

Redwood Pharma AB (publ)

Year-end report 2019

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Year-end report

January – December 2019

1 January – 31 December 2019

- Net revenue for the period was SEK 0 (0).
- Operating loss for the period amounted to SEK -15.758 million (-13.969 million).
- Loss per share for the period was SEK -1.07 (-1.25).

Fourth quarter, 1 October – 31 December 2019

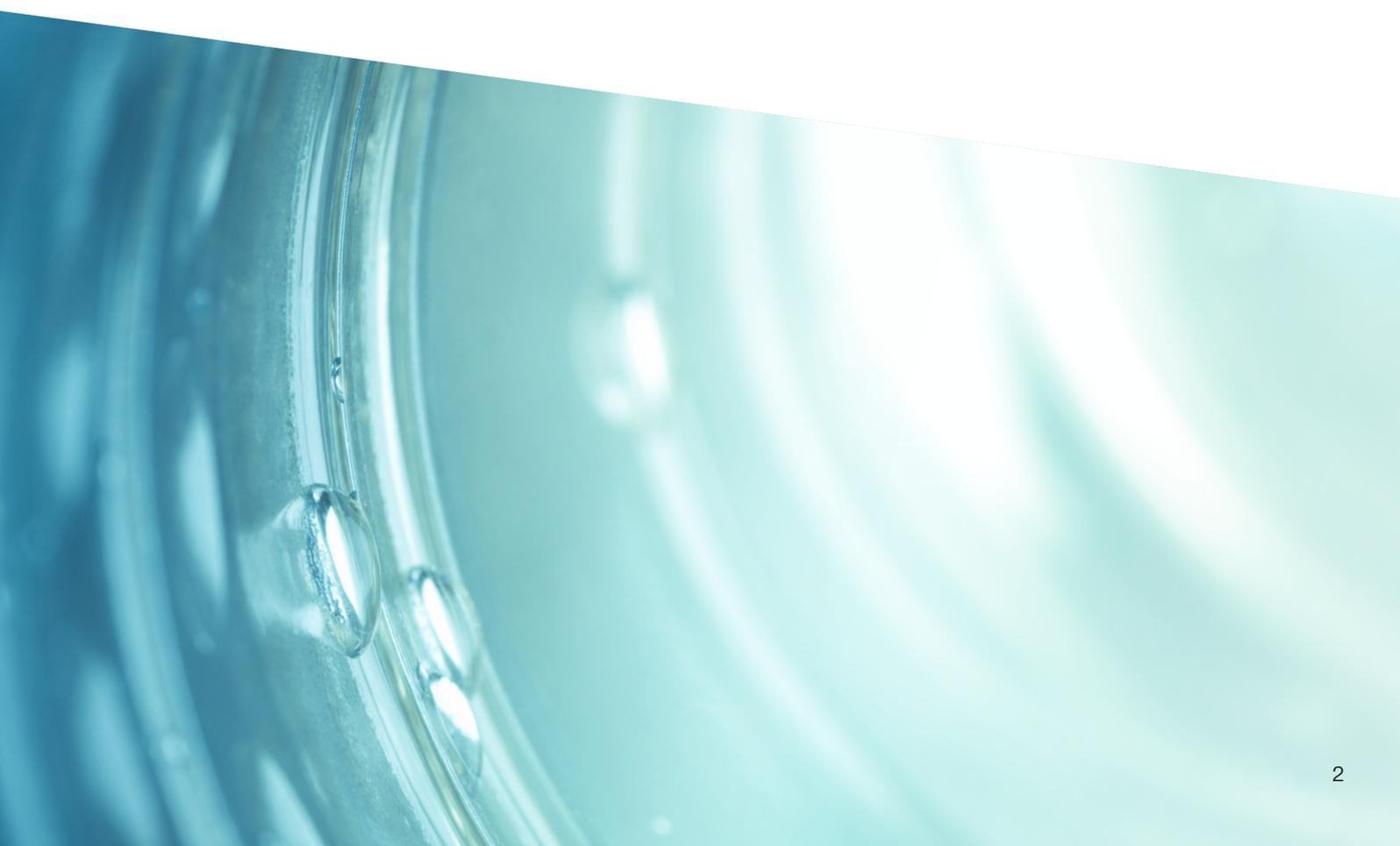
- Net revenue for the period was SEK 0 (0).
- Operating loss for the period amounted to SEK -3.834 million (-3.019 million).
- Loss per share for the period was SEK -0.30 (-0.25).

