

Redwood Pharma AB (publ)

Quarterly Report January – September 2019

SPOTLIGHT STOCK MARKET: REDW
REDWOODPHARMA.COM

Redwood Pharma AB (publ)

Quarterly Report

January – September 2019

1 January – 30 September 2019

- The company's net revenue for the period was TSEK 0 (0).
- Operating loss for the period was TSEK -11,679 (-10,949).
- Loss per share for the period was SEK -0.94 (-1.05).

Third quarter, 1 July – 30 September 2019

- The company's net revenue for the period was TSEK 0 (0).
- Operating loss for the period was TSEK -4,053 (-3,785).
- Loss per share for the period was SEK -0.34 (-0.31).

Important Events During the Period

- The final patient was recruited in the RP101 Phase II clinical trial.
- Redwood Pharma carried out a preferential rights issue which was subscribed to 591 percent. The company raised 11.5 MSEK before issue costs, with the majority replacing the credit facility from Formue Nord.

Important Events After the End of the Period

- The final patient completed treatment in the RP101 Phase II clinical trial.
- The company carried out a private issue of 3 MSEK for offsetting bridge loans from two private investors. The 1.5 MSEK bridge loan from Formue Nord was repaid in cash.



From the CEO



“The last patient has completed treatment and we are now beginning to compile data, ensure its integrity and analyze the results”

I am pleased that we recently announced that Redwood Pharma is nearing the end of the Phase II clinical trial of our product candidate RP101. The last patient has completed treatment and we are now beginning to compile data, ensure its integrity and analyze the results. This will evaluate the safety and efficacy of RP101. Management’s goal is to publish topline results during the first quarter of 2020.

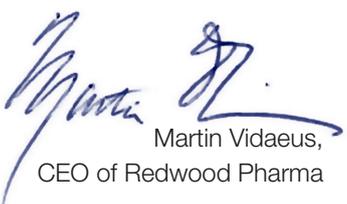
I would also like to take this opportunity to thank the patients and clinics who participated in the trial. Their participation contributes to the development of new treatments for the treatment of chronic dry eye disease in post-menopausal women. My hope is that we can ultimately create a new drug to help millions of sufferers worldwide.

In September, a preferential rights issue was completed which was greatly oversubscribed, despite it not being guaranteed. The interest exceeded management’s expectations and we are grateful for the confidence that old and new shareholders have shown. We also carried out a smaller private issue for the purpose of repaying the bridge loans. Together, these measures have enabled us to replace the previous credit facility. We are now entering 2020 with a strengthened financial position.

I can promise that the next six months will be at least as exciting for Redwood Pharma and our shareholders. We will learn more about RP101 and its therapeutic effects, but also about IntelliGel’s potential for controlling the delivery of medicine to the front of the eye. The hope is that we will now be able to further develop RP101 with the help of a commercial partner. Intensive work is underway to find the right partner to launch RP101 onto the market.

In order to ensure increased value development in the company, we will also continue to evaluate new products that may fit in our portfolio.

I look forward to our next update.



Martin Vidaeus,
CEO of Redwood Pharma

Redwood Pharma and its Market

Redwood Pharma AB is developing ophthalmic drugs where there are large and unmet medical needs. The company's lead project is the development of RP101, a biological active pharmaceutical for the treatment of moderate-to-severe chronic dry eye disease in post-menopausal women. The pharmaceutical uses the IntelliGel drug delivery platform, which controls the release of active substances. By using IntelliGel, Redwood Pharma can also very likely improve the dosing of other established and new drugs. Redwood Pharma focuses on formulation and early clinical development. Revenue is generated through licence agreements with pharmaceutical companies with interest in Redwood Pharma's pharmaceutical projects and in IntelliGel.

RP101 – Redwood Pharma's product for the treatment of dry eye disease

The Company is developing a topical eye therapy with a known biological substance to treat chronic dry eye disease in post-menopausal women. Currently there are no adequate therapies to help women suffering from moderate-to-severe symptoms. The product under development will be the first to affect a basic biological mechanism and thereby increase the production of tear fluid. Using the IntelliGel formulation, it is believed that the treatment can be reduced to once or twice a day and thus be more comfortable and easier to take for the patient.

IntelliGel – Drug Delivery Platform

Redwood Pharma has the global rights for the use of the IntelliGel platform within the field of ophthalmology. The platform is expected to make it possible for eye drops for the treatment of dry eye to be administered fewer times a day. IntelliGel is a drug delivery platform that can control the release of a drug so that it can have an effect for a longer period of time. The platform also creates more business opportunities through several ophthalmic drugs hopefully being reformulated and dosed more efficiently and in a way. It may be perceived as more comfortable and while also increasing patient safety.

The Market for Moderate-to-Severe DED (dry eye disease)

The size of the existing global market for prescription medicines to treat DED is estimated at USD 3.1 billion.

