

PAION Earnings Call

Quarter 1, 2010

Dr. Wolfgang Söhngen, CEO
Bernhard Hofer, CFO

Conference Call, 11 May 2010



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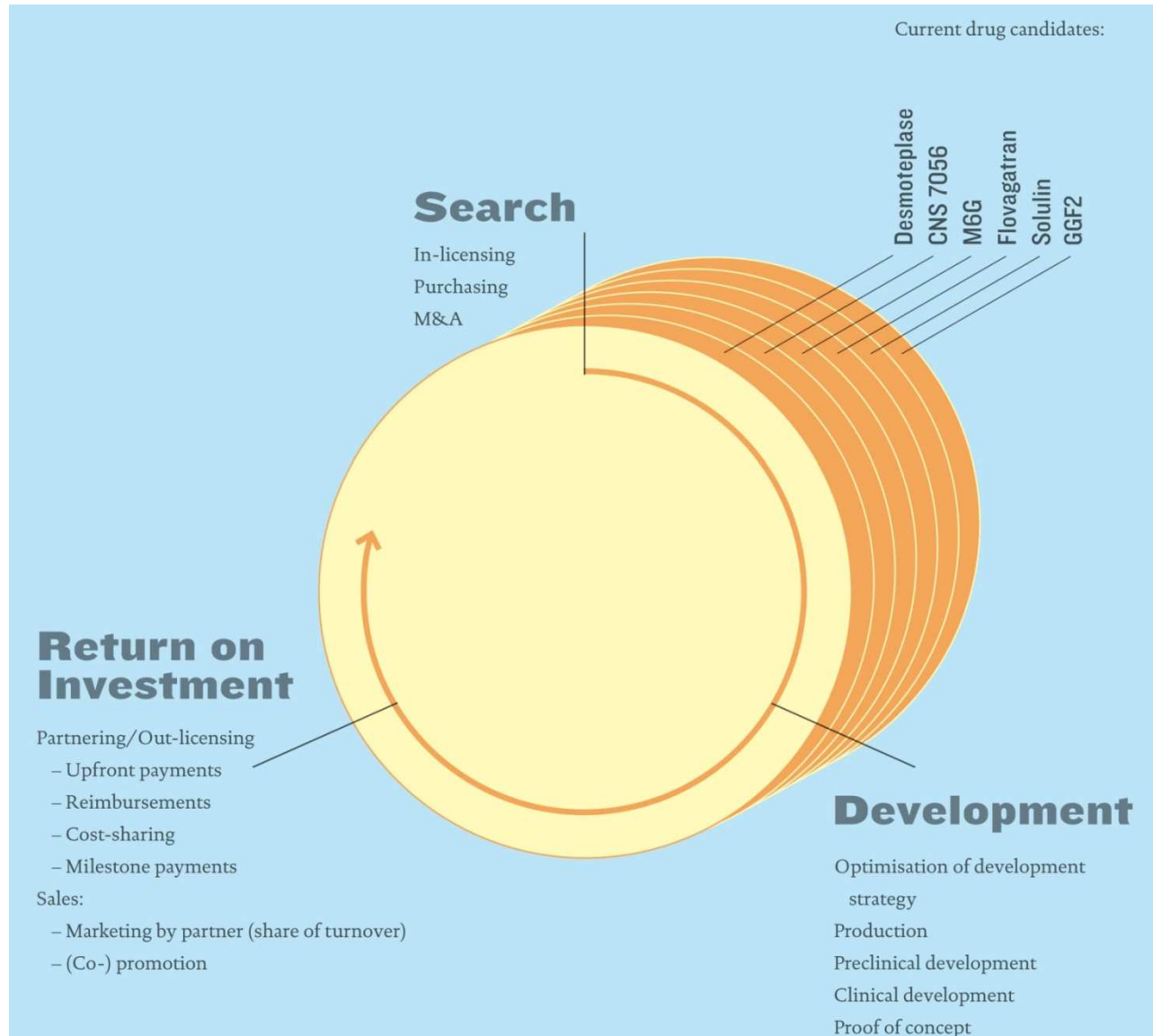
Corporate Overview

