Redwood Pharma AB (publ)

Quarterly report January–March 2022

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

RedwoodPharma

1 January – 31 March 2022

- The company's net revenue for the period totalled SEK 0 (0)
- Operating profit for the period amounted to SEK -1,969M (-3,935)
- Earnings per share for the period were SEK -0.09 (-0.23)

Important events during the period

- Redwood Pharma received approval from the Austrian Federal Office for Safety in Health Care (BASG) to initiate clinical trials of RP501, the company's new drug candidate for first-line treatment of dry eyes. Together with previous approval from the Austrian Ethics Committee, this is the second and final approval required for the company to begin clinical work.

Important events after the end of the period

- The first patients have been included in the company's clinical trials of RP501 and have begun treatment. The effectiveness of treatment on individual patients will be evaluated on the basis of various objective and subjective measures. The results of the study will be used in a CE marking application.

CEO comment

“ The trial has now started, and the first patients have been included in the study and have begun treatment. ”

I am delighted to report that during the first months of the year we have made great progress in the development of RP501, our programme for over-the-counter first-line treatment for patients diagnosed with dry eye disease, a condition that causes suffering to patients and has considerable commercial potential.

Earlier this year, we were granted approval to start clinical trials of RP501 in support of a CE marking as a medical device in Europe. The trial has now started and the first patients have been included in the study and have begun treatment.

The clinical trial is being conducted as a single-centre study at the Medical University of Vienna, Austria, under the direction of Professor Gerhard Garhöfer. A total of 60 patients will be divided into two groups, patients with and without contact lenses. Contact lens wearers will be tested for one month, while non-wearers will be tested for three months. The results from the study are expected to be presented no later than the first quarter of 2023.

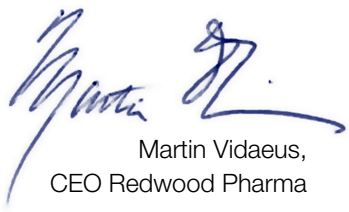
The purpose of the study is to evaluate the safety and efficacy of RP501 according to the requirements of the new EU directive on Medical Devices (MDR, EU Directive 2017/745). The results of the study will be used together with other clinical studies and additional documentation in an application for CE marking in 2023.

RP501 will be an interesting and attractive addition to the self-care market, and well positioned relative to existing first-line treatments. Redwood Pharma plans to build a solid foundation of clinical data to support the commercialisation and sales of RP501 in Europe, and at a later stage also in the global market.

We recently attended the largest global annual scientific conference on eye diseases, ARVO 2022, which after a two-year hiatus due to Covid-19 was held physically in Denver. We met a number of potential industrial partners for RP501 and RP101, and discussed new, interesting projects to include in Redwood Pharma’s portfolio. Specifically, we can say that interest in the RP101 project has grown thanks to the FDA in the US recently making a positive statement regarding our proposed study design.

I would also like to take this opportunity to thank our outgoing chairman, Gunnar Mattsson, who has helped shape Redwood Pharma since its IPO in 2016. Björn Larsson has now been nominated to take over from Gunnar and help guide the company into a new commercial phase. Björn brings significant experience of medical devices and medicines.

I look forward to working with Redwood’s dedicated team on our continued development and keeping you, our shareholders, up to date while eagerly awaiting the results of the ongoing RP501 trial.



Martin Vidaeus,
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 during the period 1 January – 31 March 2022. 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 March 2022 amounted to SEK -1,969M (-3,935).

Financial position and liquidity

As of 31 March 2022, the company's cash and cash equivalent assets amounted to SEK 8,719M (27,571). The ratio of shareholder equity to total assets was 91% (90). The company's equity amounted to SEK 13,925M (30,492). Cashflow from day-to-day operations for the period amounted to SEK -5,791M (-6,741).

Investments

During the period 1 January – 31 March 2022, the company invested SEK 282,000 in intangible assets.

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

A detailed review of the risks associated with the company's operations was conducted in conjunction with the rights issue, which was completed in February 2021. No new risks have subsequently been identified. Risks and uncertainties are presented in the prospectus that was prepared in conjunction with the rights issue and is available on Redwood Pharma's website, www.redwoodpharma.se.

