PAION HI#2020

Consolidated Financial Interim Report for the First Half-Year 2020

Contents

01.01.
30.06.
2020

PAION AG

PAION

About PAION AG

PAION AG is a publicly listed specialty pharmaceutical company focused on developing and commercializing innovative drugs for out-patient and hospital-based sedation, anesthesia and critical care services. PAION's lead compound is remimazolam, an intravenous, ultra-short-acting and controllable benzodiazepine sedative/anesthetic. Remimazolam is partnered in multiple territories outside of Europe. Remimazolam was approved in the U.S. for procedural sedation in July 2020 and is approved in Japan for general anesthesia. In China, licensee Yichang Humanwell received market approval for remimazolam in procedural sedation in July 2020, and in South Korea, licensee Hana Pharm filed for market approval for remimazolam in general anesthesia in December 2019.

In Europe, PAION is seeking approval of remimazolam for general anesthesia and for procedural sedation. PAION submitted a Marketing Authorization Application (MAA) for procedural sedation in November 2019. Results of a Phase III trial in general anesthesia are expected in the second half of 2020.

PAION's mission is to be a leading specialty pharmaceutical company in the fields of anesthesia and critical care by bringing novel products to market to benefit patients, doctors & other stakeholders in healthcare.

PAION is headquartered in Aachen (Germany) with an additional site in Cambridge (United Kingdom).

Key Figures

(all figures in KEUR unless otherwise noted)	Q2 2020	Q2 2019	H1 2020	H1 2019
Revenues	20	7,500	3,520	7,500
Research and development expenses	-2,669	-3,110	-6,399	-6,173
General administrative and selling expenses	-1,746	-1,336	-3,610	-2,321
Result for the period	-4,341	3,827	-6,052	586
Earnings per share in EUR for the period (basic)	-0.06	0.06	-0.09	0.01
Earnings per share in EUR for the period (diluted)	-0.06	0.06	-0.09	0.01

	H1 2020	H1 2019
Cash flows from operating activities	-6,360	1,990
Cash flows from investing activities	-2	-4
Cash flows from financing activities	-22	-25
Change in cash and cash equivalents	-6,373	1,965
Average number of group employees	43	44

	30-06-2020	31-12-2019
Intangible assets	1,906	2,137
Cash and cash equivalents	12,414	18,787
Equity	11,733	14,732
Current liabilities	9,071	10,154
Balance sheet total	20,824	24,912

Interim Group Management Report for the First Half-Year 2020

The Reporting Period at a Glance

January

PAION grants remimazolam license for Southeast Asia to Hana Pharm

Mundipharma receives market approval for Anerem® (remimazolam) in general anesthesia in Japan

March

Cosmo Pharmaceuticals (Cosmo) announces brief extension of U.S. Food & Drug Administration (FDA) review period for the New Drug Application (NDA) for BYFAVO™ (remimazolam) in the U.S.

April

PAION closes patient recruitment in EU Phase III trial with remimazolam in general anesthesia

June

PAION announces approval of compassionate use for remimazolam in Italian hospital

July (after the reporting period)

FDA grants market approval for BYFAVO™ in procedural sedation in the U.S.

PAION reports full conversion of convertible notes issued to Yorkville Advisors Global (Yorkville)

U.S. license agreement for BYFAVO™ between PAION and Cosmo assigned from Cosmo to Acacia Pharma (Acacia)

Yichang Humanwell receives market approval for Ruima® (remimazolam) in procedural sedation in China

August (after the reporting period)

The Belgian Federal Agency for Medicines and Health Products (FAMHP) grants approval for the compassionate use of remimazolam in Belgium

PAION reports on successful launch of Anerem® (remimazolam) by licensee Mundipharma in Japan

PAION reports on start of Phase III trial with remimazolam in general anesthesia and launch of Ruima® (remimazolam) in procedural sedation by licensee Yichang Humanwell in China

Update on development and commercialization activities

U.S.

In the U.S., the FDA granted market approval for BYFAVO™ (remimazolam) for procedural sedation in July 2020.

In January 2020, Cosmo announced that it had sublicensed BYFAVO™ U.S. rights to Acacia.After market approval for BYFAVO™ in July 2020, PAION, Cosmo and Acacia agreed to assign the BYFAVO™ license agreement signed in 2016 between Cosmo and PAION to Acacia. The terms of the license agreement remain unchanged but will now be between PAION and Acacia, with Cosmo no longer being a party to the agreement.

Acacia plans to launch BYFAVO™ in the U.S. in the second half of 2020. As a prerequisite, BYFAVO™ will need to be classified by the Drug Enforcement Administration (DEA) under the so-called Controlled Substances Act by then. The drug classification schedule classifies drugs into groups based on risk of abuse. Midazolam, for example, is included in Schedule IV. Substances in this schedule have a lower potential for abuse relative to substances in Schedule III. PAION expects that remimazolam will receive the same classification as midazolam.

EU

In Europe, PAION is seeking approval for remimazolam in general anesthesia and in procedural sedation.

Procedural sedation: PAION submitted a Marketing Authorization Application (MAA) for procedural sedation to the European Medicines Agency (EMA) in November 2019. A decision on market approval is currently expected in the beginning of 2021 at the earliest.

General anesthesia: PAION is currently evaluating the data from a Phase III study in general anesthesia evaluating ASA III/IV (American Society of Anesthesiologists classification III to IV) patients. The randomized, single-blind, propofol-controlled, confirmatory Phase III trial was originally planned to enroll approximately 500 ASA III/IV patients undergoing planned surgery. Due to the coronavirus pandemic, patient recruitment was completed in April 2020 with 424 patients enrolled, as agreed to by the Data Monitoring Committee. The topline data are expected in the second half of 2020.

Assuming approval in procedural sedation and positive results in the Phase III trial in general anesthesia, PAION plans to submit an extension of the MAA for remimazolam for general anesthesia as soon as the MAA for procedural sedation is approved. The review process for an extension application is generally faster than for an MAA. Based on Scientific Advice obtained from the EMA in January 2018, PAION expects that a positive Phase III trial in combination with previously completed clinical studies in Europe and Japan should be sufficient for market approval in the indication of general anesthesia in the EU.

Commercialization plans: PAION continues to conduct pre-commercialization activities. The build-up of its own distribution structure in Europe is dependent on PAION's ability to add more products to its commercial portfolio. Thus, PAION is also considering outlicensing remimazolam for commercialization in Europe.

Compassionate Use: The local Ethics Commitee of the Hospital San Raffaele in Milan/Italy granted approval for the compassionate use of remimazolam for the use of sedation of five intensive care unit (ICU) patients with COVID-19 in June 2020. Due to the currently much more relaxed situation in the hospital with regard to COVID-19 patients on the ICU, an extension to other patients is not planned for now. PAION had been contacted by the San Raffaele Hospital as to whether remimazolam could be delivered due to a shortage of propofol and midazolam caused by the coronavirus pandemic. PAION fulfilled the request from the hospital and supplied the material free of charge.

