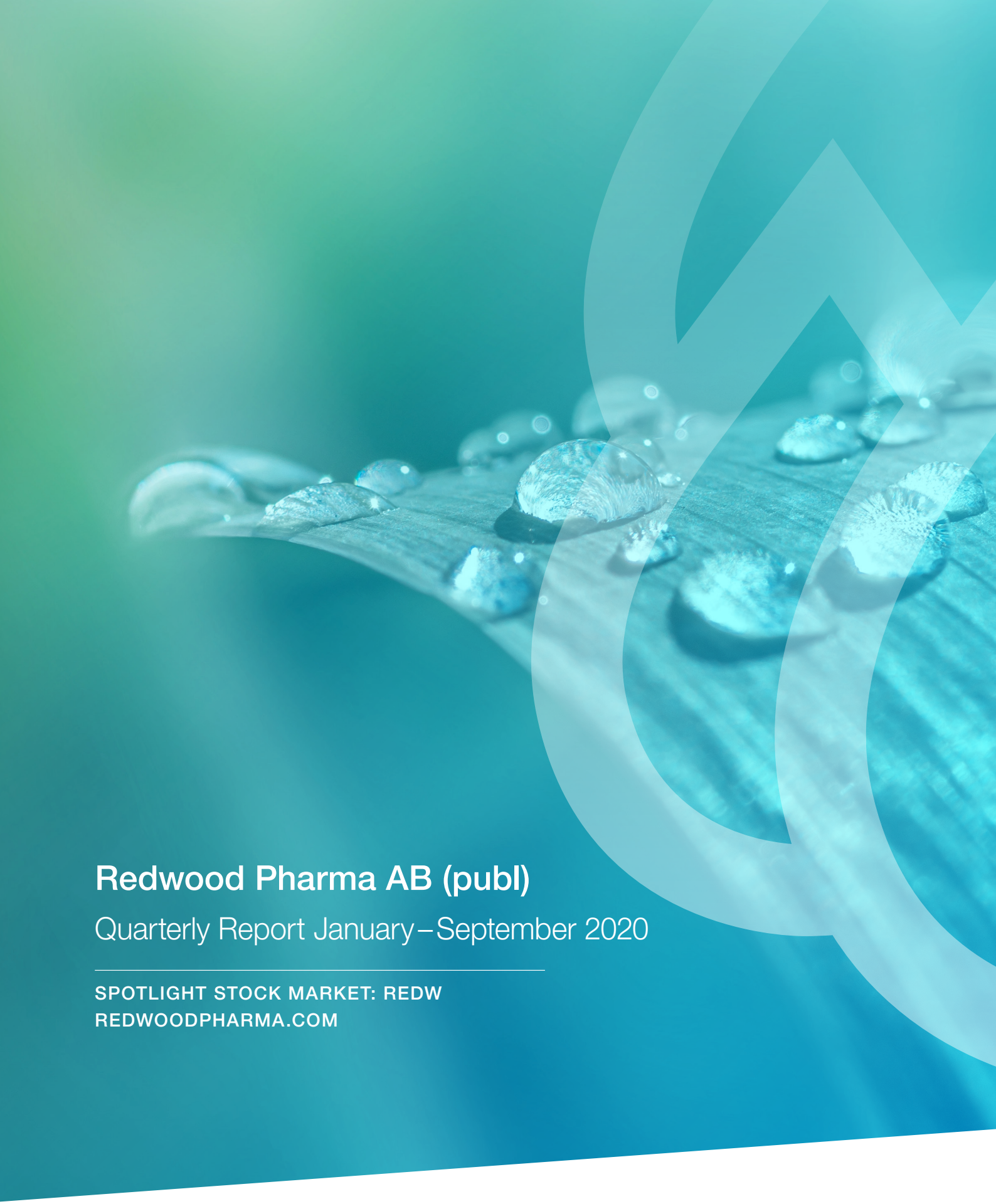


# Redwood Pharma AB (publ)

## Quarterly Report January–September 2020

SPOTLIGHT STOCK MARKET: REDW
REDWOODPHARMA.COM

RedwoodPharma

# Redwood Pharma AB (publ)
# Quarterly Report
# January – September 2020

**1 January – 30 September 2020**

- Net revenue for the period was SEK 0 (0).
- Operating loss for the period amounted to SEK -10,215M (-11,924).
- Loss per share for the period was SEK -0.69 (-1.05).

