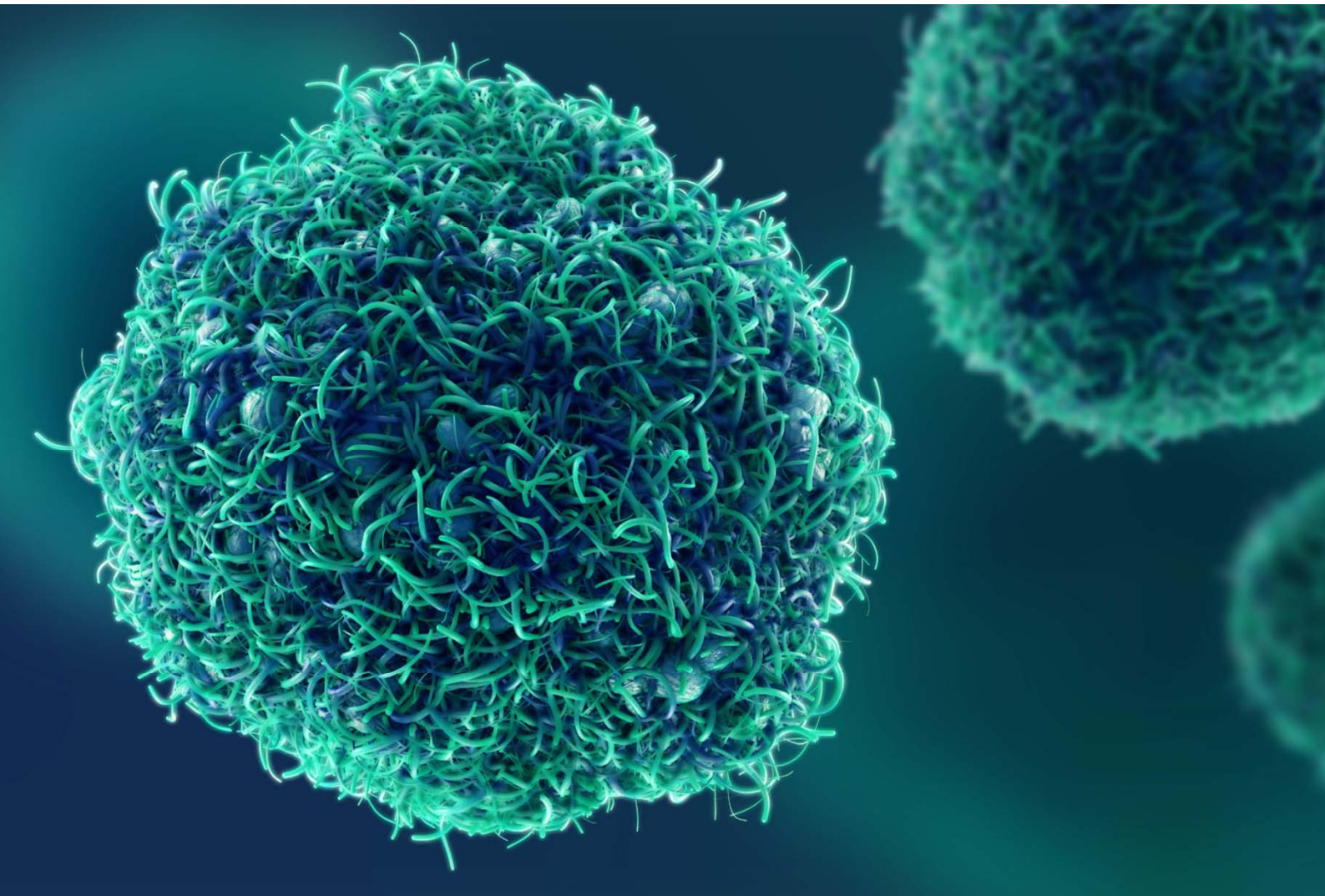
Lytix Biopharma

Turning cold tumors hot



Interim Report Q4 2017

HIGHLIGHTS FOR THE FOURTH QUARTER 2017

- Overall, with the ongoing phase I/II trial, 73 patients have been treated with LTX-315; 50 patients in monotherapy and 23 patients treated in combination with checkpoint inhibitors.
- Immune monitoring results indicate that LTX-315 is able to trigger a polyclonal de-novo anti-tumor T cell response in patients.
- Enrollment of patients with triple-negative breast cancer (TNBC) has been completed in the study arm combining LTX-315 with Pembrolizumab (Keytruda®). The combination shows to be safe to be administered and the patients are now followed for clinical response according to protocol.
- Interim preliminary results in twelve evaluable patients with TNBC show an objective partial response in two patients and stable disease in three patients after 8 weeks.
- Interim preliminary results in four evaluable patients with malignant melanoma treated with LTX-315 and ipilimumab (Yervoy®) show two patients obtained stable disease where one lasting for 39 weeks.
- Enrollment of the 4mg cohort in patients with malignant melanoma and in the cohort including patients treated with LTX-315 in monotherapy have been completed. The 5mg cohort in the monotherapy arm is opened after decision by the Safety Review Committee.
- Two posters on LTX-315, showing its ability to reshape the tumor microenvironment and make the cancer more responsive to combination therapy, were presented at the Society for Immunotherapy of Cancer's (SITC) 32nd Annual Meeting, November 8 -12 in Washington DC.
- The consulting agreement with Dr. Andrew Saunders, as Chief Medical Officer (CMO), was ended and CEO Edwin Klumper MD PhD will act as interim CMO
- Lytix Biopharma was awarded a fund of €60,000 from PERMIDES for a joint project with Oncoimmunity in identification of neoantigens.
- The company's Board of Directors was changed to comply with the Norwegian law which requires a more equal gender split in the board of listed companies (ASA).
- Preparations for an IPO in first quarter of 2018 are ongoing.

CEO STATEMENT

Lytix Biopharma continues to be strongly positioned with LTX-315 administered intratumorally in the local priming phase that first activate the immune system followed by an effector phase attacking cancer cells throughout the body. The market is trending towards greater importance of priming the immune system, intratumoral treatment and multidrug combinations as means to improve the patient outcomes of immune therapy.

POST PERIOD HIGHLIGHTS AND OUTLOOK

An abstract submitted together with Mikael Pittet's team at Harvard University is accepted for presentation at AACR 2018 in April, in Chicago.

The clinical readouts represented in this quarterly report have February 8, 2018 as a cut-off date.

KEY FIGURES

(in NOK thousands)	Unaudited Q4 2017	Unaudited Q4 2016	Unaudited FY 2017	FY 2016
Operating income	4,819	9,087	39,754	12,460
Operating expenses	(39,953)	(26,193)	(92,010)	(76,929)
Loss from operations	(35,134)	(17,106)	(52,256)	(64,470)
Loss for the period from continuing operations	(55,480)	(16,336)	(69,429)	(63,831)
Loss for the period	(55,480)	(17,618)	(63,355)	(67,825)
Basic and diluted earnings/(loss) per share (NOK)	(4.6)	(1.8)	(5.7)	(6.9)
Cash position at end of period	34,957	17,637	34,957	17,637

ABOUT LYTIX BIOPHARMA

Lytix Biopharma is a clinical stage pharmaceutical company developing novel cancer immunotherapies, an area within cancer therapy that is aimed at activating the patient's immune system to fight cancer.

