

Company Presentation

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Disclaimer

It is important to note that this information contains forward-looking statements which are based on the currently held beliefs and assumptions of the management of PAION AG, which are expressed in good faith and, in its opinion, reasonable. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, financial condition, performance, or achievements of PAION AG, or industry results, to differ materially from the results, financial condition, performance or achievements expressed or implied by such forward-looking statements. Given these risks, uncertainties and other factors, recipients of this information are cautioned not to place undue reliance on these forward-looking statements. PAION AG disclaims any obligation to update these forward-looking statements to reflect future events or developments.

NOTE: Generally figures are given in EUR. USD amounts were converted by using an exchange rate of 1.20 USD per EUR with the exception of the down-payment made by Forest which was received in USD and where the historical exchange rate was applied.

Agenda

- Introduction to PAION
- Product Pipeline
- Financials
- Investment Case

PAION facts

- Biopharmaceutical company based in Aachen, Germany
- Development of innovative drugs for treatment of stroke and other thrombotic diseases
- Founded in July 2000
- 75 employees (average first nine-months 2006)
- EUR 106m (USD 127m) equity raised since foundation:
 - EUR 51m (USD 61m) raised in 4 financing rounds (2000-2004)
 - EUR 46m (USD 55m) raised with IPO in February 2005
 - EUR 9m (USD 11m) raised in private placement in April 2006
- Partnership with Forest Labs for US and Canada
- Partnership with Lundbeck for Europe/Rest of World (RoW)

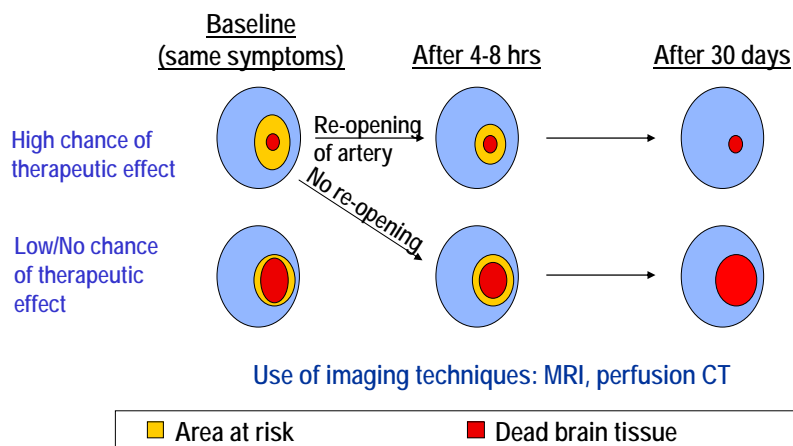
Product pipeline

	Preclinical	Phase I	Phase II	Phase III	Partner
Desmoteplase <i>(Plasminogen activator)</i>	Acute Ischaemic Stroke				Forest (North America) Lundbeck (Europe/RoW)
Enecadin <i>(Neuroprotectant)</i>	Acute Stroke				-
Solulin <i>(Thrombin modulator)</i>	Stroke & CV				-
PN-10 <i>(Next generation plasminogen activators)</i>	Indication tbd after availability of preclinical data				-

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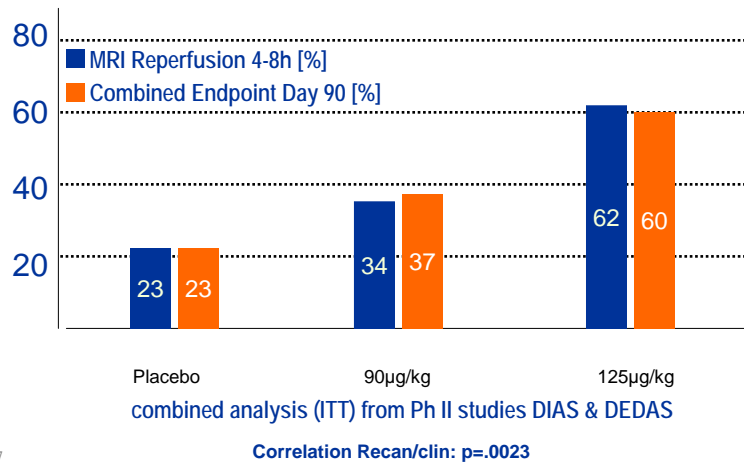
Desmoteplase in acute ischaemic stroke

Decision to treat based on salvageable brain tissue



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Desmoteplase: Significant correlation of reperfusion and positive clinical outcome



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Ph III study for desmoteplase in ischaemic stroke (study acronym DIAS-2)

