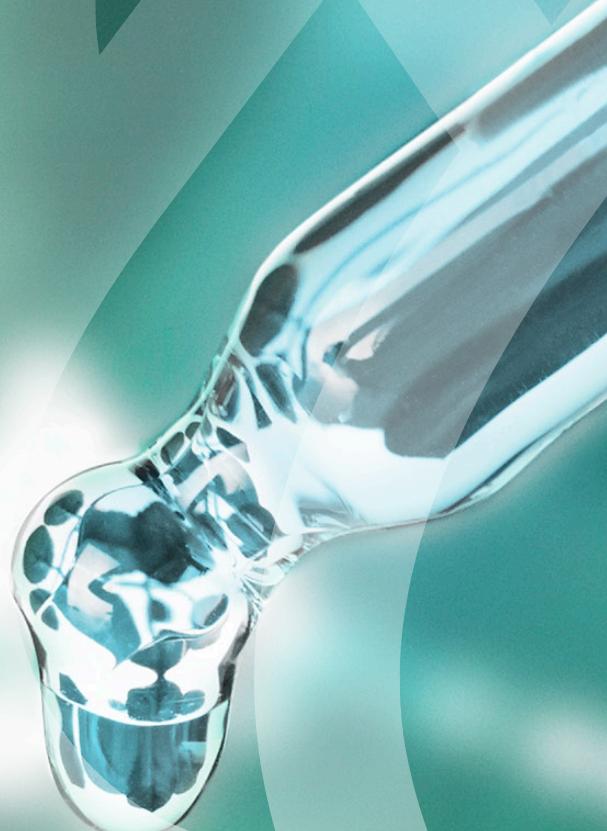


# Redwood Pharma AB (publ)

## End of Year Report 2016

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REDWOODPHARMA.SE • AKTIETORGET: REDW



# **Redwood Pharma AB (publ)**

## **End of Year Report 2016**

### **January – December 2016**

#### **The period January 1 – December 31, 2016**

- Net Revenues KSEK 0 (0)
- Operating Loss KSEK -8 736 (-166)
- Loss per Share SEK -1,75 (-14,90)

#### **2016 Fourth Quarter (October 1 – December 31)**

- Net Revenues KSEK 0 (0)
- Operating Loss KSEK -2 884 (-16)

#### **Important Events During the Period**

- The Company conducted two new share issues including an Initial Public Offering (IPO) totaling SEK 22.4 million excluding banking fees that will help fund the development of RP101, Redwood Pharma's first candidate drug up to the start of clinical trials.
- Redwood Pharma began trading on AktieTorget the 16th of June under the symbol: REDW.
- The Company entered into a collaboration with SP Process Development in Södertälje, Sweden for further development of RP101.

- A patent was granted in Japan for the IntelliGel® platform, which opens up a large market within ophthalmology for Redwood Pharma.
- Redwood Pharma has retained Ulf Björklund as Chief Medical Officer. Ulf has a solid background within clinical development of new medicines, including Xalatan – Sweden's most well-known therapy for the treatment of glaucoma.
- The IntelliGel platform demonstrated positive results in an in vitro test. Development of the Company's candidate drug to treat dry eye disease continues according to plan.

#### **Important Events After the End of the Period**

- Redwood Pharma developed a manufacturing process for production of the pharmaceutical RP101 in advance of safety studies.
- The Company has retained Associate Professor Gerhard Garhöfer as medical advisor. Garhöfer is actively researching within ophthalmology at the Medical University of Vienna and has extensive experience in clinical trials, as well as regulatory issues.

# From the CEO



**“ Our focus will continue to be on development and to complete our necessary clinical trial. In parallel, we plan to accelerate business development activities. ”**

2016 has been an exciting year for Redwood Pharma characterized by many developments. The Company began trading on AktieTorget in June with an IPO resulting in new capital to accelerate development of our first pharmaceutical drug candidate RP101. Toxicology studies are planned for a spring start, while Phase II clinical trials are planned to start this coming fall. It is with satisfaction that I can conclude that our development work continues according to plan.