**Third quarter, 1 July – 30 September 2020**

- Net revenue for the period amounted to SEK 0 (0).
- Operating loss for the period amounted to SEK -2,188M (-4,299).
- Loss per share for the period was SEK -0.15 (-0.34).

.

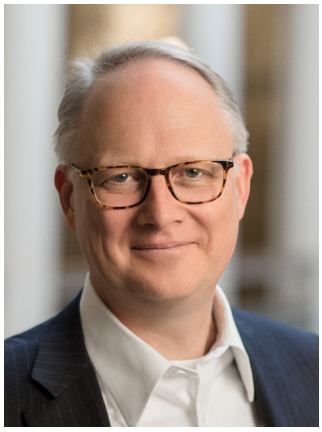
**Important events during the period**

- A new patent for the exclusive use of estrogen in the treatment of dry eye disease was granted in the US. The new patent will complement the existing patent protection for RP101, which includes the use of IntelliGel in the US. Redwood Pharma's estrogen treatment will therefore be well-protected, through exclusivity both for the use of the active substance and the drug delivery system.
- Redwood Pharma launched a new development program for the treatment of mild dry eye named RP501. The program is based on findings from the recently conducted Phase II clinical trial of RP101. On its own IntelliGel showed significant activity in safely relieving both objective measurement points and subjective symptoms of dry eye. RP501 is intended to treat a broad patient population of both men and women suffering from mild dry eye.

**Important events after the end of the period**

- The company received approximately SEK 8.1 million in conjunction with the redemption of the TO3 warrant.

# Comments from the CEO



**” RP501 has the potential to become a non-prescription based product in both the US and Europe ”**

Redwood Pharma is facing a new chapter in its work of developing new therapies in ophthalmology where considerable medical need exists. In the spring, we published successful results from the Phase II clinical trial of RP101. In parallel with ongoing discussions with potential partners about the next phase of development and commercialization of RP101, Redwood Pharma is continuing its work. We are planning for further studies ahead of future Phase III clinical trials of RP101. In addition, Redwood Pharma has now officially launched RP501, an entirely separate development program for the treatment of mild dry eye based on IntelliGel.

There are many different causes of dry eyes and therefore there is still no single therapy that can treat everyone who suffers from the problem appropriately. Today’s leading prescription therapies target symptomatic inflammation for more troublesome Dry Eye Disease (DED). Patients who have mild dry eyes use treatments with, in many cases, several daily doses of artificial tears. Clearly, mildly affected DED patients differ from those with moderate to severe problems. The former patient segment needs intermittent treatment, while the latter has more serious underlying biological problems that require continuous daily treatment. We now plan to develop new products to meet different patient groups with dry eyes.

RP101 is being developed to treat a large, neglected segment of moderately to severely affected patients – post-menopausal women in particular. In the Phase II clinical trial of RP101, Redwood Pharma found it not just to be safe and effective. We also found that the drug delivery platform IntelliGel can, on its own, provide relief to patients suffering from mild dry eye. IntelliGel showed efficacy in objective endpoints and a number of subjective symptoms. Where many of today’s artificial tear products lack convincing clinical data, IntelliGel has the potential to stand out on the market. A recent market study of patients with mild dry eyes confirms the need for such a new therapy in the US and Europe. The new RP501 development program meets the need for temporary relief for both men and women of all ages.

Work is now underway to establish regulatory strategies and strategies for continued development. We believe that there is potential for RP501 to become a non-prescription product in the US and Europe, which would make development faster and cheaper. RP501 also expands opportunities for more potential partners as it will be likely that the product can be sold through non-pharmaceutical channels.

I would like to thank our shareholders for their continued support and look forward to reporting more exciting news in the coming months.

Martin Vidaeus,
Redwood Pharma CEO

# 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. The second program, RP501, is being developed to help patients with mild dry eye using treatment with IntelliGel without an active substance. IntelliGel can probably also be used to improve dosages of other established and new ophthalmic drugs. Redwood Pharma focuses on early-stage clinical development.

### RP101: a prescription 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 confirmed results from two previous clinical Phase II trials in the US. And in Redwood Pharma's recently completed Phase II trial in Europe RP101 exhibited safety and efficacy with doses of up to twice a day.

