



## Redwood Pharma AB (publ)

Quarterly Report January – March 2020

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# Redwood Pharma AB (publ)

## Interim report

### January – March 2020

#### 1 January – 31 March 2020

- Net revenue for the period was SEK 0 (0).
- Operating loss for the period amounted to SEK -4,432M (-3,296).
- Loss per share for the period was SEK -0,30 (-0,26).

#### Important events during the period

- Redwood Pharma announced that RP101 shows significant improvements in objective and subjective of efficacy and safety in Phase II trials in post-menopausal women with moderate to severe chronic dry eye problems.
- The China National Intellectual Property Administration (CNIPA) issued preliminary approval to grant a new patent in the portfolio licensed to Redwood Pharma from Broda International LLC.
- A new patent application was submitted for the use of IntelliGel for the treatment of Dry Eye Disease (DED).

**There were no important events after the end of the period**



## Comments from the CEO



**” RP101 was shown to increase tear fluid production by more than 150 percent ”**


We were pleased to start the new decade with the publication of successful results for the Phase II clinical trial of RP101, our candidate drug for the treatment of moderate-to-severe Dry Eye Disease (DED) in post-menopausal women. RP101 demonstrated safety and efficacy in both objective and subjective measures, providing ample support for continuation of our development effort for this important new therapeutic.

In the trial, RP101 was shown to increase tear fluid production by more than 150 percent and improvements were also demonstrated in the other objective parameters that were measured, as well as several of the subjective parameter measurements. Improvement was significant in a number of such parameters, including tearing eyes and foreign body sensation. These results build upon the data from Nascent Pharmaceuticals in two previous phase II trials in the US to confirm the efficacy of topically applied estrogen for the treatment of DED. RP101, which combines an estrogen analog with IntelliGel, a proprietary hydrogel carrier vehicle, is now poised for further development and eventual commercialization. Interestingly, IntelliGel itself also displayed significant positive effects on the signs and symptoms of DED. We are looking at whether IntelliGel could also be developed as a stand-alone product for milder forms of the disease and directed towards a broader population.

Redwood Pharma is well positioned today due to smart product development and the use of capital. With the right value creation activities, we have reached a point where the commercial potential of RP101 and the IntelliGel platform has been demonstrated.

The company feels fortunate to have completed and published successful topline RP101 Phase II results before the current COVID-19 pandemic gripped the world. Fortunately, we had finished our tests and published positive top-line Phase II results for RP101 before the current COVID-19 pandemic spread worldwide. With relatively minor exposure to current macroeconomic risks, Redwood's leadership team, board of directors and transaction advisors can focus on advancing our RP101 clinical program and exploring all options to maximize its value.

Redwood Pharma's achievements are based on well-functioning and dedicated teamwork. I would therefore like to pay special thanks to the company's leadership team, our scientific and medical advisors, and our strategic service providers, all of whom have done a superb job.



Martin Vidaeus,  
CEO Redwood Pharma

# Redwood Pharma and its market

Redwood Pharma AB develops ophthalmic drugs in areas where considerable medical demand exists. The company's lead project is the development of a RP101, an active biological pharmaceutical for the treatment of moderate to severe chronic dryness of the eye in post-menopausal women. The drug uses the IntelliGel drug delivery platform that controls the release of active substances. By using IntelliGel, Redwood Pharma can also highly likely improve dosages of other established and new drugs. Redwood Pharma focuses on early-stage clinical development.

## **RP101: Redwood Pharma's product for dry eyes**

The company is developing a topical eye therapy with a known biological substance that can help post-menopausal women who suffer from chronically dry eyes. Currently, no sufficiently reliable treatments exist for women with moderate to severe symptoms. The product under development will be the first to target the basic biological mechanism and thereby increase production of tear fluid. With the IntelliGel-formulation, it is anticipated that treatment can be reduced to once or twice a day and therefore be easier and more comfortable for patients to take.

## **The IntelliGel drug delivery platform**

Redwood Pharma owns the global rights to the IntelliGel platform within ophthalmology. The platform is expected to make it possible to administer eye drops to treat dry eyes fewer times a day. IntelliGel is a so-called drug delivery platform that controls the release of a drug so that its effects are longer lasting. The hope is that the platform will also create additional business opportunities by enabling the reformulation and more efficient dosing of several ophthalmic drugs so taking them is experienced as being more comfortable by patients and improves patient safety.

## **Market for moderate to severe DED (dry eye disease)**

The total global market for prescription drugs for DED is estimated at USD 3.1 billion.

