



DEVELOPING ANIMAL HEALTH

**2017 Q3 report, July-September
for Panion Animal Health AB, Org no 559018-4171**





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.

2017 Q3 report, July-September for Panion Animal Health AB

Period July-September

- Net sales: kSEK 0 (0)
- Operating profit: kSEK -923 (-43)
- Earnings per share: SEK -0,25 (-0,01)
- Liquidity at the end of the period: kSEK 1 166 (541)

Period January-Sept

- Net sales: kSEK 0 (0).
- Operating profit: kSEK -3 501 (-43)
- Earnings per share: SEK -0,25 (-0,01)
- Liquidity at the end of the period: kSEK 1 166 (541)

Significant events after the end of the period:

- Animal Pharm magazine (Informa) published an article about Panion: “MUMS designation for Panion’s gene therapy takes it to forefront of innovation in pet epilepsy”. A link can be found 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 July-September 2017

- Panion’s business and structure was approved by AktieTorget on the 3rd of July and the shares could then be listed on the MTF under the name “Panion”. First trading day was the 6th of July 2017.
- The license agreement with CombiGene was clarified and re-signed on the 3rd of July, specifically regarding the compensation that Panion will receive in case CombiGene would need to withdraw the license.
- A successful MUMS status and the connected fee waiver was received from the US FDA in September. This means that Panion will not have to pay the large annual fee for its application in the USA, which helps the development of our lead product candidate, CG01-canine.
- An agreement was reached with Copenhagen University for use of the data from a very relevant safety study in dogs conducted with the gene therapy vectors.
- The confidentiality agreement with the preferred clinical investigator with special expertise in canine epilepsy has been signed in July and the preparations for a trial initiated.
- The Letter of Intent with GeneQuine Biotherapeutics GmbH was extended to the end of this year to facilitate a robust review and the dialogue has been continued.

Milestones January – September 2017

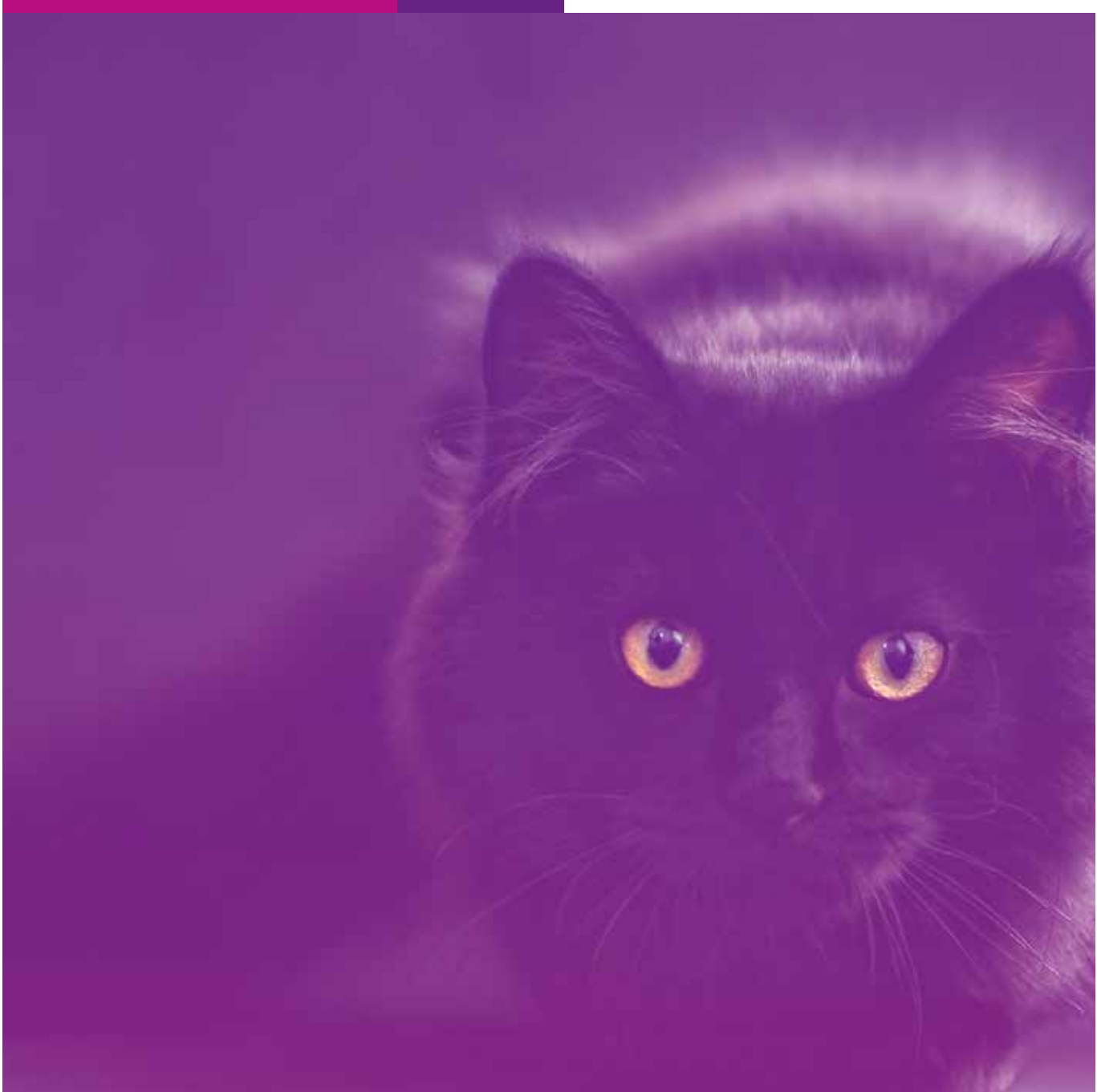
- The License agreement and the Service and Supply agreement with CombiGene for the epilepsy project were signed.
- A bridge funding of MSEK 6 was completed in February 2017. Out of this 1 MSEK was used, 5 MSEK was reverted.
- A small directed emission of 1 MSEK was finalized.
- A shares emission was successfully finalized in May and raised 7,5 MSEK before issuing expenses.
- The business scrutiny for the listing process for AktieTorget was carried through to enable the listing of Panion's shares on the MTF. The company was listed on AktieTorget on the 3.rd of July with first trading day the 6.th of July 2017.
- A representation office was opened in New York, USA, with our US-representative and director of business development Carlos N. Velez and two highly qualified consultants connected.
- SME-status was applied for and granted by the European Medicines Agency, which gives access to regulatory assistance and potential financial incentives.
- A successful MUMS status and the connected fee waiver was received from the US FDA in September.
- The full Company Description in both Swedish and English was finalized and published on Panion's website. Panion's website has also been revised and updated.

