



Redwood Pharma AB (publ)
Interim Report: January through September 2016
www.redwoodpharma.com

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Interim Report January – September 2016

The period January 1 – September 30, 2016

- Net Revenues KSEK¹ 0 (0)²
- Operating Loss KSEK -5 854 (-150)
- Loss per share -1,17 (-2,6)

2016 Third Quarter (July – September)

- Net Revenues KSEK 0 (0)
- Operating Loss KSEK -2 060 (-4)

Important Events During the Period

- Redwood Pharma's warrants (REDW TO1, ISIN SE0008294904) began trading on AktieTorget. The warrants allow the Company to raise additional capital this coming summer to finance the following clinical development of RP101.
- A patent was granted in Japan for the IntelliGel® platform, which opens up a large market within ophthalmology for Redwood Pharma.
- The TFOS and OIS conferences in France and the USA confirm that these markets are in search of innovations within ophthalmology. Redwood Pharma's candidate drug RP101 is thus properly positioned.
- A patent was granted for the IntelliGel platform in Japan, which opens up a large market within ophthalmology to Redwood Pharma.
- Redwood Pharma has retained Ulf Björklund as Chief Medical Officer. Ulf has a solid background within clinical development of new medicines, including Xalatan – Sweden's most well-known therapy for the treatment of glaucoma.

Important Events After the End of the Period

- The IntelliGel platform demonstrated positive results in an in vitro test. Development of the Company's candidate drug to treat dry eye disease continues according to plan.

¹ KSEK = thousand Swedish Kronor

² Prior year results in parenthesis

From the CEO

The third quarter has been a busy period for Redwood Pharma. Development of the Company's novel candidate drug RP101 for the treatment of chronic dry eye disease in post-menopausal women, who represent the largest segment of sufferers, has proceeded according to plan.

An in vitro test of the IntelliGel® platform was completed during the quarter. The results were as predicted: IntelliGel does not irritate human corneal cells. IntelliGel is used today in dermatological products in the US and China. The positive results of the in vitro test strengthen IntelliGel's ability to serve as a cornerstone in our operations, not just in our candidate drug under development, but in other pharmaceutical development products within ophthalmology.

We are now actively preparing for testing planned for 2017. As such, the organization is expanding. Ulf Björklund has been retained as Chief Medical Officer. His primary responsibilities will be for the planning and execution of our clinical trials. Ulf is a pharmacist by training with extensive experience within pharmaceutical development, including ophthalmology – such as with Pharmacia. Ulf will serve as a central player on our development team.

We can also report that a patent has been granted for the IntelliGel platform in Japan during the

quarter. This means that Redwood Pharma can consider Japan as one of the more interesting markets for our new candidate drug RP101.

At summer's end, Redwood Pharma attended an international medical conference in Montpellier, France. A focus of the conference was on new therapeutics to treat Dry Eye Disease (DED). Conference attendees were researchers with shared scientific focus and investors, including those from global pharmaceutical firms. We received further confirmation that our new candidate drug RP101 is unique and that there are no other competitive development projects underway that target both women and DED.

We've also noticed increased interest in new pharmaceutical technologies and medicines within ophthalmology during this fall. Among other things have Santen, Allergan and Bayer made interesting acquisitions – encouraging activity that points to future interest in our development project.

The Company's warrants (REDW TO1, ISIN SE0008294904) began trading on AktieTorget in July. These options allow us to raise additional capital during the summer of 2017 and to fund continuing clinical trials of RP101.

Martin Vidaeus
CEO and Founder of Redwood Pharma

Redwood Pharma and its

Business Case

Redwood Pharma AB is developing new ophthalmic pharmaceutical therapies where there are large and unmet market needs. The Company's lead project is the development of RP101, a therapy based on a biological active substance for the treatment of moderate-to-severe dry eye disease (DED) in post-menopausal women. RP101 uses the IntelliGel® drug delivery platform to control the slow release of the active pharmaceutical ingredient. By incorporating the product with IntelliGel, Redwood Pharma can improve current prescription therapies on the market by improving dosing regimens. The Company's focus is on clinical development. Revenues will be generated through licensing agreements with other pharmaceutical firms with interest in RP101 and IntelliGel.

RP101 – Redwood Pharma's Treatment of Dry Eye Disease

The Company is developing a topical eye therapy with a known biological molecule to treat chronic dry eye disease in post-menopausal women. Currently there are no adequate therapies to help females suffering from moderate-to-severe DED. RP101 will be the first therapy targeting a specific underlying biological mechanism that increases the production of tearfilm. With the help of IntelliGel, a new formulation is being developed to increase patient convenience by allowing for once or twice daily administration.

IntelliGel® – Drug Delivery Platform

Redwood Pharma has acquired the exclusive global rights for the use of IntelliGel within ophthalmology. It can help reduce the number of drops administered daily. This drug delivery platform can control the release of active substance thereby prolonging a desired medical effect. Expanding the number of commercial opportunities, the platform can be used to improve existing drugs on the market by possibly enhancing convenience, medical efficacy and safety for patients.

