



CORPORATE NEWS

EARNINGS

PAION AG REPORTS HALF-YEAR RESULTS 2008 AND PROVIDES STRATEGY UPDATE

Aachen (Germany), 11 August 2008 - The biopharmaceutical company PAION AG (ISIN DE000A0B65S3; Frankfurt Stock Exchange, Prime Standard: PA8; London AIM: PAI) today announced its financial results according to International Financial Reporting Standards (IFRS) for the first six months ended 30 June 2008 and provides the results of the pipeline review that was conducted following the acquisition of UK-based CeNeS Pharmaceuticals. PAION will focus on selective development activities in order to maximize value creation with a balanced risk-reward profile. Based on its excellent partnering expertise and the extended pipeline with now six compounds in the clinical development stage PAION aims to build critical mass while preserving cash.

Highlights of the first half-year 2008:

Partnering:

- The expanded licencing agreement with H. Lundbeck A/S regarding Desmoteplase came in force end of January. PAION received EUR 8 million non-refundable upfront payment.

Acquisitions:

- Acquisition of CeNeS Pharmaceuticals (UK) completed in June 2008.
- Purchase of the worldwide rights to Flovagatran, an anticoagulant, from Trigen Limited (UK) for EUR 0.3 million, completed in April 2008.

Clinical milestones:

- CNS 7056, a new short-acting sedative/anesthetic entered clinical Phase I study.
- Solulin, an anticoagulant, achieved proof of concept for mode of action in Phase I clinical study.

Dr Wolfgang Söhngen, PAION's CEO added: "Following the successful acquisition of CeNeS and based on our proven expertise in drug development and partnering, we are committed to moving PAION forward in order to maximize the value of our strengthened and risk-balanced portfolio. In particular, we consider CNS 7056 as an important near-term value driver. Our strong cash position provides us with the operational flexibility to achieve significant milestones and is sufficient to finance the current program until the end of 2010 without additional income from partnering ."

Consolidated financial results for the first half-year 2008:

Revenues in the first half-year 2008 amounted to EUR 2,214k (first half-year 2007: EUR 2,285k). They primarily include the refund of development

expenses by Lundbeck (EUR 1,476k) and the systematic release of deferred income in connection with the out-licensing agreement concluded with Lundbeck (EUR 727k). As part of the agreement, Lundbeck reimbursed substantial previously incurred production development costs and made a non-refundable upfront payment of EUR 8,000k, which is recognised as a deferred income item and is being released over the anticipated development period for Desmoteplase.

According to the new license agreement, Lundbeck will bear all development expenses for Desmoteplase. As a result, PAION's research and development expenses in the first half-year 2008 dropped substantially to EUR 4,394k (first half-year 2007: EUR 9,632k). Additionally, in the first half-year 2008 significantly lower expenses were incurred for the development of Enecadin, the development of which was terminated in April 2008 for strategic reasons.

General and administrative expenses increased significantly in the first half-year and amounted to EUR 4,754k (first half-year 2007: EUR 2,452k). This includes EUR 1,628k relating to the CeNeS group and the business combination. In addition, the general and administrative expenses contain one-off expenses of EUR 800k related to the technical settlement of the exchange of the shares and the admission of all PAION shares on AIM.

Compared to the same period in 2007, the net loss for the first half-year 2008 decreased by EUR 3,896k to EUR 7,036k, mainly due to significantly lower research and development expenses in the reporting period (EUR 4,394k; first half-year 2007: EUR 9,632k). The net result for the period includes the loss of the CeNeS group of EUR 2,533k since the acquisition date 20 June 2008, mainly resulting from expenses in connection with the acquisition, severance payments and advisers' fees.

Cash and cash equivalents at the end of the first half-year 2008 amounted to EUR 45,732k (first half-year 2007: EUR 42,901k). PAION's cash position was significantly strengthened by the non-refundable upfront payment of EUR 8,000k paid by Lundbeck at the beginning of 2008 under the new license agreement for Desmoteplase.

