



Redwood Pharma AB (publ)
Interim Report January – June 2016

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2016 First Half-Year (January – June)

- Net Revenues KSEK¹ 0 (0)²
- Operating Loss KSEK -3,794 (-146)
- Loss per share -0.76 (-1.31)

2016 Second Quarter (April – June)

- Net Revenues KSEK 0 (0)
- Operating Loss KSEK -2,331 (-90)

Important Events During the Period

- The Company conducted two new share issues including an Initial Public Offering (IPO) totaling SEK 22.4 million excluding banking fees that will help fund the development of RP101, Redwood Pharma's first candidate drug up to the start of clinical trials
- A new Board of Directors was elected along with a new Chairman at the Annual Shareholders Meeting
- Listing of the Company with the stock ticker REDW on the Swedish Multilateral Trading Facility AktieTorget on the 15th of June
- As a consequence of the listing, the Company's ownership expanded with the addition of 620 new shareholders – a stable foundation for the future
- The Company entered into a collaboration with SP Process Development in Södertälje, Sweden for further development of RP101
- Redwood Pharma was one of three Swedish companies that presented at BIO 2016 in San Francisco, attended by 20,000 participants

Important Events After the End of the Period

- In August, Redwood Pharma attended the OIS-ASRS conference in San Francisco that focused on companies with new technologies within ophthalmology

¹ KSEK = thousand Swedish Kronor

² Prior year results in parenthesis

From the CEO

The first 6 months of this calendar year have been eventful for Redwood Pharma. The primary focus has been to establish a financially solid base for the Company. This has been accomplished by two new share issues where a smaller private placement was followed by an initial public offering (IPO). The share issues allowed the company to raise in total SEK 22.4 million (before banking fees). In conjunction with the IPO, the Company was listed on AktieTorget. The IPO increased the number of shareholders in Redwood Pharma from 25 to 645. Prior to the listing on AktieTorget during the Annual Shareholders Meeting, the Company elected a new Board of Directors. Gunnar Mattsson was appointed Chairman. With the new Board of Directors the company also strengthen its competence base within legal, medicine and clinical areas. Charles du Mée, one of the founders while still highly operational within the company, stepped down as a Director of the Board. Peter Rooslien was appointed Chief Financial Officer.

During the first 6 months of the year, we have also augmented our capabilities within process development, primarily within analytical chemistry and pharmaceutical development. A collaborative agreement was signed with SP Process Development (SPPD) in Södertälje. This is a significant step for us towards establishing a new pharmaceutical product. SPPD's expertise lies in developing new pharmaceuticals, from research and development through to small-scale manufacture. Many of its employees were previously employed by AstraZeneca in Södertälje, where they were leading specialists in areas such as formulation development. Initially SPPD will assist us in optimize RP101, our active substance in combination with IntelliGel®. The collaboration with SPPD will lead to an optimized production process, as well as manufacture of vital material for planned toxicology testing.

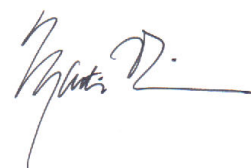
Redwood Pharma has been invited to attend and present at various leading global conferences within ophthalmology. In June, the Company presented at BIO 2016 in San Francisco, USA. As one of three Swedish companies, we were given the opportunity to present our firm and innovative pharmaceutical development project, RP101 along with the IntelliGel drug delivery

platform. In total there were roughly 20,000 participants, among them scientists and business developers from some of the largest global pharmaceutical firms collectively referred to as Big Pharma. As a result of the conference, we expanded our network within the sphere of possible future commercial partners, as well as kept ourselves abreast of current market trends within ophthalmology. In August, we also attended the OIS-ASRS (Ophthalmology Innovation Summit-American Society of Retina Specialists) conference in San Francisco. OIS is a leading conference that showcases innovative technology companies within ophthalmology; this year focusing on back-of-the eye (retinal) disease therapies. Again, the Company was able to build its network further with leading venture capitalists and Asian Big Pharma.

During the coming fall, Redwood Pharma will attend a number of conferences. In September, the Company will be attending the international Tear Film and Ocular Surface (TFOS) conference in Montpellier, France. The focus of the conference is to exchange new ideas and developments among scientists, care-givers and companies with a focus on diagnostic technologies and treatments of ocular diseases. We have also been asked to participate in the Swedish-French Life Science Days at the Swedish Embassy in Paris that will take place in October.

RP101 development is proceeding according to plan. The collaboration with Broda continues leading to increased knowledge of the practical application of IntelliGel and our product candidate RP101.

It is with great anticipation that the coming fall will be characterized by intensified drug development activity whilst I look forward to an open and continuing conversation with all of our new shareholders that showed their confidence in our lead development project by buying shares during our listing on AktieTorget.



Martin Vidæus
CEO and Founder

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

5.5 billion by 2022. There are approximately 5.8 million women sufferers between the ages of 45 and 65 in the US and Europe. (ref. GlobalData Press Release June 12, 2013, "Dry Eye Syndrome Treatment Market to Grow by Nearly USD 4 Billion in the Next Decade")

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 -3,794 (-146) has been accrued. The limited development program during 2015 can explain the large difference in the result compared with 2016. Furthermore, the Company has had significant expenses (banking fees) in 2016 associated with its new share issues during the period.

