



*ChronTech has developed and further develops a patent pending new type of injection needle for a more effective uptake of genetic vaccines (IVIN) and vaccine and therapy for hepatitis D. ChronTech also have part ownership in the new platform technology RAS®. The ChronTech share is admitted to trade on First North. Remium Nordic AB is Certified Adviser for ChronTech. For more information, please visit: [www.chrontech.se](http://www.chrontech.se)*

## INTERIM REPORT JANUARY-MARCH 2014 CHRONTECH PHARMA

- Research and development costs amounted to SEK 0.4 (0.0) m
- Loss after tax was SEK -1.4 (-1.5) m
- Earnings per share were SEK -0.01 (-0.01)
- The company had no net sales for the period
- ChronTech's therapeutic hepatitis D vaccine activates an immune response that can enter the liver and eliminate liver cells that produce parts of HDV

### EVENTS AFTER THE END OF THE REPORTING PERIOD

- Another 8,356,123 convertibles have been converted into shares during the period. 78,501,660 convertibles of the 100,862,727 convertibles subscribed for in September 2013 have now been converted into shares.

In the event of any discrepancy between the Swedish and English Interim Report, the Swedish version will take precedence.

## OPERATIONS

After the sale of the hepatitis B and C technologies to an Irish company, Avac Pharma Ltd, ChronTech holds the entire needle technology IVIN, early projects concerning hepatitis D-therapy and T-cells therapy of hepatitis C, as well as the 20-percentage ownership in Opsonic Therapeutics Inc.

### *IVIN, a new way to administer DNA*

To solve the problem with uptake of DNA into cells the researchers at ChronTech have developed a technique, which through a concentrated direction of injection result in a considerable stronger production of the vaccine protein as compared to what is achieved with regular injection needles. ChronTech has applied for patent for this new injection needle. During 2010 industrial development of IVIN started through the consulting firm Team Consulting in England. They have specialized in the development of medical device products, in particular in delivery systems. Among other things they have earlier on a consulting basis developed auto injectors. The first prototypes of IVIN were delivered during the month of October 2010 and needles and prototypes for controlled injection for preclinical studies were delivered during the second and fourth quarter of 2011. The idea behind IVIN is that an increased pressure in the tissue makes the cells more apt to take up molecules like DNA. The Company has now combined IVIN with electroporation, which is another technology for increased DNA uptake. The combination of the two technologies has resulted in a much higher uptake of DNA than each technology by itself. The development work to electrify IVIN is planned. A user-friendly and improved IVIN has now been constructed. Team Consulting will also deliver an entire production line. IVIN will form the basis for the clinical development of the HCV vaccine and HBV vaccine, which have been sold to Avac Pharma Ltd, the company which according to the sales contract will pay for the clinical development of IVIN at a cost up to 1.5 million USD.

The results from using IVIN in both small and large animals have been positive. IVIN technology allows for lower vaccine doses with maintained efficacy.

### Hepatitis D

ChronTech's has applied for patent applications for new types of treatment of hepatitis D. Hepatitis D is a virus that infects simultaneously with hepatitis B and approximately 5% of all carriers of hepatitis B are doubly infected with hepatitis D, which worsen the prognosis of the infection. Unfortunately, today there is no good treatment for hepatitis D infection and the treatment for hepatitis B does not usually work against hepatitis D. This will be one of ChronTech's main targets besides IVIN.

### T cell therapy

ChronTech has applied for patents for the redirection of T-cells against new targets using gene therapy. This technology could be used against a number of viruses and the development costs are relatively low, only DNA plasmids have to be produced. Besides, this type of therapy can be developed at a relatively fast pace.

### Patents

ChronTech's strategy is to secure patent protection in the regions significant to the company, i.e. North America, Europe and Asia. The patent portfolio consists of 24 approved patents and 30 patents pending as of March 31, 2014. Those patents concerning ChronVac-C, i.e. Bvacc and Cvacc have been transferred to Avac Pharma Ltd during the period.

### Board

The Annual General Meeting on June 26, 2013 resolved to re-elect Thomas Lynch, Anders Vahlne and Matti Sällberg as members of the Board. In addition, Bengt Hemmingsson, was elected as member of the Board. Thomas Lynch was re-elected as Chairman of the Board. The Meeting resolved that no directors' fees shall be payable.

### Employees

The company had 3 (5) employees at the end of the period, whereof 2 part-time employed.

### Profit/Loss

The company had no net sales for the period.

Operating costs were SEK 1.4 (1.4) m for the first quarter 2014.

