



SERODUS

**Interim report
First quarter 2011**

Serodus ASA

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Company background

Serodus ASA is a Norwegian biopharmaceutical company dedicated to the development of drugs for the treatment of patients with cardiovascular diseases with significant unmet clinical needs. The Company was founded based on a discovery from the University of Oslo. The initial product pipeline focuses on the following three diseases:

- **SER 100 - Isolated Systolic Hypertension (ISH)** – reducing the systolic blood pressure with only minor effect on diastolic pressure
- **SER 101 - Heart Failure (HF)** - improvement of the cardiac function
- **SER 102 - Atrial Fibrillation (AF) in patients undergoing intra-thoracical surgery** – normalization of heart rhythm

Two of the drug candidates are in clinical development and ready for phase II Proof-of-Concept studies. The third drug candidate is in pre-clinical phase. The drug candidates are all covered by extensive intellectual property (patent and patent applications) held or licensed by the Company.

The product pipeline addresses significant markets with substantial unmet clinical needs, and potential revenue from partnering agreements is estimated to be significant.

Q1 2011 events

- Started preparation for IPO and listing on Oslo Axess
- Application for listing on Oslo Axess sent to Oslo Stock Exchange
- Eurostar application for the further development of SER100 for (ISH) submitted
- Continued negotiations with CRO's and CMO's for the production of drug substance and drug product and the further clinical development

Events after the balance sheet date

On 27 April Serodus received the conditional approval from Oslo Stock Exchange for an IPO and a listing of Serodus' shares on Oslo Axess before 10 June 2011. The listing is subject to an IPO providing a minimum of NOK 26 million in new equity, and that the company gets a minimum of 100 shareholders.

There are no other events after the reporting period that is assessed to have a material impact on the Company's financial situation.

Operational review

Serodus' product pipeline consists of the following drug candidates:

Product candidate	Indication	Status	Clinical endpoints of studies	Market potential
SER100	Isolated Systolic Hypertension (ISH)	Entering Clinical Phase II Proof-of-concept study	Reduction of systolic blood pressure by more than 10 mmHg and only minor effect on diastolic pressure	The lifetime risk of hypertension for individuals of 55 years of age is approximately 90 %.
SER101	Heart Failure (HF)	Entering Clinical Phase II Proof-of-concept study	Improvement of the cardiac function	It is estimated that about 30 million patients are suffering from heart failure in the western world.
SER102	AF in patients undergoing intra-thoracical surgery	Entering pre-clinical studies	Normalization of heart rhythm	The risk of AF is 30 % in coronary by-pass surgery and 30 % in lung cancer surgery.

The Company will continue the further development of the compounds through outsourcing of the non-clinical and clinical development work to pre-clinical and Clinical Research Organizations (CRO) and Clinical Manufacturing Organizations (CMO).

Serodus will pursue partnering agreements with large pharmaceutical companies upon having successfully established clinical Proof-of-Concept for its compounds - or alternatively partner at an earlier stage, if such collaborations and licensing arrangements would advance the development of the drug candidates. License deals with large pharmaceutical companies often take place on the basis of the results from a clinical Proof-of-Concept Study.

Isolated Systolic Hypertension – SER100

SER100 is Serodus' drug candidate to be developed for the treatment of Isolated Systolic Hypertension (ISH). The compound represents a key commercial asset for the Company addressing an increasing market potential due to the aging population.

The Company has acquired the patent, all rights and know-how to SER100 from Zealand Pharma A/S (Denmark), and holds the sole right for the development and world-wide commercialization of the product. The compound has obtained pre-clinical and phase-I documentation. During these studies, the possibility of using SER100 as a treatment for ISH was hypothesized on the basis of data from two clinical studies in acute and chronic heart failure respectively. Among the patients

in the treated groups, who in the two studies were normotensive, about 50 % had a reduction of systolic blood pressure by more than 10 mmHg with little effect on the diastolic pressure. The compound is now entering the clinical phase II Proof-of-Concept study with the primary goal to demonstrate that the patent protected compound reduces the elevated systolic blood pressure with only minor effect on the diastolic pressure under co-treatment with a thiazide. Serodus expects that the effect of this new drug compound, in patients with ISH, will be equal or better than the results from the two studies already performed.