Market Drivers

There are several factors causing the market to grow. The main causes are the lack of effective drugs that can help patients suffering from chronic dry eye and an aging population where chronic dry eye occurs more frequently. There are several types of chronic dry eye and a common medical solution for all types of problems does not exist today. There are several new products under development - with new approaches for different types of dry eye, but these are mainly aimed at the inflammation in the eye which can be a consequence of too little tear fluid. Product development is also expected to contribute to the total market growth.

Important Collaborations

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

Business Goals

The primary goal of the Company is to further develop RP101 through Phase II clinical trials (Proof of Concept) whereafter Redwood Pharma will seek to out-license RP101 and consequently generate cashflow.

Business/Revenue Model

Through licence agreements with major pharmaceutical companies, the company will receive payments for reaching milestones and future royalties. Such licence agreements can be structured so that an initial payment can be made upon signing the agreement and then on reaching goals such as completion of Phase III clinical trials, market authorization and/or initial sales. Subsequently, the company will receive royalties on the sales achieved by the licensee until the agreement or patent expires.

Financial Developments

Revenues and Expenses

The company did not generate any revenue between 1 January – 30 September 2019. Reported Other Operating Income refers to Exchange Rate Gains. The company's expenses have been primarily development, project-related and administrative costs.

Operating Profit

Operating loss for the period 1 January – 30 September 2019 was TSEK -11,679 (-10, 949). Operating loss for the period 1 July – 30 September 2019 was TSEK -4,053 (-3,785).

Financial Position and Liquidity

The company's liquid assets were TSEK 14,140 (11,998) as of 30 September 2019. The ratio of shareholder equity to total assets was 78 (73) %.

The company's shareholder equity reached TSEK 16,025 (13,924).

Cash flow from operating activities during the period amounted to TSEK -10,598 (-12,786).

In January 2019, the company exchanged convertible bonds for 184,636 shares. The total number of outstanding shares as of 30 September is 12,684,510 and the share capital is SEK 2,536,902.

In September 2019, a decision was taken to carry out an offset issue increasing the share capital by SEK 85,724 and 428,620 new shares were registered in October 2019. In addition, a preferential rights issue was subscribed and cash paid-in in September. The new shares were also registered in October and the number of new shares amounted to 1,585,563. The share capital for these shares amounts to SEK 317,112.60. After the issues, the number of shares amounts to 14,698,693 and the share capital amounts to SEK 2,939,738.60.

Investments

During the period 1 January – 30 September 2019, the company did not invest in intangible or tangible fixed assets.

Accounting Principles

This interim report is based on the Annual Accounts Act (1995:1554) and the Swedish Accounting Standards Board's (BFN) guideline BFNAR 2012:1, Annual Accounts and Corporate Auditing ("K3").

Risks and Uncertainties

In conjunction with the preferential rights issue which was completed in October of 2019, a prospectus was compiled which describes the risks and other uncertainties associated with the company's operations. No new risks have been identified. The prospectus can be found on Redwood Pharma's website, www.redwoodpharma.com.

Changes in the Number of Outstanding Shares

Opening number 01-01-2018	8,825,327
Offset issue in March	525,000
Rights issue registered in May	2,337,581
Rights issue registered in July	132,722
Subscription for shares exchange in July	176,962
Subscription for shares exchange in September	201,766
Subscription for shares exchange in October	154,988
Subscription for shares exchange in November	145,528
Closing number 31-12-2018	12,499,874
Subscription for shares exchange in January	184,636
Closing number 30-09-2019	12,684,510

Stockholm, 19 November 2019

Gunnar Mattsson
Chairman

Martin Vidaeus
CEO

Hans Ageland

Ingrid Atteryd-Heiman

Mats Lidgard

Upcoming financial reports

End of Year Report 2019

14 feb 2020

This interim report has not been reviewed by an independent auditor.

For additional information:

Martin Vidaeus – CEO, Tel.: +46 70 232 29 29

E-mail: martin.vidaeus@redwoodpharma.com



Income Statement	2019 July-Sep	2018 July-Sep	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec
Total revenues	0	0	0	0	0
Other operating income	18,188	0	27,733	513	1,045
Operating expenses					
Other external costs	-3,358,372	-3,162,988	-9,191,465	-9,566,347	-11,946,985
Personnel costs	-713,194	-622,140	-2,514,792	-1,383,588	-2,022,896
Total operating expenses	-4,071,566	-3,785,128	-11,706,257	-10,949,935	-13,969,881
Operating profit	-4,053,378	-3,785,128	-11,678,524	-10,949,422	-13,968,836
Result from financial investments					
Interest income	0	0	0	0	0
Interest expenses	-245,500	0	-245,506	-8	-6
Result after financial items	-4,298,878	-3,785,128	-11,924,030	-10,949,430	-13,968,842
Income tax expense	0	0	0	0	0
Result for the period	-4,298,878	-3,785,128	-11,924,030	-10,949,430	-13,968,842

