

Redwood Pharma AB (publ)

Year-end report 2021

NASDAQ FIRST NORTH GROWTH MARKET:
REDW.ST, REDWOODPHARMA.COM

Redwood Pharma AB (publ)

Interim report

January – December 2021

1 January – 31 December 2021

- The company's net revenue for the period totaled SEK 0 (0).
- Operating profit for the period amounted to SEK -20,480M (-14,523).
- Earnings per share for the period were SEK -0.71 (-0.97).

Fourth quarter, 1 October – 31 December 2021

- The company's net revenue for the period totaled SEK 0 (0).
- Operating profit for the period amounted to SEK -3,597M (-4,311).
- Earnings per share for the period were SEK -0.17 (-0.28).

Important events during the period

- The company carried out a rights issue which ended on 8 February. The share issue was subscribed to a total of 146.5 per cent, of which 67.7 per cent with the support of subscription rights and 78.8 per cent without the support of subscription rights. Redwood Pharma received approximately SEK 34.2 million before administrative costs.
- Redwood Pharma moved its share listing to Nasdaq First North Growth Market to increase visibility and prepare for the company's future growth under the Nasdaq brand.
- Redwood Pharma announced a strategic change with the accelerated development of RP501, the company's IntelliGel-based dry eye disease (DED) topical therapy.

Important events after the end of the period

- Redwood Pharma received approval from the ethics committee in Austria prior to start of clinical trial of RP501.

CEO comment



“ A clinical trial is expected to begin soon to support the CE mark required to market a medical device in the EU. ”

2021 was a challenging year in many ways, especially in light of the spread of Covid-19. During the year, Redwood Pharma added resources to build on positive clinical results for IntelliGel (RP501) for the treatment of dry eyes that emerged in the Phase II trial for RP101, in which RP501 showed significant safety and clinical efficacy. We plan to position RP501 as the next generation of first-line treatments for men and women of all ages who suffer from dry eyes, i.e., a self-care product. The study showed that RP501 stays on the front of the eye for longer periods, which increases patient comfort and offers significant commercial potential. Our goal is to be able to bring RP501 to market in 2023.

The year began with a successful funding round of SEK 34.2 million to finance investment in our development programs for dry eyes. RP501 is now being prepared for approval as a medical device in Europe. Preparations for the development of processes for obtaining regulatory approval and commercialization of a medical device are now well underway. A clinical trial is expected to be launched shortly, among other things to investigate how

RP501 is tolerated by contact lens wearers. We were recently pleased to report that the study has received ethics committee approval, which is the first of two regulatory approvals required to begin recruiting patients for the study. A positive outcome from the study brings us closer to a larger self-care market and a broader indication of our CE mark and medical approval.

I would like to thank our shareholders for their continued support, and I look forward to being able to get back to you about progress in the coming year.



Martin Vidæus,
CEO Redwood Pharma

About Redwood Pharma and its market

Redwood Pharma AB develops ophthalmic drugs in areas where considerable medical demand exists. The company has two programs for the development of treatments for people suffering from different forms of dry eye disease (DED).

RP501 is being developed to help patients suffering from mild eye dryness through treatment with IntelliGel without active substance. IntelliGel can probably also be used to improve the dosage of other established and new drugs in ophthalmology. Our second program, RP101, concerns the development of a product for the treatment of moderate to severe chronic dry eyes in postmenopausal women with a biologically active drug substance. Redwood Pharma focuses on clinical development at an early stage.

RP501: a medtech treatment for temporary relief for anyone suffering from mild DED

With an aging population and increased screen time in front of computers and mobile devices, people are increasingly suffering from temporary dry eye disease. Where existing products on the market, such as artificial tears, must be used several times a day to be effective, RP501 has recently been shown in a clinical trial to help those with dry eye problems with just one or two treatments a day. RP501 has the potential to provide temporary relief to men and women of all ages.

RP101: a drug treatment for moderate to severe chronic DED in post-menopausal women

The company is developing a low-dose, estrogen-based local eye treatment for chronically dry eyes in post-menopausal women who suffer from DED. Currently, no sufficiently reliable treatments exist for women with moderate to severe symptoms. We believe that RP101 will be the first hormone treatment of DED in this patient group. It targets specific underlying biological mechanisms and increases production of tear fluid. RP101 has recorded confirmed results from two previous clinical Phase II trials in the US. And in Redwood Pharma's recently completed Phase II trial in Europe exhibited safety and efficacy with doses of up to twice a day.