Testing and prior formulation work that have been completed demonstrate the significant potential to incorporate the IntelliGel® drug delivery platform in various eye medicines. Studies have also demonstrated that IntelliGel® and our active pharmaceutical ingredient in RP101 are compatible and can be processed together.

The market has confirmed on several occasions the significant demand for new eye medicines and technologies to control the release of pharmaceuticals. During the past year we have attended a number of international conferences. The leading international conference TFOS scheduled in September in Montpellier, France focused exclusively on Dry Eye Disease and subsequent women's suffering. Redwood Pharma's RP101 development pro-

ject generated significant interest. The market has also demonstrated such interest in IntelliGel®.

During the year, a Japanese patent was granted for IntelliGel® which thus expands the future geographical markets for RP101. Furthermore, a development partnership with SPPD in Södertälje was established, resulting in the completion of a process for manufacture of RP101.

Our network of experts has also grown during 2016. Ulf Björklund has been appointed as Chief Medical Officer and Associate Professor Gerhard Garhöfer as medical advisor.

2017 will also become an exciting year. Our focus will continue to be on development and to complete our necessary clinical trial. In parallel, we plan to accelerate business development activities.



Martin Vidaeus,  
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 post-menopausal 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 post-menopausal 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 2020. There are approximately 5.8 million women sufferers between the ages of 45 and 65 in the US and Europe.

## 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 where after Redwood Pharma will seek to out-license the product and consequently generate cashflow. As soon as results from toxicology testing are available, the Company will seek additional licensing partnerships with other pharmaceutical firms interested in developing treatments outside of DED.

## 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 Information

## Overview

As Redwood Pharma's operations during 2015 were limited in scope, current year-to-year comparisons reveal large differences in financial reporting.

## Revenues and Expenses

The Company has generated SEK 0 in revenues during 2016.

## Results from Operations

An operating loss for the period of KSEK -8,738 (-166) has been accrued. The limited development program during 2015 can explain the large difference in the result compared with 2016.

## Financial Position and Liquidity

Redwood Pharma's liquid assets were KSEK 12,615 (KSEK 77) as of Dec. 31, 2016. The Company's Shareholder Equity was KSEK 11,714 (KSEK -85).

Cash flows from operations during the period were KSEK -7,398 (KSEK 232).

In January of this year, the Company completed a SEK 6.6 million private placement excluding banking fees. In conjunction with a listing on the Swedish Multilateral Trading Facility AktieTorget, the Redwood Pharma completed an initial public offering raising SEK 15.8 million excluding banking fees.

Paid in Capital has increased to SEK 999,766. As a result, there are 4,998,833 outstanding shares. With a complete exercise of outstanding warrants during the coming summer of 2017, the number of outstanding shares will increase by an additional 1,404,666 shares.

## Balance Sheet Related Issues

Through an issue of bonus shares, the Company has during the first 6 months of 2016 revalued its intangible assets upward by SEK 561,225 to a total of SEK 814,275.

## Dividends

The Board of Directors recommends withholding any dividends.

# Shares

## Warrants/Options

In conjunction with the new share issue (IPO) and listing on AktieTorget, subscribers to the share issue were issued four warrants for every five shares bought. A total of 1,404,666 warrants were issued to subscribing shareholders that can be exercised and exchanged for shares during the summer of 2017.

## 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 2012:1, Annual Reporting and Corporate Auditing (K3).

As of January 1, 2016, the Company has changed accounting methods and follows accounting principles under K3.

Upon change in accounting methods and principles under K3 while following the mandates under Chapter 35 (this is the first time these principles are followed) have been considered, K3 principles should be employed retroactively. As several ledger accounts were not applicable to the Company in 2015, a year-to-year comparison with 2016 financial statements and accounting according to K3 cannot be performed. Redwood Pharma used General Accounting and Auditing Principles according to Swedish BFN and FAR.

