

PAION AG

Dr. Wolfgang Söhngen, CEO
Bernhard Hofer, CFO

Deutsches Eigenkapitalforum
Frankfurt, 23 November 2010



Disclaimer

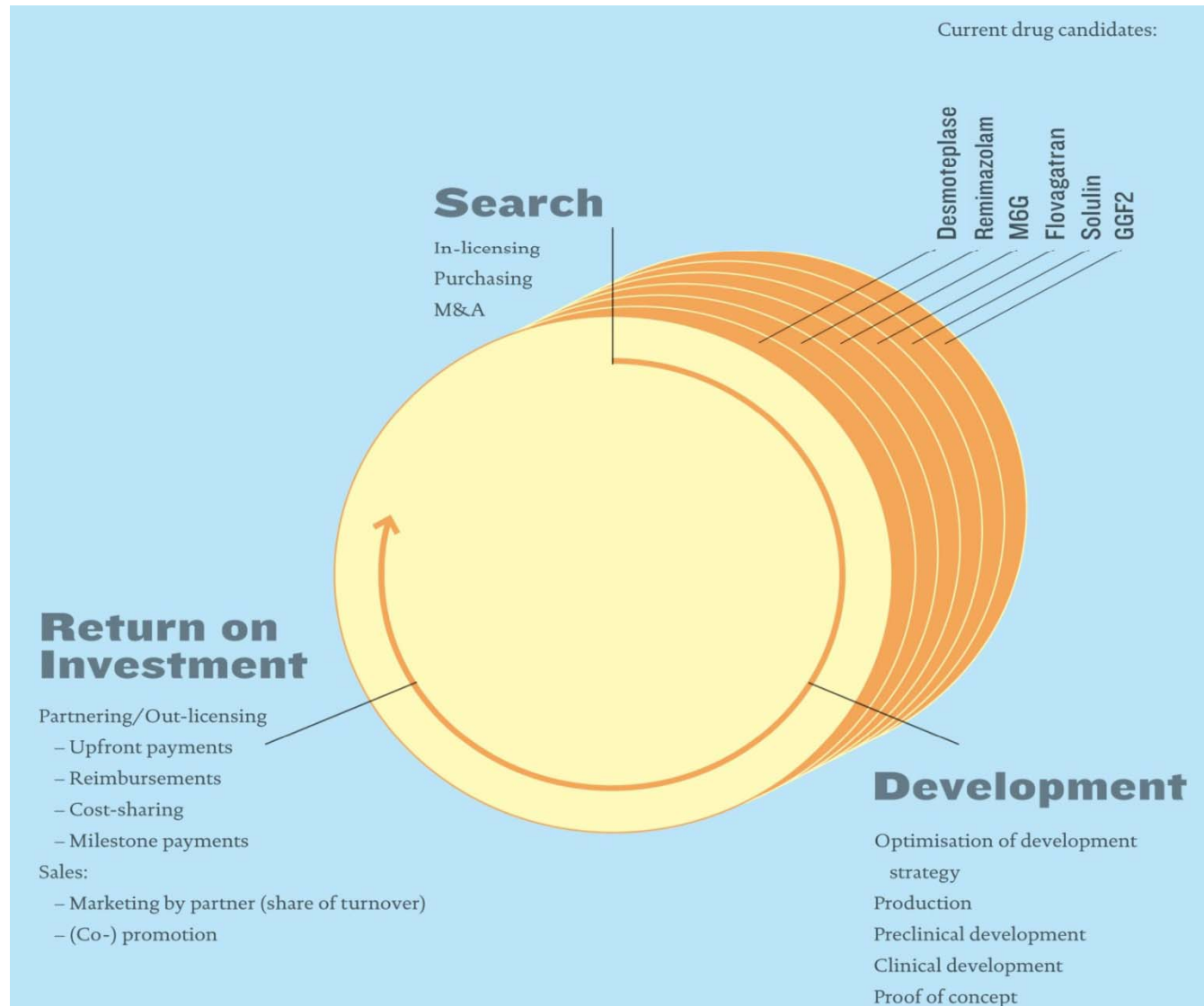
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Corporate Overview

- **PAION is a publicly listed biopharmaceutical company headquartered in Aachen, Germany, with operations in Cambridge, UK. The company had 28 employees at the end of the first nine month 2010**
- **PAION has a track record of successful partnerships and a strong potential for rapid R&D progression**
- **€ 15 million in cash & cash equivalents at the end of the first nine month 2010**
- **€ 15 million equity facility**
- **Substantial news-flow based on progress with Remimazolam (CNS 7056) and the partnered assets Desmoteplase and GGF2**

The PAION Principle





Product Pipeline

Pipeline Overview

- **Near-term value drivers:**
 - **Remimazolam (CNS 7056)**, an ultra-short acting anesthetic/sedative with disruptive market with completed Phase IIb for procedural sedation and Phase I for anesthesia
 - **M6G**, a short-term, low risk opportunity in acute pain care with superior side effect profile to opioids
 - **Desmoteplase**, a partnered and fully-funded Phase III asset with estimated peak sales potential of US\$600 million
- **Medium-term value drivers:**
 - **Solulin, Flovagatran and GGF2**

