CYXONE

559020-5471

Interim Report
1 January to 30 June 2018

Interim Report 1 January to 30 June 2018

Summary of the Interim Report

First Halfyear (1 January to 30 June 2018)

- Operating revenue KSEK 0 (0)
- Income after financial items KSEK -6 503 (-4 075)
- Earnings per share -0,37 (-0,27)
- Cash and cash equivalents as of 30 June KSEK 17 817 (28 114)
- Equity ratio as of 30 June 92,8 (95,2) %

Second Quarter (1 April to 30 June 2018)

- Operating revenue KSEK 0 (0)
- Income after financial items KSEK -3 755 (-2 588)
- Earnings per share -0,21 (-0,17)

Significant events during the second quarter of 2018

- The company completed the acquisition of drug candidate Rabeximod and issued approximately 1.9 million shares to complete the payment to OxyPharma AB. The shares were registered with the Swedish authority 'Bolagsverket' on July 3, 2018.
- The company appointed Mangold Fondkommission to provide market making services for the company's share. The purpose of the market maker is to improve the liquidity of the share and reduce the difference between the buying and selling price. The assignment commences on July 2, 2018.

Significant events after the end of the period

- The company's second and last phase of the pilot study in inflammatory bowel disease (IBD) with its cyclotide technology has been concluded. The results add to the growing body of evidence around the cyclotide technology, deepening the understanding of this natural plant protein.

CEO Kjell G. Stenberg comments

Our second quarter of 2018 has been active and intensive. We have continued to keep our primary focus on implementing the preclinical studies required to secure the permission to complete the first phase of the clinical study program with T20K in multiple sclerosis (MS) in humans, phase I, as well as work for the financing of phase IIb with Rabeximod in rheumatoid arthritis (RA).

The second quarter also meant a new start for us; This is the beginning of our journey as a clinical development stage company. It is a 'new' Cyxone as a significant and innovative player in autoimmune diseases, which drives research and drug development forward to improve the quality of life for those affected by these diseases.

In a short period of time, we have built a strong development portfolio in autoimmune diseases with T20K, which is soon in phase I for MS and Rabeximod in phase IIb for RA. We are already implementing and plan to continue to drive both of our candidates forward in parallel. We successfully follow the time line set for our MS studies with T20K and we plan to start the study with Rabeximod as soon as possible.

T20K and MS

Through the T20K studies conducted so far, and especially the most recent preclinical studies, the company has learned a lot about how the new substance can inhibit immunological reactions that occur during the development of MS and its potential side effects. These studies have made us even more excited about the outcome of the first study in humans and have enabled us to draw up the plans for how it can be implemented, which we look forward to starting in the latter part of 2018.

Pilot study with T20K for other autoimmune diseases

In parallel to our two main tracks, we have, during the last six months, also conducted pilot studies with T20K for other autoimmune diseases. Because T20K affects some of the basic functions of the immune system, there are promising indications that cyclotides could be effective also for other autoimmune diseases. Through a suggestion from a researcher at a big pharmaceutical company, with the belief of showing effects on colon inflammation, Cyxone conducted two pilot studies in animal models for ulcerative colitis, a type of inflammatory bowel disease (IBD). The study results presented in July failed to show the desired effect in the colon, but the results support the anti-inflammatory effect of the cyclotide and are in line with the positive effects seen in the MS studies. With these results in hand, we have come to the conclusion that the cyclotide technology program will, for now, maintain its focus on driving the development of T20K for the treatment of MS.

Continued success with unique strategy positioning

In comparison to other biotech companies, Cyxone differs significantly because of the strategy set to enable patients to access new effective treatment options for MS and RA. Through the company's wide network of universities and pharmaceutical companies, we can in-license promising substances from early development phase, develop the substances up to phase III, and then out-license the substance to a resourceful pharmaceutical company for phase III development and commercialization. This also means that the company is highly resource efficient because different specialists are only included during the periods they are required, and that sharp focus can be kept on meeting the future outlook of closing substantial license agreements with T20K and Rabeximod, given positive study results. I am convinced that this is a winning strategy, and feel confident that we are on the right track.

We are grateful for the support and trust our shareholders has for Cyxone, and we are looking forward to a strong year for the company.

Follow our news and information about our presence at investment events via Nasdaq First North and the company's website: www.cyxone.com

Kjell Stenberg
CEO, Cyxone AB

Disclaimer

This is a translation of the original Swedish version of the interim report. In case of any discrepancy between this translation and the Swedish original, the latter shall prevail.

