order to comply with SEC rules that implement Section 404 of the Sarbanes-Oxley Act. Under these rules, beginning with this annual report for the year ending December 31, 2017, we are required to make a formal assessment of the effectiveness of our internal control over financial reporting, and once we cease to be an emerging growth company, we will be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we have been engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we have dedicated and will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of our internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are designed and operating effectively, and implement a continuous reporting and improvement process for internal control over financial reporting.

Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to our equity incentive plans, could result in additional dilution of the percentage ownership of our stockholders and could cause our stock price to fall.

We expect that significant additional capital may be needed in the future to continue our planned operations, including conducting clinical trials, commercialization efforts, expanded research and development activities and costs associated with operating a public company. To raise capital, we may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities, investors may be materially diluted by subsequent sales. We also have registered all shares of common stock that we may issue under our equity incentive plans or that are issuable upon exercise of outstanding options. These shares can be freely sold in the public market upon issuance and once vested, subject to volume limitations applicable to affiliates. If any of these additional shares are sold, or if it is perceived that they will be sold, in the public market, the market price of our common stock could decline. Such sales may also result in material dilution to our existing stockholders, and new investors could gain rights, preferences and privileges senior to the holders of our common stock.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

We are subject to the periodic reporting requirements of the Exchange Act. We designed our disclosure controls and procedures to reasonably assure that information we must disclose in reports we file or submit under the Exchange Act is accumulated and communicated to management, and recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

We do not intend to pay dividends on our common stock so any returns will be limited to the value of our stock.

We have never declared or paid any cash dividend on our common stock. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to stockholders will therefore be limited to the appreciation of their stock.

Provisions in our restated certificate of incorporation and restated bylaws and Delaware law might discourage, delay or prevent a change in control of our company or changes in our management and, therefore, depress the market price of our common stock.

Our restated certificate of incorporation and restated bylaws contain provisions that could depress the market price of our common stock by acting to discourage, delay or prevent a change in control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions, among other things:

- establish a classified board of directors so that not all members of our board are elected at one time;
- permit only the board of directors to establish the number of directors and fill vacancies on the board;
- provide that directors may only be removed "for cause" and only with the approval of two-thirds of our stockholders;
- require super-majority voting to amend some provisions in our restated certificate of incorporation and restated bylaws;
- authorize the issuance of "blank check" preferred stock that our board could use to implement a stockholder rights plan (also known as a "poison pill");
- eliminate the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- prohibit cumulative voting; and
- establish advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change in control of our company. Section 203 imposes certain restrictions on mergers, business combinations and other transactions between us and holders of 15% or more of our common stock.

If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us issue an adverse or misleading opinion regarding us, our business model, our intellectual property or our stock performance, or if our target animal studies and operating results fail to meet the expectations of analysts, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We plan to use potential future operating losses and our federal and state net operating loss, or NOL, carryforwards to offset taxable income from revenue generated from operations or corporate collaborations. However, our ability to use NOL carryforwards could be limited as a result of additional issuances of equity securities.

We plan to use our current year operating losses to offset taxable income from any revenue generated from operations or corporate collaborations. To the extent we have taxable income, we plan to use our NOL carryforwards to offset income that would otherwise be taxable. However, under the Tax Reform Act of 1986, the benefits from the use of our NOL carryforwards may be impaired or limited under Section 382 of the Internal Revenue Code of 1984, as amended, or the Code, if we incur a cumulative ownership change of more than 50%, as interpreted by the U.S. Internal Revenue Service, over a three-year period. In September 2015, we completed a Section 382 and 383 ownership change analysis through December 31, 2014 and determined that there was an ownership change in 2007 that may limit the utilization of approximately $5.3 million and $5.4 million in federal and state NOLs, respectively, and $0.2 million in both federal and state research tax credits. We extended the analysis period of the study through December 31, 2016, noting no ownership changes during fiscal 2015 or fiscal 2016. Our use of federal NOL carryforwards could be limited further by the provisions of Section 382 of the Code depending upon the timing and amount of additional equity securities that we have issued or will issue. State NOL carryforwards may be similarly limited. Any such disallowances may result in greater tax liabilities than we would incur in the absence of such a limitation and any increased liabilities could adversely affect our business, results of operations, financial condition and cash flow.

On December 22, 2017, the President of the United States, signed into law the Tax Reform Act. The legislation significantly changes U.S. tax law by, among other things, lowering the corporate income tax rates. The Tax Reform Act

permanently reduces the U.S. corporate income tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018. Additionally, the Tax Reform Act will no longer allow deductions for compensation in excess of $1 million for certain employees, even if paid as commissions or performance based compensation. We may be subject to these limitations as provided for under Section 162(m) of the Internal Revenue Code in the future. The Tax Reform Act also limits the amount taxpayers are able to deduct for federal net operating loss (NOL) carryforwards generated in taxable years beginning after December 31, 2017 to 80% of the taxpayer's taxable income. The law also generally repeals all carrybacks. However, any NOLs generated in taxable years after December 31, 2017 can be carried forward indefinitely. Losses arising in taxable years beginning before December 31, 2017 may still be carried back two years and are subject to their current expiration period. As of December 31, 2017, we have approximately $60.1 million of federal NOLs that were generated prior to 2018 which expire beginning December 31, 2028 through December 31, 2037, if not used to reduce income taxes payable in the future. Federal NOLs generated by us subsequent to 2017 may only offset 80% of taxable income.

The SEC staff issued Staff Accounting Bulletin No. 118, or "SAB 118" to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Act. We have recognized provision tax impacts related to the revaluation of deferred tax assets and liabilities and included this amount in its consolidated financial statements for the year ended December 31, 2017. The ultimate impact may differ from these provision amounts, due to, among other things, additional analysis, changes in interpretations and assumptions we have made, additional regulatory guidance that may be issued, and actions we may take as a result of the Tax Reform Act. The accounting is expected to be complete when the 2017 U.S. corporate income tax return is filed in 2018.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive office is located in San Diego, California, and consists of approximately 25,000 square feet of leased office and laboratory space under a lease which will expire on August 31, 2021. We use these facilities for our administrative, research and development and other activities.

We believe that additional office space will be required during fiscal 2018 and have executed a letter of intent to lease approximately 18,000 additional square feet in San Diego, California.

Item 3. Legal Proceedings

From time to time, we may be involved in legal proceedings arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, in the opinion of management, would have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on us due to defense and settlement costs, diversion of management resources, negative publicity and reputational harm, and other factors.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Price Range of Common Stock

Our common stock has been listed on the Nasdaq Global Select market under the symbol "ANAB" since January 26, 2017. Prior to that date, there was no public trading market for our common stock. The following table sets forth the high and low sales prices of our common stock as reported on the Nasdaq Global Market for the periods indicated:

Year Ended December 31, 2017:	High	Low
First Quarter (beginning January 26, 2017)	$ 29.96	$ 15.17
Second Quarter	$ 28.40	$ 18.15
Third Quarter	$ 37.62	$ 20.12
Fourth Quarter	$ 102.63	$ 34.56

Holders

As of February 28, 2018, we had approximately 24 holders of record of our common stock. This number does not include beneficial owners whose shares were held in street name.

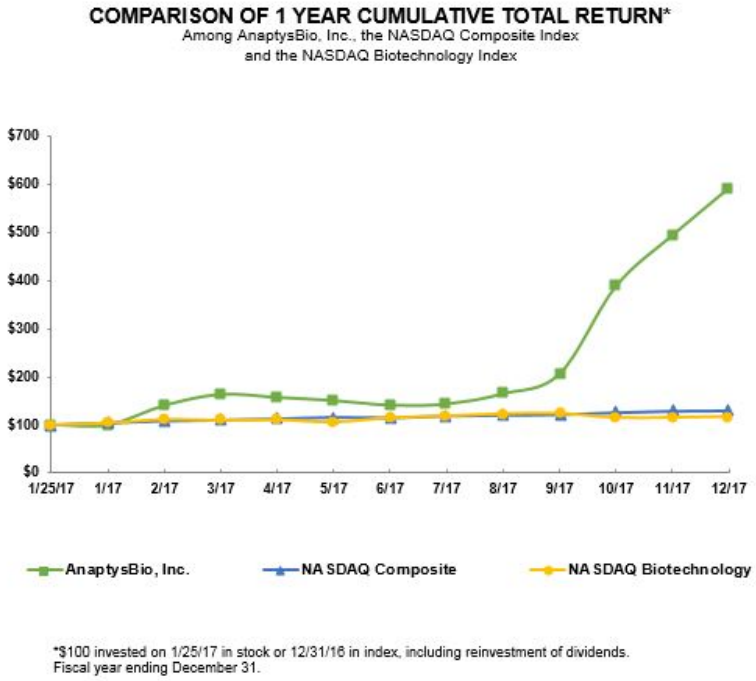
Dividend Policy

We have never declared or paid cash or stock dividends on our common stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our common stock in the foreseeable future. Any future determination to declare dividends on common stock will be made at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant. In addition, under the terms of our current credit facility, we are prohibited from paying cash dividends without the consent of our lenders.

Stock Performance Graph

The following performance graph and related information shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, or SEC, for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, nor shall such information be incorporated by reference into any future filing under the Exchange Act or Securities Act of 1933, as amended, or the Securities Act, except to the extent that we specifically incorporate it by reference into such filing.

The following performance graph compares the performance of our common stock to the Nasdaq Composite Index and to the Nasdaq Biotechnology Index from January 26, 2017 (the first date that shares of our common stock were publicly traded) through December 31, 2017. The comparison assumes $100 was invested in our common stock and in each of the aforementioned indices after the market closed on January 26, 2017, and it assumes reinvestment of dividends, if any. The stock price performance included in this graph is not necessarily indicative of future stock price performance.



Recent Sale of Unregistered Securities

On January 9, 2017, we granted to one of our officers options to purchase 170,241 shares of common stock under our 2006 Equity Incentive Plan with a per share exercise price of $11.34, and have issued no shares of common stock upon exercise of such options. This transaction was exempt from the registration requirements of the Securities Act in reliance upon Rule 701 promulgated under the Securities Act.

Since January 31, 2017, we have issued 398,837 shares of common stock pursuant to the exercise of warrants, each with an exercise price of $4.55 per share. The securities issued in this transaction were exempt from the registration requirements of the Securities Act in reliance upon Section 4(a)(2) promulgated under the Securities Act.

Use of Proceeds from Registered Securities

On January 25, 2017, our Registration Statement on Form S-1 (File No. 333-206849) relating to the initial public offering, or IPO of our common stock was declared effective by the SEC. Pursuant to such Registration Statement, we sold an aggregate of 5,750,000 shares of our common stock at a price to the public of $15.00 per share. There has been no material change in the planned use of the net proceeds from our IPO as described in our final prospectus filed with the SEC, on January 26, 2017 pursuant to Rule 424(b)(4) under the Securities Act.

Issuer Purchases of Equity Securities

We did not purchase any of our registered equity securities during the period covered by this Annual Report on Form 10-K.

Item 6. Selected Consolidated Financial Data

The selected financial data set forth below for the years ended December 31, 2017, 2016, and 2015 and as of December 31, 2017 and 2016 are derived from and should be read in conjunction with our audited financial statements, including the notes thereto, included elsewhere in this report. The selected financial data for the years ended December 31, 2014 and 2013 and as of December 31, 2015, 2014 and 2013 are derived from our audited financial statements not included in this report.

Our historical results are not necessarily indicative of the results that may be expected in the future. You should read the selected consolidated financial data below in conjunction with Part II Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations and our audited consolidated financial statements and the related notes included in this Annual Report on Form 10-K.

	Year Ended December 31,				
(in thousands)	**2017**	**2016**	**2015**	**2014**	**2013**
Collaboration revenue	$ 10,000	$ 16,684	$ 17,571	$ 15,838	$ 5,483
Income (loss) from operations	(28,781)	(3,025)	(3,322)	4,870	(5,287)
Net income (loss)	(30,070)	(4,259)	(5,405)	3,532	(5,545)
Net income (loss) attributed to common stockholders	(30,070)	(4,259)	(5,405)	232	(5,545)
Net income (loss) per common share: Basic and diluted	(1.52)	(1.62)	(2.12)	0.09	(4.98)

(in thousands)	**December 31, 2017**	**December 31, 2016**	**December 31, 2015**	**December 31, 2014**	**December 31, 2013**
Total assets	$ 329,364	$ 62,180	$ 56,280	$ 25,065	$ 3,914
Notes payable, net of current portion	7,553	13,809	4,903	4,793	—
Deferred rent	140	154	115	94	221
Preferred stock warrant liabilities	—	3,241	1,549	569	386
Commitments and contingencies					
Series B convertible preferred stock	—	28,220	28,220	28,220	28,220
Series C convertible preferred stock	—	6,452	6,452	6,452	6,452
Series C-1 convertible preferred stock	—	2,156	2,156	2,156	—
Series D convertible preferred stock	—	40,688	40,688	—	—
Stockholders' equity (deficit):					
Preferred stock	—	—	—	—	—
Common stock	24	3	3	2	2
Additional paid in capital	393,017	16,672	15,482	14,422	14,262
Accumulated other comprehensive loss	(426)	—	—	—	—
Accumulated deficit	(85,034)	(54,923)	(50,664)	(45,259)	(48,791)
Total liabilities, convertible preferred stock and stockholders' equity (deficit)	$ 329,364	$ 62,180	$ 56,280	$ 25,065	$ 3,914

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion contains management's discussion and analysis of our financial condition and results of operations and should be read together with the historical consolidated financial statements and the notes thereto included in Part II, Item 8—Consolidated Financial Statements and Supplementary Data. This discussion contains forward-looking statements that reflect our plans, estimates and beliefs and involve numerous risks and uncertainties, including but not limited to those described in the "Risk Factors" section of this Annual Report. Actual results may differ materially from those contained in any forward-looking statements. You should carefully read "Special Note Regarding Forward-Looking Statements" and Part I, Item 1A—Risk Factors.

Overview

We are a clinical stage biotechnology company developing first-in-class antibody product candidates focused on unmet medical needs in inflammation. We develop our product candidates to address emerging biological targets using our proprietary antibody discovery technology platform, which is based upon a breakthrough understanding of the natural process of antibody generation, known as somatic hypermutation, or SHM, and replicates this natural process of antibody generation *in vitro*. Our strategy is to advance the development and commercialization of our proprietary product candidates, and for certain programs, establish partnerships with leading biopharmaceutical companies where we retain certain development and commercialization rights in the United States.

Our most advanced wholly-owned antibody programs, ANB020 and ANB019, neutralize therapeutic targets that are genetically associated with severe inflammatory disorders in humans. ANB020 inhibits the activity of the interleukin-33 cytokine, or IL-33, for the treatment of moderate-to-severe adult atopic dermatitis, severe adult peanut allergy and severe adult eosinophilic asthma. We have completed a Phase 1 trial of ANB020 in healthy volunteers in Australia. We believe the results of this Phase 1 trial demonstrate a favorable safety profile of ANB020, which was well-tolerated and for which no dose-limiting toxicities were observed, and favorable pharmacodynamic properties of ANB020, where a single dose was sufficient to suppress IL-33 function for approximately three months post-dosing as measured by an *ex vivo* pharmacodynamic assay. We have subsequently completed a Phase 2a trial of ANB020 in 12 moderate-to-severe adult atopic dermatitis patients, under an approved Clinical Trial Authorisation, or CTA, with the U.K. Medicines and Healthcare Products Regulatory Agency, or MHRA, announced top-line data from an interim analysis of this trial in October 2017 and presented data upon completion of this trial at the 2018 American Academy of Dermatology (AAD) Annual Meeting on February 17th 2018.

We believe these data demonstrate proof-of-concept for ANB020 in moderate-to-severe adult atopic dermatitis and suggest that ANB020 may provide meaningful differentiation in terms of patient convenience. As further development in atopic dermatitis, we plan to initiate, during the first half of 2018, a Phase 2b randomized, double-blinded, placebo-controlled study in 200-300 adults patients with moderate-to-severe atopic dermatitis to evaluate multi-dose subcutaneous administration of ANB020, with data expected in 2019.

We have completed enrollment, under our Investigational New Drug application, or IND, with the U.S. Food and Drug Administration, or FDA, of a Phase 2a trial of ANB020 with 20 severe adult peanut allergy patients where efficacy is assessed by measuring the cumulative dose of peanut tolerated in an oral food challenge or OFC within one month before and within one month after a single dose of ANB020 or placebo. This trial randomizes severe adult peanut allergy patients, each of which have a history of anaphylaxis to accidental peanut exposure, to drug versus placebo on a 3 versus 1 ratio. Top-line data from this trial is expected in March 2018.

We are enrolling, under a CTA with MHRA, of a randomized, placebo controlled Phase 2a trial of ANB020 in 24 severe adult eosinophilic asthma patients, where efficacy will be assessed using improvement in Forced Expiratory Volume in One Second after administration of a single dose of ANB020 or placebo. Top-line data are anticipated during the second quarter of 2018.

ANB019 inhibits the interleukin-36 receptor, or IL-36R, for the treatment of rare inflammatory diseases including generalized pustular psoriasis, or GPP, and palmo-plantar pustular psoriasis, or PPP. We have completed, under an approved Clinical Trial Notification, or CTN, a Phase 1 clinical trial in healthy volunteers, where 48 subjects are dosed with ANB019 and 24 are dosed with placebo in single and multi-dose cohorts at various subcutaneous and intravenously administered dose levels. In November 2017, we announced positive top-line results from an interim analysis, which showed favorable safety, pharmacokinetics and pharmacodynamic properties that support advancement of ANB019 into Phase 2 studies for generalized pustular psoriasis and palmo-plantar pustular psoriasis during 2018. We have submitted a CTA filing to the MHRA supporting the initiation of a 10-patient open-label multi-dose Phase 2 study of ANB019 in GPP patients. We anticipate filing an additional CTA application to support the initiation of a placebo-controlled multi-dose study of ANB019 in PPP.

In addition to ANB020 and ANB019, our wholly-owned pipeline includes novel checkpoint receptor agonist antibodies that we believe are applicable for treatment of certain autoimmune diseases where immune checkpoint receptors are insufficiently activated, and have demonstrated efficacy in an animal model of graft-versus-host disease, where we anticipate filing an IND in the second half of 2019.

In addition to our wholly-owned antibody programs, multiple AnaptysBio-developed antibody programs have been advanced to preclinical and clinical milestones under our collaborations. Our collaborations include an immuno-oncology-focused collaboration with TESARO, Inc. and TESARO Development, Ltd., or collectively, TESARO and an inflammation-focused collaboration with Celgene Corporation, or Celgene.

As of December 31, 2017, we had an accumulated deficit of $85.0 million primarily as a result of losses incurred since our inception in 2005. We expect to continue to incur net operating losses for at least the next several years as we advance our products through clinical development, seek regulatory approval, prepare for and, if approved, proceed to, commercialization, expand our operations and facilities and grow in new and existing markets, territories and industries.

Public Offerings

On January 31, 2017, we completed an initial public offering, or IPO, selling 5,750,000 shares of common stock at $15.00 per share, which included 750,000 shares sold pursuant to the exercise of the underwriters' options to purchase additional shares. Proceeds from our initial public offering net of underwriting discounts and commissions were $80.2 million.

On October 17, 2017, we completed an underwritten public offering of 3,000,000 shares of common stock. All shares were offered by us at a price to the public of $68.50 per share. The aggregate net proceeds received by us from the offering were $194.7 million, net of underwriting discounts and commissions. As part of the underwritten public offering, on November 14, 2017, the underwriters exercised an additional 271,380 shares of common stock at a price to the public of $68.50 per share for aggregate net proceeds of $17.6 million, net of underwriting discounts and commissions.

Financial Overview

Collaboration Revenue

We have not generated any revenue from product sales. Our revenue has been derived from amortization of upfront payments, research and development funding and milestone payments under collaboration and license agreements with our collaborators. From inception through December 31, 2017, we have received $76.6 million in non-dilutive funding from our collaborators.

Collaboration and Exclusive License Agreement with TESARO

In March 2014, we entered into an exclusive worldwide license and collaboration agreement with TESARO for the development and commercialization of therapeutic monospecific and bispecific antibodies that antagonize PD-1, TIM-3, LAG-3 and/or a fourth undisclosed checkpoint receptor. We received $17.0 million in upfront fees from TESARO in March 2014, and in November 2014, we amended the agreement with TESARO to include the development and commercialization of bispecific antibodies to another undisclosed target, for an additional upfront fee of $2.0 million. Both upfront fees were being recognized over the same period that our research and development services, for which we are reimbursed, are performed, which was extended through December 31, 2016 by amendment of the agreement in February 2016. From inception of the agreement through December 31, 2017, we have recognized $54.3 million in total revenue from TESARO.

For each of the four targets under the TESARO agreement, we are eligible to receive up to $273.0 million in milestone payments, which are comprised of $18.0 million for preclinical and clinical development milestone payments, $90.0 million upon certain regulatory events and $165.0 million upon worldwide commercial sales thresholds. In addition, TESARO is obligated to pay us tiered single-digit royalties on annualized net sales of each antibody commercialized from the collaboration.

Milestones achieved through December 31, 2017 under the TESARO Agreement are as follows:

	Anti-PD-1 (TSR042)		Anti-TIM-3 (TSR022)		Anti-LAG-3 (TSR033)	
Milestone Event	**Amount**	**Quarter Earned**	**Amount**	**Quarter Earned**	**Amount**	**Quarter Earned**
Initiated *in vivo* toxicology studies using good laboratory practices (GLPs)	$1.0M	Q2'15	$1.0M	Q4'15	$1.0M	Q3'16
IND clearance from the FDA	$4.0M	Q1'16	$4.0M	Q2'16	$4.0M	Q2'17
Phase 2 clinical trial initiation	$3.0M	Q2'17	$3.0M	Q4'17	—	—

Milestones achieved during the discovery period were recognized pro-rata through December 31, 2016. Milestones achieved subsequent to December 31, 2016 were recognized in the period earned.

Antibody Generation Agreement with Celgene Corporation

In December 2011, we entered into a license and collaboration agreement with Celgene to develop therapeutic antibodies against multiple targets. We granted Celgene the option to obtain worldwide commercial rights to antibodies generated against each of the targets under the agreement, which option was triggered on a target-by-target basis by our delivery of antibodies meeting certain pre-specified parameters pertaining to each target under the agreement.

The agreement provided for an upfront payment of $6.0 million from Celgene, which we received in 2011, milestone payments of up to $53.0 million per target, low single-digit royalties on net sales of antibodies against each target, and reimbursement of specified research and development costs. From inception of the agreement through December 31, 2017, we have recognized $10.0 million in total revenue from Celgene.

	Anti-PD-1 (CC-90006)	
Milestone Event	**Amount**	**Quarter Earned**
Completion of first in vivo toxicology studies using GLPs	$0.5M	Q2'16
Phase 1 clinical trial initiation	$1.0M	Q4'16

Milestones were recognized as revenue in the period earned. There was no revenue recognized under this agreement during the years ended December 31, 2017 or 2015.

Research and Development

Research and development expenses consist of costs associated with our research and development activities, including drug discovery efforts, preclinical and clinical development of our programs, and manufacturing. Our research and development expenses include:

- External research and development expenses incurred under arrangements with third-parties, such as Contract Research Organizations, or CROs, consultants, members of our scientific and therapeutic advisory boards, and Contract Manufacturing Organizations, or CMOs;
- Personnel and other related costs;
- Facilities, depreciation and other allocated expenses, which include direct and allocated expenses for rent and maintenance of facilities, depreciation of leasehold improvements and equipment, and laboratory supplies; and
- License and sublicense fees.

We expense research and development costs as incurred. We account for advance payments for goods and services that will be used in future research and development activities as expenses when the service has been performed or when the goods have been received.

We recognize the Australian Research and Development Tax Incentive, or the Tax Incentive, as a reduction of research and development expense. The amounts are determined on a cost reimbursement basis based on our eligible research and development expenditures and are non-refundable, provided that in order to qualify for the Australian benefits we must have revenue of less than AUD $20.0 million during the reimbursable period and cannot be controlled by income tax exempt entities.

The Tax Incentive is recognized when there is reasonable assurance that the Tax Incentive will be received, the relevant expenditure has been incurred, and the amount can be reliably measured.

We are conducting research and development activities on several inflammation and immuno-oncology programs. We have a research and development team that conducts antibody discovery, characterization, translational studies, IND-enabling preclinical studies and clinical development. We conduct some of our early research and preclinical activities internally and plan to rely on third parties, such as CROs and CMOs, for the execution of certain of our research and development activities, such as *in vivo* toxicology and pharmacology studies, drug product manufacturing and clinical trials.

We have conducted initial clinical trials for ANB020 and are conducting initial clinical trials for ANB019 in Australia to rapidly enter into first-in-human studies and benefit from research and development-related financial incentives related to the development of ANB020 and ANB019. We have completed a Phase 2a trial of ANB020 in patients with moderate-to-severe adult atopic dermatitis, have completed enrollment in our ongoing Phase 2a trial of ANB020 in patients with severe adult peanut allergy and are enrolling under a CTA with MHRA of a Phase 2a trial of ANB020 in 24 severe adult eosinophilic asthma patients. We expect our research and development expenses to be higher for the foreseeable future as we advance our product candidates into clinical development.

General and Administrative

General and administrative expenses consist primarily of personnel and other related costs, for our executive, finance, legal, business development, human resource and support functions. Other general and administrative expenses include allocated facility-related costs not otherwise included in research and development expenses, travel expenses and professional fees for auditing, tax and legal services, including intellectual property-related legal services.