In August 2020, the Belgian Federal Agency for Medicines and Health Products granted approval for the compassionate use of remimazolam in Belgium. Under the program, remimazolam can be used for sedation of intensive care unit patients with COVID-19, and as a substitute for current standard of care in general anesthesia for which there are currently shortages due to the coronavirus pandemic. The use is limited to physicians who have experience with remimazolam. PAION had been contacted by the Belgian regulatory authority as to whether remimazolam could be delivered nationwide because of the current shortages of propofol and midazolam due to the coronavirus pandemic. PAION will fulfill requests from hospitals as quickly and as much as possible and will deliver the material initially free of charge.

Licensee activities in other territories

In Japan, licensee Mundipharma received market approval for remimazolam (Anerem®) for general anesthesia in January 2020 and has successfully launched Anerem® in mid-2020 with first commercial product sales.

In China, licensee Yichang Humanwell received market approval for remimazolam (Ruima®) in procedural sedation by the Chinese National Medical Products Administration (NMPA) in July 2020 and has recently launched Ruima®. Also in July 2020, Yichang Humanwell started a Phase III trial with remimazolam in general anesthesia in China. The Phase III study is a multicentre, single-blind randomized comparative clinical trial of efficacy and safety of remimazolam versus propofol in induction and maintenance of general anesthesia in 516 elective surgery patients.

In South Korea, licensee Hana Pharm submitted a market approval dossier in general anesthesia in December 2019. Market approval is currently expected in 2020. In January 2020, PAION and Hana Pharm extended their license agreement for remimazolam to include Southeast Asia (Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam); Hana Pharm is responsible for development and the market approval process in these territories.

In Russia, licensee R-Pharm announced the successful completion of a Phase III trial in general anesthesia in November 2018. R-Pharm is currently preparing first market approval dossiers for the licensed territories.

In Canada, PAION expects its licensee Pharmascience to use the U.S. market approval dossier as the basis for filing for market approval for remimazolam.

Supply chain activities

PAION is building up the supply chain in order to be able to regularly provide remimazolam product to the licensees as well for PAION's potential own commercialization. Activities include establishing structures and processes and obtaining all necessary pharmaceutical permits.

Financial Overview

In the first half-year 2020, revenues amounting to EUR 3.5 million (prior-year period: EUR 7.5 million) were generated mainly resulting from milestone payments in connection with the market approval of remimazolam in Japan and the license extension for remimazolam signed with Hana Pharm in January 2020 to include six additional countries in Southeast Asia.

Research and development expenses amounted to EUR 6.4 million as compared to EUR 6.2 million in the prior-year period and were mainly incurred in connection with the EU Phase III study in general anesthesia for which the data analysis is currently ongoing. General administrative and selling expenses increased by EUR 1.3 million compared to the prior-year period, particularly due to pre-commercial activities and the set-up of a supply chain for remimazolam. In total, a net loss of EUR 6.1 million was incurred in the first half-year 2020 compared to a net income of EUR 0.6 million in the prior-year period.

Cash and cash equivalents decreased by EUR 6.4 million in the first half-year 2020 compared to 31 December 2019 and amount to EUR 12.4 million as of 30 June 2020. Based on current planning, cash and cash equivalents at hand secure a liquidity runway at least into the second half of 2021. Milestone and royalty payments from partners as well as the loan facility with the European Investment Bank (EIB) of up to EUR 20 million could extend the cash runway.

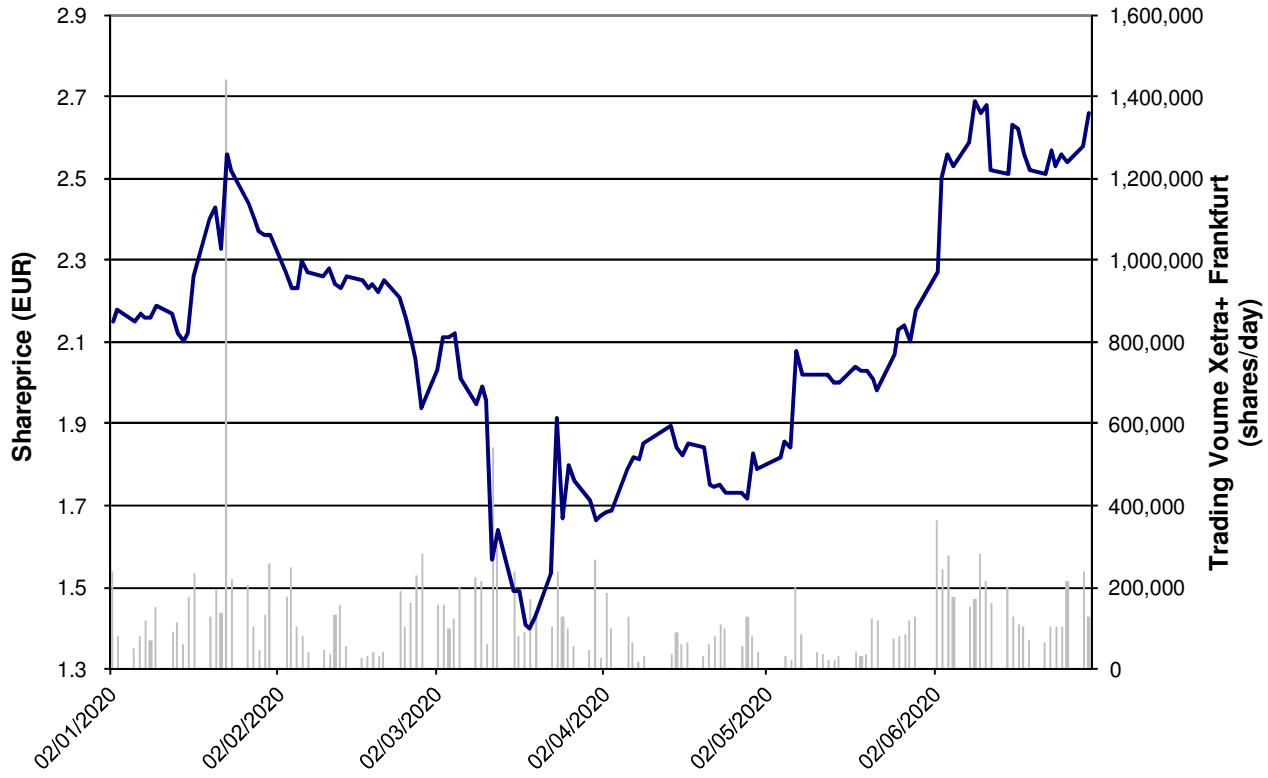
Capital Market Environment and PAION Share Performance

The development of the German capital markets in the first half of 2020 was mainly impacted by the coronavirus pandemic. The DAXsubsector Biotechnology Index increased by about 20% and the NASDAQ Biotechnology Index also increased by approx. 14% in the first six months of 2020.

