



*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 B, hepatitis C and hepatitis D. The ChronTech share is admitted to trade on Nasdaq Stockholm 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-SEPTEMBER 2014 CHRONTECH PHARMA

- Research and development costs amounted to SEK 4.8 (1.7) m
- Loss after tax was SEK -14.7 (9.1) m
- Earnings per share were SEK -0.05 (0.04)
- The company had no net sales for the period.
- The Board continues to work to solve future liquidity and financing.
- ChronTechs 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.
- 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 September 2014, ChronTech has completed a deal with Avac Pharma Ltd about repurchase of the hepatitis technologies which were sold to Avac the summer of 2013.
- A number of presentations on ChronTech's vaccine developments were given at a hepatitis C-virus meeting in Banff, Canada.

### EVENTS AFTER THE END OF THE REPORTING PERIOD

- Just over 93 % of ChronTechs convertibles have been converted into shares.

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

## OPERATIONS

ChronTech has now completed a deal with Irish company Avac Pharma Ltd in which ChronTech repurchases those technologies, i.e. the therapeutic vaccine for the treatment of both chronic hepatitis C-virus infections and chronic hepatitis B-virus infections, which ChronTech sold to Avac the summer of 2013. The consideration for the repurchase is 575,000 USD, which ChronTech borrows from one of its largest shareholders. With this all dealings between the two parties are regulated and closed.

Owing to the financial situation the company has only performed research activities. No pre clinical or clinical studies have been performed.

### *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. The development of IVIN up to clinical testing is estimated to cost 10 MSEK.

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 B*

As for HBV, active work on in preparation for GMP production and toxicological testing is ongoing.

### *Hepatitis C*

At the scientific meeting "HCV 2014" in Banff, Canada, four presentations on ChronTech's studies on its 2nd generation HCV vaccine and IVIN were given. The presentations described the improved efficacy achieved when ChronTech's 2nd generation vaccine was administered with IVIN. Publications on these data in scientific journals are presently being written. At the meeting the need for a vaccine against HCV was discussed in the light of the efficacious oral treatments, which will be introduced during the next years. These treatments will be able to cure >90% of different patient categories. The view of many so called "opinion leaders" was that the development of vaccines against HCV is central for achieving control of the spread of the infection. Considering the cost for these new treatments it is absolutely essential to be able to prevent a cured patient from being re-infected. Thus, being able to offer a prophylactic vaccination to those who have been cured from HCV in order to strengthen their immune response and hence diminish the risk to once more acquire an HCV infection, is an interesting market.

### *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. Today there are unfortunately no good treatment for hepatitis D, nor any prophylactic vaccine that protects those who are carriers of a chronic hepatitis B-virus infection. The development of both a therapeutic and a prophylactic vaccine against hepatitis D will be one of ChronTech's main tracks besides IVIN and the therapeutic hepatitis B-and C-virus vaccines.

### *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.

### *RAS*

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.

### *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 77 approved patents and 39 patents pending as of September 30, 2014. Those patents regarding ChronVac-C, Bvacc and Cvacc, which ChronTech sold to Avac the summer of 2013, have now been repurchased by ChronTech.

### *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 12.2 (2.2) m for the third quarter 2014, and SEK 14.8 (5.5) m for the period January-September 2014. These costs include repurchase of hepatitis B and hepatitis C from Avac Pharma Ltd with SEK 4.1 m, and the write-down of the receivable (Avac) that occurred as a result of the purchase.

The loss after financial items was SEK -12.4 (12.7) m for the third quarter 2014, and SEK -14.7 (9.1) m for the period January-September 2014 (including costs for the repurchase from Avac).

Research and development costs were SEK 4.3 (0.8) m for the third quarter 2014, of which external researchers and subcontractors SEK 4.3 (0.8) m. Research and development costs were SEK 4.8 (1.7) m for the period January-September 2014, of which the external researchers and subcontractors were SEK 4.8 (1.7) m.

