# CYXONE

559020-5471

Interim Report
January 1st to March 31st, 2019

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## Summary of the Interim Report

**First Quarter (January 1st to March 31st, 2019)**

- Operating revenue KSEK 0 (0)
- Income after financial items KSEK -4 762 (-2 747)
- Earnings per share -0,13 (-0,15)
- Cash and cash equivalents as of March 31st KSEK 30 049 (27 227)
- Equity ratio as of March 31st 95,9 (90,6) %

**Significant events during the first quarter of 2019**

- The US Patent and Trade Mark Office (USPTO) approved patent 10,159,710 B2 – a partial patent, known as a "divisional patent", relating to the previously approved 'original patent' for the T20K drug candidate developed for the treatment of multiple sclerosis (MS).
- Pre-clinical findings support the positioning of the T20K drug candidate as a prophylactic agent for the treatment of MS. This suggests that the substance could be used for early intervention in MS, which would mitigate or prevent MS relapses and potentially could even delay progression of the disease. No other available treatment currently seeks to address early intervention in this way.

**Significant events after the end of the period**

- There were no significant events after the end of the period.

**CEO Kjell G. Stenberg comments**
During the first quarter of 2019, Cyxone laid the foundations for the two upcoming clinical studies of our candidates T20K for MS and Rabeximod for rheumatoid arthritis (RA). Having finished 2018 with strong pre-clinical results for T20K and a capital injection ear-marked for the continued development of Rabeximod, the company now anticipates further clinical development work with these substances and thereby demonstrate their potential as drug treatments.

**T20K and MS**
In March, Cyxone announced that pre-clinical data supported the positioning of T20K as a prophylactic agent for MS. This means that T20K could be given to patients at the time of diagnosis, which could slow progression of the disease and thereby push back patients' subsequent MS relapses and potentially alleviate these symptoms, something that would substantially improve patients' quality of life. Cyxone is currently concluding the preparatory studies necessary to guarantee the safety of T20K in a so-called Phase 1 or "First-in-Human" study where the drug will be administered by injection.

**Rabeximod and rheumatoid arthritis**
During the quarter, Cyxone prepared for a Phase 2b study intended to confirm Rabeximod's efficacy on patients with moderate to severe RA. The company has held discussions with a number of laboratories in its planning work ahead of conducting a 24-week safety study on Rabeximod in two types of animals. We have also evaluated and selected manufacturers that will fill capsules with Rabeximod under GMP (good manufacturing practice) conditions and held discussions with several clinical study organisations regarding conducting a Phase 2b study. All this is designed to ensure that the Phase 2b study has the best possible opportunities to replicate Rabeximod's strong results previously observed in a Phase 2 study after 16 weeks' treatment.

**External activities**
In addition to our clinical development programmes, during the first quarter Cyxone also met potential co-operation partners, buyers and investors for the company's two development substances. These meetings have been made possible, in part, by the company visiting a raft of industry and partnering events such as BioEurope in Vienna and Drug Discovery Summit in Barcelona.

Finally, I would like to extend my thanks to shareholders who have tirelessly supported Cyxone throughout our development work. Our candidates have the potential to transform both treatment and perception of MS and RA. We are working hard to take their development forward to ultimately offer patients a better quality of life than is currently possible.

Follow our news and information about our presence at investment events via Nasdaq First North and our website at: 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 platforms 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 programme 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 its existing portfolio, and remains potentially open to in-licensing of other suitable substances.

The company's registered office is in Malmö, Sweden.

**Cyclotide technology**
Cyclotides are considered to be an ideal template with which to develop novel drugs due to good oral availability, excellent biological stability and 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 various types of cancer. Cyclotides can be altered, while original cyclotide is retained, in 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.

**Well-planned 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. This risk-minimizing strategy ensures not only continuous development of the company's value, but also strengthens our negotiation opportunities with potential partners. This work reached its peak in 2017, when Cyxone entered an acquisition agreement with OxyPharma for the drug candidate Rabeximod in clinical phase II for RA. The deal included an arrangement under which the company could choose to decide when the transaction would be completed, and payment made 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 entailed a great organizational change for Cyxone, which went from a pre-clinical business to a company in the 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 is flexible and agile. With our wide network of universities and pharmaceutical companies, promising substances can be in-licensed at an early development phase, developed to clinical phase III and later out-licensed to resource-rich 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 in public development companies and providing strategic management of companies in the various phases of the development process. Members of the Cyxone board also have extensive expertise in negotiating license and co-operation agreements between small development companies and large 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 also negotiated agreements for his biotech companies, such as joint venture agreements, for example Combio A/S, with Arpida in Basel, Switzerland, and licensing and partnership agreements and for BioMS Medical with Eli Lilly.

