



*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. 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-JUNE 2014 CHRONTECH PHARMA

- Research and development costs amounted to SEK 0.5 (0.9) m
- Loss after tax was SEK -2.3 (-3.6) 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.
- The Annual General Meeting (AGM) on June 18, 2014 resolved to adjourn until August due to negotiations regarding repurchase of the hepatitis technologies.

### EVENTS AFTER THE END OF THE REPORTING PERIOD

- Another 902,896 convertibles have been converted into shares. 79,445,389 convertibles of the 100,862,727 convertibles subscribed for in September 2013 have now been converted into shares.
- At the resumed AGM on August 14th 2014 the largest shareholder with own majority voted against the auditors recommendation to discharge the board members Thomas Lynch, Anders Vahlne and Matti Sällberg from liability, but also voted for re-election of these members together with board member Bengt Hemmingsson. The meeting resolved to amend the Articles of Association with regards to the limits of the maximum and minimum share capital and maximum and minimal outstanding shares. The Board withdrew its proposal regarding authorization to resolve to new issue.
- The license for the RAS technology is reversed to ChronTech Pharma

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

## OPERATIONS

ChronTech is negotiating with AVAC regarding a repurchase of the hepatitis B and C technologies and the IVIN license. Further information will be given when the negotiations have been completed.

### *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 17 approved patents and 30 patents pending as of June 30, 2014. Those patents concerning ChronVac-C, i.e. Bvacc and Cvacc have been transferred to Avac Pharma Ltd.

### **Board**

At the resumed AGM on August 14th 2014 the largest shareholder with own majority voted against the auditors recommendation to discharge the board members Thomas Lynch, Anders Vahlne and Matti Sällberg from liability, but also voted for re-election of these members together with board member Bengt Hemmingsson. 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 (3) 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 1.2 (1.9) m for the second quarter 2014, and

SEK 2.6 (3.3) m for the period January-June 2014.

The loss after financial items was SEK -0.9 (-2.1) m for the second quarter 2014, and SEK -2.3 (-3.6) m for the period January-June 2014.

Research and development costs were SEK 0.1 (0.9) m for the second quarter 2014, of which external researchers and subcontractors SEK 0.1 (0.9) m. Research and development costs were SEK 0.5 (0.9) m for the period January-June 2014, of which the external researchers and subcontractors were SEK 0.5 (0.9) m.

### **Investments**

#### *Investments in tangible fixed assets*

Net investments in equipment amounted to SEK 0.0 (0.0) m for the second quarter 2014, and SEK 0.0 (0.0) m for the period January-June 2014.

### **Financial Position**

The company's liquid assets amounted to SEK 0.0 (0.0) m as of 30 June 2014.

Current liabilities amounted to SEK 3.6 (13.0) m as of 30 June 2014, of which short-term convertibles were SEK 1.3 (-) m, and of which short-term loan were SEK 1.0 m.

As of 30 June 2014, shareholders' equity was SEK 4.7 (-11.6) m.

As of 30 June 2014 the company share capital amounts to SEK 8,435,125.29, including SEK 27,086.88 paid-up (refers to exchange of convertibles to interim shares) but not yet registered at the Swedish Companies Registration Office.

As of 30 June 2014 the number of shares was 281,170,843, including 902,896 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.

On May 30th 2014 the shares in ChronTech was placed on the observation segment due to uncertainty regarding the Company's financial situation.

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 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 30 June 2014, 79,445,389 convertibles have been converted into shares and after this conversion there are 21,417,338 convertibles remaining (SEK 1.3 m, excl. interest).

### **Stock option plan**

The company has no staff stock option plan.

### **Annual General Meeting**

The Annual General Meeting on June 18, 2014 resolved to adjourn the meeting until August due to negotiations regarding the repurchase of the hepatitis technologies, see under heading "Events after the end of the reporting period" on next page.

### **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.

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 2013 and ChronTech's Prospectus November 2011 (only available in Swedish).

## Events after the end of the reporting period

### Conversion of convertibles

As of 30 June 2014, another 902,896 convertibles have been converted into shares. So far a total of 79,445,389 convertibles, of the 100,862,727 convertibles subscribed for in September 2013, have been converted into shares.

