PAION Q1#2015

Consolidated Financial Interim Report for the First Quarter 2015

PAION AG

01.01.
31.03.
2015

Contents

PAION

About PAION AG

PAION AG is a publicly listed Specialty Pharma Company headquartered in Aachen, Germany, with further sites in Cambridge, UK, and New Jersey, U.S. The company has a track record of developing hospital-based treatments for which there is substantial unmet medical need. PAION AG's strategy is to participate in the commercialization of Remimazolam and extend its business with a focus on anesthesia/critical care products. Remimazolam is the building block for its future marketing activities.

Key Figures

(all figures in KEUR unless otherwise noted)	Q1 2015	Q1 2014
Revenues	33	4
Research and development expenses	-5,763	-1,602
General administrative and selling expenses	-1,337	-879
Result for the period	-4,703	-2,207
Earnings per share in EUR for the period (basic)	-0.09	-0.08
Earnings per share in EUR for the period (diluted)	-0.09	-0.08

	Q1 2015	Q1 2014
Cash flows from operating activities	-5,761	-3,310
Cash flows from investing activities	-4	3
Cash flows from financing activities	3	10,664
Change in cash and cash equivalents (incl. exchange rate differences)	-5,717	7,352
Average number of group employees	26	13

	31-03-2015	31-12-2014
Intangible assets	3,640	3,440
Cash and cash equivalents	53,195	58,912
Equity	58,482	62,607
Non-current liabilities	14	17
Current liabilities	3,821	3,924
Balance sheet total	62,317	66,548

Interim Group Management Report for the Three-Month Period ending 31 March 2015

The First Three Months at a Glance

March

Initiation of U.S. Phase III clinical trial of Remimazolam for procedural sedation during colonoscopy

Development and Commercial Activities

In the first quarter of 2015, PAION focussed on the development of **Remimazolam**.

The dialogue which started in 2013 based on the positive End-of-Phase II Meeting with the FDA, served the purpose to define all the details of approval requirements for Remimazolam in the indication “procedural sedation” together with PAION and has been completed. The agency commented on the study protocols and other aspects of the rest of the development program such as the production of the substance and some accompanying preclinical and Phase I protocols.

As a result of a comprehensive coordination process and the feedback received in several steps from the FDA, the Phase III study protocols were submitted to the FDA in November 2014. In the end of February 2015, PAION received feedback from the FDA, adjusted the study protocols accordingly and resubmitted the changes to the institutional review boards (IRBs, Ethic Committees). Thus, the first study was started at the end of the first quarter. The initiation of the Phase III trial in patients undergoing colonoscopies marks the start of PAION’s Phase III clinical program, which includes a second pivotal Phase III trial in patients undergoing bronchoscopies and a third smaller safety trial in high-risk patients undergoing colonoscopies. In parallel, three Phase I studies are being conducted by PAION.

The Phase III colonoscopy clinical trial is a prospective, double-blind, randomized, placebo- and midazolam-controlled, U.S. multicenter study in 460 patients undergoing colonoscopies for diagnostic or therapeutic reasons. Patients are randomized to receive Remimazolam, midazolam or placebo in addition to fentanyl to achieve moderate sedation. The primary objective of this study is to investigate the short-term sedation, and hence the success of a colonoscopy compared to placebo and midazolam. The primary endpoint is the successful completion of the colonoscopy procedure with no requirement for an alternative sedative. The completion of patient recruitment is expected before the end of 2015.

In the second quarter of 2015, PAION expects the start of the second U.S. Phase III clinical trial of Remimazolam for procedural sedation during bronchoscopy. Recently, the first study sites have been initiated. The bronchoscopy study forms the second pivotal trial of the Remimazolam Phase III program and is a prospective, double-blind, randomized, placebo- and midazolam-controlled, U.S. multicenter study in 460 patients undergoing bronchoscopies.

The interactions with the European Medicines Agency (EMA) for the EU lead indication "anesthesia" were also completed. The upcoming development program until filing for market approval was discussed. Based on this scientific advice, the study protocols have been completed and submitted to the national agencies and IRBs. For the EU, PAION expects the study start of the Phase III program towards the end of the first half/beginning of the second half of 2015.

Financial Overview

In the first quarter 2015, as in the prior-year period, no significant revenues were generated. Research and development expenses increased significantly compared to the first quarter 2014 due to intensified development activities with Remimazolam, particularly in connection with the preparation and initiation of the Phase III programs. General administrative and selling expenses increased compared to the prior-year period as a result of the increase of staff and higher selling expenses due to the conduct of pre-marketing and market access activities. In total, a net loss of EUR 4.7 million has been incurred in the first quarter of 2015 compared to a net loss of EUR 2.2 million in the prior-year period.

Cash and cash equivalents decreased by EUR 5.7 million in the first quarter of 2015 compared to 31 December 2014 and amounted to EUR 53.2 million as of 31 March 2015. Thus, PAION has sufficient funds to conduct the Phase III programs with Remimazolam in the EU and U.S. including the filing process, and to continue the ongoing pre-marketing and market access activities.