The main challenges in cancer immunotherapy are the heterogeneity in the tumor and the cold immune suppressed tumors. The immune checkpoint inhibitors represent a paradigm shift in cancer treatment with immunotherapy. However, despite their clinical success, many patients remain non-responders. The immune checkpoint inhibitors seem to work only in tumors that already are infiltrated with immune cells, so-called hot tumors.

Lytix' lead product candidate, LTX-315, is a first-in-class oncolytic peptide developed for intratumoral treatment of solid tumors turning cold tumors hot. It has the potential to create a broad and personal immune response against the patient's unique repertoire of antigens. LTX-315 is reshapes the tumor microenvironment through an effective release of potent immune stimulating molecules and tumor antigens. Reshaping the tumor microenvironment by LTX-315 triggers the immune system to recognize, infiltrate and attack the cancer cells.

The Company believes that LTX-315 can be the missing link in treatment of solid tumors, addressing the heterogeneity in the tumor and creating a polyclonal T cell response. LTX-315 turns tumors that are immunologically "cold", and not responsive to immunotherapy, to "hot" and thus susceptible to immune checkpoint inhibitors and other therapies such as chemotherapy. As such LTX-315 could be the backbone in combination treatment of majority of solid tumors.

Lytix' technology platform is based on chemically optimized molecules generated from ''host defense peptides" and consists of peptides and small molecules that are able to kill cancer cells in such a way that the immune system become activated (immunogenic cell death). The technology is developed over 25 years of world class research. LTX-315 is designed for treatment of superficial solid tumors

(melanoma, breast cancer, sarcoma, head and neck, etc.). Lytix' pipeline also includes molecules that could be used for treatment of deep-seated tumors with a high unmet need and a high market potential (e.g. liver cancer).

STRATEGY

Lytix´ strategy is to develop its oncolytic peptide LTX-315 and drug candidates in the Company's pipeline to end phase II and subsequently collaborate with partners for late stage clinical development, application for market authorization and finally commercialization. The Company's goal is to build a strong and competitive immuno-oncology portfolio, based on proprietary oncolytic peptides and small molecules. In addition, Lytix is actively seeking for licensing opportunities to strengthen the portfolio.

Important elements in Lytix' strategy includes:

- Develop and establish LTX-315 as a fundamental part of combination therapies across several solid tumor indications
- Explore LTX-315 in combination with other novel immunotherapies and standard of care treatments
- Strengthening competitive advantages and extending the project portfolio with a strong focus on product candidates with the potential to be "first-in-class"
- Develop drug candidates through phase II followed by licensing or strategic partnerships
- Explore external opportunities for acquisitions or in-licensing
- Create an attractive environment for talented and experienced employees
- Establish strategic collaboration with institutions and companies for combination therapies, including T cell based therapies

OPERATIONAL REVIEW

The majority of Lytix' operations are focused on the Company's lead clinical candidate LTX-315. The drug candidate is being tested in the clinical phase I/II for several indications and settings as indicated in the drug development pipeline figure below. The recruitment of patients into the three ongoing clinical arms; all solid tumors (monotherapy), malignant melanoma (combination with ipilimumab) and triple negative breast cancer (combination with pembrolizumab) has been strong. The company decided to over-enroll patient inclusion in the breast cancer arm, and enrollment is now finalized. The two other arms have completed the 3mg and 4mg cohorts, and enrollment is expected to be completed within first quarter of 2018.

Data so far demonstrate that LTX-315 has a large potential to trigger a personal and polyclonal immune response addressing the heterogeneity of the tumor. Due to these effects and its unique ability to ensure infiltration of CD8+ T cells and convert cold tumors hot, LTX-315 may play an important role of combination therapies of solid tumors.

Moreover, the Company has a promising new lead oncolytic compound, LTX-401, for deep-seated tumors, i.e. suitable for hepatocellular carcinoma, liver metastases, lung and colorectal cancer. The drug candidate has entered the preclinical drug development program, which includes the selection of contract manufacturing organization for upscale of drug substance and planning of the toxicology and safety package in animals.

Hence, the Company´s technology platform can be used to generate several molecules for different cancer indications in therapy settings. Combination therapies are the key focus, and intratumoral treatments have over the last years gained increasing attraction.

Lytix' drug development pipeline is illustrated in the figure below:

Indication	Program	Research	Preclinical	Phase I/II	Phase II	Phase III
All solid tumors	**LTX-315**					
Malignant melanoma (MM)	**LTX-315** in combo with ipilimumab					
Triple Negative Breast Cancer (TNBC)	**LTX-315** in combo with pembrolizumab					
TNBC or MM	**LTX-315** in combo with checkpoint inhibitor					
Sarcoma	**LTX-315** in Adoptive T cell Therapy					
Head & Neck Cancer	**LTX-315** in Neoadjuvant setting					
Deep-seated solid tumors	**LTX-401**					

PRE-CLINICAL DEVELOPMENT PROGRAM

Preclinical studies have demonstrated that intra-tumoral treatment of solid tumors with LTX-315 results in growth inhibition, complete regression and long-lasting tumor-specific immune responses. The studies have also confirmed that LTX-315 increases the number of tumor-infiltrating T cells in the tumor microenvironment. LTX-315 induces a unique immunogenic cell death through its membranolytic mode of action, leading to the release of potent immune-stimulants in addition to a wide spectrum of tumor antigens, thus creating an essential premise for tumor-specific immune responses towards a broad range of tumor antigens.