## Risks and Uncertainties

In conjunction with the IPO, Redwood Pharma rigorously accounted for those risks associated with the Company and its operations. No new risks have been identified. Risks and Uncertainties can be found in the Investment Memorandum found on Redwood Pharma's website, [www.redwoodpharma.com](http://www.redwoodpharma.com).

## Shares

Opening number 2016-01-01	11,111
Right issue 2016-01-08	4,927
Reduction ratio value	384,837
Bonus issue 2016-04-22	2,806,125
Right issue 2016-06-10	36,000
Right issue 2016-06-28	1,755,833
<b>Closing number 2016-12-31</b>	<b>4,998,833</b>

Stockholm, February 15, 2017

Gunnar Mattsson  
CHAIRMAN

Martin Vidaeus  
CEO

Hans Ageland

Ingrid Atteryd-Heiman

Bengt Furberg

This Interim Report has not been reviewed  
by an independent auditor

**For more information:**

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**Upcoming financial reports  
& Annual General Meeting**

**January – March** **15 May 2017**

**January – June** **30 August 2017**

**January – September** **16 November 2017**

**January – December** **13 February 2018**

**Annual General Meeting** **15 May 2017**

The Annual General Meeting will be held on Monday, May 15, 2017 at 4:00 pm in Stockholm. The Annual Report and other actions as part of the meeting will be made available on the company's website [www.redwoodpharma.com](http://www.redwoodpharma.com) and at the company's offices no later than Monday, April 24, 2017.



<b>Income Statement</b>	<b>2016</b> <b>Jan-Dec</b>	<b>2015</b> <b>Jan-Dec</b>	<b>2016</b> <b>Okt-Dec</b>	<b>2015</b> <b>Okt-Dec</b>
<b>Total revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operating expenses</b>				
Other external costs	-7,768,004	-165,481	-2,658,933	-15,878
Personell costs	-969,858	-28	-225,056	0
Total operating expenses	-8,737,862	-165,509	-2,883,989	-15,878
<b>Operating profit</b>	<b>-8,737,862</b>	<b>-165,509</b>	<b>-2,883,989</b>	<b>-15,878</b>
Result from financial items				
Interest income	356	5	99	2
Interest expenses	-99	0	0	0
<b>Result after financial items</b>	<b>-8,737,605</b>	<b>-165,504</b>	<b>-2,905,665</b>	<b>-15,876</b>
Change in untaxed reserves	0	7,732	0	7,732
Income tax expense	0	0	0	0
<b>Result for the period</b>	<b>-8,737,605</b>	<b>-157,772</b>	<b>-2,905,665</b>	<b>-8,144</b>

<b>Balance Sheet</b>	<b>2016 31 Dec</b>	<b>2016 30 Sep</b>	<b>2016 30 Jun</b>	<b>2016 30 Mar</b>	<b>2015 31 Dec</b>
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible fixed assets					
Patents, licenses and development costs	814,275	814,275	814,275	814,275	253,050
Financial assets					
Other long-term assets	40,380	40,380	40,380	40,380	-
<b>Total non-current assets</b>	<b>854,655</b>	<b>854,655</b>	<b>854,655</b>	<b>854,655</b>	<b>253,050</b>
<b>Current assets</b>					
Receivables					
Other receivables	218,840	199,348	813,196	201,215	4,875
Prepayments and accrued income	89,513	422,913	371,459	-	-
Cash and cash equivalents	12,614,538	14,217,042	15,394,302	4,689,864	77,311
<b>Total current assets</b>	<b>12,922,891</b>	<b>14,839,303</b>	<b>16,578,957</b>	<b>4,891,079</b>	<b>82,186</b>
<b>Total Assets</b>	<b>13,777,546</b>	<b>15,693,958</b>	<b>17,433,612</b>	<b>5,745,734</b>	<b>335,236</b>