The loss after financial items was SEK -1.4 (-1.5) m for the first quarter 2014.

Research and development costs were SEK 0.4 (0.0) m for the first quarter 2014, of which external researchers and subcontractors SEK 0.4 (0.0) m.

### Investments

#### *Investments in tangible fixed assets*

Net investments in equipment amounted to SEK 0.0 (0.0) m for the first quarter 2014.

### Financial Position

The company's liquid assets amounted to SEK 0.1 (0.6) m as of 31 March 2014.

Current liabilities amounted to SEK 2.6 (11.7) m as of 31 March 2014, of which short-term convertibles were SEK 1.3 (-) m.

As of 31 March 2014, shareholders' equity was SEK 5.6 (-9.6) m.

As of 31 March 2014 the company share capital amounts to SEK 8,406,813.42, including SEK 250,683.69 paid-up (refers to exchange of convertibles to interim shares) but not yet registered at the Swedish Companies Registration Office.

As of 31 March 2014 the number of shares was 280,227,114, including 8,356,123 paid-up (refers to exchange of convertibles to interim shares) but not yet registered at the Swedish Companies Registration Office. Each share has a nominal value of SEK 0.03.

The Board continues to work to solve the future financing.

### Rights issues

In September 2013 the company carried out new issues with preferential rights for existing shareholders. One existing share gave two separate subscription rights, one concerning the subscription for one share at SEK 0.03 (totally 100,862,727 shares) and one concerning the subscription of one convertible at SEK 0.06 (totally 100,862,727 convertibles). The issue for subscription of shares was oversubscribed by more than 100 % and that the issue for convertibles was slightly oversubscribed. The company raised SEK 9 m before transaction costs.

The convertible loan with accrued interest is due for payment on the 30th of September 2014 in as much conversion to stock has not been made before this date. The loan will run at an annual interest of 10 per cent from the 1st of October 2013 up to the 30th of September 2014. In the event of conversion there will be no interest. As of 31 March 2014, 78,501,660 convertibles have been converted into shares and after this conversion there are 22,361,067 convertibles remaining (SEK 1.3 m, excl. interest).

The aim of the rights issue and the convertible loan was to secure the Company's business for at least one year. ChronTech will concentrate its activities around the Company's new injection technology, new prevention and treatment against hepatitis D virus infection, and the ownership in the American company Opsonic.

### Stock option plan

The company has no staff stock option plan.

### Authorization to issue new shares, warrants and convertible debentures

The Annual General Meeting on June 26, 2013 resolved to authorize the Board to resolve, at one or more occasions until the next Annual General Meeting, and with or without the shareholders pre-emption rights, to issue new shares, share warrants and/or convertible debentures. Payment shall be made in cash and/or in kind or by set-off or otherwise with conditions. The purpose of the authorization is to enable the Company to raise working capital. The reason for the deviation from the shareholders' pre-emption rights is to facilitate the procurement of capital. If new issue of shares is paid in cash without the shareholders pre-emption rights the issuing conditions must be market oriented. The authorization has partly been exercised, as shown under the heading Financial Position.

### Risks and Uncertainty Factors

The risks are primarily associated with ChronTech's business risk and possibilities to finance the development of the company's technologies.

Another risk ChronTech is exposed to lies in its competitive market, with the risk from competing companies.

The Company's Board has made the collected judgement that IVIN and the hepatitis D projects not only are considerably less costly than the two projects (hepatitis B and C), which were sold to Avac Pharma Ltd, but also have a greater chance to succeed, particularly for a small company like ChronTech.

For a more in-depth discussion of the company's exposure to risk, please refer to the Risk Factors section (pages 14-15) and note 18 of ChronTech's Annual Report 2012 and ChronTech's Prospectus November 2011 (only available in Swedish).

### Events after the end of the reporting period

As of 31 March 2014, another 8,356,123 convertibles have been converted into shares. So far a total of 78,501,660 convertibles have been converted into shares and after this conversion there are 22,361,067 convertibles remaining (SEK 1.3 m).

As of 31 March 2014 the number of shares was 280,227,114, including 8,356,123 interim shares.

As earlier communicated conversions will take place at least once a quarter, starting October 1st 2013 and ending September 30th 2014. The next conversion will take place at the end of this quarter (at the latest). Those who want to exercise their convertibles at this time have to fill out an application form and send it to Remium Nordic AB on June 30 2014 at the latest.

