

## Management Comments

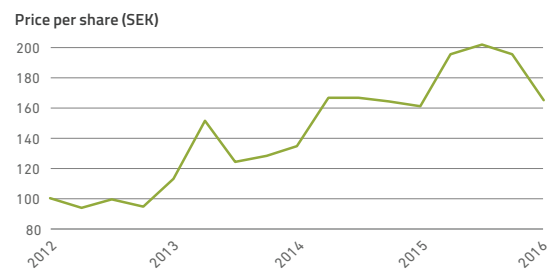
### Q4 2015

At the end of the fourth quarter 2015, Net asset value per share was 162.5 SEK, which corresponds to a growth of 1% since the year end 2014. The result was heavily affected by impairments due to negative results from studies in Premune and Swecure.

On October 15th 2015, the shareholders of Serendipity and Sdiptech unanimously voted for the restructuring proposal presented by the appointed shareholders' committee and management on the 19th and 20th of august. The restructuring has since been fully implemented.

863 M SEK      162.5 SEK      +1%

Net Asset Value      Net Asset Value per share      Year-to-Date



#### Premune & Swecure

In November, Premune finalized the PRE01 study which was aimed at comparing the incidence of allergies in dogs that received treatment and non-treated dogs that were included in the control group. The results showed no significant difference in prevalence between the groups. As a consequence, management has decided to put the project on hold and focus on its other projects as well as the in-licensing business. During the summer the company successfully secured the licensing of its first product, Redonyl Ultra. Redonyl is a dermatitis treatment and the company is planning market launch in the 2nd quarter of 2016. Additional licenses are being negotiated as the company is aiming to build a solid portfolio of in-licensed products along side its in-house developed portfolio. The negative outcome of the above mentioned study resulted in an impairment of the company valuation of

Premune as well as Swecure, which holds the commercial rights for products aimed at humans. Consequently, this affected the net asset value of Serendipity negatively.

#### Episurf

Episurf announced yet another CE-approved product and the company can now add a fourth market ready product to its portfolio. The company also appointed Pål Ryfors as its CFO. Pål was most recently the CFO of Marginalen Bank and has extensive experience of strategic financial planning and management. As a part of the company's continuous efforts to pioneer the field of patient specific treatments, Episurf appointed a formal clinical advisory board consisting of key opinion leaders within the field of cartilage repair and medical radiology.

To date, over 70 patients have received Episurf implants. No revision surgeries have been needed so far, which is very satisfactory and quite unusual when compared to other conventional implants and methods.

#### **Diamorph**

Diamorph published its interim report for the third quarter on November 27th. The company increased net sales to SEK 322.6 (284.2) million. Operating profit increased by 21% to SEK 117.2 (96.5) million. The highest growth accredited to the high temperature materials sales. On a Trailing Twelve Months-basis (TTM), Diamorph had net sales of SEK 422.1 million and an operating profit of SEK 145.1 million.

#### **OrganoClick**

OrganoClick had a turnover of SEK 25.9 million after the third quarter, a solid revenue growth of 44% compared to the same period in 2014. The company is focusing on ramping up sales and has recruited three new sales representatives for its Functional Textile and Nonwoven segment. OrganoClick also appointed a marketing manager and a production manager during this period to cater to the organizational needs brought on by the rapid expansion.

#### **IRRAS**

IRRAS began its European market launch during the fourth quarter. The company has also initiated the FDA approval process and is expecting FDA approval in about a year, which would clear the path for market entry in the US.

#### **Xbrane**

Xbrane successfully finalized the acquisition of Italian company Primm Pharma. Through the acquisition, Xbrane combines its efficient protein production platforms with know-how in the

development and production of pharmaceutical formulations for controlled release injections and has a portfolio currently consisting of five controlled release biogeneric candidates. The lead product Spherotide will primarily be used for the treatment of prostate cancer and endometriosis and will be available in emerging markets from mid 2017.

Having secured SEK 100 million in a new share issue, the company is now scheduled for listing on Nasdaq OMX First North on February 3rd 2016.

#### **Voff Science**

Voff Science had a turnover of SEK 40.4 million and an operating profit of SEK 13 million at the end of the third quarter. During the quarter, the company made its second acquisition to add to the business in Finland. The acquisition target was the Swedish company Naturligt Hundtugg, a growing company with sales in ICA and COOP. Voff is looking to grow its business through further acquisitions.