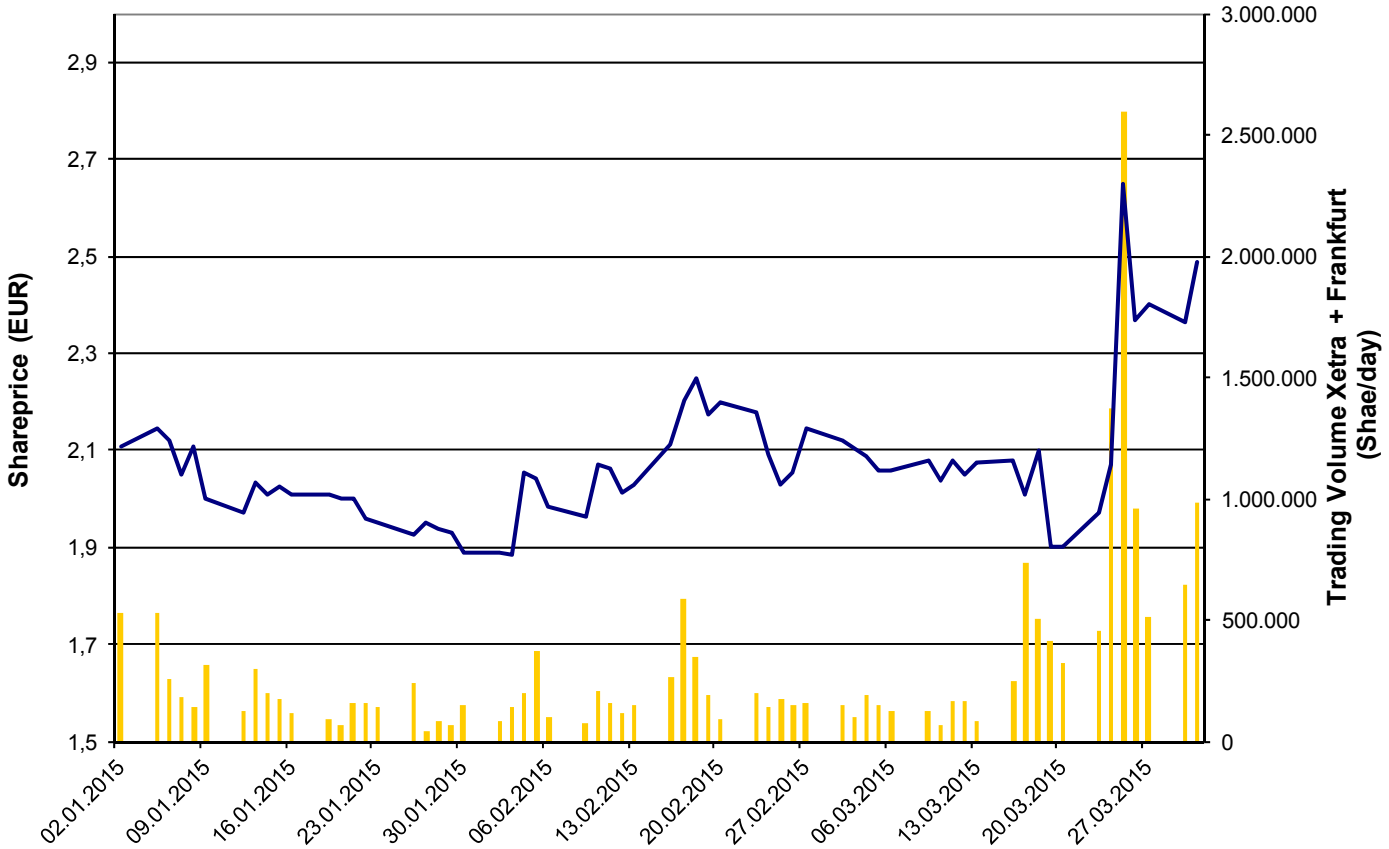
Capital Market Environment and PAION Share Performance

The development of the German capital markets in the first three months of 2015 was impacted by the low interest rates and the Quantitative Easing of the European Central Bank and has lifted the DAX in mid-March over 12,000 points for the first time. Overall, the DAX rose by 22 % compared to the closing level of 2014. The NASDAQ Biotechnology Index and the AMEX Biotechnology Index continued the trend of the previous years and reported gains of 14 % and 15 % in the first three months of 2015. The DAX Subsector Biotechnology also excelled in the first three months with a gain of 22 %.

The PAION share price started the year 2015 at a price of EUR 2.11 (Xetra). The peak price on 25 March 2015 was EUR 2.65 (Xetra). On 3 February 2015, the lowest price in the first quarter of 2015 was marked at EUR 1.88 (Xetra). The closing price on 31 March 2015 was EUR 2.49 (Xetra). This corresponds to an increase of 33 % compared to the closing price on 30 December 2014 (EUR 1.87; Xetra).

The average daily trading volume (Xetra and Frankfurt Stock Exchange) amounted to 292,010 shares during the first quarter of 2015 (in the year 2014: 489,980 shares). Thereby, 18 million shares were traded during the first quarter of 2015 (in the year 2014: 93 million shares).

Development of the PAION Share Price and Volume (Xetra) in the First Quarter 2015



Overview of Research and Development Activities

The development portfolio of PAION Group mainly comprises the lead compound Remimazolam with its three indications procedural sedation, anesthesia and ICU sedation as well as two further substances which are also described in the following.

Remimazolam

Remimazolam is an ultra short-acting general anasthetic/sedative. This means that it rapidly unfolds its effect after injection and also wears off expeditiously after cessation. Therefore, Remimazolam's dosage can be ideally controlled. The range of applications of Remimazolam can be varied as different dose regimes lead to different length and depth of sedation. Remimazolam is currently developed to be used in general anesthesia (deep and long sedation of up to several hours) and procedural sedation (short sedation of up to about 30 minutes) in short procedures such as colonoscopies. Moreover, the further development in the ICU (longer sedation; hours to days) is planned.

Remimazolam was initially developed by PAION for use in procedural sedation, primarily targeting the U.S. market. Sedatives are used, for example, in endoscopic procedures such as colonoscopies. As of today, more than 900 volunteers/patients have been exposed to Remimazolam. Remimazolam has clearly shown a controllable sedative and anesthetic effect with rapid onset and offset in the clinical trials covering all of the three target indications. This means that the patient can be selectively sedated for the duration of the intervention and rapidly regains full consciousness after the procedure. The rapid offset of the substance's effect is due to its metabolism to an inactive metabolite by tissue esterase enzymes that are widely distributed throughout the body.

Furthermore, the use in children is planned. For this, there already exists an agreed plan with the FDA which will be implemented after the successful approval for adult use. The same approach will be used in the EU.

Based on the different regional needs of innovative anesthetics, PAION concentrates on the indication general anesthesia (includes sedation in the ICU of up to 24h) in the EU market and on the indication procedural sedation in the U.S. A development for ICU sedation after approval for procedural sedation and general anesthesia, or sooner with a partner, is planned.

In February 2013, PAION held a formal scientific advice meeting with the German regulatory agency BfArM on the EU clinical development program for Remimazolam in the general anesthesia indication. The EU Phase II trial with Remimazolam in general anesthesia was started in 2013 and successfully completed in 2014.

PAION currently assumes that one Phase II and one Phase III trial in general anesthesia in addition to the completed Japanese development program will be sufficient for EU approval. In preparation for the EU Phase III trial, PAION had further scientific advice meetings with the European regulatory agency. A final agreement on the design of the Phase III study was reached in February 2015. The study protocols have been completed and submitted to the national agencies and IRBs. PAION assumes that the Phase III program can be started towards the end of the first half/beginning of the second half of 2015.

In the U.S., procedural sedation remains the lead indication. Insurance companies in the U.S. pay far in excess of USD 1 billion yearly for colonoscopies with propofol. These high costs are mainly due to the fact that propofol requires a significantly higher amount of medical

supervision compared to midazolam, a very safe agent for providing conscious sedation. However, the disadvantages of midazolam are longer and variable initiation and recovery times. Compared to propofol, this results in reduced numbers of procedures that can be performed. Gastroenterologists therefore often use propofol to almost double the number of patients that can be screened in a day. The high number of procedures in a doctor's surgery/clinic is not only necessary to manage the facility's business but also to fulfill the social mission to screen as many patients as possible, as colonoscopies are the only proven method for early detection and prevention of colon cancer. Remimazolam is expected to be as safe as midazolam and to receive the same label consequentially. This assumption is based on the fact that Remimazolam belongs to the class of benzodiazepines (such as midazolam), and the previously generated data indicate a similar good safety profile.

