

Redwood Pharma AB (publ)

Quarterly Report January – June 2020

SPOTLIGHT STOCK MARKET: REDW
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Quarterly report

January – June 2020

1 January – 31 June 2020

- Net revenue for the period was SEK 0 (0).
- Operating loss for the period amounted to SEK -8,026M (-7,625).
- Loss per share for the period was SEK -0.54 (-0.60).

Second quarter, 1 April – 30 June 2020

- Net revenue for the period amounted to SEK 0 (0).
- Operating loss for the period amounted to SEK -3,594M (-4,329).
- Loss per share for the period was SEK -0.24 (-0.34).

Important events during the period

- In connection with the issue of convertible shares during the period July 2018 – January 2019, Redwood Pharma issued 287,958 warrant options. Warrant holders exercised all these options to subscribe to 293,716 new shares. This resulted in the company reviving approximately SEK 2.1M.
- The company took a bridging loan from Formue Nord Markedsneutral A/S for SEK 4.5M and issued 937,025 warrant options (TO3) to existing shareholders. In addition, Formue Nord received 81,818 class TO3 warrant options.

Important events after the period

- A new patent for the exclusive use of oestrogen for the treatment of eye dryness was granted in the US. The new patent will complement the existing patent protection for RP101, which includes the use of IntelliGel in the US. Redwood Pharma's oestrogen treatment will therefore be well protected, with exclusivity both for use of the active substance and the drug delivery system.



Comments from the CEO



” RP101 will receive additional patent protection in the largest global market for dry eye therapies ”

Following the successful results of the RP101 Phase II trial, the company is now moving our novel dry eye therapy towards the start of the next and final phase of clinical testing. Dry eye continues to be an exciting business opportunity while Redwood Pharma finds itself in more advanced discussions with potential partners. In addition, the company conducts a detailed evaluation of another dry eye therapy for sufferers of the mild form of the disease.

With an aging population and the advent of new therapies, the global dry eye disease (DED) market is expected to grow by an estimated 4.3% annually to over USD 8 billion by 2030 (TMR 2020). Dominant therapies such as cyclosporine and lifitegrast, which treat only inflammation associated with dry eye, are not sufficient to address the needs of a highly diverse patient population. Studies show that over 60% of dry eye patients discontinue treatment within 12 months of initiation¹. Currently more than 16 million Americans are diagnosed with DED, but only about 2 million patients are receiving treatments². The commercial potential for new therapies has never been larger.

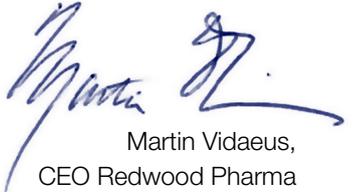
DED prevalence has been shown to be two times higher for women than men and more than three times for individuals above 50 years of age³. It is well-established that dry eye may be exacerbated or caused by a variety of biological mechanisms, including hormonal changes in the case of menopausal women. RP101 offers a new route of therapy by using estrogen to restore the natural tear film. Naturally found in the human body (especially women). The RP101 Phase II trial results demonstrate

both efficacy and safety of a topical low-dose estrogen therapy in relieving both the signs and symptoms of DED in post-menopausal women (the largest single cohort in the overall DED market).

RP101 is poised to enter its next phase of development. In order to begin Phase III clinical testing, production of more test material and additional tests including compatibility with contact lenses and toxicology will be needed. Redwood is actively preparing for these tests.

The future of RP101 and its commercial potential continues to brighten. Redwood recently received confirmation that the United States Patent and Trademark Office will grant patent protection for the therapeutic use of estrogen to treat DED in the US. This ensures that RP101 will receive additional patent protection in the largest global market for dry eye therapies. Redwood Pharma will now have thorough protection through both the exclusive use of the active substance and of the drug delivery system. This will in turn safeguard revenues for Redwood and its future partners.

I want to thank our shareholders for their continued support and look forward to reporting more exciting news in the coming months.