**Aims**

The overarching aim of the company is to develop novel pharmaceutical drugs that significantly improve quality of life for patients with severe autoimmune diseases. Drugs that are currently available can reduce disease symptoms but are often associated with serious side effects that limit long-term usage. Thus, there is considerable need for new, effective drugs with less severe and fewer side effects and, ideally, drugs that can prevent autoimmune diseases and thereby offer those affected an improved quality of life. This lies at the heart of Cyxone's mission. As a business strategy, Cyxone works with a wide network of universities and pharmaceutical companies to in-license promising substances at early development phases, develop substances up to phase III, and then out-license to resource-rich pharmaceutical company for phase III development and commercialization. The company's existing development portfolio comprises Rabeximod in clinical phase II programme 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 will have soon passed the pre-clinical research stage, which shortens time to value-increasing events such as clinical trials scheduled to begin later in 2019. 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 efficacy due to the limited time available for the study. A new clinical phase IIb study, with a longer study period, is planned, and is expected to start in 2019.

**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
On March 31 st 2019, the total number of shares in Cyxone was 37,457,517 and share capital amounted to SEK 2,826,983.99.

## 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 standards for annual reports 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

| | |
|---|---|
| May 24th, 2019 | General Meeting |
| August 28th, 2019 | Interim Report Quarter 2, 2019 |
| November 15th, 2019 | Interim Report Quarter 3, 2019 |
| February 14th, 2020 | Year-end Report, 2019 |

## Submission of interim report

Malmö
May 17th, 2019

The Board of Directors
Cyxone AB

## Contact

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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 May 17, 2019 at 08.30 CET.

*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, telephone +46 (0)8-503 015 50 and e-mail ca@mangold.se.

www.cyxone.com

## Income statement in summary
KSEK

| | 2019-01-01<br>2019-03-31 | 2018-01-01<br>2018-03-31 | 2018-01-01<br>2018-12-31 |
|---|---|---|---|
| Operating income | 0 | 0 | 0 |
| Other income | 48 | 0 | 1 |
| **Total operating income** | **48** | **0** | **1** |
| Operating costs | 0 | 0 | 0 |
| Other external costs | -3 618 | -2 261 | -12 893 |
| Personnel costs | -1 114 | -438 | -2 231 |
| Depreciation and amortisation of fixed assets | -78 | -5 | -311 |
| Other variable costs | 0 | 0 | 0 |
| **Total operating costs** | **-4 810** | **-2 704** | **-15 435** |
| **Operating result** | **-4 762** | **-2 704** | **-15 434** |
| Income from financial investments | 0 | 0 | 0 |
| Other financial income | 0 | 0 | 0 |
| Financial costs | 0 | -43 | 0 |
| **Total income from financial investments** | **0** | **-43** | **0** |
| **Income after financial items** | **-4 762** | **-2 747** | **-15 434** |
| **Income for the period** | **-4 762** | **-2 747** | **-15 434** |

## Balance sheet in summary
KSEK

| | 2019-03-31 | 2018-03-31 | 2018-12-31 |
|---|---|---|---|
| **Assets** | | | |
| **Fixed assets** | | | |
| Intangible assets | | | |
| Capitalised development costs | 31 494 | 9 332 | 29 870 |
| Patents, licenses and similiar rights | 6 481 | 1 164 | 6 532 |
| **Total intangible assets** | **37 975** | **10 496** | **36 402** |
| Inventory | 0 | 0 | 0 |
| **Total fixed assets** | **37 975** | **10 496** | **36 402** |
| **Current assets** | | | |
| Receivables | | | |
| Accounts receivable | 47 | 0 | 2 |
| Other current receivables | 280 | 179 | 291 |
| Pre-payments and accrued income | 217 | 54 | 259 |
| **Total current receivables** | **544** | **233** | **552** |
| Cash and bank balances | 30 049 | 27 227 | 38 716 |
| **Total current assets** | **30 593** | **27 460** | **39 268** |
| **Total assets** | **68 568** | **37 956** | **75 670** |