The PAION share started the year 2020 at a price of EUR 2.15 (Xetra closing price). The peak share price in the first half-year 2020 was marked on 09 June 2020 with EUR 2.69 based on Xetra closing prices. On 19 March 2020, the lowest price in the first half-year 2020 was marked at EUR 1.40 (Xetra closing price). The closing price on 30 June 2020 was EUR 2.66 (Xetra). This corresponds to an increase of approx. 34% compared to the closing price on 30 December 2019 (EUR 1.98; Xetra).

The average daily trading volume (Xetra, Tradegate and Frankfurt Stock Exchange) amounted to 254,594 shares during the first half of 2020 (in the full year 2019: 103,582 shares). Thereby, 31.8 million shares were traded during the first half of 2020 (in the full year 2019: 26 million shares).

Development of the PAION Share Price and Volume (Xetra) in the First Half-Year 2020



Overview of Research and Development Activities

The development portfolio of PAION Group essentially comprises remimazolam with its three indications procedural sedation, general anesthesia and ICU sedation.

Remimazolam is an ultra-short-acting intravenous benzodiazepine sedative/anesthetic. In the human body, remimazolam is rapidly metabolized to an inactive metabolite by tissue esterases and is not metabolized by cytochrome-dependent hepatic pathways. Like other benzodiazepines, remimazolam can be reversed with flumazenil to rapidly terminate sedation or anesthesia if necessary. In clinical studies, remimazolam demonstrated efficacy and safety in around 2,900 volunteers and patients. Data so far indicate that remimazolam has a rapid onset and offset of action combined with a favorable cardio-respiratory safety profile.

Remimazolam is partnered in the U.S. (brand name BYFAVO™) with Acacia Pharma, in Japan (brand name Anerem®) with Mundipharma, in China (brand name Ruima®) with Yichang Humanwell, in Canada with Pharmascience, in Russia/CIS, Turkey and the MENA region with R-Pharm, and in South Korea and Southeast Asia with Hana Pharm. For all other markets including parts of the EU, remimazolam is available for licensing.

The following table provides an overview of all studies conducted with remimazolam to date:

Overview of the studies conducted with remimazolam to date	
Phase II and III studies	**Phase I studies**
Procedural Sedation (U.S.)- completed	
Phase IIa Single bolus in upper GI endoscopy (100) Phase IIb Multiple bolus in colonoscopy (161) Phase III in colonoscopy (461) Phase III ASA III/IV in colonoscopy (79) Phase III in bronchoscopy (446)	Phase I Single bolus in healthy volunteers (81) Phase Ib Multiple bolus in volunteers undergoing colonoscopy (51) Phase I Renal Impairment (22) Phase I Thorough QT (54) Phase I Abuse Liability • Intravenous administration (40) • Oral bioavailability (14) • Oral administration with alcohol (20) • Intranasal administration (12)
General Anesthesia (Japan)- completed	
Phase II Induction and maintenance of anesthesia in general surgery (85) Phase II/III Induction and maintenance of anesthesia in general surgery (375) Phase III in ASA III or higher surgical patients (62)	Phase I Bolus in healthy volunteers (42) Phase Ib Infusion in healthy volunteers (10) Phase I Hepatic impairment (U.S.) (20)
General Anesthesia (EU)	
Phase II in cardiac surgery patients (90) Phase III in cardiac surgery patients (23)* Phase III in general surgery (424)	Phase I PK/PD modeling study (EEG) in healthy volunteers (20)
ICU Sedation (Japan)	
Phase II in ICU patients (49)*	
Studies in other territories	
Phase III in general anesthesia - Russia (150) Phase III in general anesthesia - South Korea (198) Phase II in procedural sedation - China (150) Phase III in procedural sedation - China (480) Phase IIa dose finding study - China (24) Phase III in general anesthesia - China (516)**	Phase I single ascending dose in China (62) Phase I continuous infusion in China (12)

Patient/volunteer numbers in brackets

* Discontinued studies, no safety concerns

** Ongoing study

Partnerships, regulatory and commercial activities

PAION has started to build up a supply chain for remimazolam. Process validation of the manufacture of remimazolam at commercial scale has been completed successfully and commercial production contracts have been signed with the contract manufacturers. On this basis, the development of the structures, establishment of the processes and obtaining all pharmaceutical permits will be implemented in the second half of 2020 to an extent that allows for regular supply of the licensees with remimazolam as planned.

U.S.

In the U.S., the FDA granted market approval for BYFAVO™ (remimazolam) for procedural sedation in July 2020. In January 2020, Cosmo announced that it had sublicensed BYFAVO™ U.S. rights to Acacia. After market approval for BYFAVO™ in July 2020, PAION, Cosmo and Acacia agreed to assign the BYFAVO™ license agreement signed in 2016 between Cosmo and PAION to Acacia. The terms of the license agreement remain unchanged but will now be between PAION and Acacia, with Cosmo no longer being a party to the agreement. Acacia plans to launch BYFAVO™ in the U.S. in the second half of 2020.

EU

In Europe, PAION is seeking approval for remimazolam in general anesthesia and in procedural sedation.

Procedural sedation: PAION submitted an MAA for procedural sedation to the EMA in November 2019 after it had been discussed in the course of a pre-submission meeting with the EMA held in February 2019 that the existing data package from the U.S. Phase III clinical development program is sufficient for submitting an MAA in procedural sedation. Market approval is currently expected in the beginning of 2021 at the earliest.

General anesthesia: Assuming approval in procedural sedation and positive results in the Phase III trial in general anesthesia, PAION plans to submit an extension of the marketing authorization for remimazolam for general anesthesia. The review process for an extension is generally faster than for an MAA.

Compassionate Use: The local Ethics Commitee of the Hospital San Raffaele in Milan/Italy granted approval for the compassionate use of remimazolam for the use of sedation of five intensive care unit (ICU) patients with COVID-19 in June 2020. Due to the currently much more relaxed situation in the hospital with regard to COVID-19 patients on the ICU, an extension to other patients is not planned at the moment. PAION had been contacted by the San Raffaele Hospital as to whether remimazolam could be delivered due to a shortage of propofol and midazolam caused by the coronavirus pandemic. PAION fulfilled the request from the hospital and supplied the material free of charge.