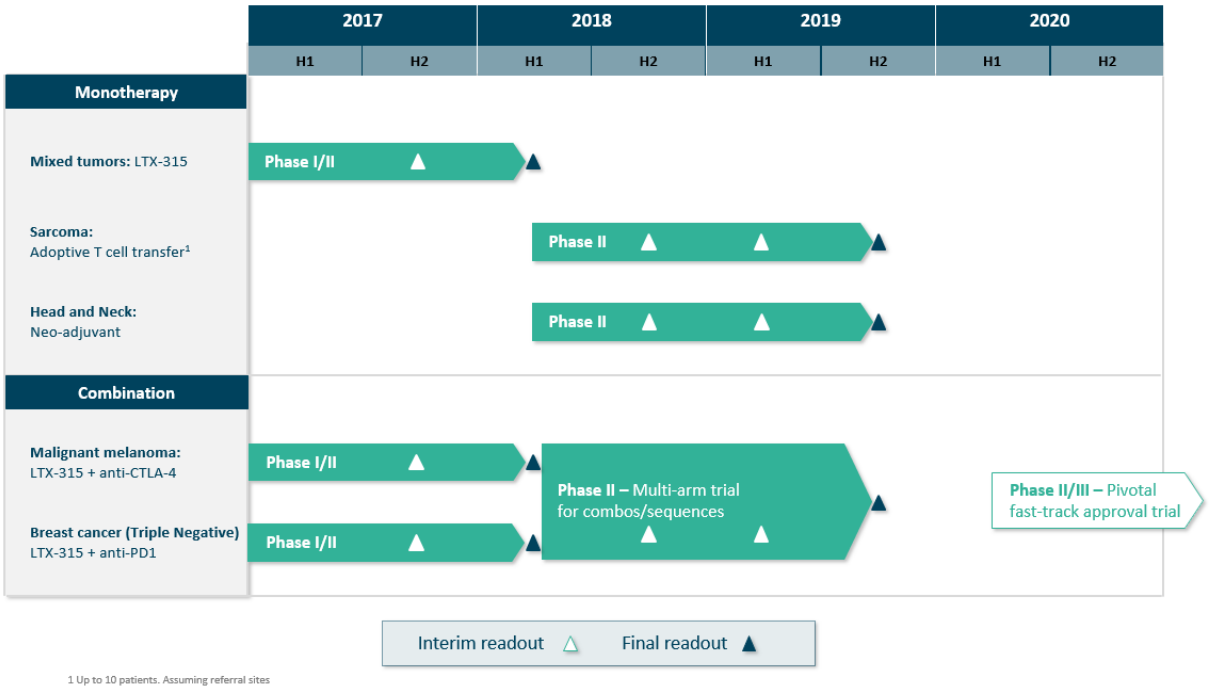
LTX-315 has also demonstrated to induce systemic effects, i.e. an effect in non-injected tumors. The results showed that both the treated lesion and the non-treated distant tumors were eliminated followed by LTX-315 treatment. Long-term protective immune responses have been demonstrated as previously cured animals were protected against re-challenge 14 months after treatment.

LTX-315's ability to generate tumor specific T cells and enhance the number of tumor infiltrating T cells both in number and diversity makes LTX-315 ideal as a combination partner with other cancer therapies. Indeed, LTX-315 has shown strong synergy with immune checkpoint inhibitors and chemotherapy. Currently LTX-315 is further explored in combination with new combinations. How the immune system is responding to the different combinations are investigated with novel technologies in collaboration with distinguished institutions in US and Europe.

LTX-315's ability to reprogram the tumor microenvironment and thereby sensitize tumors for other types of therapies are gaining increasingly attention in the immunoncology field. A review article on LTX-315 in a special issue on "Small Molecule Immunotherapeutics" was rated among the top 10 articles list published in the journal Future Medicinal Chemistry in 2017.

CLINICAL DEVELOPMENT PROGRAM

The lead candidate LTX-315 has undergone a comprehensive preclinical development and is in the clinical phase I/II for several indications. The drug candidate has demonstrated a vast potential as a combination product through its unique ability to convert cold tumors hot. The current clinical development program with the lead oncolytic peptide includes several indications and settings, as indicated in the figure below:



Clinical programs and updates

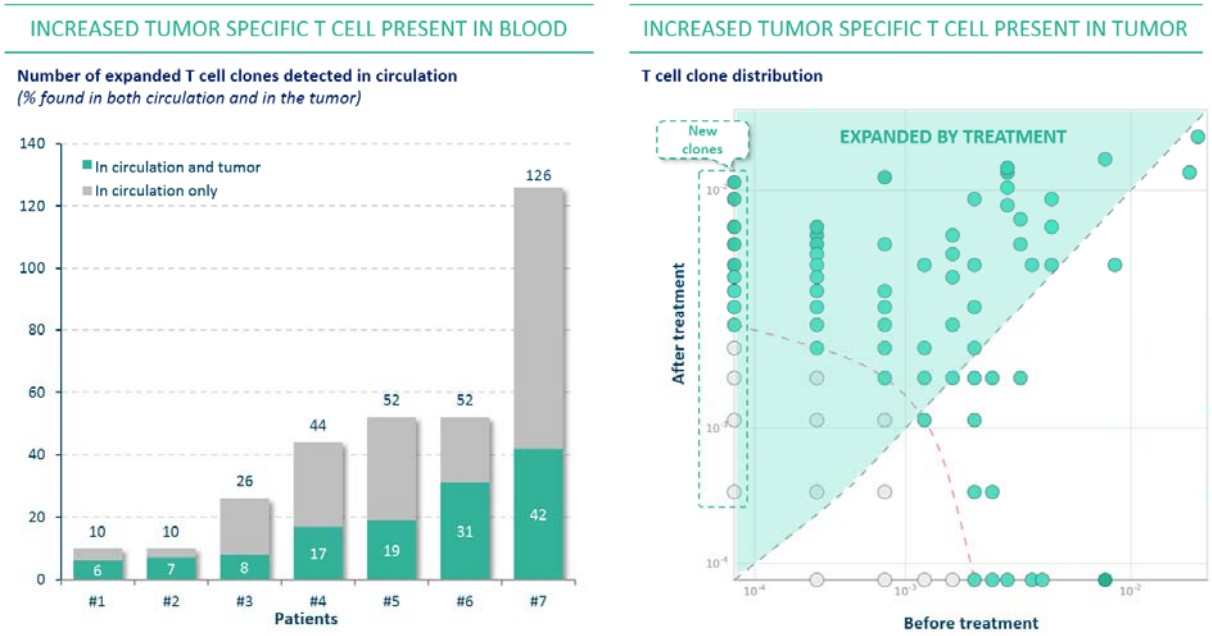
The clinical development plan for LTX-315 is currently near to complete phase I. The main purpose of phase I testing is to evaluate the safety and dosing of the new drug candidate i.e. observe and document the frequency and severity of any side effects.

Two clinical trials of LTX-315 monotherapy have been initiated. The first phase I study enrolling 14 patients has been completed. In the second phase I/II study the first arm is completed with 28 patients, and results were presented at ASCO the summer 2017. Three arms are ongoing where one arm is in monotherapy with multi-lesion injections, one in malignant melanoma in combination with ipilimumab and one arm in triple negative breast cancer in combination with pembrolizumab. The trial is being conducted in 13 hospitals in five European countries: Norway, U.K., France, Italy and Belgium.

LTX-315 Monotherapy

The arm with multi-lesion injections in monotherapy in various solid tumor is progressing well with ongoing recruiting. All patients have advanced cancer with tumors located in multiple sites in different organs in the body. The duration of LTX-315 exposure in the first phase I monotherapy study has been median 6-8 injection days in 9 weeks. LTX-315 is currently being evaluated at doses per injection of 3-5mg for 6 injection days in 3 weeks. As of February 8, 2018, eight patients are enrolled and two out of six patients have obtained stable disease as best response.