The Market for Moderate-to-Severe DED

The size of the existing global market for prescription medicines to treat DED is estimated at

USD 2 billion and is expected to grow to USD 2.6 billion by 2020. There are approximately 5.8 million women sufferers between the ages of 45 and 65 in the US and Europe.

Market Drivers

There are several factors causing the market to grow. The primary drivers are the lack of an effective medicine creating an increasing demand for new treatments, in combination with an ageing population where the incidence of DED increases. DED is a multi-factor disease where there is today no single medical solution that can treat all sufferers. There are several products currently being developed most of which are focused on the treatment of inflammation. As new therapies become available, the size of the existing market will further increase to fulfill unmet medical needs.

Important Collaboration

Redwood Pharma's core competence lies within pharmaceutical development and product formulation. Vital to the development of RP101 and other new products within ophthalmology, is the companies broad network of experts within pre-clinical & clinical work, manufacture, ophthalmology, endocrinology and women's health.

Business Goals

The primary goal of the Company is to further develop RP101 through Phase II clinical trials where after Redwood Pharma will seek to out-license the product and consequently generate cashflow. As soon as results from toxicology testing are available, the Company will seek additional licensing partnerships with other pharmaceutical firms interested in developing treatments outside of DED.

Business/Revenue Model

Through various licensing agreements with larger pharmaceutical firms the Company will generate cashflow through development milestone and royalty payments. Such licensing agreements can be structured so that an initial payment can be made to Redwood Pharma upon signing of the agreement, while future payments can be received upon reaching milestones such as completion of Phase III clinical trials, market authorization and/or initial sales. Subsequently, royalty payments by the Company's commercial partner will be paid to Redwood Pharma until the license agreement is terminated or related patents have expired.

Financial Information

Overview

As Redwood Pharma's operations during 2015 were limited in scope, current year-to-year comparisons reveal large differences in financial reporting.

Revenues and Expenses

The Company has yet to generate any revenues and is not expected to accrue any during 2016.

Results from Operations

An operating loss for the period of KSEK -5,854 (-150) has been accrued. The limited development program during 2015 can explain the large difference in the result compared with 2016.

Financial Position and Liquidity

Redwood Pharma's liquid assets were KSEK 14,217 (KSEK 98) as of Sep. 30, 2016. The Company's Shareholder Equity was KSEK 14,598 (KSEK -77).

Shares

Opening number 2016-01-01	11 111
Right issue 2016-01-08	4 927
Reduction ratio value	384 837
Bonus issue 2016-04-22	2 806 125
Right issue 2016-06-10	36 000
Right issue 2016-06-28	1 755 833
Closing number 2016-09-30	4 998 833

Warrants/Options

In conjunction with the new share issue (IPO) and listing on AktieTorget, subscribers to the share issue were issued 4 warrants for every five shares bought. A total of 1,404,666 warrants were issued to subscribing shareholders that can be exercised and exchanged for shares during the summer of 2017.

Accounting Principles

This Interim Report is based on Swedish law surrounding Annual Reporting (1995:1554) and the

Cash flows from operations during the period were KSEK -5,795 (KSEK -141).

In January of this year, the Company completed a SEK 6.6 million private placement excluding banking fees. In conjunction with a listing on the Swedish Multilateral Trading Facility AktieTorget, the Redwood Pharma completed an initial public offering raising SEK 15.8 million excluding banking fees.

Paid in Capital has increased to SEK 999,766. As a result, there are 4,998,833 outstanding shares. With a complete exercise of outstanding warrants during the coming summer of 2017, the number of outstanding shares will increase by an additional 1,404,666 shares.

Balance Sheet Related Issues

Through an issue of bonus shares, the Company has during the first 6 months of 2016 revalued its intangible assets upward by SEK 561,225 to a total of SEK 814,275.

Swedish Accounting Standards Board's (BFN) guideline BFNAR 2012:1, Annual Reporting and Corporate Auditing (K3).

As of January 1, 2016, the Company has changed accounting methods and follows accounting principles under K3. Upon change in accounting methods and principles under K3 while following the mandates under Chapter 35 (this is the first time these principles are followed) have been considered, K3 principles should be employed retroactively. As several ledger accounts were not applicable to the Company in 2015, a year-to-year comparison with 2016 financial statements and accounting according to K3 cannot be performed. Redwood Pharma used General Accounting and Auditing Principles according to Swedish BFN and FAR.

Risks and Uncertainties

In conjunction with the IPO, Redwood Pharma rigorously accounted for those risks associated with the Company and its operations. No new risks have been identified. Risks and Uncertainties can be found in the Investment Memorandum found on Redwood Pharma's website, www.redwoodpharma.com.

