



CORPORATE NEWS

EARNINGS

PAION AG REPORTS RESULTS FOR THE FIRST HALF YEAR 2009

Aachen (Germany), 05 August 2009 – The biopharmaceutical company PAION AG (ISIN DE000A0B65S3; Frankfurt Stock Exchange, Prime Standard: PA8) today reported its consolidated financial result according to International Financial Reporting Standards (IFRS) for the first half year 2009.

Cash and cash equivalents of the company at the end of the reporting period amounted to EUR 29 million (31 December 2008: EUR 36.1 million) securing a cash reach at least until mid 2011.

Group revenues amounted to EUR 0.8 million in the first half year of 2009 and decreased due to lower reimbursements for research and development against the first half year of 2008 (EUR 2.2 million).

Research and development expenses increased by EUR 1.1 million to EUR 5.5 million compared to the corresponding prior year period. This increase is primarily attributable to the broader product pipeline.

The net loss for the first six month period in 2009 amounts to EUR 6.9 million, a decrease by EUR 0.1 million compared to the corresponding prior-year period.

Operational highlights:

- The first half of 2009 was dominated by the rapid progress of CNS 7056. In only nine months the substance has been advanced from pre-IND to phase II clinical development. In the second quarter two further studies with the anesthetic/sedative CNS 7056 have been initiated: a Phase IIa study (single dose) with patients undergoing endoscopy of the upper gastrointestinal tract and a Phase IIb study (multiple dose) with volunteers undergoing a colonoscopy. Both are being conducted in the US. In May 2009 the positive results of the first part of the Phase IIb trial were reported. The sedating effect of CNS 7056 can be reversed by an established antagonist, flumazenil and no re-sedation of the volunteers was observed. These data strengthen the safety profile of CNS 7056.
- During the first half year PAION also announced data from the open-label Phase IIa study with the NMDA receptor antagonist CNS 5161 which was completed in December 2008. The data confirm that the substance is safe and well tolerated within the applied administration scheme.

“As already announced we have focused our R&D activities in the first half year on our short acting anesthetic/sedative CNS 7056”, commented Dr. Wolfgang Söhngen, PAION’s CEO. „We are confident, that the unusual fast progress will have a positive impact on the initiated partnering activities.“

Consolidated financial results for the first half-year of 2009:

Revenues of EUR 0.8 million in the first half-year of 2009 mainly include the monthly release of deferred income in connection with the license agreement concluded with Lundbeck as well as to a minor degree the refund of development expenses by Lundbeck. The revenues in the prior-year period furthermore included reimbursements of prior production development costs by Lundbeck according to the licence agreement with Lundbeck.

Research and development expenses of EUR 5.5 million in the first half-year of 2009 increased by EUR 1.1 million compared to the corresponding prior-year period. This increase is primarily attributable to the broader product pipeline. The main research and development focus was on CNS 7056. Furthermore research and development expenses were incurred for M6G, Solulin, Flovagatran and CNS 5161.

General and administrative expenses in the first half-year of 2009 declined by EUR 2.5 million down to EUR 2.3 million which is mainly due to one-off transaction and restructuring costs incurred in the prior-year period.

The loss for the period of the first six months 2009 was EUR -6.9 million (prior-year period: EUR -7.0 million). Earnings per share amounted to EUR -0.28 (prior-year period: EUR -0.42).

The total assets as of 30 June 2009 decreased by EUR 6.2 million compared to 31 December 2008 and amounted to EUR 43.1 million. The decrease was mainly due to a lower equity through the loss of the period and lower cash and cash equivalents. As of 30 June 2009 the equity ratio is 60.2 %, which means a slight decline compared to 31 December 2008 (63.9 %). If the subordinate loan and the deferred non-refundable upfront payments from Lundbeck were recognised as economic equity, the equity ratio would increase to 89.5 %.

On average, PAION employed 30 employees in the first half-year of 2009 (fiscal year 2008: 42 employees).