The heterogeneity in tumors is one of the major challenges in treatment of solid tumors. LTX-315 addresses this by exposing the tumor antigens, and triggering a polyclonal T cell response. T cell clonality in peripheral blood has been analyzed in a subset of the patients and revealed significant clonal expansion of T cells (26-126 T cell clones) in blood in five of seven patient after LTX-315 monotherapy. About 50% of the expanding T cell clones found in blood was also detected in the tumor post LTX-315 treatment, demonstrating that LTX-315 triggers a polyclonal de-novo anti-tumor T cell response. Also, expansion of T cell clones in the tumor is promising for LTX-315's role in treatment of solid tumors. The results are illustrated in the figure below.



LTX-315 combined with Checkpoint inhibitors

The two arms combining LTX-315 with immune checkpoint inhibitors constitutes of one arm in second to fifth line advanced/metastatic pre-treated triple-negative breast cancer in combination with pembrolizumab (Keytruda®), and one arm in advanced/metastatic malignant melanoma that have progressed on anti-PD1 treatment (Keytruda® or Opdivo®) combined with ipilimumab (Yervoy®).

In the triple-negative breast cancer arm two out of twelve evaluable patients (as of February 8, 2018) treated with LTX-315 + Pembrolizumab have achieved a partial remission (PR) by CT scan showing reduction in tumor size by 50% or more. All patients have received at least one prior treatment (most commonly chemotherapy) and progressed. In the Keynote-086 trial with pembrolizumab monotherapy in second line or later (Cohort A) the response rate were reported to be one out of 20 patients. The numbers in the LTX-315 combination trial are small, however shows signs of increased efficacy.

A subset of the patient biopsies were analyzed for immune response. Four out of five evaluable TNBC patients (80%) show increased infiltration of CD8+ T cells in treated lesion post treatment. Concomitant induction of PD-L1 expression on tumor cells was observed in three of the patients, potentially improving the susceptibility to anti-PD-1 therapy.

In the malignant melanoma arm two out of four evaluable patients treated to date has achieved stable disease by CT scan showing the tumor is neither growing nor shrinking significantly. One of the stable diseases was durable and lasting for 39 weeks.

The safety profile in the patients treated with LTX-315 in combination with a checkpoint inhibitor is acceptable and similar to treatment with checkpoint inhibitors alone.

SECOND GENERATION ONCOLYTIC MOLECULES

As a part of the company's strategy, second generation molecules are being developed. One of the new molecules, LTX-401, is a small oncolytic molecule with potent antitumor activity. In several experimental animal models, LTX-401 induces complete regression after intratumoral injection with a subsequent development of a systemic immune protection in cured animals. Strong anticancer activity have also been demonstrated in liver cancer models (hepatocellular carcinoma).

The treatment of tumor cells with LTX-401 leads to an immunogenic cell death involving disintegration of intracellular compartments such as mitochondria and the Golgi apparatus with a subsequent release of DAMPs such as ATP, HMGB1 and calreticulin. In particular, due to the ability of a higher dosing and promising preliminary preclinical data, LTX-401 may have a great potential in the treatment of deep-seated tumors such as hepatocellular carcinoma and liver metastases.

COLLABORATIONS

Lytix has established strong collaborations with several highly reputed institutions in the US and Europe. Together with Institute Gustave Roussy (Prof's. L. Zitvogen and G. Kroemer), Karolinska Institutet (Prof. B. Brodin), Harvard University (Dr. M. Pittet) and Weill Cornell Medical College (Prof. S. Demaria), Lytix is further investigate how the immune system is responding to our oncolytic molecules alone and in combinations. These strong collaborations are confirming the potential of LTX-315 and are also creating a strong scientific rational for clinical combinations studies.

FINANCIAL REVIEW

Introduction

2017 was a year with several non-recurring events that have impact on the financial results, however with limited impact on the cash position or operations. First, the activities and assets related to LTX-109 and anti-bacterial projects were demerged into two new entities Pharma Holdings AS and Amicoat Holding AS. The shareholders of Lytix became owners of the two new entities, while the number of shares in Lytix was reduced by 10.15 %. Following the demerger, two financing rounds were conducted in Q1 and Q2, which both included warrants and a guarantee arrangement. During Q4 it was decided to exchange the warrants for shares and restructure the guarantee arrangement. The change had no cash effect for the quarter.

In addition there are also two activities that have increased the operating expenses. During 2017 the Company expanded the clinical trial program, and conducted a trial with LTX-315 in combination with immune checkpoint inhibitors. Last, the Company has also prepared for a listing on the Nasdaq First North stock exchange in Sweden, which is planned for Q1 2018.

Results fourth quarter 2017

Revenue for the quarter amounted to NOK 316 thousand compared to NOK (35) thousand for Q4 2016. Other income, mainly public grants, amounted to NOK 4,503 thousand compared to NOK 9,121 thousand for Q4 2016. The difference is mainly due to earlier recognition of public grants in 2017.

Total operating expenses for the quarter increased to NOK 39,953 thousand from NOK 26,193 thousand in Q4 2016. The increase reflects mainly high clinical activity and patient recruitment. Loss from operations amounted to NOK 35,134 thousand compared to NOK 17,106 thousand in Q4 2016.

Net financial items for the Group amounted to NOK (20,346) thousand compared to NOK 108 for Q4 2016. The difference is mainly explained by the exchange of warrants and restructuring of the guarantee setup.

The loss for the period amounted to NOK 55,480 thousand compared to NOK 17,618 thousand for Q4 2016.

Full year 2017 results

Revenue for the period amounted to NOK 1,059 thousand compared to NOK 124 thousand for the comparative period in 2016. Other income, including public grants and gain on demerger of LTX-109, amounted to NOK 38,694 thousand compared to NOK 12,336 thousand for the comparative period in 2016. Other operating income include the gain on the demerger of LTX-109 of NOK 26,000 thousand.

Total operating expenses for the period increased to NOK 92,010 thousand from NOK 76,929 thousand for comparative period in 2016. Loss from operations amounted to NOK 52,256 thousand compared to NOK 64,470 thousand for the comparative period in 2016.

Net financial items for the Group amounted to NOK (18,601) thousand compared to NOK 648 for the comparative period in 2016. The difference is mainly explained by the exchange of warrants for shares and restructure of the guarantee setup.

The loss for the period amounted to NOK 63,355 thousand compared to NOK 67,825 thousand for the comparative period in 2016.

Financial position and cash flow

Cash and cash equivalents were 34,957 thousand at the end of 2017 compared to NOK 17,637 thousand at the end of 2016.

Cash flow during the year was primarily driven by operating activities, and net cash outflow from operating activities during the period was NOK 69,671 thousand, compared to a cash outflow of NOK 66,969 thousand for 2016.

Total liabilities were NOK 35,301 thousand at the end of 2017 compared to NOK 12,449 at the end of 2016.

Shareholders' equity was NOK 11,791 thousand at end of the quarter, compared to NOK 23,029 thousand at the end of 2016.

Deferred tax asset is not reflected in the statement of financial position as the Group is in a development phase and is currently generating losses.

