



SERODUS

SERODUS ASA

**Interim report
Fourth quarter 2019
and subsequent events
(Unaudited)**

February 2020

Q4-2019 Highlights

- Preparation ongoing for new financing of coming clinical study
- Six months toxicological testing of SER150 in 2 animal species finalized
- Preparation and initiation of SER150 capsules production for next clinical study

SER150 for Diabetic Kidney Disease

Toxicological, long-term studies in two animal species were initiated early first quarter 2019. The 6-month dosing period in both species is finalized and the additional 3-month dosing in the non-rodent animal species is finalized in Q1 2020. Draft reports of all studies are expected early Q2 2020.

Together with external diabetes experts coupled with very recent publications from both US FDA and EU EMA, Serodus has decided to change the inclusion criteria of Type 2 Diabetes patients in the next clinical study. Patients must have a well-controlled Type 2 Diabetes and high urinary albumin concentration instead of being selected based on a non-approved biomarker as previously described. In the literature it is described that changes in urinary albumin is a valid biomarker for loss of kidney function.

A workshop sponsored by FDA, EMA and the US National Kidney Foundation (minutes published in August 2019) was followed by Editorials from FDA and EMA which highlighted the authorities focus on urinary albumin and loss of kidney function. The regulatory harmonization of urinary albumine as a valid biomarker in diabetic kidney disease is of great importance for the SER150 development program.

Based on these published notes from the authorities, Serodus has decided to demonstrate that SER150 statistically significantly reduces the urinary albumin during treatment periods longer than 4 weeks.

Fine-tuning of study design and protocol of the next clinical study has continued together with the Clinical Contract House.

SER130 for Diabetic Retinopathy

Nothing to report

SER140

SER140 is an anti-inflammatory compound and based on thorough considerations of the inflammatory cascade involved in diabetic kidney disease Serodus has decided to reconsider the therapeutic focus and evaluate the therapeutic indication and the future patient population who would benefit most from treatment with SER140. This evaluation is ongoing but may take some time to finalize.

Financials

Financial statement for the fourth quarter 2019 compared to same quarter 2018.

Serodus is able to finance development activities into 2020-Q1 but in order to initiate the next clinical study additional funding is needed. Initiatives directed towards the financial community has been on-going throughout 2019-Q4.

Presentations has been held with investors and corporate finance houses and while there is great interest for the SER150 program, no commitment has been reached yet.

Serodus plan to issue an Investment Prospectus in 2020-Q1 with an offering to existing shareholders as authorized by the AGM 2019 to the Board of Directors.

Profit & Loss

(All figures in thousand NOK)	Q4 '2019	Q4 '2018	YTD 2019	YTD 2018
Operating income				
Revenue	-	-	-	58
Operating expenses				
Cost of sales	-	-	-	-
Project cost	(3,924)	(523)	(16,412)	(6,059)
Personnel expenses	(1,248)	(1,523)	(5,723)	(5,712)
Depreciation and Amortization of assets	(45)	(45)	(179)	(179)
Other Operating Expenses	(1,187)	(825)	(4,272)	(3,596)
Total Operating Expenses	(6,404)	(2,916)	(26,585)	(15,546)
Operating result	(6,404)	(2,916)	(26,585)	(15,488)
Net finance	(57)	2	(312)	(400)
Profit/ (loss) before tax	(6,461)	(2,914)	(26,897)	(15,888)
Tax	-	-	-	-
Profit/ (loss) after tax	(6,461)	(2,914)	(26,897)	(15,888)

Balance Sheet

(All figures in thousand NOK)	31.12.2019	31.12.2018
ASSETS		
<i>Assets</i>		
Intangible assets	2,053	2,274
Goodwill	599	599
Sum intangible assets	2,652	2,873
<i>Current assets</i>		
Inventories	5,096	-
Other short term receivables	1,346	66
Bank	12,095	17,132
Sum Current assets	18,537	17,198
Sum assets	21,189	20,071
EQUITY AND DEBT		
Share capital	10,455	106,126
Share premium reserve	()	50,948
Other equity	34,614	(4,461)
Capital not registered		
Retained earnings	(28,844)	(139,418)
Sum equity	16,226	13,194
<i>Long term debt</i>		
Convertible loan	-	-
Deferred tax	362	362
Sum long term debt	362	362
<i>Short term debt</i>		
Accounts payable	3,341	5,715
Other short term debt	1,261	801
Sum short term debt	4,601	6,515
Sum equity and debt	21,189	20,071

Cash flow

(All figures in thousand NOK)	Q4 '2019	Q4 '2018	YTD 2019	YTD 2018
Cash flow from operating activities				
Ordinary profit/(loss) before tax	(6,461)	(2,914)	(26,897)	(15,888)
Amortization of assets				
Depreciation of assets	45	45	179	179
Placement expenses booked booked directly to equity				
Share based payments				
Changes in accounts receivables, creditors and inventory	2,148	240	(7,092)	(2,135)
Changes in accruals	(374)	1,819	(864)	(3,131)
Net cash flow from operating activities	(4,642)	(811)	(34,675)	(20,975)
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	134	293	29,636	45,440
Capital not registered				
Convertible loan	-	-	-	(21,574)
Emmision acquisition of shares Phlogo				
Issue expences recognized directly in equity				
Repayment of loans				
Net cash flow from financing activities	134	293	29,636	23,866
Net changes in cash and cash equivalents	(4,508)	(519)	(5,038)	2,891
Cash and cash equivalents at the beginning of the period	16,604	17,650	17,134	14,240
Cash and cash equivalents at the end of the period	12,095	17,132	12,095	17,132

Equity

YTD 2019

(All figures in thousand NOK)	Share capital	Share premium reserve	Other paid inn equity	Retained earnings	Total equity
Equity 01.01.2019	64,763	50,948	(4,461)	(139,418)	(28,168)
- Profit/(loss) for the period				(26,897)	(26,897)
- Other revenue/expenses				-	-
<i>Total comprehensive income</i>	-	-	-	(26,897)	(26,897)
<i>Transaction costs</i>					-
Sharebased payments			134		134
Conversion of debt					-
Capital not registered	-				-
Issue of shares	71,157				71,157
Foreign exchange change Equity					
Capital reduction	(125,465)	(50,948)	38,942	137,472	-
Equity 31.12.2019	10,455	-	34,614	(28,844)	16,226

Key Figures

(All figures in thousand NOK)	Q4 '2019	Q4 '2018	YTD 2019	YTD 2018
Total operating revenue	-	-	-	58
Net operating expenses	(6,404)	(2,916)	(26,585)	(15,546)
Operating profit (loss)	(6,404)	(2,916)	(26,585)	(15,488)
Total comprehensive income(loss) for the period	(6,461)	(2,914)	(26,897)	(15,888)
Diluted earnings (loss) per share	(0.62)	(0.03)	(2.57)	(0.19)
Number of employees	3	3	3	3
Cash and equivalents at end of period	12,095	17,132	12,095	17,132

Board of Directors and CEO

February 2020

Serodus ASA