The development program required for market approval (Phase III studies, associated development activities, production development) was prepared based on a positive End-of-Phase II Meeting with the FDA held in October 2013. In addition to the comparison to placebo required by the FDA, the objective of the development program is to support the positioning of Remimazolam against midazolam. PAION expects that Remimazolam is as safe as midazolam but both the start of the intervention and the recovery of the patient are faster in case of the use of Remimazolam. If this can be shown, it is possible that the FDA will grant a label similar to that of midazolam. The FDA will be able to make this decision only after the complete data set is available (i. e. after the Phase III trial). This development is positively supported by the presence of a reversal agent (flumazenil is an antagonist for all benzodiazepines such as midazolam and Remimazolam) which can quickly terminate the effect of the drug for example in the event of an overdose or adverse reaction. For propofol such an antagonist is not available, which, among other things, is the reason why the permission to use propofol is restricted to physicians who have a qualification to performing general anesthesia.

PAION expects that the changes in the reimbursement policy of the "Centers for Medicare & Medicaid Services (CMS)" in the U.S. announced for the beginning of this year will significantly reduce the use of propofol. Starting 1 January 2015, there is only one reimbursement code for short colonoscopies in order to save costs for the U.S. healthcare system. The anesthetist and the gastroenterologist can no longer claim those costs separately and it is expected that the total amount will be reduced. Hence, the gastroenterologist will possibly be even stronger incentivized to use sedatives that do not require the presence of an anesthesiologist. In a survey conducted during the New York Society for Gastrointestinal Endoscopy (NYSGE) Congress, 75 % of the more than 200 surveyed gastroenterologists reported they would be willing to change their current sedation practice if a new drug with the same efficacy as propofol were available that does not require the presence of an anesthesiologist.

Clinical Development

Procedural sedation

The clinical studies performed in this indication with Remimazolam comprise two Phase I and two Phase II studies with single or multiple dosing without an intervention or during endoscopy of the upper gastrointestinal tract or the colon.

The generated data indicate a good tolerability of Remimazolam. A rapid onset and offset of the sedative effect was observed during the procedures. It was also shown that it is possible to achieve the same (safety) or partly better (efficacy) results with single or multiple dosing of Remimazolam as compared to single or multiple dosing of midazolam.

In November 2013, PAION announced a positive End-of-Phase II Meeting with the FDA for Remimazolam in procedural sedation. At that meeting, the FDA laid out its expectations for the remaining development program up to NDA filing. Since then, the dialogue with the FDA has continued and been completed. Thus, all the details of approval requirements have been defined together with PAION. The agency commented on the study protocols and other aspects of the rest of the development program such as the production of the substance and some accompanying preclinical and Phase I protocols.

As a result of a comprehensive coordination process and the feedback received in several steps from the FDA, the Phase III study protocols were submitted to the FDA in November 2014. End of February 2015, PAION received feedback from the FDA, adjusted the study protocols accordingly and resubmitted the changes to the IRBs (Ethic Committees). Thus, the study was started at the end of March 2015. The initiation of the Phase III trial in patients undergoing colonoscopies marks the start of PAION's Phase III clinical program.

The Phase III clinical trial initiated in March 2015 is a prospective, double-blind, randomized, placebo- and midazolam-controlled, U.S. multicenter study with 460 patients undergoing colonoscopies for diagnostic or therapeutic reasons. Patients are randomized to receive Remimazolam, midazolam or placebo in addition to fentanyl to achieve moderate sedation. The primary objective of this study is to investigate the short-term sedation, and hence the success of a colonoscopy compared to placebo and midazolam. The primary endpoint is the successful completion of the colonoscopy procedure with no requirement for alternative sedative. The completion of patient recruitment is expected before the end of 2015.

In the second quarter of 2015, PAION expects the start of the second U.S. Phase III clinical trial of Remimazolam for procedural sedation during bronchoscopy. Recently, the first study sites have been initiated. The bronchoscopy study forms the second pivotal trial of the Remimazolam Phase III program and is a prospective, double-blind, randomized, placebo- and midazolam-controlled, U.S. multicenter study in 460 patients undergoing bronchoscopies.

In addition to these two pivotal Phase III trials, with 460 patients in colonoscopy and bronchoscopy respectively, PAION is planning a smaller safety study. This study involves patients undergoing a colonoscopy with Remimazolam compared to midazolam and placebo in approximately 75 patients compared to midazolam in patients which were classified as high-risk patients due to their health conditions (American Society of Anesthesiologists classification III to IV). Despite the use of midazolam, interventions in these patients are predominantly undertaken in hospitals and in the presence of anesthetists taking into account comorbidities, since acute surgical procedures might be required for these patients. Well over 90 % of colonoscopies are, however, carried out in healthier patients. Nevertheless, it is important to also generate safety data in the severely ill patient population.

Moreover, the U.S. program is complemented by three Phase I studies which are being conducted in parallel to the aforementioned studies.

Conditional on successful study results and dependent on interactions with the agency, PAION expects filing for approval with the FDA in 2016.

General anesthesia

In the indication general anesthesia, several Phase I, Phase II and Phase III trials were performed by PAION's former development partner Ono in Japan, and PAION completed one Phase II study in the EU.

As part of the Ono Phase III program, a Phase II/III study was conducted in Japan as a multi-centre randomized parallel-group study with propofol as a control in surgery patients undergoing general anesthesia in combination with analgesics. Remimazolam and propofol were intravenously administered to 375 patients (two Remimazolam groups with induction doses of 6 mg/kg/h or 12 mg/kg/h and a dose of 1 mg/kg/h for maintenance, 150 subjects per group), 75 patients received a standard dose of propofol. The aim of the study was to compare the success rates of induction and maintenance of general anesthesia and the safety profiles.

All 375 patients achieved loss of consciousness and underwent successful intubation. As expected, the primary endpoint (efficacy) as a general anesthetic was achieved by 100 % of patients in all groups.

No adverse events of concern were observed. The incidence rates of decrease in blood pressure were 35.3 %, 34.7 % and 60.0 % in the 6 mg/kg/h and 12 mg/kg/h Remimazolam and propofol groups, respectively. In this study, Remimazolam showed a clinically meaningful advantage regarding cardiodepressive/hypotensive effects compared to propofol. The incidence rate of cardiodepressive/hypotensive effects was significantly lower in each Remimazolam group as compared to the propofol group ($p = 0.0004$ and $p = 0.0003$ for the 6 and 12 mg/kg/h doses vs. propofol).

The second study in the Phase III program in more severely sick patients (ASA III or higher) and a hepatic impairment study were also completed by Ono. No unexpected adverse reactions were reported. The clinical development program for the indication of induction and maintenance of general anesthesia was completed as previously agreed upon with the Japanese authority. PAION assumes that the indication general anesthesia in Japan is thus eligible for approval, as especially the EU Phase II outcomes support the results of the Japanese studies.