Financial calendar

Annual Report 2017	April 20, 2018
Q1 2018	May 16, 2018
Q2 2018	August 16, 2018
Q3 2018	November 7, 2018

Annual General Meeting

The Annual General Meeting will be held on May 15, 2018 in the Company's offices in Oslo, Norway. A notice for the Annual General Meeting is distributed two weeks before the meeting at the latest. For more information, see the company's website www.lytixbiopharma.com. The following persons are members of the Company´s nomination committee: Per Erik Sørensen (chairman), Claus R. Flinder and Øystein Rekdal.

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge that the financial statements for the period January 1 to December 31, 2017 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the Group taken as a whole. We also confirm that the interim report includes a true and fair view of the development and performance of the business and the position of the entity and the Group, together with a description of the principal risks and uncertainties facing the entity and the Group.

Oslo, February 22, 2018

Gert. W. Munthe
Chairman of the Board

Morten Jurs
Board Member

Kari Grønås
Board Member

Lena Torlegård
Board Member

Debasish Roychowdhury
Board member

Edwin Klumper
Chief Executive Officer

Forward-looking statements presented in this report are based on various assumptions. The assumptions were reasonable when made, but are inherently subject to uncertainties and contingencies that are difficult or impossible to predict. Lytix Biopharma ASA cannot give assurances that expectations regarding the outlook will be achieved or accomplished.

Interim condensed consolidated statement of comprehensive income

(in NOK thousands)	Notes	Unaudited Q4 2017	Unaudited Q4 2016	Unaudited FY 2017	FY 2016
Revenue		316	(35)	1,059	124
Other operating income	*5,10*	4,503	9,121	38,694	12,336
Total operating income		**4,819**	**9,087**	**39,754**	**12,460**
Payroll and related expenses	*8*	(7,559)	(9,906)	(21,427)	(22,442)
Depreciation and amortization expenses		(2)	(998)	(14)	(1,009)
Impairment of intangible assets		-	(2,940)	-	(2,940)
Direct R&D expenses		(21,840)	(6,891)	(46,793)	(33,534)
Other expenses	*11*	(10,552)	(5,458)	(23,775)	(17,005)
Total operating expense		**(39,953)**	**(26,193)**	**(92,010)**	**(76,929)**
Loss from operations		**(35,134)**	**(17,106)**	**(52,256)**	**(64,470)**
Net financial items	*12,13*	(20,346)	108	(18,601)	648
Share of post-tax profits of equity accounted investments	*10*	-	662	-	(9)
Gain from distribution of associate	*10*	-	-	1,428	-
Loss before tax		**(55,480)**	**(16,336)**	**(69,429)**	**(63,831)**
Tax expense	*9*	-	-	-	-
Loss for the period from continuing operations		**(55,480)**	**(16,336)**	**(69,429)**	**(63,831)**
Profit/(Loss) for the period from discontinued operations	*10*	-	(1,282)	6,073	(3,994)
Loss for the period		**(55,480)**	**(17,618)**	**(63,355)**	**(67,825)**
Attributable to:					
Non-controlling interests		-	-	-	-
Equity holders of the parent		(55,480)	(17,618)	(63,355)	(67,825)
Other comprehensive income					
Items that may be reclassified to profit or loss		-	-	-	-
Total other comprehensive income for the period		**-**	**-**	**-**	**-**
Total comprehensive income for the period		**(55,480)**	**(17,618)**	**(63,355)**	**(67,825)**
Earnings/(loss) per share:					
Basic and dilutive earnings/(loss) per share	*7*	(4.6)	(1.8)	(5.7)	(6.9)

Interim condensed consolidated statement of financial position

(in NOK thousands)	Notes	Unaudited 31.12.2017	31.12.2016
Assets			
Non-current assets			
Property, plant and equipment		6	20
Total non-current assets		**6**	**20**
Current assets			
Trade and other receivables		12,129	9,723
Cash and cash equivalents		34,957	17,637
Total current assets		**47,086**	**27,360**
Assets in disposal groups classified as held for distribution to owners		-	8,097
Total assets		**47,092**	**35,478**
Shareholders equity and liabilities			
Issued capital and reserves			
Share capital	*6*	1,234	1,002
Share premium reserve		10,557	22,068
Equity contributed by Lytix Biopharma shareholders		**11,791**	**23,070**
Non-controlling interests		-	(41)
Total equity		**11,791**	**23,029**
Liabilities			
Current liabilities			
Trade payables		11,672	4,789
Other current liabilities		16,173	6,564
Other current financial liabilities	*12,13*	7,456	-
Total current liabilities		**35,301**	**11,353**
Liabilities in disposal group classified as held for distribution to owners		-	1,097
Total liabilities		**35,301**	**12,449**
Total equity and liabilities		**47,092**	**35,478**

Interim condensed consolidated statement of cash flows

(in NOK thousands)	Notes	Unaudited FY 2017	FY 2016
Cash flows from operating activities			
Loss for the period from continuing operations		(69,429)	(63,831)
Profit/(loss) for the period from discontinuing operations	*10*	6,073	(3,994)
Adjustments for:			
Depreciation and amortization expenses		14	1,009
Impairment of intangible assets		-	2,940
Interest received		(304)	(710)
Share of profit and gain from associate	*10*	(1,428)	9
Share-based payment expense	*8*	1,030	5,793
Increase/decrease in trade and other receivables		(2,406)	338
Increase/decrease in trade and other payables		23,931	(6,430)
Net change in discontinuing operations	*10*	(1,154)	(2,094)
Distribution of LTX-109	*10*	(26,000)	-
Cash generated from operations		**(69,671)**	**(66,969)**
Income tax paid		-	-
Net cash flows from operations		**(69,671)**	**(66,969)**
Investing activities			
Demerger of subsidiary	*10*	(408)	-
Interest received		304	710
Net cash from /(used) in investing activities		**(104)**	**710**
Financing activities			
Proceeds from share issue		87,095	76,427
Capital contributions from minority interests		-	408
Net cash from/(used in) financing activities		**87,095**	**76,835**
Net increase in cash and cash equivalents		17,320	10,576
Cash and cash equivalents at the beginning of the period		17,637	9,719
Cash and cash equivalents at the end of the period		**34,957**	**20,295**
Cash from discontinued operations		-	(2,658)
Cash at the end of the period		**34,957**	**17,637**

Interim condensed consolidated statement of changes in equity

(in NOK thousands)	Share capital	Share premium	Equity-settled share-based payment	Total	Non-controlling interest	Total equity
Balance at January 1, 2017	**1,002**	**8,556**	**13,512**	**23,070**	**(41)**	**23,029**
Comprehensive income for the period						
Loss for the period from continuing operations		(69,429)		(69,429)		(69,429)
Profit/(Loss) for the period from discontinued operations		6,073		6,073		6,073
Other comprehensive income		-		-		-
Total comprehensive income for the period	**-**	**(63,355)**	**-**	**(63,355)**	**-**	**(63,355)**
Contributions by owners	334	90,405		90,738		90,738
Demerger	(102)	(35,947)		(36,049)	41	(36,008)
Transaction costs		(3,644)		(3,644)		(3,644)
Share based payment			1,030	1,030		1,030
Total contributions by and distributions to owners	**232**	**50,815**	**1,030**	**52,076**	**41**	**52,117**
Balance at December 31, 2017	**1,234**	**(3,985)**	**14,542**	**11,791**	**-**	**11,791**

