



Redwood Pharma AB (publ)

Interim Report January – June 2018

SPOTLIGHT STOCK MARKET: REDW
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Interim Report

January – June 2018

The Period January 1 – June 30, 2018

- Net Revenues 0 (0)¹ Tkr²
- Operating Loss -7 164 (-8 789) Tkr
- Loss per Share -0,75 (-1,76) kr

Second Quarter, 1 April – 30 June 2018

- Net Revenues 0 (0) Tkr
- Operating Loss -5 622 (-5 085) Tkr
- Loss per Share -0,56 (-1,02) kr

Significant Events During the Period

- Redwood completed a new rights issue that was 126% subscribed and raised 15,8 Mkr.
- Redwood initiated the drawdown of an established credit facility through a 2 Mkr convertible issue.
- During the Annual General Meeting Mats Lidgard was elected to the Board of Directors. Mats brings a wealth of experience within business development. The existing board members were re-elected.

Significant Events After the End of the Period

- Redwood submitted its first national clinical trial application for RP101.

1) Prior year results in parenthesis

2) Tkr = thousand Swedish Kronor

From the CEO



” Redwood Pharma is poised to initiate the clinical Phase II trial of RP101 ”

Redwood Pharma is poised to initiate the clinical Phase II trial of RP101, our product candidate for treatment of chronic dry eye in postmenopausal women. This is further an important milestone towards eventually having a product that can generate a revenue stream for Redwood Pharma.

During the last quarter, we intensified our efforts to ensure that the Phase II trial generates valuable data. Meetings with representatives of clinics participating in the trial have been held to optimize patient recruitment and testing procedures, as well as to clarify roles and responsibilities.

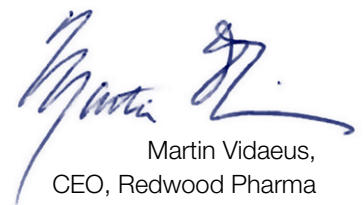
Furthermore, we continued to work with all necessary documentation for the approval by ethics committees and national authorities. All of this culminated in the submission in July of our first national clinical trial. Work is continuing to ensure successful national applications in the other countries, which, as planned, will also be included in our Phase II trial.

Redwood also has secured funding that is not only considered sufficient to complete the clinical trial but also to create the opportunity to explore new product opportunities. The company completed a new rights share issue of SEK 15,8 million at the end of April, which was oversubscribed. As no share issue guarantees were obtained, the issue costs could be

reduced and the company added approximately SEK 14,8 million in capital. At that point, Redwood Pharma had a credit facility of SEK 15 million from Formue Nord Markedsneutral A/S.

The management team is very grateful for the heavy participation of existing shareholders in the rights issue. The oversubscription sent a strong message to the market that our current shareholders continue to believe in the company's direction, management team and commercial potential of RP101.

Focusing on the future, growth will depend largely on the opportunities to expand our product portfolio. We intend to accelerate the evaluation of new products where there are large unmet medical needs and commercial potential. Redwood sees significant opportunities to use the IntelliGel platform to improve and deliver medications safely and efficiently. The company continues discussions with various potential partners in industry to make this strategy a reality.



Martin Vidæus,
CEO, 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 postmenopausal 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 postmenopausal 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 2022.

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 (Proof of Concept) where after Redwood Pharma will seek to out-license the product and consequently generate cashflow. After publication of the toxicology results, the company has accelerated discussions with other pharmaceutical firms regarding significant licensing agreements.

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 Developments

The Company has not generated any revenues during the first two quarters of 2018. The Company's expenses have been primarily development, project-related and administrative costs.

Profit and Loss

An operating loss for the period January 1 – June 30, 2018 of -7 164 (-8 789) Tkr was accrued. An operating loss for the period April 1 – June 30, 2018 of -5 622 (-5 085) Tkr was accrued as costs surrounding the clinical trial have begun to impact the Profit and Loss Statement.

Financial Position and Liquidity

Redwood Pharma's liquid assets were 12 018 (6 280) Tkr as of June 30, 2018. The convertible loan issue further capitalized the company with an additional 2 Mkr after the end of the reporting period. The ratio of Shareholder Equity to Total Assets (SWE: Soliditet) was 82 (67)%. The Company's Shareholder Equity reached 15 709 (10 985) Tkr.

Cash flow from operating activities reached -10 766 (-6 344) Tkr during the period.

After the cash issue which was registered during the second quarter, the Capital Stock reached 2 337 581 kronor. With the rights issue the Non-Restricted Equity reached 14 450 Tkr. The number of outstanding shares as of June 30, 2018 was 11 687 908.

Investments

During the period January 1 – June 30, 2018, the Company acquired intangible assets valued at 5 124 Tkr from CapaVision (UK). The intangible assets are comprised of a patent and patent applications, certain pre-clinical and clinical data, as well as know-how regarding estrogen used as a therapy against dry eye. These intangible assets encompass a patent and patent applications in the US and Europe. The acquisition results in protection from possible competitors, expanding the Company's freedom to operate.



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 2016:10, Annual Reporting and Corporate Auditing (K3).

Risks and Uncertainties

In conjunction with the rights issue which was completed in April of 2018, a Prospectus was compiled that rigorously accounted for those risks associated with the Company and its operations. No new risks have been identified. The Prospectus can be found on Redwood Pharma's website, www.redwoodpharma.com

Changes in the Number of Outstanding Shares

After the end of the reporting period a further 309 684 shares were registered, whereas the total number of shares was 11 997 592.