| | 2019-03-31 | 2018-03-31 | 2018-12-31 |
|---|---|---|---|
| **Equity and liability** | | | |
| | | | |
| **Equity** | | | |
| Restricted equity | | | |
| Share capital | 2 827 | 1 343 | 2 827 |
| Reserve for capitalised development costs | 31 494 | 9 332 | 29 870 |
| **Total restricted equity** | **34 321** | **10 675** | **32 697** |
| | | | |
| Unrestricted equity | | | |
| Other unrestricted equity | 36 228 | 26 457 | 53 286 |
| Net loss | -4 762 | -2 747 | -15 434 |
| **Total unrestricted equity** | **31 466** | **23 710** | **37 852** |
| | | | |
| **Total equity** | **65 787** | **34 385** | **70 549** |
| | | | |
| **Current liabilities** | | | |
| Trade payables | 1 041 | 2 689 | 4 026 |
| Current tax liabilities | 1 | 52 | 49 |
| Other current liabilities | 140 | 92 | 158 |
| Accrued costs and deferred income | 1 599 | 738 | 888 |
| **Total current liabilities** | **2 781** | **3 571** | **5 121** |
| | | | |
| **Total equity and liabilities** | **68 568** | **37 956** | **75 670** |
| | | | |
| Pledged assets (KSEK) | 0 | 0 | 0 |
| | | | |
| Contingent liabilities (KSEK) | 0 | 0 | 0 |

## Equity changes in summary
KSEK
January 1st to March 31st, 2019

| | Share capital | Reserve for development costs | Other unrestricted equity | Result for the period | Total unrestricted capital | Total equity |
|---|---|---|---|---|---|---|
| Balance at beginning of period | 2 827 | 29 870 | 53 286 | -15 434 | 37 852 | 70 549 |
| Allocation of this year's earnings | | | -15 434 | 15 434 | 0 | 0 |
| Transfer of development cost reserve | | 1 624 | -1 624 | | -1 624 | 0 |
| Result for the period | | | | -4 762 | -4 762 | -4 762 |
| **Balance at the end of the period** | **2 827** | **31 494** | **36 228** | **-4 762** | **31 466** | **65 787** |

## Cashflow statement in summary

| KSEK | 2019-01-01 2019-03-31 | 2018-01-01 2018-03-31 | 2018-01-01 2018-12-31 |
|---|---|---|---|
| Cash flow from operations | -4 684 | -2 742 | -15 123 |
| Changes in operating capital | -2 332 | -453 | 779 |
| **Total cash flow from operations** | **-7 016** | **-3 195** | **-14 344** |
| Cash flow from investment activities | -1 651 | -2 935 | -29 148 |
| Cash flow from financing activities | 0 | 0 | 48 851 |
| **Total cash flow from the period** | **-8 667** | **-6 130** | **5 359** |
| Cash and cash equivalents at the beginning of the period | 38 716 | 33 357 | 33 357 |
| Cash and cash equivalents at the end of the period | 30 049 | 27 227 | 38 716 |
| **Change in cash and cash equivalents** | **-8 667** | **-6 130** | **5 359** |

## Key figures

| | 2019-01-01<br>2019-03-31 | 2018-01-01<br>2018-03-31 | 2018-01-01<br>2018-12-31 |
|---|---|---|---|
| Net sales (KSEK) | 0 | 0 | 0 |
| Profit after financial items (KSEK) | -4 762 | -2 747 | -15 434 |
| Total assets (KSEK) | 68 568 | 37 956 | 75 670 |
| Equity (%) * | 95,9 | 90,6 | 93,2 |
| Earnings per share CB (SEK) * | -0,13 | -0,15 | -0,41 |
| Earnings per share OB (SEK) * | -0,13 | -0,15 | -0,87 |
| Number of shares CB | 37 457 517 | 17 798 111 | 37 457 517 |
| Number of shares OB | 37 457 517 | 17 798 111 | 17 798 111 |
| Average number of shares | 37 457 517 | 17 798 111 | 27 627 814 |

* 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).