(in NOK thousands)	Share capital	Share premium	Equity-settled share-based payment	Total	Non-controlling interest	Total equity
Balance at January 1, 2016	**776**	**(269)**	**7,719**	**8,226**	**-**	**8,226**
Comprehensive income for the period						
Loss for the period from continuing operations		(63,831)		(63,831)		(63,831)
Profit/(Loss) for the period from discontinued operations		(3,994)		(3,994)		(3,994)
Other comprehensive income for the period				-		-
Total comprehensive income for the period	**-**	**(67,825)**	**-**	**(67,825)**	**-**	**(67,825)**
Contributions by owners	226	78,236		78,462		78,462
Transaction costs		(2,035)		(2,035)		(2,035)
Capital contributions from minorities		449		449	(41)	408
Share based payment			5,793	5,793		5,793
Total contributions by and distributions to owners	**226**	**76,650**	**5,793**	**82,669**	**(41)**	**82,628**
Balance at December 31, 2016	**1,002**	**8,556**	**13,512**	**23,070**	**(41)**	**23,029**

NOTES

1. GENERAL INFORMATION

Lytix Biopharma ASA was established in 2003 and has its main activities in Oslo, Norway. The registered head office is located in Sykehusvegen 23, 9019 Tromsø. Lytix Biopharma's technology is based on nature's own defense mechanisms. The Company's unique technology represents a new class of cancer immunotherapy that activates the patient's own immune system.

2. ACCOUNTING PRINCIPLES

This consolidated interim financial report has been prepared in accordance with International Accounting Standards (IAS 34), "interim financial reporting". The consolidated interim financial reporting should be read in conjunction with the annual financial statements for the year end December 31, 2016 for Lytix Biopharma AS, which has been prepared in accordance with IFRS's as adopted by the EU.

The accounting policies implemented are consistent with those of the annual consolidated financial statements for Lytix Biopharma AS for the year-end December 31, 2016. The consolidated financial statements are presented in NOK, which is also the parent company's functional currency. Amounts are rounded to the nearest thousand unless otherwise stated.

There is no significant change in principles in 2017 as a result of changes in standards.

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard is effective as of January 1, 2018. IFRS 9 will replace IAS 39 Financial Instrument: recognition and Measurement. The parts of IAS 39 that have not been amended has been transferred and included in IFRS 9. The standard shall be implemented retrospectively, but it is not a requirement to prepare comparative figures. Based on the financial assets and liabilities held by the Group the standard is not expected to have any significant impact to the financial statements.

IFRS 15 Revenue from contracts with customers. The standard is effective as of January 1, 2018. The standard replaces all existing standards and interpretations relating to revenue recognition. The core principle of IFRS 15 is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Company expects to be entitled in exchange for those goods or services. With some few exceptions, the standard is applicable for all remunerative contracts and includes a model for recognition and measurement of sale of individual non-financial assets. The Group has evaluated the potential implications of the standard and does not expect IFRS 15 to have a significant impact on revenue. The Group will continue analyzing the impact of the new standard.

IFRS 16 Leases regulates matters relating to leased assets. It requires all leases to be recognized in the statement of financial position is a right to use asset with subsequent depreciation. This standard is not endorsed by the EU but is expected to be effective as of January 1, 2019. The Group has not yet completed the analysis of the impact of the new standard.

3. RISK AND UNCERTAINTIES

Non-financial risks

The Group's lead product candidate LTX-315 is still at a relatively early stage (Phase I/II) and the clinical studies may not prove to be successful.

Immunotherapy and other cancer therapy industries are in general highly competitive and dynamic, and as such a high-risk business.

The financial success of the Group will require beneficiary partner agreements as well as obtaining market access and reimbursement/pricing at attractive levels. There is no guarantee that the Group's product(s) will meet these requirements. The Group will need approvals from the European Medicines Agency (EMA) to market products in Europe and from the US Food and Drug Administration (FDA) to market its products in the US, as well as equivalent regulatory authorities in other foreign jurisdictions to commercialize in those regions.

Financial risks

The Group has no interest-bearing debt. Bank deposits are exposed to market fluctuations in interest rates, which affects financial income. Currency risk is limited to fluctuations in currencies relating to partners and vendors abroad. The credit risk is limited as revenues are minimal exclusive of public grants.

The Group controls its cash flow from both long- and short-term perspectives through rolling cash forecasts. The Group has no loan agreements involving covenants or other financial instruments or requirements. There is an inherent risk around future financing of the Group, depending upon the Group's own performance and on the financial market conditions.

4. SEGMENT INFORMATION

The Group has only one business activity, research and development within cancer immunotherapy, and therefore has only one operating result on which the principal executive decision-maker regularly makes decisions and allocates resources. On the basis of these circumstances, there is only one operating segment corresponding to the Group as a whole and so no separate segment reporting is provided.

5. GOVERNMENT GRANTS

Government grants have been recognized in profit or loss as other operating income with the following amounts:

(in NOK thousands)	Q4 2017	Q4 2016	FY 2017	FY 2016
Tax refund - SkatteFUNN (across all R&D activities)	2,990	7,020	7,040	7,020
Innovation Norway	180	250	684	250
The Research Council of Norway (BIA grant)	1,333	1,825	4,970	5,066
Government grants presented as other operating income	**4,503**	**9,121**	**12,694**	**12,336**

6. SHARE CAPITAL AND NUMBER OF SHARES

Share capital at December 31, 2017 is NOK 1,233,539 (December 31, 2016: NOK 1,001,806), constituting 12,335,388 ordinary shares at a nominal value of NOK 0.1. All shares carry equal voting rights.

	Q4 2017	Q4 2016	FY 2017	FY 2016
Ordinary shares at the beginning of the period	1,195,750	1,001,806	1,001,806	776,202
Issue of ordinary shares before share split [1) 2) 3)]			193,944	225,604
Sum	**1,195,750**	**1,001,806**	**1,195,750**	**1,001,806**
Share split [4)]	11,957,500		11,957,500	
Issue of ordinary shares [5)]	377,888		377,888	
Ordinary shares	**12,335,388**	**1,001,806**	**12,335,388**	**1,001,806**

[1] On January 16, 2017, the Board of Directors approved the demerger plan with Amicoat Holding AS and Pharma Holdings AS. The demerger is a part of a reorganization of the Group. Non-cancer-related assets were demerged from the Group. The share capital of the Group was reduced through the demerger by redemption of shares, in accordance with the division of market values upon the demerger, cf. the Tax Act section 11-8. The demerger was finalized and registered with the Norwegian Register of Business Enterprises on May 2, 2017.

[2] In January 2017, 217,993 shares were subscribed for in a private placement among existing shareholders and new institutional investors at a share price of NOK 272 for total gross proceeds of NOK 59.2 million. The share issue was approved by Board of Directors February 16, 2017. The contribution was confirmed and registered in the Norwegian Register of Business Enterprises in May 19, 2017.

