



SERODUS

SERODUS ASA

**Interim report
Second quarter 2018
and subsequent events
(Unaudited)**

September 2018

Q2-2018 Highlights

- Conversion of loan to shares is finalized
- The last share issue is finalized
- Development of SER150 substance synthesis is finalized
SER150 GMP production for clinical use has been initiated

SER150 for Diabetic Kidney Disease

The first clinical SER150 study in patients suffering from Diabetic Kidney Disease and Type 2 Diabetes, a Phase 2a study, demonstrated no safety or tolerability concerns. The study showed statistically significant reduction in urinary content of albumin (ACR) (the secondary study endpoint) which is a strong surrogate marker of kidney damage. As expected in this short dosing period (4 weeks) no changes in kidney function was found.

Development of the 8-synthesis steps of the active SER150 substance is finalized and the material has been characterized. The GMP production of SER150 needed for the clinical study and final toxicological testing has been initiated,

A pharmacological study has been finalized and a large amount of data has been generated. Analysis of these data are ongoing and preliminary analysis show large variations in key parameters in the diabetic rats treated with placebo. Data analysis of SER150 effect on surrogate markers in diabetic rats has thus not been finalized yet.

The current available preclinical toxicological data allow Serodus to dose patients for three months with SER150. In our discussions with potential partners, pharma companies suggested longer treatment periods, e.g. 6 months dosing to see the long term clinical effect of SER150.

During Q2 2018, Serodus attended two international events: BioEquity Europe 2018, a collaborative gathering of the corporate investment communities for the European life sciences, that took place May 2018 in Ghent, Belgium and the Bio International Convention that took place in Boston (June 2018). We met institutional investors as well as private investors and potential partners and updated them on Serodus and the lead SER150 project progress.

Remaining pipeline

Due to financial capability, the other pipeline projects have not been advanced.

Financing

Serodus has had a minimum of financial resources during the last years which permitted Serodus to do only the development activities with the focus on SER150 for the treatment of Diabetic Kidney Disease.

Financials

Serodus has reduced G&A cost as much as possible. Serodus has also focused the sparse financial resources on the SER150 development activities.

However, improving the financial strength is utmost important in order to bring SER150 further forward in development. Various strategies to strengthen the financials are now assessed.

Financial statement for the second quarter 2018 compared to same quarter 2017.

Profit & Loss

(All figures in thousand NOK)

	Q2 '2018	Q2 '2017	YTD 2018	YTD 2017
Operating income				
Revenue	-	-	-	-
Operating expenses				
Cost of sales	-	-	-	-
Project cost	(5.393)	(360)	(5.682)	(2.666)
Personnel expenses	(654)	(1.079)	(2.605)	(3.487)
Depreciation and Amortization of assets	(55)	(45)	(111)	(90)
Other Operating Expenses	(1.506)	(1.696)	(2.308)	(3.266)
Total Operating Expenses	(7.609)	(3.180)	(10.706)	(9.509)
Operating result	(7.609)	(3.180)	(10.706)	(9.509)
Net finance	187	(22)	(386)	(52)
Profit/ (loss) before tax	(7.422)	(3.202)	(11.092)	(9.561)
Tax	-	-	-	-
Profit/ (loss) after tax	(7.422)	(3.202)	(11.092)	(9.561)

Balance Sheet

(All figures in thousand NOK)

30.06.2018

30.06.2017

ASSETS

Assets

Intangible assets	2.343	2.543
Goodwill	599	599
Sum intangible assets	2.942	3.142

Current assets

Other short term receivables	1.692	2.831
Bank	20.386	3.430
Sum Current assets	22.078	6.261

Sum assets	25.020	9.403
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EQUITY AND DEBT

Share capital	106.126	57.853
Share premium reserve	50.948	50.948
Other equity	(4.461)	(4.927)
Capital not registered		
Retained earnings	(129.377)	(105.479)
Sum equity	23.236	(1.605)

Long term debt

Convertible loan	-	9.935
Deferred tax	392	-
Sum long term debt	392	9.935

Short term debt

Accounts payable	829	968
Other short term debt	564	105
Sum short term debt	1.392	1.073

Sum equity and debt	25.020	9.403
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Cash flow

(All figures in thousand NOK)	Q2 '2018	Q2 '2017	YTD 2018	YTD 2017
Cash flow from operating activities				
Ordinary profit/(loss) before tax	(7.422)	(3.202)	(11.092)	(9.561)
Amortization of assets				
Depreciation of assets	55	45	111	90
Placement expenses booked booked directly to equity				
Share based payments				
Changes in accounts receivables, creditors and inventory	128	(339)	(1.567)	(1.549)
Changes in accruals	(1.762)	(995)	(4.872)	(1.047)
Net cash flow from operating activities	(9.002)	(4.491)	(17.420)	(12.067)
Cash flow from investing activities				
Investment in assets	-	-	-	-
net cash flow from investing activities	-	-	-	-
Cash flow from financing activities				
Proceeds from issue of share capital	2.696		45.148	-
Capital not registered				
Convertible loan	(2.551)	6.081	(21.574)	9.935
Emmision acquisition of shares Phlogo				
Issue expences recognized directly in equity				
Repayment of loans				
Net cash flow from financing activities	145	6.081	23.573	9.935
Net changes in cash and cash equivalents	(8.856)	1.590	6.153	(2.132)
Cash and cash equivalents at the beginning of the period	29.242	1.840	14.233	5.562
Cash and cash equivalents at the end of the period	20.386	3.430	20.386	3.430

YTD 2018

(All figures in thousand NOK)	Share capital	Share premium reserve	Other paid inn equity	Retained earnings	Total equity
Equity 01.01.2018	57.853	50.948	(1.336)	(118.326)	(10.860)
- Profit/(loss) for the period				(11.092)	(11.092)
- Other revenue/expenses				-	-
<i>Total comprehensive income</i>	-	-	-	(11.092)	(11.092)
<i>Transaction costs</i>					-
Sharebased payments					-
Conversion of debt	25.229				25.229
Capital not registered					-
Issue of shares	23.044	-	(3.126)		19.918
Foreign exchange change Equity				41	41
Capital reduction					-
Equity 30.06.2018	106.126	50.948	(4.461)	(129.377)	23.236

Key Figures

(All figures in thousand NOK)	Q2 '2018	Q2 '2017	YTD 2018	YTD 2017
Total operating revenue	-	-	-	-
Net operating expenses	(7.609)	(3.180)	(10.706)	(9.509)
Operating profit (loss)	(7.609)	(3.180)	(10.706)	(9.509)
Total comprehensive income(loss) for the period	(7.422)	(3.202)	(11.092)	(9.561)
Diluted earnings (loss) per share	(0,09)	(0,07)	(0,14)	(0,21)
Number of employees	3	4	3	4
Cash and equivalents at end of period	20.386	3.430	20.386	3.430

The Board of Directors and CEO
September 2018
Serodus ASA