Size of the global dry eye disease market

The total global DED market is estimated at USD 5 billion and is expected to grow to USD 7 billion by 2025 according to TMR 2020.

IntelliGel drug delivery platform

Redwood Pharma owns the global rights to the IntelliGel platform within ophthalmology. IntelliGel is a so-called drug delivery platform that controls the release of a drug and gives its active ingredients the opportunity to act for

a longer period which in turn results in a reduction of the number of instillations. The platform also creates additional business opportunities in that several ophthalmic drugs can hopefully be reformulated and dosed more efficiently and in a way that is perceived as more convenient and perhaps also increase the safety of patients.

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 eye disease and an aging population in which chronic dry eye disease is more prevalent. There are several types of chronic dry eye and a common medical solution for all types of these problems does not currently exist. New products are under development. However, these are aimed 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.

Today, there is also a pronounced need for drug formulations that minimize the number of doses that need to be taken per day. As a drug delivery platform, IntelliGel therefore constitutes a market opportunity in and of itself.

Key collaborations

The company's core competence lies within drug development. To develop RP501, RP101 and 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 has completed Phase II clinical trials of RP101 and now intends to identify a commercial partner to maximize value. The company is currently evaluating future strategies regarding RP501.

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 approvals, 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 – 31 December 2021. 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 profit for the period 1 January – 31 December 2021 was SEK -20,480M (-14,523). Operating profit for the period 1 October – 31 December 2021 was SEK -3,597M (-4,311).

Financial position and liquidity

As of 31 December 2021, the company's liquid assets amounted to SEK 14,793M (6,606). The ratio of shareholder equity to total assets was 75% (55). The company's shareholder equity amounted to SEK 15,894M (7,080).

Cashflow from day-to-day operations for the period amounted to SEK -21,466M (-11,010).

Investments

During the period 1 January – 31 December 2021, the company did not invest in tangible or intangible fixed assets.

Dividend

The Board of Directors proposes that no dividend is paid.

Accounting principles

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

Risks and uncertainty

In conjunction with the preferential rights issue that was completed in February 2021, 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.com.

Change in the number of outstanding shares

Opening balance January 1 2020	14,698,693
Share subscription exchange in June	293,716
Rights issue registered in November	866,654
Closing balance December 31 2020	15,859,063
Share subscription exchange in February	4,879,708
Closing balance December 31 2021	20,738,771

Stockholm 16 February 2022

Gunnar Mattsson
Chairman

Martin Vidæus
CEO

Göran Eckerwall

Ingrid Atteryd-Heiman

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

For further information, please contact:

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Upcoming reports

Quarterly report, Jan–Mar 2022 10 May 2022

We plan to hold the Annual General Meeting on 10 May 2022. Due to the Covid-19 pandemic, the format of the AGM has not yet been decided. The company will publish additional information as soon as the necessary decisions are made. The annual report and other documentation for the AGM will be made available on the company's website, (redwoodpharma.com), and at the company's offices no later than three weeks before the AGM.

Results in brief	2021	2020	2021	2020
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net revenue	0	0	0	0
Other operating income	4,980	174	5,643	31,661
Operating expenses				
Other external costs	-2,891,982	-3,600,859	-17,141,782	-11,249,023
Personnel costs	-710,118	-709,863	-3,344,026	-3,305,332
Total operating expenses	-3,602,100	-4,310,722	-20,485,808	-14,554,355
Operating profit	-3,597,120	-4,310,548	-20,480,165	-14,522,694
Gains/losses from financial investments				
Interest expenses	0	0	-360,602	-2,513
Consolidated profit/loss from financial items	-3,597,120	-4,310,548	-20,840,767	-14,525,207
Income tax expense	0	0	0	0
Profit/loss after tax	-3,597,120	-4,310,548	-20,840,767	-14,525,207