- **PAION is a publicly listed biopharmaceutical company headquartered in Aachen, Germany, with operations in Cambridge, UK. The company had 29 employees at the end of the first quarter**
- **PAION has a track record of successful partnerships and has a strong potential for rapid R&D progression**
- **€ 19 million in cash & cash equivalents at the end of the first quarter**
- **€ 15 million equity facility over a period of 3 years**
- **Substantial news-flow based on progress with CNS 7056 and the partnered assets Desmoteplase and GGF2**

Development Highlights

- **CNS 7056**
 - Phase IIb ready to start
 - US\$ 1 million milestone triggered for Japanese development
- **Desmoteplase**
 - Japanese Phase II started
- **GGF2**
 - US\$ 1 million from Acorda due to IND approval
- **CNS 5161**
 - Discontinuation of the project

The PAION Principle



Pipeline Overview

- PAION's near-term value drivers are
 - **CNS 7056**, an ultra-short acting anesthetic/sedative with disruptive market potential in phase IIb for procedural sedation and 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
- PAION's medium-term value drivers are **Solulin, Flovagatran and GGF2**

Compound	Indication	Status of development				Expected launch	Estimated peak sales (US\$m)	Partners
		PC	PI	PII	PIII			
Desmoteplase IV plasminogen activator	Acute ischemic stroke	█	█	█	▶	1	600 ³	Lundbeck (ww)
M6G IV opioid	Peri-operative pain	█	█	█	▶	2013	300	
Flovagatran IV direct thrombin inhibitor	CABG	█	█	▶		2014+ ²	200	
CNS 7056 IV anesthetic/sedative	Anesthesia/Sedation	█	█	▶		2013	500	ONO (Japan)
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 – CNS 7056

Compound	CNS 7056
Indication	Anesthesia/Sedation
Estimated peak sales	US\$ 500 million
Target product label	Titration 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*

CNS 7056* – Ultra-Short Acting Anesthetic/Sedative

- **Target profile substantiated in three clinical trials (two Phase I; one Phase II)**
 - **Low risk of over-sedation (antagonist available) or respiratory depression**
 - **Less resources needed for supervision in procedural sedation**
 - **More predictable pharmacokinetics when compared to midazolam and (fos)propofol due to metabolism by tissue esterases**
- **First target indication pursued by PAION: procedural sedation**
- **Additional attractive potential in induction and maintenance of anesthesia and sedation for ICU (Intensive care unit) care or during imaging**
- **First new entrant in field with chance to become new gold standard**

CNS 7056 – 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 CNS 7056 vs. midazolam in patients undergoing gastroscopy ✓**
 - **Phase IIb study CNS 7056 in patients undergoing colonoscopy will start in May 2010**
 - **Interaction trials, pediatric trials (tbd)**
 - **Phase III trials:**
 - **Colonoscopy vs. propofol**
 - **Endoscopy vs. midazolam**
 - **Short procedures (trauma, limb resetting, wound dressing)**
- **ICU sedation**
- **Induction & maintenance of anesthesia**

Conclusions from Phase Ib and Phase IIa Studies

- **CNS 7056**
 - 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
- **Next steps**
 - Perform Phase IIb study vs. midazolam in colonoscopy
 - Continue ongoing partnering discussions/prepare auction for end of Phase IIb
- **CNS 7056 delivers success rates at least as high as current gold standard together with a rapid onset and offset of effect**

Phase IIb Colonoscopy – Study Design

- **Subjects scheduled for colonoscopy (18 - 70 yrs, BMI $18 \leq 33$)**
- **Bowel prep, plus pre-load saline & supplemental oxygen**
- **Standard dose fentanyl immediately before study drug**
- **Double-blind, midazolam-controlled, parallel group study in 160 patients**
 - **3 groups with CNS 7056 (n = 40 each)**
 - **1 group with midazolam (n = 40)**
- **Primary endpoint: success of procedure**
 - **MOAA/S < 4 for 3 consecutive occasions, completion of procedure, no requirement for alternative sedative, no manual or mechanical ventilation**
- **PD endpoints MOAA/S, Aldrete, procedure recall, time to fully alert**
- **Safety**
- **Population PK**

CNS 7056 – Competitive Advantage

Product Profiles	CNS 7056	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	✓	✓	✗	✓

