



PRESS RELEASE

FINANCIAL RESULTS

PAION AG REPORTS RESULTS FOR THE FIRST HALF-YEAR 2007

Aachen (Germany), 31 July 2007 – The biopharmaceutical company PAION AG (FSE PA8, ISIN DE000A0B65S3), which specializes in the treatment of stroke and other thrombotic diseases, today announced its consolidated financial result for the first half-year 2007.

The revenues of the first six months 2007 in the amount of EUR 2,285k (prior year's period: EUR 2,868k) resulted as in the prior year's period exclusively from the reimbursement of development costs by Forest Laboratories, Inc. and H. Lundbeck A/S. The reduction of the revenues is primarily due to lower reimbursable costs of the DIAS-2 study in the first half-year 2007 and to the fact that since the direct inclusion of Lundbeck into the contractual relationship with the contract manufacturing organisation of Desmoteplase in the second quarter 2007 Lundbeck directly bears the proportional cost of production development.

The research and development expenses of the first six months 2007 increased by EUR 775k to EUR 9,632k compared to the corresponding prior year's period. The research and development expenses of the reporting period contain a milestone obligation towards Schering AG as the original licensor of Desmoteplase. The milestone obligation was proportionally captured as expense and did not have a cash impact so far. The whole milestone obligation amounts to EUR 3m and is recorded as provision. Due to the out-licensing of the development rights of the substance Desmoteplase to Forest and Lundbeck EUR 2,632k thereof have been recorded as expenses. The remaining part of the milestone obligation in the amount of EUR 368k was capitalised as intangible asset.

Compared to the prior year's period the general and administrative expenses in the reporting period increased only slightly and amounted to EUR 2,452k (prior year's period: EUR 2,277k).

In the first half-year 2007, with EUR 10,932k the net loss for the period was comparable to the result of the corresponding prior year's period (EUR 10,777k). Special items like the milestone obligation towards Schering, present value adjustments and restructuring measures, have affected the net loss of the first half-year 2007 by EUR 2,326k, net.

Mainly due to the net loss of the first half-year 2007 the balance sheet total as of 30 June 2007 decreased by EUR 9,018k to EUR 61,032k compared to 31 December 2006. The equity ratio as of 30 June 2007 reduced to 57.3% compared to 31 December 2006 (64.9%). As of 30 June 2007, the cut-off date for the period, PAION remained at a solid cash position of EUR 49,055k.

PAION employed an average of 86 employees in the first half-year 2007 (fiscal year 2006: 77 employees). The current reduction in personnel due to the results of the DIAS-2 study will have an effect on the average number of employees only in the coming quarters.

Development in the first half-year 2007

At the end of May the results of the Phase III-study DIAS-2 with PAION's drug candidate Desmoteplase were presented. The study showed no statistically significant difference in clinical improvement 90 days after treatment between stroke patients which received either Desmoteplase or placebo. Thus the primary endpoint of the study was not met. However, with respect to safety, Desmoteplase met the expectations. In particular, the unusual high clinical improvement in the placebo group is not consistent with previously observed patterns in the Phase II studies previously conducted by PAION and large-size, placebo-controlled acute stroke trials. The absence of consistency with previous findings is surprising. Currently, PAION together with its cooperation partners Forest and Lundbeck are conducting in-depth analyses to better understand the data of the DIAS-2 study.

As a first reaction on the unexpected outcome of the DIAS-2 study an action plan was established which, among others, includes a significant reduction of internal and external costs. As part of these measures taken, 25% of PAION's employees have already been notified about their dismissal for operational reasons. In addition, the preparations for the additional confirmatory study with Desmoteplase in acute ischemic stroke, which PAION jointly planned with cooperation partner Lundbeck, were put on hold.

Since the first quarter of 2006, PAION is conducting a clinical Phase IIa study with Enecadin. In the second quarter 2007 patient recruitment for the first dose group within the study was completed. An analysis of the first dose group is currently being conducted. For Solulin, PAION currently prepares a Phase I clinical study with this substance which is anticipated to start in the fourth quarter 2007.

Outlook

The future development of the PAION Group and the financial outlook for fiscal year 2007 largely depends on the results of the detailed analysis of DIAS-2 data, the decision of the cooperation partners regarding the continuation of the development programme with Desmoteplase and on the strategic positioning of PAION afterwards. At this point in time, PAION expects a net loss for 2007 on a comparable level as in 2006. However, deviations could occur in relation to events and measures taken.