	Compound	Indication	Status of development				Expected launch	Estimated peak sales (US\$m)	Partners
			PC	PI	PII	PIII			
Near - Term	Desmoteplase IV plasminogen activator	Acute ischemic stroke	█	█	█	▶	1	600 ³	Lundbeck (ww)
	M6G IV opioid	Peri-operative pain	█	█	█	▶	2013	300	
	Remimazolam IV anesthetic/sedative	Anesthesia/Sedation	█	█	█	▶	2013	500	ONO (Japan)
Medium - Term	Flovagatran IV direct thrombin inhibitor	CABG	█	█	▶		2014+ ²	200	
	Solulin IV thrombomodulin	CV/Radiation injury	█	▶			2014+ ²	200-400 ⁴	
	GGF2 glial growth factor	Heart failure	█	▶					Acorda (ww)

Notes:

1 Filing (Lundbeck guidance): 2012

2 Launch dependent on funding and choice of indication

3 PAION estimates

4 Peak sales dependent on indication

Significant Near-Term Value Driver – Remimazolam

Compound	Remimazolam (CNS 7056)
Indication	Anesthesia/Sedation
Estimated peak sales	US\$ 500 million (for first indication)
Target product label	Titrateable and predictable anesthesia/sedation with short wake-up time
Expected launch	2013 (first indication)
Market exclusivity until	2027+
Partner	Ono (Japan) Ongoing partnering discussions for other territories
Status	Phase II

➔ *Ultra-short acting Phase II anesthetic/sedative with disruptive market potential and substantial news-flow*

Remimazolam – potential new Gold Standard

- **Remimazolam is an ultra short-acting anesthetic/sedative activating the GABA_A receptor designed to provide fast onset of sedation with rapid recovery**
 - **Desired sedative profile with rapid recovery to alertness**
 - **A compelling pharmacoeconomic case can be built from remimazolam's favorable profile**
- **Key design feature is an ester group that is readily cleaved into inactive metabolites by ubiquitous tissue esterases**
 - **Primary metabolism is not via CYP 450 enzymes**
 - **Results in a very short half life, predictable pharmacokinetics and faster time to discharge/wake - up**
- **Acquired with CeNeS in 2008**
 - **Originates from GSK, now completely owned by PAION who owes no future milestones/royalties**
 - **29 months from IND to end of Ph IIb in first indication**

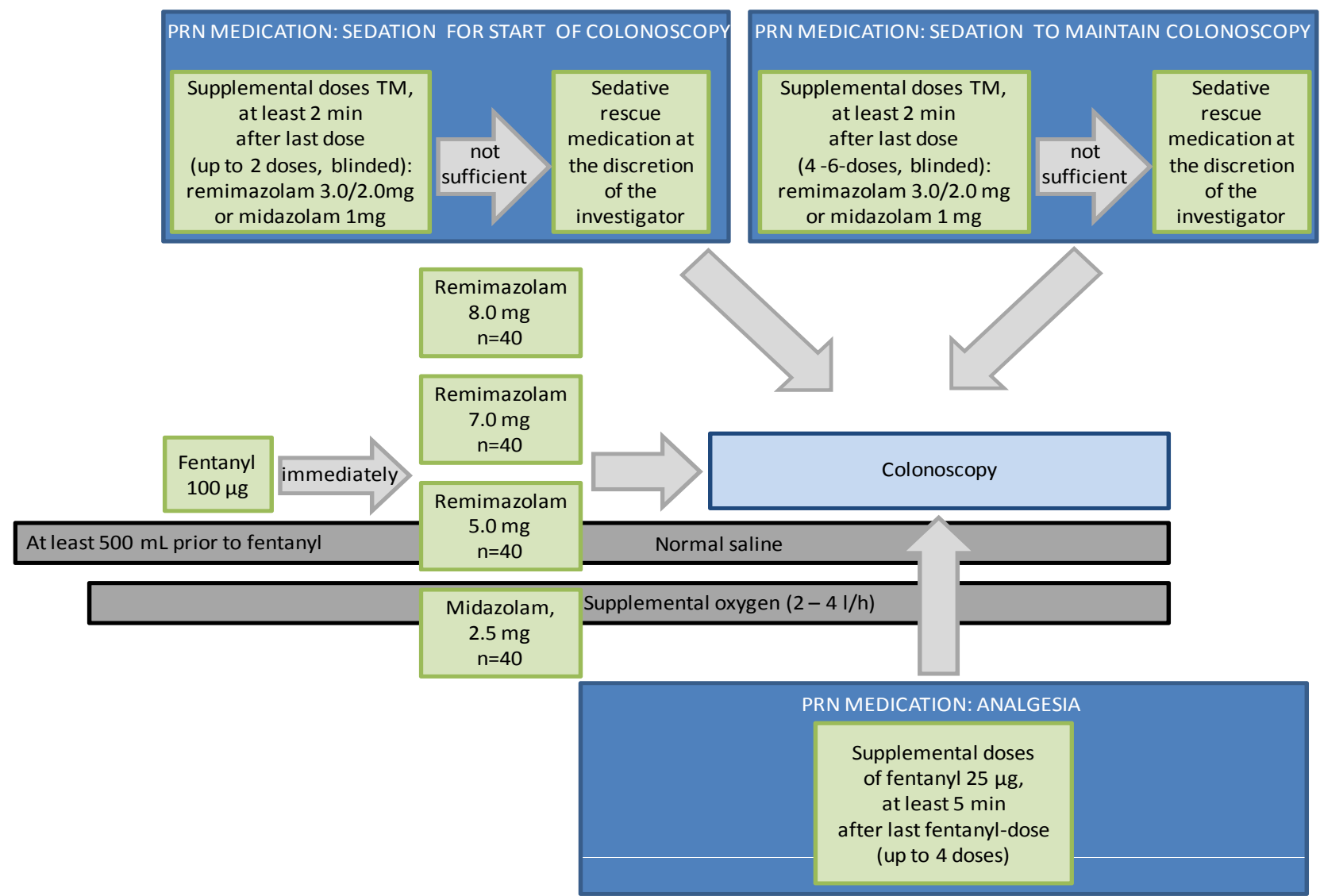
Remimazolam - Outline of Clinical Program