Interest Expense

Interest expense consists of stated and floating interest payments and amortization of discounts on our outstanding notes payable relating to our Loan and Security Agreement with Oxford Finance LLC and Silicon Valley Bank, as amended, which we refer to as the Loan Agreement.

Change in Fair Value of Liability for Preferred Stock Warrants

Income and expense from the change in fair value of our liability for preferred stock warrants is from the valuation of our outstanding warrants to purchase shares of our preferred stock, which were valued at each period end. Upon the closing of our initial public offering on January 31, 2017, the warrants to purchase shares of preferred stock have converted into warrants to purchase shares of common stock, the preferred stock warrant liabilities have been reclassified to additional paid-in capital and periodic fair value adjustments will no longer be required.

Net Operating Loss and Research and Development Tax Credit Carryforwards

Since inception, we have accumulated net operating losses, or NOLs in all years except December 31, 2015 and 2014, in which we generated taxable income as a result of our collaboration agreement with TESARO as well as expenses incurred by our Australian subsidiary which are not deductible for U.S. income tax purposes. While we utilized NOLs in 2015 and 2014, we since incurred losses and therefore continue to have a valuation allowance against our net deferred tax assets due to the uncertainty of the realization of such assets.

At December 31, 2017, we had federal and state NOL carryforwards of $60.1 million and $57.2 million, respectively. The federal and state NOLs will both begin to expire in 2028, respectively, unless previously utilized. At December 31, 2017, we had federal and California research tax credit carryforwards of $3.0 million and $2.9 million, respectively. The federal research tax credit carryforward will begin to expire in 2026 and the California state credits carry forward indefinitely.

The NOL carryforward and the research tax credit carryforwards may be subject to an annual limitation under Section 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, and similar state provisions if we experience one or more ownership changes which would limit the amount of NOL and tax credit carryforwards that can be utilized to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382 and 383 of the Code, results from transactions increasing ownership of certain stockholders or public groups in the stock of the corporation by more than 50 percentage points over a three-year period. In September 2015, we completed a Section 382 and 383 of the Code ownership change analysis through December 31, 2014 and determined that there was an ownership change in 2007 that may limit the utilization of approximately $5.3 million and $5.4 million in Federal and state NOLs, respectively, and

$0.2 million in both Federal and state research tax credits. We extended the analysis period of the study through December 31, 2016, noting no ownership changes during fiscal 2015 or 2016. We intend to extend the analysis period through December 31, 2017 in the current year, and are expecting an ownership change as a result of our IPO that may limit the utilization of Federal and State NOLs. Limitations on our ability to use NOL carryforwards and research and development tax credits to offset future taxable income could require us to pay U.S. federal income tax earlier than would be required if such limitations were not in effect. Similar rules and limitations may apply for state income tax purposes.

On December 22, 2017, the President of the United States, signed into law the Tax Reform Act. The legislation significantly changes U.S. tax law by, among other things, lowering the corporate income tax rates. The Tax Reform Act permanently reduces the U.S. corporate income tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018. Additionally, the Tax Reform Act will no longer allow deductions for compensation in excess of $1 million for certain employees, even if paid as commissions or performance based compensation. The Company may be subject to these limitations as provided for under Section 162(m) of the Internal Revenue Code in the future. The SEC staff issued Staff Accounting Bulletin No. 118, or “SAB 118” to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Act. The company has recognized provision tax impacts related to the revaluation of deferred tax assets and liabilities and included this amount in its consolidated financial statements for the year ended December 31, 2017. The ultimate impact may differ from these provision amounts, due to, among other things, additional analysis, changes in interpretations and assumptions the Company had made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the Tax Reform Act. The accounting is expected to be complete when the 2017 U.S. corporate income tax return is filed in 2018.

Critical Accounting Policies and Use of Estimates

Our management’s discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities in our financial statements. We base our estimates on historical experience, known trends and events, and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. On an ongoing basis, we evaluate our judgments and estimates in light of changes in circumstances, facts and experience. The effects of material revisions in estimates, if any, will be reflected in the financial statements prospectively from the date of change in estimates.

While our significant accounting policies are described in more detail in the notes to our financial statements appearing elsewhere in this Annual Report on Form 10-K, we believe the following accounting policies used in the preparation of our financial statements require the most significant judgments and estimates.

Revenue Recognition

Revenue is recognized in accordance with revenue recognition accounting guidance, which requires that four basic criteria be met before revenue can be recognized: (i) persuasive evidence that an arrangement exists; (ii) delivery has occurred and title and the risks and rewards of ownership have been transferred to the client or services have been rendered; (iii) the price is fixed or determinable; and (iv) collectability is reasonably assured.

Multiple-Element Revenue Arrangements. We evaluate deliverables in a multiple-element arrangement to determine whether each deliverable represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value to the customer. If the delivered element does not have standalone value without one of the undelivered elements in the arrangement, we combine such elements and account for them as a single unit of accounting. We allocate the consideration to each unit of accounting at the inception of the arrangement based on the relative selling price.

We recognize consideration allocated to an individual element when all other revenue recognition criteria are met for that element. Our multiple-element revenue arrangements may include the following:

- License Arrangements. The deliverables under our collaboration and license agreements generally include exclusive or nonexclusive licenses to one or more products generated using our technologies. As the delivered licenses have not historically had standalone value apart from the undelivered elements, these have been recognized as revenue as a combined unit of accounting. Accordingly, we recognize revenue from nonrefundable upfront fees in the same manner as the undelivered item or items, which is generally the period over which we provide research and developments services.

- Research and Development Services. The deliverables under our collaboration and license arrangements may include research and development services we perform on behalf of or with our collaborators. As the provision of research and development services is an integral part of our operations and we may be principally responsible for the performance of these services under the agreements, we recognize revenue on a gross basis for research and development services as we perform those services. Additionally, we recognize research related funding under collaboration research and development efforts as revenue as we perform or deliver the related services in accordance with contract terms.

Milestone Revenue. Our collaboration and license agreements generally include contingent contractual payments related to achievement of specific research, development and regulatory milestones and sales-based milestones that are dependent upon the performance of the licensor or collaborator. A milestone is defined as an event (i) that can only be achieved based in whole or in part on either the entity's performance or on the occurrence of a specific outcome resulting from the entity's performance, (ii) for which there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved and (iii) that would result in additional payments being due to us. Contingent consideration for which payment is either contingent solely upon the passage of time or the result of a counterparty's performance is not considered substantive.

We recognize consideration that is contingent upon the achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone is substantive in its entirety. A milestone is considered substantive when it meets all of the following criteria:

- The consideration is commensurate with either the entity's performance to achieve the milestone or the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the entity's performance to achieve the milestone;
- The consideration relates solely to past performance; and
- The consideration is reasonable relative to all of the deliverables and payment terms within the arrangement.

Milestones that are not considered substantive are generally recognized in the same manner as the undelivered item(s), which is generally the period over which we provide research and development services.

See Part II Item 7—Recent Accounting Pronouncements below for information surrounding the adoption of ASU 2014-09, *Revenue from Contracts with Customers*, which will become effective on January 1, 2018.

Research and Development Expenses

As part of the process of preparing our financial statements, we are required to estimate our accrued expenses as of each balance sheet date. This process involves reviewing open contracts and purchase orders, communicating with our personnel and service providers to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of the actual cost. The majority of our service providers invoice us monthly in arrears for services performed or when contractual milestones are met. We make estimates of our accrued expenses as of each balance sheet date based on facts and circumstances known to us at that time. We periodically confirm the accuracy of our estimates with the service providers and make adjustments if necessary. The significant estimates in our accrued research and development expenses include the costs incurred for services performed by our vendors in connection with research and development activities for which we have not yet been invoiced.

We base our expenses related to research and development activities on our estimates of the services received and efforts expended pursuant to quotes and contracts with vendors that conduct research and development on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. There may be instances in which payments made to our vendors will exceed the level of services provided and result in a prepayment of the research and development expense. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual or prepaid accordingly. Advance payments for goods and services that will be used in future research and development activities are expensed when the activity has been performed or when the goods have been received rather than when the payment is made.

Although we do not expect our estimates to be materially different from amounts actually incurred, if our estimates of the status and timing of services performed differ from the actual status and timing of services performed, it could result in us reporting amounts that are too high or too low in any particular period. To date, there have been no material differences between our estimates of such expenses and the amounts actually incurred.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This standard is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also requires additional disclosure about the nature, amount, timing and uncertainty of assets recognized from costs incurred to fulfill a contract and becomes effective for our annual reporting period beginning January 1, 2018, including interim periods within that reporting period. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. We will transition this standard using the modified retrospective approach for our annual reporting period beginning January 1, 2018. Based on our current revenue structure, the most significant impacts relate to our accounting for variable consideration including revenues related to contingent “milestone” based payments and our disclosures required under the new standard as it relates to our two ongoing collaboration agreements, TESARO and Celgene. Application of the new standard requires that variable consideration be recognized to the extent that it is probable that a significant reversal in the amount of revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved, which would require the milestone payments to be recorded when we determine a significant reversal will not occur, rather than when the milestone is achieved. However, we have reviewed the TESARO and Celgene agreements and have determined that given the nature of potential milestones owed to us under these agreements, and the inherent risk involved in developing drugs, a cumulative catch-up adjustment will not be required as of January 1, 2018. While we currently disaggregate our revenue disclosures by collaborative agreement, additional discussion surrounding significant estimates made by management is required.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which intends to enhance the reporting model for financial instruments by providing users of financial instruments with more decision-useful information. The standard also addresses certain aspects of the recognition, measurement, presentation, and disclosure of financial instruments and requires additional disclosure about the nature, amount, timing and uncertainty of assets recognized from costs incurred to fulfill a contract and becomes effective for our annual reporting period beginning January 1, 2018, including interim periods within that reporting period. We adopted this standard as of January 1, 2018 and note that this standard will not have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires that lessees recognize a right-of-use asset and a related lease liability arising from leases on the balance sheet. ASU 2016-02 becomes effective for our annual reporting period beginning January 1, 2019, including interim periods thereafter. We have begun analyzing recently executed contracts for embedded leases and have begun to review historical contracts that are still in effect for 2017, including our outstanding lease agreements. We continue to assess the impact that this standard will have on our consolidated financial statements and anticipate recognition of additional assets and corresponding liabilities related to leases on its consolidated balance sheets.

In May 2017, the FASB issued ASU 2017-09, *Compensation - Stock Compensation (Topic 718)*, which provides further guidance as to what constitutes a modification to the terms of shared based compensation, in order to create consistency in practice amongst all entities. ASU 2017-09 becomes effective for annual reporting periods beginning after December 15, 2017, including interim periods thereafter. We adopted this standard as of January 1, 2018, and note that this standard will not have a material impact on our consolidated financial statements.

Results of Operations

Comparison of the Years Ended December 31, 2017 and 2016

Collaboration Revenue

Collaboration revenue was $10.0 million compared to $16.7 million for the year ended December 31, 2017 and 2016, respectively. A comparison of revenue by collaborator is as follows:

	Year Ended December 31,		Increase
(in thousands)	**2017**	**2016**	**(Decrease)**
TESARO-amortization of upfront payments	$ —	$ 2,634	$ (2,634)
TESARO-funding of research and development	—	3,242	(3,242)
TESARO-milestones	10,000	9,308	692
Celgene-milestones	—	1,500	(1,500)
Total collaboration revenue	$ 10,000	$ 16,684	$ (6,684)

Collaboration revenue during the year ended December 31, 2017 decreased $6.7 million compared to the year ended December 31, 2016 primarily due to a decrease in upfront fees and research reimbursement revenue which we recognized in full upon the completion of the research services under the TESARO contract in December 31, 2016, as well as a decrease in milestone revenue.

We expect that any collaboration revenue we generate will continue to fluctuate from period to period as a result of the timing and amount of milestones and other payments from our existing collaborations.

Research and Development Expenses

Research and development expenses were $29.4 million during the year ended December 31, 2017 compared to $15.4 million during the year ended December 31, 2016, for an increase of approximately $14.0 million. The increase is primarily due to a $5.7 million decrease in Australian tax incentives recognized. The decrease in the Australian tax incentives related to the timing of the initial recognition of 2015 and 2016 tax incentives as well as a reduction in reimbursable expenses during 2017. The increase is also attributable to a $3.4 million increase in clinical expenses, a $2.3 million increase in outside services for preclinical and manufacturing expenses, and a $2.4 million increase in salaries and related expenses, including stock compensation expense and recruiting fees.

We expect our research and development expenses to increase as we further advance our development programs and, in particular, as we enter into additional clinical trials.

General and Administrative Expenses

General and administrative expenses were $9.3 million during the year ended December 31, 2017 compared to $4.3 million during the year ended December 31, 2016, for an increase of approximately $5.0 million. The increase is primarily due to a $3.5 million increase in salaries and related expenses, which includes stock compensation expense and recruiting fees, as well as a $0.7 million increase in professional fees including public company costs.

We expect that our general and administrative expenses will increase for the foreseeable future as we incur additional costs associated with being a publicly traded company, including legal, auditing and filing fees, additional insurance premiums, investor relations expenses and general compliance and consulting expenses. Also, we expect our intellectual property related legal expenses, including those related to preparing, filing, prosecuting and maintaining patent applications, to increase as our intellectual property portfolio expands.

Interest Expense

Interest expense was $1.8 million during the year ended December 31, 2017 and represents effective interest of approximately 12.25% on our outstanding Term Loans, as defined in Part II Item 8—5. Notes Payable, which have a principal balance of $15.0 million as of December 31, 2017. Interest expense was $0.5 million during the year ended December 31, 2016 respectively, and primarily represents effective interest of approximately 9.25% through December 30, 2016, the date at which the Term B Loans and the Term C Loans were drawn. Subsequent to the draw, the effective interest rate was 11.70% for each of the Term Loans, with an outstanding cumulative principal balance of $15.0 million as of December 31, 2016.

Change in Fair Value of Liabilities for Preferred Stock Warrants

The change in fair value of the liabilities for stock warrants resulted in $1.4 million of expense compared to $0.8 million of income during the year ended December 31, 2017 and 2016, respectively, due to changes in the valuation of our Series C convertible preferred stock which impacts the estimated fair value of the warrants. As discussed in Part II Item 8 —1. Description of the Business below, all of the outstanding warrants to purchase shares of preferred stock automatically converted into warrants to purchase shares of common stock in connection with the IPO and are accounted for as equity from the conversion date forward.

Interest Income and Other Income (Expense), Net

Interest income and other income (expense), net was $1.8 million during the year ended December 31, 2017 and primarily consisted of interest income of approximately $1.6 million from our short-term and long-term investments and foreign exchange gains of approximately $0.2 million related to our Australian subsidiary. Other income (expense), net was less than $0.1 million during the year ended December 31, 2016 and primarily consisted of interest income of approximately $0.1 million from our money market fund, offset by foreign exchange losses of approximately $0.1 million related to our Australian subsidiary.

Comparison of the Years Ended December 31, 2016 and 2015

Collaboration Revenue

Collaboration revenue was $16.7 million and $17.6 million during the years ended December 31, 2016 and 2015, respectively. A comparison of revenue by collaborator is as follows:

	Year Ended December 31,		Increase
(in thousands)	**2016**	**2015**	**(Decrease)**
TESARO-amortization of upfront payments	$ 2,634	$ 9,386	$ (6,752)
TESARO-funding of research and development	3,242	6,480	(3,238)
TESARO-milestones	9,308	1,705	7,603
Celgene-milestone	1,500	—	1,500
Total	$ 16,684	$ 17,571	$ (887)

Collaboration revenue during the year ended December 31, 2016 decreased $0.9 million compared to the year ended December 31, 2015 primarily due to a decrease in upfront fees and research reimbursement revenue as we reached the completion of the research services under the TESARO contract in December 31, 2016, offset by an increase in milestone revenue from both collaboration partners upon achievement of milestone events.

We expect that any collaboration revenue we generate will continue to fluctuate from period to period as a result of the timing and amount of milestones and other payments from our existing collaborations.

Research and Development Expenses

Research and development expenses were $15.4 million during the year ended December 31, 2016 compared to $17.3 million during the year ended December 31, 2015, for a decrease of approximately $1.9 million. The decrease is primarily due to the recognition of the Australia tax incentive, which reduced our expenses by $7.2 million during the year ended December 31, 2016 upon our determination that the tax incentive was collectible. No tax incentive was recorded during the year ended December 31, 2015. The decrease was offset by a $2.1 million increase in outside service for preclinical expenses, a $2.0 million increase in clinical expenses, as well as a $1.2 million increase in salaries and related expenses including recruiting and relocation expense, resulting primarily from an increase in research and development personnel.

We expect our research and development expenses to increase as we further advance our development programs and, in particular, as we enter into additional clinical trials.

General and Administrative Expenses

General and administrative expenses were $4.3 million during the year ended December 31, 2016 compared to $3.6 million during the year ended December 31, 2015, for an increase of approximately $0.7 million. The increase is primarily due

to a $0.6 million increase in salaries and related expenses, including stock compensation, for senior level positions hired in mid-2015, and a $0.2 million increase in legal expenses.

We expect that our general and administrative expenses will increase for the foreseeable future as we incur additional costs associated with being a publicly traded company, including legal, auditing and filing fees, additional insurance premiums, investor relations expenses and general compliance and consulting expenses. Also, we expect our intellectual property related legal expenses, including those related to preparing, filing, prosecuting and maintaining patent applications, to increase as our intellectual property portfolio expands.

Interest Expense

Interest expense was $0.5 million during the year ended December 31, 2016 and represents effective interest of 9.25% through December 30, 2016, the date at which the Term B Loans and the Term C Loans were drawn. Subsequent to the draw, the effective interest rate was 11.70% for each of the Term Loans, with an outstanding cumulative principal balance of $15.0 million as of December 31, 2016. Interest expense was $0.5 million during the year ended December 31, 2015 and primarily represents effective interest of 9.25% on our outstanding Term A Loans, which had an outstanding principal balance of $5.0 million as of December 31, 2015.

Change in Fair Value of Liabilities for Preferred Stock Warrants

The change in fair value of the liabilities for stock warrants resulted in expense of $0.8 million and $1.3 million during the years ended December 31, 2016 and 2015, respectively, due to changes in the valuation of our Series C convertible preferred stock, which impacts the estimated fair value of the warrants.

Interest Income and Other Income (Expense), Net

Interest income and other income (expense), net was less than $0.1 million during the year ended December 31, 2016 and primarily consisted of interest income of approximately $0.1 million from our money market fund, offset by foreign exchange losses of approximately $(0.1) million related to our Australian subsidiary. Other income (expense) was ($0.2) million during the year ended December 31, 2015 and primarily consisted of a foreign exchange loss of ($0.2) million related to our Australian subsidiary, which was established in March 2015.

Provision for Income Taxes

We recorded a provision for income taxes of $0.1 million during the year ended December 31, 2015 related to alternative minimum taxes, which we were not subject to during the year ended December 31, 2016.

Liquidity and Capital Resources

From our inception through December 31, 2017, we have received an aggregate of $482.1 million to fund our operations which included $386.4 million from the sale of equity securities, $76.6 million from our collaboration agreements and $19.1 million from venture debt. As of December 31, 2017, we had $324.3 million in cash, cash equivalents and investments.

In addition to our existing cash, cash equivalents and investments, we are eligible to earn milestone and other contingent payments for the achievement of defined collaboration objectives and certain preclinical, clinical, regulatory and sales-based events, and royalty payments under our collaboration agreements. Our ability to earn these milestone and contingent payments and the timing of achieving these milestones is primarily dependent upon the outcome of our collaborators' research and development activities and is uncertain at this time. Our Loan Agreement and our rights to payments under our collaboration agreements are our only committed external source of funds.

Under the Loan Agreement, as defined in Part II Item 8—5. Notes Payable, we may borrow up to $15.0 million in three separate draws of $5.0 million each. In January 2016, we amended the Loan Agreement to combine Term B Loans and Term C Loans for a total of $10.0 million available for draw and delay the principal repayments for our Term A Loans from February 1, 2016 until February 1, 2017.

In December 2016, we further amended the Loan Agreement to (i) allow for the Term B Loans and Term C Loans to be drawn on December 30, 2016, (ii) delay principal repayments of all Term Loans until February 1, 2018 and (iii) amend the interest rate for each Term Loan. The Term B Loans and the Term C Loans were drawn on December 30, 2016. As of December

31, 2017, there is one monthly interest-only payment due on the Term Loans through January 2018, followed by 24 equal monthly principal and interest payments beginning February 1, 2018, with final maturity in January 2020. Each Loan bears interest equal to the greater of 3-month U.S. LIBOR plus 6.37% or 7.3%. The interest rate was 7.86% as of December 31, 2017.

Funding Requirements

Our primary uses of capital are, and we expect will continue to be, third-party clinical and preclinical research and development services, including manufacturing, laboratory and related supplies, compensation and related expenses, legal, patent and other regulatory expenses and general overhead costs. We believe our use of CROs and CMOs provides us with flexibility in managing our spending.

As a publicly traded company, we incur significant legal, accounting and other expenses. In addition, the Sarbanes-Oxley Act of 2002, as well as rules adopted by the SEC and The Nasdaq Stock Market, require public companies to implement specified corporate governance practices that were inapplicable to us as a private company. We expect these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

Cash, cash equivalents and investments totaled $324.3 million as of December 31, 2017, compared to $51.2 million as of December 31, 2016. We expect that our existing cash, cash equivalents and investments will fund our current operating plan through the end of 2019. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we expect. Additionally, the process of testing drug candidates in clinical trials is costly, and the timing of progress and expenses in these trials is uncertain.

Cash Flows

The following table summarizes our cash flows for the years ended December 31, 2017, 2016 and 2015:

(in thousands)	Year Ended December 31, 2017	2016	2015
Net cash (used in) provided by:			
Operating activities	$ (19,438)	$ (9,030)	$ (9,694)
Investing activities	(243,058)	(50)	(238)
Financing activities	292,453	8,628	39,403
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 29,957	$ (452)	$ 29,471

Operating Activities

Net cash used in operating activities during the year ended December 31, 2017 of $19.4 million was primarily due to our net loss of $30.1 million, adjusted for addbacks for non-cash expenses of $6.6 million which includes stock-based compensation and warrant liability fair value adjustments and increases in working capital of $4.1 million. Net cash used in operating activities during the year ended December 31, 2016 of $9.0 million was primarily due to decreases in working capital of $7.0 million offset by non-cash addbacks of $2.3 million and net loss of $4.3 million. Net cash used in operating activities during the year ended December 31, 2015 of $9.7 million was primarily due to our net loss of $5.4 million, adjusted for decreases in working capital of $6.5 million and addbacks for non-cash expenses of $2.3 million which includes stock-based compensation and warrant liability fair value adjustments.

Investing Activities

Cash used in investing activities during the year ended December 31, 2017 was primarily due to the acquisition of investments upon receipt of the proceeds from our IPO and follow-on public offering, offset by investment maturities. Cash used in investing activities during the year ended December 31, 2016 and 2015 was due to our purchases of property and equipment.

Financing Activities

The cash provided by financing activities during the year ended December 31, 2017 of $292.5 million was primarily related to proceeds of $292.5 million from our IPO and follow-on public offering, net of underwriting discounts and commissions, as well as proceeds of $1.5 million from the issuance of common stock as a result of option and warrant exercises, offset by $1.6 million in payments related to offering costs. Cash provided by financing activities during the year ended December 31, 2016 of $8.6 million was primarily related to the draw down of our Term B & C loans of $10.0 million, offset by $1.4 million in payments for debt issuance costs and deferred offering costs. Cash provided by financing activities during the year ended December 31, 2015 of $39.4 million was primarily related to the issuance of Series D Convertible Preferred Stock for net proceeds of $40.7 million in July 2015 offset by $1.4 million in payments related to deferred offering costs.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2017:

		Payments Due by Period			
(in thousands)	**Total[1]**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
Notes payable, including interest and final payment fee	$ 17,094	$ 7,842	$ 9,252	$ —	$ —
Operating lease obligation[2]	2,110	550	1,158	402	—
Total	$ 19,204	$ 8,392	$ 10,410	$ 402	$ —

(1) Future minimum annual obligations for license payments under all collaborative in-license agreements at December 31, 2017 were $0.2 million in fiscal 2018 and in the years thereafter. These obligations are excluded from the table above as the annual minimum payments are payable through ten years from the first commercial sale, if any, or expiration of the last patent to expire, the dates of which are not determinable at this time.

(2) Operating lease obligation includes future rent payments under an office lease, which expires on August 31, 2021.

We enter into contracts in the normal course of business with clinical trial sites and clinical supply manufacturing organizations and with vendors for preclinical studies, research supplies and other services and products for operating purposes. These contracts generally provide for termination after a notice period, and, therefore, are cancelable contracts and not included in the table above.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We hold certain financial instruments for which a change in prevailing interest rates may cause the principal amount of the marketable securities to fluctuate. Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash and cash equivalents, short-term and long-term investments. We invest our excess cash primarily in money market funds, commercial paper and debt instruments of financial institutions, corporations, U.S. government-sponsored agencies and the U.S. Treasury. The primary objectives of our investment activities are to ensure liquidity and to preserve principal while at the same time maximizing the income we receive from our marketable securities without significantly increasing risk. Additionally, we established guidelines regarding approved investments and maturities of investments, which are designed to maintain safety and liquidity. For marketable investment securities with short-term maturities, we do not believe that an increase or decrease in market rates would have a significant impact on the realized values or the statements of operations and comprehensive loss. As of December 31, 2017, we held $75.9 million in securities with long-term maturities for which the accumulated other comprehensive loss was a $0.2 million loss. As such, we believe that should a 10.0% change in interest rates were to have occurred on December 31, 2017, this change would not have had a material effect on the fair value of our investment portfolio as of that date.