Outlook:

In 2009 PAION's focuses on performing clinical trials with its compound CNS 7056 as well as closing of one or several partnering/license agreements. The major part of the research and development expenses is allotted to the Phase Ib and Phase IIa studies with CNS 7056 which were initiated in April 2009. The recruitment of the volunteers and the patients, respectively, is to be completed before the end of the year. Preclinical studies with Flovagatran are also being conducted. These data will be the basis for a decision on the further development of this compound, which will be made in the beginning of 2010. In the current period only minor costs will be incurred beyond that for the other projects for production development and the production of study medication for future studies.

Since the beginning of 2009 several cost reduction measures were carried out which will lead to sustainable cost savings in the current and future fiscal years. This does not have any impact on the progress of the current projects. In 2009 revenues will result mainly from the monthly release of the deferred income in connection with the milestone payment received from Lundbeck in 2008. Additional revenues are expected from the closing of new cooperation agreements. In total, a negative financial result is expected for the fiscal year.

As of 30 June 2009 PAION's cash and cash equivalents amount to EUR 29 million. These provide the necessary flexibility to implement value-generating steps and – based on further optimised cost structures – secure a sufficient cash reach until at least mid 2011. This does not account for additional milestone payments from the cooperation with Lundbeck (up to EUR 63 million) and future upfront payments/milestone payments from the targeted out-licensing agreements.

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(all figures in EURk unless otherwise noted)	Q2 2009	Q2 2008	H1 2009	H1 2008
Revenues	383	562	788	2,214
Research and development expenses	-2,876	-2,757	-5,492	-4,394
General and administrative expenses	-1,115	-3,719	-2,267	-4,754
Selling and marketing expenses	0	-49	0	-65
Net result for the period	-3,564	-5,858	-6,891	-7,036
Earnings per share in EUR for the period (basic)	-0.14	-0.35	-0.28	-0.42
Earnings per share in EUR for the period (diluted)	-0.14	-0.35	-0.28	-0.42

	H1 2009	H1 2008
Net cash from operating activities	-6,764	4,590
Net cash from investing activities	-43	-453
Net cash from financing activities	-331	-1,305
Average number of group employees	30	56

	30 June 2009	31 Dec, 2008
Intangible assets	12,280	11,336
Cash and cash equivalents	29,042	36,072
Equity	25,946	31,528
Non-current liabilities	12,754	13,426
Balance sheet total	43,126	49,313
Equity ratio	60.2%	63.9%

The half-year report will be available as from 5 August 2009 on our corporate website at: www.paion.com/reports.

Earnings call and webcast

In addition to the publication of the results, the Management Board of PAION will host a public conference call (conducted in English) on Wednesday, 5 August 2009 at 2 p.m. CEST (1 p.m. BST, 8 a.m. EDT) to present the financial results for the first half-year 2009, highlight the most important events in the first half-year 2009 and provide further details on the company's latest developments.

To access the call, participants from Germany may dial +49-69-22223262, from the UK +44-20-70980693 and from the US +1-703-6219129 (other

countries: please choose from D/UK/US numbers). The participant passcode is 606556, followed by the hash key (#). To allow for smooth processing we suggest that you dial in ten minutes before the beginning of the call.

The conference call will be supplemented by a webcast presentation which can be accessed during the call under the following link: <https://www.anywhereconference.com>. In the field "Web Login" please enter 107277594 and in the field "Pin Code" 606556. After entering your name in the specified field please click on "Go". The dial-in details for the conference call and the webcast link are also available on our website <http://www.paion.com/investors>.

The conference call will be recorded. Details on how to access the replay will be posted on the same web page after the call.

About PAION

PAION is a biopharmaceutical company headquartered in Aachen, Germany. Since the acquisition of CeNeS Pharmaceuticals, which was completed in June 2008, the company has a second site in Cambridge, UK. The company is specialized in developing and commercializing innovative drugs for the hospital-based treatment of central nervous system (CNS) disorders and thrombotic/cardiovascular diseases, indications for which there is a substantial unmet medical need. PAION has a "Search & Develop" business model, which is based on its core expertise in drug development. Where appropriate, particularly during the late stages of the clinical development, PAION seeks to collaborate with experienced partners.

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