[3] In April 2017, 76,736 shares were subscribed for in a repair issue among existing shareholders at a share price of NOK 272 for total gross proceeds of NOK 20.8 million. The share issue was approved by the extraordinary General Meeting April 27, 2017. The contribution was confirmed and registered in the Norwegian Register of Business Enterprises in May 19, 2017.

[4] As of October 16, 2017, the General Meeting decided to make a share split. The shares were split in the ratio 1:10, so that 1 share, with a nominal value of NOK 1, becomes 10 new shares, each with a nominal value of NOK 0.10.

[5] Through a decision at an extraordinary general meeting held on November 16, 2017, the Board of Directors was authorized to enter agreements with investors in an effort to exchange warrants for shares. In November 2017, Lytix entered into agreements with 43 of 47 shareholders holding warrants issued by Lytix. The transaction was completed on November 24, 2017, when the Board of Lytix decided to issue 377,888 Shares against a redemption of 392,556 warrants. After conversion, Lytix' share capital was NOK 1,233,539, and the number of outstanding warrants was 9,774. The capital increase was registered at The Register of Business Enterprises in Norway December 5, 2017.

The largest shareholders at December 31, 2017:

No.	Shareholders	No. of shares	Percentage share of total no. of shares
1	North Murray AS	2,007,540	16.3 %
2	Picasso Kapital AS	1,097,860	8.9 %
3	TAJ Holding AS	1,027,210	8.3 %
4	Care Holding AS	773,430	6.3 %
5	Norinova Invest AS	455,060	3.7 %
6	Lysnes Invest AS	412,210	3.3 %
7	3 T Produkter AS	389,130	3.2 %
8	LMK Venture AB	346,000	2.8 %
9	Hopen Invest AS	288,600	2.3 %
10	Mikael Lönn	224,900	1.8 %
11	Kreftforeningen	218,000	1.8 %
12	Per Strand Eiendom AS	196,350	1.6 %
13	Rothesay Limited	173,000	1.4 %
14	LB Invest AS	160,040	1.3 %
15	Norinnova Technology Transfer AS	155,790	1.3 %
16	John Sigurd Mjøen Svendsen	152,420	1.2 %
17	Sparebank 1 Nord-Norge Portefølje AS	151,820	1.2 %
18	Jahatt AS	143,640	1.2 %
19	Innovasjon Norge	133,790	1.1 %
20	Øystein Rekdal	118,630	1.0 %
	Total no. of shares for top 20 shareholders	**8,625,420**	**69.9 %**
	Total no. of shares for the other 289 shareholders	3,709,968	30.1 %
	Total no. of shares (309 shareholders)	**12,335,388**	**100.0 %**

7. EARNINGS PER SHARE

	Q4 2017	Q4 2016	FY 2017	FY 2016
Loss attributable to the owners of the parent	(55,480)	(17,618)	(63,355)	(67,825)
Average number of outstanding shares during the period	12,065,468	10,018,060	11,204,530	9,870,186
Earnings/(Loss) per share – basic and diluted (NOK)	**(4.6)**	**(1.8)**	**(5.7)**	**(6.9)**

All options were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive as the Group is currently loss-making.

As of October 16, 2017, the General Meeting decided to make a share split. The shares were split in the ratio 1:10, so that 1 share, with a nominal value of NOK 1, becomes 10 new shares, each with a nominal value of NOK 0.10. Share split transactions have been treated in the EPS calculation in the following manner: the weighted average shares are increased by the number of additional shares issued in the year of the share split transaction and as well as in any comparative prior periods presented as though the shares had been split from the beginning of the comparative prior period presented. The adjustment is made to increase the number of shares resulting from the share split in the current period (i.e. the year in which share split occurs) and prior period comparative periods appearing in the current period financial statements. This facilitates the comparison of the entity's performance over a period of time as reflected in the EPS ratio.

8. SHARE BASED PAYMENTS

Since 2013 Lytix has established three share-based incentive programs (A, B and C) for the Company's management, employees and consultants to the Company, under which the entity receives services from employees as consideration for equity instruments in Lytix Biopharma ASA. The incentive programs consist of share options. A description of the three incentive programs is given below.

Incentive Program A 2013/2018

On December 12, 2012, the board of directors of the Company decided to authorize the CEO and the chairman of the board of directors to implement a share option program ("Incentive Program A"). Incentive Program A comprises a maximum of 40,000 share options and was established at the beginning of 2013. The expiry date for program A is December 31, 2018.

As of December 31, 2017, a total of 17,860 of 26,231 share options were reserved off for certain specific individuals, and 16,098 of these share option were also allotted to these individuals through share option agreements. The Board has decided that no more share options will be divested in Incentive Program A. The maximum number of share options in the program therefore amounts to 17,860.

Incentive Program B 2016/2021

On March 10, 2016, the board of directors of the Company decided to implement a share option program ("Incentive Program B"). As of December 31, 2017, a total of 30,444 of the 33,044 share options were reserved for certain specific individuals, and 22,734 of these share options were also allotted to these individuals through share option agreements. The expiry date for program B is December 31, 2021.

Incentive Program C 2016/2021

On December 7, 2016, the board of directors of the Company decided to implement a share option program with a maximum of 30,000 share options ("Incentive Program C"). In total, 8,000 share options were reserved for certain specific individuals, whereof 8,000 also were allotted to these individuals through share option agreements. The expiry date for program A is December 31, 2021.

Share split

As mentioned above, there has been a share split in the ratio 1:10. Following the share split, the Company has decided to make similar split for the options. Each option is split in the ratio 1:10 and the exercise price is reduced in the same manner. The option split had the following effect on the outstanding options as of September 30, 2017.

	Before split	After split
Program A		
Number of outstanding options	26,231	262,310
Exercise price	700	70.0
Program B		
Number of outstanding options	33,044	330,440
Exercise price	350	35.0
Program C		
Number of outstanding options	30,000	300,000
Exercise price	272	27.2

	Program A		Program B		Program C	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 30.09.2017	70.0	183,010	35.0	161,920	27.2	30,000
Granted during the period			35.0	65,420	27.2	50,000
Forfeited during the period						
Exercised during the period						
Lapsed during the period	70.0	(22,030)				
Outstanding at 31.12.2017	**70.0**	**160,980**	**35.0**	**227,340**	**27.2**	**80,000**

All of the options granted during the period for program C, and 50,000 of the options granted during the period for program B is subject to a vesting period. In program B, 25,000 of the options will vest on July 1, 2019 and 25,000 on July 1, 2020. In program C, 25,000 of the options will vest on July 1, 2020 and 25,000 on July 1, 2021.

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share based option agreement operated by the Company:

Equity settled	Program B	Program C
Option pricing model used	Black & Scholes	
Weighted average share price at grant date (NOK)	27.2	27.2
Exercise price (NOK)	35.0	27.2
Expected volatility	60.0 %	60.0 %
Expected dividend growth rate	0	0
Risk-free interest rate	0.8 %	1.1 %

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of comparable companies.