As of 30 June 2014 the number of shares was 281,170,843, including 902,896 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 in September 2014. 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 September 15 2014 at the latest.

### Resumed AGM

The Annual General Meeting (resumed) of ChronTech Pharma AB was held in Huddinge on August 14th, 2014.

The Company's Income Statement and Balance Sheet were adopted.

The largest shareholder with own majority voted against the auditors recommendation to discharge the board members Thomas Lynch, Anders Vahlne and Matti Sällberg from liability, but also voted for re-election of these members together with board member Bengt Hemmingsson. Thomas Lynch was re-elected Chairman of the Board. The meeting resolved that no remuneration of the Board should be paid.

It was resolved to re-elect Ernst & Young AB as auditors, with authorized public accountant Marine Gesien as auditor in charge.

The meeting resolved to amend the Articles of Association with regards to the limits of the maximum and minimum share capital and the maximum and minimum number of shares. The share capital shall amount to not less than SEK 8,400,000 and not more than SEK 33,600,000. The number of shares shall amount to not less than 280,000,000 and not more than 1,120,000,000.

The Board withdrew its proposal regarding authorization to resolve to new issue.

*The license for the RAS technology is reversed to ChronTech Pharma*

The license for the RAS technology that Opsonic received in return for 20 % of the company has been reversed to ChronTech Pharma as Opsonic has chosen to go into liquidation.

## 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.

In the second 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

Third-quarter Interim Report 2014

24 October 2014

Year-end Report 2014

30 January 2015

ChronTech's Annual Report is available on the company's website and will also be sent to shareholders on request (only available in Swedish)

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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, 22 August 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. Apr-Jun 2014	3 mth. Apr-Jun 2013	6 mth. Jan-Jun 2014	6 mth. Jan-Jun 2013	12 mth. Jan-Dec 2013
Net sales	-	-	-	-	15.1
Other operating income	0.3	0.0	0.3	0.0	0.0
<b>Total operating income</b>	<b>0.3</b>	<b>0.0</b>	<b>0.3</b>	<b>0.0</b>	<b>15.1</b>
<b>Operating costs</b>					
Other external costs <sup>1)</sup>	-0.5	-1.2	-1.3	-1.9	-4.2
Payroll costs	-0.6	-0.6	-1.1	-1.2	-2.4
Depreciation of tangible fixed assets	-0.1	-0.1	-0.2	-0.2	-0.3
<b>Total operating costs</b>	<b>-1.2</b>	<b>-1.9</b>	<b>-2.6</b>	<b>-3.3</b>	<b>-6.9</b>
<b>Operating profit/loss</b>	<b>-0.9</b>	<b>-1.9</b>	<b>-2.3</b>	<b>-3.3</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	0.0	0.0
Interest costs and similar profit/loss items	-0.0	-0.2	-0.0	-0.3	-0.7
<b>Total profit/loss from financial investments</b>	<b>-0.0</b>	<b>-0.2</b>	<b>-0.0</b>	<b>-0.3</b>	<b>-0.7</b>
<b>Profit/loss after financial items</b>	<b>-0.9</b>	<b>-2.1</b>	<b>-2.3</b>	<b>-3.6</b>	<b>7.5</b>
Tax on net profit/loss	-	-	-	-	-
<b>Net profit/loss for the period</b>	<b>-0.9</b>	<b>-2.1</b>	<b>-2.3</b>	<b>3.6</b>	<b>7.5</b>

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

## EARNINGS PER SHARE

SEK	3 mth. Apr-Jun 2014	3 mth. Apr-Jun 2013	6 mth. Jan-Jun 2014	6 mth. Jan-Jun 2013	12 mth. Jan-Dec 2013
Earnings per share	-0.00	-0.01	-0.01	-0.01	0.03
Earnings per share after dilution	-0.00	-0.01	-0.01	-0.01	0.03
Outstanding average number of shares	280,263,460	263,472,032	276,090,409	263,472,032	224,546,476
Outstanding average number of shares after dilution	n/a	n/a	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. Apr-Jun 2014	3 mth. Apr-Jun 2013	6 mth. Jan-Jun 2014	6 mth. Jan-Jun 2013	12 mth. Jan-Dec 2013
No. of outstanding shares, opening balance	280,227,114	181,137,022	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	-	-	8,356,123	-	-
Change of 40,833 convertibles to shares	40,833	-	40,833	-	-
Change of 902,896 convertibles to shares <sup>1)</sup>	902,896	-	902,896	-	-
<b>Outstanding number of shares, closing balance</b>	<b>281,170,843</b>	<b>181,137,022</b>	<b>281,170,843</b>	<b>181,137,022</b>	<b>271,870,991</b>

A statement of changes in equity is presented in ChronTech's Annual Report 2013 (only available in Swedish). Conversion has been affected.

