



AD-HOC-ANNOUNCEMENT ACCORDING TO §15 WPHG

FINANCIAL RESULTS

PAION AG: FINANCIAL RESULTS FIRST HALF-YEAR 2005

Aachen, 28 July 2005 – The biopharmaceutical company PAION today published its financial results for the first half-year 2005 and gave guidance for the fiscal year 2005. The comparability of the current reporting periods, the second quarter 2005 and the first half-year 2005, with the prior year's reporting periods is limited as the prior year's reporting periods were significantly influenced by the income and expenses resulting from the license agreement with Forest Laboratories dated 30 June 2004. The impact of the licensing agreement signed in early July 2005 with H. Lundbeck A/S regarding PAION's Phase III product Desmoteplase, e.g. the already received EUR 15 million, will be reflected for the first time in the interim financial statements on the third quarter of 2005. Due to the Lundbeck agreement in particular, the anticipated annual net loss for the fiscal year 2005 will be significantly reduced compared to previous planning.

In the first half-year 2005, PAION's revenues totalled EUR 701k (H1-04: EUR 16,296k; Q2-05: EUR 338k, Q2-04: EUR 16,296k), resulting exclusively from the reimbursement of development cost by Forest. In the prior year's reporting period, the revenues stem also exclusively from the license agreement with Forest and were generated from the transfer of know-how (EUR 15,592k) and from proportionate realisation of a signing fee (EUR 704k).

During the first half-year 2005, research and development expenses increased to EUR 5,616k (H1-04: EUR 3,069k; Q2-05: EUR 2,610k, Q2-04: EUR 1,757k). As in previous year's period, they mainly relate to clinical studies for Desmoteplase and the further production development for Desmoteplase. Additional expenses in the first half-year 2005 incurred mainly in relation to the preparation and execution of clinical interaction and safety studies for Enecadin as well as costs for the production development for Solulin. Enecadin and Solulin are the other two drugs under development by PAION. After the development activities proceeded as planned in the second quarter 2005, the net result for the period amounts to EUR -3.932k (Q2-04: EUR 10,796k) and for the first half-year to EUR -7.740k (H1-04: EUR 8.971k).

The general and administrative expenses for the first half-year 2005 amounted to EUR 1,987k (H1-04: EUR 2,885k; Q2-05: EUR 1,102k, Q2-04: EUR 2.423k). On average for the first half-year, 59 employees have been working for PAION (H1-04: 44).

Due to the IPO that was successfully conducted on 11 February 2005, the balance sheet structure has improved significantly. With the balance sheet total increasing by EUR 33,330k to EUR 59.000k at the cut-off date of the reporting period, 30 June 2005, equity also increased by EUR 33,931k to EUR 49,243k. Compared to 31 December 2004, the equity ratio improved from 59.6% to 83.5%.

In the first half-year 2005, cash and cash equivalents increased by EUR 33,292k to EUR 54,180k. This inflow of funds has to be set off against cash disbursements amounting to EUR 4,649k which are mainly due to costs directly

related to the IPO and a negative cash flow from operating activities in the first half-year 2005 amounting to EUR 6,850k.

The inflow of funds from the IPO as well as from the licensing partners Forest and Lundbeck secure the implementation of the development plan for Desmoteplase, Enecadin and Solulin far beyond the fiscal year 2005. In total for the fiscal year 2005, PAION is going to achieve significantly higher revenues than previously planned. This is particularly due to the already received Lundbeck payment of EUR 15 million following the signing of the contract and future cost reimbursements. As from the second half-year of 2005, these cost reimbursements will lead to higher cost of revenues and thus to an appropriate reduction of development expenses. Overall, the anticipated annual net loss will be significantly reduced compared to previous planning.

For the fiscal year 2005, PAION expects revenues of approx. EUR 21 million and research and development costs of approx. EUR 16 million leading to a negative EBIT of up to EUR 12 million. Cash and cash equivalents at the end of the year are expected to amount to approx. EUR 52 million.

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End of ad hoc announcement