In November 2014, Ono decided "to discontinue the project on strategic reasons considering issues in pharmacokinetic features, while no adverse events of concern were observed during clinical trials". Therefore, Ono will return its Remimazolam rights and will not file for regulatory approval. There will be no repayment for received milestone payments. Remimazolam is again available for licensing to other parties in Japan. PAION is evaluating an alternative filing strategy for Remimazolam in Japan in the indication general anesthesia through PAION or another partner. Several companies have expressed their interest in a Remimazolam license for Japan. First of all, the completion of the licensing discussions depends on a conclusion of the necessary know-how transfer from Ono. In addition, a strategic decision about the future production of Remimazolam for Japan needs to be taken as Ono is not available as a producer anymore. This process will be completed in the second half of 2015 at the earliest. PAION has full access to all data generated by Ono.

In the EU, PAION has completed a randomized, propofol- and sevoflurane-(standard treatment)-controlled Phase II study to evaluate the efficacy, safety and pharmacokinetics (PK) of Remimazolam during general anesthesia in patients undergoing major cardiac surgery. After surgery, follow-up sedation in the recovery room or the intensive care unit (ICU) for up to 24 h took place. A total of 90 patients were treated. Results were presented at the ASA congress in October 2014. A primary market research that was performed with more than 100

participants identified the hypotensive effects of propofol as the main concern of anesthesiologists.

The primary efficacy endpoint as a general anesthetic (defined as successful anesthesia not requiring rescue therapy) was achieved in 98 % of patients in the two Remimazolam dose groups and 96 % in the propofol/sevoflurane group demonstrating an excellent efficacy rate across all treatment groups. As expected, the onset and offset of action profile was comparable between all treatment groups, showing that Remimazolam indeed shares the fast-acting sedative profile of propofol. The safety profile was generally very good in all treatment groups. One of the key targets of this trial was to assess the cardiostability during cardiac surgery with Remimazolam when compared to propofol/sevoflurane, both of which are known to cause cardiac depression. The study evaluated a substantial number of parameters to analyze these effects. Remimazolam had already shown excellent cardiostability in the Ono Phase III study. During cardiac surgery, norepinephrine is routinely used to maintain blood pressure and counteract pronounced blood pressure decreases. Norepinephrine and other adrenergic substances however are known to impair the microcirculation in vital organs thus exerting a negative short-, mid- and long-term effect. Therefore, lowering the norepinephrine dose is of high medical relevance. The amount of norepinephrine required to counteract the cardio-depressive effects (e. g. drop in blood pressure) is a direct measure of the cardio-depressive effects in each group: a higher amount of norepinephrine would be used to counteract higher cardiodepressive effects. The use of norepinephrine was 36.7 % lower in Remimazolam treated patients when compared to the propofol/sevoflurane group which can be regarded as a clinically meaningful differentiation. The study was also designed to allow the comparison of data with the anesthesia study conducted by Ono in Japan.

The interactions with the European Medicines Agency (EMA) for the EU lead indication "anesthesia" were also completed. The upcoming development program until filing for market approval was discussed. Based on this scientific advice, the study protocols have been completed and submitted to the national agencies and IRBs. For the EU, PAION expects the study start of the Phase III program towards the end of the first half/beginning of the second half of 2015. Dependent on interactions with the agencies as well as conditional on successful study results, filing for Remimazolam in general anesthesia is expected in early 2017.

ICU sedation

In parallel to the implementation of the program in anesthesia, Ono initiated a Phase II study in the indication "ICU Sedation". Ono investigated the efficacy and safety of Remimazolam for sedation during mechanical ventilation in the intensive care unit in a multicentre randomized parallel-group study in postoperative patients. The target sample size in this study was 90 patients.

Due to unclear pharmacokinetic data in long-term administration in this explorative study (in a few patients higher than expected Remimazolam plasma levels were observed), Ono decided to discontinue the study in August 2013. Overall, all patients were sedated successfully and no significant unexpected adverse events were reported.

PAION had proposed to continue the study with a lower dose and the reduction of opioids. However, after Ono’s decision not to continue the study, it was jointly agreed to explain the observed phenomenon by a series of pre-clinical tests and pharmacokinetic

modelling. These investigations were carried out with PAION's contribution. The studies included a 7-day study in monkeys as well as a 5-day superperfusion of isolated hepatocytes. In addition, the PK data of the Phase II study in cardiac surgery performed in Leipzig were integrated into the pharmacokinetic modelling. In none of the experiments carried out, an explanation for the high plasma levels was found nor could the PK phenomenon be reproduced.

If measurement or sample errors are ruled out, one has to come to the conclusion that Remimazolam, if it was not an overdose, may occasionally exhibit higher concentration in the blood of patients with typical ICU complications, as is known for other substances. Typical circumstances in these patients include blood loss, unbalanced fluid balance and the reduction of important organ functions. This potential higher plasma level in the blood can only be prevented by close clinical monitoring as it is usual on the ICU. This includes controlling depth of sedation and titrating to effect, as is also common for other substances (propofol, midazolam und dexmedetomedine).

The present findings are quite valuable, as now the maximum dose levels for ICU sedation are defined. Since no adverse effects in the patients were observed with the administered high doses, this study shows once more that Remimazolam has a very broad therapeutic window, allowing a wide dose range with a positive risk-benefit ratio.

As is not uncommon in drug development, further dose finding studies are necessary in order to define the ideal dosage for this indication. It is expected that the dose should be lower at least by a factor of 5 compared to the dose used in this study.

Cooperation Agreements

In total, PAION has completed seven licensing deals with Remimazolam which are summarized in the following table.

	Total received	Total outstanding	Royalty rate
Ono, Japan (2007)	USD 8 m	-	-
Yichang Humanwell, China (2012)	EUR 3 m	Up to EUR 4 m	10 %
Hana Pharm, S. Korea (2013)	EUR 1 m	EUR 2 m	10 %
R-Pharm, CIS (2013)	EUR 1 m	EUR 3 m	Low double-digit
(T)R-Pharm, Turkey (2013)	EUR 1 m	EUR 3 m	Low double-digit
(T)R-Pharm, MENA (2014)	EUR 1.5 m	EUR 5.5 m	Low double-digit
Pendopharm, Canada (2014)	EUR 0.4 m*	~ EUR 4.2 m	double-digit tiered (starting at 15 %)
Total	~EUR 13.8 m	Up to ~ EUR 21.7 m	

* This amount relates to the premium received in the course of the private placement in July 2014 which was disclosed as revenues in 2014.

In 2007, Ono was granted the rights to develop and market Remimazolam for the Japanese market in return for development milestone and royalty payments. Ono developed Remimazolam for interventions that require continuous infusion. In this cooperation, data and information were shared so that all parties, including the other Remimazolam partners, benefit from each other's development progress. In November 2014, Ono informed PAION that they would return the Remimazolam license "on strategic reasons considering issues in pharmacokinetic features, while no adverse events of concern were observed during clinical trials". Thus, Remimazolam is available for outlicensing in Japan again, and initial discussions have been started.