Opening number 2017-01-01	4 998 833
Right issue July/August	2 947 715
Warrants in october	878 779
Opening number 2018-01-01	8 825 327
Off issue March	525 000
Right issue May	2 337 581
Closing number 2018-06-30	11 687 908



Stockholm, August 29, 2018

Gunnar Mattsson
(Chairman)

Martin Vidaeus
(CEO)

Hans Ageland

Ingrid Atteryd-Heiman

Bengt Furberg

Mats Lidgard

This Interim Report has not been reviewed by an independent auditor.

For more information:

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Upcoming financial reports

2018 Third Quarter Interim Report	13 November 2018
2018 Unaudited Financial Report	13 February 2019



Income Statement	2018 apr-jun	2017 apr-jun	2018 jan-jun	2017 jan-jun	2017 jan-dec
Total revenues	0	0	0	0	0
Other operating income	0	20 810	513	20 810	32 644
Operating expenses					
Other external costs	-5 118 082	-4 836 640	-6 403 359	-8 315 944	-18 180 804
Personell costs	-504 140	-269 357	-761 448	-494 084	-1 067 269
Total operating expenses	-5 622 222	-5 105 997	-7 164 807	-8 810 028	-19 248 073
Operating profit	-5 622 222	-5 085 187	-7 164 294	-8 789 218	-19 215 429
Result from financial items					
Interest income	0	0	0	34	34
Interest expenses	0	0	-8	0	0
Result after financial items	-5 622 222	-5 085 187	-7 164 302	-8 789 184	-19 215 395
Income tax expense	0	0	0	0	0
Result for the period	-5 622 222	-5 085 187	-7 164 302	-8 789 184	-19 215 395

Balance Sheet	2018 30 jun	2017 30 junw	2017 31 dec
Assets			
Non-current assets			
Intangible fixed assets			
Patents, licenses and development costs	5 938 275	814 275	814 275
Financial assets			
Other long-term assets	40 380	40 380	40 380
Total non-current assets	5 978 655	854 655	854 655
Current assets			
Receivables			
Other receivables	309 436	8 786 469	284 628
Prepayments and accrued income	904 354	577 814	90 054
Cash and cash equivalents	12 018 362	6 280 429	7 867 592
Total current assets	13 232 152	15 644 712	8 242 274
Total Assets	19 210 807	16 499 367	9 096 929

Balance Sheet	2018 30 jun	2017 30 jun	2017 31 dec
Equity and liabilities			
Equity			
Share capital	2 337 581	1 589 310	1 765 065
Unrestricted equity			
Share premium reserve	48 489 002	27 062 711	29 160 670
Retained earnings	-27 953 000	-8 878 025	-8 878 025
Profit for the period	-7 164 303	-8 789 184	-19 215 395
Total Equity	15 709 280	10 984 812	2 832 315
Current liabilities			
Accounts payable	1 234 918	856 111	3 098 202
Other liabilities	178 328	44 595	44 594
Accrued expenses and deferred charges	2 088 281	4 613 849	3 121 818
Total current liabilities	3 501 527	5 514 555	6 264 614
Total equity and liabilities	19 210 807	16 499 367	9 096 929

Changes in Shareholder Equity	Not registered		Share premium	Balanced funds Result for the period	Total Equity
	Share capital	share capital			
Shareholders equity 2017-01-01	999 767	-	19 592 423	-8 878 026	11 714 164
New share issue 2017-06-20	-	589 543	9 137 917	-	9 727 460
Issue expenses	-	-	-1 667 628	-	-1 667 628
Registration	589 543	-589 543	-	-	-
Warrants october	175 755	-	2 097 958	-	2 273 713
Result for the period	-	-	-	-19 215 395	-19 215 395
Closing balance 2016-12-31	1 765 065	-	29 160 670	-28 093 421	2 832 314
Move share premium	-	-	-29 160 670	29 160 670	-
New share issue 2018-03-13	105 000	-	5 019 000	-	5 124 000
New share issue 2018-05-24	467 516	-	15 311 156	-	15 778 672
Issue expenses	-	-	-861 404	-	-861 404
Result for the period	-	-	-	-7 164 302	-7 164 302
Closing balance 2017-12-31	2 337 581	-	19 468 752	-6 097 053	15 709 280

Key Financial Figures	6 month	6 month	12 month
	jan-jun 2018	jan-jun 2017	jan-dec 2017
Adjusted equity	15 709 280	10 984 812	2 832 314
Solidity, %	82	67	31
Cash liquidity	3,8	2,8	1,3
Dividend	0	0	0
Result per share	-0,75	-1,76	-2,18
Equity per share	1,34	0,59	0,32
Equity per share after dilution	1,34	1,38	0,32
Number of employees at end of period	2	1	1
Net investment, tangible fixed assets	0	0	0
Net investment, intangible fixed assets	5 124 000	0	0

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	2018 jan-jun	2017 jan-jun	2017 jan-dec
Result after financial items	-7 164 302	-8 789 184	-19 215 395
Cash flow from operations before change in working capital	-7 164 302	-8 789 184	-19 215 395
Changes in operating assets	-839 108	-996 095	-66 329
Changes in operating liabilities	-2 763 087	3 451 171	4 201 233
Change in working capital	-3 602 195	2 455 076	4 134 904
Cash flows from operations	-10 766 497	-6 334 108	-15 080 491
Investing activities			
Acquisition of financial fixed assets	-5 124 000	0	0
Cash flow from investing activities	-5 124 000	0	0
Financing activities			
Right issue	20 041 267	0	10 333 545
Cash flow from financing activities	20 041 267	0	10 333 545
Net change in cash	4 150 770	-6 334 108	-4 746 946
Liquid funds at the beginning of the period	7 867 592	12 614 538	12 614 538
Liquid funds at the end of the period	12 018 362	6 280 430	7 867 592