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***

M6G – Product Highlights

- **M6G is a highly potent opioid with morphine replacement rather than morphine sparing potency (less nausea/vomiting/sedation)**
- **About 1,000 patients on drug in clinical database**
- **Remaining development program is relatively small (budget, timelines)**
- **Project ready to continue Phase III trials**
 - **The program has been de-risked by meta-analysis and confirmation of effect size seen in latest Phase III trial**
 - **Rationale for future dose, administration scheme and design determined**
 - **PAION has reached an understanding with the FDA on the path to approval based on these data**
 - **Compound rated as New Chemical Entity**
 - **Material for Phase III produced in Q3 2009**

M6G – Competitive Advantage

	i.v. M6G	i.v. Morphine
Efficacy		
Achievable Analgesia Level	++(+)	++
Onset of Analgesia (peri-op)	++ (loading dose at induction of anesthesia)	++ (loading dose at conclusion of surgery)
Duration of action	+++	+
Side Effect Profile		
Reduced nausea	✓	✗
Reduced vomiting	✓	✗
Reduced anti-emetic use	✓	✗
Less sedation	✓	✗
Less respiratory depression	✓	✗

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

Desmoteplase – Product Highlights

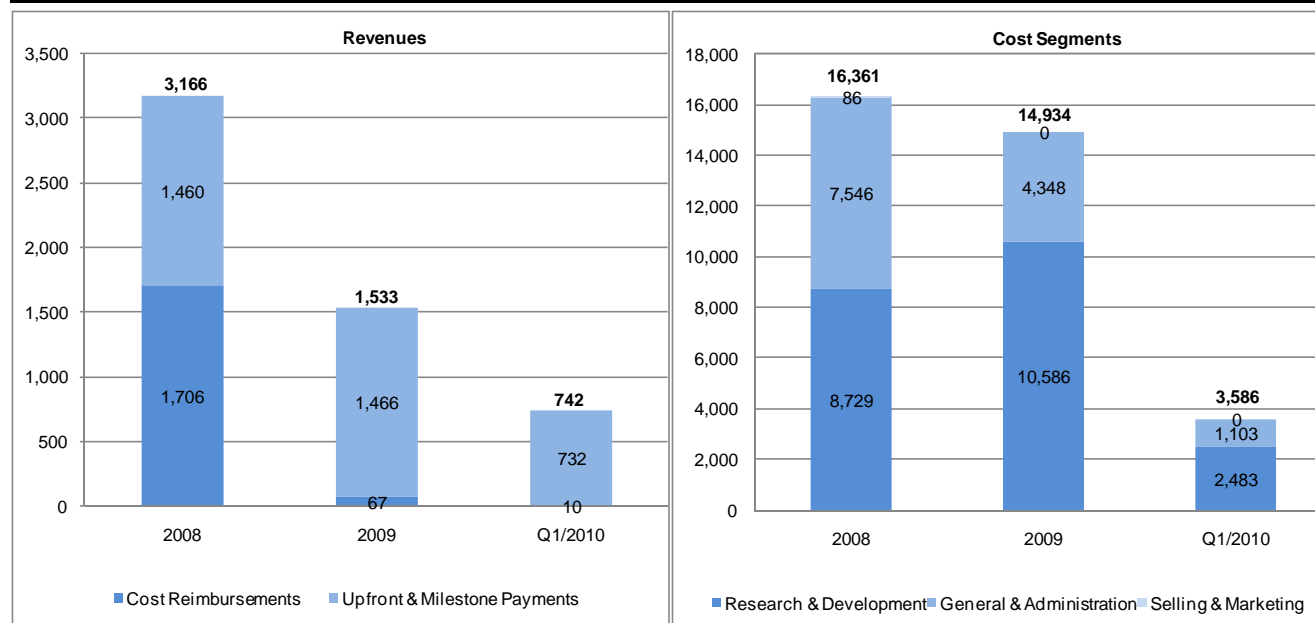
- **Desmoteplase is the most specific clot buster**
- **Treatment window up to 9 h (compared to rt-PA 3 h) with good safety profile**
- **No competitive reperfusion products in late-stage development in ischemic stroke**
- **Two global Phase III trials ongoing (N = 400 per trial), Lundbeck expects study completion in 2011**
- **Japanese clinical Phase II trial with Desmoteplase in ischemic stroke ongoing**
- **All development costs fully funded by Lundbeck; license terms:**
 - **Future milestones of up to € 63 million (€ 38 million until approval, € 25 million on launch and pre-defined sales targets)**
 - **Double digit net royalties**
- **PAION retains co-promotion rights for the German-speaking countries, currently representing a major part of the European market in ischemic stroke**