ISH is pathophysiologically characterized by a loss of elasticity and the development of stiffness in the aorta and the major arteries. The definition of ISH is a systolic blood pressure above 140 mmHg and a diastolic blood pressure below 90mmHg, and is the most common form of hypertension in those older than 50 years. The pattern of blood-pressure elevation changes with age. Before reaching 50 years of age, most people with hypertension have elevated diastolic pressure. After the age of 50 years, as systolic pressure continues to rise and diastolic pressure tends to fall, ISH predominates. The condition has no subjective symptoms and it is often diagnosed when health professionals for other reasons examines the patient. It is estimated that only approximately 50 % of the patients are diagnosed.

ISH can lead to serious health problems such as stroke, heart disease, chronic kidney disease and dementia. These patients have also a significant higher incidence of congestive heart failure than those with only increased diastolic pressure.

There are currently no other drugs available, which selectively reduce the abnormal high systolic blood pressure in patients with ISH. Hence, the treatment of ISH with SER100 is expected to reduce the systolic blood pressure selectively and thereby reduce the higher incidences of heart failure and reduce other serious health problems.

Heart failure (HF) - SER 101:

SER101 is Serodus' drug candidate to be developed for the treatment of HF. The Company has acquired the exclusive, worldwide right for the development and commercialization of SER101 from Roche. The compound has obtained pre-clinical and phase-I documentation, and has already demonstrated a good safety profile in 3 months toxicology studies and clinical studies in healthy volunteers and in patients with hyperactive bladder. Serodus plans to conduct a clinical phase II Proof-of-Concept study in HF patients. The primary goal will be to demonstrate that SER101 can improve cardiac function in patients with heart failure.

The product candidate is a selective and highly potent 5-HT₄ receptor antagonist. Professor Finn Olav Levy's research group at the University of Oslo, discovered the role of 5-HT₄ receptors in heart failure in 2001. The earlier understanding had been that 5-HT₄ receptors were present in the atria, but not in the cardiac ventricles. The finding of functional 5-HT₄ receptors in the ventricles from failing hearts, led to the hypothesis of a serotonergic effect on the failing heart, which could be disadvantageous for disease progression and long-term survival.

HF is a condition in which the heart's pump function is inadequate to deliver oxygen rich blood to the body. HF can be caused by disease that weaken the heart muscle, diseases that cause stiffening of the heart muscles, or diseases that increase oxygen demand by the body tissue

beyond the capability of the heart to deliver adequate oxygen-rich blood. It is a very serious disease with a high burden to society and mortality comparable with the most serious forms of cancer.

The treatment of HF aims at interfering with the compensatory mechanisms, which aggravate the clinical devastating symptoms. Diuretic drugs block the salt and water retention in the kidney, and the effect is seen soon after introduction of the treatment. However, the effect of drugs, which interfere with the hormonal compensatory mechanisms, is significantly more discrete, and maximum effects are often not seen before after a couple of month's treatment. This is the case for beta-receptor blocking drugs, which inhibit the sympathetic activity by blocking the adrenergic receptors, and for ACE inhibitors, which reduces the angiotensin and renin activity by reducing an enzyme activity essential for angiotensin/renin activity.

The largest group of compounds currently in use for HF is drugs, which have already been launched for other indications, e.g. hypertension and dyslipidemia but additionally also are believed to have a secondarily long term beneficial effect on the treatment of HF. SER101 is unique in being a drug to be developed specifically for heart failure focusing on a newly discovered disease mechanism that has not previously been addressed.

Atrial Fibrillation (AF) in patients undergoing intra-thoracical surgery – SER102:

SER102 is Serodus' own compound. It is a 5-HT₄ receptor antagonist. The Company intends to develop SER102 for the treatment of AF in patients undergoing intra-thoracical surgery. The compound has passed lead candidate selection and pre-clinical activities are about to be initiated.