#### **New Share Issue**

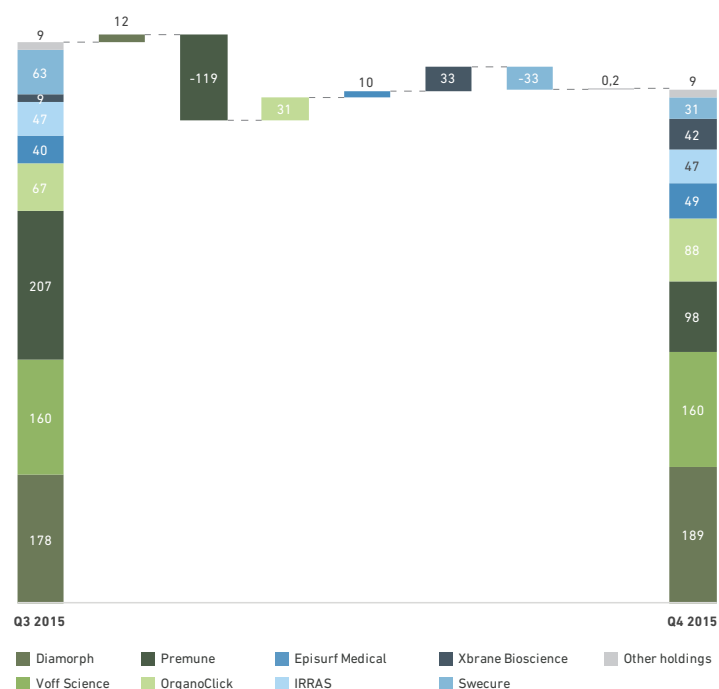
In December Serendipity conducted a new share issue of SEK 50 million. The offer was oversubscribed and the board decided to issue shares of SEK 80 million. The purpose of the new share issue was to secure capital for add-on acquisitions in existing portfolio companies.

We would like to stress that not too much emphasis should be placed on quarterly results. Changes in NAV over a period of 3-5 years is a much better indicator of the company's performance. As short term results, actual operational development in the portfolio companies is a better indicator than short-term fluctuations in NAV.

# Q4 in numbers

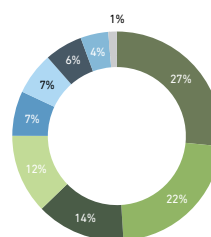
## Portfolio Development

Development of the portfolio since previous quarter (MSEK)



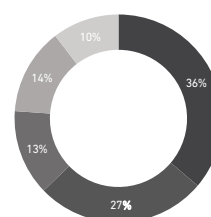
## Portfolio Distribution

Holding's percentage of total portfolio



## Sector Distribution

Distribution of portfolio by sector



Portfolio companies	Company value (SEK)	Serendipity's holding (SEK)	Serendipity's %	% of portfolio	% of NAV
Diamorph	788 906 265	189 494 100	24.0%	26.6%	22.0%
Voff Science	167 174 000	160 000 000	95.7%	22.4%	18.5%
OrganoClick*	466 538 634	87 593 011	18.8%	12.3%	10.2%
Premune	200 000 002	98 286 528	49.1%	13.8%	11.4%
Episurf Medical*	279 357 838	49 394 853	17.7%	6.9%	5.7%
IRRAS	175 172 800	46 753 200	26.7%	6.6%	5.4%
Xbrane Bioscience	94 787 325	41 769 425	44.1%	5.9%	4.8%
Swecure	50 735 387	30 730 550	60.6%	4.3%	3.6%
Other holdings	817 728 431	9 372 210	N/A	1.3%	1.1%
<b>Total portfolio</b>	<b>3 040 400 681</b>	<b>713 393 878</b>		<b>100.0%</b>	<b>82.7%</b>

## Operations

Serendipity Ventures	114 261 667	114 261 667	100%	13.2%
Cash		97 050 239		11.2%
Financial assets		18 147 647		2.1%
Debt		-79 928 576		-9.3%
<b>Net Asset Value</b>		<b>862 924 855</b>		<b>100.0%</b>
Number of shares		5 316 334		
<b>Price per share (SEK)</b>		<b>162.5</b>		

\*Listed companies

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