We are also subject to interest expense fluctuations through our Term Loans, as discussed in Part II Item 8—5. Notes Payable, which as of December 31, 2017 bear interest equal to the greater of 3-month U.S. LIBOR plus 6.37% or 7.3% and are therefore exposed to changes in interest rates through their maturity date of January 2020. The rate was 7.86% as of December 31, 2017. If interest rates had been 10% higher/lower and all other variables were held constant, operating income would decrease/increase by approximately $0.1 million. Therefore we do not believe that our financial condition or results of operations would be materially impacted by an immediate change of 10% in interest rates.

Foreign Currency Exchange Risk

In March 2015, we formed a wholly-owned subsidiary in Australia, which exposes us to foreign currency exchange risk. The functional currency of our subsidiary in Australia is the United States dollar. Assets and liabilities of our foreign subsidiary that are not denominated in the functional currency are remeasured into U.S. dollars at foreign currency exchange rates in effect at the balance sheet date except for nonmonetary assets and capital accounts, which are remeasured at historical foreign currency exchange rates in effect at the date of transaction. Expenses are generally remeasured at monthly foreign currency exchange rates which approximate average rates in effect during each period. Net realized and unrealized gains and losses from foreign currency transactions and remeasurement are reported in other income (expense), net, in the consolidated statements of operations and totaled approximately $0.3 million during the year ended December 31, 2017. We believe that our foreign currency exposure is limited at this time as the value of transactions and the asset and liability balances denominated in foreign currencies are relatively small. Further, we do not believe that our financial condition or results of operations would be materially impacted by an immediate change of 10% in exchange rate of the foreign currencies in which we have transactions denominated, as exchange rates have fluctuated over 10% throughout the year ended December 31, 2017 from a low of 0.7125 to a high of 0.8078 with a net impact of approximately $0.3 million to the consolidated statement of operations.

We contract with CROs and investigational sites in several foreign countries within Western Europe. We are therefore subject to fluctuations in foreign currency rates in connection with these agreements. Historically, transactions with these providers are predominantly settled in U.S. dollars and there have been no material adverse effects to date, therefore, we believe that we do not have a material exposure to foreign currency exchange risks. We do not hedge our foreign currency exchange rate risk, however, we may do so in the future.

Inflation Risk

Inflation generally affects us by increasing our cost of clinical trial costs. We do not believe that inflation has had a material effect on our business, financial condition or results of operations during the years ended December 31, 2017, 2016 or 2015.

Item 8. Consolidated Financial Statements and Supplementary Data

ANAPTYSBIO, INC.
ANNUAL REPORT ON FORM 10-K
INDEX TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
AnaptysBio, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of AnaptysBio, Inc. and subsidiary (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive loss, convertible preferred stock and stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

(signed) KPMG LLP

We have served as the Company's auditor since 2009.

San Diego, California
March 5, 2018

ANAPTYSBIO, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)

	December 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 81,189	$ 51,232
Receivable from collaborative partners	—	1,225
Australian tax incentive receivable	1,601	4,118
Short-term investments	167,218	—
Prepaid expenses and other current assets	2,688	1,633
Total current assets	252,696	58,208
Property and equipment, net	665	471
Long-term investments	75,897	—
Long-term vendor deposits	46	—
Restricted cash	60	60
Deferred financing costs	—	3,441
Total assets	$ 329,364	$ 62,180
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 2,323	$ 2,278
Accrued expenses	4,875	3,429
Notes payable, current portion	6,875	—
Other current liabilities	17	1
Total current liabilities	14,090	5,708
Notes payable, net of current portion	7,553	13,809
Deferred rent	140	154
Preferred stock warrant liabilities	—	3,241
Commitments and contingencies		
Series B convertible preferred stock, $0.001 par value, no shares and 3,963 authorized, issued and outstanding at December 31, 2017 and December 31, 2016, respectively	—	28,220
Series C convertible preferred stock, $0.001 par value, no shares and 1,887 shares authorized, no shares and 1,593 shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	—	6,452
Series C-1 convertible preferred stock, $0.001 par value, no shares and 474 shares authorized, issued and outstanding at December 31, 2017 and December 31, 2016, respectively	—	2,156
Series D convertible preferred stock, $0.001 par value, no shares and 5,491 shares authorized, issued and outstanding at December 31, 2017 and December 31, 2016, respectively	—	40,688
Stockholders' equity (deficit):		
Preferred stock, $0.001 par value, 10,000 shares and no shares authorized, issued or outstanding at December 31, 2017 and December 31, 2016, respectively	—	—
Common stock, $0.001 par value, 500,000 and 17,214 authorized, 23,791 shares and 2,651 shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	24	3
Additional paid in capital	393,017	16,672
Accumulated other comprehensive loss	(426)	—
Accumulated deficit	(85,034)	(54,923)
Total stockholders' equity (deficit)	307,581	(38,248)
Total liabilities, convertible preferred stock and stockholders' equity (deficit)	$ 329,364	$ 62,180

See accompanying notes to consolidated financial statements.

ANAPTYSBIO, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except per share data)

	Year Ended December 31,		
	2017	2016	2015
Collaboration revenue	$ 10,000	$ 16,684	$ 17,571
Operating expenses:			
Research and development	29,443	15,419	17,304
General and administrative	9,338	4,290	3,589
Total operating expenses	38,781	19,709	20,893
Loss from operations	(28,781)	(3,025)	(3,322)
Other income (expense), net			
Interest expense	(1,775)	(458)	(460)
Change in fair value of liability for preferred stock warrants	(1,366)	(756)	(1,277)
Interest income	1,623	127	18
Other income (expense), net	229	(147)	(225)
Total other income (expense), net	(1,289)	(1,234)	(1,944)
Loss before income taxes	(30,070)	(4,259)	(5,266)
Provision for income taxes	—	—	(139)
Net loss	(30,070)	(4,259)	(5,405)
Unrealized loss on available for sale securities	(426)	—	—
Other comprehensive loss	(426)	—	—
Comprehensive loss	$ (30,496)	$ (4,259)	$ (5,405)
Net loss per common share:			
Basic and diluted	$ (1.52)	$ (1.62)	$ (2.12)
Weighted-average number of shares outstanding:			
Basic and diluted	19,782	2,637	2,551

See accompanying notes to consolidated financial statements.

ANAPTYSBIO, INC.
CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands)

	Series B Convertible Preferred Stock		Series C Convertible Preferred Stock		Series C-1 Convertible Preferred Stock		Series D Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, January 1, 2015	3,963	$28,220	1,593	$6,452	474	$2,156	—	$—	2,481	$2	$14,422	$—	$(45,259)	$(30,835)
Issuance of Series D Preferred Stock							5,491	40,688						—
Reclassification of warrants											297			297
Shares issued under employee stock plans									149	1	159			160
Stock-based compensation											604			604
Net loss											—		(5,405)	(5,405)
Balance, December 31, 2015	3,963	28,220	1,593	6,452	474	2,156	5,491	40,688	2,630	3	15,482	—	(50,664)	(35,179)
Shares issued under employee stock plans									23		31			31
Repurchase of shares									(2)		(1)			(1)
Stock-based compensation											1,160			1,160
Net loss													(4,259)	(4,259)
Balance, December 31, 2016	3,963	28,220	1,593	6,452	474	2,156	5,491	40,688	2,651	3	16,672	—	(54,923)	(38,248)
Shares issued for public offerings, net of underwriters' fees									9,021	9	292,528		—	292,537
Total offering costs											(4,228)			(4,228)
Shares issued under employee stock plans									199		979			979
Conversion of preferred stock	(3,963)	(28,220)	(1,593)	(6,452)	(474)	(2,156)	(5,491)	(40,688)	11,521	12	77,504			77,516
Warrants exercised									399		536			536
Reclassification of warrants											4,607			4,607
Forfeiture rate adjustment											41		(41)	—
Stock-based compensation											4,378			4,378
Comprehensive loss												(426)		(426)
Net loss													(30,070)	(30,070)
Balance, December 31, 2017	—	$—	—	$—	—	$—	—	$—	23,791	$24	$393,017	$(426)	$(85,034)	$307,581

See accompanying notes to consolidated financial statements.

ANAPTYSBIO, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2017	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (30,070)	$ (4,259)	$ (5,405)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	183	233	274
Stock-based compensation	4,378	1,160	604
Change in fair value of liability for preferred stock warrants	1,366	756	1,277
Income from investments	11	—	—
Non-cash interest expense	619	105	110
Loss on disposal of property and equipment	—	1	3
Changes in operating assets and liabilities:			
Receivable from collaborative partners	1,225	1	229
Australian tax incentive receivable	2,517	(4,118)	—
Prepaid expenses and other assets	(1,885)	(1,079)	204
Accounts payable and other liabilities	2,218	1,251	1,949
Income taxes payable	—	(139)	139
Deferred revenue	—	(2,942)	(9,078)
Net cash used in operating activities	(19,438)	(9,030)	(9,694)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of investments	(290,905)	—	—
Sales and maturities of investments	48,137	—	—
Purchases of property and equipment	(290)	(50)	(238)
Net cash used in investing activities	(243,058)	(50)	(238)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from public offerings, net of underwriters' fees	292,537	—	—
Proceeds from issuance of common stock, upon the exercise of stock options	979	31	160
Proceeds from the issuance of preferred stock, net of issuance cost	—	—	40,688
Proceeds from issuance of common stock, upon the exercise of warrants	536	—	—
Proceeds from debt	—	10,000	—
Payments for repurchase of common stock	—	(1)	—
Payments for offering costs	(1,599)	(1,147)	(1,445)
Payments for debt issuance costs	—	(255)	—
Net cash provided by financing activities	292,453	8,628	39,403
Net increase (decrease) in cash, cash equivalents, and restricted cash	29,957	(452)	29,471
Cash, cash equivalents and restricted cash, beginning of period	51,292	51,744	22,273
Cash, cash equivalents and restricted cash, end of period	$ 81,249	$ 51,292	$ 51,744
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest paid	$ 1,089	$ 354	$ 326
Noncash investing and financing activities:			
Fair value of warrants issued with debt	$ —	$ 936	$ —
Amounts accrued for property and equipment	$ 191	$ 104	$ 11
Amounts accrued for offering costs	$ 37	$ 849	$ 760
Reclassification of warrants to equity	$ 4,607	$ —	$ 297

See accompanying notes to consolidated financial statements.

1. Description of the Business

AnaptysBio, Inc. ("we," "us," "our," or the "Company") was incorporated in the state of Delaware in November 2005. We are a publicly traded biotechnology company developing first-in-class antibody product candidates focused on unmet medical needs in inflammation. We develop our product candidates using our proprietary, antibody discovery technology platform, which is designed to replicate, *in vitro*, the natural process of antibody generation. We currently generate revenue from our collaborative research and development arrangements.

Since our inception, we have devoted our primary effort to raising capital and research and development activities, and at December 31, 2017, have an accumulated deficit of $85.0 million. Through December 31, 2017, all of our financial support has been provided primarily from the sale of our common and preferred stock, as well as from proceeds from the issuance of convertible debt and revenue received under our collaborative research and development agreements. Going forward, as we continue our expansion, we may seek additional financing and/or strategic investments. However, there can be no assurance that any additional financing or strategic investments will be available to us on acceptable terms, if at all. If events or circumstances occur such that we do not obtain additional funding, we will most likely be required to reduce our plans and/or certain discretionary spending, which could have a material adverse effect on our ability to achieve our intended business objectives. We expect that our existing cash, cash equivalents and investments will fund our current operating plan through the end of 2019.

Initial Public Offering and Related Transactions

On January 31, 2017, we completed an initial public offering, or IPO, selling 5,750,000 shares of common stock at $15.00 per share. Proceeds from our initial public offering net of underwriting discounts and commissions were $80.2 million.

In addition, each of the following occurred in connection with the completion of the IPO on January 31, 2017:

- the conversion of all outstanding shares of convertible preferred stock into 11,520,698 shares of common stock; and
- the conversion of warrants to purchase 377,195 shares of convertible preferred stock into warrants to purchase 377,195 shares of common stock and the resultant reclassification of the warrant liability to additional paid-in capital.

Reverse Stock Split

On January 13, 2017, we amended and restated our certificate of incorporation to effect a one for seven reverse stock split of every outstanding share of our preferred and common stock. The financial statements and accompanying footnotes have been retroactively restated to reflect the reverse stock split.

Follow-on Public Offering

On October 17, 2017, we completed an underwritten public offering selling 3,000,000 shares of common stock. All shares were offered by us at a price to the public of $68.50 per share. The aggregate net proceeds received by us from the offering were $194.7 million, net of underwriting discounts and commissions. As part of the underwritten public offering, on November 14, 2017, the underwriters exercised an additional 271,380 shares of common stock at a discounted price to the public of $68.50 per share for aggregate net proceeds of $17.6 million, net of underwriting discounts and commissions.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission, or the SEC. The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, or U.S. GAAP.

Basis of Consolidation

The accompanying consolidated financial statements include us and our wholly-owned Australian subsidiary. All intercompany accounts and transactions have been eliminated in consolidation. We operate in one reportable segment and our functional and reporting currency is the United States dollar, or the U.S. dollar.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. We base our estimates and assumptions on historical experience when available and on various factors that we believe to be reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results could differ from these estimates under different assumptions or conditions.

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity at date of purchase of three months or less to be cash equivalents. Cash equivalents consist primarily of money market and mutual funds with original maturities of 90 days or less.

Restricted Cash

We held restricted cash of $60,000 at December 31, 2017 and 2016, respectively, which we used to secure a letter of credit provided as security for our operating lease for our facility.

Short Term and Long Term Investments

All investments have been classified as “available-for-sale” and are carried at fair value as determined based upon quoted market prices or pricing models for similar securities at period end. Investments with contractual maturities less than 12 months at the balance sheet date are considered short-term investments. Those investments with contractual maturities 12 months or greater at the balance sheet date are considered long-term investments. Unrealized gains and losses, deemed temporary in nature, are reported as a component of accumulated other comprehensive loss. A decline in the fair value of any security below cost that is deemed other than temporary results in a charge to earnings and the corresponding establishment of a new cost basis for the security. Dividend and interest income are recognized when earned. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

Concentration of Credit Risk

Financial instruments that potentially subject us to a concentration of credit risk consist of cash and cash equivalents and certain investments in money market funds, agency securities, commercial obligations and U.S. treasury securities. Bank deposits are diversified between three financial institutions and these deposits may exceed insured limits. We are exposed to credit risk in the event of default by the financial institutions holding our cash and cash equivalents and issuers of investments that are recorded on our consolidated balance sheets. We mitigate our risk by investing in high-grade instruments and limiting the concentration in any one issuer, which limits our exposure.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Expenditures for major additions and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are amortized using the straight line method over the term of the lease. Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Long Lived Assets

Long-lived assets, consisting of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on undiscounted cash flows. If long-lived assets are impaired, an impairment loss is recognized and is measured as the amount by which the carrying value exceeds the estimated fair value of the assets. No impairment charges were recorded during the years ended December 31, 2017, 2016, or 2015.

Deferred Offering Costs

Deferred offering costs represent legal, accounting and other direct costs related to our IPO and follow-on offering. These costs were originally recorded as a long-term asset and reclassified to financing costs as a reduction to equity upon completion of our IPO and follow-on offering.

Leases, Deferred Rent and Operating Lease Incentives

Our corporate headquarters lease is classified as an operating lease. Rent expense is recognized on a straight-line basis over the terms of the leases and, accordingly, we record the cumulative difference between cash rent payments and the recognition of rent expense as a deferred rent liability. When an operating lease includes lease incentives, such as a rent abatements or leasehold improvement allowances, or requires fixed escalations of the minimum lease payments, the aggregate rental expense, including such incentives or increases, is recognized on a straight-line basis over the term of the lease.

Debt Issuance Costs

Debt issuance costs incurred to obtain debt financing are deferred and are amortized over the term of the debt using the effective interest method. The costs are recorded as a reduction to the carrying value of the debt and the amortization expense is included in interest expense in the statements of operations.

Revenue Recognition

Revenue is recognized in accordance with revenue recognition accounting guidance, which requires that four basic criteria be met before revenue can be recognized: (i) persuasive evidence that an arrangement exists; (ii) delivery has occurred and title and the risks and rewards of ownership have been transferred to the client or services have been rendered; (iii) the price is fixed or determinable; and (iv) collectability is reasonably assured.

Multiple-Element Revenue Arrangements. We evaluate deliverables in a multiple-element arrangement to determine whether each deliverable represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value to the customer. If the delivered element does not have standalone value without one of the undelivered elements in the arrangement, we combine such elements and account for them as a single unit of accounting. We allocate the consideration to each unit of accounting at the inception of the arrangement based on the relative selling price.

We recognize consideration allocated to an individual element when all other revenue recognition criteria are met for that element. Our multiple-element revenue arrangements may include the following:

- **License arrangements**. The deliverables under our collaboration and license agreements generally include exclusive or nonexclusive licenses to one or more products generated using our technologies. As the delivered licenses have not historically had standalone value apart from the undelivered elements, these have been recognized as revenue as a combined unit of accounting. Accordingly, we recognize revenue from nonrefundable upfront fees in the same manner as the undelivered item(s), which is generally the period over which we provide research and development services.
- **Research and Development Services**. The deliverables under our collaboration and license arrangements include research and development services we perform on behalf of or with our collaborators. As the provision of research and development services is an integral part of our operations and we may be principally responsible for the performance of these services under the agreements, we recognize revenue on a gross basis for research and development services as we perform those services. Additionally, we recognize research related funding under collaboration research and development efforts as revenue as we perform or deliver the related services in accordance with contract terms.

Milestone Revenue. Our collaboration and license agreements generally include contingent contractual payments related to achievement of specific research, development and regulatory milestones and sales-based milestones that are dependent upon the performance of the licensee or collaborator.

We recognize any payment that is contingent upon the achievement of a substantive milestone entirely in the period in which the milestone is achieved. A milestone is defined as an event that can only be achieved based in whole or in part either on our performance, or the performance of our collaborators, or the occurrence of a specific outcome resulting from our past performance for which there is a substantive uncertainty at the date the arrangement is entered into that the event will be achieved.

Research and Development

Costs associated with research and development activities are expensed as incurred. Research and development costs primarily include third-party clinical and preclinical research and development services, including manufacturing, laboratory and related supplies, salaries and personnel-related costs, in-licensing fees, outside services, and an allocation of information technology, fringe benefits, and facility overhead costs.

Upfront and milestone payments incurred under our in-licensing agreements are expensed as acquired in-process research and development in the period in which they are incurred, provided that the technology or method has no alternative future use. Royalties incurred on fees received under our sublicensing arrangements are expensed in the period in which we recognize the related collaborative revenue.

Australian Research and Development Tax Incentive

We are eligible under the Australian Research and Development Tax Incentive Program, or the Tax Incentive, to obtain a cash refund from the Australian Taxation Office for eligible research and development expenditures. However, we must have revenue of less than AUD $20.0 million during the reimbursable period and cannot be controlled by income tax exempt entities. The Tax Incentive is recognized as a reduction to research and development expense when there is reasonable assurance that the Tax Incentive will be received, the relevant expenditure has been incurred, and the amount can be reliably measured. The Tax Incentive is denominated in Australian dollars and, therefore, the related receivable is remeasured into U.S. dollars as of each reporting date.

Stock-Based Compensation

We recognize stock-based compensation expense using a fair-value-based method for costs related to all share-based payments, including stock options. Stock-based compensation cost for stock options granted to our employees and directors is measured at the grant date based on the fair-value of the award which is estimated using the Black-Scholes option-pricing model, and is recognized as expense over the requisite service period on a straight-line basis. As of January 1, 2017, upon adoption of Accounting Standards Update, or "ASU", 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* issued by the Financial Accounting Standards Board, or the "FASB", we recognize forfeitures in the period in which forfeiture occur and record stock-based compensation expense as though all awards are expected to vest.

Options granted to individual service providers who are not employees or directors are accounted for at estimated fair values using the Black-Scholes option pricing model and are subject to periodic remeasurement over the period during which the services are rendered.

No tax benefits for stock-based compensation have been recognized in the statements of changes in stockholders' equity (deficit) or cash flows. We have not recognized, and do not expect to recognize in the near future, any tax benefit related to stock-based compensation cost as a result of our full valuation allowance on net deferred tax assets and net operating loss carryforwards.

Warrants for Shares of Preferred Stock

In January 2017, upon completion of our IPO, all warrants were reclassified to additional paid-in capital. Prior to this, we accounted for warrants for shares of preferred stock with conversion features that provide for reductions in the warrant price as derivative liabilities in the accompanying balance sheets at their fair value on the date of issuance. The derivative liabilities were revalued at each balance sheet date, with changes in the fair value between reporting periods recorded as other income or expense in the consolidated statement of operations.

Income Taxes

We account for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered or settled. Realization of deferred tax assets is dependent upon future taxable income. A valuation allowance is recognized if it is more likely than not that some portion or all of a deferred tax asset will not be realized based on the weight of available evidence, including expected future earnings.

We recognize an uncertain tax position in our consolidated financial statements when we conclude that a tax position is more likely than not to be sustained upon examination based solely on technical merits. Only after a tax position passes the first step of recognition will measurement be required. Under the measurement step, the tax benefit is measured as the largest amount of benefit that is more likely than not to be realized upon effective settlement. This is determined on a cumulative probability basis. The full impact of any change in recognition or measurement is reflected in the period in which such change occurs. We have elected to accrue any interest or penalties related to income taxes as part of our income tax expense.

Functional Currency of Foreign Operations

Our Australian subsidiary operates in a U.S. dollar functional currency environment. Assets and liabilities of our foreign subsidiary that are not denominated in the functional currency are remeasured into U.S. dollars at foreign currency exchange rates in effect at the balance sheet date except for nonmonetary assets and capital accounts, which are remeasured at historical foreign currency exchange rates in effect at the date of transaction. Expenses are generally remeasured at monthly foreign currency exchange rates which approximate average rates in effect during each period. Net realized and unrealized gains and losses from foreign currency transactions and remeasurement are reported in other income (expense), net, in the consolidated statements of operations and totaled $0.2 million, $(0.1) million and $(0.2) million during the years ended December 31, 2017, 2016 and 2015, respectively.

Comprehensive Loss

Comprehensive loss represents all changes in stockholders' equity (deficit) except those resulting from distributions to stockholders. Our unrealized losses on available for sale investments represent the only component of other comprehensive loss that is excluded from the reported net income (loss).

Net Loss Per Common Share

Net loss per share of common stock is determined using the two-class method for participating securities to the extent this method is more dilutive than the if-converted method. All series of our convertible preferred stock are considered to be participating securities. In accordance with the two-class method, earnings allocated to these participating securities, which include participation rights in undistributed earnings, are subtracted from net income to determine total earnings to be attributed to common stockholders.

Basic net loss per common share is computed by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing net loss by the weighted-average number of common equivalent shares outstanding for the period. Diluted net loss per share includes any dilutive effect from outstanding stock options and warrants using the treasury stock method. Computations for basic and diluted net loss per common share are presented on the consolidated statements of operations.

The following table sets forth the outstanding potentially dilutive securities that have been excluded in the calculation of diluted net loss per share because to do so would be anti-dilutive (in common stock equivalent shares):

(in thousands)	Year Ended December 31,		
	2017	2016	2015
Convertible preferred stock	—	11,521	8,581
Options to purchase common stock	2,478	1,969	1,511
Warrants to purchase preferred stock	—	295	294
Warrants to purchase common stock	161	117	117
Total	2,639	13,902	10,503

Accounting Pronouncements Recently Adopted

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. Under the new guidance, additional paid-in capital pools will be eliminated and entities will be required to recognize the income tax effects of share-based awards in the income statement when share-based awards vest or are settled. ASU 2016-09 also changes the classification of excess tax benefits on the statement of cash flows. It also will allow an employer to repurchase more of an employee's shares than it can currently for tax withholding purposes without triggering liability accounting and to make a policy election to either account for forfeitures as they occur or to continue the current practice of estimating forfeitures at the time of grant. ASU 2016-09 became effective for annual reporting

periods beginning January 1, 2017, including interim periods thereafter. Upon adoption of this standard in January 2017, we recognized a cumulative increase of $41,000 to our accumulated deficit as a result of a change in accounting policy, due to our transition from calculating an estimated forfeiture rate at grant date to recording actual forfeitures as they occur. We did not record any other adjustments upon adoption of this standard.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires companies to include cash and cash equivalents that have restrictions on withdrawal or use in total cash and cash equivalents on the statement of cash flows. ASU 2016-18 becomes effective for annual reporting periods beginning January 1, 2018, including interim periods thereafter; early adoption is permitted, including adoption in an interim period. Upon early adoption of this standard in January 2017, we adjusted our consolidated statement of cash flows to include $60,000 in restricted cash in all beginning and ending cash balances other than fiscal 2015, for which we adjusted the beginning cash balance to include $85,000 in restricted cash. We did not record any other adjustments upon adoption of this standard.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This standard is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also requires additional disclosure about the nature, amount, timing and uncertainty of assets recognized from costs incurred to fulfill a contract and becomes effective for our annual reporting period beginning January 1, 2018, including interim periods within that reporting period. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. We will transition this standard using the modified retrospective approach for our annual reporting period beginning January 1, 2018. Based on our current revenue structure, the most significant impacts relate to our accounting for variable consideration including revenues related to contingent “milestone” based payments and our disclosures required under the new standard as it relates to our two ongoing collaboration agreements, TESARO and Celgene. Application of the new standard requires that variable consideration be recognized to the extent that it is probable that a significant reversal in the amount of revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved, which would require the milestone payments to be recorded when we determine a significant reversal will not occur, rather than when the milestone is achieved. However, we have reviewed the TESARO and Celgene agreements and have determined that given the nature of potential milestones owed to us under these agreements, and the inherent risk involved in developing drugs, a cumulative catch-up adjustment will not be required as of January 1, 2018. While we currently disaggregate our revenue disclosures by collaborative agreement, additional discussion surrounding significant estimates made by management is required.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which intends to enhance the reporting model for financial instruments by providing users of financial instruments with more decision-useful information. The standard also addresses certain aspects of the recognition, measurement, presentation, and disclosure of financial instruments and requires additional disclosure about the nature, amount, timing and uncertainty of assets recognized from costs incurred to fulfill a contract and becomes effective for our annual reporting period beginning January 1, 2018, including interim periods within that reporting period. We adopted this standard as of January 1, 2018 and note that this standard will not have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires that lessees recognize a right-of-use asset and a related lease liability arising from leases on the balance sheet. ASU 2016-02 becomes effective for our annual reporting period beginning January 1, 2019, including interim periods thereafter. We have begun analyzing recently executed contracts for embedded leases and have begun to review historical contracts that are still in effect for 2017, including our outstanding lease agreements. We continue to assess the impact that this standard will have on our consolidated financial statements and anticipate recognition of additional assets and corresponding liabilities related to leases on our consolidated balance sheets.