## **Market drivers**

There are several factors that lead us to believe that the DED market is set to grow. The main reasons are the lack of effective drugs that provide patients with effective relief from chronic dry eyes and an aging population in which chronic dry eye occurs more frequently. There are several types of chronic dry eye and a common medical solution for all types of these problems does not currently exist. There are several new products that are under development – with new approaches for different types of dry eye. However, these are directed at inflammation in the eye that can be a consequence of too little tear fluid. Product development is also expected to contribute to overall market growth.

## **Key collaborations**

The company's core competence lies within pharmaceutical development and product formulation. To develop RP101 and other new ophthalmic drugs, the company uses its extensive network of experts in manufacturing, pre-clinical and clinical development as well as experts in ophthalmology, endocrinology, and women's health.

## **Business goals**

The company aims to develop RP101 to the end of Phase II clinical trials, (Proof of Concept), after which the company will find a commercial partner to maximize the value of RP101.

## **Business/revenue model**

Through business agreements with major pharmaceutical companies, the company will potentially receive payments for achieving milestones and future royalties. Such license agreements may mean that the company receives an initial payment upon signing an agreement and subsequently for achieved milestones such as completion of Phase III clinical trials, market authorizations and initial sales. However, Redwood Pharma is no stranger to other types of agreements to maximize the value of the company.

# Financial results

## Revenues and expenses

The company did not generate any income between 1 January and 31 March 2020. Reported Other Operating Income refers to exchange rate gains. The company's expenses have primarily been related to development, project-related and administrative costs.

## Operating profit

Operating loss for the period 1 January – 31 March 2020 amounted to SEK -4,432M (-3,296).

## Financial position and liquidity

The company's cash and cash equivalents amounted to SEK 3,982M (6,505) on March 31, 2020. The equity/assets ratio was 76 (83)%. The company's equity amounted to SEK 7,719M (10,608).

Cash flow from operating activities during the period was SEK -4,180M (-4,190).

## Investments

During the period 1 January – 31 March 2020, the company did not invest in tangible or intangible fixed assets.

## Accounting principles

This year-end report has been prepared in line with the Annual Accounts Act (1995:1554) and Swedish Accounting Standards Board's BFNAR 2012:1 guideline, Annual Accounts and Corporate Auditing ("K3").

## Risk and uncertainty

In connection with the listing of Redwood Pharma's share, a detailed review was made of the risks associated with the company's operations. No new risks have subsequently been identified. Risks and uncertainties are presented in the information memorandum that was prepared in connection with the listing and is available on Redwood Pharma's website, [www.redwoodpharma.se](http://www.redwoodpharma.se).

## Changes in the number of outstanding shares

<b>Opening balance January 1 2019</b>	<b>12,499,874</b>
Stock subscription exchange in January	184,636
New issue registered in October	2,014,183
<b>Closing balance December 31 2019</b>	<b>14,698,693</b>
<b>Closing balance March 31 2020</b>	<b>14,698,693</b>