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 with shares listed on AktieTorget.

Website: panion-animalhealth.com



The prospect of treating epilepsy – and other chronic diseases – with gene therapy is very promising and we continue to work hard to fulfill the potential.

CEO statement

First, I wish to thank all our investors and cooperation partners, who support Panion's intriguing and important work!

In the third quarter of 2017, Panion was listed on AktieTorget on the 3rd of July with first trading day on the 6th of July. The review process performed by AktieTorget's lawyers and financial experts leading up to the listing is a thorough investigation of the documents, procedures, persons, and business of a company. This is a genuine quality-stamp for Panion and it shows that we have a robust and healthy company structure.

Now we are focusing on the development of our epilepsy project with the product candidate CG01-canine. The development plan is progressing, qualified consultants are connected, and we have signed the confidentiality agreement with the preferred dog-epilepsy center. Our initial plan was to have a precise enrolment schedule, but this may extend the time-period until we can present results, so we are currently working to broaden the inclusion criteria for the trial, and hence eventually extending the applicability of the product in the future market.

We have successfully applied for a MUMS status in the USA, which gives Panion the financial incentives of a fee

waiver for the application procedure. This means that we save a lot of money which we prefer to spend on product development. MUMS is short for "Minor Use and Minor Species" and is a framework of incentives for products that for example covers an unmet medical need in animals. We can now open the so-called Innovative New Animal Drug application with CVM in FDA and start the exchange with the authorities of veterinary medicines approval. This is coordinated by Panion's representation office in New York, managed by our US-based director of business development Carlos N. Velez.

The USA is the market that we target first and in July Panion's chairman of the board, Lars Thunberg, conducted a roadshow to interested investors and potential financial partners to level the way for future cooperation. The market for gene therapy in US is very interesting and we continue the dialogue with potential in-licensing opportunities.

We aim to inform our investors well, and Panion representatives have given interviews in the Swedish Investarbrevet in August, and in Animal Pharm in September, and we will continue to inform about the progress.

I encourage you to read more details in the full company description of Panion, which can be found on our website in both Swedish and English.



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. The prospect of treating epilepsy – and other chronic diseases – with gene therapy is very promising and we continue to work hard to fulfill the potential.

*Anja Holm,
CEO, Panion Animal Health AB*

Financial information

Income and profit/loss July-September

The company had no sales during the period July-September. Operating profit/loss for the period July-September amounts to kSEK -923 (-43). The principle costs refer to compensation to the CEO and consultants.

