

Quarterly Update

Serendipity

Q4
2016

Management Comments

Q4 2016

At the year-end of 2016, the Net Asset Value per share was 153.5 SEK, which corresponds to a decrease of 4% since the year-end 2015.

The result was largely affected by devaluation of Premune and Swecure, but also due to unchanged valuations in several portfolio companies, despite significant developments, due to lack of transactions in the company shares.

By the end of the fourth quarter, 52% of the portfolio value consisted of profitable businesses in growth phase. About 26% of the portfolio value consisted of listed holdings.

Voff Science

In October 2016, Voff Science expanded into the German market by acquiring Visionistas GmbH, which sells and delivers super-premium food under its own brand Haustierkost.de directly to consumer via its e-commerce platform on the German and Austrian market. This together with all time high organic growth means that Voff Science has more than doubled its annual sales compared to 2015. However, in absence of recent transactions in the share, the valuation of the company remains unchanged in Serendipity Ixora's books.

Voff Science has also appointed a group CEO, Robert Walker. Robert has 20 years of international experience in building health related brands in northern Europe. He has run one of the world's largest nutrition brands and has recently been head of sales, marketing, and branding for the largest fitness related e-commerce in the Nordics. He has also managed a pet food and pet supplements company and has built a brand awarded Best Brand of the Year in Finland.

816_{MSEK} 153.5_{SEK} -4%

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



Episurf Medical

Episurf Medical inserted its 150th implant in November 2016, less than 6 months after implant number 100 was announced. This is a significant acceleration in sales but still lower than originally expected. The segment has proven conservative to new products. However, results to date are very encouraging and builds further optimism, with patients showing rapid recovery along with significant improvement in the quality of life. Also, valuable long-term data is being accumulated to further increase clinical confidence in the products.

During the fourth quarter, Episurf Medical's technology received wide media attention in Swedish national press and was featured as top news in SVT, SR, Aftonbladet, Expressen, Runners World etc.

After the year-end Episurf Medical received its first granted patents in China for the high-precision positioning of Episurf Medical's implant, Episealer®.

To accelerate the commercial expansion, the company announced a SEK 120 million rights issue. The capital injection will be used for the continued launch in key markets in Europe and for FDA clearance and launch in North America.

Rosemary Cunningham Thomas stepped down as CEO and the search for a replacement has been initiated. CFO Pål Ryfors, has stepped in as acting CEO.

Premune

During the year, Premune expanded its business into new markets by acquiring Spanish Animal Health Company Alergovet through its subsidiary, Nextmune. Alergovet is focused on diagnostics and treatment of allergy and is a strong player in southern Europe, with sales in more than 15 countries. Thereby, Premune has broadened its product portfolio and has established itself as a leading player within the allergy segment in Europe. Nextmune, which owned to 50% by Premune, reached an EBITDA of SEK 36 million for the full year.

In absence of recent transactions in the company's shares and due to changes in its strategy, Serendipity Ixora has revaluated its holding in the company using a discounted cash flow model (DCF). This was a precautionary measure that resulted in a devaluation of SEK 48 million.

Xbrane Biopharma

Xbrane signed a distribution agreement with BioAvenir for sales and marketing of Spherotide on the Israeli market. The company estimates, based on expected price and penetration, that Spherotide has a sales potential of approximately SEK 5 million annually in Israel.

Xbrane also signed a non-binding term sheet with a leading Chinese pharmaceutical company regarding the distribution of Spherotide on the Chinese market. According to the agreed structure of the intended deal, Xbrane will receive a down-payment of SEK 17 million at the signing of the final contract, which is expected in Q1 2017, as well as three equally sized milestone payments totalling approximately SEK 70 million until the product launch, which is scheduled for 2021.

After the year-end Xbrane Biopharma was granted GMP (Good Manufacturing Practice) certification for its Spherotide production facility by AIFA, the Italian Medicines Agency. It allows Xbrane to sell and export Spherotide to partners seeking local market authorization for the product in all of EU's 28 member states as

well as in Australia, Japan, Switzerland, Canada, Israel, and New Zealand. This allows the company to ship its first commercial batch of Spherotide to its partner in the Middle East as well as to produce the clinical batch for the upcoming clinical trial to be initiated this year.

Swecure

Due to regulatory changes, Swecure is no longer able to pursue its SWE02-development, IBD-product, as a medical device. This means that Swecure is now looking to develop SWE02 either as a supplement or as a pharmaceutical product. The company is planning a murine model study to assess reduction of intestinal inflammation using SWE02, with results expected in Q2.