In August 2020, the Belgian Federal Agency for Medicines and Health Products granted approval for the compassionate use of remimazolam in Belgium. Under the program, remimazolam can be used for sedation of intensive care unit patients with COVID-19, and as a substitute for current standard of care in general anesthesia for which there are currently shortages due to the coronavirus pandemic. The use is limited to physicians who

have experience with remimazolam. PAION had been contacted by the Belgian regulatory authority as to whether remimazolam could be delivered nationwide because of the current shortages of propofol and midazolam due to the coronavirus pandemic. PAION will fulfill requests from hospitals as quickly and as much as possible and will deliver the material initially free of charge.

Further regions

Japanese licensee Mundipharma had submitted a market approval dossier for remimazolam for general anesthesia in December 2018, which was approved by the Japanese Pharmaceuticals and Medical Devices Agency (PMDA) in January 2020. Mundipharma has successfully launched Anerem® (remimazolam) in Japan in mid-2020 with first commercial product sales.

Chinese licensee Yichang Humanwell received market approval for Ruima® (remimazolam) in procedural sedation in China by the NMPA in July 2020 and has recently launched remimazolam. Also in July 2020, Yichang Humanwell started a Phase III trial with remimazolam in general anesthesia in China. The Phase III study is a multicentre, single-blind randomized comparative clinical trial of efficacy and safety of remimazolam versus propofol in induction and maintenance of general anesthesia in 516 elective surgery patients.

PAION's South Korean licensee Hana Pharm submitted a market approval dossier for remimazolam in general anesthesia in South Korea in December 2019. Market approval is currently expected in 2020. In January 2020, PAION and Hana Pharma extended their license agreement for remimazolam to include Southeast Asia (Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam), and Hana Pharm will be responsible for the development and marketing approval process in these markets. PAION and Hana Pharm entered into an exclusive remimazolam license agreement for South Korea in 2013.

Russian licensee R-Pharm announced the successful completion of a Phase III trial with remimazolam in general anesthesia in November 2018. R-Pharm is currently preparing first market approval dossiers for the licensed territories.

In Canada, PAION expects its licensee Pharmascience to use the U.S. market approval dossier as the basis for filing for market approval of remimazolam.

The following table provides an overview of the regulatory progress of remimazolam in the different territories where respective market approval dossiers have already been filed. In addition, the sales-based royalty rates for the partnered territories are disclosed:

Applicant, Country	Indication	Date of NDA/MAA submission	Market approval	Royalty rate
Mundipharma, Japan	General anesthesia	12/2018	Granted in 01/2020	16–18%[1]
Cosmo, U.S.	Procedural sedation	04/2019	Granted in 07/2020	20–25%[2]
Yichang Humanwell, China	Procedural sedation	11/2018	Granted in 07/2020	5%/10%[3]
PAION, EU	Procedural sedation	11/2019	Expected beginning of 2021 at the earliest	-
Hana Pharm, S. Korea	General anesthesia	12/2019	Expected in 2020	10%

1. Depending on sales volume
2. Subject to adjustments under specific circumstances, but not below 15% of net sales. Royalties are to be paid by new licensee Acacia.
3. 5% in case of commercialization of a competing remimazolam product in China, otherwise 10%.

Financing agreements

In June 2019, PAION signed a financing agreement for a loan of up to EUR 20 million with the EIB. It is available until June 2021 and can be drawn down in a total of three tranches based on certain conditions as e.g. the achievement of operational milestones. Each tranche has a term of five years and will be repaid beginning in the fourth year after drawdown. The interest rate corresponds to the market conditions for risky debt financing of innovative companies (venture debt); it consists of a cash interest component, a deferred interest component due at maturity and a performance-related interest component. The first tranche of the loan is already available and the two further tranches could become available still in 2020. PAION has not drawn down the loan yet.

Moreover, in August 2019, PAION entered into an agreement with U.S. institutional investor Yorkville for the issue of convertible notes of up to EUR 15 million in up to three tranches. Under the terms of the agreement, Yorkville is obligated to purchase convertible notes in a total nominal amount of up to EUR 15 million at an issue price corresponding to 95% of the nominal amount until June 2022. PAION may, at its own discretion, issue the next tranche of convertible notes to Yorkville under certain conditions each time once 75% of the previous tranche have been converted. The unsecured convertible notes each have a term of 15 months and are convertible into PAION shares at any time by the holder of the convertible notes. PAION can extend the term of the notes by up to 24 months against a cash fee. The conversion price is determined taking into account a 5% discount on the volume-weighted 5-day average trading price of the PAION share immediately prior to conversion but may not be lower than 80% of the volume-weighted 10-day average price of the PAION share prior to PAION's Management Board's resolution to issue the convertible notes. Interest is not paid during the term of the notes.

The first tranche of convertible notes with a total nominal amount of EUR 5 million was issued to Yorkville under exclusion of pre-emptive rights on 12 September 2019. Until 30 June 2020, convertible notes with a nominal amount of EUR 3.9 million were converted into a total of 1,932,770 new PAION shares. After the balance sheet date, the remaining issued convertible notes with a nominal amount of EUR 1.1 million were converted into

further 430,580 new PAION shares until 8 July 2020 resulting in the first tranche of convertible notes having been converted entirely into a total of 2,363,350 new PAION shares until 8 July 2020. A further issue of convertible notes under this agreement is not planned.

Net Assets, Financial Position, and Results of Operations

Results of Operations

	Q2 2020 KEUR	Q2 2019 KEUR	H1 2020 KEUR	H1 2019 KEUR
Revenues	20	7,500	3,520	7,500
Gross profit	20	7,500	3,520	7,500
Research and development expenses	-2,669	-3,110	-6,399	-6,173
General administrative and selling expenses	-1,746	-1,336	-3,610	-2,321
Other income (expenses)	-197	275	-193	415
Operating expenses	-4,612	-4,171	-10,202	-8,079
Operating result	-4,592	3,329	-6,682	-579
Financial result	-48	-1	-110	-1
Income taxes	299	499	740	1,166
Net result for the period	-4,341	3,827	-6,052	586

Revenues in the first half-year 2020 amounted to KEUR 3,520 and mainly resulted from milestone payments in connection with the market approval of remimazolam in Japan and the license extension for remimazolam signed with Hana Pharm in January 2020 to include six additional countries in Southeast Asia. Revenues in the prior-year period entirely resulted from a milestone payment in connection with the submission of the NDA for remimazolam in procedural sedation in the U.S.

Research and development expenses amounted to KEUR 6,399 in the first half-year 2020 (prior-year period: KEUR 6,173) and mainly relate to the EU Phase III trial in general anesthesia for which the data analysis is currently ongoing.

General administrative and selling expenses increased by KEUR 1,289 to KEUR 3,610 in the first half-year 2020 compared to the prior-year period. General administrative expenses decreased by KEUR 105 to KEUR 1,685 while selling expenses increased by KEUR 1,394 to KEUR 1,925. The increase of selling expenses particularly relates to pre-commercial acitivites and the set-up of a supply chain for remimazolam.

