Promore Pharma AB (publ)

Interim report January - March 2017

- Net sales amounted to MSEK 0 (0).
- The operating loss for the reporting period was -3,2 (-2,9) MSEK
- Net loss was 3,3 (-3,1) MSEK, corresponding to a loss per share of SEK 3,65 (3,57)
- Cash flow from operating activities amounted to -2,8 (-7,2) MSEK
- Cash and cash equivalents amounted to 3,8 (9,1) MSEK

Significant events during the period January - March

- A co-operation agreement was signed with the American biotech company Cellastra Inc. regarding the clinical development of PXL01 in North America
- The company formally changed name from Lipopeptide to Promore Pharma

Significant events after the end of the reporting period

- Resolution at the Annual General Meeting 25 April to perform a bonus issue and make the company public
- Share split 15:1 implemented
- Marianne Dicander Alexandersson was elected new board member
- Jonas Ekblom was employed as CEO. He was previously a consultant for the company.
- Filing in India for a PXL01 clinical phase III trial

"Promore Pharma has secured financing for a significant part of its activities, but since late stage pharmaceutical development require substantial capital resources and the organization needs to be strengthened with additional regulatory and commercial expertise, it is a natural step to seek additional capital through a listing at Nasdaq First North to secure the required funding for our clinical programs in all relevant geographic areas, from start to finish."

Jonas Ekblom, CEO Promore Pharma

Financial overview for the Company

	1 January - 31 March	
Amounts in MSEK	2017	2016
Net sales	-	-
Operating loss	-3,2	-2,9
Loss for the period	-3,3	-3,1
Loss per share, before/after dilution, SEK	-3,65	-3,57
Loss per share, before/after dilution, SEK [1]	-0,24	-0,24
Cash flow from operating activities	-2,8	-7,2
Cash and cash equivalents at the end of the period	3,8	9,1

1) Adjusted for share split 15:1

Promore Pharma in brief:

Promore Pharma is a biopharmaceutical company specialized in the development of therapeutic peptides for the bioactive wound care market. The company's aim is to develop two first-in-category products for indications where very few efficacious prescription pharmaceuticals are available, thus, addressing high unmet medical needs. Promore Pharma has two projects, PXL01 and LL-37, in late stage clinical phase. PXL01, that will be used for prevention of post-surgical adhesions and scars, is being prepared for clinical phase III-studies on patients undergoing tendon repair surgery in the hand and LL-37 that is prepared for a clinical phase IIb study on patients with venous leg ulcers. The product candidates can also be deployed for other indications, such as preventing dermal scarring and treatment of diabetic foot ulcers. Rosetta Capital Ltd., Midroc New Technology AB and PharmaResearch Products Ltd. are the main shareholders in Promore Pharma.

CEO statement

During the first quarter, the management team was to a large extent focused on preparing the company for an initial public offering on Nasdaq First North, which is planned for during 2017. Promore Pharma has secured funding for a significant part of its activities through strategic partnerships and investments from our main shareholders. However, since late stage pharmaceutical development requires substantial capital resources, and the organization needs to be strengthened with additional regulatory and commercial expertise, it is a natural step to aim for a listing at Nasdaq First North to seek additional capital to secure financing to carry out the clinical studies in all relevant geographies for PXL01 and LL-37. The company has started preparing a prospectus and is conducting a comprehensive legal review. Adviser in the IPO process is Redeye AB.

During the first quarter, a co-development agreement with the American biotechnology company Cellastra Inc. was signed regarding the clinical development of PXL01 in North America (USA and Canada). Cellastra is a San Francisco-based company focused on regenerative medicine. In the agreement, the parties agreed on how to cooperate to conduct a phase III clinical trial of PXL01 for the prevention of post-surgical adhesions after tendon repair surgery. Together, the companies will establish agreements with subcontractors for the operationalization of the US phase III program. Cellastra also has the right to co-finance the investment linked to the implementation of a phase III study for the first indication in the United States. The next significant milestone in this collaboration is a planned meeting with the US Food and Drug Administration (FDA) later in 2017.