Balance sheet	2019 30 Sep	2018 30 Sep	2018 31 Dec
Assets			
Non-current assets			
Intangible fixed assets			
Patents, licences and development costs	5,938,275	5,938,275	5,938,275
Financial assets			
Other long-term assets	43,780	40,380	43,780
Total non-current assets	5,982,055	5,978,655	5,982,055
Current assets			
Current receivables			
Other receivables	364,522	119,578	208,362
Prepaid costs and accrued revenue	145,442	844,354	124,333
Cash and cash equivalents	14,140,374	11,998,498	10,694,136
Total current assets	14,650,338	12,962,430	11,026,831
Total assets	20,632,393	18,941,085	17,008,886

Balance sheet	2019 30 Sep	2018 30 Sep	2018 31 Dec
Equity and liabilities			
Equity			
Restricted equity	2,536,902	2,439,870	2,499,974
Paid unregistered share capital	402,837	–	–
Unrestricted equity			
Share premium reserve	37,911,223	21,366,464	23,306,360
Retained earnings	-12,901,593	1,067,249	1,067,249
Result for the period	-11,924,030	-10,949,430	-13,968,842
Total equity	16,025,339	13,924,153	12,904,741
Current liabilities			
Accounts payable	285,372	1,292,612	173,854
Other current liabilities	1,868,572	1,154,395	1,172,428
Accrued costs and prepaid charges	2,453,110	2,569,925	2,757,863
Total current liabilities	4,607,054	5,016,932	4,104,145
Total equity and liabilities	20,632,393	18,941,085	17,008,886

Changes in shareholder equity					
	Share capital	Unregistered share capital	Share premium reserve	Retained earnings and earnings for the period	Total equity
Shareholder equity 01-01-2018	1,765,065	–	29,160,670	-28,093,421	2,832,314
Moved share premium			-29,160,670	29,160,670	–
Offset issue 13-03-2018	105,000		5,019,000		5,124,000
New share issue 24-05-2018	467,516		15,311,156		15,778,672
Issue expenses			-1,611,403		-1,611,403
New share issue 24-07-2018	26,544		723,456		750,000
Exchange convertible bond 24-07-2018	35,392		964,608		1,000,000
Exchange convertible bond 12-09-2018	40,353		959,647		1,000,000
Exchange convertible bond 23-10-2018	30,999		969,001		1,000,000
Exchange convertible bond 19-11-2018	29,107		970,893		1,000,000
Result for the period				-13,968,842	-13,968,842
Closing balance 31-12-2018	2,499,975	–	23,306,359	-12,901,593	12,904,741
Exchange convertible bond 14-01-2019	36,927		963,073		1,000,000
Offset issue bridge loans		85,724	3,021,776		3,107,500
Preferential rights issue		317,113	11,178,219		11,495,332
Issue expenses			-558,204		-558,204
Result for the period				-11,924,030	-11,924,030
Closing balance 30-09-2019	2,536,902	402,837	37,911,222	-24,825,623	16,025,339

Key ratios	9 months Jan-Sep 2019	9 months Jan-Sep 2018	12 months Jan-Dec 2018
Adjusted equity	16,025,339	13,924,153	12,904,741
Equity ratio, %	77.7	73.5	75.9
Cash liquidity	3.2	2.6	2.7
Dividend	0.00	0.00	0.00
Result per share	-0.94	-1.05	-1.25
Equity per share	1.26	1.14	1.15
Number of employees at end of period	2	2	2
Net investment, tangible fixed assets	0	0	0
Net investment, intangible fixed assets	0	5,124,000	5,124,000

DEFINITIONS FOR KEY FIGURES TABLE

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	2019 Jan-Sep	2018 Jan-Sep	2018 Jan-Dec
Operating activities			
Result after financial items	-11,924,030	-10,949,430	-13,968,842
Cash flow before changes in working capital	-11,924,030	-10,949,430	-13,968,842
Changes in operating receivables	-177,269	-589,250	41,988
Changes in operating liabilities	1,502,909	-1,247,683	-2,160,471
Change in working capital	1,325,640	-1,836,933	-2,118,483
Cash flows from operating activities	-10,598,390	-12,786,363	-16,087,325
Investing activities			
Acquisition of intangible fixed assets	0	-5,124,000	-5,124,000
Acquisition of financial fixed assets	0	0	-3,400
Cash flow from investing activities	0	-5,124,000	-5,127,400
Financing activities			
Rights issue	14,044,628	22,041,269	24,041,269
Cash flow from financing activities	14,044,628	22,041,269	24,041,269
Cash flow for the period	3,446,238	4,130,906	2,826,544
Liquid funds at the beginning of the period	10,694,136	7,867,592	7,867,592
Liquid funds at the end of the period	14,140,374	11,998,498	10,694,136