

SERODUS

SERODUS ASA

**Report for the fourth quarter of 2016 and
subsequent events
(Un-audited)**

Oslo, 27 February 2017

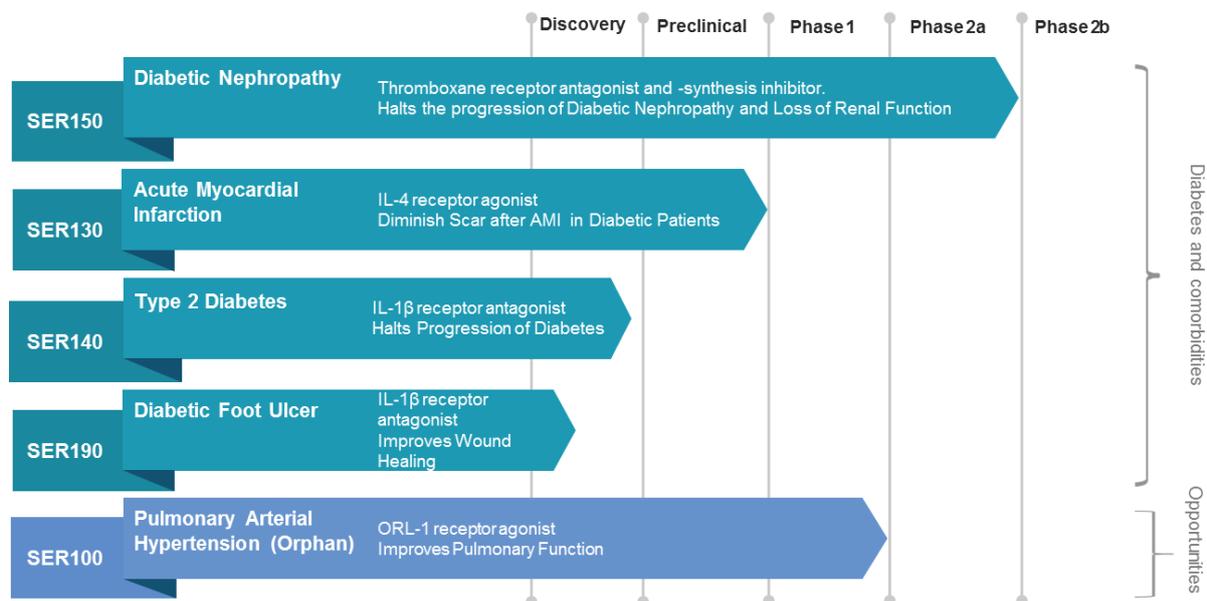
ABOUT SERODUS

Serodus has been delisted from Oslo Axess and is now a private Scandinavian biotech company with approximately 45% Norwegian and 55% international shareholders.

Serodus has during the last year sharpened the therapeutic focus from cardiovascular and metabolic diseases to focus on diabetes and comorbidities. The pipeline fundamentally shifts the current treatment paradigm in Type 2 Diabetes (T2D) by introducing novel anti-inflammatory compounds to T2D and its comorbidities. The pipeline has in addition to Diabetic Nephropathy and Acute Myocardial Infarction in diabetics, been extended with a new anti-inflammatory for Diabetic Foot Ulcer.

In addition, the company has received an orphan drug designation in Pulmonary Arterial Hypertension for its SER100 compound. The company has also performed studies in Isolated Systolic Hypertension for SER100, but has foreseen difficulties in proceeding this project with an alternative route of administration considering the remaining patent lifetime.

T2D is a multifactorial metabolic disorder of epidemic proportions and leads to serious debilitating and fatal comorbidities, such as diabetic nephropathy (DN), acute myocardial infarction (AMI) and diabetic foot ulcers (DFU).



The company's business model is unchanged, and based on in-licensing of promising drug candidates from universities and biotech companies, maturing the candidates and ultimately establishing partnerships with international pharmaceutical companies.

More information can be found at www.serodus.com.