In May 2017, the FASB issued ASU 2017-09, *Compensation - Stock Compensation (Topic 718)*, which provides further guidance as to what constitutes a modification to the terms of shared based compensation, in order to create consistency in practice amongst all entities. ASU 2017-09 becomes effective for annual reporting periods beginning after December 15, 2017, including interim periods thereafter. We adopted this standard as of January 1, 2018 and note that this standard will not have a material impact on our consolidated financial statements.

3. Balance Sheet Accounts and Supplemental Disclosures

Property and Equipment

Property and equipment consist of the following:

(in thousands)	December 31, 2017	December 31, 2016
Laboratory equipment	$ 3,687	$ 3,383
Office furniture and equipment	605	535
Leasehold improvements	351	351
	4,643	4,269
Less: accumulated depreciation and amortization	(3,978)	(3,798)
Total property and equipment, net	$ 665	$ 471

Accrued Expenses

Accrued expenses consist of the following:

(in thousands)	December 31, 2017	December 31, 2016
Accrued compensation and related expenses	$ 1,588	$ 973
Accrued research and contract manufacturing expenses	2,961	2,084
Other	326	372
Total accrued expenses	$ 4,875	$ 3,429

4. Collaborative Research and Development Agreements

TESARO Collaboration

In March 2014, we entered into a Collaboration and Exclusive License Agreement, or the TESARO Agreement, with TESARO, Inc. and TESARO Development, Inc., collectively, TESARO, an oncology-focused biopharmaceutical company. Under the terms of the agreement, we agreed to perform certain discovery and early preclinical development of therapeutic antibodies with the goal of generating immunotherapy antibodies for subsequent preclinical, clinical, regulatory and commercial development to be performed by TESARO. Under the terms of the agreement, TESARO paid an upfront license fee of $17.0 million in March 2014 and agreed to provide funding to us for research and development services related to antibody discovery programs for three specific targets. In November 2014, we and TESARO entered into Amendment No. 1 to the Agreement to add an antibody discovery program against a fourth target for an upfront license fee of $2.0 million.

For each development program, we are eligible to receive milestone payments of up to $18.0 million if certain preclinical and clinical trial events are achieved by TESARO, up to an additional $90.0 million if certain U.S. and European regulatory submissions and approvals in multiple indications are achieved, and up to an additional $165.0 million upon the achievement of specified levels of annual worldwide net sales. We will also be eligible to receive tiered single-digit royalties related to worldwide net sales of products developed under the collaboration. Unless earlier terminated by either party upon specified circumstances, the agreement will terminate, with respect to each specific developed product, upon the latter of the 12th anniversary of the first commercial sale of the product or the expiration of the last to expire of any patent. We determined that the upfront license fees and research funding under the agreement, as amended, should be accounted for as a single unit of accounting and that the upfront license fees should be deferred and recognized as revenue over the same period that the research and development services are performed. In December 2015, we determined that the research and development services would be extended through December 31, 2016. As a result, the period over which the unrecognized license fees and milestones were recognized was extended through December 31, 2016.

Milestones achieved through December 31, 2017 under the TESARO Agreement are as follows:

Milestone Event	Anti-PD-1 (TSR042) Amount	Anti-PD-1 (TSR042) Quarter Earned	Anti-TIM-3 (TSR022) Amount	Anti-TIM-3 (TSR022) Quarter Earned	Anti-LAG-3 (TSR033) Amount	Anti-LAG-3 (TSR033) Quarter Earned
Initiated *in vivo* toxicology studies using good laboratory practices (GLPs)	$1.0M	Q2'15	$1.0M	Q4'15	$1.0M	Q3'16
IND clearance from the FDA	$4.0M	Q1'16	$4.0M	Q2'16	$4.0M	Q2'17
Phase 2 clinical trial initiation	$3.0M	Q2'17	$3.0M	Q4'17	—	—

Milestones achieved during the discovery period were recognized as revenue pro-rata through December 31, 2016. Milestones achieved subsequent to December 31, 2016 were recognized as revenue in the period earned. Cash is generally received within 30 days of milestone achievement.

Revenue from future contingent milestone payments will be recognized if and when such payments become due, subject to satisfaction of all of the criteria necessary to recognize revenue at that time.

We recognized $10.0 million in revenue under this agreement during the year ended December 31, 2017 related to three milestones earned. Revenue recognized under this agreement aggregated $15.2 million during the year ended December 31, 2016, which includes $9.3 million related to milestones earned, $3.2 million in funding for research and development services and $2.6 million for the amortization of the upfront fee. Revenue recognized under this agreement aggregated $17.6 million during the year ended December 31, 2015, which primarily includes $9.4 million for the amortization of the upfront fee, $6.5 million in funding for research and development services and $1.7 million for milestones earned.

Antibody Generation Agreement with Celgene Corporation

In December 2011, we entered into a license and collaboration agreement with Celgene, or the Celgene Agreement, to develop therapeutic antibodies against multiple targets. We granted Celgene the option to obtain worldwide commercial rights to antibodies generated against each of the targets under the agreement, which option was triggered on a target-by-target basis by our delivery of antibodies meeting certain pre-specified parameters pertaining to each target under the agreement.

The agreement provided for an upfront payment of $6.0 million from Celgene, which we received in 2011 and recognized through 2014, milestone payments of up to $53.0 million per target, low single-digit royalties on net sales of antibodies against each target, and reimbursement of specified research and development costs.

Milestones achieved through December 31, 2017 under the Celgene Agreement are as follows:

Milestone Event	Anti-PD-1 (CC-90006) Amount	Anti-PD-1 (CC-90006) Quarter Earned
Completion of first in vivo toxicology studies using GLPs	$0.5M	Q2'16
Phase 1 clinical trial initiation	$1.0M	Q4'16

Milestones were recognized as revenue in the period earned. There was no revenue recognized under this agreement during the year ended December 31, 2017. Revenue recognized under this agreement aggregated $1.5 million during the year ended December 31, 2016. Cash is generally received within 30 days of milestone achievement. No revenue was recognized under this agreement during the year ended December 31, 2015.

5. Notes Payable

On December 24, 2014, we entered into a Loan and Security Agreement, as amended from time to time, the Loan Agreement, with a bank and a financial institution whereby we may borrow up to $15.0 million in three separate draws of $5.0 million each. The Term A Loans, for an aggregate of $5.0 million, were drawn on December 24, 2014 and each bear a fixed rate of interest of 6.97%.

In connection with the issuance of the Term A Loans, we issued detachable, fully vested warrants to purchase an aggregate of 41,208 shares of Series C Preferred Stock at an exercise price of $4.55 per share to the lenders. The grant-date fair value of the warrants of $0.1 million was recorded as a liability, with a reduction to the carrying value of the Term A Loans, and

which is recognized as additional interest expense over the remaining term of the Loans. The initial fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: a stock price volatility of 70.2%, an expected life equal to the contractual term of the warrants of ten years and a risk-free interest rate of 1.97%.

In January 2016, the Loan Agreement was amended to combine Term B Loans and Term C Loans for a total of $10.0 million available for draw through December 31, 2016 and delay the beginning of our Term A Loans' principal repayments from February 1, 2016 until February 1, 2017. The Term B Loans and Term C Loans became available for draw on July 1, 2016. In December 2016, we further amended the Loan Agreement to (i) allow for the Term B Loans and Term C Loans to be drawn on December 30, 2016, (ii) delay principal repayments of all Term Loans until February 1, 2018 and (iii) amend the interest rate for each Term Loan. The Term B Loans and the Term C Loans were drawn on December 30, 2016. As of December 31, 2017, the Term Loans are due in one monthly interest-only payment through January 2018, followed by 24 equal monthly principal and interest payments beginning February 1, 2018, with final maturity in January 2020. Each Loan bears interest equal to the greater of 3-month U.S. LIBOR plus 6.37% or 7.3%. The interest rate was 7.86% as of December 31, 2017.

In connection with the issuance of the Term B & C Loans, we issued detachable, fully vested warrants to purchase an aggregate of 82,416 shares of Series C Preferred Stock at an exercise price of $4.55 per share to the lenders. The grant-date fair value of the warrants of $0.9 million was recorded as a liability, with a reduction to the carrying value of the Term B & C Loans, and which is recognized as additional interest expense over the remaining term of the Loans. The initial fair value of the warrants was determined using the Black-Scholes option pricing model with the following assumptions: a stock price volatility of 79.2%, an expected life equal to the contractual term of the warrants of ten years and a risk-free interest rate of 2.45%. As discussed in Note 7 below, all of the outstanding warrants to purchase shares of preferred stock automatically converted into warrants to purchase shares of common stock in connection with the IPO and are accounted for as equity from the conversion date forward. All warrants related to Term Loans were exercised during the year ended December 31, 2017.

As of December 31, 2017, the carrying amount of the Term Loans was $14.4 million, which is net of discounts of $0.6 million and of which $6.9 million is classified as current liabilities as of December 31, 2017. The effective interest rate on the Term Loans at December 31, 2017 was 12.25%. As of December 31, 2017, future principal maturities of the Term Loans were $6.9 million, $7.5 million and $0.6 million in 2018, 2019 and 2020, respectively.

The Term Loans are secured by a first priority interest in most of our assets, excluding intellectual property. As of December 31, 2017, we were in compliance with the covenants contained in the Loan Agreement.

6. Fair Value Measurements and Available for Sale Investments

Fair Value Measurements

Our financial instruments consist principally of cash, cash equivalents, restricted cash, short-term and long-term investments, receivables, accounts payable, notes payable and, through January 31, 2017, preferred stock warrant liabilities. Certain of our financial assets and liabilities have been recorded at fair value in the consolidated balance sheet in accordance with the accounting standards for fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Accounting guidance also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activities, therefore requiring an entity to develop its own assumptions.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes our assets and liabilities that require fair value measurements on a recurring basis and their respective input levels based on the fair value hierarchy:

		Fair Value Measurements at End of Period Using:		
(in thousands)	Fair Value	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At December 31, 2017				
Money market funds[1]	$ 41,318	$ 41,318	$ —	$ —
Mutual funds[1]	28,817	28,817	—	—
U.S. treasury securities[2]	79,397	79,397	—	—
Agency securities[2]	59,948	—	59,948	—
Commercial and corporate obligations[2]	111,660	—	111,660	—
At December 31, 2016				
Money market funds[1]	$ 31,955	$ 31,955	$ —	$ —
Mutual funds[1]	17,620	17,620	—	—
Preferred stock warrant liabilities	3,241	—	—	3,241

(1) Included in cash and cash equivalents, and restricted cash in the accompanying consolidated balance sheets.

(2) Included in short-term or long-term investments in the accompanying consolidated balance sheets depending on the respective maturity date.

The following methods and assumptions were used to estimate the fair value of our financial instruments for which it is practicable to estimate that value:

Marketable Securities. For fair values determined by Level 1 inputs, which utilize quoted prices in active markets for identical assets, the level of judgment required to estimate fair value is relatively low. For fair values determined by Level 2 inputs, which utilize quoted prices in less active markets for similar assets, the level of judgment required to estimate fair value is also considered relatively low.

Warrant Liabilities. Our preferred stock warrants were accounted for as derivative liabilities and measured at fair value on a recurring basis through January 31, 2017 as they contained features that were either not afforded equity classification or embodied risks that were not clearly and closely related to host contracts. We estimated the fair value of these derivatives utilizing the Black-Scholes option-pricing model, which requires Level 3 inputs.

As discussed in Note 7 below, all of the outstanding warrants to purchase shares of preferred stock automatically converted into warrants to purchase shares of common stock in connection with the IPO and are accounted for as equity from the conversion date forward. Prior to the conversion, we estimated the fair value of convertible preferred stock warrants at the time of issuance and subsequent remeasurement using the Black-Scholes option-pricing model at each reporting date.

Estimating fair values of derivative financial instruments, including Level 3 instruments, require the use of significant and subjective inputs that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors, including changes in the estimated fair value of our equity securities.

The following weighted-average assumptions were employed in estimating the value of the liabilities for Series C preferred stock warrants using the Black-Scholes option-pricing model as of January 31, 2017, the conversion date, and December 31, 2016:

	January 31, 2017	December 31, 2016
Fair value of preferred stock	$ 16.95	$ 12.67
Exercise price	$ 4.55	$ 4.55
Risk-free interest rate	1.4%	1.5%
Volatility	88.8%	88.6%
Dividend Yield	—%	—%
Contractual term (in years)	3.8	3.8
Weighted-average measurement date fair value per share	$ 13.71	$ 9.65

The following table summarizes the activity in liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3 Inputs):

	Year Ended December 31,	
(in thousands)	2017	2016
Preferred Stock Warrant Liabilities:		
Beginning balance	$ (3,241)	$ (1,549)
Issuance of Series C preferred Stock warrants	—	(936)
Net gains (losses) included in other expense	(1,366)	(756)
Reclassification of warrant liabilities to equity	4,607	—
Ending balance	$ —	$ (3,241)

Fair Value of Other Financial Instruments

The fair value of our other financial instruments estimated as of December 31, 2017 and December 31, 2016 are presented below:

	December 31, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Notes payable	$ 14,428	$ 15,650	$ 13,809	$ 15,531

The carrying amounts of certain of our financial instruments, including cash and cash equivalents, receivable from collaborative partner, Australian tax incentive receivable, accounts payable, and accrued expenses approximate fair value due to their short-term nature.

The following methods and assumptions were used to estimate the fair value of our notes payable:

Notes Payable—We use the income approach to value the aforementioned debt instrument. We use a present value calculation to discount principal and interest payments and the final maturity payment on these liabilities using a discounted cash flow model based on observable inputs. We discount these debt instruments based on what the current market rates would offer us as of the reporting date. Based on the assumptions used to value these liabilities at fair value, these debt instruments are categorized as Level 2 in the fair value hierarchy.

Available for Sale Investments

In February 2017, we began investing our excess cash in agency securities, debt instruments of financial institutions and corporations, or commercial obligations, and U.S. Treasury securities, which we classify as available-for-sale investments. These investments are carried at fair value and are included in the tables above. The aggregate market value, cost basis, and gross unrealized gains and losses of available-for-sale investments by security type, classified in cash equivalents, short-term and long-term investments, as of December 31, 2017 are as follows:

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Total Fair Value
Agency securities[1]	$ 60,100	$ —	$ (152)	$ 59,948
Commercial and corporate obligations[2]	111,823	2	(165)	111,660
US Treasury securities[3]	79,508	—	(111)	79,397
Total available-for-sale investments	$ 251,431	$ 2	$ (428)	$ 251,005

(1) Of our outstanding agency securities, $27.2 million have maturity dates of less than one year and $32.8 million have a maturity date of between one to two years as of December 31, 2017.

(2) Of our outstanding commercial and corporate obligations, $87.0 million have maturity dates of less than one year and $24.7 million have a maturity date of between one to two years as of December 31, 2017.

(3) Of our outstanding U.S. Treasury securities $60.9 million have maturity dates of less than one year and $18.4 million have a maturity date of between one to two years as of December 31, 2017.

7. Stockholders' Equity

Common and Preferred Stock

On January 13, 2017, we amended our Certificate of Incorporation to increase the number of authorized shares of common stock to 60,000,000 with a par value of $0.001 per share and decrease the number of authorized shares of preferred stock to 11,520,698 with a par value of $0.001 per share. Subsequently, on January 31, 2017, upon completion of our IPO, we amended our Certificate of Incorporation to increase the number of authorized shares of common stock to 500,000,000 with a par value of $0.001 and decrease the number of authorized shares of preferred stock to 10,000,000 with a par value of $0.001 per share.

Common Stock

Of the 500,000,000 shares of common stock authorized, 23,791,392 shares were issued and outstanding as of December 31, 2017. Common stock reserved for future issuance upon the exercise, issuance or conversion of the respective equity instruments at December 31, 2017 are as follows:

Issued and Outstanding:	
Stock options	2,425,903
Warrants for shares of common stock	16,770
Shares reserved for future award grants	1,379,575
Total	3,822,248

Warrant Exercises

During the year ended December 31, 2017, warrants for the purchase of 477,908 shares of common stock were exercised, of which 359,999 were exercised by a net exercise method. As a result, we issued 398,837 shares of common stock.

Repurchase of Common Stock

Certain stock option grants under our 2006 Equity Incentive Plan, or the 2006 Plan, are subject to an early exercise provision. Shares of common stock obtained upon early exercise of unvested options are subject to repurchase by us at the applicable original issue price. During the year ended December 31, 2016, we repurchased 1,457 shares of common stock. No shares were repurchased during the years ended December 31, 2017 or 2015.

Issuance of Series D Convertible Preferred Stock

On July 13, 2015, we issued and sold 5,490,973 shares of Series D Convertible Preferred Stock at $7.42 per share for net proceeds of $40.7 million.

8. Equity Incentive Plans

2017 Equity Incentive Plan

On January 12, 2017, our board of directors and stockholders approved and adopted the 2017 Equity Incentive Plan or the 2017 Plan. The 2017 Plan became effective upon the execution and delivery of the underwriting agreement for our initial public offering on January 26, 2017, and replaced our existing 2006 Plan. Under the 2017 Plan we may grant stock options, stock appreciation rights, restricted stock, restricted stock units and other awards to individuals who are then our employees, officers, directors or consultants. A total of 1,955,506 shares of common stock were initially reserved for issuance under the 2017 plan, including 308,343 that were rolled over from the 2006 Plan. In addition, the number of shares of stock available for issuance under the 2017 Plan will be automatically increased each January 1, beginning on January 1, 2018, by 4% of the aggregate number of outstanding shares of our common stock as of the immediately preceding December 31 or such lesser number as determined by our board of directors.

As of December 31, 2017, there were 2,425,903 options outstanding to purchase shares of common stock and 1,379,575 shares of common stock reserved for future stock awards under the 2017 Plan.

Employee Stock Purchase Plan

On January 12, 2017, our board of directors and stockholders approved and adopted the 2017 Employee Stock Purchase Plan or the ESPP. The ESPP became effective upon the execution and delivery of the underwriting agreement for our initial public offering on January 26, 2017. A total of 218,000 shares of common stock are initially reserved for issuance under the ESPP. In addition, the number shares of stock available for issuance under the ESPP will be automatically increased each January 1, beginning on January 1, 2018, by 1% of the aggregate number of outstanding shares of our common stock as of the immediately preceding December 31 or such lesser number as determined by our board of directors.

Stock Options

Stock options granted to employees and non-employees generally vest over a four-year period while stock options granted to directors vest over a one year period. Each have a maximum term of ten years from the date of grant, subject to earlier cancellation prior to vesting upon cessation of service to us. A summary of the activity related to stock option awards during the year ended December 31, 2017 is as follows:

	Shares Subject to Options	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2017	1,879,428	$ 4.34		
Granted	1,099,806	$ 24.44		
Exercises	(199,191)	$ 4.92		
Forfeitures and cancellations	(354,140)	$ 13.72		
Outstanding at December 31, 2017	2,425,903	$ 12.03	7.39	$ 215,142.6
Exercisable at December 31, 2017	1,131,354	$ 3.23	5.77	$ 110,292.8

Total cash received from the exercise of stock options was approximately $1.0 million during the year ended December 31, 2017. As a result of the adoption of ASU 2016-09 and the elimination of a forfeiture rate as discussed in Note 2 above, all options outstanding are considered expected to fully vest.

Certain stock option grants under the 2006 Plan provide for exercise of the stock option prior to vesting. Shares of common stock issued upon exercise of unvested options are subject to repurchase by us at the respective original exercise price until vested. Consideration received for the exercise of unvested stock options is recorded as a liability and reclassified into equity as the related award vests.

Stock-Based Compensation Expense

The estimated fair values of stock option awards granted to employees were determined on the date of grant using the Black-Scholes option valuation model with the following weighted average assumptions:

	Year Ended December 31,		
	2017	2016	2015
Risk-free interest rate	2.0%	1.4%	1.4%
Expected volatility	64.3%	70.5%	71.2%
Expected dividend yield	—%	—%	—%
Expected term (in years)	6.25	6.25	6.10
Weighted average grant date fair value per share	$ 14.82	$ 4.35	$ 4.48

There were 1,099,806, 330,622 and 1,040,093 stock options granted during the years ended December 31, 2017, 2016 and 2015, respectively.

We determine the appropriate risk free interest rate, expected term for employee stock based awards, contractual term for non-employee stock based awards, and volatility assumptions. The weighted-average expected option term for employee and director stock based awards reflects the application of the simplified method, which defines the life as the average of the contractual term of the options and the weighted average vesting period for all option tranches. The weighted average expected term for non-employee stock based awards is the remaining contractual life of the award. Estimated volatility incorporates historical volatility of similar entities whose share prices are publicly available. The risk free interest rate is based upon U.S. Treasury securities with remaining terms similar to the expected or contractual term of the share based payment awards. The assumed dividend yield is based on our expectation of not paying dividends in the foreseeable future.

Total non-cash stock-based compensation expense for all stock awards that was recognized in the consolidated statements of operations and comprehensive loss is as follows:

	Year Ended December 31,		
(in thousands)	2017	2016	2015
Research and development	$ 1,347	$ 420	$ 282
General and administrative	3,031	740	322
Total	$ 4,378	$ 1,160	$ 604

At December 31, 2017, there was $14.9 million of unrecognized compensation cost related to unvested stock option awards, which is expected to be recognized over a remaining weighted average vesting period of 2.5 years.

9. Australia Research and Development Tax Incentive

Our Australian subsidiary, which conducts core research and development activities on our behalf, is eligible to receive a refundable tax incentive for qualified research and development activities of 43.5% during fiscal 2017, and 45.0% during fiscal 2016 and 2015. For the years ended December 31, 2017 and 2016, $1.5 million and $7.2 million, respectively, were recorded as a reduction to research and development expenses in the consolidated statements of operations and comprehensive loss. Of the $7.2 million recorded in fiscal 2016, $3.0 million is related to fiscal 2015 upon determination that we would meet eligibility criteria and that collectability was reasonably assured. As of December 31, 2017 our tax incentive receivable from the Australian government was $1.6 million. We received $4.6 million and $3.0 million in cash during the years ended December 31, 2017 and 2016, respectively.

10. Employee Benefit Plan

We have a defined-contribution 401(k) plan for our employees. Employees are eligible to participate in the plan beginning on the first day of the month following date of hire. Under the terms of the plan, employees may make voluntary contributions as a percentage of compensation and we have the option to make a discretionary match as determined by the board of directors, within prescribed limits. There were no employer contributions to the plan during the years ended December 31, 2017, 2016 and 2015.

11. Commitments and Contingencies

Operating Leases

We lease our facility under a non-cancellable operating lease for which we exercised our option to renew for an additional five-year period in fiscal 2015. The lease expires in August 2021.

Rent expense was $0.5 million, $0.5 million and $0.4 million during the years ended December 31, 2017, 2016 and 2015, respectively. At December 31, 2017, deferred rent aggregated $0.2 million, which is included in both current and noncurrent liabilities in the accompanying consolidated balance sheets. At December 31, 2017, the future minimum annual obligations under non-cancellable operating lease commitments are as follows:

Years Ending December 31, (in thousands)		
2018	$	550
2019		569
2020		589
2021		402
2022		—
Thereafter		—
Total minimum payments required	$	2,110

License Agreements

We have entered into collaborative license agreements that provide us with rights to use certain know-how, technology and patent rights maintained by the licensors in our research and development efforts. Terms of the license agreements may require us to make upfront payments, milestone payments upon the achievement of certain product research and development objectives and royalty payments on fees received under our sub-licensing arrangements and/or future sales, if any, of commercial products resulting from the collaboration.