### RP501: a treatment for temporary relief for sufferers of mild DED

With an aging 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 that it can help those with dry eye problems with just one or two instillations a day. RP501 has the potential to provide temporary relief to 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 so-called drug delivery platform that controls the release of a drug and gives its active ingredients the opportunity to act for a longer period which can in turn result in a reduction in the number of instillations. The platform also creates additional commercial opportunities in that 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 reasons are the lack of effective drugs that provide patients with effective relief from chronic dry eye and an aging population in which chronic dry eye is more prevalent.

There are several types of chronic dry eye and a universal medical solution for all types of the disease does not currently exist. There are several new products that are 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 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 Phase II clinical trial of RP101 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 larger drug companies, the company will receive payments upon achieving milestones and through 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 agreements to maximize the value of the company.

# Financial results

### Revenues and expenses

The company did not generate any income between 1 January – 30 September 2020. 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

Operating loss for the period 1 January – 30 September 2020 was SEK -10,215M (-11,924). Operating loss for the period 1 July – 30 September 2020 was SEK -2,188 (-4,299).

### Financial position and liquidity

As of 30 September 2020, the company's liquid assets amounted to SEK 2,726M (14,140). The ratio of shareholder equity to total assets was 43% (74). The company's shareholder equity amounted to SEK 4,099M (16,025).

The company received SEK 4.5M through a bridging loan in June. This loan was extended by one month and is due to be repaid on 30 November 2020.

Cashflow from day-to-day operations for the period amounted to SEK -7,599M (-8,702).

### Investments

During the period 1 January – 30 September 2020, the company did not invest in tangible or intangible fixed assets.

### Accounting principles

This interim 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 September 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 balance January 1, 2019** | **12,499,874** |
| Stock subscription exchange in January | 184,636 |
| New issues registered in October | 2,014,183 |
| **Closing balance December 31, 2019** | **14,698,693** |
| Share subscription exchange in June | 293,716 |
| **Closing balance 2020-09-30** | **14,992,409** |

Stockholm November 17 2020

Gunnar Mattsson
Chairman

Martin Vidaeus
CEO

Hans Ageland

Ingrid Atteryd-Heiman

Mats Lidgard

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

**For more details, please contact:**

Martin Vidaeus CEO on +46 (0) 70 232 29 29, or martin.vidaeus@redwoodpharma.com.

**Upcoming financial reports**

| | |
|---|---|
| **Year-end financial statements 2020** | **17 February 2021** |

| Results in brief | 2020 Jul-Sep | 2019 Jul-Sep | 2020 Jan-Sep | 2019 Jan-Sep | 2019 Jan-Dec |
|---|---|---|---|---|---|
| Net revenue | 0 | 0 | 0 | 0 | 0 |
| Other operating income | 7,684 | 18,188 | 31,487 | 27,733 | 34,526 |
| **Operating expenses** | | | | | |
| Other external costs | -1,481,932 | -3,358,372 | -7,648,164 | -9,191,465 | -12,321,645 |
| Personnel costs | -711,934 | -713,194 | -2,595,469 | -2,514,792 | -3,224,926 |
| **Total operating expenses** | **-2,193,866** | **-4,071,566** | **-10,243,633** | **-11,706,257** | **-15,546,571** |
| **Operating profit** | **-2,186,182** | **-4,053,378** | **-10,212,146** | **-11,678,524** | **-15,512,045** |
| Gains/losses from financial investments | | | | | |
| Interest expenses | -2,212 | -245,500 | -2,513 | -245,506 | -245,753 |
| Consolidated profit/loss from financial items | -2,188,394 | -4,298,878 | -10,214,659 | -11,924,030 | -15,757,798 |
| Income tax expense | 0 | 0 | 0 | 0 | 0 |
| **Results for the Period** | **-2,188,394** | **-4,298,878** | **-10,214,659** | **-11,924,030** | **-15,757,798** |

| Balance sheet | 2020 30 Sep | 2019 30 Sep | 2019 31 Dec |
|---|---|---|---|
| **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 | 43,780 | 43,780 | 43,780 |
| **Total non-current assets** | **5,982,055** | **5,982,055** | **5,982,055** |
| **Current assets** | | | |
| Current receivables | | | |
| Other receivables | 146,784 | 364,522 | 159,072 |
| Prepaid costs and accrued revenue | 595,842 | 145,442 | 115,074 |
| Cash and cash equivalents | 2,725,970 | 14,140,374 | 8,162,115 |
| **Total current assets** | **3,468,596** | **14,650,338** | **8,436,261** |
| **Total assets** | **9,450,651** | **20,632,393** | **14,418,316** |