HIGHLIGHTS FOR THE FOURTH QUARTER 2016

SER150 Diabetic Nephropathy

- Database locked late December
- Positive results published 2. January 2017 on Phase 2a study both on primary and secondary endpoint

Finance and Investor Relations

- Company received approval of delisting from Oslo Stock Exchange and is now a private company

OUTLOOK

The Phase 2a safety and tolerability study in patients with Diabetic Nephropathy was finalized and data un-blinded 2 January. The results were positive both on primary and secondary endpoints despite a dosing for just 30 days. A final report is expected late March. Serodus has consequently initiated discussion for the production of drug substance and drug products to be used for a Phase 2b study that is expected to start in 2018.

The phase 2 b study in SER150 along with the continued development of the pipeline is subject to financing. Serodus has entered into an underwriting agreement of a loan up to NOK 15 million that will enable the company to proceed through 2017. Participation in the loan of up to NOK 30 million, will be offered to all current shareholder.

The company is aiming to fund the continued development of the pipeline through fund raising activities towards professional life-science investors, as the company will need to strengthen the equity further.

Serodus has established dialogs with potential partners, and has received significant interest for the Phase 2a results for SER150.

SER150 for Diabetic Nephropathy (DN)

The Phase 2 a study included 72 well controlled patients with diabetic kidney disease treated for 30 days with either 15 mg SER150, 30 mg SER150 or placebo. The treatment period was followed by a 4-week post-dosing follow up. The database was locked followed by statistical evaluation and the results were un-blinded on 2. January 2017.

The primary endpoint of this study was safety and tolerability and the secondary endpoint urinary excretion of albumin, a measure of inflammatory activity in the diabetic kidney.

The headline results from the study was:

Primary endpoint:

- No safety issues, biochemical abnormalities or bleeding tendencies were identified
- Adverse events were evenly distributed between the active and placebo groups and mild to moderate in intensity

Secondary endpoint:

- Statistically significant reduction of urine protein after 4-week treatment with 15 mg twice daily
- Statistically significant reduction of urine protein after 4-week treatment with 30 mg twice daily
- Very strong trend towards reduction of urine protein was observed compared to placebo treatment

For more information about diseases and project please see www.serodus.com.

Interim financial statement Q4 2016

Profit & Loss

<i>(All figures in thousand NOK)</i>	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Operating income				
Revenue	-	-	-	-
Operating expenses				
Cost of sales	-	-	-	-
Personnel expenses	1,860	3,752	9,840	8,578
Depreciation of assets	45	45	179	179
Amortization of assets	-	-	-	-
Other Operating Expenses	2,094	6,949	14,444	21,558
Total Operating Expenses	3,999	10,746	24,463	30,315
Operating result	(3,999)	(10,746)	(24,463)	(30,315)
Financial income				
Interest	47	64	44	170
Other financial income	158	69	221	62
Total Financial income	205	133	265	231
Financial Expenses				
Interest	0	0	1	0
Other Financial Expenses	12	162	195	530
Total financial expenses	12	162	196	530
Net finance	193	(29)	69	(299)
Profit/ (loss) before tax	(3,806)	(10,774)	(24,394)	(30,615)
Tax	(9)	(109)	(125)	(105)
Profit/ (loss) after tax	(3,797)	(10,665)	(24,269)	(30,510)
Earnings per share (NOK)				
Number of shares	44,502,062	36,823,102	44,502,062	36,823,102
Number of stock options/subsription ri	1,925,000	1,240,000	1,925,000	1,240,000
Basic earnings per share	(0.09)	(0.29)	(0.55)	(0.83)
Diluted earnings per share	(0.08)	(0.28)	(0.52)	(0.80)

Statement of comprehensive income

<i>(All figures in thousand NOK)</i>	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Profit/ (loss) after tax	(3,797)	(10,665)	(24,269)	(30,510)
<i>Other comprehensive income:</i>				
Exchange difference on translating foreign operations	(121)	(99)	(142)	(15)
Totalresultat	(3,918)	(10,764)	(24,411)	(30,525)