1) 902,896 interim shares has been registered at the Swedish Companies Registration Office in July 2014.

## BALANCE SHEET

SEK m	30 Jun 2014	30 Jun 2013	31 Dec 2013
Tangible fixed assets	0.6	0.9	0.7
Financial fixed assets	0.1	0.1	0.1
Current receivables	7.6	0.4	7.9
Cash & bank balances	0.0	0.0	0.5
<b>Total assets</b>	<b>8.3</b>	<b>1.4</b>	<b>9.2</b>
Shareholder's equity (see note below)	4.7	-11.6	6.4
Short-term convertibles	1.3	-	1.8
Current liabilities	2.3	13.0	1.0
<b>Total liabilities and shareholder's equity</b>	<b>8.3</b>	<b>1.4</b>	<b>9.2</b>

## STATEMENT OF CHANGES TO SHAREHOLDERS' EQUITY

SEK m	30 Jun 2014	30 Jun 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	0.5	-	-
Exchange of 40,833 convertibles to 40,833 shares	0.0	-	-
Exchange of 902,896 convertibles to 902,896 shares <sup>2)</sup>	0.1	-	-
Net profit/loss	-2.3	-3.6	7.5
<b>Shareholders' equity, closing balance</b>	<b>4.7</b>	<b>-11.6</b>	<b>6.4</b>

1) Includes issue costs of SEK 0.2 m

2) 902,896 interim shares registered at the Swedish Companies Registration Office in July 2014.

## SHAREHOLDERS' EQUITY PER SHARE

SEK	30 Jun 2014	30 Jun 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	6 mth. Jan-Jun 2014	6 mth. Jan-Jun 2013	12 mth. Jan-Dec 2013
<b>Cash flow from operating activities</b>			
Net profit/loss	-2.3	-3.6	7.5
Depreciation and write-downs	0.2	0.2	0.3
<b>Cash flow from operating activities before change in working capital</b>	<b>-2.1</b>	<b>-3.4</b>	<b>7.8</b>
<b>Cash flow from change in working capital</b>			
Decrease/increase (-) in receivables	0.3	0.4	-7.1
Decrease(-)/increase in current liabilities	1.3	2.9	-9.1
<b>Net cash flow used in operating activities</b>	<b>-0.5</b>	<b>-0.1</b>	<b>-8.4</b>
<b>Net cash flow used in investment activities</b>	<b>-0.0</b>	<b>-0.0</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	-0.5	-0.1	0.4
Liquid assets, at start of period	0.5	0.1	0.1
<b>Liquid assets, at end of period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.5</b>

## KEY FIGURES

	3 mth. Apr-Jun 2014	3 mth. Apr-Jun 2013	6 mth. Jan-Jun 2014	6 mth. Jan-Jun 2013	12 mth. Jan-Dec 2013
Equity/assets ratio, %	56.6	neg	56.6	neg	69.6
Debt/equity ratio	0.77	0.0	0.77	0.0	0.44
Liquid assets, SEK m	0.0	0.0	0.0	0.0	0.5
Share risk-bearing capital, %	56.6	neg	56.6	neg	69.6
Cash flow for the period, SEK m	-0.1	-0.6	-0.5	-0.1	0.4
Net investment in tangible fixed assets, SEK m	0.0	0.0	0.0	0.0	0.0
Internal research and development (written off), SEK m	0.0	0.0	0.0	0.0	0.0
External research and development (written off), SEK m	0.1	0.9	0.5	0.9	1.5
Salaries, benefits and social security costs, SEK m	0.6	0.6	1.1	1.2	2.4
Average No. of employees	2	3	2	3	3