Stockholm, November 24, 2016

Gunnar Mattsson (Chairman)

Martin Vidaeus (CEO)

Hans Ageland

Ingrid Atteryd Heiman

Bengt Furberg

This Interim Report has not been reviewed by an independent auditor

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Upcoming financial reports

2016 Annual Report

15 February 2017

Income statement

	2016 Jan-Jun	2015 Jan-Jun	2016 Apr- Jul	2015 Apr – Jul	2015 Jan-Dec
Total revenues	0	0	0	0	0
Operating expenses					
Other external costs	-5 109 071	-149 602	-1 835 320	-3 847	-165 481
Personell costs	-744 802	-28	-224 727	0	-28
Total operating expenses	-5 853 873	-149 630	-2 060 047	-3 847	-165 509
Operating profit	-5 853 873	-149 630	-2 060 047	-3 847	-165 509
Result from financial items					
Interest income	257	3	135	0	5
Interest expenses	-99	0	0	-11 541	0
Result after financial items	-5 853 715	-149 627	-2 059 912	-15 388	-165 504
Change in untaxed reserves	0	0	0	0	7 732
Income tax expense	0	0	0	0	0
Result for the period	-5 853 715	-149 627	-2 059 912	-15 388	-157 772

Balance sheet

	2016 30 jun	2015 30 jun	2015 31 dec
Assets			
Non-current assets			
Intangible fixed assets			
Patents, licenses and development costs	814 275	-	253 050
Financial assets			
Other long-term assets	40 380	-	-
Total non-current assets	854 655	-	253 050
Current assets			
Receivables			
Other receivables	199 348	556	4 875
Prepayments and accrued income	422 913	-	-
Cash and cash equivalents	14 217 042	97 846	77 311
Total current assets	14 839 303	98 402	82 186
Total Assets	15 693 958	98 402	335 236
Equity and liabilities			
Equity			
Share capital	999 767	55 555	55 555
Unrestricted equity			
Share premium reserve	19 592 422	-	-
Retained earnings	- 140 420	17 351	17 351
Profit for the period	- 5 853 715	- 149 627	- 157 772
Total Equity	14 598 054	- 76 721	- 84 866
Untaxed reserves	-	7 732	-
Current liabilities			
Accounts payable	97 545	-	-
Tax liabilities	-	5 103	5 103
Other liabilities	68 245	142 288	141 948
Accrued expenses and deferred charges	930 114	20 000	273 051
Total current liabilities	1 095 904	167 391	420 102
Total equity and liabilities	15 693 958	98 402	335 236

Changes in Shareholder Equity

	Share capital	Share premium reserve	Retained earnings and result for the period	Total Equity
Shareholders equity 2015-01-01	55 555	-	17 351	72 906
Result for the period	-	-	157 772	157 772
Closing balance 2015-12-31	55 555	-	140 421	84 866
New share issue 2016-01-08	24 620	6 622 780	-	6 647 400
Bonus issue 2016-04	561 225	-	-	561 225
New share issue 2016-06-10	7 200	316 800	-	324 000
New share issue 2016-06-28	351 167	15 451 330	-	15 802 497
Issue expenses	-	- 2 798 487	-	2 798 487
Result for the period	-	-	5 853 715	5 853 715
Closing balance 2016-06-30	999 767	19 592 423	5 994 136	14 598 054

Financial key figures

	9 month Jan-Sep 2016	9 month Jan-Sep 2015	12 month Jan-Dec 2015
Adjusted equity	14 598 054	-70 690	-84 866
Solidity, %	93,0	neg	neg
Cash liquidity	13,5	0,6	0,2
Dividend	0,00	0,00	0,00
Result per share	-1,17	-2,69	-2,84
Equity per share	2,92	neg	neg
Number of employees at end of period	1	0	0
Net investment, tangible fixed assets	0	0	0
Net investment, intangible fixed assets	561 225	0	253 050

Definition of key figures Table

Adjusted equity	Equity plus 78% of untaxed reserves
Solidity	Adjusted equity / total assets
Cash liquidity	Current assets excluding inventory / current liabilities

Cash flow statement

	jan-jun 2016	jan-jun 2015	jan-dec 2015
Result after financial items	-5 853 715	-149 627	-165 509
Non-cash items	0	0	0
Cash flow from operations before change in working capital	-5 853 715	-149 627	-165 509
Changes in operating assets	-617 386	8 424	4 105
Changes in operating liabilities	675 803	339	393 051
Change in working capital	58 417	8 763	397 156
Cash flows from operations	-5 795 298	-140 864	231 647
Investing activities			
Investment in tangible fixed assets	0	0	-253 050
Investment in financial assets	-40 380	0	0
Cash flow from investing activities	-40 380	0	-253 050
Financing activities			
Right issue	19 975 409	0	0
Cash flow from financing activities	19 975 409	0	0
Net change in cash	14 139 731	-140 864	-21 403
Liquid funds at the beginning of the period	77 311	98 714	98 714
Liquid funds at the end of the period	14 217 042	-42 150	77 311