Stockholm May 11, 2020

Gunnar Mattsson  
Chairman

Martin Vidaeus  
CEO

Hans Ageland

Ingrid Atteryd-Heiman

Mats Lidgard

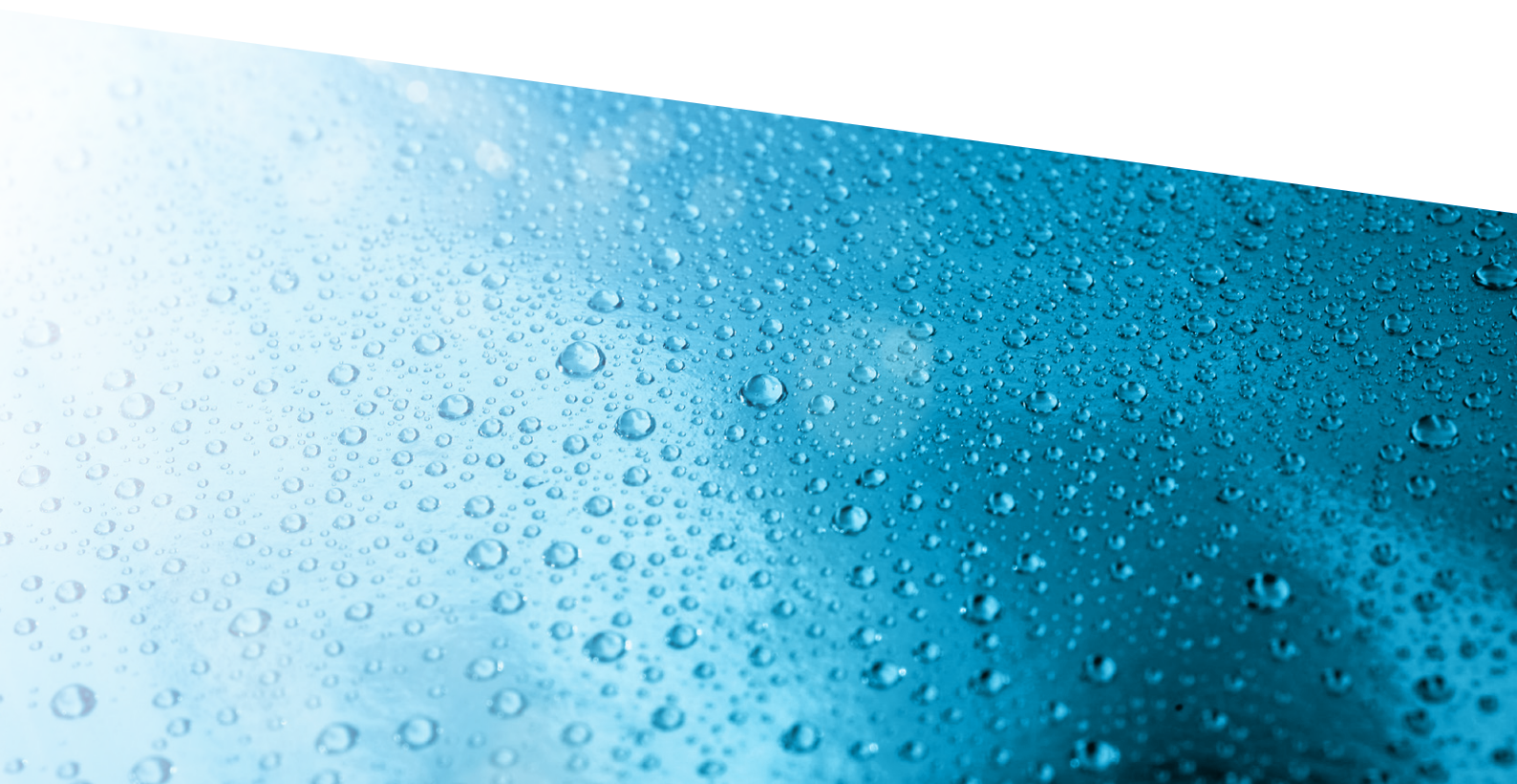
This interim report has not been audited by the company's auditors.

**For more details, please contact:**

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**Upcoming financial reports**

<b>Quarterly Reports</b>	
January – June 2020	28 August 2020
January – September 2020	17 November 2020
Year-end financial statements 2020	17 February 2021



<b>Results in brief</b>	<b>2020 Jan-Mar</b>	<b>2019 jan-mar</b>	<b>2019 Jan-Dec</b>
Net revenue	0	0	0
Other operating income	29	5,739	34,526
<b>Operating expenses</b>			
Other external costs	-3,730,607	-2,668,657	-12,321,645
Personnel costs	-701,317	-633,519	-3,224,926
<b>Total operating expenses</b>	<b>-4,431,924</b>	<b>-3,302,176</b>	<b>-15,546,571</b>
<b>Operating profit</b>	<b>-4,431,895</b>	<b>-3,296,437</b>	<b>-15,512,045</b>
Gains/losses from financial investments			
Interest income	0	0	0
Interest expenses	-39	0	-245,753
<b>Consolidated profit/loss from financial items</b>	<b>-4,431,934</b>	<b>-3,296,437</b>	<b>-15,757,798</b>
Income tax expense	0	0	0
<b>Profit/loss after tax</b>	<b>-4,431,934</b>	<b>-3,296,437</b>	<b>-15,757,798</b>

<b>Balance sheet</b>	<b>2020 31 Mar</b>	<b>2019 31 Mar</b>	<b>2019 31 Dec</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible fixed assets			
Patents, licenses, and development costs	5,938,275	5,938,275	5,938,275
Financial assets			
Other long-term assets	43,780	43,780	43,780
<b>Total non-current assets</b>	<b>5,982,055</b>	<b>5,982,055</b>	<b>5,982,055</b>
<b>Current assets</b>			
Current receivables			
Other receivables	196,822	146,455	159,072
Prepaid costs and accrued revenue	46,157	142,612	115,074
Cash and cash equivalents	3,982,483	6,504,552	8,162,115
<b>Total current assets</b>	<b>4,225,462</b>	<b>6,793,619</b>	<b>8,436,261</b>
<b>Total assets</b>	<b>10,207,517</b>	<b>12,775,674</b>	<b>14,418,316</b>