Cyxone AB

Operations

Cyxone AB is a clinical biotech company with a portfolio of immunomodulating drugs for the treatment of autoimmune diseases such as multiple sclerosis (MS) and rheumatoid arthritis (RA). The company's drug portfolio is based on two technological in the form of oral molecules and cyclotide-based drugs that inhibit key processes in the body's cells that are typically associated with various immune-related disorders. Cyxone's technologies have the potential to address an unmet need to develop new effective and safe medicines that can improve the quality of life for patients affected by autoimmune diseases. The company's development portfolio comprises Rabeximod in a clinical phase II program for RA and T20K that soon will enter clinical phase I for MS. The company continues to develop its strategy to maximize the opportunities within autoimmune diseases with the existing portfolio and potentially open to in-licensing of other suitable substances.

The cyclotide technology

Cyclotides are considered to be an ideal "template" to develop novel drugs because of their good oral availability, excellent biological stability and for the high number of new structures that can be created. Cyclotides can potentially become a new class of highly specific, low toxicity drugs for several immune-related diseases and cancer. Cyclotides may be changed, while the original cyclotide structure is kept, in order to develop new substances with interesting pharmaceutical characteristics for selected diseases. This provides Cyxone with a great opportunity to build a diversified product portfolio over time.

Thought-through portfolio strategy – Acquisition of Rabeximod

Cyxone was founded with a long-term vision of establishing itself as a clinical phase company within autoimmune diseases with a world class portfolio. The risk-minimizing strategy ensures not only continuous development of the company's value, but also strengthens the negotiation opportunities with potential partners. The work reached its peak in 2017, when Cyxone entered an acquisition agreement with OxyPharma over the drug candidate Rabeximod in clinical phase II for rheumatoid arthritis (RA). The deal included an arrangement that the company could choose to decide when the transaction would be completed, and payment paid under specific conditions, which took place in June 2018. Rabeximod belongs to a new class of molecules that have shown a statistically significant therapeutic effect in a placebo-controlled phase II study within RA, which included more than 200 patients. The acquisition of the candidate meant a great organizational change of the company, which went from a pre-clinical company to a company in clinical development phase with several candidates within autoimmune diseases. The acquisition of Rabeximod is, therefore, one of the most important milestones for Cyxone since its foundation.

Business strategy

Cyxone is a resource efficient company, built by an international network of specialists, focused on developing drugs that inhibit key processes in the body's cells, which are typical

for severe immune-related disorders. The company focuses on developing a diversified development portfolio in autoimmune diseases through a virtually constructed organization, where expertise and leading collaboration partners within their areas of research and development are taken in when needed, to work both time and cost effectively. Since Cyxone acts as a principal instead of building its own laboratory, the company has low fixed costs and a flexible and agile way of working. With a wide network of universities and pharmaceutical companies, promising substances can be in-licensed at an early development phase, develop to clinical phase III and later out-licensed to resourceful pharmaceutical companies for continued phase III development and commercialization.

Cyxone's management has many years of experience in leading virtual drug development within autoimmune diseases, and the company's board has solid experience leading academic research to public development companies and providing strategic management of companies in the various phases of the development process. Members of the Cyxone board also have great expertise in negotiating license and cooperation agreements between small development companies and big pharmaceutical companies. The company's CEO, Kjell G. Stenberg, has on behalf of AstraZeneca negotiated agreements with leading universities in Europe and North America, such as Karolinska Institutet, University of Gothenburg, Max Planck Institute in Germany, Scripps Research Institute in La Jolla and University of British Columbia, Canada. He has further negotiated agreements for his biotech companies, such as joint venture agreements, e.g. Combio A/S, with Arpida in Basel, Switzerland, and licensing and partnership agreements and for the company BioMS Medical with Eli Lilly.

Aims

The overarching aim of the company is to develop novel pharmaceutical drugs that significantly can improve quality of life for patients with severe autoimmune diseases. Today's available drugs can reduce disease symptoms, but are often associated with serious side effects that limit long term usage. Thus, there is a great need for new effective drugs with less severe and fewer side effects and, in best case can prevent autoimmune diseases, in order to offer those affected an improved quality of life. This is the core of Cyxone's driving force.

As a business strategy, Cyxone works with a wide network of universities and pharmaceutical companies to in-license promising substances in early development phase, develop the substances up to phase III, and then out-license to a resourceful pharmaceutical company for phase III development and commercialization. The company's existing development portfolio comprises Rabeximod in clinical phase II program for RA and T20K that will soon enter clinical phase I for MS. In the future, Cyxone will also use its cyclotide technology to develop new structures that may benefit patients in other areas of disease.

The drug candidate T20K has soon passed the preclinical research stage, which shortens time to value-increasing events such as clinical trials scheduled to begin in 2018. The properties of T20K shown in cell and animal studies have the potential to develop the substance into a breakthrough product to treat MS patients in different disease states.

The drug candidate Rabeximod has previously undergone a phase IIb clinical trial with a confirmed effect and safety profile but failed to meet significant effect due to short study time. A new clinical phase IIb study with longer study time is planned, which is expected to start as soon as financing is in place.