### Accounting Policies

From 2014 onwards, the company will apply the new framework K3 in accordance with the Swedish Accounting Standards Board. The transition

to the K3 framework will not have any significant effects on the accounting.

This Interim Report has been compiled in accordance with the Swedish Accounting Standards Board's general recommendations for voluntary interim reporting, BFNAR 2007:1.

### Related Party Transactions

After the sale of the hepatitis B and C technologies to an Irish company, Avac Pharma Ltd, ChronTech holds the entire needle technology IVIN, early projects concerning hepatitis D-therapy and T-cells therapy of hepatitis C, as well as the 20-percentage ownership in Opsonic Therapeutics Inc.

In the first quarter 2014 there is a receivable for 1 MUSD (AVAC) and receivables regarding disbursements that ChronTech has made for AVAC, and a commitment to fund the development of the IVIN device for use in combination with hepatitis vaccines up to 1.5 MUSD in exchange for a license for use with hepatitis vaccines.

### Forthcoming Financial Reports

Annual Report	May 2014
Annual General Meeting	June 2014
Second-quarter Interim Report 2014	22 August 2014
Third-quarter Interim Report 2014	24 October 2014
Year-end Report 2014	30 January 2015

ChronTech's Annual Report will be available on the company's website and also sent to shareholders on request.

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The Board of Directors and the Chief Executive Officer hereby declare that the Interim Report gives a true and fair view of the company's operations, financial position and results, and that it accurately reviews the material risks and uncertainties facing the company.

Huddinge, Sweden, 9 May 2014

Thomas Lynch  
Chairman

Anders Vahlne  
CEO and Board member

Matti Sällberg  
Board member

Bengt Hemmingsson  
Board member

This Interim Report has not been subject to review by the company's auditors

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## INCOME STATEMENT

SEK m	3 mth. Jan-Mar 2014	3 mth. Jan-Mar 2013	12 mth. Jan-Dec 2013
Net sales	-	-	15.1
Other operating income	0.0	0.0	0.0
<b>Total operating income</b>	<b>0.0</b>	<b>0.0</b>	<b>15.1</b>
<b>Operating costs</b>			
Other external costs <sup>1)</sup>	-0.8	-0.7	-4.2
Payroll costs	-0.5	-0.6	-2.4
Depreciation of tangible fixed assets	-0.1	-0.1	-0.3
<b>Total operating costs</b>	<b>-1.4</b>	<b>-1.4</b>	<b>-6.9</b>
<b>Operating profit/loss</b>	<b>-1.4</b>	<b>-1.4</b>	<b>8.2</b>
<b>Profit/loss from financial investments</b>			
Interest income and similar profit/loss items	0.0	0.0	0.0
Interest costs and similar profit/loss items	-0.0	-0.1	-0.7
<b>Total profit/loss from financial investments</b>	<b>-0.0</b>	<b>-0.1</b>	<b>-0.7</b>
<b>Profit/loss after financial items</b>	<b>-1.4</b>	<b>-1.5</b>	<b>7.5</b>
Tax on net profit/loss	-	-	-
<b>Net profit/loss for the period</b>	<b>-1.4</b>	<b>-1.5</b>	<b>7.5</b>

1) R&D costs specified under key figures on p. 6

## EARNINGS PER SHARE

SEK	3 mth. Jan-Mar 2014	3 mth. Jan-Mar 2013	12 mth. Jan-Dec 2013
Earnings per share	-0.01	-0.01	0.03
Earnings per share after dilution	-0.01	-0.01	0.03
Outstanding average number of shares	271,870,991	263,472,032	224,546,476
Outstanding average number of shares after dilution	n/a	n/a	247,073,611

Earnings per share: net profit/loss divided by the average number of shares. Earnings after dilution: net profit/loss divided by the average number of shares after dilution. Outstanding convertibles give rise to dilution effect when calculating earnings per share for the period January-December 2013. Conversion has been affected for the bonus issue element of consummated rights issues.

## NUMBER OF OUTSTANDING SHARES

	3 mth. Jan-Mar 2014	3 mth. Jan-Mar 2013	12 mth. Jan-Dec 2013
No. of outstanding shares, opening balance	271,870,991	181,137,022	181,137,022
Redemption of shares	-	-	-80,274,295
Rights issue, 100,862,727 shares	-	-	100,862,727
Change of 70,145,537 convertibles to shares	-	-	70,145,537
Change of 8,356,123 convertibles to shares <sup>1)</sup>	8,356,123	-	-
<b>Outstanding number of shares, closing balance</b>	<b>280,227,114</b>	<b>181,137,022</b>	<b>271,870,991</b>

A statement of changes in equity is presented on page 11 in ChronTech's Annual Report 2012, and in ChronTech's Prospectus November 2011, page 39 (only available in Swedish). Conversion has been affected.