Financial Position and Liquidity

Redwood Pharma's liquid assets were KSEK 15,394 (KSEK 97) as of June 30, 2016. The Company's Shareholder Equity was KSEK 16,658 (KSEK -73).

Shares

Change in outstanding shares

Shares as of 2016-01-01	11,111
Private Placement 2016-01-08	4,927
Revaluation of par value	384,837
FONDEMISSION 2016-04-22	2,806,125
New share issue 2016-06-10	36,000
New share issue 2016-06-28 (IPO)	1,755,833
Total shares 2016-06-30	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.

Cash flows from operations during the period were KSEK -6,057 (KSEK -2).

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 999,766.70. As a result, there are 4,998,833 outstanding shares. The number of shares is 5,000 less than earlier communicated in conjunction with the IPO as these shares were not purchased. 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.

Accounting Principles

This Interim Report is based on Swedish law surrounding Annual Reporting (1995:1554) and the 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, August 30, 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

Q3 Financial Report January – September 2016
2016 Annual Report

24 November 2016
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	-3 273 752	-145 755	-2 105 651	-90 150	-165 481
Personell costs	-520 075	-28	-225 307	0	-28
Total operating expenses	-3 793 827	-145 783	-2 330 958	-90 150	-165 509
Operating profit	-3 793 827	-145 783	-2 330 958	-90 150	-165 509
Result from financial items					
Interest income	122	3	108	1	5
Interest expenses	-99	0	-50	0	0
Result after financial items	-3 793 804	-145 780	-2 330 900	-90 149	-165 504
Change in untaxed reserves	0	0	0	0	7 732
Income tax expense	0	0	0	0	0
Result for the period	-3 793 804	-145 780	-2 330 900	-90 149	-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	0	253 050
Financial assets			
Other long-term assets	40 380	0	0
Total non-current assets	854 655	0	253 050
Current assets			
Receivables			
Other receivables	813 196	5 198	4 875
Prepayments and accrued income	371 459	0	0
Cash and cash equivalents	15 394 302	96 711	77 311
Total current assets	16 578 957	101 909	82 186
Total Assets	17 433 612	101 909	335 236

Balance sheet

Equity			
Share capital	999 767	55 555	55 555
Unrestricted equity			
Share premium reserve	19 592 422	0	0
Retained earnings	-140 420	17 351	17 351
Profit for the period	-3 793 804	-145 780	-157 772
Total Equity	16 657 965	-72 874	-84 866
Untaxed reserves	0	7 732	0
Current liabilities			
Accounts payable	695 868	0	0
Tax liabilities	0	5 103	5 103
Other liabilities	39 590	141 948	141 948
Accrued expenses and deferred charges	40 189	20 000	273 051
Total current liabilities	775 647	167 051	420 102
Total equity and liabilities	17 433 612	101 909	335 236

Changes in equity

	Share capital	Share premium reserve	Retained earnings and result for the period	Total Equity
Shareholders equity 2015-01-01	55 555	0	17 351	72 906
Result for the period	0	0	-157 772	-157 772
Closing balance 2015-12-31	55 555	0	-140 421	-84 866
New share issue 2016-01-08	24 620	6 622 780	0	6 647 400
Bonus issue 2016-04	561 225	0	0	561 225
New share issue 2016-06-10	7 200	316 800	0	324 000
New share issue 2016-06-28	351 167	15 451 330	0	15 802 497
Issue expenses	0	-2 798 488	0	-2 798 488
Result for the period	0	0	-3 793 804	-3 793 804
Closing balance 2016-06-30	999 767	19 592 422	-3 934 225	16 657 964

Key ratios

	6 month jan-jun 2016	6 month jan-jun 2015	12 month jan-dec 2015
Adjusted equity	16 657 965	-66 843	-84 866
Solidity, %	95,6	neg	neg
Cash liquidity	21,4	0,6	0,2
Dividend	0,00	0,00	0,00
Result per share	-0,76	-1,31	-2,84
Equity per share	3,33	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

Definitions of key ratios

Adjusted equity
Solidity
Cash liquidity

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

Cash flow statement

	jan-jun 2016	jan-jun 2015	jan-dec 2015
Result after financial items	- 3 793 804	- 145 780	- 165 509
Non-cash items	-	-	-
Cash flow from operations before change in working capital	- 3 793 804	- 145 780	- 165 509
Changes in operating assets	- 1 179 779	3 777	4 105
Changes in operating liabilities	355 545	140 000	393 051
Change in working capital	- 824 234	143 777	397 156
Cash flows from operations	- 4 618 038	- 2 003	231 647
Investing activities			
Investment in tangible fixed assets	-	-	- 253 050
Investment in financial assets	- 40 380	-	-
Cash flow from investing activities	- 40 380	-	- 253 050
Financing activities			
Right issue	19 975 409	-	-
Cash flow from financing activities	19 975 409	-	-
Net change in cash	15 316 991	- 2 003	- 21 403
Liquid funds at the beginning of the period	77 311	98 714	98 714
Liquid funds at the end of the period	15 394 302	96 711	77 311