Vision

Cyxone's vision is to address an unmet medical need by developing new effective and safe drugs that can improve the quality of life for patients affected by autoimmune diseases.

The share

The company was established on July 13, 2015. Shares in the company have been traded since June 7, 2016 on the Nasdaq First North stock exchange with ticker CYXO. The company's Certified Adviser on the Nasdaq First North is Erik Penser Bank, +46 (0) 8 463 80 00.

Changes in share capital

Year	Event	Increase in share capital (SEK)	Total share capital (SEK)	Change in number of shares	Total number of shares	Quota value (SEK)
2015	Formation of company	50 000	50 000	500	500	100
2015	Share issue for patent work	450 000	500 000	4 500	5 000	100
2015	Split (1:1 000)	-	500 000	4 995 000	5 000 000	0,1
2016	Split (1000:1 325)	-	500 000	1 625 000	6 625 000	0,075
2016	Share issue	98 113	598 113	1 300 000	7 925 000	0,075
2016	Share issue (First North listing)	377 358	975 472	5 000 000	12 925 000	0,075
2017	Issue TO1	181 584	1 157 056	2 405 992	15 330 992	0,075
2017	Issue TO2	186 198	1 343 254	2 467 119	17 798 111	0,075

Shares and share capital

The total number of shares in Cyxone increased, as at 31 December 2017, to 17,798,111, and share capital to SEK 1,343,254.00 SEK. On 3 July 2018, the issue of shares was registered for the acquisition of the Rabeximod development project. Thereafter the number of shares amounts to 19,714,483 and the share capital amounts to SEK 1,487,886.34.

Principles for the preparation of this interim report

The company applies the Swedish Annual Accounts Act (1995:1554) and the Accounting Standards Board 2012:1 Annual report and consolidated reporting (K3).

Additional information

Capitalization of development costs is registered in the company's balance sheets. Due to changes in K3 accounting recommendations, from 2016, a reserve corresponding to capitalized development costs will be made to restricted equity from unrestricted equity.

Auditing

The company's auditors have not formally reviewed this report.

Upcoming financial reports and annual general meeting

November 21, 2018 Third quarter report

Submission of interim report

Malmö
August 17, 2018

The Board of Directors
Cyxone AB

Contact
Cyxone AB (publ)
Kjell G. Stenberg, CEO
Tel: +46 (0)72-381 61 68
Email: kjell.g.stenberg@cyxone.com
Adelgatan 21
221 22 Malmö
www.cyxone.com

This report contains such information that Cyxone AB is required to make public under the EU's Market Abuse Regulation. This Information was submitted by CEO Kjell Stenberg for publication on August 17, 2018.

This report contains forward-looking statements that constitute subjective estimates and forecasts about the future. Assessments about the future are only valid on the date they are made and are, by their nature, similar to research and development work in the biotech field, associated with risk and uncertainty. In light of this, actual outcomes may differ substantially from what is described in this press release.

About Cyxone
Cyxone AB is a clinical stage biotech company with a portfolio of immunomodulating drugs for the treatment of autoimmune diseases such as multiple sclerosis (MS) and rheumatoid arthritis (RA). The company's drug portfolio is based on two technological pillars in the form of oral molecules and cyclotide-based drugs that inhibit key processes in the body's cells that are typically associated with various immune-related disorders. Cyxone's technologies have the potential to address an unmet need and provide new effective and safe medicines that can improve the quality of life for patients affected by autoimmune diseases. The company has two drug candidates, T20K for MS in a preclinical program and Rabeximod for RA in clinical phase II-program. Cyxone's Certified Adviser on the Nasdaq First North is Erik Penser Bank, +46 (0)8 4638000.
www.cyxone.com

Income statement in summary
KSEK

	2018-04-01 2018-06-30	2017-04-01 2017-06-30	2018-01-01 2018-06-30	2017-01-01 2017-06-30	2017-01-01 2017-12-31
Operating income	0	0	0	0	0
Other income	0	0	0	0	0
Total operating income	**0**	**0**	**0**	**0**	**0**
Operating costs	0	0	0	0	0
Other external costs	-3 388	-1 966	-5 649	-2 879	-6 515
Personnel costs	-417	-643	-855	-1 176	-2 287
Depreciation and amortisation of fixed assets	-5	29	-11	-11	-22
Other variable costs	0	0	0	0	0
Total operating costs	**-3 810**	**-2 580**	**-6 515**	**-4 066**	**-8 824**
Operating result	**-3 810**	**-2 580**	**-6 515**	**-4 066**	**-8 824**
Income from financial investments	0	0	0	0	0
Other financial income	55	0	55	0	0
Financial costs	0	-8	-43	-9	0
Total income from financial investments	**55**	**-8**	**12**	**-9**	**0**
Income after financial items	**-3 755**	**-2 588**	**-6 503**	**-4 075**	**-8 824**
Income for the period	**-3 755**	**-2 588**	**-6 503**	**-4 075**	**-8 824**