Design	<ul style="list-style-type: none"> •Phase III dose ranging study (90 µg/kg, 125µg/kg Desmoteplase) •Randomised, double-blind, placebo-controlled, parallel group •Multi-centre / multinational (Europe, USA, Canada, Australia, Singapore) •186 patients
Primary Efficacy and Safety	<ul style="list-style-type: none"> •Clinical improvement at day 90 in all three stroke scales: <ul style="list-style-type: none"> •NIH Stroke Scale (improve ≥8 points from baseline or score ≤1) •Modified Rankin Scale (score 0-2) •Barthel Index (score 75-100) •Safety Monitoring includes AEs, laboratory tests, ECG, vital signs
Inclusion Criteria	<ul style="list-style-type: none"> •Age 18-85 years •Treatment starts within 3-9 hours after onset of stroke symptoms •Score of 4-20 on the NIHSS with clinical signs of hemispheric infarction suggestive of ischaemic stroke •Distinct penumbra (at least 20%), measured by MRI (PW/DWI) or perfusion CT

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DIAS-2 recruitment back on track

- 25 October 2006: DIAS-2 recruitment temporarily put on hold as the independent Data Monitoring Committee requested additional data
- 170 Patients randomized by that date
- 27/28 October: Hold lifted without changes to the protocol after data was provided and evaluated
- Recruitment resumed in all countries
- PAION and Forest expect that recruitment will be completed by end 2006 as previously announced

Second confirmatory trial with Desmoteplase

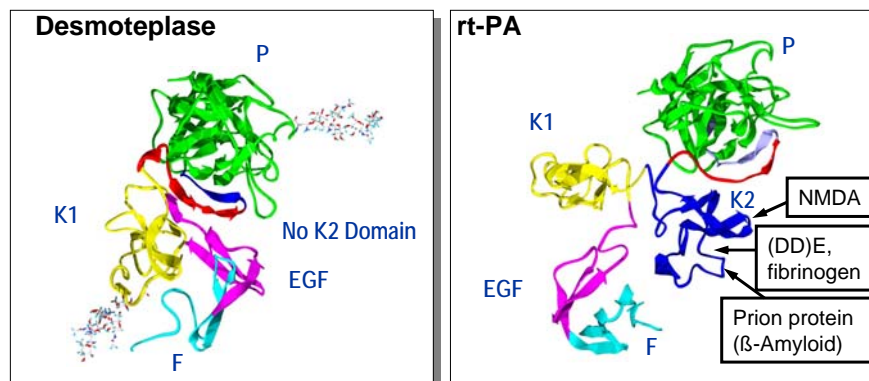
- Agreement with Lundbeck to initiate second confirmatory Phase III study with Desmoteplase for the treatment of acute ischaemic stroke
- Study shall be conducted jointly by PAION and Lundbeck in Europe and other countries excl. US and Canada
- Study start subject to regulatory consultation
- Study aims at increasing the number of patients treated with Desmoteplase and thus at enlarging the basis of available safety data for the compound
- PAION will initially assume major responsibility for financing the study

Desmoteplase summary

- Clinical proof of concept for Desmoteplase available in three indications
 - Acute ischaemic stroke, pulmonary embolism, acute myocardial infarction
- High chance for success
 - Better drug (effect & side effects)
 - Established concept (rt-PA already approved; 0 to 3 h)
 - Clear dose-response curve demonstrated and large therapeutic window (3 to 9 h) at current doses
 - Phase III aims at reproduction of two successful experiments
 - Penumbra concept also validated by others
- Status DIAS-2 (Phase III, acute ischaemic stroke)
 - Conducted together with Forest in US, Canada, Europe, Australia, Singapore
 - 170 out of 186 total patients enrolled by end of October 2006 (100% expected for year-end)
 - DMC issued favourable safety recommendation to continue study
- Additional Phase III study in advanced preparation

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Unravelling the mechanism of rt-PA neurotoxicity is PAION's research focus



Epple et al., J Thromb Haemost 2: 962 (2004)
 Kruihoff and Schleuning, Thromb Haemost 92: 559 (2004)
 Stewart et al., J Biol Chem 273: 18292 (1998)

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PN-10: Access to new plasminogen activators

- By-product of Desmoteplase development
- Strengthens and broadens IP position for Desmoteplase
- Opportunity for Desmoteplase follow-on product(s)
- Additional indications
- First preclinical data currently being evaluated
- Patents will be held by PAION (no licence fees payable to Schering AG)