Important events during the period

- Redwood Pharma completed the treatment phase of Phase II clinical trials of R101. The first patient was recruited to the study in January with the last patient being treated in November. Results from the study are expected to be published during the first quarter of 2020.
- In September, the company conducted a preferential rights issue that was 591 per cent subscribed. The company raised SEK 11.5M before administration costs, with most of the proceeds replacing a pre-existing credit facility.
- In September, the company conducted a SEK 3M private share issue to offset bridge loans from two private investors.

Important events after the end of the period

- The China National Intellectual Property Administration (CNIPA) issued preliminary approval to grant a new patent in the portfolio licensed to Redwood Pharma from Broda International LLC.



Comments from the CEO



” Redwood Pharma marked the end of 2019 with the completion of the treatment phase of Phase II clinical trials of RP101 ”

Redwood Pharma marked the end of 2019 with the completion of the treatment phase of Phase II clinical trials of RP101, our drug candidate for the treatment of chronic dry eye disease in postmenopausal women. Patient recruitment proceeded as planned with the treatment of the first patient starting at the beginning of the year. It was very encouraging to report at the beginning of November that the last patient was treated and that the clinical phase of the trial was completed shortly afterwards. This means that the company expects to be able to keep to the timetable previously communicated and deliver top-line results during the first quarter of 2020.

Just prior to the publication of this report, the China National Intellectual Property Administration (CNIPA) granted preliminary approval for a new patent in the portfolio licensed to Redwood Pharma from Broda International LLC. A new patent, when granted, will provide patent protection in China for the IntelliGel platform which is used, for example, in the development of Redwood Pharma's product RP101. This means that RP101 is better protected from competition in China, which engages us further to penetrate this substantial market.

We are now entering a new phase during which we will focus on developing the potential of RP101 for our shareholders and future commercial partners. If the results of the Phase II clinical trials are positive, our shareholders invested capital and Redwood Pharma's

hard work will shift to a development program intended for a commercial partner to take over.

In a growing market RP101, will be well positioned in comparison to rival dry eye therapies thanks to its unique mechanism – targeting estrogen deficiency as a cause of illness. Contrary to most existing products on the market, or under development, which treat inflammation symptoms after the onset of the condition, RP101 is designed to stop the disease at its source. As dry eye presents itself in many different forms, a variety of therapeutic methods are needed. By focusing on a significant proportion of those affected – postmenopausal women – with a new therapy, we want to improve the quality of life for a large patient group.

Redwood Pharma is currently discussing the RP101 program and our strategic plans with international firms to outlicense RP101 given positive results. Based on feedback from successful meetings at BIO-Europe in Hamburg and the JPMorgan Healthcare conference in San Francisco, we will intensify our discussions at BIO-Europe in Paris in March 2020.



Martin Vidaeus,
CEO Redwood Pharma

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 very likely improve dosages of other established and new drugs. Redwood Pharma focuses on formulation and early-stage clinical development. The company generates revenue through license agreements with pharmaceutical companies that are interested in Redwood Pharma's pharmaceutical projects and in IntelliGel.

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. Using the 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.

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 drug delivery platform that controls the release of a drug so that its effects are longer lasting. The hope is that the platform will also create additional business opportunities by

enabling the reformulation and more efficient dosing of several ophthalmic drugs so taking them is experienced as being more comfortable by patients and improves patient safety.