- **Lead indication: sedation during procedures such as colonoscopy, endoscopy & short procedures (limb resetting, wound dressing)**
 - **Single dose first in man (versus midazolam)** ✓
 - **Phase Ib study**
 - **Part A: flumazenil reversal in volunteers** ✓
 - **Part B: bolus with top ups in volunteers undergoing colonoscopy** ✓
 - **Phase IIa study remimazolam vs. midazolam in patients undergoing gastroscopy** ✓
 - **Phase IIb study remimazolam in patients undergoing colonoscopy – Headline Data (ITT)** ✓
 - **Total subjects/patients on Remimazolam N=300**
 - **Other interaction trials, pediatric trials (tbd)**
 - **Phase III trials (tbd):**
 - **Colonoscopy vs. propofol**
 - **Endoscopy vs. midazolam**
 - **Short procedures (trauma, limb resetting, wound dressing)**
- **Induction & maintenance of anesthesia being developed by Ono - program started**
- **ICU sedation**

Conclusions from Phase Ib and Phase IIa Studies

- Procedures up to 15 min can be performed with one bolus
- Top-ups seem adequate for longer procedures up to 30 min
- Benzodiazepine like safety profile in both trials
 - No serious adverse events and no unusual findings
 - Good cardiovascular and respiratory stability
- Remimazolam delivers success rates at least as high as current gold standard together with a rapid onset and offset of effect and a good safety profile

Study Schema Phase IIb



Superior Response Rate for Remimazolam

(composite primary endpoint : MOAA/S \leq 4 on 3 consecutive measurements AND completion of colonoscopy procedure AND no requirement for alternative sedative or ventilation)

	Success rate n/N (%) (ITT)
Remimazolam - 8.0/3.0 mg	37/40 (92.5%), p = 0.066
Remimazolam - 7.0/2.0 mg	38/40 (95.0%), p = 0.025
Remimazolam - 5.0/3.0 mg	39/40 (97.5%), p = 0.007
Midazolam - 2.5/1.0 mg	30/40 (75.0%), p = 0.007

*Descriptive p values for remimazolam represent pair-wise comparisons between each group and midazolam
Descriptive p value for midazolam represents comparison to remimazolam groups combined*

Comparison of Success Rates in Colonoscopy (ITT)

Drug/dose Clinical Phase tested	Success rate n/N (%)
Remimazolam - 8.0/3.0 mg	37/40 (92.5%)
Remimazolam - 7.0/2.0 mg	38/40 (95.0%)
Remimazolam - 5.0/3.0 mg	39/40 (97.5%)
Phase IIb (Study CNS7056-004)	
Midazolam 2.5/1.0 mg	30/40 (75.0%)
Phase IIb (Study CNS7056-004)	
Remimazolam (combined success rate of 2 highest doses)	24/29 (82.8%)
Phase Ib (Study CNS7056-002)	
Fospropofol 6.5 mg/kg (labelled dose)*	Phase II: 18/26 (69.2%)
Phase II and Phase III	Phase III: 137/158 (86.7%)
Midazolam 0.02 mg/kg*	Phase II: 21/26 (80.8%)
Phase II and Phase III	Phase III: 36/52 (69.2%)

* *Success rates taken from fospropofol NDA*

Midazolam dose for procedural sedation is 1 - 2.5 mg initially, with titration doses of 1 mg - equivalent to 0.014 - 0.036 mg/kg initially, for a 70 kg person

Shorter Time to Start of Procedure and low Number of Top-ups

	ITT Population		
All data are means (SD)	Time to Procedure Start* (minutes)	Procedure Duration (minutes)	No. of Top-up Doses
Remimazolam - 8.0/3.0 mg	2.23 (1.44)	13.80 (6.15)	1.43 (1.52)
Remimazolam - 7.0/2.0 mg	3.03 (2.17)	14.33 (5.46)	2.35 (1.97)
Remimazolam - 5.0/3.0 mg	2.65 (1.42)	12.90 (4.92)	1.98 (1.64)
Midazolam - 2.5/1.0 mg	4.80 (3.19)	13.32 (7.01)	2.48 (1.77)

* after initial dose

Short Time to Fully Alert

MOAA/S	Time to fully alert (mins)* Mean (SD)
	ITT population
Remimazolam - 8.0/3.0 mg	13.6 (7.48)
Remimazolam - 7.0/2.0 mg	11.3 (5.69)
Remimazolam - 5.0/3.0 mg	13.3 (7.21)
Midazolam - 2.5/1.0 mg	15.2 (7.43)