Income and profit/loss Jan-September

The company had no sales during the period January-September. Operating profit/loss for the period January-September amounts to kSEK -3 346 (-43). The principle costs refer to compensation to the CEO and consultants.

Cash flow and financial position

Cash flow for the period amounts to kSEK 860 (456). Liquidity at the close of the period amount to kSEK 1 166 (541).

The share

The number of shares at the end of the period amount to 16 191 593, 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 third quarter no significant changes with respect to these risks or uncertainty factors have occurred.

Principles for the 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 accordance with the same accounting principles as the latest annual report.

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

Future reporting dates

Interim Report for Q4 2017, 22 February 2018.

Hässleholm, 2017-11-21

Lars Thunberg
Chairman of the Board

Anja E. H. Holm
CEO

Elisabeth Willis
Board member

Nerry Kamstrup
Board member

Lars Friis Mikkelsen
Board member

Income statement

SEK thousand	2017 3 months July-Sept	2016 3 months July-Sept	2017 9 months Jan-Sept	2016 9 months Jan-Sept	2016 12 months Jan-Dec
Total sales	0	0	0	0	0
Operating expenses					
Other external costs	-923	-43	-3 346	-43	-692
Personnel costs	0	0	0	0	0
Depreciation of tangible and intangible assets	0	0	0	0	0
Other operating expenses	0	0	0	0	0
Total operating expenses	-923	-43	-3 346	-43	-692
Operating profit/loss	-923	-43	-3 346	-43	-692
Other interest income and similar profit/loss items	0	0	0	0	0
Interest expenses and similar profit/loss items	-41	0	-154	0	0
Net financial income/expense	-41	0	-154	0	0
Profit/loss before tax	-965	-43	-3 501	-43	-692
Tax	0	0	0	0	0
Profit/loss for the period	-965	-43	-3 501	-43	-692

Balance sheet

SEK thousand	2017 30-sep	2016 30-sep	2016 31 Dec
ASSETS			
Fixed assets			
Intangible assets	3 000	0	0
Total financial assets	3 000	0	0
Current assets			
Other receivables	1 657	0	793
Prepaid expenses and accrued income	57	0	0
Cash and bank balances	1 166	541	306
Total current assets	2 880	541	1 100
TOTAL ASSETS	5 880	541	1 100

Balance sheet

SEK thousand	2017 30-sep	2016 30-sep	2016 31 Dec
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	755	550	550
Other contributed capital	5 453	0	0
Other equity	641	32	733
Profit/loss for the year	-3 501	-43	-692
Total equity	3 348	539	591
Current liabilities			
Short-term liabilities	700	0	0
Accounts payable	1 629	0	466
Other liabilities	0	2	0
Accrued expenses and prepaid income	203	0	43
Total current liabilities	2 532	2	508
TOTAL EQUITY AND LIABILITIES	5 880	541	1 100

Key indicators

	2017 9 months Jan-Sept	2016 9 months Jan-Sept	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, %	56,9%	99,6%	53,8%
Earning per share, SEK (average)	-0,25	-0,01	-0,09
Equity per share, SEK	0,21	0,05	0,05
Dividend per share, SEK	0	0	0
No. Of shares at end of period	16 191 593	11 801 593	11 801 593
Average no. of shares during the period	13 745 266	1 062 143 370	7 525 319
Share price at end of period (SEK per share)	1,08	N/A	N/A
Capitalization value MSEK	17 486 920	N/A	N/A

Cash flow

SEK thousand	2017 3 months July-Sept	2016 3 months July-Sept	2017 9 months Jan-Sept	2016 9 months Jan-Sept	2016 12 months Jan-Dec
Cash flow from current operations	-2 821	-41	-1 098	-44	-278
Cash flow from investment activity	0	0	-3 000	0	0
Cash flow from financing activities	3 191	0	4 958	500	500
Total cash flow	370	-41	860	456	222
Liquid funds at beginning of the period	796	582	306	84	84
Liquid funds at end of period	1 166	541	1 166	541	306

Owenship structure

Owner	No. of shares	% of capital/ votes
Skandiabanken	3 807 342	23,5%
Avanza Bank	3 311 491	20,5%
Nordnet Bank	3 022 925	18,7%
Svenska Handelsbanken	1 279 130	7,9%
SEB	1 075 958	6,6%
Others	3 694 747	22,8%
Totalt	16 191 593	100%

Changes in equity 17-09-30

	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	205	5 453			5 658
Changed contribution *			600		600
Profit/loss for the period				-3 501	-3 501
Closing balance	755	5 453	641	-3 501	3 348

* The contribution was stated incorrectly in the previous report.

