



SERODUS

SERODUS ASA

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

February 2019

Q4-2018 Highlights

- Share issue to the 100 largest shareholders ongoing
- SER150 first clinical data was presented at the American Society of Nephrology congress
- Finalized GMP SER150 production for pre-clinical toxicological testing and clinical studies
- Appointed Contract Research Organization for pre-clinical toxicological testing
- Pipeline development strategy has been updated

SER150 for Diabetic Kidney Disease

Analysis of pharmacological study data have been finalized and statistical analysis are ongoing.

It was planned to order capsules for 6-9 months toxicological study however we have been advised that the preferred route of administration should be by gavage of a liquid solution. Capsule production is therefore postponed until late 2019 to be ready for the clinical study.

In the coming clinical studies, patients with type 1 or type 2 diabetes will be dosed for 6 months. Clinical study applications cannot be submitted before the pre-clinical toxicological data are available, expected by end 2019.

SER140 for Type 1 Diabetes patients with residual beta-cell function (“Newly Diagnosed Type 1 Diabetes”)

Serodus is working with detailed development plan for the coming pre-clinical and clinical studies. An orphan drug designation application is in preparations.

SER130 and SER190 for Diabetic Retinopathy and Diabetic Foot Ulcer

Both projects are still at the concept stage.

SER100 for Pulmonary Arterial Hypertension

SER100 was assigned to Serodus ASA from Zealand Pharma A/S in 2010. The first indication Serodus decided to pursue was Isolated Systolic Hypertension and the first small clinical study showed that SER100 decreased an elevated systolic blood pressure during a period of 2 days of dosing twice daily.

SER100 is a peptide and has to be administered subcutaneously and perhaps 2-3 times a day. Serodus was advised from various investors and pharma companies that an oral formulation or at least a subcutaneous depot should be developed in order to be attractive as a new medication. A comprehensive new pharmaceutical development package would induce substantial costs and also prolong the development time until a dose-finding study could be initiated.

Strong pharmacological data and an Orphan Drug Designation for the treatment of patients with pulmonary arterial hypertension was then pursued. Due to the age of composition of matter patent is has been very difficult to create significant interest from other pharma companies and also to create financial support to continue development of SER100 in pulmonary arterial hypertension.

Serodus has consequently decided to stop development of SER100 and has informed Zealand Pharma about this decision.

Financing

Serodus initiated a shared issue to the 100 current largest shareholders which will be followed by inviting all other shareholders to invest. Both subscriptions round will be finalized early 2019.

Serodus received Norwegian tax incentive (Skattefunn) of NOK 1.4 million in return from the 2017 development costs on SER150. This Skattefunn has been extended and will also cover costs inclined during 2018.

Serodus received acceptance from Skattefunn that the Danish Contract Research Laboratory, Gubra, was accepted as a Research laboratory. A number of SER140 and SER150 pharmacological studies have been performed at Gubra.

Financials

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

Project costs in Q4 2018 was considerably lower compared to Q4 2017. This was due to substantial initial costs in Q4 2017 for start-up the production GMP-grade SER150 drug substance for the coming pre-clinical and clinical trials. Production costs were low during Q4 2018.

Personnel expenses were lower in Q4 2018 compared to Q4 2017. This was mainly due to extraordinary Q4 2017 costs in connection with reduction of staff and salaries.

Profit & Loss

(All figures in thousand NOK)	Q4 '2018	Q4 '2017	YTD 2018	YTD 2017
Operating income				
Revenue	-	-	58	-
Operating expenses				
Cost of sales	-	-	-	-
Project cost	(523)	(5.123)	(6.059)	(8.001)
Personnel expenses	(1.523)	(3.117)	(5.712)	(8.716)
Depreciation and Amortization of assets	(45)	(55)	(179)	(179)
Other Operating Expenses	(825)	(142)	(3.596)	(4.626)
Total Operating Expenses	(2.916)	(8.438)	(15.546)	(21.522)
Operating result	(2.916)	(8.438)	(15.488)	(21.522)
Net finance	2	(84)	(400)	(505)
Profit/ (loss) before tax	(2.914)	(8.522)	(15.888)	(22.026)
Tax	-	-	-	-
Profit/ (loss) after tax	(2.914)	(8.522)	(15.888)	(22.026)

Balance Sheet

(All figures in thousand NOK)

31.12.2018

31.12.2017

ASSETS

Assets

Intangible assets	2.232	2.453
Goodwill	599	599
Sum intangible assets	2.831	3.052

Current assets

Other short term receivables	30	1.694
Bank	17.125	14.225
Sum Current assets	17.154	15.919

Sum assets	19.986	18.971
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EQUITY AND DEBT

Share capital	106.418	57.853
Share premium reserve	50.948	50.948
Other equity	(4.461)	(1.336)
Capital not registered		
Retained earnings	(134.213)	(118.326)
Sum equity	18.692	(10.860)

Long term debt

Convertible loan	-	21.574
Deferred tax	392	392
Sum long term debt	392	21.966

Short term debt

Accounts payable	259	2.397
Other short term debt	642	5.469
Sum short term debt	902	7.866

Sum equity and debt	19.986	18.971
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Cash flow

(All figures in thousand NOK)	Q4 '2018	Q4 '2017	YTD 2018	YTD 2017
Cash flow from operating activities				
Ordinary profit/(loss) before tax	(2.914)	(8.522)	(15.888)	(22.026)
Amortization of assets				
Depreciation of assets	45	45	179	179
Placement expenses booked booked directly to equity				
Share based payments		(6)		466
Changes in accounts receivables, creditors and inventory	240	1.067	(2.135)	1.398
Changes in accruals	1.819	7.071	(3.130)	3.954
Net cash flow from operating activities	(810)	(345)	(20.974)	(16.030)
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	293		45.440	
Capital not registered				
Convertible loan	-	4.765	(21.574)	24.700
Emmision acquisition of shares Phlogo				
Issue expences recognized directly in equity				
Repayment of loans				
Net cash flow from financing activities	293	4.765	23.866	24.700
Net changes in cash and cash equivalents	(518)	4.420	2.892	8.670
Cash and cash equivalents at the beginning of the period	17.642	9.805	14.233	5.555
Cash and cash equivalents at the end of the period	17.125	14.225	17.125	14.225

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				(15.888)	(15.888)
- Other revenue/expenses				-	-
<i>Total comprehensive income</i>	-	-	-	(15.888)	(15.888)
<i>Transaction costs</i>					-
Sharebased payments					-
Conversion of debt	25.229				25.229
Capital not registered					-
Issue of shares	23.336	-	(3.126)		20.211
Foreign exchange change Equity					-
Capital reduction					-
Equity 31.12.2018	106.418	50.948	(4.461)	(134.213)	18.692

Key Figures

(All figures in thousand NOK)	Q4 '2018	Q4 '2017	YTD 2018	YTD 2017
Total operating revenue	-	-	58	-
Net operating expenses	(2.916)	(8.438)	(15.546)	(21.522)
Operating profit (loss)	(2.916)	(8.438)	(15.488)	(21.522)
Total comprehensive income(loss) for the period	(2.914)	(8.522)	(15.888)	(22.026)
Diluted earnings (loss) per share	(0,03)	(0,19)	(0,19)	(0,48)
Number of employees	3	4	3	4
Cash and equivalents at end of period	17.125	14.225	17.125	14.225

Board of Directors and CEO
February 2019
Serodus ASA