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About Stroke

Stroke is the third leading cause of death in the industrialised world and a leading cause of serious, long-term disability. In the US alone, 700,000 people suffer a stroke each year, and around 20% of them die within four weeks. For the US, the American Heart Association expects the financial burden of stroke due to in-hospital costs, long-term care programs and productivity losses to be approx. 63 billion dollars in 2007 alone.

About Desmoteplase

Desmoteplase, the most fibrin specific plasminogen activator known today, is a genetically engineered version of a clot-dissolving protein found in the saliva of the vampire bat *Desmodus rotundus*. It has received fast-track designation from the U.S. Food and Drug Administration for the indication of acute ischemic stroke. A recently completed Phase III study with Desmoteplase did not reproduce the positive results of two Phase II studies. PAION and its cooperation partners Forest Laboratories, Inc. and H. Lundbeck A/S are currently conducting in-depth analyses of the study data. PAION in-licensed the exclusive world-wide rights on Desmoteplase from Schering AG in 2001.

About Encadin

Encadin is a substance which may increase the survival time of affected brain cells and therefore may serve to reduce neural damage within the course of an acute ischemic stroke. In 2004, PAION has exclusively in-licensed the neuroprotectant from Nippon Shinyaku Co., Ltd. for territories outside Japan whereas Nippon Shinyaku has retained co-exclusive rights for Japan.

About Solulin

Solulin is a thrombin modulator which may act as an "intelligent anticoagulant" with anti-inflammatory potential and which might be useful in preventing arterial re-occlusion related to ischemic stroke and other thrombotic diseases. PAION acquired this substance from Schering AG in 2001.

About PAION

PAION is a biopharmaceutical company based in Aachen, Germany (listed at Frankfurt Stock Exchange, Prime Standard, ISIN DE000A0B65S3). It aims to become a leader in developing and marketing innovative drugs for the treatment of stroke and other thrombotic diseases for which there is a substantial unmet medical need.

Key consolidated financial figures, IFRS

(all figures in EURk unless otherwise noted)	Q2 2007 (unaudited)	Q2 2006 (unaudited)	H1 2007 (unaudited)	H1 2006 (unaudited)
Revenues	991	1511	2,285	2,868
Research and development expenses	-6,280	-4,421	-9,632	-8,857
General and administrative expenses	-1,439	-1,185	-2,452	-2,277
Selling and marketing expenses	-259	-335	-466	-596
Net result for the period	-6,767	-5,514	-10,932	-10,777
Earnings per share in EUR for the period (basic)	-0.40	-0.34	-0.65	-0.67
Earnings per share in EUR for the period (diluted)	-0.40	-0.34	-0.65	-0.67

	H1 2007 (unaudited)	H1 2006 (unaudited)
Net cash from operating activities	-7,680	-10,205
Net cash from investing activities	-136	-198
Net cash from financing activities	-317	14,348
Average number of group employees	86	75

	06/30/2007 (unaudited)	12/31/2006 (audited)
Intangible assets	873	524
Long-term refund claims resulting from the assumption of development costs	8,152	8,011
Cash and cash equivalents	49,055	57,189
Equity	34,977	45,471
Non-current liabilities	19,249	19,212
Balance sheet total	61,032	70,050
Equity ratio	57.3%	64.9%

The complete half-year report will be available on 1 August 2007 on www.paion.de/reports.

On Wednesday, 1 August 2007 at 2 p.m. CEST (1 p.m. BST, 8 a.m. EDT) PAION will host a public conference call during which the results for the first half-year of fiscal year 2007 will be presented. Participants may dial +49(0)69 2222 2221 (Germany), +44(0)20 7138 0840 (UK) or +1 718 354 1362 (USA). The conference call will be conducted in English. No pass code is needed but please state the name of the conference: "PAION AG Earnings Call First Half-Year 2007". To allow for smooth processing we suggest that you dial in 10 minutes before the beginning of the call. The conference call will be recorded. A replay will be available starting approx. 2 hours after the call until end of day 3 August 2007. The dial-in details for the replay will be published after the conference call on our website www.paion.de/investors.

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