Market for moderate-to-severe DED (dry eye disease)

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

Market drivers

There are several factors that lead us to believe that the DED market is set 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's primary goal is to develop RP101 through to the conclusion of Phase II clinical trials (Proof of Concept), at which point RP101 will be out-licensed to generate cash for the business.

Business/revenue model

Through licensing agreements with major pharmaceutical companies, the company will receive payments for achieving milestones and future royalties. Such license 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. The company will subsequently receive royalties on sales that licensees achieve until the agreement or patent expires.



Financial results

Revenues and expenses

The company did not generate any income between 1 January and 31 December 2019. Reported Other Operating Income refers to exchange rate gains. The company's expenses have primarily been related to development, project-related and administrative costs.

Operating profit

Operating loss for the period 1 January – 31 December 2019 was SEK -15.758 million (-13.969 million).

Operating loss for the period 1 October – 31 December 2019 was SEK -3.834 million (-3,019 million).

Financial position and liquidity

As of 31 December 2019, the company's liquid assets amounted to SEK 8.162 million (10.694 million). The ratio of shareholder equity to total assets was 84% (76). The company's shareholder equity amounted to SEK 12.151 million (12.905 million).

Cash flow from operating activities during the period was SEK -16.536 million (-16.087 million).

In January 2019, the company exchanged convertible bonds for 184,636 shares.

An offset issue conducted in October 2019 resulted in an increase in share capital of SEK 85,724 and 428,620 new shares being registered. In addition, a preferential rights issue was conducted and subscribed in October. The number of new shares amounted to 1,585,563 and share capital increased by SEK 317,112.60.

After these share issues, the number of shares totals 14,698,693 and share capital amounts to SEK 2,939,738.60. There are 287,958 outstanding warrants as of 31 December 2019.

Investments

During the period 1 January – 31 December 2019, the company did not invest in tangible or intangible fixed assets.

Dividend

The Board of Directors of Redwood Pharma proposes that no dividend be paid.

Accounting principles

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

Risks 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 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
Rights issue registered in October	2,014,183
Closing number 31-12-2019	14,698,693

Stockholm, 14 February 2020

Gunnar Mattsson
Chairman

Martin Vidaeus
CEO

Hans Ageland

Ingrid Atteryd-Heiman

Mats Lidgard

This year-end report has not been audited by the company's auditors.

For more details, please contact:

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or martin.vidaeus@redwoodpharma.com.

Upcoming financial reports

Interim Report January – March 2020	11 May 2020
Annual General Meeting*	11 May 2020 at 4pm in Stockholm
Interim Report January – June 2020	28 August 2020
Interim Report January – September 2020	17 November 2020
Year-end report 2020	17 February 2021

* The annual report and other documentation related to the AGM will be made available on the company's website, redwoodpharma.com, and at the company's office at least three weeks prior to the AGM.

Income statement	2019 Okt-Dec	2018 Okt-Dec	2019 Jan-Dec	2018 Jan-Dec
Total revenues	0	0	0	0
Other operating income	6,793	532	34,526	1,045
Operating expenses				
Other external costs	-3,130,180	-2,380,638	-12,321,645	-11,946,985
Personnel costs	-710,134	-639,308	-3,224,926	-2,022,896
Total operating expenses	-3,840,314	-3,019,946	-15,546,571	-13,969,881
Operating profit	-3,833,521	-3,019,414	-15,512,045	-13,968,836
Capital gains/losses on short-term investments				
Interest income	0	0	0	0
Interest expenses	-247	2	-245,753	-6
Consolidated profit/loss after financial items	-3,833,768	-3,019,412	-15,757,798	-13,968,842
Income tax expense	0	0	0	0
Profit/loss after tax	-3,833,768	-3,019,412	-15,757,798	-13,968,842