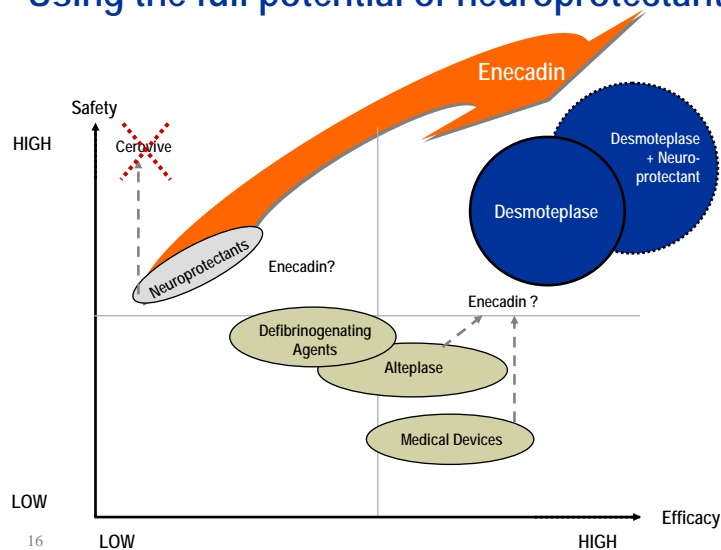
Enecadin overview

- Market positioning
 - Neuroprotective agent for the treatment of acute ischaemic stroke
 - Significant potential as stand-alone treatment and combination therapy with Desmoteplase or other therapeutic approaches
- Product characteristics
 - Sodium and calcium channel blocker
 - Good safety profile expected (results Ph I)
- Pre-clinical data
 - Significantly reduces infarct size up to 12 h in rats
 - Ameliorates behavioural deficits 7 days after permanent MCAO in rats
- Status
 - Phase IIa study initiated (TEST), recruitment ongoing

Phase IIa study on Tolerability of Enecadin in acute ischaemic STroke (TEST)

Design	<ul style="list-style-type: none"> Multicentre, double-blind, randomised, placebo-controlled, dose-escalating study Approx. 100 patients, 20 centres
Rationale	<ul style="list-style-type: none"> Safety study to identify dose with best risk-benefit ratio Prepare for next development step (combination of Enecadin with reperfusion strategies)
Inclusion Criteria	<ul style="list-style-type: none"> Acute ischaemic stroke Treatment starts within 9 hrs after onset of stroke symptoms

Using the full potential of neuroprotectants

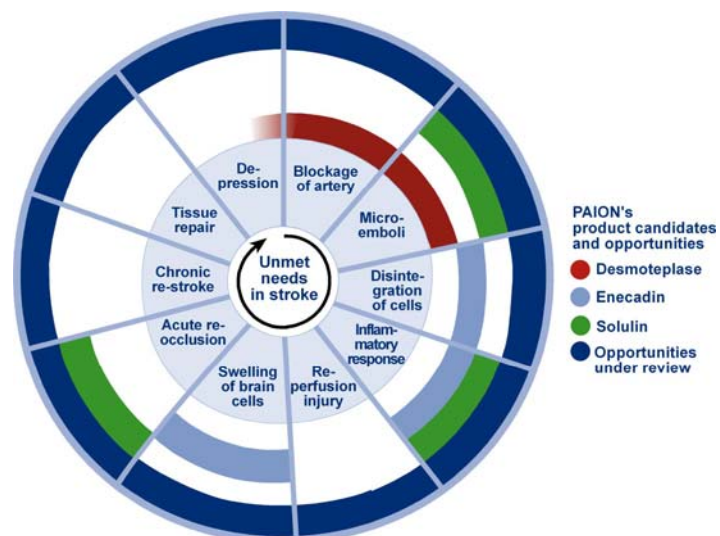


Solulin overview

- Market positioning
 - Anti-inflammatory thrombin modulator: “intelligent” anticoagulant with high potential for indications where other anticoagulants are contra-indicated or unsafe
 - Potential in stroke, reduction of neuronal damage and thrombotic diseases
- Product Characteristics
 - Recombinant human thrombomodulin
 - 3rd-party product analogue has shown clinical efficacy in prevention of DVT post-hip surgery and treatment of DIC (sepsis)
- Status
 - Production process established (cGMP)
 - Preparation for the Phase I clinical study within the scope of BfArM *Scientific Advice*

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Building an integrated portfolio in stroke



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Financial key figures

in accordance with International Financial Reporting Standards (IFRS)

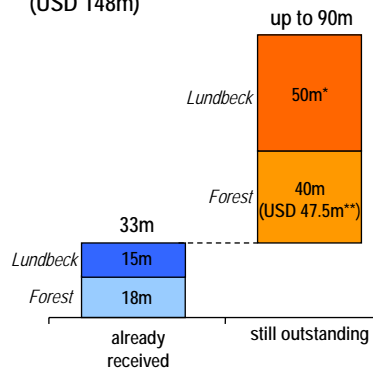
		FY 2004	FY 2005	Q1-Q3 2006
P&L Statement	Revenues	16,952	18,796	8,064
	Cost of revenues	-2,439	-4,855	-4,912
	Selling and marketing expenses	-647	-1,370	-759
	General and administrative expenses	-5,708	-4,852	-3,431
	Research and development expenses	-7,976	-13,627	-12,895
	Operating result (EBIT)	-87	-5,814	-13,805
	Net result	176	-4,756	-12,761
	EPS (in EUR, undiluted and diluted)	0.02	-0.31	-0.78
Cash Flow Statement	Net cash from operating activities	4,997	-3,745	-10,316
	Net cash from investing activities	-1,444	926	-322
	Net cash from financing activities	8,882	40,301	14,456
		12/31/2004	12/31/2005	09/30/2006
Balance Sheet	Cash and cash equivalents	20,889	58,371	62,189
	Equity	15,312	52,750	49,771
	Balance sheet total	25,670	66,152	73,040
	Equity ratio	59.6%	79.7%	68.1%
Employees	FTE at cut-off date	50	72	78