Significant planning work has been carried out within the company's research and development initiatives. The clinical study protocol (CSP) has been completed for the planned phase III study on PXL01 in Europe and India. Detailed planning of the manufacturing of the investigational medical products for the same study has begun with the company's strategic partner, PharmaResearch Products Ltd. A clinical trial application was filed with Drugs Controller General in India (DCGI) as the first step of this multi-national clinical trial that will also include European countries, under a protocol to be approved by the European Medicines Agency (EMA).

During the first quarter, a recruitment process has been conducted to identify a new owner-independent board member. Marianne Dicander Alexandersson was nominated by the board's Nomination Committee and was elected to the Board of Directors at the Annual General Meeting on April 25, 2017. Marianne holds a Master of Science in Chemical Engineering from Chalmers University of Technology and has, among other things, served as CEO of Kronan Droghandel, deputy CEO of Apoteket AB, Managing Director of the Sixth AP Fund and GHP AB. At present, she serves in several other boards. In addition, she has served as board director in Mölnlycke Health Care. In the first quarter, we also hired Alexandra Liverts as Office Manager. Alexandra has previously served in the role as Administrative Officer at the Ben-Gurion University in Negev, Israel. Marianne and Alexandra will help to further strengthen our team.

During the second quarter, we will continue our efforts to prepare our planned clinical trials together with our alliance partners and the future listing of the Company.

Thank you for your interest in our work at Promore Pharma.

Solna, 19 May 2017

Jonas Ekblom, CEO

Overview of activities

Promore Pharma is a biopharmaceutical company that develops peptide-based product candidates aimed for the bioactive wound market. The company was founded in 2002 and has two therapeutic peptides, PXL01 and LL-37, in late stage clinical development. PXL01 is aimed for prevention of post-surgical adhesions and scars and is being prepared for clinical phase III-studies on patients undergoing tendon repair surgery in the hand. LL-37 is prepared for a clinical phase IIb study on patients with venous leg ulcers. Additionally, the company is also planning for a clinical phase IIa study on patients with diabetic foot ulcers.

Promore Pharma's product candidates are based on peptides, possessing multiple biological functions and properties. These molecules are derived from sequences of human innate defence system. They are aimed for local application and have a strong safety profile since they are quickly degraded in the blood stream and are therefore unlikely to contribute to severe systemic adverse events. The results from prior clinical studies are very promising for both PXL01 and LL-37 when it comes to tolerability and safety as well as efficiency. The product candidates are protected by several international patent families offering protection until 2030 and longer. The patents provide protection in several dimensions, such as indications, formulation and dosage.

Promore Pharma's product candidate represent first-in-category therapeutics for several patient groups, segments where patients experience pain, reduced mobility, and lowered quality-of-life. If Promore Pharma's product candidates in clinical development receive market authorization and are established as treatment for chronic wounds and for preventing adhesions and scars, it would mean shorter treatment times for patients and lower costs for society.

The global wound care market is estimated to grow from USD 17 billion in 2016 to USD 20.4 billion in 2021, meaning a CAGR of 3.6%[1]. Within the global wound care market, Promore Pharma is active within the segment bioactive wound care, the segment with the highest growth, which is expected to grow 14% per year until 2020 and reach USD 7.3 billion[2].

PXL01 is derived from a human anti-bacterial protein (lactoferrin), which is part of the innate immune system, with several modes of actions. The development of PXL01 is initially aiming at preventing postsurgical adhesions after tendon repair surgery. In a phase-II clinical study that has been completed by the company in several EU countries, it has been demonstrated that PXL01 is efficacious and safe. Promore Pharma is preparing for a fully financed clinical phase III study in EU and India. A parallel clinical phase III study is planned in the USA, to form the basis for market authorization in North America. The company is initially focusing on preventing post-surgical adhesions after tendon repair surgery; additionally, it is anticipated that there are good opportunities for future indication broadening, such a preventing dermal scars and adhesions after total knee arthroplasty.