The **financial result** mostly comprises expenses in connection with the convertible notes issued in the prior year.

Income taxes amounted to KEUR 740 in the first half-year 2020 (prior-year period: KEUR 1,166) and relate to tax claims for reimbursement of parts of the research and development expenses from the British tax authorities. The decrease in comparison to the prior-year period despite slightly increased research and development expenses is mainly due to a cap of the claim based on the net result of PAION UK Ltd.

The **net loss** for the first half-year 2020 amounted to KEUR 6,052 compared to a net income of KEUR 586 in the prior-year period. This corresponds to a decrease of the net result

in the amount of KEUR 6,638 compared to the first half-year 2019 which is mainly attributable to lower revenues and higher selling expenses than in the prior-year period.

Net Assets

	30-06-2020 KEUR	31-12-2019 KEUR	Change KEUR
Non-current assets	1,982	2,262	-280
Current assets	18,842	22,650	-3,808
Total Assets	20,824	24,912	-4,088
Equity	11,733	14,732	-2,999
Non-current liabilities	20	26	-6
Current liabilities	9,071	10,154	-1,083
Total Equity and liabilities	20,824	24,912	-4,088

Non-current assets mainly comprise the development project remimazolam (KEUR 1,875).

Current assets consist of cash and cash equivalents (KEUR 12,414), prepaid expenses and other assets (KEUR 5,572), trade receivables (KEUR 500) and inventories (KEUR 356). The decrease of KEUR 3,808 as compared to 31 December 2019 is attributable to a decrease of cash and cash equivalents by KEUR 6,373 on the one hand and an increase of prepaid expenses and other assets by KEUR 2,209 as well as inventories by KEUR 356 on the other hand. The increase of prepaid expenses and other assets mainly stems from a KEUR 564 higher tax claim for reimbursement of parts of the research and development expenses from the British tax authorities as compared to 31 December 2019 and KEUR 1,387 higher reimbursement claims from licensees as compared to 31 December 2019.

The decrease in **equity** of KEUR 2,999 compared to 31 December 2019 mainly results from the net loss of the first half-year 2020 in the amount of KEUR 6,052 on the one hand and the issue of a total of 1,530,327 new shares on the other hand, thereof 1,525,327 from the conversion of a part of the convertible notes issued in the prior year. As of 30 June 2020, the equity ratio was 56.3% (31 December 2019: 59.1%).

Non-current liabilities comprise lease liabilities.

Current liabilities decreased by KEUR 1,083 compared to 31 December 2019. This mainly results from an increase of trade payables by KEUR 467 as well as an increase of provisions by KEUR 1,663 on the one hand, and a decrease of financial debt by KEUR 3,196 due to conversion of a part of the convertible notes issued in the prior year on the other hand.

Financial Position

Compared to 31 December 2019, **cash and cash equivalents** decreased by KEUR 6,373 to KEUR 12,414 at the end of the current reporting period. The change in cash and cash equivalents stems from the following areas:

	H1 2020 KEUR	H1 2019 KEUR
Cash flows from operating activities	-6,360	1,990
Cash flows from investing activities	-2	-4
Cash flows from financing activities	-22	-25
Effects of exchange rate changes	11	4
Change in cash and cash equivalents	-6,373	1,965

The **cash flows from operating activities** in the first half-year 2020 were KEUR -6,360 and primarily resulted from the net loss for the period, adjusted for non-cash items, as well as changes of the working capital.

The **cash flows from financing activities** of KEUR -22 in the first half-year 2020 mainly related to the principal portion of lease payments.

Personnel Development

On average, PAION employed 43 employees in the first six months of 2020 (fiscal year 2019: 44 employees). As of 30 June 2020, the headcount was 43.

Impact of the Coronavirus pandemic on the PAION Group

Since the beginning of 2020, a new form of the coronavirus (SARS-CoV-2) has been spreading internationally. The pandemic has led to partly massive limitations of public life and significant decreases of economic activity. The success of containment measures, the resulting propagation speed of the virus and the respective applicable restrictions based thereon, particularly in the public space, partly differ significantly by region. At the date of this report, there is still unclarity about the probability of occurrence and the potential extent of a second rapid spread of the virus in the European area and globally (so-called “second wave”) that would lead to an intensification of restrictions in public life and corresponding impact on the economic development again.

The pandemic has only led to minor direct effects on the PAION group to date. On the one hand, PAION currently recognizes and plans the most part of revenues from milestone payments. The underlying milestones are mostly independent from the general economic development. The FDA, for instance, has continued to review market approval dossiers also of drugs not (directly) related to the pandemic and granted market approval for remimazolam

shortly after the balance sheet date on 2 July 2020 resulting in a milestone payment of EUR 15 million from the former U.S. licensee to PAION. On the other hand, PAION was and is able to continue its business activity also under significant restrictions in public life with barely any changes since office presence of employees is not necessary for the normal continuation of the business in the vast majority of time. Moreover, based on its business model, PAION possesses a high amount of liquidity reserves by (cross-industry) comparison and is substantially independent from the general economic development in this regard in the short to medium term. Since the supply chain is only being established and regular supply of commercially manufactured product is not happening yet, there have been no direct effects of the pandemic in this regard either.

On an operational level, the pandemic led to an earlier completion of patient recruitment of the EU Phase III study in general anesthesia. Since a large part of the originally planned number of patients of the study had already been recruited at that time, PAION does not expect an impact on the activities planned subsequently.

Overall, the pandemic has only had minor direct effects on the results of operations, net assets and the financial position of the PAION group. Based on the situation at the date of this report, also only a minor direct impact is expected in the future particularly with no revised outlook due to the coronavirus pandemic. However, it is currently unknown in how far particularly our licensees' business activities will be restrained by the pandemic potentially leading to revenues from milestones or royalties being recognized not at all, in a lower amount or delayed.

Risks and Opportunities

Material risks and opportunities relating to future development are presented in detail in the group management report for the fiscal year 2019. The overall evaluation of opportunities and risks has not changed significantly in the first half-year 2020.

Significant Events Occurring After the Balance Sheet Date

On 2 July 2020, the FDA granted market approval for BYFAVO™ (remimazolam) for procedural sedation in the U.S. PAION receives a related milestone payment of EUR 15 million from Cosmo.

On 20 July 2020, the NMPA granted market approval for Ruima® (remimazolam) in procedural sedation in China.

There were no further significant events in the period between the reporting date, 30 June 2020, and the preparation of this report.

Report on expected developments

Outlook on Development and Commercialization Activities

PAION's focus for the remainder of 2020 is on the analysis of the Phase III study in general anesthesia in Europe, market approval processes in Europe and other regions, the build-up of

the supply chain and commercial manufacture of remimazolam as well as the market preparation and start of commercialization of remimazolam in different territories.