| Balance sheet | 2020 30 Sep | 2019 30 Sep | 2019 31 Dec |
|---|---|---|---|
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Restricted equity | 2,998,482 | 2,536,902 | 2,939,739 |
| **Unrestricted equity** | | | |
| Share premium reserve | 16,668,290 | 37,911,223 | 14,564,660 |
| Retained earnings | -5,353,031 | -12,901,593 | 10,404,767 |
| Profit/loss for the period | -10,214,659 | -11,924,030 | -15,757,798 |
| **Total equityTotal equity** | **4,099,082** | **16,025,339** | **12,151,368** |
| **Current liabilities** | | | |
| Accounts payable | 298,771 | 285,372 | 969,186 |
| Other current liabilities | 4,741,196 | 1,868,572 | 257,087 |
| Accrued costs and prepaid costs | 311,602 | 2,453,110 | 1,040,675 |
| **Total current liabilities** | **5,351,569** | **4,607,054** | **2,266,948** |
| **Total equity and current liabilities** | **9,450,651** | **20,632,393** | **14,418,316** |

| Changes in shareholder equity | Share capital | Unregistered share capital | Share premium reserve | Retained earnings and earnings for the period | Total equity |
|---|---|---|---|---|---|
| **Shareholder equity January 1, 2019** | **2,499,975** | **–** | **23,306,359** | **-12,901,593** | **12,904,741** |
| Exchange convertible bond | | | | | |
| January 14, 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 | | | |
| Moved share premium | | | -23,306,359 | 23,306,359 | |
| Profit/loss for the period | | | | -15,757,798 | -15,757,798 |
| **Closing balance December 31, 2019** | **2,939,739** | **–** | **14,564,660** | **-5,353,032** | **12,151,368** |
| Warrants | 58,743 | | 2,103,631 | | 2,162,374 |
| Profit/loss for the period | | | | -10,214,659 | -10,214,659 |
| **Closing balance September 30, 2020** | **2,998,482** | **–** | **16,668,291** | **-15,567,691** | **4,099,082** |

| Key ratios | 9 months Jan-Sep 2020 | 9 months Jan-Sep 2019 | 12 months Jan-Dec 2019 |
|---|---|---|---|
| Adjusted equity | 4,099,082 | 13,924,153 | 12,151,368 |
| Equity ratio, % | 43.4 | 73.5 | 84.3 |
| Cash liquidity | 0.6 | 2.6 | 3.7 |
| Dividend | 0.00 | 0.00 | 0.00 |
| Profit/loss per share | -0.69 | -1.05 | -1.07 |
| Equity per share | 0.27 | 1.14 | 0.83 |
| 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 78% of untaxed reserves |
| Equity ratio | Adjusted equity/total assets |
| Cash liquidity | Current assets excluding inventory/current liabilities |

| Cash flow statement | 2020 Jan-Sep | 2019 Jan-Sep | 2019 Jan-Dec |
|---|---|---|---|
| **Operating activities** | | | |
| Profit/loss after financial items | -10,214,659 | -11,924,030 | -15,757,798 |
| Cash flow before changes in working capital | -10,214,659 | -11,924,030 | -15,757,798 |
| Changes in operating receivables | -468,480 | -277,331 | 58,549 |
| Changes in operating liabilities | 3,084,621 | 3,498,942 | -837,195 |
| **Changes in working capital** | **2,616,141** | **3,221,611** | **-778,646** |
| **Cash flow from operating activities** | **-7,598,518** | **-8,702,419** | **-16,536,444** |
| **Investment activities** | | | |
| **Cash flow from investment activities** | **0** | **0** | **0** |
| **Financing activities** | | | |
| Rights issue | 2,162,373 | 14,044,628 | 14,004,423 |
| **Cash flow from financing activities** | **2,162,373** | **14,044,628** | **14,004,423** |
| **Cash flow for the period** | **-5,436,145** | **5,342,209** | **-2,532,021** |
| Cash and cash equivalents at the beginning of the period | 8,162,115 | 14,217,042 | 10,694,136 |
| Cash and cash equivalents at the end of the period | 2,725,970 | 19,559,251 | 8,162,115 |

*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 17 November, 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.*