### *Investments*

#### *Investments in tangible fixed assets*

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

### *Financial Position*

The company's liquid assets amounted to SEK 0.1 (3.1) m as of 30 September 2014.

Current liabilities amounted to SEK 7.8 (9.2) m as of 30 September 2014, of which short-term loan was SEK 5.0 m. As of 30 September 2014, shareholders' equity was SEK -6.8 (4.0) m.

As of 30 September 2014 the company share capital amounts to SEK 8,870,295.78, including SEK 435,170.49 paid-up (refers to exchange of convertibles to interim shares) but not yet registered at the Swedish Companies Registration Office.

As of 30 September 2014 the number of shares was 295,676,526, including 14,505,683 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 future liquidity and financing. The company has a negative equity as of 30 September 2014. The Board has made a judgment that there are surplus values in the company's projects and therefore considers it to be under no obligation to prepare a balance sheet for liquidation purposes.

### *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 was due for payment on the 30th of September 2014 in as much conversion to stock had not been made before this date. The loan ran 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 was no interest. As of 30 September 2014, 93,951,072 convertibles have been converted into shares, just over 93 %. On 30 September 2014 the remaining convertible loan and accrued interest was transferred to Euroclear for repayment.

### 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 "Resumed AGM" below.

#### 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.

### 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.

### Events after the end of the reporting period

#### Conversion of convertibles

A total of 93,951,072 convertibles (just over 93 %), of the 100,862,727 convertibles subscribed for in September 2013, have been converted into shares.

On 30 September 2014 the remaining loan for not converted convertibles and accrued interest was transferred to Euroclear for repayment.

### Accounting Policies

From 2014 onwards, the company applies the new framework K3 in accordance with the Swedish Accounting Standards Board. The transition to the K3 framework has not had 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

ChronTech has now completed a deal with Irish company Avac Pharma Ltd in which ChronTech repurchases those technologies, i.e. the therapeutic vaccine for the treatment of both chronic hepatitis C-virus infections and chronic hepatitis B-virus infections, which ChronTech sold to Avac the summer of 2013. The consideration for the repurchase is 575,000 USD, which ChronTech borrows from one of its largest shareholders, who has the intention to convert the loan into shares in connection with the next financing. With this all dealings between the two parties are regulated and closed.

### Forthcoming Financial Reports

|                      |                 |
|----------------------|-----------------|
| Year-end Report 2014 | 30 January 2015 |
| Annual Report 2014   | April 2015      |
| AGM                  | May 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, 24 October 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.<br>Jul-Sep 2014 | 3 mth.<br>Jul-Sep 2013 | 9 mth.<br>Jan-Sep 2014 | 9 mth.<br>Jan-Sep 2013 | 12 mth.<br>Jan-Dec 2013 |
|---|------------------------|------------------------|------------------------|------------------------|-------------------------|
| Net sales   | -                      | 15.1                   | -                      | 15.1                   | 15.1                    |
| Other operating income                              | -0.2                   | 0.0                    | 0.1                    | 0.0                    | 0.0                     |
| <b>Total operating income</b>                       | <b>-0.2</b>            | <b>15.1</b>            | <b>0.1</b>             | <b>15.1</b>            | <b>15.1</b>             |
| <b>Operating costs</b>                              |                        |                        |                        |                        |                         |
| Other external costs <sup>1)</sup>                  | -11.7                  | -1.6                   | -13.0                  | -3.5                   | -4.2                    |
| Payroll costs                                       | -0.4                   | -0.5                   | -1.5                   | -1.7                   | -2.4                    |
| Depreciation of tangible fixed assets               | -0.1                   | -0.1                   | -0.3                   | -0.3                   | -0.3                    |
| <b>Total operating costs</b>                        | <b>-12.2</b>           | <b>-2.2</b>            | <b>-14.8</b>           | <b>-5.5</b>            | <b>-6.9</b>             |
| <b>Operating profit/loss</b>                        | <b>-12.4</b>           | <b>12.9</b>            | <b>-14.7</b>           | <b>9.6</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                   | -0.5                   | -0.7                    |
| <b>Total profit/loss from financial investments</b> | <b>0.0</b>             | <b>-0.2</b>            | <b>0.0</b>             | <b>-0.5</b>            | <b>-0.7</b>             |
| <b>Profit/loss after financial items</b>            | <b>-12.4</b>           | <b>12.7</b>            | <b>-14.7</b>           | <b>9.1</b>             | <b>7.5</b>              |
| Tax on net profit/loss                              | -                      | -                      | -                      | -                      | -                       |
| <b>Net profit/loss for the period</b>               | <b>-12.4</b>           | <b>12.7</b>            | <b>-14.7</b>           | <b>9.1</b>             | <b>7.5</b>              |