Europe

For the EU, PAION is working on the advancement of the clinical development program of remimazolam. Focus is the analysis of the Phase III study in general anesthesia. In addition, first development work to address the pediatric development plan stretching over several years is planned. EMA's decision on the market approval dossier in procedural sedation is expected beginning of 2021 at the earliest. Following this, PAION plans to file for market approval in general anesthesia. Moreover, PAION continues to conduct pre-commercial activities. The build-up of an own distribution structure in Europe is dependent on the possibility of extending the portfolio by additional products. Therefore, PAION also considers the option to outlicense remimazolam for Europe as an alternative to building up an own distribution structure.

U.S.

In the U.S., supporting licensee Acacia in launching BYFAVO™ (remimazolam) has the highest priority.

Rest of the World

In Japan, licensee Mundipharma has successfully launched Anerem® (remimazolam) with first commercial product sales.

In China, licensee Yichang Humanwell received market approval for Ruima® (remimazolam) in procedural sedation by the NMPA in July 2020 and has recently launched remimazolam. Also in July 2020, Yichang Humanwell started a Phase III trial with remimazolam in general anesthesia in China.

PAION's South Korean licensee Hana Pharm submitted a market approval dossier for remimazolam in general anesthesia in South Korea in December 2019. Market approval is currently expected still in 2020.

Licensee R-Pharm is preparing first market approval dossiers for the licensed territories.

In Canada, PAION expects its licensee Pharmascience to use the U.S. market approval dossier as the basis for filing for market approval of remimazolam.

Further activities

PAION is working on setting up the supply chain in order to be able to provide remimazolam product to the licensees timely for commercial use as well as having it available early enough for PAION's potential own commercialization. The development of the structures, establishment of the processes and obtaining all pharmaceutical permits will be implemented in the second half of 2020 to an extent that allows for regular supply of the licensees with remimazolam as planned.

Financial outlook 2020

PAION expects revenues of about EUR 20 million in 2020, thereof EUR 15 million from Cosmo for market approval of remimazolam in the U.S. Further revenues relate to the market approvals of remimazolam in Japan and China, the license extension signed with Hana Pharm in January 2020 to include six additional countries in Southeast Asia as well as a milestone payment in connection with a possible market approval in South Korea. Royalties from the commercialization of remimazolam in the U.S., Japan and China are expected in a small amount of less than EUR 1 million in total in 2020.

Research and development expenses will amount to between approx. EUR 10 million and approx. EUR 12 million, depending on the progress of development. General administrative and selling expenses will amount to between approx. EUR 7 million and approx. EUR 9 million depending on the progress of the build-up of the supply chain and the volume of pre-commercial activities. Income from tax credits on parts of the research and development expenses from British tax authorities is expected in an amount of approx. EUR 1 million to approx. EUR 1.5 million. The previously expected amount of up to approx. EUR 0.5 million was particularly based on a change in calculation and capping rules already enacted for which however commencement was postponed by one year at short notice during the reporting period. Net result is expected to amount to between approx. EUR 0.5 million and approx. EUR 4 million in 2020.

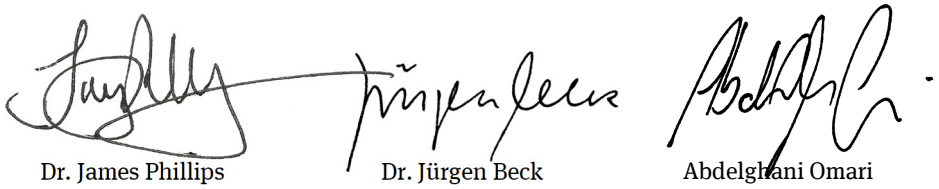
This outlook assumes that PAION and licensee activities progress as expected. In case of delays, particularly essential cost blocks and/or partly revenues would shift into 2021 or subsequent periods. Plans are also based on the current status of discussions with regulatory authorities. Additional unexpected requirements by regulatory authorities could lead to higher costs than planned and to delays in approvals and revenues based thereon. Also, potential effects of the Coronavirus pandemic on our business and the business of our partners could lead to delays and a shift of revenues and/or costs, although currently, no material effect of the pandemic on the results of operations, net assets and financial position of the PAION group is being expected (see paragraph “Impact of the Coronavirus pandemic on the PAION Group”).

Based on current planning, cash and cash equivalents at hand secure a liquidity runway at least into the second half of 2021.

Additional funds could be required for a potential own commercialization of remimazolam in selected European markets, the execution of the multi-year pediatric development plan as well as for potential portfolio extensions. The total magnitude of potentially required funds will be dependent on PAION’s decision on building up an own distribution and what an actual setup would look like, as well as on the magnitude and timing of incoming milestone and royalty payments from licensees. A final decision on building up an own distribution has not been made yet. The financing agreement of up to EUR 20 million concluded with the EIB and milestone and royalty payments expected in the next years could partially or completely cover a potential financing requirement depending on the decision on an own commercialization. The first tranche of EUR 5 million from the financing agreement with the EIB, which is already available, has not been drawn down yet. Availability of the further two tranches is dependent on certain conditions as e.g. the achievement of operational milestones. The loan can be drawn until mid-2021. A further utilization of the financing agreement on convertible notes with Yorkville in addition to the

first tranche issued in September 2019 and entirely converted into new PAION shares until 8 July 2020 is not planned. The magnitude of royalties from licensees will depend on the success of commercialization in the U.S., Japan and the other territories and on remimazolam's price level and pace of market penetration. However, this can only be evaluated with sufficient certainty after the launch phase.

Aachen, Germany, 12 August 2020
PAION AG



Dr. James Phillips | Dr. Jürgen Beck | Abdelghani Omari

Condensed Consolidated Interim Financial Statements

Consolidated Balance Sheet

ASSETS	30 June 2020 EUR	31 Dec. 2019 EUR
Non-current assets		
Intangible assets	1,906,200.00	2,137,302.29
Equipment	27,719.36	45,860.19
Right-of-use assets	48,010.91	79,075.61
Other assets	13.90	14.05
	1,981,944.17	**2,262,252.14**
Current assets		
Trade receivables	500,000.00	500,000.00
Inventories	356,360.00	0.00
Prepaid expenses and other assets	5,571,477.02	3,362,893.03
Cash and cash equivalents	12,413,903.69	18,786,680.89
	18,841,740.71	**22,649,573.92**
Total assets	**20,823,684.88**	**24,911,826.06**