Certain of the licensing agreements require guaranteed minimum annual payments. Terms of the licensing agreements generally range from the remaining life of the patent up to 17 years and, in some cases, may be subject to earlier termination by either party upon specified circumstances.

Total expense incurred under all collaborative licensing agreements for upfront, milestone and royalty payments were $0.5 million, $0.3 million and $0.2 million during the years ended December 31, 2017, 2016 and 2015, respectively. Total cash paid under these agreements was $0.6 million during the year ended December 31, 2017 and $0.2 million during each of the years ended December 31, 2016 and 2015.

Future minimum annual cash obligations under all such license agreements will be $0.2 million in aggregate during 2018, and thereafter. These obligations are payable through ten years from the first commercial sale, if any, or expiration of the last patent to expire, the dates of which are not determinable at this time.

Letter of Credit

At December 31, 2017 and 2016, we were contingently liable for a standby letter of credit issued by a commercial bank for $60,000 for security on our lease. A restricted cash account with these amounts was held as cash collateral for the letter of credit.

Litigation

We are, from time to time, involved in legal proceedings, regulatory actions, claims and litigation arising in the ordinary course of business. Currently, we are not a defendant in any lawsuit.

12. Income Taxes

The components of income/(loss) before income tax provision (benefit) consist of the following:

(in thousands)	Year Ended December 31, 2017	2016	2015
U.S.	$ (27,494)	$ (632)	$ 1,719
Foreign	(2,576)	(3,627)	(6,985)
Balance at the end of the year	$ (30,070)	$ (4,259)	$ (5,266)

Significant components of our deferred tax assets and liabilities are as follows:

(in thousands)	December 31, 2017	2016
Deferred Tax Assets:		
Net operating loss carryforwards	$ 17,408	$ 15,300
Research and development credits	4,773	3,086
Other, net	1,686	1,017
Total deferred tax assets	23,867	19,403
Deferred Tax Liabilities:		
Fixed assets	(57)	(108)
Total deferred tax liabilities	(57)	(108)
Net deferred tax assets	23,810	19,295
Less: valuation allowance	(23,810)	(19,295)
Deferred tax assets, net of valuation allowance	$ —	$ —

We have recorded a full valuation allowance against our net deferred tax assets due to the uncertainty surrounding the realization of such assets. Management has determined it more likely than not that the deferred tax assets are not realizable due to our historical loss position.

At December 31, 2017, we had federal and state net operating loss carryforwards, or NOLs, of $60.1 million and $57.2 million, respectively. The federal and state NOLs will both begin to expire in 2028, unless previously utilized. At December 31, 2017 we had federal and California research tax credit carryforwards of $3.0 million and $2.9 million, respectively. The federal research tax credit carryforward will begin to expire in 2026 and the California state credits carryforward indefinitely. We also have foreign tax losses of $2.6 million, which will carry forward indefinitely, subject to a continuity of ownership test.

The above NOL carryforward and the research tax credit carryforwards may be subject to an annual limitation under Section 382 and 383 of the Internal Revenue Code of 1986, as amended (the “Code”), and similar state provisions if we experience one or more ownership changes which would limit the amount of NOL and tax credit carryforwards that can be utilized to offset future taxable income and tax, respectively. In general, an ownership change as defined by Section 382 and 383, results from transactions increasing ownership of certain stockholders or public groups in the stock of the corporation by more than 50 percentage points over a three-year period. In September 2015, we completed a Section 382 analysis through December 31, 2014 and determined that there was an ownership change in 2007 that may limit the utilization of approximately $5.3 million and $5.4 million in federal and state NOLs, respectively, and $0.2 million in both federal and state research tax credits. We extended the analysis period of the study through December 31, 2016, noting no ownership changes during fiscal 2015 or 2016. We intend to extend the analysis period through December 31, 2017 in the current year, and are expecting an ownership change as a result of our IPO that may limit the utilization of Federal and State NOLs. Our use of federal NOL carryforwards could be limited further by the provisions of Section 382 of the Code depending upon the timing and amount of additional equity securities that we have issued or will issue. State NOL carryforwards may be similarly limited. If eliminated, the related asset would be removed from the deferred tax asset schedule with a corresponding reduction in the valuation allowance. Due to the existence of the valuation allowance, limitations created by future ownership changes, if any, will not impact our effective tax rate.

The following is a reconciliation of the expected statutory federal income tax provision to our actual income tax provision:

	Year Ended December 31,		
(in thousands)	**2017**	**2016**	**2015**
Expected income tax expense (benefit) at federal statutory tax rate	$ (10,223)	$ (1,448)	$ (1,790)
State income taxes, net of federal benefit	(787)	(174)	(206)
Permanent items	13	12	10
Equity compensation [(1)]	(739)	163	144
Change in fair value of preferred stock warrant liabilities	464	257	434
Research and development expenditure	679	789	—
Return to provision adjustment	11	1,957	2
Rate differential	297	52	279
Federal rate adjustment - tax reform	7,595	—	—
Research credits	(1,554)	(814)	13
Change in the valuation allowance	4,244	(794)	1,253
Income tax expense	$ —	$ —	$ 139

[(1)] Includes non-deductible stock-based compensation and, beginning in 2017, excess tax benefits from stock-based compensation. During fiscal 2017, our tax provision includes $0.4 million of excess tax benefits associated with the exercise of non-qualified stock options and $0.7 million associated with the disqualifying dispositions of incentive stock options.

In December 2017, the Tax Cuts and Jobs Act, or the 2017 Act, was enacted, which includes a number of changes to existing U.S. tax laws that impact us, most notably a reduction of the U.S. corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017. The 2017 Act also provides for a one-time transition tax on certain foreign earnings and the acceleration of depreciation for certain assets placed in service after September 27, 2017 as well as prospective changes beginning in 2018, including additional limitations on: executive compensation; the deductibility of interest; the usage of NOLs against taxable income; the capitalization of research and development expenditures. While the 2017 Act provides for a territorial tax system, beginning in 2018, it includes two new U.S. tax base erosion provision, the global intangible low-taxed income, or GILTI provisions and the base-erosion and anti-abuse tax, or BEAT, provisions.

We measure deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid. Accordingly, our deferred tax assets and liabilities were remeasured to reflect the reduction in the U.S. corporate income tax rate from 35% to 21% percent, resulting in a $7.6 million increase in tax expense for the year ended December 31, 2017 and a corresponding $7.6 million decrease in net deferred tax assets for the year ended December 31, 2017. The impact was fully offset by a valuation allowance.

The Act will no longer allow deductions for compensation in excess of $1.0 million for certain employees, even if paid as commissions or performance based compensation. It also subjects the principal executive officer, principal financial officer and three other highest paid officers to the limitation and once the individual becomes a covered person, the individual will remain a covered person for all future years. The tax effects of these provisions requires further analysis which is expected to be completed in the second half of 2018.

The 2017 Act provided for a one-time deemed mandatory repatriation of post-1986 undistributed foreign subsidiary earnings and profits through the year ended December 31, 2017. Our foreign subsidiary had an estimated accumulated deficit as of December 31, 2017. We do not expect we will be subject to this tax and therefore have not included any tax impacts related to the mandatory deemed repatriation in our consolidated financial statements.

The GILTI provisions require us to include in our US income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. While a Company may elect to account for GILTI tax in the period in which it is incurred, or recognize deferred taxes when basis differences exist that are expected to affect the amount of the GILTI inclusion upon reversal, we do not expect we will be subject to this tax and have not made a policy election as of December 31, 2017.

The BEAT provisions in the 2017 Act eliminates the deduction of certain base-erosion payments made to foreign corporations, and imposes a minimum tax if greater than regular tax. We do not expect it will be subject to this tax and do not anticipate any tax impacts of BEAT.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed, including computations, in reasonable detail to complete the accounting for certain income tax effects of the 2017 Act. We have recognized provisional tax impacts related to the revaluation of deferred tax assets and liabilities and included these amounts in our consolidated financial statements for the year ended December 31, 2017. The ultimate impact may differ from these provisional amounts due to additional analysis, changes in interpretations and assumptions we have made, additional regulatory guidance that may be issued, and actions we may take as a result of the 2017 Act. The accounting is expected to be complete when the 2017 U.S. corporate income tax return is filed in fiscal 2018.

We recognize a tax benefit from an uncertain tax position when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more likely than not recognition at the effective date to be recognized. At December 31, 2017 and 2016, we had no unrecognized tax benefits that if recognized and realized, would affect the effective tax rate due to the valuation allowance against deferred tax assets. The following table summarizes the activity related to our unrecognized tax benefits:

	Year Ended December 31,	
(in thousands)	**2017**	**2016**
Balance at the beginning of the year	$ 409	$ 252
Decrease related to prior year tax positions	—	97
Increase related to current year tax positions	182	60
Balance at the end of the year	$ 591	$ 409

If recognized, these amounts would not affect our effective tax rate, since they would be offset by an equal corresponding adjustment in the deferred tax asset valuation allowance. We do not anticipate there will be a significant change in unrecognized tax benefits within the next 12 months.

Our policy is to recognize interest and penalties related to income tax matters in the provision for income taxes. At December 31, 2017, 2016 and 2015, there were no interest or penalties on uncertain tax benefits.

We file income tax returns in the United States, California and Australia. Due to our losses incurred, we are essentially subject to income tax examination by tax authorities from inception to date.

13. Selected Quarterly Financial Data (Unaudited)

The following is a summary of our quarterly results for the years ended December 31, 2017 and 2016 (in thousands, except for per share data):

	Quarter				Year Ended
2017	First	Second	Third	Fourth	December 31, 2017
Operating loss	$ (9,988)	$ (2,555)	$ (9,087)	$ (7,151)	$ (28,781)
Net loss	$ (11,435)	$ (2,684)	$ (9,090)	$ (6,861)	$ (30,070)
Per common share:					
Loss per share, basic	$ (0.75)	$ (0.13)	$ (0.45)	$ (0.30)	$ (1.52)
Loss per share, diluted	$ (0.75)	$ (0.13)	$ (0.45)	$ (0.30)	$ (1.52)

	Quarter				Year Ended
2016	First	Second	Third	Fourth	December 31, 2016
Operating income (loss)	$ (1,139)	$ 2,363	$ (1,075)	$ (3,174)	$ (3,025)
Net income (loss)	$ (888)	$ 2,322	$ (1,115)	$ (4,578)	$ (4,259)
Per common share:					
Income (loss) per share, basic	$ (0.34)	$ 0.07	$ (0.42)	$ (1.73)	$ (1.62)
Income (loss) per share, diluted	$ (0.34)	$ 0.05	$ (0.42)	$ (1.73)	$ (1.62)

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of December 31, 2017, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2017, the design and operation of our disclosure controls and procedures were effective at a reasonable assurance level.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework issued in 2013. Based upon the assessments, management has concluded that as of December 31, 2017 our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

Attestation Report of the Registered Public Accounting Firm

This Annual Report on Form 10-K does not include nor was it subject to an attestation report of our registered public accounting firm due to a transition period established by rules of the SEC for issuers that are non-accelerated filers or qualify as an "emerging growth company," as defined in Section 2(a) of the Securities Act as modified by the JOBS Act. For as long as we remain an "emerging growth company" as defined in the JOBS Act, we intend to take advantage of the exemption permitting us not to comply with the requirement that our independent registered public accounting firm provide an attestation on the effectiveness of our internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Internal control over financial reporting may not prevent or detect all errors and all fraud. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this Item is incorporated herein by reference to the sections titled “Executive Officers,” “Election of Class I Directors,” “Corporate Governance Standards and Director Independence” and “Security Ownership of certain Beneficial Owners and Management” in our Definitive Proxy Statement with respect to our 2018 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 11. Executive Compensation

Information required by this Item is incorporated herein by reference to the section titled “Executive Compensation,” “Election of Class I Directors,” and “Corporate Governance Standards and Director Independence” in our Definitive Proxy Statement with respect to our 2018 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this Item is incorporated herein by reference to the section titled “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in our Definitive Proxy Statement with respect to our 2018 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this Item is incorporated herein by reference to the section titled “Certain Relationships and Related Party Transactions” and “Corporate Governance Standards and Director Independence” in our Definitive Proxy Statement with respect to our 2018 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 14. Principal Accounting Fees and Services

Information required by this Item is incorporated herein by reference to the section titled “Ratification of Independent Registered Public Accounting Firm” in our Definitive Proxy Statement with respect to our 2018 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits, Consolidated Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Consolidated Financial Statements

See Index to Consolidated Financial Statements at Item 8 herein.

2. Consolidated Financial Statement Schedules

No consolidated financial statement schedules are provided because the information called for is not required or is shown either in the consolidated financial statements or notes thereto.

3. Exhibits

EXHIBIT INDEX

Exhibit Number	Description of Document	Incorporated by reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation, as currently in effect.	10Q	001-37985	3.1	May 12, 2017	
3.2	Restated Bylaws, as currently in effect.	S-1	333-206849	3.4	September 9, 2015	
4.1	Form of Common Stock Certificate.	S-1	333-206849	4.1	December 23, 2015	
4.2	Fourth Amended and Restated Investors' Rights Agreement, dated July 13, 2015, by and among the Registrant and certain of its stockholders.	S-1	333-206849	4.2	September 9, 2015	
10.1*	Form of Indemnity Agreement.	S-1	333-206849	10.1	September 9, 2015	
10.2*	Amended and Restated 2006 Equity Incentive Plan and forms of award agreements.	S-1	333-206849	10.2	January 17, 2017	
10.3*	2017 Equity Incentive Plan, to become effective on the date the registration statement is declared effective, and forms of award agreements.	S-1	333-206849	10.3	January 17, 2017	
10.4*	2017 Employee Stock Purchase Plan, to become effective on the date the registration statement is declared effective, and forms of award agreements.	S-1	333-206849	10.4	January 17, 2017	
10.5*	Employment Agreement, effective as of January 1, 2012, by and between the Registrant and Hamza Suria, as amended.					X
10.6*	Employment Agreement, effective as of March 22, 2016, by and between the Registrant and Matthew Moyle.	S-1	333-206849	10.6	December 28, 2016	
10.7*	Employment Agreement, effective as of October 20, 2014, by and between the Registrant and Marco Londei, as amended.					X
10.8	Employment Agreement, effective as of January 9, 2017, by and between the Registrant and Dominic Piscitelli, as amended.					X
10.9	Office Lease, dated April 19, 2011, by and between the Registrant and Kilroy Realty, L.P., as amended.	S-1	333-206849	10.8	December 23, 2015	
10.10	Antibody Generation Agreement, dated December 22, 2011, by and between the Registrant and Celgene Corporation, as modified.	S-1	333-206849	10.9	December 28, 2016	

Exhibit Number	Description of Document	Incorporated by reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.11+	Collaboration and Exclusive License Agreement, dated March 10, 2014, by and among the Registrant, TESARO, Inc. and TESARO Development, Ltd., as amended.	S-1	333-206849	10.10	May 10, 2016	
10.12+	License Agreement, dated August 30, 2006, by and between the Registrant and Medical Research Council, as amended.	S-1	333-206849	10.12	September 9, 2015	
10.13+	Non-Exclusive Research and Commercial License Agreement, dated May 15, 2009, by and between the Registrant and Millipore Corporation.	S-1	333-206849	10.13	September 9, 2015	
10.14	Loan and Security Agreement, dated December 24, 2014, by and among the Registrant, Oxford Finance LLC and Silicon Valley Bank, as amended.	S-1	333-206849	10.13	February 2, 2016	
21.1	Subsidiaries of the Registrant.					X
23.1	Consent of KPMG LLP, an independent registered public accounting firm.					X
24.1	Power of Attorney					X
31.1	Certification of Principal Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1**	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2**	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Report Instance Document					
101.SCH	XBRL Taxonomy Extension Schema Document					
101.CAL	XBRL Taxonomy Calculation Linkbase Document					
101.LAB	XBRL Taxonomy Label Linkbase Document					
101.PRE	XBRL Presentation Linkbase Document					
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					

* Executive compensation plan or agreement.

** This certification is deemed not filed for purpose of section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

\+ Registrant has omitted and filed separately with the SEC portions of the exhibit pursuant to a confidential treatment request under Rule 406 promulgated under the Securities Act.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized**.**

Date: March 5, 2018

ANAPTYSBIO, INC.

By: /s/ Hamza Suria
Hamza Suria
Chief Executive Officer

POWER OF ATTORNEY

Each person whose individual signature appears below hereby authorizes and appoints Hamza Suria and Dominic G. Piscitelli, and each of them, with full power of substitution and re-substitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this annual report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Hamza Suria Hamza Suria	President, Chief Executive Officer and Director (Principal Executive Officer)	March 5, 2018
/s/ Dominic G. Piscitelli Dominic G. Piscitelli	Chief Financial Officer (Principal Accounting and Financial Officer)	March 5, 2018
/s/ Carol G. Gallagher Carol G. Gallagher, Pharm.D.	Director	March 5, 2018
/s/ Nicholas B. Lydon Nicholas B. Lydon, Ph.D., FRS	Director	March 5, 2018
/s/ Hollings Renton Hollings Renton	Director	March 5, 2018
/s/ John Schmid John Schmid	Director	March 5, 2018
/s/ James A. Schoeneck James A. Schoeneck	Director	March 5, 2018
/s/ James N. Topper James N. Topper, M.D., Ph.D.	Director	March 5, 2018
/s/ J. Anthony Ware J. Anthony Ware, M.D.	Director	March 5, 2018

ANAPTYSBIO, INC.
EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (this "***Agreement***") is made effective as of January 26, 2018 (the "***Effective Date***") by and among **ANAPTYSBIO, INC.** (the "***Company***") and Hamza Suria ("***Executive***"). The Company and Executive are hereinafter collectively referred to as the "***Parties***", and individually referred to as a "***Party***". This Employment Agreement amends and restates any prior employment agreement.

RECITAL

The Company desires to continue to employ Executive and Executive is willing to continue to accept such employment by Company, on the terms and subject to the conditions set forth in this Agreement.

AGREEMENT

In consideration of the foregoing Recitals and the mutual promises and covenants herein contained, and for other good and valuable consideration, the Parties, intending to be legally bound, agree as follows:

1. EMPLOYMENT.

1.1 Title. Effective as of the Effective Date, Executive's position shall be Chief Executive Officer and President of the Company, subject to the terms and conditions set forth in this Agreement. Executive shall also serve as a member of the Company's Board of Directors (the "***Board***") for so long as he continues to serve as Chief Executive Officer. At such time as Executive's service as Chief Executive Officer terminates, he agrees to immediately resign as a member of the Board.

1.2 Term. The term of this Agreement shall begin on the Effective Date and shall continue until it is terminated pursuant to Section 4 herein (the "***Term***").

1.3 Duties. Executive shall do and perform all services, acts or things necessary or advisable to manage and conduct the business of the Company and that are normally associated with the position of Chief Executive Officer and President. Executive shall report to the Board.

1.4 Policies and Practices. The employment relationship between the Parties shall be governed by this Agreement and by the policies and practices established by the Company and/or the Board, or any designated committee thereof. In the event that the terms of this Agreement differ from or are in conflict with the Company's policies or practices or the Company's Employee Handbook, this Agreement shall control.

1.5 Location. Unless the Parties otherwise agree in writing, during the Term Executive shall perform the services Executive is required to perform pursuant to this Agreement at the Company's offices in San Diego, California, *provided, however*, that the Company may from time to time require Executive to travel temporarily to other locations in connection with the Company's business.

2. LOYALTY; NONCOMPETITION; NONSOLICITATION.

2.1 Loyalty. During Executive's employment with the Company, Executive shall devote Executive's full business energies, interest, abilities and productive time to the proper and efficient performance of Executive's duties under this Agreement.

2.2 Agreement not to participate in Company's Competitors. During Executive's employment with the Company, Executive agrees not to acquire, assume or participate in, directly or indirectly, any position, investment or interest known by Executive to be adverse or antagonistic to the Company, its business, or prospects, financial or otherwise, or in any company, person, or entity that is, directly or indirectly, in competition with the business of the Company or any of its Affiliates (as defined below). Ownership by Executive, in professionally managed funds over which Executive does not have control or discretion in investment decisions, or as a passive investment, of less than two percent (2%) of the outstanding shares of capital stock of any corporation with one or more classes of its capital stock listed on a national securities exchange or publicly traded on a national securities exchange or in the over-the-counter market shall not constitute a breach of this Section. For purposes of this Agreement, "***Affiliate***," means, with respect to any specific entity, any other entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified entity.

2.3 Covenant not to Compete. During Executive's employment with the Company, (the "***Non-Compete Period***"), Executive shall not engage in competition with the Company and/or any of its Affiliates in any manner or capacity, as adviser, principal, agent, affiliate, promoter, partner, officer, director, employee, owner, co-owner, consultant, in any phase of the business of developing, manufacturing and marketing of products or services that directly compete with the products or services of the Company, except with the prior written consent of the Board. Executive shall be entitled to request written consent of the Board with respect to potential advisory and/or director opportunities presented to Executive by a third party, which Executive believes in good faith will not interfere or compete with the on-going business of the Company, during the Non-Compete Period.

3. COMPENSATION OF EXECUTIVE.

3.1 Base Salary. The Company shall pay Executive a base salary at the annualized rate of $547,000 (the "***Base Salary***"), less payroll deductions and all required withholdings, payable in regular periodic installments in accordance with the Company's normal payroll practices. The Base Salary shall be prorated for any partial year of employment on the basis of a 365-day fiscal year.

3.2 Discretionary Bonus. At the sole discretion of the Board, promptly following each calendar year of employment Executive shall be eligible to receive a discretionary cash bonus of up to 55% of Executive's then-current base salary (the "***Bonus***"), based on Executive's achievement relative to certain performance goals ("***Performance Goals***") to be established by the Board in a manner reasonably consistent with the Company's priorities. The determination of whether Executive has met the Performance Goals for any given year, and if so, the amount of any Bonus that will be paid for such year (if any), shall be determined by the Board in its sole and absolute discretion. In order to be eligible to earn or receive any Bonus, Executive must remain employed by the Company through and including the date of payment of such Bonus.

3.3 Stock Option. Executive has been granted options to purchase shares of the Company's Common Stock and will continue to be eligible for additional equity awards pursuant to the terms of the Company's 2017 Equity Incentive Plan, as amended from time to time (the "***Plan***").

3.4 Expense Reimbursements. The Company will reimburse Executive for all reasonable business expenses Executive incurs in conducting his duties hereunder, pursuant to the Company's usual expense reimbursement policies; provided that Executive supplies the appropriate substantiation for such expenses no later than the end of the calendar month following the month in which such expenses were incurred by Executive. Executive shall keep the Chairman of the Board (or equivalent) appraised of business expenses reimbursed by the Company to the Executive.

3.5 Changes to Compensation. Executive's compensation will be reviewed annually and may be changed from time to time in the Company's sole discretion.

3.6 Employment Taxes. All of Executive's compensation shall be subject to customary withholding taxes and any other employment taxes as are commonly required to be collected or withheld by the Company.

3.7 Benefits. Executive shall, in accordance with Company policy and the terms of the applicable plan documents, be eligible to participate in benefits under any benefit plan or arrangement that may be in effect from time to time and made available to the Company's senior management employees.

3.8 Holidays and Vacation. Executive shall be eligible for paid holiday and vacation time in accordance with Company policy as in effect from time to time.

4. TERMINATION.

4.1 Termination by the Company. Executive's employment with the Company is at will and may be terminated by the Company at any time and for any reason, or for no reason, including, but not limited to, under the following conditions:

4.1.1 Termination by the Company for Cause. The Company may terminate Executive's employment under this Agreement for "***Cause***" (as defined below) by delivery of written notice to Executive. Any notice of termination given pursuant to this section shall effect termination as of the date of the notice, or as of such other date specified in the notice.

4.1.2 Termination by the Company without Cause. The Company may terminate Executive's employment under this Agreement without Cause at any time and for any reason, or for no reason. Such termination shall be effective on the date Executive is so informed, or as otherwise specified by the Company.

4.2 Termination by Executive. Executive may terminate his employment with the Company at any time and for any reason, or for no reason, upon thirty (30) days written notice to the Company.

4.3 Termination for Death or Disability. Executive's employment with the Company shall automatically terminate effective upon the date of Executive's death or Disability (as defined in the Plan).

4.4 Termination by Mutual Agreement of the Parties. Executive's employment with the Company may be terminated at any time upon a mutual agreement in writing of the Parties. Any such termination of employment shall have the consequences specified in such agreement.

4.5 Compensation upon Termination.

4.5.1 Death or Disability. If Executive's employment is terminated by Death or Disability, the Company shall pay to Executive, or to Executive's heirs, Executive's accrued and unpaid base salary and accrued and unused vacation benefits earned through the date of termination at the rate in effect at the time of termination, less standard deductions and withholdings. The Company shall thereafter have no further obligations to Executive and/or Executive's heirs under this Agreement, except as otherwise provided by law.

4.5.2 Termination for Cause. If the Company terminates Executive's employment for Cause, and then the Company shall pay Executive's accrued and unpaid base salary and accrued and unused vacation benefits earned through the date of termination, at the rate in effect at the time of termination, less standard deductions and withholdings. The Company shall thereafter have no further obligations to Executive under this Agreement, except as otherwise provided by law.