Balance Sheet

(All figures in thousand NOK)

	12/31/2016	12/31/2015
ASSETS		
<i>Assets</i>		
Intangible assets	2,632	2,811
Goodwill	599	599
Sum intangible assets	3,231	3,410
<i>Current assets</i>		
Other short term receivables	3,131	4,024
Bank	5,555	19,143
Sum Current assets	8,686	23,168
Sum assets	11,918	26,578
EQUITY AND DEBT		
Share capital	57,853	47,870
Share premium reserve	50,948	50,948
Other equity	(4,927)	(4,584)
Capital not registered	-	-
Retained earnings	(96,450)	(72,040)
Sum equity	7,424	22,195
<i>Long term debt</i>		
Deferred tax	479	514
Sum long term debt	479	514
<i>Short term debt</i>		
Accounts payable	2,500	1,699
Other short term debt	1,515	2,170
Sum short term debt	4,014	3,869
Sum equity and debt	11,918	26,578

Cash Flow

<i>(All figures in thousand NOK)</i>	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Cash flow from operating activities				
Ordinary profit/(loss) before tax	(3,927)	(10,873)	(24,536)	(16,233)
Amortization of assets		-		
Depreciation of assets	45	45	179	179
Share based payments	51	142	523	237
Changes in accounts receivables, creditors and inventory	(774)	(171)	801	1,612
Changes in accruals	1,029	4,029	328	(6,713)
Net cash flow from operating activities	(3,576)	(6,828)	(22,705)	(20,919)
Cash flow from investing activities				
Investment in assets	-	-	-	(841)
net cash flow from investing activities	-	-	-	(841)
Cash flow from financing activities				
Proceeds from issue of share capital	-	-	9,983	-
Issue expences recognized directly in equity	-	(1,322)	(866)	(3,493)
Net cash flow from financing activities	-	(1,322)	9,117	(3,493)
Net changes in cash and cash equivalents	(3,576)	(8,150)	(13,588)	4,280
Cash and cash equivalents at the beginning of the period	9,131	27,293	19,143	23,013
Cash and cash equivalents at the end of the period	5,555	19,143	5,555	27,293

Equity

(all figures in thousand NOK)

Q4 2016

	Share capital	Share premium reserve	Other paid inn equity	Retained earnings	Total equity
Equity 01.10.2016	57,853	50,948	(4,978)	(92,532)	11,291
- Profit/(loss) for the period	-	-	-	(3,918)	(3,918)
- Other revenue/expenses	-	-	-	-	-
<i>Total comprehensive income</i>	-	-	-	(3,918)	(3,918)
<i>Transaction costs</i>					-
Sharebased payments			51		51
Equity 31.12.2016	57,853	50,948	(4,927)	(96,450)	7,424

Q4 2015

	Share capital	Share premium reserve	Other paid in equity	Retained earnings	Total equity
Equity 01.10.2015	47,870	50,948	(3,404)	(61,276)	34,139
- Profit/(loss) for the period	-	-	-	(10,764)	(10,764)
- Other revenue/expenses	-	-	-	-	-
<i>Total comprehensive income</i>	-	-	-	(10,764)	(10,764)
<i>Transaction costs</i>			(1,322)		(1,322)
Sharebased payments			142		142
Equity 31.12.2015	47,870	50,948	(4,584)	(72,040)	22,195

YTD 2016

	Share capital	Share premium reserve	Other paid inn equity	Retained earnings	Total equity
Equity 01.01.2016	47,870	50,948	(4,584)	(72,040)	22,195
- Profit/(loss) for the period	-	-	-	(24,411)	(24,411)
- Other revenue/expenses	-	-	-	-	-
<i>Total comprehensive income</i>	-	-	-	(24,411)	(24,411)
<i>Transaction costs</i>					
Sharebased payments			523		523
Issue of shares	9,983		(866)	-	9,117
Equity 31.12.2016	57,853	50,948	(4,927)	(96,450)	7,424