Martin Vidaeus,
CEO Redwood Pharma

[1] White D., et.al. "Real-World Treatment Patterns of Cyclosporine Ophthalmic Emulsion and Lifitegrast Ophthalmic Solution Among Patients with Dry Eye". *Clinical Ophthalmology* 2019;13 2285-2292.

[2] Farrand K.F., et. Al. "Prevalence of Diagnosed Dry Eye Disease in the United States Among Adults Aged 18 Years and Older". *Am J Ophthalmol* 2017 Oct;182:90-98

[3] Ibid.

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 formulation and 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 help of 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 platform also creates additional business opportunities in that several ophthalmic drugs can hopefully be reformulated and closed more efficiently and in a way that is perceived as more convenient and perhaps also increase the safety of patients.

Market for moderate to severe DED (dry eye disease)

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

Market drivers

There are several reasons why the market is expected 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 through to the conclusion of Phase II clinical trials (Proof of Concept), at which point the company will identify a commercial partner to maximize the value of RP101.

Business/revenue model

Through business agreements with major drug companies, the company will receive payments for achieving milestones and as future royalties. Such 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. Redwood Pharma is, however, open to other types of agreement to maximize the value of the company.

Financial results

Revenues and expenses

The company did not generate any income between 1 January – 30 June 2020. Reported Other Operating Income refers to exchange rate gains. The company's expenses are primarily related to development, project-related and administrative costs.

Operating profit

Operating loss for the period 1 January – 30 June 2020 was SEK -8,026M (-7,625). Operating loss for the period 1 April – 30 June 2020 was SEK -3,594 (-4,329).

Financial position and liquidity

As of 30 June 2020, the company's liquid assets amounted to SEK 6,345M (4,726). The ratio of shareholder equity to total assets was 48 (55) %. The company's shareholder equity amounted to SEK 6,287M (6,280).

In May, previously issued warrant options were exercised which resulted in the subscription of a total of 293,716 shares. This resulted in the company reviving approximately SEK 2.1M.

In June, the company decided to provide an additional 937,025 warrant options free of charge to existing shareholders. For each sixteenth (16) shares, one (1) class TO3 warrant options. Each warrant option entitles holders during the period 5 – 16 October 2020, to subscribe to one (1) new share in the company at a rate equivalent to 70% of the volume-weighted average price of the Redwood share during the period 10 – 30 September 2020, to a maximum price of SEK 14.65.

The company received SEK 4.5M through a bridging loan in June. The loan is due to be repaid on 31 October 2020. A set-up cost for the loan meant that the company issued an additional 81,818 class TO3 warrant options to Formue Nord Markedsneutral A/S.

Cashflow from day-to-day operations for the period amounted to SEK -3,980 (-6,968).

Investments

During the period 1 January – 30 June 2020, the company did not invest in tangible or intangible fixed assets.

Accounting principles

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

Risk and uncertainty

In conjunction with the preferential rights issue that was completed in October 2019, a detailed review of the risks associated with the company's operations was carried out. No new risks have subsequently been identified. Risks and uncertainty are reported in the information memorandum produced in conjunction with the issue and has been published on the Redwood Pharma website, redwoodpharma.se.

Changes in the number of outstanding shares

Opening balance January 1 2019	12,499,874
Stock subscription exchange in January	184,636
New issue registered in October	2,014,183
Closing balance December 31 2019	14,698,693
Share subscription exchange in June	293,716
Closing balance June 30 2020	14,992,409

Stockholm August 28, 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

Quarterly Report	
January–September 2020	17 November 2020
Year-end financial statements 2020	17 February 2021

