Redwood Pharma AB (publ)

Quarterly report January–June 2021

NASDAQ FIRST NORTH GROWTH MARKET:
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RedwoodPharma

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January–June 2021

Period 1 January–30 June 2021

- The company's net revenue for the period totalled kSEK 0 (0).
- Operating profits for the period totalled kSEK -10,916 (-8,026).
- Earnings per share for the period were SEK -0.41 (-0.54).

Period 1 April –30 June 2021

- The company's net revenue for the period totalled kSEK 0 (0).
- Operating profits for the period totalled kSEK -6,981 (-3,594).
- Earnings per share for the period were SEK -0.34 (-0.24).

Significant events during the period

- Redwood Pharma transferred its share listing from the Spotlight Stock Market to the Nasdaq First North Growth Market, in order to boost visibility among major investors and to prepare for the company's future growth under the Nasdaq brand.

There have been no significant events after the end of the period.

Comments from the CEO

” Redwood Pharma is set to be well-placed with separate first- and second-line therapies. ”

During the second quarter, Redwood Pharma and its extended team, including consultants and contract laboratories, have continued to focus on advancing and increasing the value of the RP101 and RP501 development programs. In particular, we have invested resources into the future regulatory pathway for RP501 and we now have a better understanding of what the requirements are to bring such a medical device to the market. This is important for a number of reasons, one of which is that RP501 represents a near-term revenue opportunity.

There is a compelling commercial rationale for new differentiated therapies for dry eye disease (DED) and Redwood Pharma is set to be well-placed with separate first- and second-line therapies. Our priority is to continue to move these programs closer to approval and launch with the purpose of providing therapeutic relief to millions of DED sufferers.

RP101

Redwood Pharma is continuing discussions with potential partners regarding the further development of RP101, our product candidate for the treatment of moderate to severe dry eye disease in post-menopausal women. RP101’s unique mechanism of action positions the program as potentially the first hormonal therapy for DED targeted to specific underlying biological mechanisms in critical tissues in and around the eye, addressing a large unmet need in a well-defined patient-population suffering from this chronic condition. This process has demanded, and continues to demand, patience and perseverance from Redwood and its shareholders.

RP501

We are pleased to report positive news on RP501, an IntelliGel-based therapy under development as a first-line therapy for males and females of all ages suffering from mild DED. Redwood Pharma successfully completed an in vitro study evaluating the compatibility of RP501 with various soft and hard contact lenses. This is very encouraging news from a safety perspective, supporting the use of RP501 by contact lens wearers. Once approved for market use, this would significantly expand the addressable market for RP501. For example, 20% of mild DED sufferers are estimated to use contact lenses in Europe and the US. Based on these results, the company has formally decided to proceed with a clinical trial aimed at supporting future filing of medical device regulatory applications in Europe and the US. Very significant, but not as resource-intensive as the prior RP101 Phase II trial, this trial is designed to help provide the clinical support required by regulatory authorities and prove the safety and efficacy of RP501 in patients with or without contact lenses. More information about this trial will be announced once regulatory approvals for trial start have been issued.

I expect to report further developments on both of our DED programs later this year.

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).

Our first program, RP101, involves the development of a product for the treatment of moderate to severe chronic dry eye disease in post-menopausal women with an active biological drug substance. Our second program, RP501, is being developed to help patients with mild dry eye disease using treatment with IntelliGel without an active substance. It is likely that IntelliGel can also be used to improve dosages of other established and new ophthalmic drugs. Redwood Pharma focuses on early-stage clinical development.

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 chronic dry eye 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.

RP501: a treatment for temporary relief for all those suffering from mild DED

With an ageing population and increased screen time in front of computers and mobile devices, people are increasingly suffering from temporary dry eye. 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 for men and women of all ages.

Size of the global dry eye disease market

The total global market for DED 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 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 can reduce 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 drivers are the lack of effective drugs that provide patients with effective relief from chronic dry eye disease and an ageing population in which chronic dry eye disease is more prevalent.

There are several types of chronic dry eye and a single medical solution for all types of problems does not currently exist. There are several new products under development. 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.

Today, there is also a pronounced need for drug formulations that minimize the number of doses 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 RP101, RP501, 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 the RP101 Phase II clinical trial 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 development

Revenues and expenses

The company did not generate any revenue between 1 January and 30 June 2021. 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

The operating profit for the period 1 January–30 June 2021 amounts to kSEK -10,916 (-8,026).

Financial position and liquidity

At 30 June 2021, the company's liquid assets totalled kSEK 22,240 (6,345). The Equity/assets ratio was 81% (48). The company's shareholder equity amounted to kSEK 23,510 (6,287).
Cash flow from current operations during the period totalled kSEK -12,072 (-3,980).

Investments

During the period 1 January– 30 June 2021, the company did not invest in any tangible or intangible fixed assets.

Accounting principles

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

Risks and uncertainty

In conjunction with the preferential rights issue that was completed in February 2021, a detailed review was performed of the risks associated with the company's operations. No new risks have been identified subsequently. Risks and uncertainty are reported in the information memorandum that was prepared in conjunction with the issue and is published on the Redwood Pharma website, www.redwoodpharma.com.

