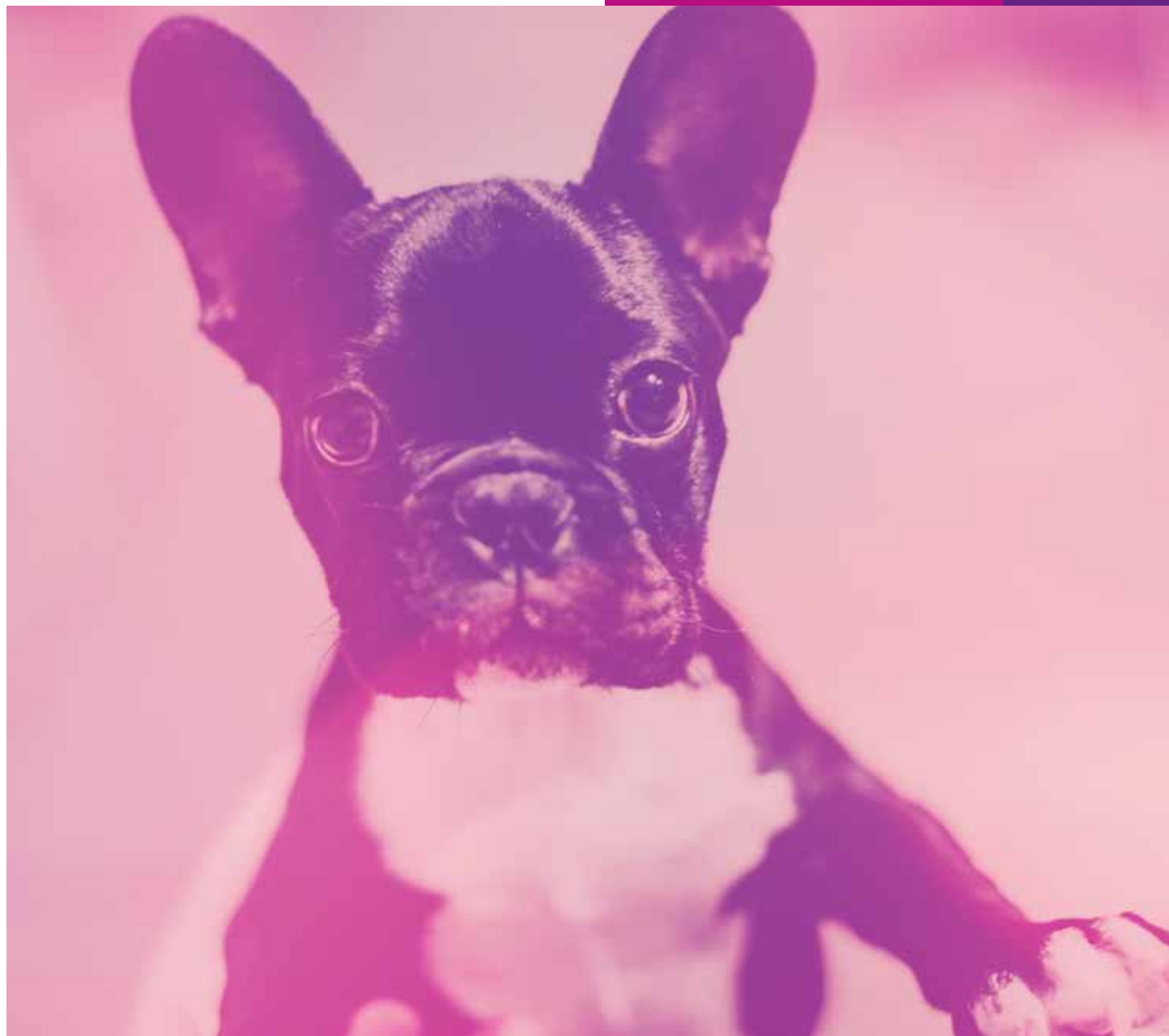




DEVELOPING ANIMAL HEALTH

**2017 Q1 report, January-March
for Panion Animal Health AB, Org no 559018-4171**





Millions of family dogs across the world suffer from epileptic seizures and approximately 30% of these are not well controlled with the current medicines.

2017 Q1 report, January-March for Panion Animal Health AB

Q1 January-March

- Net sales: kSEK 0 (0).
- Operating profit: kSEK -1 267 (-).
- Earnings per share: SEK -0,11 (-).
- Liquidity at the end of the period: kSEK 102 (582).

Significant events after the end of the period:

- A shares emission running from 8 - 26 May has been successfully finalized.
- A Letter of Intent has been signed with GeneQuine Biotherapeutics GmbH.
- Annual Meeting was held 27/4 - the minutes and decisions are published on Panion's website.