Balance sheet	2019	2019	2019	2019	2018
	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec
Assets					
Non-current assets					
Intangible fixed assets					
Patents, licences and development costs	5,938,275	5,938,275	5,938,275	5,938,275	5,938,275
Financial assets					
Other long-term assets	43,780	43,780	43,780	43,780	43,780
Total non-current assets	5,982,055	5,982,055	5,982,055	5,982,055	5,982,055
Current assets					
Current receivables					
Other receivables	159,072	364,522	252,622	146,455	208,362
Prepaid costs and accrued revenue	115,074	145,442	547,629	142,612	124,333
Cash and cash equivalents	8,162,115	14,140,374	4,726,203	6,504,552	10,694,136
Total current assets	8,436,261	14,650,338	5,526,454	6,793,619	11,026,831
Total assets	14,418,316	20,632,393	11,508,509	12,775,674	17,008,886

Balance sheet	2019	2019	2019	2019	2018
	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec
Equity and liabilities					
Equity					
Restricted equity	2,939,739	2,536,902	2,536,902	2,536,902	2,499,974
Paid unregistered share capital	–	402,837	–	–	–
Unrestricted equity					
Share premium reserve	37,871,020	37,911,223	24,269,432	24,269,432	23,306,360
Retained earnings	-12,901,593	-12,901,593	-12,901,593	-12,901,593	1,067,249
Result for the period	-15,757,798	-11,924,030	-7,625,152	-3,296,437	-13,968,842
Total equity	12,151,368	16,025,339	6,279,589	10,608,304	12,904,741
Current liabilities					
Accounts payable	969,186	285,372	1,764,756	748,516	173,854
Other current liabilities	257,087	1,868,572	3,464,164	184,701	1,172,428
Accrued costs and prepaid charges	1,040,675	2,453,110	–	1,234,153	2,757,863
Total current liabilities	2,266,948	4,607,054	5,228,920	2,167,370	4,104,145
Total equity and liabilities	14,418,316	20,632,393	11,508,509	12,775,674	17,008,886

Changes in shareholder equity		Share capital	Unrecorded share capital	Share premium reserve	Balanced and period results	Total equity
Shareholder equity 01-01-2018	1,765,065		–	29,160,670	-28,093,421	2,832,314
Move 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	11,178,220		11,495,333
Issue expenses				-598,408		-598,408
Registration	402,837		-402,837			
Move share premium				-23,306,359	23,306,359	
Result for the period					-15,757,798	-15,757,798
Closing balance 31-12-2019	2,939,739		–	14,564,660	-5,353,032	12,151,368

Key ratios	12 months Jan-Dec 2019	12 months Jan-Dec 2018
Adjusted equity	12,151,368	12,904,741
Equity ratio, %	84,3	75,9
Cash liquidity	3,7	2,7
Dividend	0,00	0,00
Result per share	-1.07	-1.25
Equity per share	0.83	1.15
Number of employees at end of period	2	2
Net investment, tangible fixed assets	0	0
Net investment, intangible fixed assets	0	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	2018
	Jan-Dec	Jan-Dec
Operating activities		
Result after financial items	-15,757,798	-13,968,842
Cash flow before changes in working capital	-15,757,798	-13,968,842
Changes in operating receivables	58,549	41,988
Changes in operating liabilities	-837,195	-2,160,471
Change in working capital	-778,646	-2,118,483
Cash flows from operating activities	-16,536,444	-16,087,325
Investing activities		
Acquisition of intangible fixed assets	0	-5,124,000
Acquisition of financial fixed assets	0	-3,400
Cash flow from investing activities	0	-5,127,400
Financing activities		
Right issue	14,004,423	24,041,269
Cash flow from financing activities	14,004,423	24,041,269
Cash flow for the period	-2,532,021	2,826,544
Liquid funds at the beginning of the period	10,694,136	7,867,592
Liquid funds at the end of the period	8,162,115	10,694,136

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 14 February 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.