Change in the number of outstanding shares

Opening balance January 1 2020	**14,698,693**
Share subscription exchange in June	293,716
Rights issue registered in November	866,654
Closing balance December 31 2020	**15,859,063**
Share subscription exchange in February	4,879,708
Closing balance June 30 2021	**20,738,771**

Stockholm, 27 August 2021

Gunnar Mattsson
Chairman

Martin Vidaeus
CEO

Göran Eckerwall

Ingrid Atteryd-Heiman

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

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Upcoming reports

Interim report, Jan–Sept 2021	**16 Nov 2021**
Year-end report 2021	**16 Feb 2022**

Results in brief	2021 Apr–Jun	2020 Apr–Jun	2021 Jan–Jun	2020 Jan–Jun	2020 Jan–Dec
Net revenue	0	0	0	0	0
Other operating income	0	23 774	758	23 803	31 661
Operating expenses					
Other external costs	-5 766 894	-2 435 625	-8 992 708	-6 166 232	-11 249 023
Personnel costs	-1 214 033	-1 182 218	-1 923 790	-1 883 535	-3 305 332
Total operating expenses	**-6 980 927**	**-3 617 843**	**-10 916 498**	**-8 049 767**	**-14 554 355**
Operating profit	**-6 980 927**	**-3 594 069**	**-10 915 740**	**-8 025 964**	**-14 522 694**
Gains/losses from financial investments					
Interest income	0	0	0	0	0
Interest expenses	-602	-262	-360 602	-301	-2 513
Consolidated profit/loss from financial items	**-6 981 529**	**-3 594 331**	**-11 276 342**	**-8 026 265**	**-14 525 207**
Income tax expense	0	0	0	0	0
Profit/loss after tax	**-6 981 529**	**-3 594 331**	**-11 276 342**	**-8 026 265**	**-14 525 207**

Balance sheet	2021 30 Jun	2020 31 Dec	2020 30 Jun
Assets			
Non-current assets			
Intangible fixed assets			
Patent, licenses and development costs	5,938,275	5,938,275	5,938,275
Financial assets			
Other long-term assets	46,176	43,780	43,780
Total non-current assets	**5,984,451**	**5,982,055**	**5,982,055**
Current assets			
Current receivables			
Other receivables	583,020	139,668	192,426
Prepaid costs and accrued revenue	52,366	119,026	492,280
Cash and cash equivalents	22,240,280	6,606,326	6,344,700
Total current assets	**22,875,666**	**6,865,020**	**7,029,406**
Total assets	**28,860,117**	**12,847,075**	**13,011,461**

Balance sheet	2021 30 Jun	2020 31 Dec	2020 30 Jun
Equity and liabilites			
Equity			
Restricted equity	4,147,755	3,171,813	2,998,482
Unrestricted equity			
Share premium reserve	26,730,177	9,222,068	1,717,573
Retained earnings	3,908,490	9,211,629	9,597,685
Profit/loss for the period	-11,276,342	-14,525,206	-8,026,265
Total equity	**23,510,080**	**7,080,304**	**6,287,475**
Current liabilities			
Accounts payable	2,538,854	706,605	1,689,161
Other current liabilities	460,554	4,748,564	4,723,223
Accrued costs and prepaid costs	2,350,629	311,60	311,602
Total current liabilities	**5,350,037**	**5,766,771**	**6,723,986**
Total equity and current liabilities	**28,860,117**	**12,847,075**	**13,011,461**

Changes in shareholder equity

	Share capital	Share premium reserve	Retained earnings and earnings for the period	Total equity
Shareholder equity 2020-01-01	**2,939,739**	**14,564,660**	**-5,353,032**	**12,151,368**
Warrants		-14,564,660	14,564,660	
Issue expenses	232,074	9,956,864		10,188,938
Moved share premium		-734 796		-734 796
Profit/loss for the period			-14,525,206	-14,525,206
Closing balance 2020-12-31	**3,171,813**	**9,222,068**	**-5,313,578**	**7,080,304**
Warrants		-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
Profit/loss for the period			-11,276,342	-11,276,342
Closing balance 2020-03-31	**4,147,755**	**26,730,176**	**-7,367,852**	**23,510,080**

Key ratios

	6 months Jan–Jun 2021	6 months Jan–Jun 2020	12 months Jan–Dec 2020
Adjusted equity	23,510,080	6,287,475	7,080,304
Equity ratio, %	81.5	48.3	55.1
Cash liquidity	4.3	1	1.2
Dividend	0	0	0
Profit/loss per share	-0.41	-0.54	-0.97
Equity per share	1.19	0.42	0.47
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	0	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	2021 Jan–Jun	2020 Jan–Jun	2020 Jan–Dec
Operating activities			
Profit/loss after financial items	-11,276,342	-8,026,265	-14,525,207
Cash flow before changes in working capital	**-11,276,342**	**-8,026,265**	**-14,525,207**
Changes in operating receivables	-379,087	-410,560	15,452
Changes in operating liabilites	-416,734	4,457,038	3,499,823
Changes in working capital	**-795,821**	**4,046,478**	**3,515,275**
Cash flow from operating activities	**-12,072,163**	**-3,979,787**	**-11,009,932**
Investment activities			
Cash flow from investment activities	**0**	**0**	**0**
Financing activities			
Rights issue	27,706,117	2,162,372	9,454,143
Cash flow from financing activities	**27,706,117**	**2,162,372**	**9,454,143**
Cash flow for the period	**15,633,954**	**-1,817,414**	**-1,555,789**
Cash and cash equivalents at the beginning of the period	6,606,326	8,162,115	8,162,115
Cash and cash equivalents at the end of the period	22,240,280	6,344,701	6,606,326

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 August 27 2021.