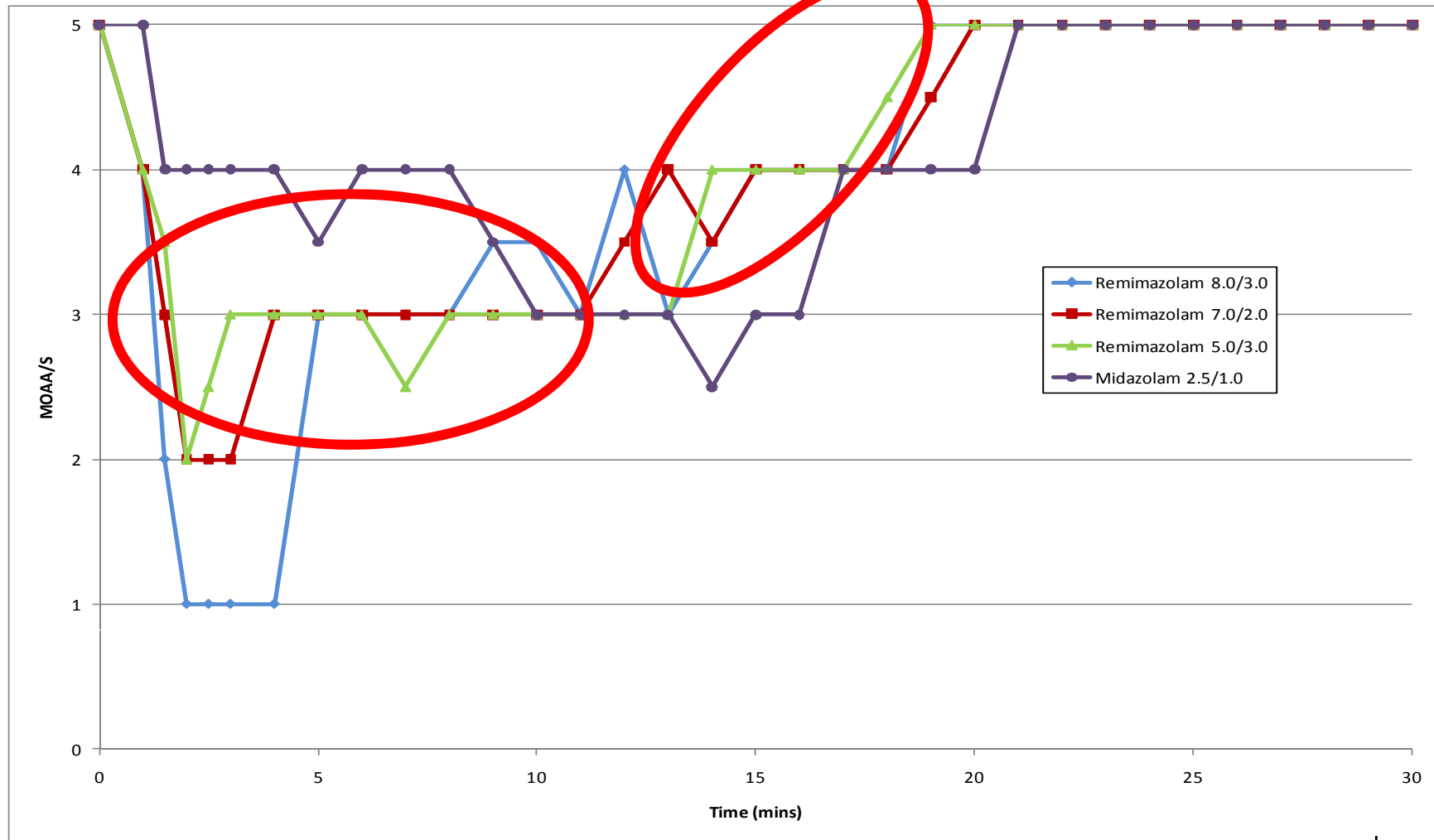
** first of three consecutive MOAA/S scores of 5 after the last injection of study drug*

Short Time to Ready for Discharge

	Time to ready for discharge (mins)* Mean (SD)
	After last injection
	ITT population
Remimazolam - 8.0/3.0 mg	16.8 (7.54)
Remimazolam - 7.0/2.0 mg	14.0 (6.28)
Remimazolam - 5.0/3.0 mg	13.5 (4.83)
Midazolam - 2.5/1.0 mg	17.1 (7.33)

* *first of three consecutive Aldrete scores of ≥ 9*

Sedation Scores (medians) show clinically relevant Differentiation at Onset and Offset



Efficacy Conclusions

- **Faster onset of sedation for remimazolam, compared with midazolam**
 - **Resulting in earlier procedure starts**
- **Higher procedure success rate (95% overall) for remimazolam, compared with midazolam (75%)**
- **Rapid offset of sedation**
- **Short time to ready for discharge**
- **Low number of top-ups (1-2 on average) required with remimazolam**
- **Remimazolam fixed dose regimen successfully established (ease of use)**

Safety Conclusions

- Overall good tolerability
- No treatment emergent serious adverse events
- No apparent differences in oxygen saturation (values remained stable at a mean of 97% throughout)
- Airway interventions (*eg* chin lift, jaw thrust, stimulation) similar between all groups
 - 8.0/3.0 remimazolam - 1 patient
 - 7.0/2.0 remimazolam - 2 patients
 - 5.0/3.0 remimazolam - 0 patients
 - Midazolam - 3 patients
- No ventilation necessary

Safety Conclusions (cont)

