



PRESS RELEASE

PAION AG REPORTS FINANCIAL RESULTS FOR FISCAL YEAR 2007

- Results of operations positively affected by extraordinary effects
- Future Desmoteplase development secured through extended Lundbeck agreement
- Clinical Phase I development with Solulin started successfully
- Solid liquidity of approx. EUR 50m at beginning of 2008

Aachen (Germany), 3 March 2008 - The biopharmaceutical company PAION AG (FSE PA8, ISIN DE000A0B65S3), which specializes in the treatment of stroke and other thrombotic diseases, today published its consolidated financial results, prepared according to International Financial Reporting Standards (IFRS) for the fiscal year 2007 ending on 31 December 2007.

Fiscal year 2007 was closed with a net loss of EUR 10.5m (prior year: EUR 17.4m). The results of operations in fiscal year 2007 were heavily affected by various extraordinary effects. These effects resulted in an income of EUR 4.6m. Excluding these effects, the net loss for fiscal year 2007 would have amounted to EUR 15.2m.

The extraordinary effects mainly resulted from a discontinuation of the cooperation arrangement by Forest Laboratories, Inc. following the negative results of the clinical Phase III study with Desmoteplase. The termination of the cooperation agreement by Forest did not result in any repayment obligations with regard to the payments already received and cost refunds. Therefore, the potential repayment obligations towards Forest, amounting to EUR 10.9m and recorded as provision, were reversed in the fiscal year 2007. Accordingly, refund claims amounting to EUR 8.2m against our partner H. Lundbeck A/S, which related directly to these repayment obligations, were also derecognised due to the fact that the reference figure no longer existed. The reversal of the repayment obligations and the derecognition of the refund claims resulted in non-recurring income of EUR 2.7m, which was offset against research and development expenses. In addition, the deferred portion (EUR 1.7m) of the signing fee received by Forest in fiscal year 2004 was released and recognised under revenues.

Total revenues in fiscal year 2007 amounted to EUR 4.8m (prior year: EUR 10.5m). Of these revenues, EUR 3.1m related to the reimbursement of Desmoteplase-related development costs covered by Forest and Lundbeck (prior year: EUR 10.5m). In addition, the revenues contain deferred income of EUR 1.7m from the signing fee which was released early due to the termination of the cooperation with Forest (see extraordinary effects). The decline in revenues is primarily due to the fact that costs of the DIAS-2 study have been largely invoiced and the portion of costs that can be charged on has decreased. In addition, since the second quarter of 2007, Lundbeck has directly borne a portion of the costs of production development for Desmoteplase.

Research and development expenses in fiscal year 2007 dropped significantly year on year and amounted to EUR 9.8m (prior year: EUR 16.5m). The decline is mainly due to considerably lower development costs for the manufacturing of Desmoteplase. By contrast, development expenses for Enecadin and Solulin have risen in comparison to the prior-year period and particularly include production costs and costs for conducting clinical studies. In addition, the reversal of the long-term repayment obligations to Forest and the derecognition of the long-term refund claims against Lundbeck resulted in an income of EUR 2.7m which was offset against research and development expenses (see extraordinary effects).

Compared to the prior year, general and administrative expenses decreased slightly, amounting to EUR 4.4m (prior year: EUR 4.6m).

As of 31 December 2007, cash and cash equivalents amounted to EUR 42.9m (prior year: EUR 57.2m). As soon as the extended licensing agreement with Lundbeck came into effect in the first quarter of 2008, PAION received a EUR 8.0m upfront payment from Lundbeck. Therefore, PAION started fiscal year 2008 with solid cash and cash equivalents of approximately EUR 50m.

Due to the negative results of the DIAS-2 study, PAION passed a plan of action in mid-2007 to reduce internal and external costs. The headcount reduction, which was part of this plan, affected almost all departments of the company but ensured that the development unit was retained. As of 31 December 2007, PAION had 53 employees (prior year: 81).