The balance sheet as at 30 June 2008 contains for the first time the assets and liabilities acquired as a result of the business combination of the CeNeS group. Compared to 31 December 2007, the balance sheet total increased by EUR 22,471k to EUR 68,013k which was primarily due to the capitalisation of the development projects (EUR 18,664k) within the first-time consolidation of the CeNeS group and to the payment of EUR 8,000k by Lundbeck.

Since the beginning of fiscal year 2008, the equity rose from EUR 35,664k to EUR 39,145k. Due to the increased balance sheet total, the equity ratio decreased to 57.6% as of 30 June 2008 (31 December 2007: 78.3%).

In addition to the primary listing on the Frankfurt Stock Exchange, PAION shares represented by depositary interests have been traded on the Alternative Investment Market (AIM) of the London Stock Exchange since 25 June 2008.

As of 30 June 2008, PAION employed 39 employees in total, of which 10 employees are from the CeNeS group.

Strategy update:

At the end of June 2008, PAION successfully completed the acquisition of UK-based CeNeS Pharmaceuticals, a group focusing on the development of drugs for the treatment of selected central nervous system disorders. The acquisition of CeNeS was achieved by an exchange of shares. For this purpose, PAION has issued 7.8 million new shares in total and thus increased the number of shares in issue to 24.6 million. The transaction has broadened and strengthened PAION's development pipeline by addition of three clinical compounds plus an early-stage development program and enables PAION to expand its development activities beyond stroke.

In April 2008, PAION further expanded its pipeline in the field of thrombotic diseases by purchasing the rights to the substance Flovagatran. At the same time, PAION decided to terminate the development of the drug candidate Enecadin due to the high failure rate seen with similar compounds.

As part of the integration process, PAION's management has conducted a comprehensive review of the combined portfolio. PAION's development strategy is to initiate selective development activities in order to maximise value creation while preserving cash.

- **CNS 7056:** A first Phase I study for this short-acting sedative/anesthetic was started in July 2008. In this double-blind, placebo- and comparator-controlled dose-escalating study, up to 91 healthy volunteers will be recruited. In addition to safety and pharmacokinetic evaluation, the sedative effects of CNS 7056 will be measured. As such, the study is anticipated to provide proof of concept. Data from the study will be available in H1/2009. In parallel, preparations for a Phase II study in patients undergoing endoscopy will be initiated in order to continue the developmental momentum.
- **Solulin:** Solulin is an anticoagulant with commercial potential in several cardiovascular indications as well as other fields such as inflammation and radiation injury (a potential side effect of radiotherapy in oncology patients). PAION started partnering activities based on the successful proof of concept data achieved in the recently completed single- and multiple-dose Phase I study.
- **M6G:** PAION has started a more in-depth analysis of all available clinical data under the assumption that the positioning and partnering potential of M6G for postoperative pain treatment can be optimised.. In addition, the available pharmacokinetic data will be used to model alternative dosing regimens. The results of these analyses are expected to be available in Q4/2008 and will form the basis for the next steps of the clinical development. The partnering efforts, which were started by CeNeS, will be continued after review of the data.
- **CNS 5161:** PAION will await the results of the ongoing open-label Phase IIa study for cancer pain before deciding on the next development steps. PAION expects these results to be available in Q4/2008.
- **Flovagatran:** Following a review of the available data, PAION's management believes that the previous positioning in hemodialysis is suboptimal. Therefore, further preclinical studies will be conducted in

order to target the commercially most attractive market segments in the acute cardiovascular area such as coronary artery bypass graft (CABG) operations. The next steps regarding the future development of the acute on/off anticoagulation therapy will be decided when data are available in H1/2009.

- Desmoteplase: PAION continues to support Lundbeck in its preparation of the next Phase III study in acute ischemic stroke which is expected to start in H2/2008. According to the revised agreement which came into effect earlier in 2008, Lundbeck will pay all costs of this program. PAION expects to receive up to EUR 63 million milestone payments and double-digit royalties on sales from Lundbeck.