- **Adverse events of special interest (AESI *) were considerably less frequent than the previous Phase Ib study due to the revised dosing and study design**
 - **In Phase Ib, 29** related AESIs in 45 subjects**
 - **In current study, 10 related AESIs in 161 patients**
 - 8.0/3.0 remimazolam - 4 patients (hypotension, bradycardia, hypoxia, respiratory depression)
 - 7.0/2.0 remimazolam - 4 patients (hypotension, hypoxia, 2 x respiratory depression)
 - 5.0/3.0 remimazolam - 1 patient (hypotension)
 - Midazolam - 1 patient (hypoxia)

** Adverse Events of Special Interest (AESI) include the following TEAE: O₂ saturation < 90% for ≥ 1 minute, respiration rate < 8 bpm, bradycardia < 45 bpm, hypotension ≤ 80 mmHg, hypertension ≥ 160 mmHg or necessity of medical intervention, prolonged sedation*

*** Tachycardia reported as AESI only in Ph Ib study, but not regarded as AESI in current study, hence removed from Phase Ib number above for comparative purposes*

Market Needs

- **Rapid “Street-readiness” of patients (not necessarily driving)**
- **True, reliable Target Controlled Infusion (TCI)**
- **Predictable pharmacokinetics**
- **Rapid Awakening to full alertness on demand following sedation or anesthesia**
- **Improved Cost-efficiency**
- **Faster Patient flow**
- **Less Nursing supervision**
- **Good Cardio/Respiratory safety**
- **Availability of reversal agent**
- **Reduced Pain on injection**
- **Amnestic effect and high patient satisfaction**

...can all be addressed with Remimazolam

Remimazolam– Competitive Advantage

Product Profiles	Remimazolam	Midazolam	Propofol	Fospropofol
Rapid time to peak effect	✓	✗	✓	✗
Rapid offset	✓	✗	✓	✓
Predictable recovery time	✓	✗	✓	✗
Early discharge	✓	✗	✓	?
Low respiratory depression	✓	✓	✗	✗
Less resources for supervision	✓	✗	✗	✗
Early recovery to full cognition	✓	✗	✗	✗
Reversal agent available	✓	✓	✗	✗
Low re-sedation risk after reversal	✓	✗	–	–
No (low) pain on injection	✓	✓	✗	✓

Remimazolam – Total Market Opportunity

- **PAION estimates for the three main indications suggest a very attractive peak sales potential**
- **Procedural sedation**
 - **Market size: > 50 million cases across the US and top five European markets**
 - **Current data support a strong pharmaco-economic case and show improved patient flow**
- **General anesthesia**
 - **Market size: > 80 million total procedures in USA and Europe**
- **ICU sedation**
 - **Market size: > 16 million patient days in the USA and Europe**

Maximising the Value with Partnerships



- **Remimazolam is exclusively licensed in Japan to Ono Pharmaceutical**
- **PAION is now seeking a partnership for the other territories with**
 - **The ability to develop in multiple indications simultaneously**
 - **The willingness to market and sell the drug to the anaesthesiology community, the gastroenterology community and beyond**
- **PAION has shown that it has the ability to contribute significantly also in late stage development programs**
- **PAION is poised to exploit the full commercial potential of the asset**

Significant Near-Term Value Driver – M6G

Compound	M6G
Indication	Peri-operative pain
Estimated peak sales	US\$ 300 million
Target product label	Well tolerated mono-therapy for the treatment of peri-operative pain
Expected launch	2013
Market exclusivity until	2020+
Partner	Ongoing partnering discussions
Status	Phase III

 ***Short-term low-risk opportunity in acute pain care***

Desmoteplase – A Partnered and Fully-Funded Phase III Asset

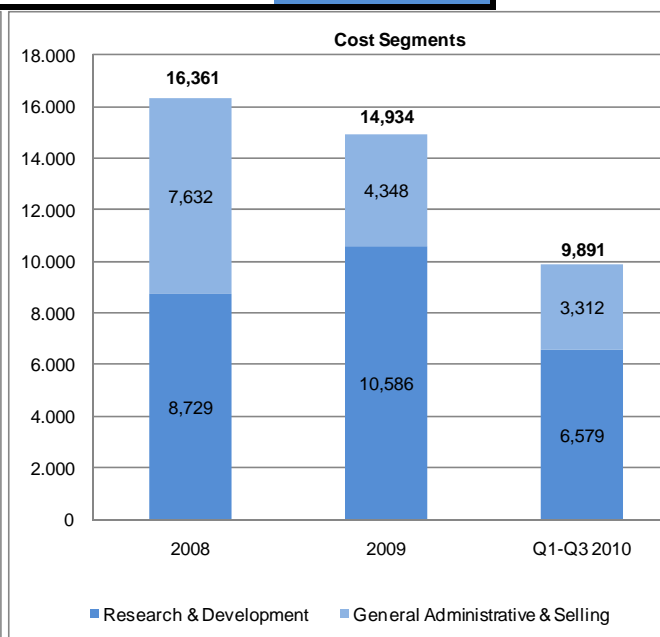
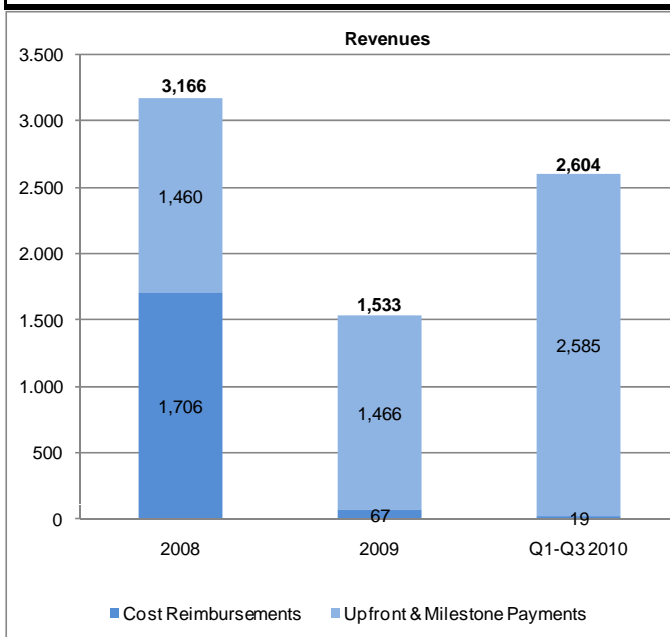
Compound	Desmoteplase
Indication	Acute ischemic stroke
Estimated peak sales	US\$ 600 million (PAION estimates)
Target product label	Widening treatment window in stroke from 0-3 h up to 9 h in patients requiring reperfusion
Expected filing	2012 (source: Lundbeck)
Market exclusivity until	2022+
Partner	Lundbeck (world-wide)
Status	Phase III