About Panion's epilepsy project

Epilepsy is a serious disease with recurrent seizure attacks and it affects about 1% of all dogs. Millions of family dogs across the world suffer from epileptic seizures and approximately 30% of these are not well controlled with the current medicines. This reduces the quality of life for both the dog and the owner, and such dogs may eventually be euthanized. By combining progress in neurological research with modern gene therapy techniques we want to create a unique new treatment opportunity for dogs. Panion's exclusive license agreement with CombiGene covers important markets in the USA, Europe and Switzerland.

Milestones January-March 2017

- Panion's website has been revised and updated.
- The Service and Supply agreements with CombiGene have been finalized.
- A bridge funding of MSEK 6 was completed on February 2017. Out of this 6 MSEK 1 MSEK was used, 5 MSEK was reverted due to the upcoming share issue.
- A small directed emission of 1 MSEK was finalized. A share issue was subscribed during the period, but not paid.
- SME-status was applied for and granted by the European Medicines Agency.
- The Board, in cooperation with the financial adviser Regin Corporate Finance, has worked with preparing the company and planning a listing during Q2 2017.

About Panion

Panion Animal Health AB's aim is to develop and commercialize the canine application of CombiGene AB's technology for gene therapeutic treatment of drug refractory epilepsy. In addition, Panion aims at inlicensing or acquiring other, similar assets, i.e., animal health applications of human health development projects where relevant animal experiments can be lifted back into the veterinary field.

Panion is a public Swedish company that started as a subsidiary company of CombiGene. The plan is to list Panion's shares during Q2 2017.

Website: panion-animalhealth.com/



”It is fantastic to see the company transform from a science based entity to a focused product development company with a clear direction.”

CEO statement

During the first quarter of 2017, we have consolidated and prepared Panion for the exiting times ahead. The Board and the Management have settled in and are actively pushing forward our business plan. The procedures and development plans have matured and the company has been made ready to be listed on a market place. A small directed emission of shares facilitated this process.

At the time of writing this report, the emission of new shares to existing and new shareholders has just been finalized with a very satisfying result.

9% of Panions existing shareholders decided to increase their share holdings and in addition Panion managed to attract significant interest from new investors. After the share issue there are 1247 shareholders in Panion and with the new funds of MSEK 7,4 from the share issue, Panion is now well capitalized for the coming 12-18 months. The emission was successfully handled with the qualified assistance of our financial advisors from Regin Corporate Finance in Stockholm.

We have in Q1 continued the work on the epilepsy product for dogs in cooperation with CombiGene AB. Epilepsy in dogs is serious disease that affects millions of family dogs across the world and for which medicine is not effective

in approximately 30% of cases. We want to develop an effective gene therapy treatment that can alleviate or eliminate the scary and unpleasant seizure attacks and improve the quality of life for these dogs and their owners. The license agreement that we have with CombiGene is now fully operational with a service and supply agreement connected to it. The Board has evaluated the market potentials and opening the process in USA will be the first move towards the realization of the potential of this very interesting product. A US office is established and our US agent in place for the FDA-procedures to progress smoothly. Moreover, we have two US-based specialized consultants connected to Panion and they are ready to help us move forward with the clinical development and approval of the epilepsy product for dogs.

In the meantime, we have continued the search for more in-licensing opportunities. The business model where we develop and commercialize the animal assets of new medicinal projects from the human field, remains the promising core of our strategy. Recently, the first step into a cooperation with the Germany-based company GeneQuine Biotherapeutics GmbH was taken by the mutual signing of a Letter of Intent. GeneQuine, which was established in 2012, develops gene therapy for osteo-



arthritis, a degenerative joint disease, in humans, horses, and dogs. They hold worldwide exclusive IP rights to specific gene therapy vectors and their use in the treatment of osteoarthritis. The Letter of Intent will facilitate discussions pertaining to a license agreement with regards to these novel veterinary medicines.

It is fantastic to see the company transform from a science based entity to a focused product development company with a clear direction, and I look forward to the coming steps and challenges.

*Anja Holm,
vd, Panion Health AB*

Financial information

Income and profit/loss

The company had no sales during the period January – March. Operating profit/loss for the period January – March amounts to kSEK – 1 267 (-). The principle costs refer to compensation to the CEO and consultants.

Cash flow and financial position

Cash flow for the period January – March amounts to kSEK -204 (497). Liquidity at the close of the period amount to kSEK 102 (582).

The share

The number of shares at the end of the period amount to 12 516 593, with a quota value of SEK 0.05. All shares are of the same class and have the same voting right.