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

## EARNINGS PER SHARE

| SEK   | 3 mth.<br>Jul-Sep 2014 | 3 mth.<br>Jul-Sep 2013 | 9 mth.<br>Jan-Sep 2014 | 9 mth.<br>Jan-Sep 2013 | 12 mth.<br>Jan-Dec 2013 |
|---|------------------------|------------------------|------------------------|------------------------|-------------------------|
| Earnings per share                                  | -0.04                  | 0.08                   | -0.05                  | 0.04                   | 0.03                    |
| Earnings per share after dilution                   | -0.04                  | 0.08                   | -0.05                  | 0.04                   | 0.03                    |
| Outstanding average number of shares                | 281,170,843            | 165,746,803            | 277,802,497            | 230,538,988            | 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.<br>Jul-Sep 2014 | 3 mth.<br>Jul-Sep 2013 | 9 mth.<br>Jan-Sep 2014 | 9 mth.<br>Jan-Sep 2013 | 12 mth.<br>Jan-Dec 2013 |
|---|------------------------|------------------------|------------------------|------------------------|-------------------------|
| No. of outstanding shares, opening balance                | 281,170,843            | 181,137,022            | 271,870,991            | 181,137,022            | 181,137,022             |
| Redemption of shares                                      | -                      | -80,274,295            | -                      | -80,274,295            | -80,274,295             |
| Rights issue, 100,862,727 shares                          | -                      | 100,862,727            | -                      | 100,862,727            | 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                 | -                      | -                       |
| Change of 902,896 convertibles to shares                  | -                      | -                      | 902,896                | -                      | -                       |
| Change of 14,505,683 convertibles to shares <sup>1)</sup> | 14,505,683             | -                      | 14,505,683             | -                      | -                       |
| <b>Outstanding number of shares, closing balance</b>      | <b>295,676,526</b>     | <b>201,725,454</b>     | <b>295,676,526</b>     | <b>201,725,454</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) 14,505,683 interim shares has been registered at the Swedish Companies Registration Office in October 2014.

## BALANCE SHEET

| SEK m   | 30 Sep 2014 | 30 Sep 2013 | 31 Dec 2013 |
|---|-------------|-------------|-------------|
| Subscribed not yet paid capital                   | -           | 0.7         | -           |
| Tangible fixed assets                             | 0.5         | 0.8         | 0.7         |
| Financial fixed assets                            | 0.1         | 1.7         | 0.1         |
| Current receivables                               | 0.3         | 6.9         | 7.9         |
| Cash & bank balances                              | 0.1         | 3.1         | 0.5         |
| <b>Total assets</b>                               | <b>1.0</b>  | <b>13.2</b> | <b>9.2</b>  |
| Shareholder's equity (see note below)             | -6.8        | 4.0         | 6.4         |
| Short-term convertibles                           | -           | 2.4         | 1.8         |
| Current liabilities                               | 7.8         | 6.8         | 1.0         |
| <b>Total liabilities and shareholder's equity</b> | <b>1.0</b>  | <b>13.2</b> | <b>9.2</b>  |