LL-37 is based on a human antimicrobial peptide, which stimulates several processes in wound healing. LL-37 showed good efficacy in a clinical phase IIa study that was completed by the company. The product candidate can be combined with standard treatment and applied by nurses or potentially directly the patient. The development of LL-37 is initially focused on venous leg ulcers and in the next stage diabetic foot ulcers. LL-37 is being prepared for a clinical phase IIb study on patients with venous leg ulcers in Europe in co-operation with PharmaResearch Products Ltd., Promore Pharma's partner. A smaller investigator sponsored trial is planned for LL-37 in diabetic foot ulcers.

The company's aim is to develop two first-in-category pharmaceuticals with uses in broad applications in bioactive wound care, specifically in indications with very few efficacious prescription pharmaceuticals addressing high unmet medical need. Promore Pharma is a small and cost-effective company without its own laboratories or research facilities, using a network of high-quality contract research organizations and contract manufacturing organizations. The company has experienced advisors in all critical aspects of the strategic planning process, including product development, regulatory affairs, design and execution of clinical trials.

[1] Markets and Markets "Wound care market – Global forecast to 2021"
[2] Technavio "Global bioactive wound care market 2016-2020"

Promore Pharma's overall strategy is to take the product candidates through clinical development to market authorization or to a point when a license agreement, alternatively a commercial deal with a larger pharmaceutical company with global presence can be realized. Such transactions may include out-partnering/licensing, strategic partnerships, joint ventures or asset sales.

Significant events during the report period 1 January – 31 March 2017

Name changed to Promore Pharma

The company formally changed its name from Lipopeptide AB to Promore Pharma AB. The name change was registered in January 2017, but the name Promore Pharma was used as an affiliated name since the third quarter 2016.

Co-development agreement Cellastra Inc

The company signed a co-development agreement with Cellastra Inc. on 17 March 2017. Through this agreement, the companies agreed to cooperate on the late stage development of PXL01 for prevention of post-surgical adhesions after hand surgery in North America. Cellastra intends to conduct a phase III clinical trial that along with the phase III clinical trial conducted by the company in Europe shall form in the future the basis for an application for marketing approval in North America.

Significant events after the reporting period

Bonus issue and change of company category

As a measure to prepare the company for a listing, it was resolved by the Annual General Meeting, held on 25 April 2017, that the company shall perform a bonus issue and at the same time make Promore Pharma a public company.

Share split implemented

At the Annual General Meeting, held on 25 April, it was resolved to implement a share split 1:15, meaning that the number of shares in the company increased from 904,283 to 13,564,245 shares. The quota value per share is 0.04 SEK after the split and above mentioned bonus issue. The share split resulted in a change of outstanding warrants to 5,319,375.

Jonas Ekblom employed as Chief Executive Officer

Jonas Ekblom was formally employed as Chief Executive officer per 1 May 2017. Jonas Ekblom has served in the management of the Company and its predecessor entities since 2010 and has contributed on a consultancy basis since 2015. Prior to that Dr. Ekblom served as CEO of Pergamum AB (predecessor to Promore Pharma AB).

Marianne Dicander Alexandersson elected as board director

Marianne Dicander Alexandersson was elected as a board director at the Annual General Meeting on 25 April. She has previously served as CEO of Kronans Droghandel, Sjätte AP-fonden, GHP AB, and as deputy CEO of Apoteket AB. Presently, she is serving on the board of directors in a number of companies, including Enzymatica AB, Recipharm AB, and Addera Care, as well as a member of the advisory board of the Dental and Pharmaceutical Benefits Agency in Sweden. She has also been a board director of Mölnlycke Health Care AB.

Submission of a clinical trial application for PXL01 in India

In May, Promore Pharma submitted a clinical trial application to the Drugs Controller General in India, seeking approval to conduct a phase III clinical trial on patients undergoing flexor tendon repair surgery. The study shall be part of a randomized, double-blind clinical trial that will be executed in several countries with the aim of enrolling up to 600 patients. The company intends to submit clinical trial applications in several EU countries during 2017 under the same clinical study protocol.