all figures in EURk unless otherwise noted

Desmoteplase successfully out-licensed

- Forest and Lundbeck fund major parts of the development expenses
 - Financial risk of development partly transferred to Forest and Lundbeck

- Milestone payments up to EUR 123m (USD 148m)



- Royalty payments after approval

- between 12% and 22% net royalties for US and Canada
- double digit net royalties for Europe, Japan and RoW or
- 50% profit participation for major European countries where PAION exercises the co-promotion option

²⁰ * depending on the exercise of the co-promotion options
²² ** thereof USD 40m for stroke and USD 7.5m for pulmonary embolism

Successful fundings 2006

- Capital increase in the amount of EUR 9.4m (USD 11.3m)
 - 1,000,000 new shares
 - Issuing price: EUR 9.44
 - Calculated as the average of the last 5 Xetra closing prices
 - No discount granted
 - Private placement excluding subscription rights for existing shareholders
 - US and European institutional investors including J.P. Morgan Proprietary Equities (USA) and Xmark Opportunity Fund (USA)
- Mezzanine financing as subordinated loan amounting to EUR 7m (USD 8.4m)
 - Granted by HSBC Trinkaus & Burkhardt
 - Part of "H.E.A.T Mezzanine I-2006", a structured Mezzaninefinancing
 - Based on three-level selection process (e.g. Moody's RiskCalc Rating)
 - Repayable at the end of the maturity period of 7 years

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Financial Outlook

- Revenues in 2006 will be significantly lower than in 2004 and 2005
 - No milestone payments from both cooperation partners, Forest and Lundbeck, are expected in 2006
 - The revenues in 2006 will exclusively be comprised of reimbursed development costs
- The expansion of the development programmes for Desmoteplase, Enecadin and Solulin will result in a further increase of the R&D expenses
- Due to the lower revenues and the increased R&D expenses, PAION anticipates a corresponding higher net loss in 2006

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Future funding of PAION

- Strong cash position of EUR 62m (USD 75m) as of 30 September 2006
- Forest and Lundbeck significantly fund the development of Desmoteplase
- Up to EUR 83m (USD 100m) outstanding milestone payments from Forest and Lundbeck for the indication of stroke
- Planned: Upfront and milestone payments as well as funding of development costs as a result of out-licensing of Eneccadin

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Goals achieved in 2006

- Started Phase IIa study with Eneccadin
- Launched development programme for next generation plasminogen activators
- Financing: EUR 16m (USD 19m) PIPE + long-term subordinate loan
- DIAS-2 Phase III study back on track after favourable DMC recommendation following 2-day recruitment hold for data analysis

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Business strategy

Mission

- Make stroke a manageable disease
- Become a leader in developing and commercializing drugs for treating stroke and other thrombotic diseases

Strategy

- Focus on clinical development
- In-licensing approach to build integrated drug portfolio
- De-risking through partnering
- Adding value by maintaining (co-)promotion rights

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Investment highlights

- Ongoing Phase III study with Desmoteplase in ischaemic stroke
- Solid partnerships with Forest Labs and Lundbeck
- Products addressing major & unmet medical needs
- Search & Development business model
- Strong cash position
- Comparison to peer group indicates substantial upside potential

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Thank you very much
for your attention!

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PAION shares

- Share Capital: EUR 16,755,552 (USD 20m)
- Share price as of 17 November 2006: EUR 7.94 (XETRA closing price)
- Market cap EUR 133m (USD 160m)
- Trading volume (Frankfurt Stock Exchange)
 - 35,000 shares/day on average in 2006
- Current shareholders >5%
 - 3i Group 8.29%
 - Varuma AG 8.81%
 - Xmark 5.79%
 - Innoven 5.66%
 - Freefloat 71.45% (including 7.71% held by Soehngen family)

Investor relations data

- SE Symbol: PA8 (Bloomberg: PA8:GR)
- WKN (ISIN): A0B65S (DE000A0B65S3)
- Listing: Frankfurt Stock Exchange, Prime Standard Official Market
- Sector/Industry Group: Pharma & Healthcare / Biotechnology
- Designated Sponsors: Commerzbank, Sal. Oppenheim

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