The share-based remuneration expense comprise:

(in NOK thousands)	Q4 2017	Q4 2016	FY 2017	FY 2016
Equity settled schemes	255	5,793	1,030	5,793
Total remuneration expense	**255**	**5,793**	**1,030**	**5,793**

9. TAX

Net deferred tax assets on losses carried forward amount to NOK 124 million as at December 31, 2017 (December 31, 2016: NOK 105 million) have not been recognized because it is not probable that taxable profits will be available against which deductible temporary differences can be utilized. The Group has a total tax loss carried forward of NOK 538 million as at December 31, 2017 (December 31, 2016: NOK 437 million) which has no due date.

The Company considers that a deferred tax asset related to accumulated tax losses cannot be recognized in the statement of financial position until the product under development has been approved for marketing by the relevant authorities. However, this assumption is continually reassessed and changes could lead to significant deferred tax asset being recognized in the future. This assumption requires significant management judgement.

10. DISCONTINUED OPERATIONS

On December 7, 2016, the Group decided to demerge all assets in the Group not related to cancer, i.e. Amicoat AS, Pharmasum Therapeutics AS, all intellectual properties related to LTX-109, a receivable of NOK 923 thousand on Pharmasum Therapeutic AS and cash of NOK 408 thousand to the shareholders of the parent company. The demerger was part of a reorganization of the Group, where non-cancer-related assets were demerged from the Group prior to the completion of a private placement directed towards investors, with the purpose of securing financing of the Group's cancer research business. As of December 31, 2016 Amicoat AS was a wholly owned subsidiary while Pharmasum Therapeutics AS was an associate where the Group owned 24 % of the shares. On January 31, 2017, the shareholders of the Company approved the demerger. At December 31, 2016, the demerged assets and operations were classified as held for distribution to equity holders of the parent and as a discontinued operation. The demerger was completed on May 2, 2017. The demerger is presented as distribution to shareholders in the equity statement, and measured at fair value at the date of the distribution. Any difference between the carrying amount of the distributed assets and the fair value is presented as a gain or loss in the income statement.

After the demerger, the Group consist of Lytix Biopharma ASA only.

Distribution of Amicoat AS

The distribution of Amicoat AS is presented in the line Gain or loss for discontinued operations.

Reconciliation of Statement of profit or loss and other comprehensive income.

(in NOK thousands)	FY 2017	FY 2016
Revenue	93	125
Other operating income	399	3,366
Total operating income	**491**	**3,491**
Payroll and related expenses	(499)	(1,245)
Other expenses	(2,806)	(6,238)
Total operating expenses	**(3,305)**	**(7,483)**
Profit/(Loss) from operations	**(2,814)**	**(3,992)**
Net financial items	(33)	(3)
Gain from distribution of associate	8,920	-
Profit before tax	**6,073**	**(3,994)**
Tax expense	-	-
Loss for the period from discontinued operations	**6,073**	**(3,994)**

As the demerger was completed prior to December 31, 2017, the assets and liabilities classified as held for distribution as at December 31, 2016 are no longer included in the statement of financial position. The gain from distribution of Amicoat AS of NOK 8.9 million is included in the financial statement line "Profit/Loss for the period from discontinued operations". The carrying value of the Amicoat AS was NOK (3.8) million, while the fair value of these assets was NOK 5.1 million.

Distribution of LTX-109

The distribution of LTX-109 IP is included in the line item other operation revenues, with an amount of NOK 26 million. The carrying value of the IP was nil, so the gain is identical to the fair value of the IP.

Distribution of Pharmasum Therapeutics AS

The distribution of Pharmasum Therapeutics AS is included in the line item "Gain from distribution of associate". Pharmasum is included in the Income statement with the following amount.

As the demerger was completed prior to December 31, 2017, the assets and liabilities classified as held for distribution as at December 31, 2016 are no longer included in the statement of financial position.

The gain from distribution of Pharmasum is included in the line item gain from distribution of associate, with an amount of NOK 1.7 million, together with Lytix' share of Pharmasum's post-tax profits of NOK (0.3) million, in total NOK 1.4 million. The carrying value of the Pharmasum was NOK 2.9 million, while the fair value of these assets was NOK 4.6 million.

(in NOK thousands)	FY 2017	FY 2016
Share of post-tax profits of equity accounted investments	-	(9)
Gain from distribution of associate	1,428	-

11. TRANSACTIONS WITH RELATED PARTIES

During the period, the Company entered into the following purchase transactions with related parties:

(in NOK thousands)	Q4 2017	Q4 2016	FY 2017	FY 2016
GWH Consult AB (Håkan Wickholm)	1,490	233	4,108	3,897
Nirvan Consultants LLC (D. F. Roychowdhury)	-	-	411	430

The transactions with related parties consist of invoiced fee for management and consultancy services including related expenses.

12. GUARANTEE COMMITMENT

The two financing rounds conducted in the Q1 and Q2 included warrants and a guarantee setup in connection with the potential public listing. The investors who undertook the underwriting guarantee received two warrants per share subscribed and with a potential guarantee commission. A total of 402,330 warrants have been resolved issued to the investors by the Company's General Meetings held on February 16, 2017 and April 27, 2017.

To optimize the financial structure prior to the listing, the Board of Directors decided to reduce the number of warrants.

In an extraordinary General Meeting held on November 16, 2017, the Board of Directors was authorized to enter agreements with investors in an effort to exchange warrants with shares. In November 2017, Lytix entered into agreements with 43 of 47 shareholders holding warrants issued by Lytix. The conversion was completed on November 24, 2017, when the Board of Directors decided to exchange 98 % of the warrants for shares. This transaction reduced the number of outstanding warrants to 9,774. In this same process, the company also wanted to optimize the guarantee

undertaking, with a conversion to a firm subscription commitment. The majority of guarantors converted to a firm subscription commitment, and the company has a subscription commitment for the public listing of NOK 43,616 thousand. The accounting effects are a result of this being conducted in Q4.

The warrants are classified as a financial liability at fair value in accordance with IAS 32. As of December 31, 2017 the fair value of the remaining warrants is estimated to be NOK 248 thousand.

13. NET FINANCIAL ITEMS

(in NOK thousands)	Q4 2017	Q4 2016	FY 2017	FY 2016
Other financial income	146	185	491	1,037
Other financial expenses	(282)	(77)	(947)	(389)
Fair value gain on issued warrants	-	-	2,065	
Exchange warrants for shares	(13,002)	-	(13,002)	
Guarantee fee	(7,207)	-	(7,207)	
Net financial items	**(20,346)**	**108**	**(18,601)**	**648**

14. CONTINGENCIES

The Group has no contingent liabilities beside normal business obligations toward partners, suppliers, employees, Board members and other stakeholders.

15. EVENTS OCCURING AFTER THE BALANCE SHEET DATE

No material events occurred between the balance sheet date and the date when the accounts were presented providing new information about conditions prevailing on the balance sheet date.

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