Financial review

Profit and Loss

The Company reported no operating income neither in the first quarter of 2011 nor for the first quarter of 2010.

Operating expenses for the first quarter 2011 amounted to NOK 1.8 million compared to operating expenses amounting to NOK 0.4 million in the first quarter 2010.

Net loss for the first quarter was NOK 1.8 million as compared to a net loss of NOK 0.4 million for the corresponding quarter of 2010.

EBITDA was minus NOK 1.8 million in the first quarter 2011 compared to minus NOK 0.4 million in the corresponding quarter 2010.

Cash flow and balance sheet

Serodus' total consolidated financial position as of 31 March 2011 was NOK 2.8 million, compared to NOK 6.3 million at year-end 2010. Total intangible assets as of 31 March 2011 amounted to NOK 1.5 million the same as at year-end 2010.

Total equity as of 31 March 2011 was NOK 3.6 million compared to a total equity of NOK 5.1 million at 31 March 2010.

The cash balance at 31 March 2011 was NOK 0.4 million compared to NOK 5.0 million at 31 March 2010.

The registered share capital of the Company as of 31 March 2011 was NOK 5,147,350 divided into 27,736,750 shares, each with a nominal value of NOK 0.13.

Outlook

Serodus works towards the goal to utilize its expertise and proprietary know-how to develop its patent protected compounds, initially showing clinical Proof-of-Concept for each of the compounds.

Serodus is focused on reaching significant value-generating milestones before partnering its compounds. Serodus' compounds offer new therapies with significant unmet clinical needs and commercial potential for the treatment of patients with cardiovascular diseases.

Statement of comprehensive income

	(NOK)	Note	Unaudited First quarter	
			2011	2010
Operating income				
Revenue			-	-
Operating expenses				
Cost of sales			9,994	11,825
Personnel expenses			2,845	-
Impairment of intangible assets			-	-
Other operating expenses		3	1,822,995	396,592
Total operating expenses			1,835,834	408,417
Operating profit			(1,835,834)	(408,417)
Financial items				
Interest income			-	-
Other financial income			747	2,524
Total finance income			747	2,524
Finance cost				
Interest expense			-	-
Other finance expense			5,777	807
Total finance cost			5,777	807
Net from finance			(5,030)	1,717
Profit (loss) before tax			(1,840,864)	(406,700)
Income tax expense			-	-
Profit (loss) for the period/ Total comprehensive income			(1,840,864)	(406,700)
Earnings per share:				
Basic earnings per share			(0.07)	(0.02)
Diluted earnings per share			(0.07)	(0.02)

Statement of financial position

	(NOK)	Note	Unaudited 31.03.2011	31.12.2010
ASSETS				
<i>Non-current assets</i>				
Intangible assets			1,520,125	1,520,125
Total non-current assets			1,520,125	1,520,125
<i>Current assets</i>				
Trade and other receivables			828,388	2,112,070
Cash and cash equivalents			408,745	2,630,847
Total current assets			1,237,133	4,742,917
Total assets			2,757,258	6,263,042
EQUITY AND LIABILITIES				
<i>Capital and reserves</i>				
Issued capital		2	3,605,778	5,147,350
Share premium		2	6,279,833	4,679,833
Other paid in capital			73,000	73,000
Retained earnings		2	(7,599,298)	(7,700,006)
Total equity			2,359,313	2,200,177
Not registered capital		2	-	2,000,000
<i>Current liabilities</i>				
Trade payables			393,006	541,337
Other current liabilities			4,939	1,521,528
Total current liabilities			397,945	2,062,865
Total equity and liability			2,757,258	6,263,042

Statement of change in equity

2010

(NOK)	Share Capital	Share premium	Other paid in capital	Retained earnings	Total Equity
Equity at 01.01.2010	4,147,350	3,179,833	73,000	(4,406,715)	2,993,468
- Profit for the period	-	-	-	(406,700)	(406,700)
<i>Total comprehensive income:</i>	-	-	-	(406,700)	(406,700)
Share issues	1,000,000	1,500,000	-	-	2,500,000
Equity at 31.03.2010	5,147,350	4,679,833	73,000	(4,813,415)	5,086,768