➔ Significant value driver for PAION without financial obligations

Consolidated Statement of Comprehensive Income

In accordance with IFRS (all figures in EUR k if not otherwise noted)

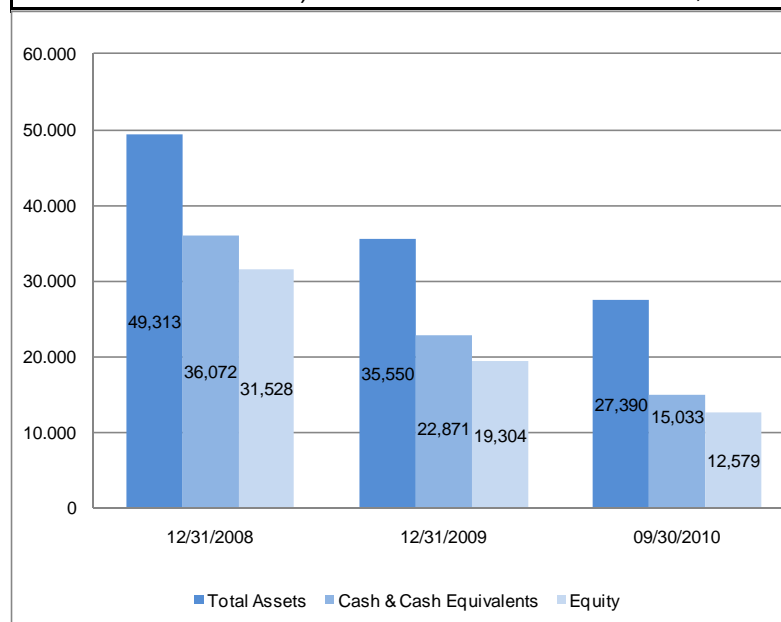
	FY 2008	FY 2009	Q1-Q3 2010
P&L Statement			
Revenues	3.166	1.533	2.604
Cost of revenues	-780	-51	-15
Research and development expenses	-8.729	-10.586	-6.579
General administrative and selling	-7.632	-4.348	-3.312
Operating result (EBIT)	-13.799	-12.996	-7.232
Financial result	813	-381	-416
Net result	-12.580	-13.037	-7.319
EPS basic (in EUR)	-0,60	-0,53	-0,30
EPS diluted (in EUR)	-0,60	-0,53	-0,30



Balance Sheet

In accordance with IFRS (all figures in EUR k if not otherwise noted)

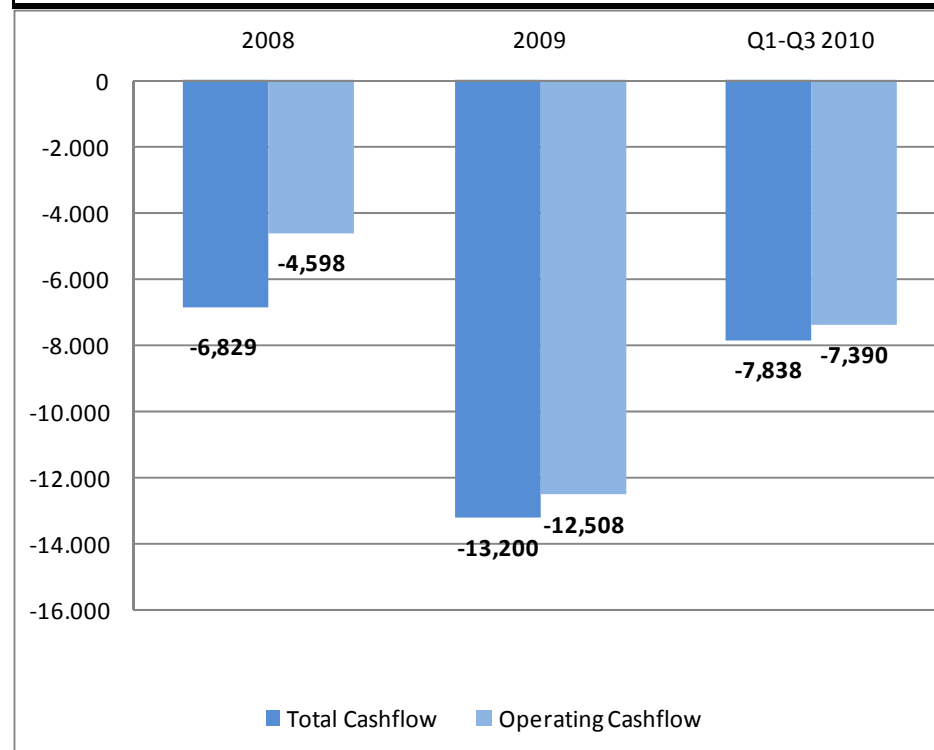
	12/31/2008	12/31/2009	09/30/2010
Balance Sheet			
Non-current assets	11.746	11.671	11.187
Current assets	37.567	23.879	16.203
<i>thereof Cash and cash equivalents</i>	36.072	22.871	15.033
Equity	31.528	19.304	12.579
Non-current liabilities	13.426	12.033	10.826
Current liabilities	4.359	4.213	3.985
Total assets	49.313	35.550	27.390
Equity ratio			
a) Equity / Total assets	63,9%	54,3%	45,9%
b) (Equity + Subordinate Loan + Deferred Income Lundbeck) / Total assets	91,0%	87,9%	85,7%