Balance sheet	2021 31 Dec	2021 30 Sep	2021 30 Jun	2021 31 Mar	2020 31 Dec
Assets					
Non-current assets					
Intangible fixed assets					
Patent, licenses and development costs	5,938,275	5,938,275	5,938,275	5,938,275	5,938,275
Financial assets					
Other long-term assets	46,176	46,176	46,176	43,780	43,780
Total non-current assets	5,984,451	5,984,451	5,984,451	5,982,055	5,982,055
Current assets					
Current receivables					
Other receivables	387,369	159,412	583,020	292,625	139,668
Prepaid costs and accrued revenue	52,564	52,613	52,366	52,366	119,026
Cash and cash equivalents	14,792,598	17,811,296	22,240,280	27,571,812	6,606,326
Total current assets	15,232,531	18,023,321	22,875,666	27,916,803	6,865,020
Total assets	21,216,982	24,007,772	28,860,117	33,898,858	12,847,075

Balance sheet	2021 31 Dec	2021 30 Sep	2021 30 Jun	2021 31 Mar	2020 31 Dec
Equity and liabilities					
Equity					
Restricted equity	4,147,755	4,147,755	4,147,755	4,147,755	3,171,813
Unrestricted equity					
Share premium reserve	28,678,838	26,730,177	26,730,177	35,952,243	9,222,068
Retained earnings	3,908,490	3,908,490	3,908,490	-5,313,578	9,211,629
Profit/loss for the period	-20,840,767	-17,243,647	-11,276,342	-4,294,813	-14,525,206
Total equity	15,894,316	17,542,775	23,510,080	30,491,607	7,080,304
Current liabilities					
Accounts payable	2,312,870	2,225,696	2,538,854	2,904,905	706,605
Other current liabilities	193,670	184,405	460,554	190,744	4,748,564
Accrued costs and prepaid costs	2,816,126	4,054,896	2,350,629	311,602	311,602
Total current liabilities	5,322,666	6,464,997	5,350,037	3,407,251	5,766,771
Total equity and current liabilities	21,216,982	24,007,772	28,860,117	33,898,858	12,847,075

Changes in shareholder equity	Retained earnings			Total equity
	Share capital	Share premium reserve	and earnings for the period	
Shareholder equity 2020-01-01	2,939,739	14,564,660	-5,353,032	12,151,368
Moved share premium		-14,564,660	14,564,660	
Warrants	232,074	9,956,864		10,188,938
Issue expenses		-734,796		-734,796
Profit/loss for the period			-14,525,206	-14,525,206
Closing balance 2020-12-31	3,171,813	9,222,068	-5,313,578	7,080,304
Moved share premium		-9,222,068	9,222,068	
Preferential rights issue 2021-02-08	975,942	31,233,353		32,209,295
Issue expenses		-4,503,177		-4,503,177
Correction issue 2021-02-08		1,948,661		1,948,661
Profit/loss for the period			-20,840,767	-20,840,767
Closing balance 2021-12-31	4,147,755	28,678,837	-16,932,277	15,894,316

Key ratios	12 months Jan-Sep 2021	12 months Jan-Dec 2020
Adjusted equity	15,894,316	7,080,304
Equity ratio, %	75	55
Cash liquidity	3	1
Dividend	0	0
Profit/loss per share	-1	-1
Equity per share	0,78	0,47
Number of employees at the end of the period	2	2
Net investment, tangible fixed assets	0	0
Net investment, intangible fixed assets	0	0

DEFINITIONS

Adjusted equity	Equity plus 79.4% of untaxed reserves
Equity ratio	Adjusted equity/total assets
Cash liquidity	Current assets excluding inventory/current liabilities

Cash flow statement	2021 Jan-Dec	2020 Jan-Dec
Operating activities		
Profit/loss after financial items	-20,840,767	-14,525,207
Cash flow before changes in working capital	-20,840,767	-14,525,207
Changes in operating receivables	-181,239	15,452
Changes in operating liabilities	-444,105	3,499,823
Changes in working capital	-625,344	3,515,275
Cash flow from operating activities	-21,466,111	-11,009,932
Investment activities		
Cash flow from investment activities	-2,395	0
Financing activities		
Rights issue	29,654,778	9,454,143
Cash flow from financing activities	29,654,778	9,454,143
Cash flow for the period	8,186,272	-1,555,789
Cash and cash equivalents at the beginning of the period	6,606,326	8,162,115
Cash and cash equivalents at the end of the period	14,792,598	6,606,326

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

This is information that Redwood Pharma AB is obliged to publish in accordance with the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person mentioned above on 16 February 2021.