2011

(NOK)	Share Capital	Share premium	Other paid in capital	Retained earnings	Total Equity
Equity at 01.01.2011	5,147,350	4,679,833	73,000	(7,700,006)	2,200,177
- Profit for the period	-	-	-	(1,840,864)	(1,840,864)
<i>Total comprehensive income:</i>	-	-	-	(1,840,864)	(1,840,864)
Share issues	400,000	1,600,000	-	-	2,000,000
Capital reduction	(1,941,573)	-	-	1,941,573	-
Equity at 31.03.2011	3,605,778	6,279,833	73,000	(7,599,298)	2,359,313

Statement of cash flows

(NOK)	Note	Unaudited First quarter	
		2011	2010
Cash flow from operating activities			
Ordinary profit before tax		(1,840,864)	(406,700)
Changes in accounts receivable and creditors		(148,331)	(741,773)
Changes in other accruals		(779,245)	869,507
Net cash flow from operating activities		(2,768,440)	(278,966)
Cash flows from investing activities			
Net cash flow from investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of shares		546,339	2,500,000
Net cash flow from financing activities		546,339	2,500,000
Net changes in cash and cash equivalents		(2,222,102)	2,221,034
Cash and cash equivalents at the beginning of the period		2,630,847	2,814,953
Cash and cash equivalents at the end of the period		408,745	5,035,987

Notes to the condensed financial statements

Note 1 - General information and basis for preparation

Serodus ASA (the company) is a public limited liability company incorporated and domiciled in Norway, with its main office in Oslo. Serodus is a biopharmaceutical company dedicated to the development of new and innovative compounds for the treatment of patients with cardiovascular diseases.

These interim condensed financial statements for the three months ending 31 March 2011 have not been audited. The interim financial statements have been prepared under the assumption of a going concern basis for the Company and in accordance with IAS 34 Interim Financial Reporting. The interim condensed financial statements does not include all the information and disclosure required in the annual financial statement and should be read in conjunction with the Company's Annual Financial Statement for 2010.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Company's Annual Financial Statement for the year ended 31 December 2010.

Note 2 - Significant transactions and events

Changes in share capital:

In December 2010 a private placement of NOK 2,000,000 was agreed, but not recognised as equity since the capital increase was not formally registered. This private placement was registered in January 2011, and is recognised as a capital increase in Q1, 2011.

In February 2011 the share capital was reduced by tNOK 1,942, by a reduction of the nominal value of the shares from NOK 0.20 to NOK 0.13.

Number of outstanding shares as per 31 March 2011 is 27,736,750.

Share options:

In Q1 2011, 450,000 additional share options have been issued to one of the Company's shareholders and related parties. There is no consideration for the share options issued, and consequently no expenses will be recognised.

Note 3 - Related party transactions

To provide the Company with access to important knowledge, the Company has entered into agreements with related parties:

Purchase from	Description of purchase	YTD Q1 2011
Bio-Medisinsk Innovasjon ¹⁾	Chief Operating Officer (COO)	435.000
Newpharma.dk ²⁾	Chief Executive Officer (CEO)	157.565
Ibenfeldt Consulting ³⁾	Chief Finance Officer (CFO)	158.000

The amounts above include remuneration for the roles as board members where appropriate.

¹⁾ The general manager in Bio-Medisinsk is also a member of the Board of Directors in Serodus. The agreement expires at 30.06.2011.

²⁾ 100% owned by Eva Steiness. Both parties can terminate the agreement by 3 months notice.

³⁾ 100% owned by Mogens Vang Rasmussen. Both parties can terminate the agreement by 3 months notice.

Note 4 - Segment reporting

The Company does only have one business segment, and is consequently not reporting segment information.

Oslo, 12 May 2011
Board of Directors of Serodus ASA