Changes in equity 16-09-30

	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	500				500
Shareholders contribution			-		-
Profit/loss for the period				-43	-43
Closing balance	550	-	33	-43	540

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	500				500
Shareholders contribution			700		700
Profit/loss for the period				-692	-692
Closing balance	550	-	733	-692	591

Development of share capital

Year	Event	Total share capital (SEK)	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	583 322	33 322	12 516 593	715 000	0,05
2017	New share issue	754 591	171 269	16 191 593	3 675 000	0,05

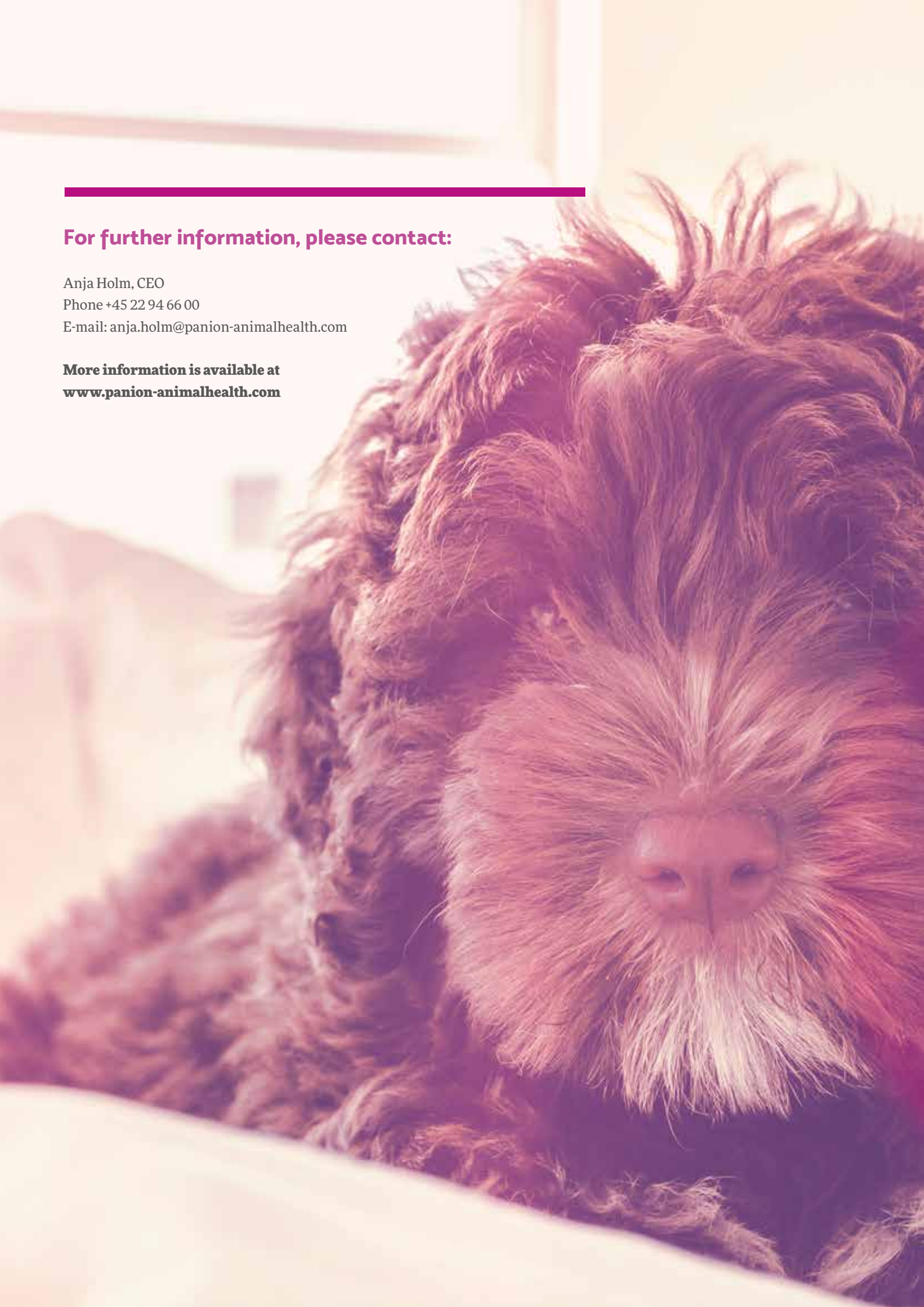
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www.ppanion-animalhealth.com





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