Financials

Consolidated Statement of Comprehensive Income

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

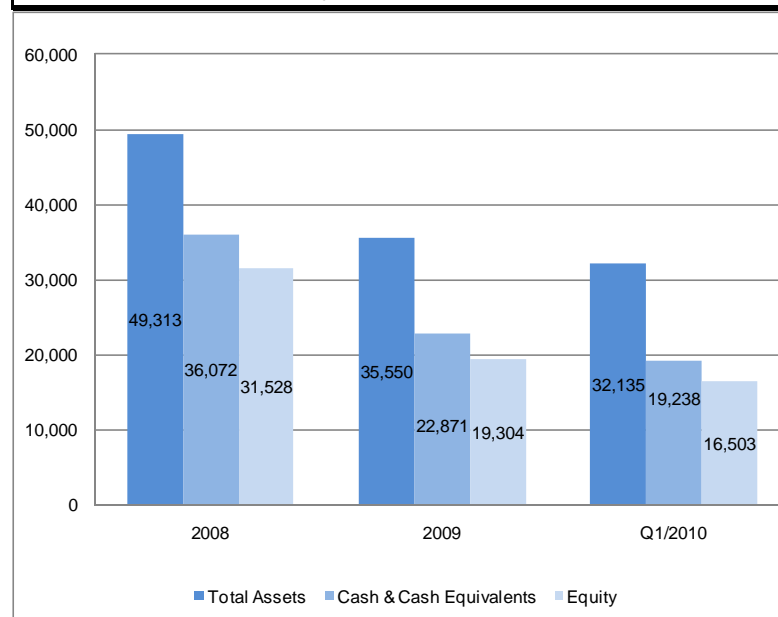
	FY 2008	FY 2009	Q1 2010
P&L Statement			
Revenues	3,166	1,533	742
Cost of revenues	-780	-51	-7
Research and development expenses	-8,729	-10,586	-2,483
General and administrative expenses	-7,546	-4,348	-1,103
Selling and marketing expenses	-86	0	0
Operating result (EBIT)	-13,799	-12,996	-2,836
Financial result	813	-381	-135
Net result	-12,580	-13,037	-2,871
EPS (in EUR, basic and diluted)	-0.60	-0.53	-0.12



Balance Sheet

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

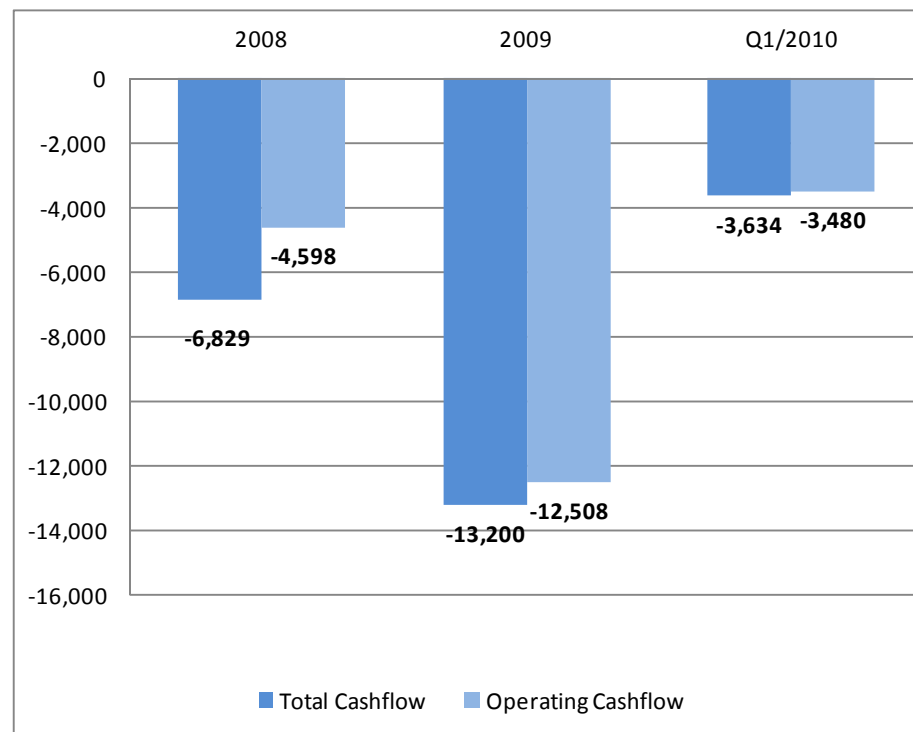
	12/31/2008	12/31/2009	03/31/2010
Balance Sheet			
Non-current assets	11,746	11,671	11,423
Current assets	37,567	23,879	20,712
<i>thereof Cash and cash equivalents</i>	<i>36,072</i>	<i>22,871</i>	<i>19,238</i>
Equity	31,528	19,304	16,503
Non-current liabilities	13,426	12,033	11,637
Current liabilities	4,359	4,213	3,995
Total assets	49,313	35,550	32,135
Equity ratio			
a) Equity / Total assets	63.9%	54.3%	51.4%
b) (Equity + Subordinate Loan + Deferred Income Lundbeck) / Total assets	91.0%	87.9%	87.4%