<b>Balance sheet</b>	<b>2020 31 Mar</b>	<b>2019 31 Mar</b>	<b>2019 31 Dec</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Restricted equity	2,939,739	2,536,902	2,939,739
Unrestricted equity			
Share premium reserve	37,871,020	24,269,432	37,871,020
Retained earnings	-28,659,391	-12,901,593	-12,901,593
Profit/loss for the period	-4,431,934	-3,296,437	-15,757,798
<b>Total equity</b>	<b>7,719,434</b>	<b>10,608,304</b>	<b>12,151,368</b>
<b>Current liabilities</b>			
Accounts payable	1,394,928	748,516	969,186
Other current liabilities	215,853	184,701	257,087
Accrued costs and prepaid costs	877,302	1,234,153	1,040,675
<b>Total current liabilities</b>	<b>2,488,083</b>	<b>2,167,370</b>	<b>2,266,948</b>
<b>Total equity and current liabilities</b>	<b>10,207,517</b>	<b>12,775,674</b>	<b>14,418,316</b>



<b>Changes in shareholder equity</b>		<b>Share premium reserve</b>	<b>Retained earnings and earnings for the period</b>	<b>Total equity</b>	
	<b>Share capital</b>	<b>Unregistered share capital</b>			
<b>Shareholder equity</b>					
<b>January 1 2019</b>	<b>2,499,975</b>	<b>–</b>	<b>23,306,359</b>	<b>-12,901,593</b>	<b>12,904,741</b>
Exchange convertible bond					
January 14 2019	36,927		963,073		1,000,000
Offset issue bridge loans		85,724	3,021,776		3,107,500
Preferential rights issue		317,113	11,178,220		11,495,333
Issue expenses			-598,408		-598,408
Registration	402,837	-402,837			
Moved share premium			-23,306,359	23,306,359	
Profit/loss for the period				-15,757,798	-15,757,798
<b>Closing balance</b>					
<b>December 31 2019</b>	<b>2,939,739</b>	<b>–</b>	<b>14,564,660</b>	<b>-5,353,032</b>	<b>12,151,368</b>
Profit/loss for the period				-4,431,934	-4,431,934
<b>Closing balance</b>					
<b>March 31 2020</b>	<b>2,939,739</b>	<b>–</b>	<b>14,564,660</b>	<b>-9,784,966</b>	<b>7,719,434</b>

<b>Key ratios</b>	<b>3 months Jan-Mar 2020</b>	<b>3 months Jan-Mar 2019</b>	<b>12 months Jan-Dec 2019</b>
Adjusted equity	7,719,434	10,608,304	12,151,368
Equity ratio, %	75.6	83.0	84.3
Cash liquidity	1.7	3.1	3.7
Dividend	0.00	0.00	0.00
Profit/loss per share	-0.30	-0.26	-1.07
Equity per share	0.53	0.84	0.83
Number of employees at the end of the period	2	2	2
Net investment, tangible fixed assets	0	0	0
Net investment, intangible fixed assets	0	0	0

#### DEFINITIONS

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

<b>Cash flow statement</b>	<b>Jan-Mar 2020</b>	<b>Jan-Mar 2019</b>	<b>Jan-Dec 2019</b>
<b>Operating activities</b>			
Profit/loss after financial items	-4,431,934	-3,296,437	-15,757,798
<b>Cash flow before changes in working capital</b>	<b>-4,431,934</b>	<b>-3,296,437</b>	<b>-15,757,798</b>
Changes in operating receivables	31,167	43,629	58,549
Changes in operating liabilities	221,135	-936,776	-837,195
<b>Change in working capital</b>	<b>252,302</b>	<b>-893,147</b>	<b>-778,646</b>
<b>Cash flow from operating activities</b>	<b>-4,179,632</b>	<b>-4,189,584</b>	<b>-16,536,444</b>
<b>Investment activities</b>			
Acquisition of intangible fixed assets	0	0	0
Acquisition of financial fixed assets	0	0	0
<b>Cash flow from investment activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Financing activities</b>			
Rights issue	0	0	14,004,423
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>	<b>14,004,423</b>
<b>Cash flow for the period</b>	<b>-4,179,632</b>	<b>-4,189,584</b>	<b>-2,532,021</b>
Cash and cash equivalents at the beginning of the period	8,162,115	10,694,136	10,694,136
Cash and cash equivalents at the end of the period	3,982,483	6,504,552	8,162,115

*This is information that Redwood Pharma AB is obliged to make public pursuant to the EU's Market Abuse Regulation. This information was submitted for publication, through the agency of the contact person set out above, on May 11, 2020.*

*This document is a translation of the original Swedish version. In the event of a conflict between the two, the Swedish version will take precedence.*