Outlook 2008

Given that continuation of the development programme with Desmoteplase has now been secured through the new cooperation agreement with Lundbeck, PAION now aims to drive forward the strategic realignment of the development pipeline. PAION intends to reduce the risks connected to the development of substances through cooperation arrangements as well as through expansion of the development pipeline and consideration of additional therapeutic areas outside of stroke. In this context, PAION has already evaluated numerous substances and companies in the past. PAION will continue to actively pursue this process in 2008.

The lead for managing the future development of Desmoteplase has now been taken over by Lundbeck. Lundbeck plans to present data to the regulatory authorities in order to gain acceptance on the new Phase III study with Desmoteplase. Lundbeck expects this study to be initiated in the second half of 2008. The continuation of the development of Enecadin will be determined in the context of the strategic realignment of the development pipeline. As Solulin has been successfully tested for the first time in humans, PAION will continue the clinical Phase I program and at the same time aims to prepare a Phase II study with Solulin.

Now that Lundbeck will bear all development expenses for Desmoteplase, PAION's research and development expenses will be lower than in the prior year. The actual amount of expenses and the financial result will, however, depend significantly on the new corporate strategy.

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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 ischaemic stroke. In December 2007, PAION and Lundbeck announced an extended agreement for the development of Desmoteplase. Under the new agreement Lundbeck is responsible for future studies and the regulatory approval process. Within the new deal structure, PAION will be eligible for a total of up to EUR 71 million in upfront and milestone payments, EUR 8 million of which PAION already received in the beginning of 2008. After market approval Lundbeck has the worldwide marketing rights with PAION retaining co-promotion rights in Germany, Switzerland and Austria.

About Enecadin

Enecadin is a neuroprotectant which may increase the survival time of damaged nerve cells and thus treat neuronal damage during acute ischemic stroke. In 2004, PAION procured exclusive licences for Enecadin from the Japanese manufacturer Nippon Shinyaku Co., Ltd for all markets outside of Japan. The Company has co-exclusive rights with Nippon Shinyaku for Japan.

About Solulin

Solulin is an improved variant of the human protein thrombomodulin, an important endogenous regulating factor in blood coagulation. As shown in animal models, Solulin effectively inhibits the formation of blood clots in veins and arteries. PAION is currently conducting a clinical Phase I program with Solulin.

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.

Consolidated financial key figures (IFRS)

(figures in EUR k unless stated otherwise)	2007	2006
Revenues	4,847	10,459
Research and development expenses	-9,814	-16,487
General administration expenses	-4,407	-4,563
Selling expenses	-560	-1,088
Loss for the year	-10,512	-17,386
Earnings per share (basic), in EUR	-0.63	-1.06
Earnings per share (diluted), in EUR	-0.63	-1.06

Cash flows from operating activities	-13,448	-14,742
Cash flows from investing activities	-204	-452
Cash flows from financing activities	-636	14,012
Average number of Group employees	75	77

	31 Dec. 2007	31 Dec. 2006
Intangible assets	462	524
Long-term refund claims resulting from the assumption of development expenses	0	8,011
Cash and cash equivalents	42,901	57,189
Equity	35,664	45,471
Non-current liabilities	6,746	19,212
Balance sheet total	45,542	70,050
Equity ratio	78.3%	64.9%

The full annual financial statements and management reports (Group and PAION AG) are available for download from www.paion.de/reports.

On Tuesday, 4 March 2008, PAION will host a public conference call at 2 p.m. CET (1 p.m. GMT, 8 a.m. EST) to present the financial results for fiscal year 2007. The conference call will be conducted in English. Participants may dial +49 69 2222 2246 (from Germany), +44 20 7138 0836 (from UK), or +1 718 354 1172 (from the US). Upon request please enter 8115409 as participant passcode. 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 7 March 2008. The dial-in details for the replay will be published on our website www.paion.de/investors.

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