The substantial available data package generated by Ono supports and accelerates the development of Remimazolam for the indications anesthesia and ICU sedation in the PAION territories and reduces the development costs for PAION. In addition, the FDA and EMA consider the data to be an important part of the safety data on Remimazolam.

PAION's goal is to add further regional cooperation agreements.

M6G

Morphine-6-glucuronide (M6G), a pharmacologically active metabolite of morphine, is suitable for the treatment of post-operative pain. Gold standard for treating moderate to severe pain after surgery is currently morphine. The applicability of morphine is often limited by unpleasant side effects, especially nausea and vomiting. M6G could significantly less likely induce nausea, vomiting, or inhibition of respiratory depression with equal efficacy. PAION performed a meta-analysis of the combined clinical data of 769 patients which confirmed a morphine-like analgesic effect and also showed a significant reduction of nausea and vomiting compared with patients who received morphine.

Modeling analyses were conducted to simulate dose response relationships and pharmacodynamic effects. The results support the product profile of M6G, both in terms of its analgesic properties and side-effect profile. In addition, the previously observed longer duration of action of M6G compared to morphine could be reproduced. Based on this model, PAION believes that even at increased doses, M6G may be better tolerated than equianalgesic doses of morphine.

Due to the focus of the available resources on anesthesia and the restructuring at that time, the clinical development of M6G was discontinued by PAION in 2011. In September 2014, this project was licensed to Yichang Humanwell for the Chinese market. Yichang Humanwell receives an exclusive license under PAION's know-how regarding M6G for the development, manufacture and commercialization in the People's Republic of China. By concluding the license, PAION receives payments totaling EUR 1.6 million. Additional license fees were not agreed.

GGF2

GGF2 (Glial Growth Factor 2) is known to stimulate the growth and differentiation of a variety of cells including glial cells, the support cells of the nervous system. These glial cells form the myelin sheath that insulates nerve cells and are essential for their survival and proper

functioning. In demyelinating diseases such as multiple sclerosis, the myelin sheath is damaged, leading to the degeneration of nerve cells.

In preclinical studies, PAION's license partner Acorda Therapeutics, Inc. (Acorda) demonstrated that GGF2 can stimulate the cell growth necessary to protect and regenerate a damaged myelin sheath. GGF2 is the lead neuregulin in Acorda's portfolio. Neuregulins have also shown the ability to restore cardiac function in preclinical models of heart failure caused by myocardial infarction, heart rhythm disorders and myocardial dysfunctions.

In March 2013, Acorda announced positive results of the Phase I trial with GGF2. The study identified a maximum tolerated dose of GGF2 and the preliminary efficacy measures showed that GGF2 improves heart function. Acorda discussed the findings from the study with the FDA and reached agreement on the next clinical study of GGF2 in heart failure. This Phase Ib study primarily involves the continued investigation of the safety profile but also the efficacy of GGF2 across a range of doses; the start of the study was announced by Acorda in October 2013 and enrolment in the trial was subsequently paused to review additional preclinical data. In April 2014, Acorda announced that it had completed its review of these data and agreed with the FDA that the Phase Ib clinical trial of GGF2 would resume recruitment. The Company expects results of the trial in the second half of 2015. The FDA granted Fast Track designation for GGF2 for the treatment of heart failure.

Cooperation Agreements

The rights relating to the recombinant GGF2, rh GGF2, were licensed to Acorda in 2002 by PAION UK. In total, further milestone payments of USD 2.5 million become due prior to market approval and an additional milestone payment of USD 5 million is payable upon market authorisation; after that PAION will receive royalties depending on net sales.

Net Assets, Financial Position, and Results of Operations

Results of Operations

	Q1 2015 KEUR	Q1 2014 KEUR	Change in result KEUR
Revenues	33	4	29
Cost of revenues	-9	0	-9
Gross profit	24	4	20
Research and development	-5,763	-1,602	-4,161
General administrative and selling	-1,337	-879	-458
Other income (expenses)	1,088	16	1,072
Operating expenses	-6,012	-2,465	-3,547
Operating result	-5,988	-2,461	-3,527
Financial result	11	12	-1
Income taxes	1,274	242	1,032
Net result for the period	-4,703	-2,207	-2,496

Revenues in the first quarter 2015 amounted to KEUR 33 and increased by KEUR 29 compared to the prior-year period.

Research and development expenses amounted to KEUR 5,763 in the first quarter 2015 and mainly relate to Remimazolam. The increase of KEUR 4,161 compared to the prior-year period is due to intensified development activities with Remimazolam, particularly the preparation and initiation of the Phase III programs in the U.S. and EU.

General administrative and selling expenses increased by KEUR 458 to KEUR 1,337 in the first quarter 2015. General administrative expenses increased by KEUR 153 to KEUR 870 and selling expenses increased by KEUR 305 to KEUR 467. This primarily results from the increase of staff and the conduct of pre-marketing und market access activities.

The **other income (expenses)** includes foreign exchange gains in the amount of KEUR 1,093 mainly resulting from funds held in U.S. dollar.

The **financial result** for the first quarter 2015 amounted to KEUR 11 compared to KEUR 12 in the prior-year period.

The **income taxes** relate to tax claims for reimbursement of parts of the research and development costs from the British tax authorities in the full amount. The change compared to the prior-year period mainly relates to the increase of the research and development expenses in the reporting period.

The **net loss** for the first quarter 2015 amounted to KEUR 4,703. In the prior-year period, a net loss of KEUR 2,207 had been incurred. The change is mainly based on extended research and development activities for Remimazolam.

Net Assets

	31-03-2015 KEUR	31-12-2014 KEUR	Change KEUR
Non-current assets	3,711	3,516	195
Current assets	58,606	63,032	-4,426
Total Assets	62,317	66,548	-4,231
Equity	58,482	62,607	-4,125
Non-current liabilities	14	17	-3
Current liabilities	3,821	3,924	-103
Total Equity and liabilities	62,317	66,548	-4,231

The **non-current assets** mainly comprise the development project Remimazolam (KEUR 3,622).

Current assets consist of cash and cash equivalents (KEUR 53,195), prepaid expenses and other assets (KEUR 4,944) and trade receivables (KEUR 467). The reduction of KEUR 4,426 is mainly attributable to the decrease of cash and cash equivalents (KEUR 5,717) as well as the increase of tax claims for reimbursement of parts of the research and development costs from the British tax authorities (KEUR 1,274).

The decrease in **equity** of KEUR 4,125 compared to 31 December 2014 mainly results from the net loss of the first quarter 2015 in the amount of KEUR 4,703. As of 31 March 2015, the equity ratio was 93.8 % (31 December 2014: 94.1 %).

Financial Position

Compared to 31 December 2014, **cash and cash equivalents** decreased by KEUR 5,717 to KEUR 53,195. The change in cash and cash equivalents stems from the following areas:

	Q1 2015 KEUR	Q1 2014 KEUR
Cash flows from operating activities	-5,761	-3,310
Cash flows from investing activities	-4	-3
Cash flows from financing activities	3	10,664
Effects of exchange rate changes	45	1
Change in cash and cash equivalents	-5,717	7,352

The **cash flows from operating activities** in the first quarter 2015 were KEUR -5,761. These primarily result from the net loss (KEUR 4,703) adjusted for the increase of the tax claim towards the British tax authorities in the amount of KEUR 1,274 which has not had a cash effect yet.