The regulatory setback affecting SWE02 has led to Serendipity Ixora's precautionary revaluation of the holding to book value.

OrganoClick

In December 2016 OrganoClick announced the acquisition of BIOkleen Miljökemi AB, a chemical technology company that focuses on eco-labeled cleaning and maintenance products for wood, home, and car care. In 2014/15, BIOkleen had sales of SEK 23 million and an annual growth of about 10%. The products are used for washing off mold, algae, and dirt from facades, roofs, and wooden decks. The BIOkleen product range is a fitting addition to OrganoClick's existing portfolio of wood treatment products.

After the year-end OrganoClick's subsidiary OrganoWood signed a distribution agreement with Now Byggmakker, one of Norway's largest building supply chains for both consumer and professionals. Norway is a prioritized market for OrganoClick's expansion during 2017.

OrganoClick reported a pro forma sales of SEK 62 million for 2016.

IRRAS

IRRAS established its US headquarters in La Jolla, CA and performed a successful technology transfer from Sweden to the US for development of completion of IRRAflow™ v2.0.

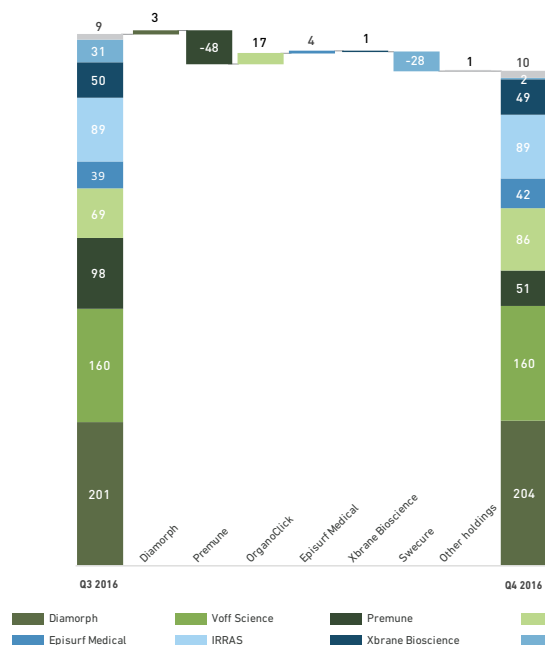
The company has also initiated preparations to submit a 510(k) application to the U.S. FDA.

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

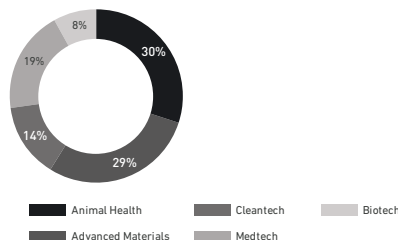
Portfolio Development

Development of the portfolio since previous quarter (MSEK)



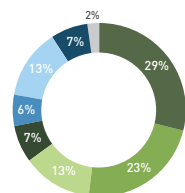
Sector Distribution

Distribution of portfolio by sector



Portfolio Distribution

Holding's percentage of total portfolio



Portfolio companies	Company value (SEK)	Serendipity's holding (SEK)	Serendipity's %	% of portfolio	% of NAV
Diamorph	871 972 877	204 077 379	23.4%	29.4%	25.0%
Voff Science	167 174 000	159 975 008	95.7%	23.0%	19.6%
OrganoClick*	459 825 848	86 332 680	18.8%	12.4%	10.6%
Premune	102 773 471	50 506 238	49.1%	7.3%	6.2%
Episurf Medical*	238 449 570	42 197 317	17.7%	6.1%	5.2%
IRRAS	482 087 732	89 266 996	18.5%	12.9%	10.9%
Xbrane Bioscience*	192 599 613	49 442 805	25.7%	7.1%	6.1%
Swecure	3 900 000	2 362 240	60.6%	0.3%	0.3%
Other holdings	1 081 897 213	9 906 368	N/A	1.4%	1.2%
Total portfolio	3 600 680 323	694 067 031		100.0%	85.0%

Operations

Serendipity Ventures	114 261 667	114 261 667	100.0%	14.0%
Cash		13 099 871		1.6%
Financial assets		35 250 761		4.3%
Debt		-40 572 622		-5.0%
Net Asset Value		816 106 708		

Number of shares 5 316 334

Price per share (SEK) 153.5

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