Change in the number of outstanding shares

Opening balance 1 January 2021	**15,859,063**
Rights issue February	4,879,708
Closing balance 31 December 2021	**20,738,771**
Closing balance 31 March 2022	**20,738,771**

Stockholm 10 May 2022

Gunnar Mattsson
Chairman

Martin Vidaeus
CEO

Göran Eckerwall

Ingrid Atteryd-Heiman

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

For further information, please contact:

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Financial calendar

Quarterly report Jan-Jun 2022	**Aug 31 2022**
Quarterly report Jan-Sep 2022	**Nov 17 2022**
Year-end-report 2022	**Feb 15 2023**
Quarterly report Jan-Mar 2023	**May 9 2023**
Annual General Meeting 2023	**May 9 2023**

Results in brief	2022 Jan-Mar	2021 Jan-Mar	2021 Jan-Dec
Net revenue	0	0	0
Other operating income	5,641	758	5,643
Operating expenses			
Other external costs	-1,264,540	-3,225,814	-17,141,782
Personnel costs	-710,118	-709,757	-3,344,026
Total operating expenses	**-1,974,658**	**-3,935,571**	**-20,485,808**
Operating profit	**-1,969,017**	**-3,934,813**	**-20,480,165**
Interest expenses	0	-360,000	-360,602
Consolidated profit/loss from financial items	**-1,969,017**	**-4,294,813**	**-20,840,767**
Income tax expense	0	0	0
Profit/loss after tax	**-1,969,017**	**-4,294,813**	**-20,840,767**

Balance sheet	2022 31 Mar	2021 31 Dec	2021 31 Mar
Assets			
Non-current assets			
Intangible fixed assets			
Patent, licenses and development costs	6,219,968	5,938,275	5,938,275
Financial assets			
Other long-term assets	46,176	46,176	43,780
Total non-current assets	**6,266,144**	**5,984,451**	**5,982,055**
Current assets			
Current receivables			
Other receivables	198,587	387,369	292,625
Prepaid costs and accrued revenue	52,746	52,564	52,366
Cash and cash equivalents	8,719,536	14,792,598	27,571,812
Total current assets	**8,970,869**	**15,232,531**	**27,916,803**
Total assets	**15,237,013**	**21,216,982**	**33,898,858**

Balance sheet	2022 31 Mar	2021 31 Dec	2021 31 Mar
Equity and liabilites			
Equity			
Restricted equity	4,147,755	4,147,755	4,147,755
Unrestricted equity			
Share premium reserve	28,678,838	28,678,838	35,952,243
Retained earnings	-16,932,277	3,908,490	-5,313,578
Profit/loss for the period	-1,969,017	-20,840,767	-4,294,813
Total equity	**13,925,299**	**15,894,316**	**30,491,607**
Current liabilities			
Accounts payable	389,525	2,312,870	2,904,904
Other current liabilities	172,392	193,670	190,744
Accrued costs and prepaid costs	749,797	2,816,126	311,603
Total current liabilities	**1,311,714**	**5,322,666**	**3,407,251**
Total equity and current liabilities	**15,237,013**	**21,216,982**	**33,898,858**

Changes in shareholder equity

	Share capital	Share premium reserve	Retained earnings and earnings for the period	Total equity
Shareholder equity 2021-01-01	**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 202102-08		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**
Profit/loss for the period			-1,969,017	-1,969,017
Closing balance 2022-03-31	**4,147,755**	**28,678,837**	**-18,901,294**	**13,925,299**

Key ratios

	3 months Jan-Mar 2022	3 months Jan-Mar 2021	12 months Jan-Dec 2021
Adjusted equity	13,925,299	30,491,607	15,894,316
Equity ratio, %	91.4	89.9	74.9
Cash liquidity	6.8	8.2	2.9
Dividend	0	0	0
Profit/loss per share	-0.09	-0.23	-0.71
Equity per share	0.67	1.63	0.78
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	281,693	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	2022 Jan-Mar	2021 Jan-Mar	2021 Jan-Dec
Operating activities			
Profit/loss after financial items	-1,969,017	-4,294,813	-20,840,767
Cash flow before changes in working capital	**-1,969,017**	**-4,294,813**	**-20,840,767**
Changes in operating receivables	188,600	-86,297	-181,239
Changes in operating liabilites	-4,010,952	-2,359,521	-444,105
Changes in working capital	**-3,822,352**	**-2,445,818**	**-625,344**
Cash flow from operating activities	**-5,791,369**	**-6,740,631**	**-21,466,111**
nvestment activities			
Cash flow from investment activities	**-281,693**	**0**	**-2,395**
Financing activities			
Rights issue	0	27,706,117	29,654,778
Cash flow from financing activities	**0**	**27,706,117**	**29,654,778**
Cash flow for the period	**-6,073,062**	**20,965,486**	**8,186,272**
Cash and cash equivalents at the beginning of the period	14,792,598	6,606,326	6,606,326
Cash and cash equivalents at the end of the period	8,719,536	27,571,812	14,792,598

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 10 May 2021.