Personnel Development

On average, PAION employed 26 employees in the first three months of 2015 (fiscal year 2014: 17 employees). As of 31 March 2015, the headcount was 26.

Risks and Opportunities

Material risks and opportunities relating to future development are presented in detail in the group management report for fiscal year 2014 and have not changed significantly in the first quarter of 2015.

Significant Events Occurring After the Balance Sheet Date

On 7 May 2015, it was announced that Dr. David Bernstein was appointed as non-executive director of PAION, Inc. and that in particular, he will provide PAION with strategic insight and continue supporting PAION in bringing Remimazolam to the U.S. market.

There were no other significant events in the period between the reporting date, 31 March 2015, and the preparation of this report.

Report on expected developments

Outlook on Development and Commercialization Activities

PAION's major goals for 2015 are the start and the conduct of the Phase III development programs with Remimazolam in the U.S. and the EU, the production development for Remimazolam, in particular the finalization of the study medication and the validation of the production at market scale, as well as the intensification of pre-marketing and market access activities. Moreover, PAION expects the development activities of its cooperation partners Yichang Humanwell, Hana Pharm, R-Pharm, Pendopharm (all Remimazolam) and Acorda (GGF2) to continue. PAION benefits from the progress of the development of Remimazolam in the form of additional development data as well as financially in the form of milestone payments and royalties from launch onwards. Partnering discussions for the U.S. and the EU are being held, but options for an independent commercialization are being evaluated as well. For all other regions, including Japan, it is aimed to find license or distribution partners. However, for 2015, the main focus is not on partnering since better licensing conditions are being expected with availability of Phase III results.

The completion of patient recruitment for the first pivotal Phase III trial in the U.S. is expected before end of 2015. Conditional on successful study results and dependent on interactions with the FDA, PAION expects filing for approval in 2016.

For the EU, PAION expects the study start of the Phase III program towards the end of the first half/beginning of the second half 2015. Dependent on interactions with the agencies as well as conditional on successful study results, filing for Remimazolam in general anesthesia is expected in early 2017.

For Japan, PAION is currently evaluating an alternative strategy for filing of Remimazolam in the indication general anesthesia either by PAION or another partner. Several companies have indicated their interest in a license for Remimazolam. First of all, the completion of the licensing discussions depends on a conclusion of the necessary know-how transfer from Ono. In addition, a strategic decision about the future production of Remimazolam for Japan needs to be taken as Ono is not available anymore as a producer. This process will be completed in the second half of 2015 at the earliest.

Financial Outlook

PAION currently concentrates on the development of Remimazolam and does not expect significant revenues in 2015.

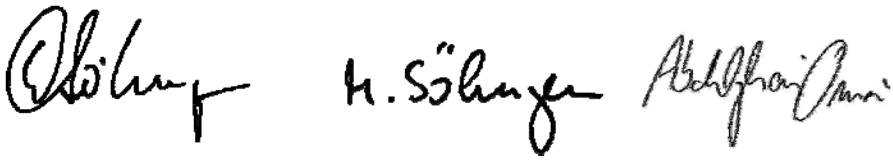
Due to the investments in the development of Remimazolam, research and development expenses will be higher than in 2014 and amount to approximately EUR 25 million to EUR 30 million dependent on the progress of the development. In this context, tax credits on parts of the research and development expenses from British tax authorities in the amount of approximately EUR 5 million to EUR 6 million are expected. General administrative and selling expenses will increase compared to the prior year and amount to approximately EUR 4.5 million to EUR 5 million, in particular due to higher selling expenses.

Accordingly, the net loss will increase significantly compared to prior year and amount to approximately EUR 25 million to EUR 29 million.

Key assumptions for the report on expected developments are the timely start of the Phase III programs in the U.S. and the EU as well as the scheduled progress of the studies and the development activities. Otherwise, essential parts of the costs would be shifted to 2016. Moreover, the amount of expected expenses is based on the current status of discussions with the regulatory authorities. In case of additional requirements from the agencies, costs could be incurred in higher amounts than planned.

As of 31 March 2015, the PAION Group had cash and cash equivalents of EUR 53.2 million. Thus, PAION has sufficient funds to conduct the planned Phase III programs with Remimazolam in the EU and U.S. including the filing process, and to continue pre-marketing and market access activities. Moreover, PAION expects additional milestone payments from existing partnerships upon successful development or filing and market approval of Remimazolam in the subsequent years. These milestone payments and future upfront fees, milestone payments and cost reimbursements would strengthen the financial situation but could also be completely or partly used for financing the corporate development.

Aachen, Germany, 13 May 2015
PAION AG



Dr. Wolfgang Söhngen Dr. Mariola Söhngen Abdelghani Omari

Condensed Consolidated Interim Financial Statements

Consolidated Balance Sheet

ASSETS	31 March 2015 EUR	31 Dec. 2014 EUR
Non-current assets		
Intangible assets	3,639,560.68	3,439,847.15
Equipment	71,419.81	76,307.25
Other assets	14.46	14.26
	3,710,994.95	**3,516,168.66**
Current assets		
Trade receivables	467,040.00	467,040.00
Prepaid expenses and other assets	4,944,218.71	3,653,061.14
Cash and cash equivalents	53,194,599.44	58,911,883.56
	58,605,858.15	**63,031,984.70**
Total assets	**62,316,853.10**	**66,548,153.36**

EQUITY AND LIABILITIES	31 March 2015 EUR	31 Dec. 2014 EUR
Equity		
Share capital	50,644,440.00	50,641,940.00
Capital reserve	123,608,087.53	123,441,189.40
Translation reserve	-374,923.20	-783,952.04
Loss carryforward	-110,691,994.16	-101,587,224.18
Result for the period	-4,703,229.08	-9,104,769.98
	58,482,381.09	**62,607,183.20**
Non-current liabilities		
Deferred income	13,888.82	16,666.60
	13,888.82	**16,666.60**
Current liabilities		
Trade payables	3,270,034.89	3,338,406.64
Provisions	215,995.37	306,349.99
Other current liabilities	321,758.81	253,921.75
Current portion of deferred income	12,794.12	25,625.18
	3,820,583.19	**3,924,303.56**
Total equity and liabilities	**62,316,853.10**	**66,548,153.36**