EQUITY AND LIABILITIES	30 June 2020 EUR	31 Dec. 2019 EUR
Equity		
Share capital	65,795,913.00	64,265,586.00
Capital reserve	141,129,153.10	139,421,819.80
Translation reserve	-1,070,047.29	-884,259.03
Loss carryforward	-188,070,648.97	-181,054,833.90
Result for the period	-6,051,912.91	-7,015,815.07
	11,732,456.93	**14,732,497.80**
Non-current liabilities		
Lease liabilities	**20,182.47**	**25,632.41**
Current liabilities		
Trade payables	5,310,396.08	4,843,429.10
Provisions	1,933,489.53	270,042.03
Financial debt	1,157,894.74	4,354,136.41
Lease liabilities	28,873.85	54,579.74
Other current liabilities	640,391.28	631,508.57
	9,071,045.48	**10,153,695.85**
Total equity and liabilities	**20,823,684.88**	**24,911,826.06**

Consolidated Statement of Comprehensive Income

EUR	1 April – 30 June 2020	1 April – 30 June 2019	1 January – 30 June 2020	1 January – 30 June 2019
Revenues	19,876.24	7,500,000.00	3,519,876.24	7,500,000.00
Gross profit	19,876.24	7,500,000.00	3,519,876.24	7,500,000.00
Research and development expenses	-2,669,570.52	-3,109,127.03	-6,399,162.67	-6,172,304.11
General administrative and selling expenses	-1,745,392.53	-1,336,526.45	-3,609,833.17	-2,321,342.57
Other income (expenses), net	-196,567.81	275,037.14	-192,879.25	415,037.63
Operating expenses	-4,611,530.86	-4,170,616.34	-10,201,875.09	-8,078,609.05
Operating result	-4,591,654.62	3,329,383.66	-6,681,998.85	-578,609.05
Financial income	0.17	100.05	64.58	660.51
Financial expenses	-48,003.64	-790.36	-109,966.82	-1,699.49
Financial result	-48,003.47	-690.31	-109,902.24	-1,038.98
Result for the period before taxes	-4,639,658.09	3,328,693.35	-6,791,901.09	-579,648.03
Income taxes	299,110.87	498,754.09	739,988.18	1,165,822.33
Result for the period	-4,340,547.22	3,827,447.44	-6,051,912.91	586,174.30
of which attributable to other shareholders	0.00	0.00	0.00	0.00
of which attributable to shareholders of PAION	-4,340,547.22	3,827,447.44	-6,051,912.91	586,174.30
Foreign currency translation	-66,669.17	-387,660.46	-185,788.26	-240,286.91
Total income and expense recognized directly in equity that will be reclassified to profit or loss when specific conditions are met	-66,669.17	-387,660.46	-185,788.26	-240,286.91
Other comprehensive income	-66,669.17	-387,660.46	-185,788.26	-240,286.91
Total comprehensive income	-4,407,216.39	3,439,786.98	-6,237,701.17	345,887.39
of which attributable to other shareholders	0.00	0.00	0.00	0.00
of which attributable to shareholders of PAION	-4,407,216.39	3,439,786.98	-6,237,701.17	345,887.39
Earnings per share (basic)	-0.06	0.06	-0.09	0.01
Earnings per share (diluted)	-0.06	0.06	-0.09	0.01

Consolidated Cash Flow Statement

EUR	1 January – 30 June 2020	1 January – 30 June 2019
Cash flows from operating activities:		
Result for the period	-6,051,912.91	586,174.30
Reconciliation of result for the period to cash flows from operating activities:		
Income taxes	-739,988.18	-1,165,822.33
Amortization/depreciation and non-cash changes of fixed assets	250,786.93	111,626.98
Interest expenses and interest income	109,902.24	1,038.98
Expenses from stock option plans	192,431.67	215,847.44
Transaction costs and fair value adjustments in connection with financing activities	61,653.04	0.00
Change in assets and liabilities which are not attributable to investing or financing activities:		
Trade receivables	0.00	1,500,000.00
Inventories	-356,360.00	0.00
Prepaid expenses and other assets	-1,779,933.28	254,440.02
Trade payables	466,966.98	734,824.65
Provisions	1,663,447.50	14,514.02
Other current liabilities	6,406.23	-43,340.18
Non-cash exchange losses/gains	-167,907.86	-218,576.79
	-6,344,507.64	1,990,727.09
Interest paid	-15,368.96	-1,699.49
Interest received	64.58	660.51
Cash flows from operating activities	-6,359,812.02	1,989,688.11
Cash flows from investing activities:		
Cash paid for investments in intangible assets and equipment	-1,543.66	-3,813.73
Cash flows from investing activities	-1,543.66	-3,813.73
Cash flows from financing activities:		
Capital increase	5,000.00	0.00
Contributions to the capital reserve	1,550.00	0.00
Principal portion of lease payments	-28,254.94	-24,828.22
Cash flows from financing activities	-21,704.94	-24,828.22
Change in cash and cash equivalents	-6,383,060.62	1,961,046.16
Effect of exchange rate changes on cash	10,283.42	3,825.40
Cash and cash equivalents at beginning of the period	18,786,680.89	17,226,658.20
Cash and cash equivalents at end of the period	12,413,903.69	19,191,529.76
Composition of cash and cash equivalents at the end of the period:		
Cash and cash equivalents	12,413,903.69	19,191,529.76

Consolidated Statement of Changes in Equity

EUR	Share capital	Capital reserve	Translation reserve	Loss carryforward	Equity
31 December 2018	63,858,143.00	138,730,764.25	-712,030.72	-181,054,833.90	20,822,042.63
Total comprehensive income	0.00	0.00	-240,286.91	586,174.30	345,887.39
Additional contribution to the capital reserve due to the issue of options	0.00	215,847.44	0.00	0.00	215,847.44
30 June 2019	63,858,143.00	138,946,611.69	-952,317.63	-180,468,659.60	21,383,777.46
Total comprehensive income	0.00	0.00	68,058.60	-7,601,989.37	-7,533,930.77
Issue of shares	407,443.00	0.00	0.00	0.00	407,443.00
Contribution to the capital reserve	0.00	434,662.28	0.00	0.00	434,662.28
Cost of raising capital	0.00	-78,578.98	0.00	0.00	-78,578.98
Additional contribution to the capital reserve due to the issue of options	0.00	119,124.81	0.00	0.00	119,124.81
31 December 2019	64,265,586.00	139,421,819.80	-884,259.03	-188,070,648.97	14,732,497.80
Total comprehensive income	0.00	0.00	-185,788.26	-6,051,912.91	-6,237,701.17
Issue of shares	1,530,327.00	0.00	0.00	0.00	1,530,327.00
Contribution to the capital reserve	0.00	1,734,117.76	0.00	0.00	1,734,117.76
Cost of raising capital	0.00	-219,216.13	0.00	0.00	-219,216.13
Additional contribution to the capital reserve due to the issue of options	0.00	192,431.67	0.00	0.00	192,431.67
30 June 2020	65,795,913.00	141,129,153.10	-1,070,047.29	-194,122,561.88	11,732,456.93