Financial information

Operating income and results

Promore Pharma is an innovation company and its product candidates are still undergoing clinical development. Consequently, the company has no revenues from products sales during the reporting period. Other operating income amounted to 12,450 SEK (4,402 SEK), which corresponds to an increase of 183% compared to the same period last year. The increase is the result of receivables from a small research grant.

The result before interest and taxes (EBIT) amounted to -3,237,949 SEK (-2,886,526) SEK. The increase is attributable to increased external costs due to an increased organization, higher legal expenses as well as costs associated with the preparations for the company's IPO.

Liquidity and financing

The cash flow from operating activities during the reporting period amounted to -2,803,673 SEK (-7,247,654 SEK). The main difference is attributed to a lower result in 2017 and a reduction in short-term debt during the first quarter of 2016. The cash-flow from investments during the period amounted to 125,586 SEK (-586,325 SEK). The change was mainly a consequence of a divestiture of shares in Herantis Pharma Oy during 2017.

The cash flow from financing activities was 0 SEK (14,620 425 SEK) during the period. During 2017, the company has not yet received any new financing. In contrast, during the first quarter of 2016, the company executed a share issue where the main shareholders and PRP subscribed for shares in the company, which resulted in capital increase of 14.6 MSEK.

The company's cash and cash equivalents amounted to 3.8 MSEK per 31 March 2017, as compared to 9.1 MSEK per 31 March 2016.

Auxiliary information

Number of shares[3]

The number of outstanding shares per 31 March 2017 amounted to 904,283 (903,283). The main owners of the company, Midroc New Technology AB, Rosetta Capital IV S.a.r.L. jointly owned 95% of the shares. The number of warrants in the company on 31 March 2017 was 277,271.

Holding of shares in Herantis Pharma Oyj

The company holds shares in the Finnish biotech company Herantis Pharma Oyj. This is a consequence of a passive historic holding in the Finnish company Biocis Oy since the formation of Pergamum AB in 2010. Biocis has since then undergone a number of corporate mergers and ownership restructurings which has resulted in a holding of shares in Herantis Pharma Oyj, a company that executed an IPO in 2015. Promore Pharma's holding of shares in Herantis Pharma Oyj amounted to 64,432 per 31 March 2017. The board of directors of the Company has decided that this holding shall be divested in a step-wise fashion.

Personnel

Promore Pharma has a small and cost-effective organization that primarily is focused on business development, project coordination as well as management of intellectual property and core development documentation. The personnel operate on a consultancy basis. Per 31 March 2017, the company had no employees. It is notable that Jonas Ekblom, was employed as CEO after the reporting period.

[3] Before the split

Transactions with related parties

Aside from the transactions outlined in the section below, the company has not been part of any transactions involving related parties during the report period. All transactions have been carried out at market conditions.

The two main shareholders have provided loans of 3 MSEK each, corresponding to 6 MSEK in total to the company. The loans have an annual interest rate of 12% and have a term until 31 December 2017. The loans have been provided at market conditions.

Financial calendar

Interim report January – June 2017	30 August 2017
Interim report January – September 2017	21 November 2017

Review by auditor

This report has not been reviewed by the Company's auditor.

Stockholm 19 May 2017

Göran Pettersson

Chairman

Göran Linder

Torsten Goesch

Satyendra Kumar

Marianne Dicander Alexandersson

Consolidated income statement

Amounts in SEK	1 January - 31 March 2017	2016
Operating income		
Net sales	-	-
Other operating income	12 450	4 402
Operating expenses		
Commodities and supplies	-1 203 770	-1 746 693
Other external expenses	-1 569 627	-731 442
Personnel costs	-123 912	-104 967
Depreciation and impairments on fixed assets	-304 286	-304 286
Other operating expenses	-48 804	-3 540
Operating loss (EBIT)	**-3 237 949**	**-2 886 526**
Financial items		
Income from other fixed financial assets	125 586	-
Other financial income	1	247
Financial expenses	-186 979	-186 975
Loss after finanical items	**-3 299 341**	**-3 073 254**
Loss before tax	**-3 299 341**	**-3 073 254**
Tax	-	-
Loss for the period	**-3 299 341**	**-3 073 254**