4.5.3 Termination by Company without Cause or by Executive for Good Reason Not In Connection with a Change in Control. If the Company terminates Executive's employment without Cause or if Executive resigns his employment for "***Good Reason***" (as defined below), in either case at any time other than upon the occurrence of, or within the 13 months immediately following, the effective date of a "***Change in Control***" (as defined below), the Company shall pay Executive's accrued and unpaid base salary and accrued and unused vacation benefits earned through the date of termination, at the rate in effect at the time of termination, less standard deductions and withholdings. In addition, if Executive furnishes to the Company an executed waiver and release of claims in the form attached hereto as **Exhibit A** (or in such other form as may be specified by the Company) (the "***Release***") within the time period specified therein, but in no event later than 45 days following Executive's termination, and if Executive allows such Release to become effective in accordance with its terms, then (i) Executive shall be entitled to severance in the form of continuation of his base salary, at the base salary rate equal to the greater of the rate in effect at the time of termination or the rate immediately prior to the event giving rise to Good Reason (the "***Severance Payments***"), for a period of 12 months following the termination date (the "***Severance Period***"), and (ii) the Company will pay directly to the insurance provider the premium for COBRA continuation coverage for Executive and Executive's family during the Severance Period or until he obtains new employment, whichever comes first (the "***COBRA Coverage***"); provided that, if the Company determines that it cannot provide the COBRA Coverage without potentially violating applicable law or incurring additional expense under applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company will provide Executive, in lieu thereof, taxable, continued installment payments equal to the COBRA premium, payable on the last day of a given month, for 12 months (measured from the termination date), which payments will be made regardless of whether Executive elects COBRA continuation coverage (the "***COBRA Bonus***"). Notwithstanding the foregoing, the number of months of COBRA Bonus to be paid, in any case, shall be reduced by the number of months of COBRA Coverage previously paid by the Company. The Severance Payments will be subject to standard payroll deductions and withholdings and will be made on the Company's regular payroll cycle, *provided, however*, that any Severance Payments otherwise scheduled to be made prior to the effective date of the Release shall accrue and be paid in the first payroll period that follows such effective date, *provided, further*, that if the 45 day period to execute the Release spans two calendar years, no Severance Payments will be made until the

later calendar year. The Company shall thereafter have no further obligations to Executive under this Agreement, except as otherwise provided by law.

4.5.4 Termination by Company without Cause or by Executive for Good Reason In Connection with a Change in Control. If the Company terminates Executive's employment without Cause or if Executive resigns his employment for Good Reason, in either case upon the occurrence of, or within the 13 months immediately following, the effective date of a Change in Control, the Company shall pay Executive's accrued and unpaid base salary and accrued and unused vacation benefits earned through the date of termination, at the rate in effect at the time of termination, less standard deductions and withholdings. In addition, if Executive furnishes to the Company an executed Release within the time period specified therein, but in no event later than 45 days following Executive's termination, and if Executive allows such Release to become effective in accordance with its terms, then Executive shall be entitled to: (1) the Severance Payments and COBRA payments described in Section 4.5.3 above; *provided, however*, that the Severance Payments and COBRA payments shall be increased from 12 months to 18 months; and (2) accelerated vesting of all of Executive's unvested Company equity awards, such that Executive shall become vested in 100% of the shares subject to all such equity awards on the effective date of the Release; provided, however, that the vesting of any performance-based awards shall be as if all applicable performance criteria were achieved at target levels. The Company shall thereafter have no further obligations to Executive under this Agreement, except as otherwise provided by law.

4.6 Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

4.6.1 Cause. "***Cause***" shall mean the occurrence of any one or more of the following: (i) Executive's commission of any crime involving fraud, dishonesty or moral turpitude; (ii) Executive's attempted commission of or participation in a fraud or act of dishonesty against the Company that results in (or might have reasonably resulted in) material harm to the business of the Company; (iii) Executive's intentional, material violation of any contract or agreement between Executive and the Company or any statutory duty Executive owes to the Company; or (iv) Executive's conduct that constitutes gross insubordination, incompetence or habitual neglect of duties and that results in (or might have reasonably resulted in) material harm to the business of the Company; *provided, however*, that the action or conduct described in clauses (iii) and (iv) above will constitute "Cause" only if such action or conduct continues after the Company has provided Executive with written notice thereof and thirty (30) days to cure, or otherwise remedy to the extent possible under direct control of the Executive, the same. An occurrence of "Cause" as set forth in the preceding sentence shall be based upon a good faith determination by the Board. Executive's Disability shall not constitute Cause as set forth herein. The determination that a termination is for Cause shall be by the Board in its sole and exclusive judgment and discretion.

4.6.2 "***Change in Control***" shall have the meaning set forth in the Amended and Restated 2006 Equity Incentive Plan.

4.6.3 "***Good Reason***" shall mean any of the following actions: (i) the assignment to Executive of any duties or responsibilities that results in a material diminution in Executive's function as in effect immediately prior to the effective date of the Change in Control; provided, however, that it will be considered a material diminution in Executive's function if, following a Change in Control, the Executive is not reporting directly to the Company's corporate board of directors (or in the event of a Change in Control where the Company becomes a subsidiary of another company or

ceases to exist, the corporate board of directors of the ultimate parent entity resulting from such Change in Control); (ii) a reduction by the Company in Executive's annual base salary as in effect on the effective date of the Change in Control; provided, however, that Good Reason shall not be deemed to have occurred in the event of a reduction in Executive's annual base salary that is pursuant to a salary reduction program affecting substantially all of the employees of the Company and that does not adversely affect Executive to a greater extent than other similarly situated employees; or (iii) a relocation of Executive's primary business office to a location more than 50 miles from the location of Executive's primary business office as of the effective date of the Change in Control, except for required travel by Executive on the Company's business to an extent substantially consistent with Executive's business travel obligations prior to the effective date of the Change in Control. For the purposes of application of this definition of Good Reason to Section 4.5.3, the words "as in effect immediately prior to the effective date of the Change in Control" shall be read to mean as of, or immediately prior to, the date of the event giving rise to Good Reason. In all events, in order for a termination for Good Reason to occur, the Executive must provide the Company with written notice of the condition constituting Good Reason within 90 days of the initial occurrence of such condition, and allow the Company a 30-day cure period in which to cure such condition, and the Executive must resign employment within 10 days of the end of such 30-day cure period if the Company does not cure the condition in such cure period. For clarity, "corporate board of directors" as used in the definition of Good Reason means the Company's (or if applicable ultimate parent entity's) board of directors as such term is used in Section 141 of the Delaware General Corporation Law, or if the Company (or if applicable ultimate parent entity) is not a corporation organized under Delaware law, the most senior governing body of the Company (or if applicable ultimate parent entity) the majority of which is comprised of non-employee and independent members and has responsibility and authority for managing the business and affairs of the Company (or if applicable ultimate parent entity).

4.7 Survival of Certain Sections. Sections 2, 3.4, 3.6 and 4 through 18 of this Agreement will survive the termination of this Agreement.

4.8 Parachute Payment. If any payment or benefit Executive would receive pursuant to this Agreement ("***Payment***") would (i) constitute a "***Parachute Payment***" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "***Code***"), and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "***Excise Tax***"), then such Payment shall be equal to the Reduced Amount. The "***Reduced Amount***" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax or (y) the largest portion, up to and including the total of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive's receipt, on an after-tax basis, of the greatest economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits constituting Parachute Payments is necessary so that the Payment equals the Reduced Amount, reduction shall occur in the manner that results in the greatest economic benefit for Executive. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata.

In the event it is subsequently determined by the Internal Revenue Service that some portion of the Reduced Amount (as determined pursuant to clause (x) in the preceding paragraph) is subject to the Excise Tax, Executive agrees to promptly return to the Company a sufficient amount of the Payment so that no portion of the Reduced Amount is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount is determined in accordance with clause (y) in the preceding paragraph, Executive will have no obligation to return any portion of the Payment pursuant to the preceding sentence.

Unless Executive and the Company agree on an alternative accounting or law firm, the accounting firm then engaged by the Company for general tax compliance purposes shall perform the foregoing calculations. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint a nationally recognized accounting, law or consulting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such accounting, law or consulting firm required to be made hereunder.

The Company shall use commercially reasonable efforts such that the accounting, law or consulting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to Executive and the Company within 15 calendar days after the date on which Executive's right to a Payment is triggered (if requested at that time by Executive or the Company) or such other time as requested by Executive or the Company.

4.9 Application of Internal Revenue Code Section 409A. Notwithstanding anything to the contrary set forth herein, any payments and benefits provided under this Agreement (the "***Severance Benefits***") that constitute "deferred compensation" within the meaning of Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect (collectively "***Section 409A***") shall not commence in connection with Executive's termination of employment unless and until Executive has also incurred a "separation from service" (as such term is defined in Treasury Regulation Section l.409A-l (h) ("***Separation From Service***"), unless the Company reasonably determines that such amounts may be provided to Executive without causing Executive to incur the additional 20% tax under Section 409A.

It is intended that each installment of the Severance Benefits payments provided for in this Agreement is a separate "payment" for purposes of Treasury Regulation Section 1.409A- 2(b)(2)(i). For the avoidance of doubt, it is intended that payments of the Severance Benefits set forth in this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A provided under Treasury Regulation Sections l.409A-l(b)(4), l.409A-l(b)(5) and 1.409A-l (b)(9). However, if the Company (or, if applicable, the successor entity thereto) determines that the Severance Benefits constitute "deferred compensation" under Section 409A and Executive is, on the termination of service, a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A(a)(2)(B)(i) of the Code, then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, the timing of the Severance Benefit payments shall be delayed until the earlier to occur of: (i) the date that is six months and one day after Executive's Separation From Service, or (ii) the date of Executive's death (such applicable date, the "***Specified Employee Initial Payment Date***"), the Company (or the successor entity thereto, as applicable) shall (A) pay to Executive a lump sum amount equal to the sum of the Severance Benefit payments that Executive would otherwise have received through the Specified Employee Initial Payment Date if the commencement of the payment of the Severance Benefits had not been so delayed pursuant to this Section and (B) commence paying the balance of the Severance Benefits in accordance with the applicable payment schedules set forth in this Agreement.

Notwithstanding anything to the contrary set forth herein, Executive shall receive the Severance Benefits described above, if and only if Executive duly executes and returns to the Company within the applicable time period set forth therein, but in no event more than forty-five days following Separation From Service, the Release and permits the Release to become effective in accordance with its terms. Notwithstanding any other payment schedule set forth in this Agreement, none of the Severance Benefits will be paid or otherwise delivered prior to the effective date of the Release. Except to the extent

that payments may be delayed until the Specified Employee Initial Payment Date pursuant to the preceding paragraph, on the first regular payroll pay day following the effective date of the Release, the Company will pay Executive the Severance Benefits Executive would otherwise have received under the Agreement on or prior to such date but for the delay in payment related to the effectiveness of the Release, with the balance of the Severance Benefits being paid as originally scheduled. All amounts payable under the Agreement will be subject to standard payroll taxes and deductions.

4.10 Nondisparagement. Executive agrees not to disparage the Company and its officers, directors, employees, shareholders and agents, in any manner likely to be harmful to them or their business, business reputations or personal reputations , and the Company agrees to direct its employees, officers, directors, shareholders and agents not to disparage Executive in any manner likely to be harmful to Executive reputation or future employment; provided that Company and Executive may respond accurately and fully to any question, inquiry or request for information when required by legal process or as part of a government investigation.

5. CONFIDENTIAL AND PROPRIETARY INFORMATION.

Executive has already executed, as a condition of Executive's employment with the Company, the Company's standard form of Proprietary Information and Inventions Agreement (the "***PIIA***"). The PIIA remains in full force and effect.

6. ASSIGNMENT AND BINDING EFFECT.

This Agreement shall be binding upon and inure to the benefit of Executive and Executive's heirs, executors, personal representatives, assigns, administrators and legal representatives. Because of the unique and personal nature of Executive's duties under this Agreement, neither this Agreement nor any rights or obligations under this Agreement shall be assignable by Executive. This Agreement shall be binding upon and inure to the benefit of the Company and its successors, assigns and legal representatives. Any such successor of the Company will be deemed substituted for the Company under the terms of this Agreement for all purposes. For this purpose, "successor" means any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company.

7. NOTICES.

All notices or demands of any kind required or permitted to be given by the Company or Executive under this Agreement shall be given in writing and shall be personally delivered (and receipted for) or faxed during normal business hours or mailed by certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company:

10421 Pacific Center Court, Suite 200
San Diego, CA 92121
Attention: Chairman of the Board

If to Executive:

Hamza Suria

Any such written notice shall be deemed given on the earlier of the date on which such notice is personally delivered or three days after its deposit in the United States mail as specified above. Either Party may change its address for notices by giving notice to the other Party in the manner specified in this Section.

8. CHOICE OF LAW.

This Agreement shall be construed and interpreted in accordance with the internal laws of the State of California without regard to its conflict of laws principles.

9. INTEGRATION.

This Agreement, including **Exhibit A** and the PIIA, contains the complete, final and exclusive agreement of the Parties relating to the terms and conditions of Executive's employment and the termination of Executive's employment, and supersedes any and all prior and/or contemporaneous oral and written employment agreements or arrangements between the Parties.

10. AMENDMENT.

This Agreement cannot be amended or modified except by a written agreement signed by Executive and the Company.

11. WAIVER.

No term, covenant or condition of this Agreement or any breach thereof shall be deemed waived, except with the written consent of the Party against whom the wavier is claimed, and any waiver or any such term, covenant, condition or breach shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other term, covenant, condition or breach.

12. SEVERABILITY.

The finding by a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal. Such court shall have the authority to modify or replace the invalid or unenforceable term or provision with a valid and enforceable term or provision, which most accurately represents the Parties' intention with respect to the invalid or unenforceable term, or provision.

13. INTERPRETATION; CONSTRUCTION.

The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but Executive has been encouraged to consult with, and has consulted with, Executive's own independent counsel and tax advisors with respect to the terms of this Agreement. The Parties acknowledge that each Party and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

14. REPRESENTATIONS AND WARRANTIES.

Executive represents and warrants that Executive is not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and that Executive's execution and performance of this Agreement will not violate or breach any other agreements between Executive and any other person or entity.

15. COUNTERPARTS.

This Agreement may be executed in two counterparts, each of which shall be deemed an original, all of which together shall contribute one and the same instrument.

16. ARBITRATION.

To ensure the rapid and economical resolution of disputes that may arise in connection with Executive's employment with the Company, Executive and the Company agree that any and all disputes, claims, or causes of action, in law or equity, arising from or relating to Executive's employment, or the termination of that employment, will be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration pursuant to both the substantive and procedural provisions of the Federal Arbitration Act in San Diego, California conducted by the Judicial Arbitration and Mediation Services/Endispute, Inc. ("***JAMS***"), or its successors, under the then current rules of JAMS for employment disputes; provided that the arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. Accordingly, Executive and the Company hereby waive any right to a jury trial. Both Executive and the Company shall be entitled to all rights and remedies that either Executive or the Company would be entitled to pursue in a court of law. The Company shall pay any JAMS filing fee and shall pay the arbitrator's fee. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, Executive and the Company each have the right to resolve any issue or dispute involving confidential, proprietary or trade secret information, or intellectual property rights, by Court action instead of arbitration.

17. TRADE SECRETS OF OTHERS.

It is the understanding of both the Company and Executive that Executive shall not divulge to the Company and/or its subsidiaries any confidential information or trade secrets belonging to others, including Executive's former employers, nor shall the Company and/or its Affiliates seek to elicit from Executive any such information. Consistent with the foregoing, Executive shall not provide to the Company and/or its Affiliates, and the Company and/or its Affiliates shall not request, any documents or copies of documents containing such information.

18. ADVERTISING WAIVER.

Executive agrees to permit the Company, and persons or other organizations authorized by the Company, to use, publish and distribute advertising or sales promotional literature concerning the products and/or services of the Company, or the machinery and equipment used in the provision thereof, in which Executive's name and/or pictures of Executive taken in the course of Executive's provision of

services to the Company appear. Executive hereby waives and releases any claim or right Executive may otherwise have arising out of such use, publication or distribution.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the dates below.

ANAPTYSBIO, INC.

By: /s/Dominic Piscitelli
Its: CFO
Dated: March 1, 2018

EXECUTIVE:

/s/ Hamza Suria
HAMZA SURIA

Dated: March 1, 2018

[SIGNATURE PAGE TO EMPLOYMENT AGREEMENT]

EXHIBIT A

RELEASE AND WAIVER OF CLAIMS

TO BE SIGNED ON OR FOLLOWING THE SEPARATION DATE ONLY

In consideration of the payments and other benefits set forth in the Employment Agreement effective January 26, 2018, to which this form is attached, I, Hamza Suria, hereby furnish **ANAPTYSBIO, INC**. (the "***Company***"), with the following release and waiver ("***Release and Waiver***").

In exchange for the consideration provided to me by the Employment Agreement that I am not otherwise entitled to receive, I hereby generally and completely release the Company and its current and former directors, officers, employees, stockholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively, the "***Released Parties***") from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to or on the date that I sign this Agreement (collectively, the "***Released Claims***"). The Released Claims include, but are not limited to: (a) all claims arising out of or in any way related to my employment with the Company, or the termination of that employment; (b) all claims related to my compensation or benefits from the Company including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (c) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (d) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (e) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, misclassification, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) (the "***ADEA***"), the California Labor Code, and the California Fair Employment and Housing Act (as amended). Notwithstanding the foregoing, the following are not included in the Released Claims (the "***Excluded Claims***"): (a) any rights or claims for indemnification I may have pursuant to the charter or bylaws of the Company or under applicable law; (b) any rights or claims to unemployment compensation, funds accrued in my 401k account, or any vested equity incentives; (c) any rights that are not waivable as a matter of law; or (d) any claims arising from the breach of this Agreement. I hereby represent and warrant that, other than the Excluded Claims, I am not aware of any claims I have or might have against any of the Released Parties that are not included in the Released Claims.

I also acknowledge that I have read and understand Section 1542 of the California Civil Code which reads as follows: "**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor**." I hereby expressly waive and relinquish all rights and benefits under that Section and any law of any jurisdiction, including New York, of similar effect with respect to any claims I may have against the Company.

I acknowledge that, among other rights, I am waiving and releasing any rights I may have under ADEA, that this Release and Waiver is knowing and voluntary, and that the consideration given for this Release and Waiver is in addition to anything of value to which I was already entitled as an executive of the Company. I further acknowledge that I have been advised, as required by the Older Workers Benefit Protection Act, that: (a) the release and waiver granted herein does not relate to claims under the ADEA which may arise after this Release and Waiver is executed; (b) I should consult with an attorney prior to

executing this Release and Waiver; and (c) if I am age 40 or older at the time of execution of this release, I have 21 days from the date of termination of my employment with the Company in which to consider this Release and Waiver (although I may choose voluntarily to execute this Release and Waiver earlier); and (d) if I am age 40 or older at the time of execution of this release, I have seven days following the execution of this Release and Waiver to revoke my consent to this Release and Waiver and this Release and Waiver shall not be effective until the seven day revocation period has expired without my having previously revoked this Release and Waiver.

I agree not to disparage the Company and its officers, directors, employees, shareholders and/or agents, in any manner likely to be harmful to them or their business, business reputations or personal reputations; provided that I may respond accurately and fully to any question, inquiry or request for information when required by legal process (e.g., a valid subpoena or other similar compulsion of law) or as part of a government investigation.

I acknowledge my continuing obligations under my Proprietary Information and Inventions Agreement. Pursuant to the Proprietary Information and Inventions Agreement I understand that among other things, I must not use or disclose any confidential or proprietary information of the Company and I must immediately return all Company property and documents (including all embodiments of proprietary information) and all copies thereof in my possession or control. I understand and agree that my right to the severance pay I am receiving in exchange for my agreement to the terms of this Release and Waiver is contingent upon my continued compliance with my Proprietary Information and Inventions Agreement.

This Release and Waiver constitutes the complete, final and exclusive embodiment of the entire agreement between the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company that is not expressly stated herein. This Release and Waiver may only be modified by a writing signed by both me and a duly authorized officer of the Company.

Date: By: __

Hamza Suria

ANAPTYSBIO, INC.
EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (this "***Agreement***") is made effective as of January 26, 2018 (the "***Effective Date***") by and among **ANAPTYSBIO, INC**. (the "***Company***") and Marco Londei ("***CMO***"). The Company and CMO are hereinafter collectively referred to as the "***Parties***", and individually referred to as a "***Party***". This Employment Agreement amends and restates any prior employment agreement.

RECITAL

The Company desires to continue to employ CMO and CMO is willing to continue to accept such employment by Company, on the terms and subject to the conditions set forth in this Agreement.

AGREEMENT

In consideration of the foregoing Recitals and the mutual promises and covenants herein contained, and for other good and valuable consideration, the Parties, intending to be legally bound, agree as follows:

1. EMPLOYMENT.

1.1 Title. Effective as of the Effective Date, CMO's position shall be Chief Medical Officer of the Company, subject to the terms and conditions set forth in this Agreement.

1.2 Term. The term of this Agreement shall begin on the Effective Date and shall continue until it is terminated pursuant to Section 4 herein (the "***Term***").

1.3 Duties. CMO shall do and perform all services, acts or things necessary or advisable to manage and conduct the business of the Company and that are normally associated with the position of Chief Medical Officer. CMO shall report to the Chief Executive Officer.

1.4 Policies and Practices. The employment relationship between the Parties shall be governed by this Agreement and by the policies and practices established by the Company and/or the Board, or any designated committee thereof. In the event that the terms of this Agreement differ from or are in conflict with the Company's policies or practices or the Company's Employee Handbook, this Agreement shall control.

1.5 Location. Unless the Parties otherwise agree in writing, during the Term CMO shall perform the services CMO is required to perform pursuant to this Agreement at the Company's offices in San Diego, California, *provided, however*, that the Company may from time to time require CMO to travel temporarily to other locations in connection with the Company's business.

2. LOYALTY; NONCOMPETITION; NONSOLICITATION.

2.1 Loyalty. During CMO's employment with the Company, CMO shall devote CMO's full business energies, interest, abilities and productive time to the proper and efficient performance of CMO's duties under this Agreement.

2.2 Agreement not to Participate in Company's Competitors. During CMO's employment with the Company, CMO agrees not to acquire, assume or participate in, directly or indirectly, any position, investment or interest known by CMO to be adverse or antagonistic to the Company, its business,

or prospects, financial or otherwise, or in any company, person, or entity that is, directly or indirectly, in competition with the business of the Company or any of its Affiliates (as defined below). Ownership by CMO, in professionally managed funds over which CMO does not have control or discretion in investment decisions, or as a passive investment, of less than two percent (2%) of the outstanding shares of capital stock of any corporation with one or more classes of its capital stock listed on a national securities exchange or publicly traded on a national securities exchange or in the over-the-counter market shall not constitute a breach of this Section. For purposes of this Agreement, "***Affiliate***," means, with respect to any specific entity, any other entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified entity.

2.3 Covenant not to Compete. During CMO's employment with the Company, CMO shall not engage in competition with the Company and/or any of its Affiliates in any manner or capacity, as adviser, principal, agent, affiliate, promoter, partner, officer, director, employee, owner, co-owner, consultant, in any phase of the business of developing, manufacturing and marketing of products or services that directly compete with the products or services of the Company, except with the prior written consent of the Board. CMO shall be entitled to request written consent of the Board with respect to potential advisory and/or director opportunities presented to CMO by a third party, which CMO believes in good faith will not interfere or compete with the on-going business of the Company.

3. COMPENSATION OF CMO.

3.1 Base Salary. The Company shall pay CMO a base salary at the annualized rate of $436,000 (the "***Base Salary***"), less payroll deductions and all required withholdings, payable in regular periodic installments in accordance with the Company's normal payroll practices. The Base Salary shall be prorated for any partial year of employment on the basis of a 365-day fiscal year.

3.2 Discretionary Bonus. At the sole discretion of the Board and Chief Executive Officer, promptly following each calendar year of employment CMO shall be eligible to receive a discretionary cash bonus of up to 40% of CMO's then-current base salary (the "***Bonus***"), based on CMO's achievement relative to certain performance goals ("***Performance Goals***") to be established by the Chief Executive Officer in writing in a manner reasonably consistent with the Company's priorities. The determination of whether CMO has met the Performance Goals for any given year, and if so, the amount of any Bonus that will be paid for such year (if any), shall be determined by the Board and Chief Executive Officer in their sole and absolute discretion. In order to be eligible to earn or receive any Bonus, CMO must remain employed by the Company through and including the date of payment of such Bonus.

3.3 Stock Option. CMO has been granted options to purchase shares of the Company's Common Stock and will continue to be eligible for additional equity awards pursuant to the terms of the Company's 2017 Equity Incentive Plan, as amended from time to time (the "***Plan***").

3.4 Expense Reimbursements. The Company will reimburse CMO for all reasonable business expenses CMO incurs in conducting his duties hereunder, pursuant to the Company's usual expense reimbursement policies; provided that CMO supplies the appropriate substantiation for such expenses no later than the end of the calendar month following the month in which such expenses were incurred by CMO.

3.5 Changes to Compensation. CMO's compensation will be reviewed annually and may be changed from time to time in the Company's sole discretion.

3.6 Employment Taxes. All of CMO's compensation shall be subject to customary withholding taxes and any other employment taxes as are commonly required to be collected or withheld by the Company.

3.7 Benefits. CMO shall, in accordance with Company policy and the terms of the applicable plan documents, be eligible to participate in benefits under any benefit plan or arrangement that may be in effect from time to time and made available to the Company's senior management employees.