Balance sheet in summary
KSEK

	2018-06-30	2017-06-30	2017-12-31
Assets			
Fixed assets			
Intangible assets			
Capitalised development costs	13 638	2 256	6 554
Patents, licenses and similiar rights	1 267	929	1 011
Total intangible assets	**14 905**	**3 185**	**7 565**
Inventory	0	0	0
Total fixed assets	**14 905**	**3 185**	**7 565**
Current assets			
Receivables			
Other current receivables	255	354	85
Pre-payments and accrued income	14	29	57
Total current receivables	**269**	**383**	**142**
Cash and bank balances	17 817	28 114	33 357
Total current assets	**18 086**	**28 497**	**33 499**
Total assets	**32 991**	**31 682**	**41 064**

	2018-06-30	2017-06-30	2017-12-31
Equity and liability			
Equity			
Restricted equity			
Share capital	1 343	1 157	1 343
Reserve for capitalised development costs	13 638	2 256	6 554
Total restricted equity	**14 981**	**3 413**	**7 897**
Unrestricted equity			
Other unrestricted equity	22 151	30 833	38 059
Net loss	-6 503	-4 075	-8 824
Total unrestricted equity	**15 648**	**26 758**	**29 235**
Total equity	**30 629**	**30 171**	**37 132**
Current liabilities			
Trade payables	1 076	925	3 079
Current tax liabilities	66	63	81
Other current liabilities	53	337	148
Accrued costs and deferred income	1 167	186	624
Total current liabilities	**2 362**	**1 511**	**3 932**
Total equity and liabilities	**32 991**	**31 682**	**41 064**
Pledged assets (KSEK)	0	0	0
Contingent liabilities (KSEK)	0	0	0

Equity changes in summary
KSEK
1 January to 30 June 2018

	Share capital	Reserve for development costs	Other unrestricted equity	Result for the period	Total unrestricted capital	Total equity
Balance at beginning of period	1 343	6 554	38 059	-8 824	29 235	37 132
Share issues					0	0
Allocation of this year's earnings			-8 824	8 824	0	0
Transfer of development cost reserve		7 084	-7 084		-7 084	0
Share issue costs					0	0
Result for the period				-6 503	-6 503	-6 503
Balance at the end of the period	**1 343**	**13 638**	**22 151**	**-6 503**	**15 648**	**30 629**

Cash flow statement in summary

KSEK	2018-04-01 2018-06-30	2017-04-01 2017-06-30	2018-01-01 2018-06-30	2017-01-01 2017-06-30	2017-01-01 2017-12-31
Cash flow from operations	-3 750	-2 617	-6 492	-4 064	-8 802
Changes in operating capital	-1 245	767	-1 697	762	3 426
Total cash flow from operations	**-4 995**	**-1 850**	**-8 189**	**-3 302**	**-5 376**
Cash flow from investment activities	-4 415	-1 311	-7 351	-1 597	-5 990
Cash flow from financing activities	0	0	0	11 415	23 125
Total cash flow from the period	**-9 410**	**-3 161**	**-15 540**	**6 516**	**11 759**
Cash and cash equivalents at the beginning of the period	27 227	31 275	33 357	21 598	21 598
Cash and cash equivalents at the end of the period	17 817	28 114	17 817	28 114	33 357
Change in cash and cash equivalents	**-9 410**	**-3 161**	**-15 540**	**6 516**	**11 759**

Key figures

	2018-04-01 2018-06-30	2017-04-01 2017-06-30	2018-01-01 2018-06-30	2017-01-01 2017-06-30	2017-01-01 2017-12-31
Net sales (KSEK)	0	0	0	0	0
Profit after financial items (KSEK)	-3 755	-2 588	-6 503	-4 075	-8 824
Total assets (KSEK)	32 991	31 682	32 991	31 682	41 064
Equity (%) *	92,8	95,2	92,8	95,2	90,4
Earnings per share CB (SEK) *	-0,21	-0,17	-0,37	-0,27	-0,50
Earnings per share OB (SEK) *	-0,21	-0,17	-0,37	-0,32	-0,68
Number of shares CB	17 798 111	15 330 992	17 798 111	15 330 992	17 798 111
Number of shares OB	17 798 111	15 330 992	17 798 111	12 925 000	12 925 000
Average number of shares	17 798 111	15 330 992	17 798 111	14 127 996	15 361 556

* Definitions of key figures

Equity ratio, adjusted equity in percentage of total assets

Earnings per share CB, earnings diluted by number of shares, Closing Balance, at the end of the period.

Earnings per share OB, diluted by number of shares, Opening Balance, at the beginning of the period (SEK).