Consolidated balance sheet

Amounts in SEK	31 March 2017	31 March 2016	31 December 2016
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Goodwill	3 955 711	5 172 854	4 259 997
Financial fixed assets			
Share in other long-term securities holdings	1 859 162	824 030	1 859 162
Total fixed assets	**5 814 873**	**5 996 884**	**6 119 159**
CURRENT ASSETS			
Current receivables			
Accounts receivables	10 000	0	50000
Receivables from group companies	-	-	-
Current tax assets	-	-	-
Other current receivables	391 125	498 366	408 582
Prepaid expenses and accrued revenue	58 240	0	62660
Cash at bank and in hand	3 814 157	9 109 672	6 491 244
Total current assets	**4 273 522**	**9 608 038**	**7 012 486**
TOTAL ASSETS	**10 088 395**	**15 604 922**	**13 131 645**
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital	54 257	51 530	54 257
Reserve fund	380 349	380 349	380 349
Unrestricted equity			
Share premium reserve			
Conditional shareholders contribution			
Loss brought forward	3 019 048	10 285 237	11 044 701
Loss for the period	-3 299 341	-3 073 254	-8 025 652
Total equity	**154 313**	**7 643 862**	**3 453 655**
LONG-TERM LIABILITIES			
Other liabilities to credit institutions	714 038	500 000	714 038
Other liabilities	7 364 000	6 517 750	7 177 025
Total long-term liabilities	**8 078 038**	**7 017 750**	**7 891 063**
CURRENT LIABILITIES			
Advance payments from customers	-	67 232	30 232
Accounts payables	742 070	696 222	946 370
Current tax liabilities	46 299	79 670	46 299
Other current liabilities	52 623	45 186	15 032
Accrued expenses and deferred income	1 015 052	55 000	748 994
Total current liabilities	**1 856 044**	**943 310**	**1 786 927**
TOTAL EQUITY AND LIABILITIES	**10 088 395**	**15 604 922**	**13 131 645**

Consolidated cash flow analysis

Amounts in SEK	1 January - 31 March 2017	2016
OPERATING ACTIVITIES		
Operating loss	-3 237 949	-2 886 526
Depreciation	304 286	304 286
Interest received	1	247
Interest paid	-5	
Tax paid		0
Cash flow from operating activities before changes in working capital	**-2 933 667**	**-2 581 993**
Increase/decrease other current receivables	90 386	109 399
Increase/decrease other current liabilities	40 608	-4 775 060
Cash flow from operating activities	**-2 802 673**	**-7 247 654**
INVESTING ACTIVITIES		
Acquisition of immaterial assets		-566 325
Merger with subsidiary		
Sale of financial fixed assets	125 586	0
Cash flow from investing activities	**125 586**	**-566 325**
FINANCING ACTIVITIES		
New share issue	0	14 620 425
Received shareholders contribution	0	0
Loans	0	0
Repaid loans	0	0
Cash flow from financing activities	**0**	**14 620 425**
Cash flow for the period	**-2 677 087**	**6 806 446**
Cash and cash equivalents at the beginning of the period	**6 491 244**	**2 303 226**
Cash and cash equivalents at the end of the period	**3 814 157**	**9 109 672**

Changes in equity for the group

	Share capital	Other capital provided	Other equity
Amount at the beginning of the period (1 January 2016)	**51 530**	0	**10 665 586**
Bonus issue	0		
New share issue	0		
Loss for the period			-3 073 254
Amount at the end of the period (31 March 2016)	**51 530**		**7 592 332**

	Share capital	Other capital provided	Other equity
Amount at the beginning of the period (1 January 2017)	**54 257**	0	**3 399 397**
Bonus issue	0		
New share issue	0		
Loss for the period			-2 579 551
Amount at the end of the period (31 March 2017)	**54 257**		**819 846**

Conditional shareholders contribution of SEK 26 500 000 (26 500 000).

For additional information, please contact

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