CYXONE

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Interim Report
1 January to 30 September 2018

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Summary of the Interim Report

First nine months (1 January to 30 September 2018)

- Operating revenue KSEK 0 (0)
- Income after financial items KSEK -10 893 (-5 593)
- Earnings per share -0,55 (-0,36)
- Cash and cash equivalents as of 30 September KSEK 10 478 (25 662)
- Equity ratio as of 30 September 90,7 (95,2) %

Third Quarter (1 July to 30 September 2018)

- Operating revenue KSEK 0 (0)
- Income after financial items KSEK -4 390 (-1 518)
- Earnings per share -0,22 (-0,10)

Significant events during the third 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.
- 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.

Significant events after the end of the period

- The company has completed the rights issue of units approved at the Extraordinary General Meeting on October 1, 2018. The rights issue has been subscribed to 90 percent. Approximately 36 percent of the issue was subscribed by unit rights, approximately 4 percent of the issue was subscribed without unit rights and approximately 50 percent was subscribed by issuers. Through the rights issue, Cyxone's share capital increases by SEK 1,339,097.65 through the issue of 17,743,034 shares. Following the rights issue, the company's share capital amounts to SEK 2, 826,983, while the number of shares will amount to 37,457,517.
- The company has selected the clinical site that will carry out the drug candidate T20K's first in man study. The clinical site located in Western Europe has been carefully evaluated based on a number of crucial criteria and will treat the first healthy volunteers in the T20K clinical phase 1 study developed for the treatment of multiple sclerosis (MS).

CEO Kjell G. Stenberg comments

During the third quarter Cyxone has focused on the activities required to initiate clinical studies with T20K (phase 1).

In addition, the company has made a concerted effort to raise capital for the clinical phase 2b program that Cyxone planes to initiate in 2019.

Cyxone has also increased its activities to introduce its drug candidates, T20K for multiple sclerosis (MS) and Rabeximod for rheumatoid arthritis (RA), to pharma companies in Europe, USA and Asia.

T20K and MS
From the company's studies in the final parts of the required preclinical program with T20K Cyxone has gained much new, valuable insights on how T20K works, how it is taken up and distributed within the body[1]. These new insights are key for further clinical development of the drug into a new MS product with a potential to prevent disease progression and with few side effects.

In order to expedite the process to first-in man studies Cyxone has engaged several specialized companies that work in concert to deliver the tools and data that are needed to enter phase 1 studies.

The results obtained are in line with what was expected and supports Cyxone's plans for phase 1 studies with T20K.

Rabeximod and RA
Cyxone has initiated planning of its phase 2b clinical development program including 24 weeks studies with Rabeximod in animals, and in patients with moderate to severe RA.

Exploring opportunities for new drugs for autoimmune diseases
After studies with a cyclotide in animal model for inflammatory bowel disease the company continues to explore opportunities to identify new, unique chemical entities with favorable effects on autoimmune diseases within its two patent portfolios.

Partnering opportunities
With two candidate drugs in clinical phase Cyxone has increased its possibilities to find good strategic partners to accelerate its development process. First set of meetings took place at the Nordic Life Science Days in Stockholm in September where the company had several positive discussions with different pharmaceutical companies.

We greatly appreciate the support and confidence from our shareholders and look forward to a continued strong progress for Cyxone.

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

[1] See Cyxone's Newsletter from July 2018 and Press release published 23 October 2018

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 Mangold Fondkommission AB, +46 (0)8-503 015 50.

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	Shaer 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
2018	Cash issue	144 632	1 487 886	1 916 372	19 714 483	0,075

Shares and share capital

The total number of shares in Cyxone was, as of September 30 2018, 19,714,483 shares and The share capital to SEK 1,487,886.34.

Through the rights issue, which was approved by the Extra General Meeting on October 1, 2018, the share capital of Cyxone increases by SEK 1,339,097.65 through the issue of 17,743,034 shares. Following the rights issue, the share capital of the company amounts to 2,226,983 SEK while the number of shares will amount to 37,457,517. The issue is not yet registered with the Swedish Companies Registration Office.

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

February 14, 2019 Year-end Report

Submission of interim report

Malmö
November 21, 2018

The Board of Directors
Cyxone AB

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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 November 21, 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 report.