3.8 Holidays and Vacation. CMO shall be eligible for paid holiday and vacation time in accordance with Company policy as in effect from time to time.

4. TERMINATION.

4.1 Termination by the Company. CMO's employment with the Company is at will and may be terminated by the Company at any time and for any reason, or for no reason, including, but not limited to, under the following conditions:

4.1.1 Termination by the Company for Cause. The Company may terminate CMO's employment under this Agreement for "Cause" (as defined below) by delivery of written notice to CMO. Any notice of termination given pursuant to this section shall effect termination as of the date of the notice, or as of such other date specified in the notice.

4.1.2 Termination by the Company without Cause. The Company may terminate CMO's employment under this Agreement without Cause at any time and for any reason, or for no reason. Such termination shall be effective on the date CMO is so informed, or as otherwise specified by the Company.

4.2 Termination by CMO. CMO may terminate his employment with the Company at any time and for any reason, or for no reason, upon thirty (30) days written notice to the Company.

4.3 Termination for Death or Disability. CMO's employment with the Company shall automatically terminate effective upon the date of CMO's death or Disability (as defined in the Plan).

4.4 Termination by Mutual Agreement of the Parties. CMO's employment with the Company may be terminated at any time upon a mutual agreement in writing of the Parties. Any such termination of employment shall have the consequences specified in such agreement.

4.5 Compensation upon Termination.

4.5.1 Death or Disability. If CMO's employment is terminated by death or Disability, the Company shall pay to CMO, or to CMO's heirs, CMO's accrued and unpaid base salary and accrued and unused vacation benefits earned through the date of termination at the rate in effect at the time of termination, less standard deductions and withholdings. The Company shall thereafter have no further obligations to CMO and/or CMO's heirs under this Agreement, except as otherwise provided by law.

4.5.2 Termination for Cause. If the Company terminates CMO's employment for Cause, then the Company shall pay CMO's accrued and unpaid base salary and accrued and unused vacation benefits earned through the date of termination, at the rate in effect at the time of termination, less standard deductions and withholdings. The Company shall thereafter have no further obligations to CMO under this Agreement, except as otherwise provided by law.

4.5.3 Termination by Company without Cause or by CMO for Good Reason Not In Connection with a Change in Control. If the Company terminates CMO's employment without Cause or if CMO resigns his employment for "***Good Reason***" (as defined below), in either case at any time other than upon the occurrence of, or within the 13 months immediately following, the effective date of a "***Change in Control***" (as defined below), the Company shall pay CMO's accrued and unpaid base salary and accrued and unused vacation benefits earned through the date of termination, at the rate in effect at the time of termination, less standard deductions and withholdings. In addition, if CMO furnishes to the Company an executed waiver and release of claims in the form attached hereto as **Exhibit A** (or in such other form as may be specified by the Company) (the "***Release***") within the time period specified therein, but in no event later than 45 days following CMO's termination, and if CMO allows such Release to become effective in accordance with its terms, then (i) CMO shall be entitled to severance in the form of continuation of his base salary, at the base salary rate equal to the greater of the rate in effect at the time of termination or the rate immediately prior to the event giving rise to Good Reason (the "***Severance Payments***"), for a period of nine (9) months following the termination date (the "***Severance Period***"), and (ii) the Company will pay directly to the insurance provider the premium for COBRA continuation coverage for CMO and CMO's family during the Severance Period or until he obtains new employment, whichever comes first (the "***COBRA Coverage***"); provided that, if the Company determines that it cannot provide the COBRA Coverage without potentially violating applicable law or incurring additional expense under applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company will provide CMO, in lieu thereof, taxable, continued installment payments equal to the COBRA premium, payable on the last day of a given month, for 9 months (measured from the termination date), which payments will be made regardless of whether CMO elects COBRA continuation coverage (the "***COBRA Bonus***"). Notwithstanding the foregoing, the number of months of COBRA Bonus to be paid, in any case, shall be reduced by the number of months of COBRA Coverage previously paid by the Company. The Severance Payments will be subject to standard payroll deductions and withholdings and will be made on the Company's regular payroll cycle, *provided, however*, that any Severance Payments otherwise scheduled to be made prior to the effective date of the Release shall accrue and be paid in the first payroll period that follows such effective date, *provided, further*, that if the 45 day period to execute the Release spans two calendar years, no Severance Payments will be made until the later calendar year. The Company shall thereafter have no further obligations to CMO under this Agreement, except as otherwise provided by law.

4.5.4 Termination by Company without Cause or by CMO for Good Reason In Connection with a Change in Control. If the Company terminates CMO's employment without Cause or if CMO resigns his employment for Good Reason, in either case upon the occurrence of, or within the 13 months immediately following, the effective date of a Change in Control, the Company shall pay CMO's accrued and unpaid base salary and accrued and unused vacation benefits earned through the date of termination, at the rate in effect at the time of termination, less standard deductions and withholdings. In addition, if CMO furnishes to the Company an executed Release within the time period specified therein, but in no event later than 45 days following CMO's termination, and if CMO allows such Release to become effective in accordance with its terms, then CMO shall be entitled to: (1) the Severance Payments and COBRA payments described in Section 4.5.3 above; provided, however, that the Severance Payments and COBRA payments shall be increased from 9 months to 12 months and (2) accelerated vesting of all of CMO's unvested Company equity awards, such that CMO shall become vested in 100% of the shares subject to all such equity awards on the effective date of the Release; provided, however, that the vesting of any performance-based awards shall be as if all applicable performance criteria were achieved at target levels. The Company shall thereafter have no further obligations to CMO under this Agreement, except as otherwise provided by law.

4.6 Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

4.6.1 "***Cause***" shall mean the occurrence of any one or more of the following: (i) CMO's commission of any crime involving fraud, dishonesty or moral turpitude; (ii) CMO's attempted commission of or participation in a fraud or act of dishonesty against the Company that results in (or might have reasonably resulted in) material harm to the business of the Company; (iii) CMO's intentional, material violation of any contract or agreement between CMO and the Company or any statutory duty CMO owes to the Company; or (iv) CMO's conduct that constitutes gross insubordination, incompetence or habitual neglect of duties and that results in (or might have reasonably resulted in) material harm to the business of the Company; provided, however, that the action or conduct described in clauses (iii) and (iv) above will constitute "Cause" only if such action or conduct continues after the Company has provided CMO with written notice thereof and thirty (30) days to cure, or otherwise remedy to the extent possible under direct control of the CMO, the same. An occurrence of "Cause" as set forth in the preceding sentence shall be based upon a good faith determination by the Board. CMO's Disability shall not constitute Cause as set forth herein. The determination that a termination is for Cause shall be by the Board in its sole and exclusive judgment and discretion.

4.6.2 "***Change in Control***" shall have the meaning set forth in the 2006 Amended and Restated Equity Incentive Plan.

4.6.3 "***Good Reason***" shall mean any of the following actions: (i) the assignment to CMO of any duties or responsibilities that results in a material diminution in CMO's function as in effect immediately prior to the effective date of the Change in Control; provided, however, that it will be considered a material diminution in CMO's function if, following a Change in Control, the CMO is not reporting directly to the Chief Executive Officer who is in turn reporting to the Company's (or if applicable ultimate parent entity's) corporate board of directors; (ii) a reduction by the Company in CMO's annual base salary as in effect on the effective date of the Change in Control; provided, however, that Good Reason shall not be deemed to have occurred in the event of a reduction in CMO's annual base salary that is pursuant to a salary reduction program affecting substantially all of the employees of the Company and that does not adversely affect CMO to a greater extent than other similarly situated employees; or (iii) a relocation of CMO's primary business office to a location more than 50 miles from the location of CMO's primary business office as of the effective date of the Change in Control, except for required travel by CMO on the Company's business to an extent substantially consistent with CMO's business travel obligations prior to the effective date of the Change in Control. For the purposes of application of this definition of Good Reason to Section 4.5.3, the words "as in effect immediately prior to the effective date of the Change in Control" shall be read to mean as of, or immediately prior to, the date of the event giving rise to Good Reason. In all events, in order for a termination for Good Reason to occur, the CMO must provide the Company with written notice of the condition constituting Good Reason within 90 days of the initial occurrence of such condition, and allow the Company a 30-day cure period in which to cure such condition, and the CMO must resign employment within 10 days of the end of such 30-day cure period if the Company does not cure the condition in such cure period. For clarity, "corporate board of directors" as used in the definition of Good Reason means the Company's (or if applicable ultimate parent entity's) board of directors as such term is used in Section 141 of the Delaware General Corporation Law, or if the Company (or if applicable ultimate parent entity) is not a corporation organized under Delaware law, the most senior governing body of the Company (or if applicable ultimate parent entity) the majority of which is comprised of non-employee and independent members and has responsibility and authority for managing the business and affairs of the Company (or if applicable ultimate parent entity).

4.7 Survival of Certain Sections. Sections 3.4, 3.6 and 4 through 18 of this Agreement will survive the termination of this Agreement.

4.8 Parachute Payment. If any payment or benefit CMO would receive pursuant to this Agreement ("***Payment***") would (i) constitute a "***Parachute Payment***" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "***Code***"), and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "***Excise Tax***"), then such Payment shall be equal to the Reduced Amount. The "***Reduced Amount***" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax or (y) the largest portion, up to and including the total of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in CMO's receipt, on an after-tax basis, of the greatest economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits constituting Parachute Payments is necessary so that the Payment equals the Reduced Amount, reduction shall occur in the manner that results in the greatest economic benefit for CMO. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata.

In the event it is subsequently determined by the Internal Revenue Service that some portion of the Reduced Amount (as determined pursuant to clause (x) in the preceding paragraph) is subject to the Excise Tax, CMO agrees to promptly return to the Company a sufficient amount of the Payment so that no portion of the Reduced Amount is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount is determined in accordance with clause (y) in the preceding paragraph, CMO will have no obligation to return any portion of the Payment pursuant to the preceding sentence.

Unless CMO and the Company agree on an alternative accounting or law firm, the accounting firm then engaged by the Company for general tax compliance purposes shall perform the foregoing calculations. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint a nationally recognized accounting, law or consulting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such accounting, law or consulting firm required to be made hereunder.

The Company shall use commercially reasonable efforts such that the accounting, law or consulting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to CMO and the Company within 15 calendar days after the date on which CMO's right to a Payment is triggered (if requested at that time by CMO or the Company) or such other time as requested by CMO or the Company.

4.9 Application of Internal Revenue Code Section 409A. Notwithstanding anything to the contrary set forth herein, any payments and benefits provided under this Agreement (the "***Severance Benefits***") that constitute "deferred compensation" within the meaning of Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect (collectively "***Section 409A***") shall not commence in connection with CMO's termination of employment unless and until CMO has also incurred a "separation from service" (as such term is defined in Treasury Regulation Section 1.409A-1(h) ("***Separation From Service***"), unless the Company reasonably determines that such amounts may be provided to CMO without causing CMO to incur the additional 20% tax under Section 409A.

It is intended that each installment of the Severance Benefits payments provided for in this Agreement is a separate "payment" for purposes of Treasury Regulation Section 1.409A-2(b)(2)(i). For the avoidance of doubt, it is intended that payments of the Severance Benefits set forth in this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A provided under Treasury

Regulation Sections 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9). However, if the Company (or, if applicable, the successor entity thereto) determines that the Severance Benefits constitute "deferred compensation" under Section 409A and CMO is, on the termination of service, a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A(a)(2)(B)(i) of the Code, then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, the timing of the Severance Benefit payments shall be delayed until the earlier to occur of: (i) the date that is six months and one day after CMO's Separation From Service, or (ii) the date of CMO's death (such applicable date, the "***Specified Employee Initial Payment Date***"), the Company (or the successor entity thereto, as applicable) shall (A) pay to CMO a lump sum amount equal to the sum of the Severance Benefit payments that CMO would otherwise have received through the Specified Employee Initial Payment Date if the commencement of the payment of the Severance Benefits had not been so delayed pursuant to this Section and (B) commence paying the balance of the Severance Benefits in accordance with the applicable payment schedules set forth in this Agreement.

Notwithstanding anything to the contrary set forth herein, CMO shall receive the Severance Benefits described above, if and only if CMO duly executes and returns to the Company within the applicable time period set forth therein, but in no event more than forty-five days following Separation From Service, the Release and permits the Release to become effective in accordance with its terms. Notwithstanding any other payment schedule set forth in this Agreement, none of the Severance Benefits will be paid or otherwise delivered prior to the effective date of the Release. Except to the extent that payments may be delayed until the Specified Employee Initial Payment Date pursuant to the preceding paragraph, on the first regular payroll pay day following the effective date of the Release, the Company will pay CMO the Severance Benefits CMO would otherwise have received under the Agreement on or prior to such date but for the delay in payment related to the effectiveness of the Release, with the balance of the Severance Benefits being paid as originally scheduled. All amounts payable under the Agreement will be subject to standard payroll taxes and deductions.

5. CONFIDENTIAL AND PROPRIETARY INFORMATION.

CMO has already executed, as a condition of CMO's employment with the Company, the Company's standard form of Proprietary Information and Inventions Agreement (the "***PIIA***"). The PIIA remains in full force and effect.

6. ASSIGNMENT AND BINDING EFFECT.

This Agreement shall be binding upon and inure to the benefit of CMO and CMO's heirs, executors, personal representatives, assigns, administrators and legal representatives. Because of the unique and personal nature of CMO's duties under this Agreement, neither this Agreement nor any rights or obligations under this Agreement shall be assignable by CMO. This Agreement shall be binding upon and inure to the benefit of the Company and its successors, assigns and legal representatives. Any such successor of the Company will be deemed substituted for the Company under the terms of this Agreement for all purposes. For this purpose, "successor" means any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company.

7. NOTICES.

All notices or demands of any kind required or permitted to be given by the Company or CMO under this Agreement shall be given in writing and shall be personally delivered (and receipted for) or faxed during

normal business hours or mailed by certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company:

10421 Pacific Center Court, Suite 200
San Diego, CA 92121
Attention: Chief Executive Officer

If to CMO:

Marco Londei

Any such written notice shall be deemed given on the earlier of the date on which such notice is personally delivered or three days after its deposit in the United States mail as specified above. Either Party may change its address for notices by giving notice to the other Party in the manner specified in this Section.

8. CHOICE OF LAW.

This Agreement shall be construed and interpreted in accordance with the internal laws of the State of California without regard to its conflict of laws principles.

9. INTEGRATION.

This Agreement, including **Exhibit A** and the PIIA, contains the complete, final and exclusive agreement of the Parties relating to the terms and conditions of CMO's employment and the termination of CMO's employment, and supersedes any and all prior and/or contemporaneous oral and written employment agreements or arrangements between the Parties.

10. AMENDMENT.

This Agreement cannot be amended or modified except by a written agreement signed by CMO and the Company.

11. WAIVER.

No term, covenant or condition of this Agreement or any breach thereof shall be deemed waived, except with the written consent of the Party against whom the wavier is claimed, and any waiver or any such term, covenant, condition or breach shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other term, covenant, condition or breach.

12. SEVERABILITY.

The finding by a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal. Such court shall have the authority to modify or replace the invalid or unenforceable term or provision with a valid and enforceable term or provision, which most accurately represents the Parties' intention with respect to the invalid or unenforceable term, or provision.

13. INTERPRETATION; CONSTRUCTION.

The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but CMO has been encouraged to consult with, and has consulted with, CMO's own independent counsel and tax advisors with respect to the terms of this Agreement. The Parties acknowledge that each Party and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

14. REPRESENTATIONS AND WARRANTIES.

CMO represents and warrants that CMO is not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and that CMO's execution and performance of this Agreement will not violate or breach any other agreements between CMO and any other person or entity.

15. COUNTERPARTS.

This Agreement may be executed in two counterparts, each of which shall be deemed an original, all of which together shall contribute one and the same instrument.

16. ARBITRATION.

To ensure the rapid and economical resolution of disputes that may arise in connection with CMO's employment with the Company, CMO and the Company agree that any and all disputes, claims, or causes of action, in law or equity, arising from or relating to CMO's employment, or the termination of that employment, will be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration pursuant to both the substantive and procedural provisions of the Federal Arbitration Act in San Diego, California conducted by the Judicial Arbitration and Mediation Services/Endispute, Inc. ("***JAMS***"), or its successors, under the then current rules of JAMS for employment disputes; provided that the arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. Accordingly, CMO and the Company hereby waive any right to a jury trial. Both CMO and the Company shall be entitled to all rights and remedies that either CMO or the Company would be entitled to pursue in a court of law. The Company shall pay any JAMS filing fee and shall pay the arbitrator's fee. Nothing in this Agreement is intended to prevent either CMO or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, CMO and the Company each have the right to resolve any issue or dispute involving confidential, proprietary or trade secret information, or intellectual property rights, by Court action instead of arbitration.

17. TRADE SECRETS OF OTHERS.

It is the understanding of both the Company and CMO that CMO shall not divulge to the Company and/or its subsidiaries any confidential information or trade secrets belonging to others, including CMO's former employers, nor shall the Company and/or its Affiliates seek to elicit from CMO any such information. Consistent with the foregoing, CMO shall not provide to the Company and/or its Affiliates, and the Company and/or its Affiliates shall not request, any documents or copies of documents containing such information.

18. ADVERTISING WAIVER.

19. CMO AGREES TO PERMIT THE COMPANY, AND PERSONS OR OTHER ORGANIZATIONS AUTHORIZED BY THE COMPANY, TO USE, PUBLISH AND DISTRIBUTE ADVERTISING OR SALES PROMOTIONAL LITERATURE CONCERNING THE PRODUCTS AND/OR SERVICES OF THE COMPANY, OR THE MACHINERY AND EQUIPMENT USED IN THE PROVISION THEREOF, IN WHICH CMO'S NAME AND/OR PICTURES OF CMO TAKEN IN THE COURSE OF CMO'S PROVISION OF SERVICES TO THE COMPANY APPEAR. CMO HEREBY WAIVES AND RELEASES ANY CLAIM OR RIGHT CMO MAY OTHERWISE HAVE ARISING OUT OF SUCH USE, PUBLICATION OR DISTRIBUTION.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the dates below.

ANAPTYSBIO, INC.

By: /s/ Hamza Suria
Its: President & CEO

Dated: March 1, 2018

CMO:

/s/ Marco Londei
MARCO LONDEI

Dated: March 1, 2018

[SIGNATURE PAGE TO EMPLOYMENT AGREEMENT]

EXHIBIT A

RELEASE AND WAIVER OF CLAIMS

TO BE SIGNED ON OR FOLLOWING THE SEPARATION DATE ONLY

In consideration of the payments and other benefits set forth in the Employment Agreement effective January 26, 2018, to which this form is attached, I, Marco Londei, hereby furnish **ANAPTYSBIO, INC**. (the "***Company***"), with the following release and waiver ("***Release and Waiver***").

In exchange for the consideration provided to me by the Employment Agreement that I am not otherwise entitled to receive, I hereby generally and completely release the Company and its current and former directors, officers, employees, stockholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively, the "***Released Parties***") from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to or on the date that I sign this Agreement (collectively, the "***Released Claims***"). The Released Claims include, but are not limited to: (a) all claims arising out of or in any way related to my employment with the Company, or the termination of that employment; (b) all claims related to my compensation or benefits from the Company including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (c) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (d) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (e) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, misclassification, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) (the "***ADEA***"), the California Labor Code, and the California Fair Employment and Housing Act (as amended). Notwithstanding the foregoing, the following are not included in the Released Claims (the "***Excluded Claims***"): (a) any rights or claims for indemnification I may have pursuant to the charter or bylaws of the Company or under applicable law; (b) any rights or claims to unemployment compensation, funds accrued in my 401k account, or any vested equity incentives; (c) any rights that are not waivable as a matter of law; or (d) any claims arising from the breach of this Agreement. I hereby represent and warrant that, other than the Excluded Claims, I am not aware of any claims I have or might have against any of the Released Parties that are not included in the Released Claims.

I also acknowledge that I have read and understand Section 1542 of the California Civil Code which reads as follows: **"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."** I hereby expressly waive and relinquish all rights and benefits under that Section and any law of any jurisdiction, including New York, of similar effect with respect to any claims I may have against the Company.

I acknowledge that, among other rights, I am waiving and releasing any rights I may have under ADEA, that this Release and Waiver is knowing and voluntary, and that the consideration given for this Release and Waiver is in addition to anything of value to which I was already entitled as an executive of the Company. I further acknowledge that I have been advised, as required by the Older Workers Benefit Protection Act, that: (a) the release and waiver granted herein does not relate to claims under the ADEA which may arise after this Release and Waiver is executed; (b) I should consult with an attorney prior to executing this Release and Waiver; and (c) if I am age 40 or older at the time of execution of this release, I have 21 days

from the date of termination of my employment with the Company in which to consider this Release and Waiver (although I may choose voluntarily to execute this Release and Waiver earlier); and (d) if I am age 40 or older at the time of execution of this release, I have seven days following the execution of this Release and Waiver to revoke my consent to this Release and Waiver and this Release and Waiver shall not be effective until the seven day revocation period has expired without my having previously revoked this Release and Waiver.

I agree not to disparage the Company and its officers, directors, employees, shareholders and/or agents, in any manner likely to be harmful to them or their business, business reputations or personal reputations; provided that I may respond accurately and fully to any question, inquiry or request for information when required by legal process (e.g., a valid subpoena or other similar compulsion of law) or as part of a government investigation.

I acknowledge my continuing obligations under my Proprietary Information and Inventions Agreement. Pursuant to the Proprietary Information and Inventions Agreement I understand that among other things, I must not use or disclose any confidential or proprietary information of the Company and I must immediately return all Company property and documents (including all embodiments of proprietary information) and all copies thereof in my possession or control. I understand and agree that my right to the severance pay I am receiving in exchange for my agreement to the terms of this Release and Waiver is contingent upon my continued compliance with my Proprietary Information and Inventions Agreement.

This Release and Waiver constitutes the complete, final and exclusive embodiment of the entire agreement between the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company that is not expressly stated herein. This Release and Waiver may only be modified by a writing signed by both me and a duly authorized officer of the Company.

Date: __ By: __

Marco Londei

ANAPTYSBIO, INC.
EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (this "***Agreement***") is made effective as of January 26, 2018 (the "Effective Date") by and among **ANAPTYSBIO, INC**. (the "***Company***") and Dominic Piscitelli ("***CFO***"). The Company and CFO are hereinafter collectively referred to as the "***Parties***", and individually referred to as a "***Party***". This Employment Agreement amends and restates any prior employment agreement.

RECITAL

The Company desires to continue to employ CFO, and CFO is willing to continue to accept such employment by Company, on the terms and subject to the conditions set forth in this Agreement.

AGREEMENT

In consideration of the foregoing Recitals and the mutual promises and covenants herein contained, and for other good and valuable consideration, the Parties, intending to be legally bound, agree as follows:

1. EMPLOYMENT.

1.1 Title. Effective as of the Effective Date, CFO's position shall be Chief Financial Officer of the Company, subject to the terms and conditions set forth in this Agreement.

1.2 Term. The term of this Agreement shall begin on the Effective Date and shall continue until it is terminated pursuant to Section 4 herein (the "***Term***").

1.3 Duties. CFO shall do and perform all services, acts or things necessary or advisable to manage and conduct the business of the Company and that are normally associated with the position of Chief Financial Officer. CFO shall report to the Chief Executive Officer.

1.4 Policies and Practices. The employment relationship between the Parties shall be governed by this Agreement and by the policies and practices established by the Company and/or the Board, or any designated committee thereof. In the event that the terms of this Agreement differ from or are in conflict with the Company's policies or practices or the Company's Employee Handbook, this Agreement shall control.

1.5 Location. Unless the Parties otherwise agree in writing, during the Term CFO shall perform the services CFO is required to perform pursuant to this Agreement at the Company's offices in San Diego, California, provided, however, that the Company may from time to time require CFO to travel temporarily to other locations in connection with the Company's business.

2. LOYALTY; NONCOMPETITION; NONSOLICITATION.

2.1 Loyalty. During CFO's employment with the Company, CFO shall devote CFO's full business energies, interest, abilities and productive time to the proper and efficient performance of CFO's duties under this Agreement.

2.2 Agreement not to Participate in Company's Competitors. During CFO's employment with the Company, CFO agrees not to acquire, assume or participate in, directly or indirectly,

any position, investment or interest known by CFO to be adverse or antagonistic to the Company, its business, or prospects, financial or otherwise, or in any company, person, or entity that is, directly or indirectly, in competition with the business of the Company or any of its Affiliates (as defined below). Ownership by CFO, in professionally managed funds over which CFO does not have control or discretion in investment decisions, or as a passive investment, of less than two percent (2%) of the outstanding shares of capital stock of any corporation with one or more classes of its capital stock listed on a national securities exchange or publicly traded on a national securities exchange or in the over-the-counter market shall not constitute a breach of this Section. For purposes of this Agreement, "Affiliate," means, with respect to any specific entity, any other entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified entity.

2.3 Covenant not to Compete. During CFO's employment with the Company, CFO shall not engage in competition with the Company and/or any of its Affiliates in any manner or capacity, as adviser, principal, agent, affiliate, promoter, partner, officer, director, employee, owner, co-owner, consultant, in any phase of the business of developing, manufacturing and marketing of products or services that directly compete with the products or services of the Company, except with the prior written consent of the CEO. CFO shall be entitled to request written consent of the CEO with respect to potential advisory and/or director opportunities presented to CFO by a third party, which CFO believes in good faith will not interfere or compete with the on-going business of the Company.

