CYXONE

559020-5471

Year-end Report
1 January to 31 December 2018

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Summary of the Year-end Report

Financial year (1 January to 31 December 2018)

- Operating revenue KSEK 1 (0)
- Income after financial items KSEK -15 434 (-8 824)
- Earnings per share -0,41 (-0,50)
- Cash and cash equivalents as of 31 December 2018 KSEK 38 716 (33 357)
- Equity ratio as of 31 December 2018 93,2 (90,4) %

Fourth Quarter (1 October to 31 December 2018)

- Operating revenue KSEK 1 (0)
- Income after financial items KSEK -4 534 (-3 231)
- Earnings per share -0,12 (-0,18)

Significant events during the fourth quarter of 2018

- The company completed the rights issue of units approved at the Extraordinary General Meeting on October 1, 2018. The rights issue was 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. Through the rights issue the company will receive approximately SEK 44.3 million before issue costs.
- 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 clinical phase 1 study for T20K developed for the treatment of multiple sclerosis (MS).
- The preclinical program for drug candidate T20K in multiple sclerosis (MS) has been concluded following positive results in the toxicology studies. The drug candidate T20K has now shown to be safe to give to humans and the next step is to test the effect of T20K in clinical trials.

Significant events after the end of the period

- The United States Patent and Trademark Office has issued U.S. Patent 10,159,710 B2 – a divisional patent related to the already approved 'parent patent' for drug candidate T20K in development for the treatment of multiple sclerosis (MS).
- The Disciplinary Committee at Nasdaq Stockholm decided to impose disciplinary sanctions on the company for violation of Nasdaq First North regulations. The Disciplinary Committee instructs Cyxone to pay the stock exchange a fine of SEK 200,000, corresponding to two annual fees as a result of violations regarding the rules of the regulations for disclosure of insider information during the second half of 2017.

CEO Kjell Stenberg comments

2018 has been a year where we have taken several important business and development steps forward and the patients whose lives we envisage being able to improve have felt increasingly present in our work.

During the fourth quarter, the company completed a financing round, initiated preparations ahead of Rabeximod's phase 2b study and documented significant characteristics of T20K. At the same time, the ever present and important dialogue continued with pharmaceutical companies and investors interested in Cyxone's technology and projects.

T20K and MS
Cyxone has, during the quarter, continued the studies aimed at characterizing and documenting T20K and its effects in preparation for administrating the substance to humans for the first time when clinical phase 1 is initiated. In addition to the information that we previously have found, we have now also clarified how T20K can affect the animal at repeated, higher, doses. This work is particularly important when working with a substance that remains in select organs for a period of time in the way that T20K accumulates in the immunologically active organs of the small intestine and spleen. Other important activities that have been ongoing simultaneously are the development of the bioanalysis methodology and the preparations for the manufacturing of the sterile ampoules that are to be used in the clinical study.

Rabeximod and RA
The contribution of capital that the third-quarter rights issue entailed has made it possible for Cyxone to initiate the work on the studies that are included in Rabeximod's new phase 2b-program. As previously announced, Cyxone's acquisition of Rabeximod included all information that the previous owner OxyPharma needed to be able to carry out their previous phase 2 study, as well as all the data and results from this clinical study in patients with moderate to severe RA. This information will certainly make Cyxone's work significantly easier in comparison to taking an entirely new substance through phase 2. However, since the planned new clinical study will treat patients for twice as long as the previous one, Cyxone must conduct additional animal studies with the substance in order to demonstrate Rabeximod's safety over 24 weeks of treatment.

External activities
Cyxone is following up on the contacts in both pharma companies and among investors that the company has initiated in order to lay the foundation of a favorable commercial development of the company and of our respective candidates.

Finally, I would like to thank our shareholders for your continued, and in relation to the rights issue renewed, trust. Your tireless support and commitment have been and remains a major asset for us at Cyxone, which is why we look forward to together with you continue to bring our candidates forward closer to commercial development.

Follow our news and information about our presence at investor meetings on the company 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 Mangold Fondkommission AB which can be reached by telephone 08-503 015 50 and e-mail ca@mangold.se.

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
2018	Share issue and issue of TO3	1 339 098	2 826 984	17 743 034	37 457 517	0,075

Shares and share capital

The total number of shares in Cyxone increased, as of December 31 2018, to 37,457,517 and share capital to SEK 2,826,983.99 SEK.

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. The board does not intend to propose any dividend.

Auditing

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

Upcoming financial reports and annual general meeting

April 2, 2019	Annual report 2018 will be published on the Cyxone Webpage
May 17,2019	First quarter report
May 24, 2019	Annual Shareholder's Meeting
August 28, 2019	Half year report
November 15, 2019	Third quarter report
February 14, 2020	Year-end report 2019

Malmö
February 14, 2019

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 February 14, 2019.