Cash Flow and Employees

In accordance with IFRS (all figures in EUR k if not otherwise noted)

	FY 2008	FY 2009	Q1-Q3 2010
Cash Flow Statement			
Cash flows from operating activities	-4.589	-12.508	-7.390
Cash flows from investing activities	-436	-108	-21
Cash flows from financing activities	-1.638	-658	-442
Employees			
FTE (average in period)	42	30	29
FTE (at period end)	33	30	28



Amendment of Lundbeck Agreement in October 2010

- Lundbeck got access to potential follow-up compounds and received research rights.
- PAION receives payments of up to EUR 31.5 million and royalties, thereof:
 - EUR 1.5 million upfront payment, which was received in October and will be recognised as revenue in the fourth quarter 2010.
 - EUR 5 million increase of Desmoteplase milestone payments to a total of up to EUR 68 million.
 - Up to EUR 25 million milestone payments for development and commercialisation of the second generation molecules (follow-up compounds).
 - Double-digit royalties

Expanded Lundbeck Agreement (1)

Lundbeck holds exclusive global rights to develop and market Desmoteplase and potential follow-up compounds. Lundbeck's payment obligations:

- **EUR 8 million non-refundable up front payment (January 2008),**
- **EUR 1.5 million non-refundable payment (October 2010),**
- **Up to EUR 68 million milestone payments for Desmoteplase, of which**
 - **Up to EUR 40 million relate to milestones due until market approvals and**
 - **Up to EUR 28 million due upon commencement of marketing activities and the achievement of specific revenue targets**
- **Up to EUR 25 million milestone payments for the second generation molecules (follow-up compounds) for development and commercialisation,**

Expanded Lundbeck Agreement (2)

- Assumption of all costs,
- Royalties which amount to a low double-digit percentage following the deduction of the licence fees PAION has to pay to the original licensor, Bayer Schering Pharma AG.
- PAION has the option to co-promote Desmoteplase in Germany, Austria and Switzerland. If PAION decides to exercise this option it will receive a direct share of earnings rather than licence fees based on revenues.

Equity Facility

- **Equity facility granted by Commerce Court Small Cap Value Fund Ltd., managed by Acqua Capital Management Inc. Toronto/Canada**
- **Equity Facility gives access to up to EUR 15 million during the term of 3 years by issuing shares out of the authorised capital in multiple tranches**
- **Minimum investment amounts per tranche within a range from EUR 150,000 to EUR 1,300,000 dependent on the share price guaranteed**
- **Both parties can agree on higher amounts per tranche**
- **PAION has the right to determine for every tranche a floor price below which PAION is not obliged to issue shares**
- **Usage**
 - **Until now one draw about EUR 0.8 million (November 2010)**
 - **Remaining facility: EUR 14.2 million**

Outlook 2010 (full year)

- **Research and Development**
 - Phase IIb study with Remimazolam completed
 - Ono is conducting a Phase I program with Remimazolam in Japan
 - Lundbeck is conducting two Phase III studies with Desmoteplase and one Phase II study in Japan. Development costs are completely borne by Lundbeck
- **Revenues**
 - Proportional release of deferred income
 - First milestone payment of USD 1 million from Ono
 - First milestone payments of USD 1 million from Acorda
 - EUR 1.5 million upfront-payment from extended Lundbeck agreement
- **For 2010 a significant net loss is expected**
- **Funding**
 - Until now EUR 0.8 million cash inflow from usage of equity line
 - Further usage in 2010 and 2011 planned

Medium Term Outlook

- **Strong financial position**
 - Cash and cash equivalents of EUR 15 million as of 30 September 2010
 - Cash reach until the middle of 2012 based on current cash position plus partial use of the equity facility
- **Potential for significant funds**
 - Up to EUR 68 million milestone payments from Lundbeck agreed, thereof up to EUR 40 million until market approval
 - Development milestone payments from Ono
 - Up to USD 7.5 million milestone payments until market approval from Acorda
 - Outlicensing of Remimazolam
 - Outlicensing of M6G
 - Usage of remaining EUR 14.2 million equity facility