<b>Balance Sheet</b>	<b>2016 31 Dec</b>	<b>2016 30 Sep</b>	<b>2016 30 Jun</b>	<b>2016 30 Mar</b>	<b>2015 31 Dec</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Share capital					
Share capital	999,767	999,767	999,767	80,175	55,555
Unrestricted equity					
Share premium reserve	19,592,422	19,592,422	19,592,422	7,184,005	-
Retained earnings	-140,420	-140,420	-140,420	-140,420	17,351
Profit for the period	-8,737,605	-5,853,715	-3,793,804	-1,458,943	-157,772
<b>Total Equity</b>	<b>11,714,164</b>	<b>14,598,054</b>	<b>16,657,965</b>	<b>5,664,817</b>	<b>-84,866</b>
<b>Current liabilities</b>					
Accounts payable	116,375	97,545	695,868	2,987	-
Tax liabilities	-	-	-	-	5,103
Other liabilities	37,642	68,245	39,590	57,930	141,948
Accrued expenses and deferred charges	1,909,365	930,114	40,189	20,000	273,051
<b>Total current liabilities</b>	<b>2,063,382</b>	<b>1,095,904</b>	<b>775,647</b>	<b>80,917</b>	<b>420,102</b>
<b>Total equity and liabilities</b>	<b>13,777,546</b>	<b>15,693,958</b>	<b>17,433,612</b>	<b>5,745,734</b>	<b>335,236</b>

<b>Changes in Shareholder Equity</b>	<b>Share capital</b>	<b>Share premium reserve</b>	<b>Retained earnings and result for the period</b>	<b>Total Equity</b>
<b>Shareholders equity 2015-01-01</b>	<b>55,555</b>	-	<b>17,351</b>	<b>72,906</b>
Result for the period	-	-	-157,772	-157,772
<b>Closing balance 2015-12-31</b>	<b>55,555</b>	-	<b>-140,421</b>	<b>-84,866</b>
New share issue 2016-01-08	24,620	6,622,780	-	6,647,400
Bonus issue 2016-04	561,225	-	-	561,225
New share issue 2016-06-10	7,200	316,800	-	324,000
New share issue 2016-06-28	351,167	15,451,330	-	15,802,497
Issue expenses	-	-2,798,487	-	-2,798,487
Result for the period	-	-	-8,737,605	-8,737,605
<b>Closing balance 2016-06-30</b>	<b>999,767</b>	<b>19,592,423</b>	<b>-8,878,026</b>	<b>11,714,164</b>

<b>Key Financial Figures</b>	<b>12 month Jan-Dec 2016</b>	<b>12 month Jan-Dec 2015</b>
Adjusted equity	11,714,164	-84,866
Solidity, %	85.0	neg
Cash liquidity	6.3	0.2
Dividend	0.00	0.00
Result per share	-1.75	-2.84
Equity per share	2.34	neg
Number of employees at end of period	1	0
Net investment, tangible fixed assets	0	0
Net investment, intangible fixed assets	561,225	253,050

#### 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

<b>Cash Flow Statement</b>	<b>Jan-Dec 2016</b>	<b>Jan-Dec 2015</b>
<b>Operating activities</b>		
Result after financial items	-8,737,605	-165,509
Cash flow from operations before change in working capital	-8,737,605	-165,509
Changes in operating assets	-303,478	4,105
Changes in operating liabilities	1,643,280	393,051
Change in working capital	1,339,802	397,156
<b>Cash flows from operations</b>	<b>-7,397,803</b>	<b>231,647</b>
<b>Investing activities</b>		
Investment in tangible fixed assets	0	-253,050
Investment in financial assets	-40,380	0
<b>Cash flow from investing activities</b>	<b>-40,380</b>	<b>-253,050</b>
<b>Financing activities</b>		
Right issue	19,975,409	0
<b>Cash flow from financing activities</b>	<b>19,975,409</b>	<b>0</b>
<b>Net change in cash</b>	<b>12,537,226</b>	<b>-21,403</b>
Liquid funds at the beginning of the period	77,311	98,714
Liquid funds at the end of the period	12,614,537	77,311