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 which can be reached by telephone 08-503 015 50 and e-mail ca@mangold.se.
www.cyxone.com

Income statement in summary
KSEK

	2018-10-01 2018-12-31	2017-10-01 2017-12-31	2018-01-01 2018-12-31	2017-01-01 2017-12-31
Operating income	0	0	0	0
Other income	1	0	1	0
Total operating income	**1**	**0**	**1**	**0**
Operating costs	0	0	0	0
Other external costs	-3 522	-2 605	-12 893	-6 515
Personnel costs	-814	-620	-2 231	-2 287
Depreciation and amortisation of fixed assets	-199	-6	-311	-22
Other variable costs	0	0	0	0
	-4 535	**-3 231**	**-15 435**	**-8 824**
Operating result	**-4 534**	**-3 231**	**-15 434**	**-8 824**
Income from financial investments	0	0	0	0
Other financial income	0	0	0	0
Financial costs	0	0	0	0
Total income from financial investments	**0**	**0**	**0**	**0**
Income after financial items	**-4 534**	**-3 231**	**-15 434**	**-8 824**
Income for the period	**-4 534**	**-3 231**	**-15 434**	**-8 824**

Balance sheet in summary
KSEK

	2018-12-31	2017-12-31
Assets		
Fixed assets		
Intangible assets		
Capitalised development costs	29 870	6 554
Patents, licenses and similiar rights	6 532	1 011
Total intangible assets	**36 402**	**7 565**
Inventory	0	0
Total fixed assets	**36 402**	**7 565**
Current assets		
Receivables		
Accounts receivable	2	0
Other current receivables	291	85
Pre-payments and accrued income	259	57
Total current receivables	**552**	**142**
Cash and bank balances	38 716	33 357
Total current assets	**39 268**	**33 499**
Total assets	**75 670**	**41 064**

	2018-12-31	2017-12-31
Equity and liability		
Equity		
Restricted equity		
Share capital	2 827	1 343
Reserve for capitalised development costs	29 870	6 554
Total restricted equity	**32 697**	**7 897**
Unrestricted equity		
Other unrestricted equity	53 286	38 059
Net loss	-15 434	-8 824
Total unrestricted equity	**37 852**	**29 235**
Total equity	**70 549**	**37 132**
Current liabilities		
Trade payables	4 026	3 079
Current tax liabilities	49	81
Other current liabilities	158	148
Accrued costs and deferred income	888	624
Total current liabilities	**5 121**	**3 932**
Total equity and liabilities	**75 670**	**41 064**
Pledged assets (KSEK)	0	0
Contingent liabilities (KSEK)	0	0

Equity changes in summary
KSEK
1 January to 31 December 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 issue	1 484		55 560		55 560	57 044
Allocation of this year's earnings			-8 824	8 824		0
Transfer of development cost reserve		23 316	-23 316		-23 316	0
Share issue costs			-8 193			-8 193
Result for the period				-15 434	-15 434	-15 434
Balance at the end of the period	**2 827**	**29 870**	**53 286**	**-15 434**	**37 852**	**70 549**

Cashflow statement in summary

KSEK	2018-10-01 2018-12-31	2017-10-01 2017-12-31	2018-01-01 2018-12-31	2017-01-01 2017-12-31
Cashflow from operations	-4 335	-3 225	-15 123	-8 802
Changes in operating capital	2 211	2 527	779	3 426
Total cash flow from operations	**-2 124**	**-698**	**-14 344**	**-5 376**
Cash flow from investment activities	-5 803	-3 316	-29 148	-5 990
Cash flow from financing activities	36 165	11 709	48 851	23 125
Total cash flow from the period	**28 238**	**7 695**	**5 359**	**11 759**
Cash and cash equivalents at the beginning of the period	10 478	25 662	33 357	21 598
Cash and cash equivalents at the end of the period	38 716	33 357	38 716	33 357
Change in cash and cash equivalents	**28 238**	**7 695**	**5 359**	**11 759**

Key figures

	2018-10-01 2018-12-31	2017-10-01 2017-12-31	2018-01-01 2018-12-31	2017-01-01 2017-12-31
Net sales (KSEK)	0	0	0	0
Profit after financial items (KSEK)	-4 534	-3 231	-15 434	-8 824
Total assets (KSEK)	75 670	41 064	75 670	41 064
Equity (%) *	93,2	90,4	93,2	90,4
Earnings per share CB (SEK) *	-0,12	-0,18	-0,41	-0,50
Earnings per share OB (SEK) *	-0,23	-0,21	-0,87	-0,68
Number of shares CB	37 457 517	17 798 111	37 457 517	17 798 111
Number of shares OB	19 714 483	15 330 992	17 798 111	12 925 000
Average number of shares	28 586 000	16 564 552	27 627 814	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).