Investment Highlights

- ① **Improved financial position with**
 - Cash reach until mid 2012
 - Significant potential from existing partnerships
 - Significant potential from future partnerships (M6G & Remimazolam)
 - EUR 15 million equity facility

- ② **Significant progress in several development assets**
 - Remimazolam – PAION (procedural sedation)
 - Remimazolam – Ono (anesthesia)
 - Desmoteplase – Lundbeck
 - GGF2 – Acorda

- ③ **Successful business model**
 - Identification of hidden gems
 - Achievement of POC in humans
 - Successful partnering



**Thank you very much
for your attention!**

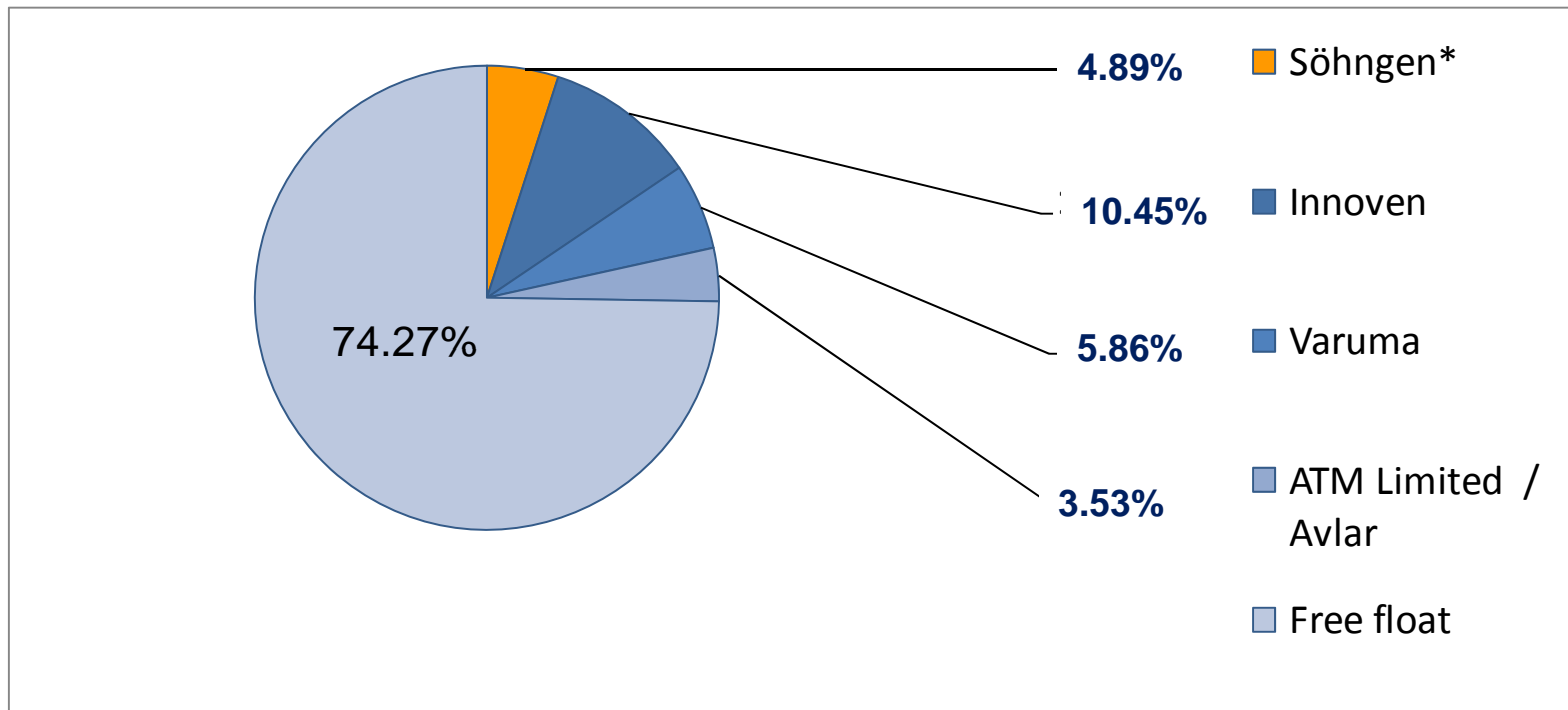
Contact:

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Shareholder Structure (as of 23 November 2010)

24,902,919 shares outstanding



*Dr. Mariola Söhngen 2.58%, Dr. Wolfgang Söhngen 2.31%

Investor Relations Data

- **Total number of shares: 24,902,919**
- **ISIN DE000A0B65S3**
- **Listing Frankfurt Stock Exchange, Prime Standard Regulated Market**
 - **WKN A0B65S**
 - **SE Symbol: PA8 (Bloomberg: PA8 GR)**
 - **Most liquid trading on XETRA (PA8 GY)**
 - **Designated Sponsors: Close Brothers Seydler, DZ Bank**

- **Contact: Ralf Penner (Director Investor Relations & Public Relations)**
Phone +49 241 4453-152, e-mail: r.penner@paion.com

Corporate Calendar 2010

16 March	Publication of the financial results 2009
11 May	Publication of the financial results for the first quarter 2010
19 May	Annual General Meeting, Aachen (Germany)
11 August	Publication of the financial results for the second quarter and the first half-year 2010
10 November	Publication of the financial results for the third quarter and the first nine months 2010
23 November	Analyst presentation at German Equity Forum