Personnel

The average number of employees during the period was 0 (0) of which 0 (0) none are women. The present CEO worked in the company on a consultancy basis..

Risks and uncertainty factors

A pharmaceutical development company such as Panion is exposed to significant operational and financial risk, and many factors can have a negative impact on the probability of commercial success. The risks to which the company is

exposed in its current phase and which must be given careful consideration are the risk that Panion's method is not safe or effective and the risk that the necessary financing cannot be secured.

During the first quarter no significant changes with respect to these risks or uncertainty factors have occurred.

Principles for preparation of the interim report

Panion prepares its financial reports in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1 (K3) Annual Accounts and Consolidated Accounts. Before 2016 the company applied the Swedish Accounting Standards Board's General Recommendations BFNAR 2008:1 (K2). The change in accounting principles has not affected the comparative periods.

This interim report has been prepared in compliance with BFNAR 2007:1 Voluntary interim reporting.

Review by auditors This report has not been subject to review by the company's auditors.

Future reporting dates

Interim Report for Q2 2017, 21 August 2017

Interim Report for Q3 2017, 21 November

Interim Report for Q4 2017, 22 February 2018

Income statement

SEK thousand	2017 3 months Jan-March	2016 3 months Jan-March	2016 12 months Jan-Dec
Total sales	0	0	0
Operating expenses			
Other external costs	-1 267	0	-692
Personnel costs	0	0	0
Total operating expenses	-1 267	0	-692
Operating profit/loss	-1 267	0	-692
Net financial income/expense	0	0	0
Profit/loss before tax	-1 267	0	-692
Tax	0	0	0
Profit/loss for the period	-1 267	0	-692

Balance sheet

SEK thousand	2017 31 March	2016 31 March	2016 31 Dec
ASSETS			
Subscribed not yet paid share capital	1 001		
Fixed assets			
Intangible assets	3 000	0	0
Total financial assets	3 000	0	0
Current assets			
Other receivables	2 176	0	793
Prepaid expenses and accrued income	493	0	0
Cash and bank balances	102	582	306
Total current assets	3 773	582	1 100
TOTAL ASSETS	6 773	582	1 100

Balance sheet

SEK thousand	2017 31 March	2016 31 March	2016 31 Dec
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	550	50	550
Share capital subscribed not yet registered	33	0	0
Other contributed capital	968	0	0
Other equity	641	32	733
Profit/loss for the year	-1 267	0	-692
Total equity	925	82	591
Current liabilities			
Short-term liabilities	900	0	0
Accounts payable	4 656	0	466
Other liabilities	0	500	0
Accrued expenses and prepaid income	292	0	43
Total current liabilities	5 847	500	508
TOTAL EQUITY AND LIABILITIES	6 773	582	1 100

Key indicators

	2017 3 months Jan-March	2016 3 months Jan-March	2016 12 months Jan-Dec
Key financial indicators			
Operating margin, %	neg	neg	neg
Profit margin, %	neg	neg	neg
Return on equity after taxes, %	neg	neg	neg
Equity/assets ratio, %	13,7%	14,1%	53,8%
Earning per share, SEK (average)	-0,11	0,00	-0,17
Equity per share, SEK	0,07	1,64	0,05
Dividend per share, SEK	0	0	0
No. Of shares at end of period	12 516 593	50 000	11 801 593
Average no. of shares during the period	11 817 482	50 000	7 525 319

Cash flow

SEK thousand	2017 3 months Jan-March	2016 3 months Jan-March	2016 12 months Jan-Dec
Cash flow from current operations	2 596	-3	-278
Cash flow from investment activity	-3 000	0	0
Cash flow from financing activities	200	500	500
Total cash flow	-204	497	222
Liquid funds at beginning of the period	306	84	84
Liquid funds at end of period	102	582	306

Changes in equity 2017-03-31

	Share capital	Other contributed capital	Other equity	Profit/loss of the year	Total equity
Opening balance	550	-	733	-692	591
Profit appropriation, AGM			-692	692	-
New share issue (not yet paid) *	33	968			1 001
Shareholders contribution			600		600
Profit/loss for the period				-1 267	-1 267
Closing balance	583	968	641	-1 267	925