Cash Flow and Employees

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

	FY 2008	FY 2009	Q1 2010
Cash Flow Statement			
Cash flows from operating activities	-4,589	-12,508	-3,480
Cash flows from investing activities	-436	-108	-12
Cash flows from financing activities	-1,638	-658	-146
Employees			
FTE (average in period)	42	30	29
FTE (at period end)	33	30	30



Equity Facility – Deal Structure

- **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 (within a range from EUR 1.00 to and exceeding EUR 8.00) guaranteed**
- **Both parties can agree on higher amounts per tranche**
- **Issuing price for each draw will be calculated based on a daily volume weighted average share price over a five day period less a discount of 5%**
- **PAION has the right to determine for every tranche a floor price below which PAION is not obliged to issue shares**

Equity Facility – Advantages

- Long term funding source improves PAION's cash position and financial situation
- PAION controls process and decisions
- High flexibility in timing and size
- Floor Price mechanism to prevent issuing shares below threshold defined by PAION

Outlook 2010

- **Research and Development**
 - Major goal in 2010 is to conduct of a CNS 7056 Phase IIb study
 - Ono to conduct Phase I program with CNS 7056 in Japan
 - First clinical Phase I study with GGF2 to be initiated by Acorda
 - Lundbeck conducting two Phase III studies with Desmoteplase and Phase II 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

- For 2010 a significant net loss is expected. Income from out-licensing of M6G may reduce the net loss.

Medium Term Outlook

- **Strong financial position**
 - Cash and cash equivalents of EUR 19 million, funds Phase IIb study with CNS 7056 with the aim to have the compound ready for Phase III in 2011
 - Cash reach until the middle of 2012 based on current cash position plus inflows from a partial use of the equity facility
- **Potential for significant funds**
 - Up to EUR 63 million milestone payments from Lundbeck agreed, thereof up to EUR 38 million until market approval
 - Development milestone payments from Ono
 - Up to USD 7.5 million milestone payments until market approval from Acorda
 - Outlicensing of CNS 7056
 - Outlicensing of M6G
 - Full use of EUR 15 million equity facility

Newsflow 2010

CNS 7056	<ul style="list-style-type: none">• Start of Japanese Phase I program in 2nd indication ✓• Start of Phase IIb
M6G	<ul style="list-style-type: none">• Partnering (ongoing)
Desmoteplase	<ul style="list-style-type: none">• Continuation of two Phase III studies by Lundbeck• Start of Phase II study in Japan by Lundbeck ✓
Flovagatran	<ul style="list-style-type: none">• Results of pre-clinical studies• Decision on next step
Solulin	<ul style="list-style-type: none">• Completion of ongoing preclinical investigations
GGF2	<ul style="list-style-type: none">• Filing an IND with the FDA by Acorda ✓• Start of Phase I study by Acorda
Funding	<ul style="list-style-type: none">• Cash reach extension ✓