Selected Explanatory Notes to the Consolidated Interim Financial Statements as of 30 June 2020

General

The half-year financial report of PAION AG includes interim consolidated financial statements and an interim group management report in accordance with the provisions of Sec. 115 (2) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] in conjunction with Sec. 117 WpHG as well as a statement of the management board according to Secs. 264 (2) sentence 3 and 289 (1) sentence 5 HGB ["Handelsgesetzbuch": German Commercial Code]. 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 Netherlands B.V., Heerlen/The Netherlands
- TheraSci Limited, Cambridge/UK

Basis of Accounting

The interim consolidated financial statements have been prepared in accordance with Sec. 315e (1) 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 2019, except for the adoption of the following new or revised standards effective for the current reporting period:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 "Business Combinations"
- Amendments to IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform)
- Amendments to IAS 1 and IAS 8 (Definition of Material)

The application of these new and/or revised standards may, in some cases, result in additional disclosure obligations in future consolidated financial statements. All disclosure obligations in interim consolidated financial statements resulting from first-time adoption of new standards in the current reporting period have been met accordingly. 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 30 June 2020 should be read in conjunction with the consolidated financial statements as of 31 December 2019.

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 Pound Sterling for the UK-based companies. 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.

Equity

The share capital increased by EUR 1,525,327.00 due to the conversion of a part of the convertible notes issued in September 2019 into 1,525,327 new shares of PAION AG in the reporting period. 346,185 of these shares were recorded in the commercial register on 27 February 2020. The remaining 1,179,142 new shares have not been recorded in the commercial register yet. In the course of conversion of the convertible notes into new shares of PAION AG, Conditional Capital 2019 decreased by EUR 1,525,327.00 in the reporting period and amounts to EUR 24,267,230.00 as of 30 June 2020. Moreover, the share capital increased by EUR 5,000.00 in the reporting period due to the exercise of 5,000 stock options and amounts to EUR 65,795,913.00 as of 30 June 2020.

Financial debt

Financial debt amounts to KEUR 1,158 on the balance sheet date and comprises convertible notes recognized at fair value through profit or loss with a nominal amount of KEUR 1,100 issued in September 2019. In the reporting period, convertible notes with a nominal amount of KEUR 3,100 were converted into 1,525,327 new shares of PAION AG. The so-called day-one loss capitalized in the course of the issue of the convertible notes in fiscal year 2019 amounts to KEUR 41 on the balance sheet date.

Revenues

Revenues recognized in the first half-year 2020 relate to following regions:

- South Korea/Southeast Asis: KEUR 2,000
- Japan: KEUR 1,500
- Others/worldwide: KEUR 20

Stock options

On 22 February 2020, 133,500 stock options were granted from Stock Option Plan 2016 and 391,500 stock options were granted from Stock Option Plan 2018.

In connection with the stock options granted from Stock Option Plans 2014, 2016 and 2018, personnel expenses in the amount of KEUR 192 were recognized in the first half-year 2020.

In the first half-year 2020, 5,000 stock options were exercised from Stock Option Plan 2010. This led to cash inflows of KEUR 7. The new shares have not been recorded in the commercial register yet.

Tax Effects on Other Comprehensive Income

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

Fair value of financial assets and liabilities

As of 30 June 2020 and as of 31 December 2019, the fair value of financial assets and liabilities was identical to the respective book value.

		Book value		Fair Value	
in KEUR		30 June 2020	31 Dec. 2019	30 June 2020	31 Dec. 2019
Financial assets					
Cash and cash equivalents	(1)	12,414	18,787	12,414	18,787
Trade receivables	(1)	500	500	500	500
Other assets	(1)	1,489	101	1,489	101
Financial liabilities					
Trade payables	(1)	5,310	4,843	5,310	4,843
Provisions	(1)	1,933	270	1,933	270
Financial debt	(2)	1,158	4,354	1,158	4,354
Lease liabilities		49	80	49	80
Other liabilities	(1)	523	415	523	415

Measurement categories according to IFRS 9:

(1) Recognized at amortized cost
(2) Recognized at fair value through profit or loss

The determination of the fair value of financial debt was based on quoted prices in an active market (input factor of level 1 according to IFRS 13). The determination of the fair value of all other financial instruments was based on unobservable input factors (Level 3 inputs according to IFRS 13). In the first half-year 2020, there were no movements between the hierarchy levels.

Recoverability of financial assets was assessed based on historical and expected payment defaults. No default risks were identified and no impairment was recognized.

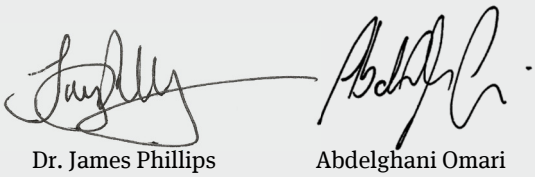
Related Parties

The relationships with related parties have not changed in comparison to those applied in the consolidated financial statements as of 31 December 2019.

Declaration of the Management Board pursuant Secs. 264 para. 2 sentence 3 and 289 para.I sentence 5 HGB [German Commercial Code]

"To the best of our knowledge and in accordance with the applicable reporting principles for interim financial reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year."

Aachen, Germany, 12 August 2020
PAION AG



Dr. James Phillips Abdelghani Omari

Dr. Jürgen Beck

Review Report

To PAION AG:

We have reviewed the condensed consolidated interim financial statements of PAION AG, Aachen - 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 June 30, 2020, part of the six-monthly financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The executive directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and of the interim group management report in compliance with German Generally Accepted Standards for the Review of Financial Statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of the Company's employees and analytical assessments and therefore does not provide the assurance obtainable from an audit of financial statements. Since, in accordance with our engagement, we have not performed an audit of financial statements, we cannot issue an auditor's report.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Cologne, Germany, August 12, 2020
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

(s) Zwirner	(s) Conrad
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	Oddo Seydler

Key figures	H1 2020	2019
Numbers of shares at the end of the period	65,795,913	64,265,586
Average daily trading volume (Xetra, Tradegate, FSE, in shares)	254,594	103,582
Year high (Xetra closing price)	EUR 2.69 (09 June 2020)	EUR 2.58 (10 July 2019)
Year low (Xetra closing price)	EUR 1.40 (19 Mar. 2020)	EUR 1.90 (27 Dec. 2019)
Share price at the end of the period (Xetra)	EUR 2.66	EUR 1.98
Market capitalization at the end of the period (Xetra)	EUR 175 million	EUR 127 million

Corporate Calendar

26 March 2020	Publication of the financial results 2019
13 May 2020	Publication of the financial results of the first quarter 2020
27 May 2020	Annual General Meeting, Aachen
12 August 2020	Publication of the financial results for the first half-year 2020
11 November 2020	Publication of the financial results for the third quarter and the first nine months of 2020

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