Changes in equity 16-03-31

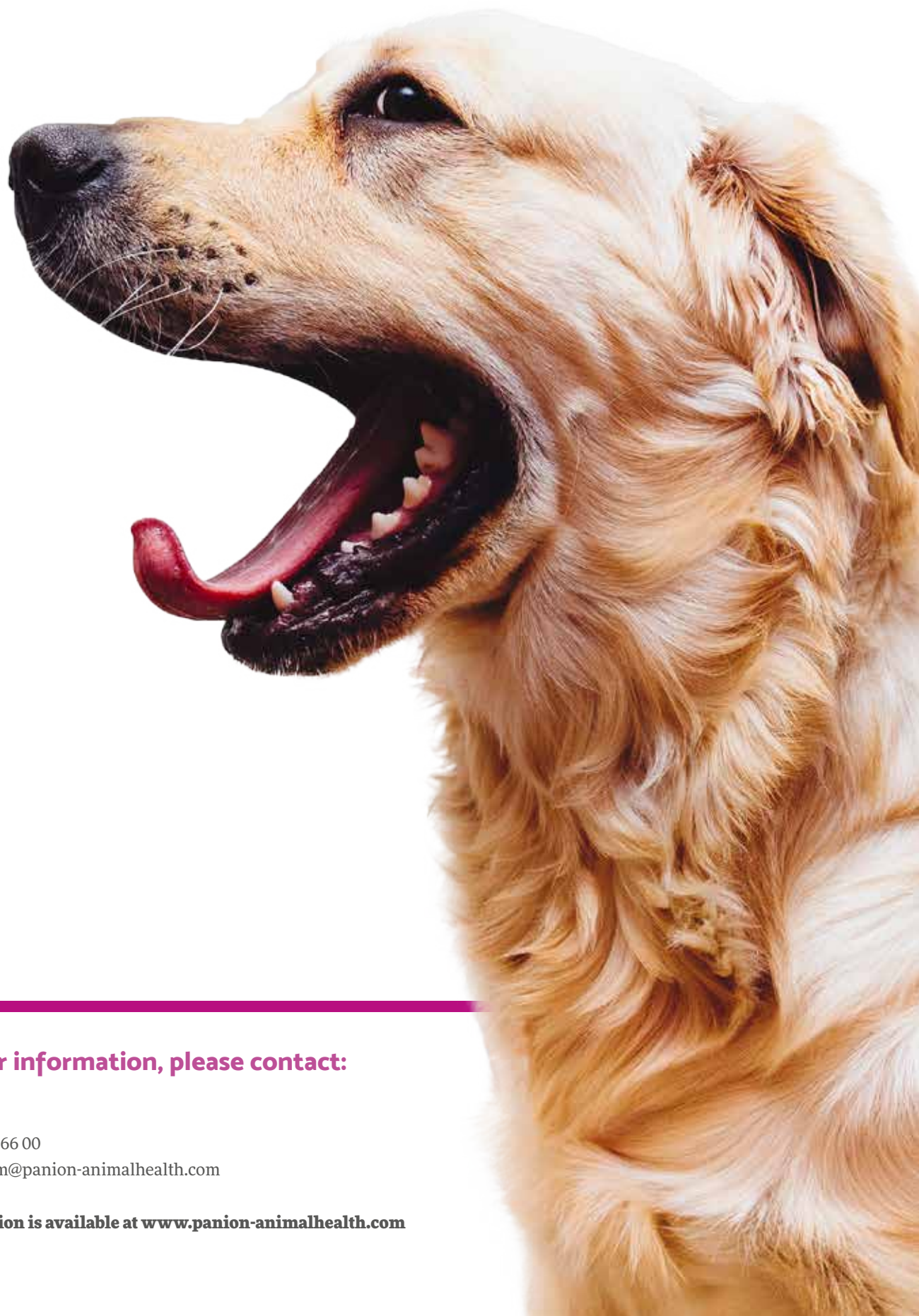
	Share capital	Other contributed capital	Other equity	Profit/loss of the year	Total equity
Opening balance	50	-	250	-217	83
Profit appropriation, AGM			-217	217	-
New share issue	-				-
Shareholders contribution			-		-
Profit/loss for the period				-	-
Closing balance	50	-	33	-	83

Changes in equity 16-12-31

00-01-00	Share capital	Other contributed capital	Other equity	Profit/loss of the year	Total equity
Opening balance	50	-	250	-217	83
Profit appropriation, AGM			-217	217	-
New share issue	-				-
Shareholders contribution			700		700
Profit/loss for the period				-692	-692
Closing balance	50	-	733	-692	91

Development of share capital

Year	Event	Total share capital	Change (SEK)	No. of shares	Change in shares	Par value (SEK)
2015	Company formation	50 000	50 000	50 000	50 000	1,00
2016	New share issue	550 000	500 000	550 000	500 000	1,00
2016	Merger	550 000	-	1	-549 999	550 000
2016	Split	550 000	-	11 801 593	11 801 592	0,05
2017	New share issue (subscribed not yet registered)	583 322	33 322	12 516 593	715 000	0,05



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