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 Mangold Fondkommission AB, +46 (0)8-503 015 50. www.cyxone.com

Income statement in summary
KSEK

	2018-07-01 2018-09-30	2017-07-01 2017-09-30	2018-01-01 2018-09-30	2017-01-01 2017-09-30	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	-3 711	-1 017	-9 360	-3 896	-6 515
Personnel costs	-562	-491	-1 417	-1 667	-2 287
Depreciation and amortisation of fixed assets	-101	-5	-112	-16	-22
Other variable costs	0	0	0	0	0
	-4 374	**-1 513**	**-10 889**	**-5 579**	**-8 824**
Operating result	**-4 374**	**-1 513**	**-10 889**	**-5 579**	**-8 824**
Income from financial investments	0	0	0	0	0
Other financial income	0	0	0	0	0
Financial costs	-16	-5	-4	-14	0
Total income from financial investments	**-16**	**-5**	**-4**	**-14**	**0**
Income after financial items	**-4 390**	**-1 518**	**-10 893**	**-5 593**	**-8 824**
Income for the period	**-4 390**	**-1 518**	**-10 893**	**-5 593**	**-8 824**

Balance sheet in summary
KSEK

	2018-09-30	2017-09-30	2017-12-31
Assets			
Fixed assets			
Intangible assets			
Capitalised development costs	24 557	3 332	6 554
Patents, licenses and similiar rights	6 248	923	1 011
Total intangible assets	**30 805**	**4 255**	**7 565**
Inventory	0	0	0
Total fixed assets	**30 805**	**4 255**	**7 565**
Current assets			
Receivables			
Other current receivables	194	154	85
Pre-payments and accrued income	1 449	30	57
Total current receivables	**1 643**	**184**	**142**
Cash and bank balances	10 478	25 662	33 357
Total current assets	**12 121**	**25 846**	**33 499**
Total assets	**42 926**	**30 101**	**41 064**

	2018-09-30	2017-09-30	2017-12-31
Equity and liability			
Equity			
Restricted equity			
Share capital	1 488	1 157	1 343
Reserve for capitalised development costs	24 557	3 332	6 554
Total restricted equity	**26 045**	**4 489**	**7 897**
Unrestricted equity			
Other unrestricted equity	23 773	29 757	38 059
Net loss	-10 893	-5 593	-8 824
Total unrestricted equity	**12 880**	**24 164**	**29 235**
Total equity	**38 925**	**28 653**	**37 132**
Current liabilities			
Trade payables	2 283	826	3 079
Current tax liabilities	77	70	81
Other current liabilities	83	372	148
Accrued costs and deferred income	1 558	180	624
Total current liabilities	**4 001**	**1 448**	**3 932**
Total equity and liabilities	**42 926**	**30 101**	**41 064**
Pledged assets (KSEK)	0	0	0
Contingent liabilities (KSEK)	0	0	0

Equity changes in summary
KSEK
1 January to 30 September 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
Cash issue	145		12 541		12 541	12 686
Allocation of this year's earnings			-8 824	8 824		0
Transfer of development cost reserve		18 003	-18 003		-18 003	0
Share issue costs						0
Result for the period				-10 893	-10 893	-10 893
Balance at the end of the period	**1 488**	**24 557**	**23 773**	**-10 893**	**12 880**	**38 925**

Cash flow statement in summary

KSEK	2018-07-01 2018-09-30	2017-07-01 2017-09-30	2018-01-01 2018-09-30	2017-01-01 2017-09-30	2017-01-01 2017-12-31
Cash flow from operations	-4 289	-1 513	-10 781	-5 577	-8 802
Changes in operating capital	265	136	-1 432	897	3 426
Total cash flow from operations	**-4 024**	**-1 377**	**-12 213**	**-4 680**	**-5 376**
Cash flow from investment activities	-16 001	-1 075	-23 352	-2 672	-5 990
Cash flow from financing activities	12 686	0	12 686	11 416	23 125
Total cash flow from the period	**-7 339**	**-2 452**	**-22 879**	**4 064**	**11 759**
Cash and cash equivalents at the beginning of the period	17 817	28 114	33 357	21 598	21 598
Cash and cash equivalents at the end of the period	10 478	25 662	10 478	25 662	33 357
Change in cash and cash equivalents	**-7 339**	**-2 452**	**-22 879**	**4 064**	**11 759**

Key figures

	2018-07-01 2018-09-30	2017-07-01 2017-09-30	2018-01-01 2018-09-30	2017-01-01 2017-09-30	2017-01-01 2017-12-31
Net sales (KSEK)	0	0	0	0	0
Profit after financial items (KSEK)	-4 390	-1 518	-10 893	-5 593	-8 824
Total assets (KSEK)	42 926	30 101	42 926	30 101	41 064
Equity (%) *	90,7	95,2	90,7	95,2	90,4
Earnings per share CB (SEK) *	-0,22	-0,10	-0,55	-0,36	-0,50
Earnings per share OB (SEK) *	-0,25	-0,10	-0,61	-0,43	-0,68
Number of shares CB	19 714 483	15 330 992	19 714 483	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	18 756 297	15 330 992	18 756 297	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).