YTD 2015

	Share capital	Share premium reserve	Other paid inn equity	Retained earnings	Total equity
Equity 01.01.2015	35,833	37,985	(1,613)	(41,515)	30,691
- Profit/(loss) for the period	-	-	-	(30,525)	(30,525)
- Other revenue/expenses	-	-	-	-	-
<i>Total comprehensive income</i>	-	-	-	(30,525)	(30,525)
<i>Transaction costs</i>			(3,493)		(3,493)
Sharebased payments			522		522
Issue of shares	12,037	12,963	-	-	25,000
Equity 31.12.2015	47,870	50,948	(4,584)	(72,040)	22,195

Note 1 - General information

Serodus ASA (the company) is a private limited company incorporated with headquarter in Oslo, Norway. Serodus is a bio-medical company that works on the development of new and innovative medication for diabetes and diabetic comorbidities.

The figures in this fourth quarter 2016 report are non-audited figures.

This financial statement was discussed and approved for issue by the Board of Directors on 27 February 2017.

Note 2 - Basis of preparation and significant accounting principles

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in compliance with additional requirements pursuant to the Norwegian Accounting Act. These principles have been consistently applied in all periods presented, and can be found in the Annual Report 2015. The functional currency is NOK.

The company has five employees. The going concern assumption is considered to exist and the financial statements have been prepared on this basis.

Note 3 - Use of accounting estimates and assumptions

The preparation of financial statements in compliance with IFRS requires the management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Future events could cause the estimates to change. Estimates and the underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period the change occurs. If changes also apply to future periods, the effect is distributed across the current and future periods. Accounting items affected by estimates and assumptions are;

a) Intangible assets

Recognition and measurement of intangible assets: The application of the criteria for when development costs qualify for recognition as intangible assets are subject to the judgement of the management is stated in the Annual Report 2015 cf. note 2.4. Even though projects have been capitalized, there may exist uncertainty about the market and future margins, and consequently it is difficult to estimate the recoverable amount in relation to impairment tests.

To determine whether an intangible asset is impaired, one must calculate the utility value of the asset or the cash generating unit. Calculation of utility value requires management to make estimates of future cash flows and to determine an appropriate discount rate to calculate present value.

b) Share-based compensation

Expenses related to share-based compensation is sensitive to assumptions used in the calculation of fair value, but the total expenses related to share-based compensation are small.

Note 4 - Government grants

Government grants are recognized as a reduction in costs over the period in which the Company accrues costs that the grants are intended to cover.

The company has received approval from the Research Council of Norway (BIA funding) as a contribution to the development of SER130. The funding period runs from 2014 to 2017. There are no specific guidelines associated with grants, beyond that documentation of costs incurred and hours must be in accordance with the application and approval letter.

During the period, the company has three ongoing SkatteFUNN projects. Recognition does not include marketing activities and does not cover experimental production and testing of products, services or production processes that can be used or modified in order to be used for industrial or commercial purposes. In other respects, the Research Council's minimum requirements for project management shall apply. The main objectives of the projects are development of medicine to reduce systolic blood pressure and the treatment of patients with heart failure.

Statement by the Board of Directors and the Chief Executive Officer

We confirm to the best of our knowledge that the financial statements for the fourth quarter of 2016, that have been prepared in accordance with IAS 34 – Interim Reporting, gives a true and fair view of the Company’s assets, liabilities, financial position and results of operation. We also declare, to the best of our knowledge, that the quarterly report provides a fair view of the information required under § 5-6 (4) of the Norwegian Securities Act.

The Board of Directors and CEO
Serodus ASA

Oslo, 27. February 2017

Svein S. Jacobsen
Chairman
(sign.)

Terri B. Sebree
Board member
(sign.)

Ole Peter Nordby
Board member
(sign.)

Søren Elmann Ingerslev
Board member
(sign.)

Merete Søyby
Board member
(sign.)

Eva Steiness
CEO
(sign.)