1) 8,356,123 interim shares as of 31 March 2014. Registered at the Swedish Companies Registration Office in April 2014.

## BALANCE SHEET

SEK m	31 Mar 2014	31 Mar 2013	31 Dec 2013
Tangible fixed assets	0.6	1.0	0.7
Financial fixed assets	0.1	0.1	0.1
Current receivables	7.3	0.5	7.9
Cash & bank balances	0.1	0.6	0.5
<b>Total assets</b>	<b>8.2</b>	<b>2.2</b>	<b>9.2</b>
Shareholder's equity (see note below)	5.6	-9.6	6.4
Short-term convertibles	1.3	-	1.8
Current liabilities	1.3	11.7	1.0
<b>Total liabilities and shareholder's equity</b>	<b>8.2</b>	<b>2.2</b>	<b>9.2</b>

## STATEMENT OF CHANGES TO SHAREHOLDERS' EQUITY

SEK m	31 Mar 2014	31 Mar 2013	31 Dec 2013
Shareholder's equity, opening balance	6.4	-8.1	-8.1
Rights issue, 100,862,727 shares <sup>1)</sup>	-	-	2.8
Exchange of 70,145,537 convertibles to 70,145,537 shares	-	-	4.2
Exchange of 8,356,123 convertibles to 8,356,123 shares <sup>2)</sup>	0.5	-	-
Net profit/loss	-1.4	-1.5	7.5
<b>Shareholders' equity, closing balance</b>	<b>5.6</b>	<b>-9.6</b>	<b>6.4</b>

1) Includes issue costs of SEK 0.2 m

2) 8,356,123 interim shares as of 31 March 2014. Registered at the Swedish Companies Registration Office in April 2014.

## SHAREHOLDERS' EQUITY PER SHARE

SEK	31 Mar 2014	31 Mar 2013	31 Dec 2013
Shareholders' equity per share	0.02	-0.04	0.02

Shareholders' equity per share: shareholders' equity divided by the number of outstanding shares at the end of the period.  
Conversion has been affected for the bonus issue element of consummated rights issues.

## CASH FLOW STATEMENTS

SEK m	3 mth. Jan-Mar 2014	3 mth. Jan-Mar 2013	12 mth. Jan-Dec 2013
<b>Cash flow from operating activities</b>			
Net profit/loss	-1.4	-1.5	7.5
Depreciation and write-downs	0.1	0.1	0.3
<b>Cash flow from operating activities before change in working capital</b>	<b>-1.3</b>	<b>-1.4</b>	<b>7.8</b>
<b>Cash flow from change in working capital</b>			
Decrease/increase (-) in receivables	0.6	0.3	-7.1
Decrease(-)/increase in current liabilities	0.3	1.6	-9.1
<b>Net cash flow used in operating activities</b>	<b>-0.4</b>	<b>0.5</b>	<b>-8.4</b>
<b>Net cash flow used in investment activities</b>	<b>-0.0</b>	<b>-</b>	<b>-0.0</b>
<b>Cash flow from financing activities</b>			
New issue	-0.0	-	2.8
Convertibles	-	-	6.0
<b>Cash flow from financing activities</b>	<b>-0.0</b>	<b>-</b>	<b>8.8</b>
Cash flow for the period	-0.4	0.5	0.4
Liquid assets, at start of period	0.5	0.1	0.1
<b>Liquid assets, at end of period</b>	<b>0.1</b>	<b>0.6</b>	<b>0.5</b>

## KEY FIGURES

	3 mth. Jan-Mar 2014	3 mth. Jan-Mar 2013	12 mth. Jan-Dec 2013
Equity/assets ratio, %	68.3	neg	69.6
Debt/equity ratio	0.46	neg	0.44
Liquid assets, SEK m	0.1	0.6	0.5
Share risk-bearing capital, %	68.3	neg	69.6
Cash flow for the period, SEK m	-0.4	0.5	0.4
Net investment in tangible fixed assets, SEK m	0.0	-	0.0
Internal research and development (written off), SEK m	0.0	0.0	0.0
External research and development (written off), SEK m	0.4	0.0	1.5
Salaries, benefits and social security costs, SEK m	0.5	0.6	2.4
Average No. of employees	2	3	3