Consolidated Statement of Comprehensive Income

EUR	1 January – 31 March 2015	1 January – 31 March 2014
Revenues	33,117.59	3,690.26
Cost of sales	-8,637.04	0.00
Gross profit	24,480.55	3,690.26
Research and development expenses	-5,763,081.33	-1,602,429.50
General administrative and selling expenses	-1,337,091.76	-878,901.21
Other income (expenses), net	1,087,831.05	15,913.65
Operating expenses	-6,012,342.04	-2,465,417.06
Operating result	-5,987,861.49	-2,461,726.80
Financial income	10,945.89	12,472.29
Financial expenses	0.00	0.00
Financial result	10,945.89	12,472.29
Result for the period before taxes	-5,976,915.60	-2,449,254.51
Income taxes	1,273,686.52	241,835.21
Result for the period	-4,703,229.08	-2,207,419.30
of which attributable to other shareholders	0.00	0.00
of which attributable to shareholders of PAION	-4,703,229.08	-2,207,419.30
Foreign currency translation	409,028.84	25,113.42
Total income and expense recognized directly in equity that will be reclassified to profit or loss when specific conditions are met	409,028.84	25,113.42
Other comprehensive income	409,028.84	25,113.42
Total comprehensive income	-4,294,200.24	-2,182,305.88
of which attributable to other shareholders	0.00	0.00
of which attributable to shareholders of PAION	-4,294,200.24	-2,182,305.88
Earnings per share (basic)	-0.09	-0.08
Earnings per share (diluted)	-0.09	-0.08

Consolidated Cash Flow Statement

EUR	1 January – 31 March 2015	1 January – 31 March 2014
Cash flows from operating activities:		
Result for the period	-4,703,229.08	-2,207,419.30
Reconciliation of net result for the period to cash flows from operating activities:		
Income taxes	-1,273,686.52	-241,835.21
Amortization/depreciation and non-cash exchange rate changes of fixed assets	-190,685.49	46,872.66
Profits/Loss from the disposal of non-current assets	0.00	6.50
Interest expenses and interest income	-10,945.89	-12,472.29
Release of deferred income	-16,784.20	-2,777.78
Expenses from stock option plans	166,248.13	109,675.38
Change in assets and liabilities which are not attributable to investing or financing activities:		
Prepaid expenses and other assets	-19,110.02	53,396.93
Trade payables	-68,371.75	-129,898.18
Provisions	-90,354.63	-115,877.88
Other current liabilities	67,837.06	377,780.91
Deferred income	1,175.36	0.00
Non-cash exchange losses/gains	363,743.01	23,842.05
	-5,774,164.02	-2,098,706.21
Paid income taxes	0.00	-1,218,159.20
Interest received	12,584.86	7,104.62
Cash flows from operating activities	-5,761,579.16	-3,309,760.79
Cash flows from investing activities:		
Cash paid for investments in intangible assets and equipment	-4,140.80	-3,471.00
Cash flows from investing activities	-4,140.80	-3,471.00
Cash flows from financing activities:		
Capital increase	2,500.00	5,437,357.00
Contributions to the capital reserve	650.00	5,930,112.17
Payments in connection with raising capital	0.00	-703,344.21
Cash flows from financing activities	3,150.00	10,664,124.96
Change in cash and cash equivalents	-5,762,569.96	7,350,893.17
Effect of exchange rate changes on cash	45,285.84	1,271.36
Cash and cash equivalents at beginning of the period	58,911,883.56	13,292,294.63
Cash and cash equivalents at end of the period	53,194,599.44	20,644,459.16
Composition of cash and cash equivalents at the end of the period:		
Cash and cash equivalents	53,194,599.44	20,644,459.16

Consolidated Statement of Changes in Equity

EUR	Share capital	Capital reserve	Translation reserve	Loss carryforward	Equity
31 December 2013	25,379,906.00	90,573,880.43	-1,037,402.54	-101,587,224.18	13,329,159.71
Total comprehensive income	0.00	0.00	25,113.42	-2,207,419.30	-2,182,305.88
Issue of shares	5,437,357.00	0.00	0.00	0.00	5,437,357.00
Contribution to the capital reserve	0.00	5,930,112.17	0.00	0.00	5,930.112.17
Cost of raising capital	0.00	-703,344.21	0.00	0.00	-703,344.21
Additional contribution to the capital reserve due to the issue of options	0.00	109,675.38	0.00	0.00	109,675.38
31 March 2014	30,817,263.00	95,910,323.77	-1,012,289.12	-103,794,643.48	21,920,654.17
Total comprehensive income	0.00	0.00	228,337.08	-6,897,350.68	-6,669,013.60
Issue of shares	19,824,677.00	0.00	0.00	0.00	19,824,677.00
Contribution to the capital reserve	0.00	30,139,680.00	0.00	0.00	30,139,680.00
Cost of raising capital	0.00	-3,010,529.52	0.00	0.00	-3,010,529.52
Additional contribution to the capital reserve due to the issue of options	0.00	401,715.15	0.00	0.00	401,715.15
31 December 2014	50,641,940.00	123,441,189.40	-783,952.04	-110,691,994.16	62,607,183.20
Total comprehensive income	0.00	0.00	409,028.84	-4,703,229.08	-4,294,200.24
Issue of shares	2,500.00	0.00	0.00	0.00	2,500.00
Contribution to the capital reserve	0.00	650.00	0.00	0.00	650.00
Cost of raising capital	0.00	0.00	0.00	0.00	0.00
Additional contribution to the capital reserve due to the issue of options	0.00	166,248.13	0.00	0.00	166,248.13
31 March 2015	50,644,440.00	123,608,087.53	-374,923.20	-115,395,223.24	58,482,381.09

Selected Explanatory Notes to the Consolidated Interim Financial Statements as of 31 March 2015

General

The quarterly financial report of PAION AG includes interim consolidated financial statements and an interim group management report in accordance with the provisions of Secs. 37x (3) and 37w (2) to (4) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] in conjunction with Sec. 37y WpHG. The consolidated financial statements were prepared in accordance with the provisions of the International Financial Reporting Standards (IFRSs) for interim financial reporting. The interim group management report was prepared in accordance with the relevant provisions of the German Securities Trading Act.

The interim consolidated financial statements comprise PAION AG as the parent company, registered at Martinstrasse 10–12, 52062 Aachen, Germany, and the wholly-owned subsidiaries, which are fully consolidated:

- PAION Deutschland GmbH, Aachen/Germany
- PAION Holdings UK Ltd, Cambridge/UK
- PAION UK Ltd, Cambridge/UK
- PAION, Inc., Delaware/USA
- TheraSci Limited, Cambridge/UK

The formerly wholly-owned subsidiary CeNeS Drug Delivery Ltd, Cambridge/UK, was dissolved in the first quarter 2015. There were no deconsolidation effects on the financial statements.