3. COMPENSATION OF CFO.

3.1 Base Salary. The Company shall pay CFO a base salary at the annualized rate of $397,000 (the "***Base Salary***"), less payroll deductions and all required withholdings, payable in regular periodic installments in accordance with the Company's normal payroll practices. The Base Salary shall be prorated for any partial year of employment on the basis of a 365-day fiscal year.

3.2 Discretionary Bonus. At the sole discretion of the Board and Chief Executive Officer, promptly following each calendar year of employment CFO shall be eligible to receive a discretionary cash bonus of up to 40% of CFO's then-current base salary (the "***Bonus***"), based on CFO's achievement relative to certain performance goals ("***Performance Goals***") to be established by the Chief Executive Officer in writing in a manner reasonably consistent with the Company's priorities. The determination of whether CFO has met the Performance Goals for any given year, and if so, the amount of any Bonus that will be paid for such year (if any), shall be determined by the Board and Chief Executive Officer in their sole and absolute discretion. In order to be eligible to earn or receive any Bonus, CFO must remain employed by the Company through and including the date of payment of such Bonus.

3.3 Stock Option. CFO has been granted options to purchase shares of the Company's Common Stock and will continue to be eligible for additional equity awards pursuant to the terms of the Company's 2017 Equity Incentive Plan, as amended from time to time (the "***Plan***").

3.4 Expense Reimbursements. The Company will reimburse CFO for all reasonable business expenses CFO incurs in conducting his duties hereunder, pursuant to the Company's usual expense reimbursement policies; provided that CFO supplies the appropriate substantiation for such expenses no later than the end of the calendar month following the month in which such expenses were incurred by CFO.

3.5 Changes to Compensation. CFO's compensation will be reviewed annually and may be changed from time to time in the Company's sole discretion.

3.6 Employment Taxes. All of CFO's compensation shall be subject to customary withholding taxes and any other employment taxes as are commonly required to be collected or withheld by the Company.

3.7 Benefits. CFO shall, in accordance with Company policy and the terms of the applicable plan documents, be eligible to participate in benefits under any benefit plan or arrangement that may be in effect from time to time and made available to the Company's senior management employees.

3.8 Holidays and Vacation. CFO shall be eligible for paid holiday and vacation time in accordance with Company policy as in effect from time to time.

4. TERMINATION.

4.1 Termination by the Company. CFO's employment with the Company is at will and may be terminated by the Company at any time and for any reason, or for no reason, including, but not limited to, under the following conditions:

4.1.1 Termination by the Company for Cause. The Company may terminate CFO's employment under this Agreement for "***Cause***" (as defined below) by delivery of written notice to CFO. Any notice of termination given pursuant to this section shall effect termination as of the date of the notice, or as of such other date specified in the notice.

4.1.2 Termination by the Company without Cause. The Company may terminate CFO's employment under this Agreement without Cause at any time and for any reason, or for no reason. Such termination shall be effective on the date CFO is so informed, or as otherwise specified by the Company.

4.2 Termination by CFO. CFO may terminate his employment with the Company at any time and for any reason, or for no reason, upon thirty (30) days written notice to the Company.

4.3 Termination for Death or Disability. CFO's employment with the Company shall automatically terminate effective upon the date of CFO's death or Disability (as defined in the Plan).

4.4 Termination by Mutual Agreement of the Parties. CFO's employment with the Company may be terminated at any time upon a mutual agreement in writing of the Parties. Any such termination of employment shall have the consequences specified in such agreement.

4.5 Compensation upon Termination.

4.5.1 Death or Disability. If CFO's employment is terminated by death or Disability, the Company shall pay to CFO, or to CFO's heirs, CFO's accrued and unpaid base salary and accrued and unused vacation benefits earned through the date of termination at the rate in effect at the time of termination, less standard deductions and withholdings. The Company shall thereafter have no further obligations to CFO and/or CFO's heirs under this Agreement, except as otherwise provided by law.

4.5.2 Termination for Cause. If the Company terminates CFO's employment for Cause, then the Company shall pay CFO's accrued and unpaid base salary and accrued and unused vacation benefits earned through the date of termination, at the rate in effect at the time of termination, less

standard deductions and withholdings. The Company shall thereafter have no further obligations to CFO under this Agreement, except as otherwise provided by law.

4.5.3 Termination by Company without Cause or by CFO for Good Reason Not In Connection with a Change in Control. If the Company terminates CFO's employment without Cause or if CFO resigns his employment for "***Good Reason***" (as defined below), in either case at any time other than upon the occurrence of, or within the 13 months immediately following, the effective date of a "***Change in Control***" (as defined below), the Company shall pay CFO's accrued and unpaid base salary and accrued and unused vacation benefits earned through the date of termination, at the rate in effect at the time of termination, less standard deductions and withholdings. In addition to the above, if CFO furnishes to the Company an executed waiver and release of claims in the form attached hereto as **Exhibit A** (or in such other form as may be specified by the Company) (the "***Release***") within the time period specified therein, but in no event later than 45 days following CFO's termination, and if CFO allows such Release to become effective in accordance with its terms, then (i) CFO shall be entitled to severance in the form of continuation of his base salary, at the base salary rate equal to the greater of the rate in effect at the time of termination or the rate immediately prior to the event giving rise to Good Reason (the "***Severance Payments***"), for a period of nine (9) months following the termination date (the "Severance Period"), and (ii) the Company will pay directly to the insurance provider the premium for COBRA continuation coverage for CFO and CFO's family during the Severance Period or until he obtains new employment, whichever comes first (the "***COBRA Coverage***"); provided that, if the Company determines that it cannot provide the COBRA Coverage without potentially violating applicable law or incurring additional expense under applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company will provide CFO, in lieu thereof, taxable, continued installment payments equal to the COBRA premium, payable on the last day of a given month, for 9 months (measured from the termination date), which payments will be made regardless of whether CFO elects COBRA continuation coverage (the "***COBRA Bonus***"). Notwithstanding the foregoing, the number of months of COBRA Bonus to be paid, in any case, shall be reduced by the number of months of COBRA Coverage previously paid by the Company. The Severance Payments will be subject to standard payroll deductions and withholdings and will be made on the Company's regular payroll cycle, provided, however, that any Severance Payments otherwise scheduled to be made prior to the effective date of the Release shall accrue and be paid in the first payroll period that follows such effective date, *provided, further*, that if the 45 day period to execute the Release spans two calendar years, no Severance Payments will be made until the later calendar year. The Company shall thereafter have no further obligations to CFO under this Agreement, except as otherwise provided by law.

4.5.4 Termination by Company without Cause or by CFO for Good Reason In Connection with a Change in Control. If the Company terminates CFO's employment without Cause or if CFO resigns his employment for Good Reason, in either case upon the occurrence of, or within the 13 months immediately following, the effective date of a Change in Control, the Company shall pay CFO's accrued and unpaid base salary and accrued and unused vacation benefits earned through the date of termination, at the rate in effect at the time of termination, less standard deductions and withholdings. In addition, if CFO furnishes to the Company an executed Release within the time period specified therein, but in no event later than 45 days following CFO's termination, and if CFO allows such Release to become effective in accordance with its terms, then CFO shall be entitled to: (1) the Severance Payments and COBRA payments described in Section 4.5.3 above; provided, however, that the Severance Payments and COBRA payments shall be increased from 9 months to 12 months and (2) accelerated vesting of all of CFO's unvested Company equity awards, such that CFO shall become vested in 100% of the shares subject to all such equity awards on the effective date of the Release; provided, however, that the vesting of any performance-based awards shall be as if all applicable performance criteria were achieved at target levels. The Company shall thereafter have no further obligations to CFO under this Agreement, except as otherwise provided by law.

4.6 Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

4.6.1 "***Cause***" shall mean the occurrence of any one or more of the following: (i) CFO's commission of any crime involving fraud, dishonesty or moral turpitude; (ii) CFO's attempted commission of or participation in a fraud or act of dishonesty against the Company that results in (or might have reasonably resulted in) material harm to the business of the Company; (iii) CFO's intentional, material violation of any contract or agreement between CFO and the Company or any statutory duty CFO owes to the Company; or (iv) CFO's conduct that constitutes gross insubordination, incompetence or habitual neglect of duties and that results in (or might have reasonably resulted in) material harm to the business of the Company; *provided, however*, that the action or conduct described in clauses (iii) and (iv) above will constitute "Cause" only if such action or conduct continues after the Company has provided CFO with written notice thereof and thirty (30) days to cure, or otherwise remedy to the extent possible under direct control of the CFO, the same. An occurrence of "Cause" as set forth in the preceding sentence shall be based upon a good faith determination by the Board. CFO's Disability shall not constitute Cause as set forth herein. The determination that a termination is for Cause shall be by the Board in its sole and exclusive judgment and discretion.

4.6.2 "***Change in Control***" shall have the meaning set forth in the Amended and Restated 2006 Equity Incentive Plan.

4.6.3 "***Good Reason***" shall mean any of the following actions: (i) the assignment to CFO of any duties or responsibilities that results in a material diminution in CFO's function as in effect immediately prior to the effective date of the Change in Control; provided, however, that it will be considered a material diminution in CFO's function if, following a Change in Control, the CFO is not reporting directly to the Chief Executive Officer who is in turn reporting to the Company's (or if applicable ultimate parent entity's) corporate board of directors; (ii) a reduction by the Company in CFO's annual base salary as in effect on the effective date of the Change in Control; provided, however, that Good Reason shall not be deemed to have occurred in the event of a reduction in CFO's annual base salary that is pursuant to a salary reduction program affecting substantially all of the employees of the Company and that does not adversely affect CFO to a greater extent than other similarly situated employees; or (iii) a relocation of CFO's primary business office to a location more than 50 miles from the location of CFO's primary business office as of the effective date of the Change in Control, except for required travel by CFO on the Company's business to an extent substantially consistent with CFO's business travel obligations prior to the effective date of the Change in Control. For the purposes of application of this definition of Good Reason to Section 4.5.3, the words "as in effect immediately prior to the effective date of the Change in Control" shall be read to mean as of, or immediately prior to, the date of the event giving rise to Good Reason. In all events, in order for a termination for Good Reason to occur, the CFO must provide the Company with written notice of the condition constituting Good Reason within 90 days of the initial occurrence of such condition, and allow the Company a 30-day cure period in which to cure such condition, and the CFO must resign employment within 10 days of the end of such 30-day cure period if the Company does not cure the condition in such cure period. For clarity, "corporate board of directors" as used in the definition of Good Reason means the Company's (or if applicable ultimate parent entity's) board of directors as such term is used in Section 141 of the Delaware General Corporation Law, or if the Company (or if applicable ultimate parent entity) is not a corporation organized under Delaware law, the most senior governing body of the Company (or if applicable ultimate parent entity) the majority of which is comprised of non-employee and independent members and has responsibility and authority for managing the business and affairs of the Company (or if applicable ultimate parent entity).

4.7 Survival of Certain Sections. Sections 3.4, 3.6 and 4 through 18 of this Agreement will survive the termination of this Agreement.

4.8 Parachute Payment. If any payment or benefit CFO would receive pursuant to this Agreement ("***Payment***") would (i) constitute a "***Parachute Payment***" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "***Code***"), and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "***Excise Tax***"), then such Payment shall be equal to the Reduced Amount. The "***Reduced Amount***" shall be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax or (y) the largest portion, up to and including the total of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in CFO's receipt, on an after-tax basis, of the greatest economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits constituting Parachute Payments is necessary so that the Payment equals the Reduced Amount, reduction shall occur in the manner that results in the greatest economic benefit for CFO. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata.

In the event it is subsequently determined by the Internal Revenue Service that some portion of the Reduced Amount (as determined pursuant to clause (x) in the preceding paragraph) is subject to the Excise Tax, CFO agrees to promptly return to the Company a sufficient amount of the Payment so that no portion of the Reduced Amount is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount is determined in accordance with clause (y) in the preceding paragraph, CFO will have no obligation to return any portion of the Payment pursuant to the preceding sentence.

Unless CFO and the Company agree on an alternative accounting or law firm, the accounting firm then engaged by the Company for general tax compliance purposes shall perform the foregoing calculations. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint a nationally recognized accounting, law or consulting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such accounting, law or consulting firm required to be made hereunder.

The Company shall use commercially reasonable efforts such that the accounting, law or consulting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to CFO and the Company within 15 calendar days after the date on which CFO's right to a Payment is triggered (if requested at that time by CFO or the Company) or such other time as requested by CFO or the Company.

4.9 Application of Internal Revenue Code Section 409A. Notwithstanding anything to the contrary set forth herein, any payments and benefits provided under this Agreement (the "***Severance Benefits***") that constitute "deferred compensation" within the meaning of Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect (collectively "***Section 409A***") shall not commence in connection with CFO's termination of employment unless and until CFO has also incurred a "separation from service" (as such term is defined in Treasury Regulation Section 1.409A-1(h) ("***Separation From Service***"), unless the Company reasonably determines that such amounts may be provided to CFO without causing CFO to incur the additional 20% tax under Section 409A.

It is intended that each installment of the Severance Benefits payments provided for in this Agreement is a separate "payment" for purposes of Treasury Regulation Section 1.409A-2(b)(2)(i). For the avoidance

of doubt, it is intended that payments of the Severance Benefits set forth in this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A provided under Treasury Regulation Sections 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9). However, if the Company (or, if applicable, the successor entity thereto) determines that the Severance Benefits constitute "deferred compensation" under Section 409A and CFO is, on the termination of service, a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A(a)(2)(B)(i) of the Code, then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, the timing of the Severance Benefit payments shall be delayed until the earlier to occur of: (i) the date that is six months and one day after CFO's Separation From Service, or (ii) the date of CFO's death (such applicable date, the "***Specified Employee Initial Payment Date***"), the Company (or the successor entity thereto, as applicable) shall (A) pay to CFO a lump sum amount equal to the sum of the Severance Benefit payments that CFO would otherwise have received through the Specified Employee Initial Payment Date if the commencement of the payment of the Severance Benefits had not been so delayed pursuant to this Section and (B) commence paying the balance of the Severance Benefits in accordance with the applicable payment schedules set forth in this Agreement.

Notwithstanding anything to the contrary set forth herein, CFO shall receive the Severance Benefits described above, if and only if CFO duly executes and returns to the Company within the applicable time period set forth therein, but in no event more than forty-five days following Separation From Service, the Release and permits the Release to become effective in accordance with its terms. Notwithstanding any other payment schedule set forth in this Agreement, none of the Severance Benefits will be paid or otherwise delivered prior to the effective date of the Release. Except to the extent that payments may be delayed until the Specified Employee Initial Payment Date pursuant to the preceding paragraph, on the first regular payroll pay day following the effective date of the Release, the Company will pay CFO the Severance Benefits CFO would otherwise have received under the Agreement on or prior to such date but for the delay in payment related to the effectiveness of the Release, with the balance of the Severance Benefits being paid as originally scheduled. All amounts payable under the Agreement will be subject to standard payroll taxes and deductions.

5. CONFIDENTIAL AND PROPRIETARY INFORMATION.

CFO has already executed, as a condition of CFO's employment with the Company, the Company's standard form of Proprietary Information and Inventions Agreement (the "***PIIA***"). The PIIA remains in full force and effect.

6. ASSIGNMENT AND BINDING EFFECT.

This Agreement shall be binding upon and inure to the benefit of CFO and CFO's heirs, executors, personal representatives, assigns, administrators and legal representatives. Because of the unique and personal nature of CFO's duties under this Agreement, neither this Agreement nor any rights or obligations under this Agreement shall be assignable by CFO. This Agreement shall be binding upon and inure to the benefit of the Company and its successors, assigns and legal representatives. Any such successor of the Company will be deemed substituted for the Company under the terms of this Agreement for all purposes. For this purpose, "successor" means any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company.

7. NOTICES.

All notices or demands of any kind required or permitted to be given by the Company or CFO under this Agreement shall be given in writing and shall be personally delivered (and receipted for) or faxed during

normal business hours or mailed by certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company:

10421 Pacific Center Court, Suite 200
San Diego, CA 92121
Attention: Chief Executive Officer

If to CFO:

Dominic Piscitelli

_____

_____

Any such written notice shall be deemed given on the earlier of the date on which such notice is personally delivered or three days after its deposit in the United States mail as specified above. Either Party may change its address for notices by giving notice to the other Party in the manner specified in this Section.

8. CHOICE OF LAW.

This Agreement shall be construed and interpreted in accordance with the internal laws of the State of California without regard to its conflict of laws principles.

9. INTEGRATION.

This Agreement, including **Exhibit A** and the PIIA, contains the complete, final and exclusive agreement of the Parties relating to the terms and conditions of CFO's employment and the termination of CFO's employment, and supersedes any and all prior and/or contemporaneous oral and written employment agreements or arrangements between the Parties.

10. AMENDMENT.

This Agreement cannot be amended or modified except by a written agreement signed by CFO and the Company.

11. WAIVER.

No term, covenant or condition of this Agreement or any breach thereof shall be deemed waived, except with the written consent of the Party against whom the wavier is claimed, and any waiver or any such term, covenant, condition or breach shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other term, covenant, condition or breach.

12. SEVERABILITY.

The finding by a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal. Such court shall have the authority to modify or replace the invalid or unenforceable term or provision with a valid and enforceable term or provision, which most accurately represents the Parties' intention with respect to the invalid or unenforceable term, or provision.

13. INTERPRETATION; CONSTRUCTION.

The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but CFO has been encouraged to consult with, and has consulted with, CFO's own independent counsel and tax advisors with respect to the terms of this Agreement. The Parties acknowledge that each Party and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

14. REPRESENTATIONS AND WARRANTIES.

CFO represents and warrants that CFO is not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and that CFO's execution and performance of this Agreement will not violate or breach any other agreements between CFO and any other person or entity.

15. COUNTERPARTS.

This Agreement may be executed in two counterparts, each of which shall be deemed an original, all of which together shall contribute one and the same instrument.

16. ARBITRATION.

To ensure the rapid and economical resolution of disputes that may arise in connection with CFO's employment with the Company, CFO and the Company agree that any and all disputes, claims, or causes of action, in law or equity, arising from or relating to CFO's employment, or the termination of that employment, will be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration pursuant to both the substantive and procedural provisions of the Federal Arbitration Act in San Diego, California conducted by the Judicial Arbitration and Mediation Services/Endispute, Inc. ("***JAMS***"), or its successors, under the then current rules of JAMS for employment disputes; provided that the arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. Accordingly, CFO and the Company hereby waive any right to a jury trial. Both CFO and the Company shall be entitled to all rights and remedies that either CFO or the Company would be entitled to pursue in a court of law. The Company shall pay any JAMS filing fee and shall pay the arbitrator's fee. Nothing in this Agreement is intended to prevent either CFO or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, CFO and the Company each have the right to resolve any issue or dispute involving confidential, proprietary or trade secret information, or intellectual property rights, by Court action instead of arbitration.

17. TRADE SECRETS OF OTHERS.

It is the understanding of both the Company and CFO that CFO shall not divulge to the Company and/or its subsidiaries any confidential information or trade secrets belonging to others, including CFO's former employers, nor shall the Company and/or its Affiliates seek to elicit from CFO any such information. Consistent with the foregoing, CFO shall not provide to the Company and/or its Affiliates, and the Company and/or its Affiliates shall not request, any documents or copies of documents containing such information.

18. ADVERTISING WAIVER.

CFO agrees to permit the Company, and persons or other organizations authorized by the Company, to use, publish and distribute advertising or sales promotional literature concerning the products and/or services of the Company, or the machinery and equipment used in the provision thereof, in which CFO's name and/or pictures of CFO taken in the course of CFO's provision of services to the Company appear. CFO hereby waives and releases any claim or right CFO may otherwise have arising out of such use, publication or distribution.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have executed the Agreement as of the date below.

ANAPTYSBIO, INC.

By: /s/ Hamza Suria
Its: President & CEO
Dated: March 1, 2018

CFO:

/s/ Dominic Piscitelli
DOMINIC PISCITELLI

Dated: March 1, 2018

[SIGNATURE PAGE TO EMPLOYMENT AGREEMENT]

EXHIBIT A

RELEASE AND WAIVER OF CLAIMS

TO BE SIGNED ON OR FOLLOWING THE SEPARATION DATE ONLY

In consideration of the payments and other benefits set forth in the Employment Agreement effective January 26, 2018, to which this form is attached, I, Dominic Piscitelli, hereby furnish **ANAPTYSBIO, INC.** (the "***Company***"), with the following release and waiver ("***Release and Waiver***").

In exchange for the consideration provided to me by the Employment Agreement that I am not otherwise entitled to receive, I hereby generally and completely release the Company and its current and former directors, officers, employees, stockholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively, the "***Released Parties***") from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to or on the date that I sign this Agreement (collectively, the "***Released Claims***"). The Released Claims include, but are not limited to: (a) all claims arising out of or in any way related to my employment with the Company, or the termination of that employment; (b) all claims related to my compensation or benefits from the Company including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (c) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (d) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (e) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, misclassification, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) (the "***ADEA***"), the California Labor Code, and the California Fair Employment and Housing Act (as amended). Notwithstanding the foregoing, the following are not included in the Released Claims (the "***Excluded Claims***"): (a) any rights or claims for indemnification I may have pursuant to the charter or bylaws of the Company or under applicable law; (b) any rights or claims to unemployment compensation, funds accrued in my 401k account, or any vested equity incentives; (c) any rights that are not waivable as a matter of law; or (d) any claims arising from the breach of this Agreement. I hereby represent and warrant that, other than the Excluded Claims, I am not aware of any claims I have or might have against any of the Released Parties that are not included in the Released Claims.

I also acknowledge that I have read and understand Section 1542 of the California Civil Code which reads as follows: "**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor**." I hereby expressly waive and relinquish all rights and benefits under that Section and any law of any jurisdiction, including New York, of similar effect with respect to any claims I may have against the Company.

I acknowledge that, among other rights, I am waiving and releasing any rights I may have under ADEA, that this Release and Waiver is knowing and voluntary, and that the consideration given for this Release and Waiver is in addition to anything of value to which I was already entitled as an executive of the Company. I further acknowledge that I have been advised, as required by the Older Workers Benefit Protection Act, that: (a) the release and waiver granted herein does not relate to claims under the ADEA which may arise after this Release and Waiver is executed; (b) I should consult with an attorney prior to executing this Release and Waiver; and (c) if I am age 40 or older at the time of execution of this release, I have 21 days

from the date of termination of my employment with the Company in which to consider this Release and Waiver (although I may choose voluntarily to execute this Release and Waiver earlier); and (d) if I am age 40 or older at the time of execution of this release, I have seven days following the execution of this Release and Waiver to revoke my consent to this Release and Waiver and this Release and Waiver shall not be effective until the seven day revocation period has expired without my having previously revoked this Release and Waiver.

I agree not to disparage the Company and its officers, directors, employees, shareholders and/or agents, in any manner likely to be harmful to them or their business, business reputations or personal reputations; provided that I may respond accurately and fully to any question, inquiry or request for information when required by legal process (e.g., a valid subpoena or other similar compulsion of law) or as part of a government investigation.

I acknowledge my continuing obligations under my Proprietary Information and Inventions Agreement. Pursuant to the Proprietary Information and Inventions Agreement I understand that among other things, I must not use or disclose any confidential or proprietary information of the Company and I must immediately return all Company property and documents (including all embodiments of proprietary information) and all copies thereof in my possession or control. I understand and agree that my right to the severance pay I am receiving in exchange for my agreement to the terms of this Release and Waiver is contingent upon my continued compliance with my Proprietary Information and Inventions Agreement.

This Release and Waiver constitutes the complete, final and exclusive embodiment of the entire agreement between the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company that is not expressly stated herein. This Release and Waiver may only be modified by a writing signed by both me and a duly authorized officer of the Company.

Date: __ By: __

DOMINIC PISCITELLI

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

Name of Subsidiary	**Jurisdiction of Incorporation or Organization**
AnaptysBio Pty Ltd	Australia

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
AnaptysBio, Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-222868) on Form S-3, and registration statement (No. 333-215741) on Form S-8 of AnaptysBio, Inc. of our report dated March 5, 2018, with respect to the consolidated balance sheets of AnaptysBio, Inc. as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive loss, convertible preferred stock and stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the "consolidated financial statements"), which report appears in the December 31, 2017 annual report on Form 10-K of AnaptysBio, Inc.

/s/ KPMG LLP

San Diego, California
March 5, 2018

EXHIBIT 31.1

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Hamza Suria, certify that:

1. I have reviewed this annual report on Form 10-K of AnaptysBio, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 5, 2018

/s/ Hamza Suria

Hamza Suria

Chief Executive Officer

(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dominic G. Piscitelli, certify that:

1. I have reviewed this annual report on Form 10-K of AnaptysBio, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 5, 2018

/s/ Dominic G. Piscitelli

Dominic G. Piscitelli

Chief Financial Officer

(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Hamza Suria, Chief Executive Officer of AnaptsyBio, Inc. (Company), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Annual Report on Form 10-K of the Company for the year ended December 31, 2017 (Report), as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: March 5, 2018

/s/ Hamza Suria

Hamza Suria
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Dominic G. Piscitelli, Chief Financial Officer of AnaptysBio, Inc. (Company), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Annual Report on Form 10-K of the Company for the year ended December 31, 2017 (Report), as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: March 5, 2018

/s/ Dominic G. Piscitelli

Dominic G. Piscitelli
Chief Financial Officer
(Principal Financial Officer)