



## **AD-HOC-ANNOUNCEMENT ACCORDING TO §15 WPHG**

### **FINANCIAL RESULTS**

#### **PAION AG ANNOUNCES FINANCIAL RESULTS FOR THE FIRST NINE MONTHS 2005**

**Aachen, 03 November 2005** – The biopharmaceutical company PAION (Frankfurt, Prime Standard: DE000A0B65S3) announces its financial results for the third quarter and the first nine months of the fiscal year 2005.

In comparison to last year's period, PAION was able to increase its revenues by about eight percent from EUR 16,599k to EUR 17,993k. Of these revenues, EUR 17,293k (Q3-2004: EUR 303k) were generated in the third quarter alone, mostly due to the licensing agreement with H. Lundbeck A/S, Valby-Copenhagen, Denmark, that was concluded in July and to the related down-payment amounting to EUR 15,000k which was also received in the same period. Moreover, PAION generated revenues based on reimbursement of development costs by the US-American cooperation partner Forest and Lundbeck amounting to EUR 2,993k in the first nine months.

Based on the positive revenue development within the third quarter, PAION was able to generate a positive net result for the first nine months amounting to EUR 1,079k. This figure is lower than previous year's net result of EUR 5,285k due to increased development activities (Q3-2005: EUR 8,819k, Q3-2004: EUR -3,685k). Within the first nine months, research and development expenses rose to EUR 8,326k compared to EUR 5,064k of last year's period (Q3-2005: EUR 2,711k, Q3-2004: EUR 1,995k). As in previous year's period, these costs are mainly due to the conduction of clinical studies with Desmoteplase as well as for enhancements in Desmoteplase production. Another important factor are the expenses for Enecadin, namely the Phase I drug interaction and safety studies and the preparation of a Phase II study. In addition, a share of the expenses was used for the development and production of Solulin as well as for preclinical studies for this compound.

The general and administrative expenses were reduced from EUR 4,625k for the first nine months of 2004 to EUR 3,993k for the current reporting period (Q3-2005: EUR 2,006k, Q3-2004: EUR 1,741k). An important factor for this reduction are lower legal and consultancy fees. The result per share for the first nine months amounted to EUR 0.07 as compared to EUR 0.57 in previous year's period (Q3-2005: EUR 0.61, Q3-2004: EUR -0.43). On average, PAION had 63 employees within the first nine-months of the fiscal year 2005. These are 14 more employees than in the corresponding period 2004.

The high inflow of funds for the current fiscal year 2005, including the proceeds from the IPO in the first quarter 2005 as well as the down-payment made by Lundbeck in the third quarter have significantly strengthened PAION's financial position. Since the beginning of the fiscal year and until 30 September 2005, PAION's equity increased from EUR 15,312k to EUR 58,323k. This also led to a better equity ratio improving from 59.6% to 83.8%. By receiving the down-payment from Lundbeck, PAION was able to

further strengthen its cash position, too. Within the first nine months, total liquidity improved by EUR 41,612k to EUR 62,501k.

Currently, there are delays in single projects which are due to additional consultations with development partners and individual authorities. The start of the supportive safety study for Desmoteplase will thus be shifted to 2006. This leads to reduced expenses for the company but also to lower revenues than originally planned. Despite this timeline shift, no delay for the approval process is expected. From today's point of view, the net loss for the fiscal year 2005 will be lower and total liquidity at year-end will be higher than originally expected at the publication of the half-year report.

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End of ad hoc announcement