## STATEMENT OF CHANGES TO SHAREHOLDERS' EQUITY

| SEK m  | 30 Sep 2014 | 30 Sep 2013 | 31 Dec 2013 |
|--|-------------|-------------|-------------|
| Shareholder's equity, opening balance                                  | 6.4         | -8.1        | -8.1        |
| Rights issue, 100,862,727 shares <sup>1)</sup>                         | -           | 2.9         | 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                     | 0.1         | -           | -           |
| Exchange of 14,505,683 convertibles to 14,505,683 shares <sup>2)</sup> | 0.9         | -           | -           |
| Net profit/loss  | -14.7       | 9.1         | 7.5         |
| <b>Shareholders' equity, closing balance</b>                           | <b>-6.8</b> | <b>4.0</b>  | <b>6.4</b>  |

1) Includes issue costs of SEK 0.2 m

2) 14,505,683 interim shares registered at the Swedish Companies Registration Office in October 2014.

## SHAREHOLDERS' EQUITY PER SHARE

| SEK                            | 30 Sep 2014 | 30 Sep 2013 | 31 Dec 2013 |
|--------------------------------|-------------|-------------|-------------|
| Shareholders' equity per share | -0.02       | 0.02        | 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   | 9 mth.<br>Jan-Sep 2014 | 9 mth.<br>Jan-Sep 2013 | 12 mth.<br>Jan-Dec 2013 |
|---|------------------------|------------------------|-------------------------|
| <b>Cash flow from operating activities</b>                                  |                        |                        |                         |
| Net profit/loss   | -14.7                  | 9.1                    | 7.5                     |
| Depreciation  | 0.3                    | 0.3                    | 0.3                     |
| Write-downs of receivables  | 7.0                    | -                      | -                       |
| <b>Cash flow from operating activities before change in working capital</b> | <b>-7.4</b>            | <b>9.4</b>             | <b>7.8</b>              |
| <b>Cash flow from change in working capital</b>                             |                        |                        |                         |
| Decrease/increase (-) in receivables  | 0.6                    | -6.1                   | -7.1                    |
| Decrease(-)/increase in current liabilities                                 | 1.8                    | -2.5                   | -9.1                    |
| <b>Net cash flow used in operating activities</b>                           | <b>-5.0</b>            | <b>0.8</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                   | 2.2                    | 2.8                     |
| Short-term loan   | 5.0                    | -                      | -                       |
| Repayment of convertible loan   | -0.4                   | -                      | 6.0                     |
| <b>Cash flow from financing activities</b>                                  | <b>-0.4</b>            | <b>2.2</b>             | <b>8.8</b>              |
| Cash flow for the period  | -0.4                   | 3.0                    | 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>3.1</b>             | <b>0.5</b>              |

## KEY FIGURES

|  | 3 mth.<br>Jul-Sep 2014 | 3 mth.<br>Jul-Sep 2013 | 9 mth.<br>Jan-Sep 2014 | 9 mth.<br>Jan-Sep 2013 | 12 mth.<br>Jan-Dec 2013 |
|--|------------------------|------------------------|------------------------|------------------------|-------------------------|
| Equity/assets ratio, %                                 | neg                    | 30.3                   | neg                    | 30.3                   | 69.6                    |
| Debt/equity ratio                                      | neg                    | 0.6                    | neg                    | 0.6                    | 0.44                    |
| Liquid assets, SEK m                                   | 0.1                    | 3.1                    | 0.1                    | 3.1                    | 0.5                     |
| Share risk-bearing capital, %                          | neg                    | 30.3                   | neg                    | 30.3                   | 69.6                    |
| Cash flow for the period, SEK m                        | 0.1                    | 3.1                    | -0.4                   | 3.0                    | 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 | 4.3                    | 0.8                    | 4.8                    | 1.7                    | 1.5                     |
| Salaries, benefits and social security costs, SEK m    | 0.4                    | 0.5                    | 1.5                    | 1.7                    | 2.4                     |
| Average No. of employees                               | 2                      | 2                      | 2                      | 2                      | 3                       |