Basis of Accounting

The interim consolidated financial statements have been prepared in accordance with Sec. 315a HGB ["Handelsgesetzbuch": German Commercial Code] and IFRSs, as adopted by the EU, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The consolidation principles and accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of the following new or revised standards effective as of 1 January 2015:

- IFRSs 2011–2013 Cycle: In December 2013, the IASB published the collective standard "Annual Improvements to IFRSs 2011–2013", which implemented changes to the following standards:
  - IFRS 1 First-time Adoption of International Financial Reporting Standards: Clarification of the definition of IFRS 1.7 "each IFRS effective at the end of the reporting period"
  - IFRS 3 Business Combinations: Clarification on the scope exclusion for joint ventures
  - IFRS 13 Fair Value Measurement: Clarification of the scope of portfolio exception
  - IAS 40 Investment Property: Clarification that to answer the question whether the acquisition of investment property is a business combination, the provisions of IFRS 3 shall apply.

The application of these new and/or revised standards may, in some cases, result in additional disclosure obligations in future consolidated financial statements. The amendments did not have any effects on the Group's net assets, financial position and results of operations.

The provisions of IAS 34, "Interim Financial Reporting", have been applied. The interim financial statements as of 31 March 2015 should be read in conjunction with the consolidated financial statements as of 31 December 2014.

The preparation of interim consolidated financial statements in accordance with IFRSs requires management to make estimates and assumptions which have an effect on the amount of recognised assets and liabilities, income and expenses and contingent liabilities. Actual amounts may differ from these estimates.

The interim consolidated financial statements do not contain any segment information as no material reportable segments could be identified.

Foreign Currency Translation

The consolidated financial statements are shown in Euro, which is the functional currency of PAION AG and the reporting currency of the Group. Each company within the Group defines its own functional currency. This is the Euro in the case of the German companies and the U.S. dollar for the U.S.-based subsidiary PAION, Inc. whereas the UK-based companies use Pound Sterling as their functional currency. All items on the respective financial statements of each company are initially converted to the functional currency at the exchange rate applicable on the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency on the reporting date at the exchange rate applicable on that date. All ensuing currency differences are recognised in profit or loss with the exception of exchange rate gains and losses from intra-Group loans classified in accordance with IAS 21 as net investments in foreign business operations; these are recognised in equity.

The assets and liabilities of the foreign companies are translated into Euro on the balance sheet reporting date at the exchange rate applicable on that date. These include any goodwill in connection with the acquisition of a foreign company and any fair value adjustments to the carrying amounts of the foreign company's assets and liabilities. Equity components are translated into Euro at historical rates at the time of initial consolidation. Expenses and income are translated into Euro at average monthly exchange rates. The resulting currency differences are accounted for separately within equity.

Stock options

On 17 December 2014, the Management Board members and the Supervisory Board decided to issue 370,000 stock options from the Stock Option Plan 2014. The grant date was 17 January 2015.

The stock options are accounted for in accordance with the provisions of IFRS 2 "Share-Based Payment". The fair value of the stock options was EUR 1.13 per stock option at the granting date and was calculated using the Black/Scholes option pricing model and is recognised in profit or loss as a personnel expense over the vesting period. The calculations were based on a risk-free interest rate of 0.08 % according to the four-year waiting period. The expected volatility of 82.64 % was calculated based on the historical volatility of the last four years prior to the grant date. This is based on the assumption that the historical volatility is the best estimate for the expected volatility. Dividends were not considered in the calculation. Furthermore, an annual staff fluctuation of 10 % was assumed. In connection with the granted stock options from the Stock Option Plan 2014, personnel expenses in the amount of KEUR 44 were recognized in the first quarter 2015.

In connection with the stock options from Stock Option Plan 2010 granted on 18 January 2014, personnel expenses in the amount of KEUR 122 were recognized in the first quarter 2015.

In the first quarter 2015, 2,500 stock options were exercised from the Stock Option Plan 2008. This led to cash inflows of KEUR 3. The new shares have not been recorded in the commercial register so far.

Tax Effects on Other Comprehensive Income

In the reporting period the Other Comprehensive Income (foreign currency translation of foreign subsidiaries) does not have any tax effects.

Fair value of financial assets and liabilities

As of 31 March 2015, the fair value of financial assets and liabilities is identical to the book value. As of 31 December 2014, the fair value of financial assets and liabilities was also identical to the book value.

		Book value		Fair value	
in KEUR		31 March 2015	31 Dec. 2014	31 March 2015	31 Dec. 2014
Financial assets					
Cash and cash equivalents	(1)	53,195	58,912	53,195	58,912
Trade receivables	(1)	467	467	467	467
Other assets	(1)	313	315	313	315
Financial liabilities					
Provisions	(2),(3)	216	306	216	306
Trade payables	(2),(3)	3,270	3,338	3,270	3,338
Other liabilities	(2),(3)	120	92	120	92

Measurement category according to IAS 39:

(1) Loans and receivables
(2) Liabilities recognized at amortized cost
(3) Lead to cash outflows

The determination of the fair values of these financial instruments was based on unobservable input factors (Level 3 inputs according to IFRS 13).

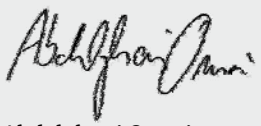
Related Parties

The relationships with related parties have not changed in comparison to those applied in the consolidated financial statements as of 31 December 2014.

Aachen, Germany, 13 May 2015
PAION AG


Dr. Wolfgang Söhngen


Dr. Mariola Söhngen


Abdelghani Omari

Review Report

To PAION AG, Aachen:

We have reviewed the condensed consolidated interim financial statements -comprising the condensed statement of financial position, the condensed statement of comprehensive income, the condensed statement of cash flows, the condensed statement of changes in equity and selected explanatory notes - together with the interim group management report of PAION AG, Aachen, for the period from January 1 to March 31, 2015, part of the three-monthly financial report pursuant to § (Article) 37X (3) WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally in accordance with the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standard require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and thus provides less assurance than an audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Cologne, Germany, 13 May 2015
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

(s) Ueberschär	(s) Galden
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Information on PAION Shares

Market segment	Regulated market – Prime Standard Frankfurt Stock Exchange
Ticker symbol	PA8
Reuters symbol	PA8G.DE (Xetra)
Bloomberg	PA8 GY (Xetra)
ISIN	DE000A0B65S3
First day of trading	11 February 2005
Designated sponsor	Close Brothers Seydler

Key figures	Q1 2015	2014
Numbers of shares at the end of the period	50,644,440	50.641.940
Average daily trading volume (Xetra, FSE)	292,010	489.980
Year high (Xetra closing price)	EUR 2.65 (25 Mar. 2015)	EUR 4.70 (05 Mar. 2014)
Year low (Xetra closing price)	EUR 1.88 (3 Feb. 2015)	EUR 1.78 (10 Oct. 2014)
Share price at the end of the period	EUR 2.49	EUR 1.87
Market capitalization at the end of the period (Xetra)	EUR 126.1 m	EUR 93.1 m

Corporate Calendar

18 March 2015	Publication of the financial results 2014
13 May 2015	Publication of the financial results of the first quarter 2015
20 May 2015	Annual General Meeting, Aachen
12 August 2015	Publication of the financial results of the second quarter and the first half-year 2015
11 November 2015	Publication of the financial results of the third quarter and the first nine months of 2015

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