In partnering negotiations PAION aims to provide additional funding in order to accelerate the development of its assets. Where appropriate, PAION will seek to retain co-development rights. Furthermore PAION will remain open for additional opportunities to broaden its pipeline given the relatively low valuations in the sector and the current emphasis on sector consolidation.

Outlook:

The acquisition of CeNeS Pharmaceuticals plc (now PAION Holdings UK Limited) marks the expansion of PAION's pipeline beyond its former focus on thrombotic diseases towards drugs for the treatment of selected central nervous system (CNS) disorders in the hospital setting. In Lundbeck, PAION has a financially strong and committed partner for the future development and marketing of Desmoteplase which continues to be an important economic asset for PAION.

At the end of the first half-year 2008 PAION had EUR 46 million in cash and cash equivalents which provides PAION with the necessary flexibility to achieve value-generating steps for its extended pipeline while securing a sufficient cash-reach until the end of 2010. This does not account for future upfront and milestone payments, which would expand the cash reach but may also be used for financing additional development activities.

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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 specializing 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 intends to further expand its portfolio of drugs by exploiting its core expertise in identifying high-potential compounds, licensing or otherwise acquiring them and advancing them through the clinical development and regulatory approval process. Where appropriate, particularly during the late stages of the clinical development and approval process and the commercialization phase, PAION seeks to collaborate with experienced partners.

Key consolidated financial figures, IFRS

| | Q2 2008 (unaudited) | Q2 2007 (unaudited) | H1 2008 (unaudited) | H1 2007 (unaudited) |
|--|------------------------|------------------------|---------------------------|-------------------------|
| (all figures in EURk unless otherwise noted) | | | | |
| Revenues | 562 | 991 | 2,214 | 2,285 |
| Research and development expenses | -2,757 | -6,280 | -4,394 | -9,632 |
| General and administrative expenses | -3,719 | -1,439 | -4,754 | -2,452 |
| Selling and marketing expenses | -49 | -259 | -65 | -466 |
| Net result for the period | -5,858 | -6,767 | -7,036 | -10,932 |
| Earnings per share in EUR for the period (basic) | -0.35 | -0.40 | -0.42 | -0.65 |
| Earnings per share in EUR for the period (diluted) | -0.35 | -0.40 | -0.42 | -0.65 |
| | | | H1 2008 (unaudited) | H1 2007 (unaudited) |
| Net cash from operating activities | | | 4,590 | -7,680 |
| Net cash from investing activities | | | -453 | -136 |
| Net cash from financing activities | | | -1,305 | -317 |
| Average number of group employees | | | 56 | 86 |
| | | | 06-30-2008 (unaudited) | 12-31-2007 (audited) |
| Intangible assets | | | 18,863 | 462 |
| Cash and cash equivalents | | | 45,732 | 42,901 |
| Equity | | | 39,145 | 35,664 |
| Non-current liabilities | | | 19,164 | 6,746 |
| Balance sheet total | | | 68,013 | 45,542 |
| Equity ratio | | | 57.6% | 78.3% |

The complete report for the second quarter and first half-year 2008 will be available on 11 August 2008 at www.paion.de/reports.

Conference Call and Webcast

On Monday 11 August 2008 at 2 p.m. CEST (1 p.m. BST, 8 a.m. EDT), the Management Board of PAION AG will host a public conference call (in English) to present the financial results of the first half-year 2008 and provide further details on the company's latest developments as well as a strategy update following the successful acquisition and integration of CeNeS Pharmaceuticals. Participants may dial +49 69 2222 2220 (from Germany), +44 20 7138 0840 (from UK) or +1 718 354 1362 (from the US); other countries please choose from German/UK/US numbers. The participant passcode is 7945994. 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 15 August 2008. The conference call will be supplemented by a webcast presentation which can be accessed during the call under the following link:

http://www.thomson-webcast.net/de/dispatching/?paion_080811misc

The dial-in details for the conference call and the replay as well as the webcast link will also be published on our website

<http://www.paion.de/investors>

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