Results in brief	2020	2019	2020	2019	2019
	Apr–Jun	Apr–Jun	Jan–Jun	Jan–Jun	Jan–Dec
Net revenue	0	0	0	0	0
Other operating income	23,774	3,806	23,803	9,545	34,526
Operating expenses					
Other external costs	-2,435,625	-3,164,436	-6,166,232	-5,833,093	-12,321,645
Personnel costs	-1,182,218	-1,168,079	-1,883,535	-1,801,598	-3,224,926
Total operating expenses	-3,617,843	-4,332,515	-8,049,767	-7,634,691	-15,546,571
Operating profit	-3,594,069	-4,328,709	-8,025,964	-7,625,146	-15,512,045
Gains/losses from financial investments					
Interest income	0	0	0	0	0
Interest expenses	-262	-6	-301	-6	-245,753
Consolidated profit/loss from financial items	-3,594,331	-4,328,715	-8,026,265	-7,625,152	-15,757,798
Income tax expense	0	0	0	0	0
Profit/loss after tax	-3,594,331	-4,328,715	-8,026,265	-7,625,152	-15,757,798

Balance sheet	2020 30 Jun	2019 30 Jun	2019 31 Dec
Assets			
Non-current assets			
Intangible fixed assets			
Patent, 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
Total non-current assets	5,982,055	5,982,055	5,982,055
Current assets			
Current receivables			
Other receivables	192,426	252,622	159,072
Prepaid costs and accrued revenue	492,280	547,629	115,074
Cash and cash equivalents	6,344,700	4,726,203	8,162,115
Total current assets	7,029,406	5,526,454	8,436,261
Total assets	13,011,461	11,508,509	14,418,316

Balance sheet	2020 30 Jun	2019 30 Jun	2019 31 Dec
Equity and liabilities			
Equity			
Restricted equity	2,998,482	2,536,902	2,939,739
Unrestricted equity			
Share premium reserve	1,717,573	24,269,432	37,871,020
Retained earnings	9,597,685	-12,901,593	-12,901,593
Profit/loss for the period	-8,026,265	-7,625,152	-15,757,798
Total equity	6,287,475	6,279,589	12,151,368
Current liabilities			
Accounts payable	1,689,161	1,764,756	969,186
Other current liabilities	4,723,223	3,464,164	257,087
Accrued costs and prepaid costs	311,602	-	1,040,675
Total current liabilities	6,723,986	5,228,920	2,266,948
Total equity and current liabilities	13,011,461	11,508,509	14,418,316

Changes in shareholder equity					
	Share capital	Unregistered share capital	Share premium reserve	Retained earnings and earnings for the period	Total equity
Shareholder equity January,2019	2,499,975	-	23,306,359	-12,901,593	12,904,741
Exchange convertible bond					
January 14 2019	36,927		963,073		1,000,000
Offset issuance 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
Closing balance December 31 2019	2,939,739	-	14,564,660	-5,353,032	12,151,368
Warrants	58,743		2,103,630		2,162,373
Profit/loss for the period				-8,026,265	-8,026,265
Closing balance March 31 2020	2,998,482	-	16,668,290	-13,379,297	6,287,475

Key ratios	6 months Jan–Jun 2020	6 months Jan–Jun 2019	12 months Jan–Dec 2019
Adjusted equity	6,287,475	6,279,589	12,151,368
Equity ratio, %	48.3	54.6	84.3
Cash liquidity	1.0	1.1	3.7
Dividend	0.00	0.00	0.00
Profit/loss per share	-0.54	-0.60	-1.07
Equity per share	0.42	0.50	0.83
Number of employees at the end of the period	2	2	2
Net investment, tangible 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

Cash flow statement	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
Operating activities			
Profit/loss after financial items	-8,026,265	-7,625,152	-15,757,798
Cash flow before changes in working capital	-8,026,265	-7,625,152	-15,757,798
Changes in operating receivables	-410,560	-467,556	58,549
Changes in operating liabilities	4,457,038	1,124,774	-837,195
Changes in working capital	4,046,478	657,218	-778,646
Cash flow from operating activities	-3,979,787	-6,967,934	-16,536,444
Investment activities			
Cash flow from investment activities	0	0	0
Financing activities			
Rights issue	2,162,372	1,000,000	14,004,423
Cash flow from financing activities	2,162,372	1,000,000	14,004,423
Cash flow for the period	-1,817,414	-5,967,934	-2,532,021
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	6,344,701	4,726,202	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 28 August, 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.