Investment Highlights

- ① **Improved financial position with**
 - Cash reach until mid 2012
 - Significant potential from existing partnerships
 - Significant potential from future partnerships (M6G & CNS 7056)
 - EUR 15 million equity facility

- ② **Significant progress in several development assets**
 - CNS 7056 – PAION (procedural sedation)
 - CNS 7056 – 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!**

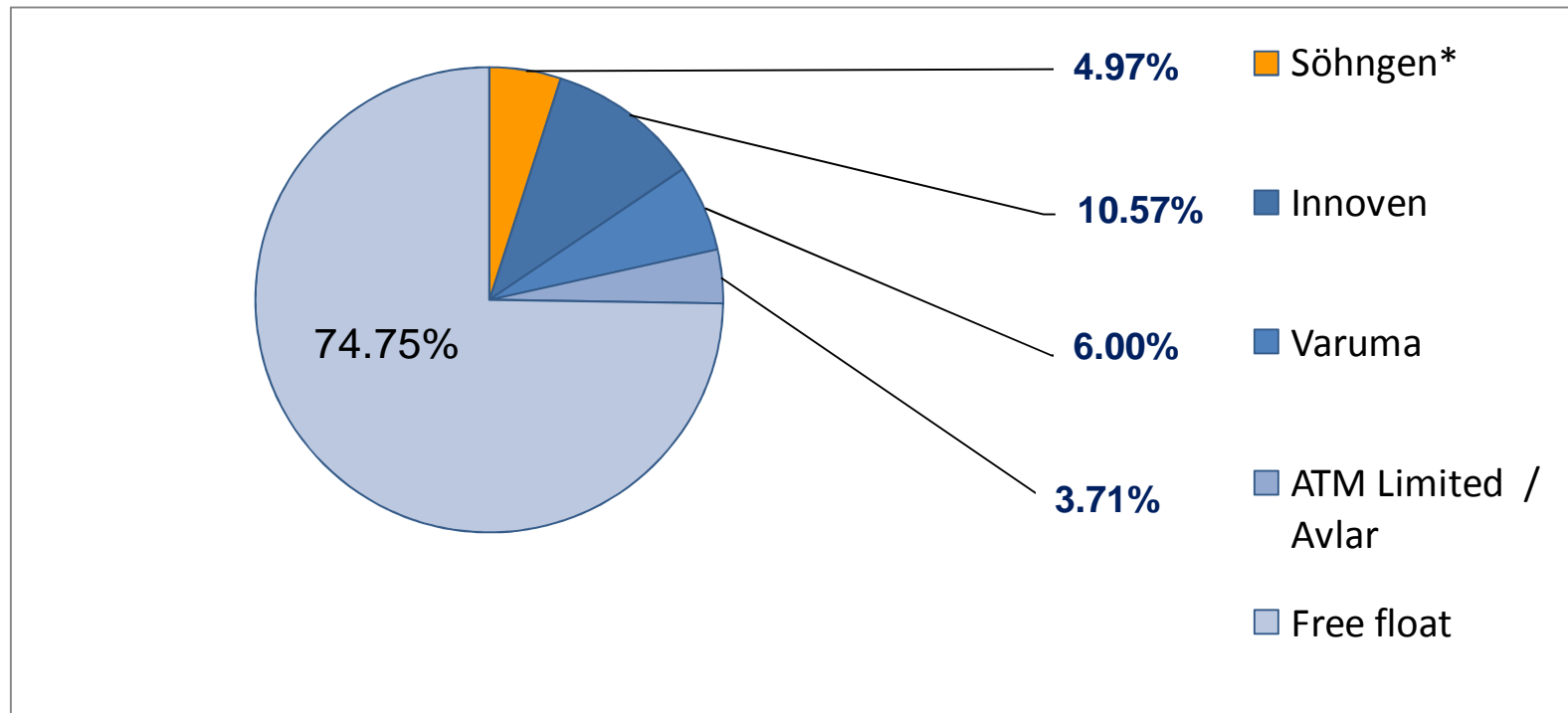
Contact:

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Shareholder Structure (as of 11 May 2010)

24,602,919 shares outstanding



*Dr. Mariola Söhngen 2.62%, Dr. Wolfgang Söhngen 2.35%

Investor Relations Data

- **Total number of shares: 24,602,919**
- **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
22-24 November	Analyst presentation at German Equity Forum