



CORPORATE NEWS

EARNINGS

PAION AG REPORTS RESULTS FOR THE FIRST NINE MONTHS 2009

Aachen (Germany), 4 November 2009 – The biopharmaceutical company PAION AG (ISIN DE000A0B65S3; Frankfurt Stock Exchange, Prime Standard: PA8) today reports its consolidated financial result according to International Financial Reporting Standards (IFRS) for the first nine months 2009.

Cash and cash equivalents of the company at the end of the reporting period amounted to EUR 26.8 million (31 December 2008: EUR 36.1 million) securing a cash reach at least until mid 2011.

Group revenues amounted to EUR 1.2 million in the first nine months of 2009 and decreased due to lower reimbursements for research and development against the first nine month of 2008 (EUR 2.7 million).

Research and development expenses increased by EUR 2.2 million to EUR 8.3 million compared to the corresponding prior year period. This increase is primarily attributable to the broader product pipeline.

The net loss for the first nine month period in 2009 amounts to EUR 10.0 million, an increase by EUR 0.7 million compared to the corresponding prior-year period.

Overview

The third quarter 2009 was very successful for PAION. With the rapid progress made with CNS 7056 and the ongoing Phase III trials of PAION's cooperation partner Lundbeck with Desmoteplase, PAION was able to re-position itself in the public perception. The strategic repositioning performed in 2008 was recognised by a sharp rise in the share price. Further interest of the capital markets was generated by the completion of the recruitment of the Phase Ib and the Phase IIa studies with the innovative short-acting anaesthetic/sedative CNS 7056 in the third quarter.

The Phase Ib study (multiple dose) included two components, the first examining the reversal of the sedative effect of CNS 7056 by the benzodiazepine antagonist flumazenil which were reported in May 2009. The effect of CNS 7056 can be reversed by the established antagonist, flumazenil and no re-sedation of the volunteers was observed. These data strengthen the safety profile of CNS 7056. In the second part of the study volunteers underwent a colonoscopy after receiving one of three different dosages of CNS 7056 followed by "top ups" (i.e. multiple doses) as required to maintain an adequate sedation level for 30 minutes. This time period is usually required to perform a colonoscopy with an additional intervention (e.g. polypectomy of one or more polyps). A routine, purely diagnostic colonoscopy takes approx. 10-15 minutes.

The Phase IIa study (single dose) was performed with patients undergoing a diagnostic endoscopy of the upper gastrointestinal tract.

Headline data of both studies were published after the balance sheet date, demonstrating the good tolerability of CNS 7056 during the interventions and confirming the rapid onset and offset of sedative effect. The Phase IIa study showed that it is possible to achieve the same or better results as compared to a single dose of the gold standard midazolam with a single dose of CNS 7056.

This clinically relevant improvement over the gold standard has to be confirmed in larger trials. The safety profile observed in this trial confirmed the good tolerability also shown in previous data and was anticipated for a benzodiazepine. These data are presented in more detail in a separate press release of today.

With the ongoing Phase III studies performed by Lundbeck, Desmoteplase is also on the right track as a value driver for PAION. As Lundbeck has taken over all development costs, PAION will profit from the progress of development in the form of license and milestone payments.

In the third quarter PAION received valuable feedback from the FDA regarding M6G. The outstanding development program to achieve approval in the US thus has been clarified.

Consolidated financial results for the first nine months of 2009

Revenues of EUR 1.2 million in the first nine month of 2009 mainly include the monthly release of deferred income in connection with the license agreement concluded with Lundbeck as well as to a minor degree the refund of development expenses by Lundbeck. The revenues in the prior-year period furthermore included reimbursements of prior production development costs by Lundbeck according to the licence agreement with Lundbeck.

Research and development expenses of EUR 8.3 million in the first nine month of 2009 increased by EUR 2.2 million compared to the corresponding prior-year period. This increase is primarily attributable to the broader product pipeline. The main research and development focus was on CNS 7056. Furthermore research and development expenses were incurred for M6G, Solulin, Flovagatran and CNS 5161.

General and administrative expenses in the first nine month of 2009 declined by EUR 2.8 million down to EUR 3.4 million which is mainly due to one-off transaction and restructuring costs incurred in the prior-year period.

The loss for the period of the first nine months 2009 was EUR -10.0 million (prior-year period: EUR -9.3 million). Earnings per share amounted to EUR -0.41 (prior-year period: EUR -0.49).

The total assets as of 30 September 2009 decreased by EUR 10.3 million compared to 31 December 2008 and amounted to EUR 39 million. The decrease was mainly due to a lower equity through the loss of the period and lower cash and cash equivalents. As of 30 September 2009 the equity ratio is 56.6 %, which means a decline compared to 31 December 2008 (63.9 %). If the subordinate loan and the deferred non-refundable upfront payments from Lundbeck were recognised as economic equity, the equity ratio would increase to 88.1 %.

On average, PAION employed 30 employees in the first nine month of 2009 (fiscal year 2008: 42 employees).

Outlook

In 2009 PAION's focus was on advancing its compound CNS 7056. The major part of the research and development expenses is allotted to the Phase Ib and Phase IIa studies with CNS 7056 which were initiated in April 2009 and headline results reported in October/November 2009. The recent clinical data are expected to increase the momentum of the licensing process. The signing of an agreement is likely to be achieved in the next months. PAION is currently preparing a Phase IIb study in colonoscopy, to be performed in 2010.

PAION will continue the search for a development partner for M6G based on the results of the in-depth re-analysis and the FDA consultation. An agreement is targeted to be concluded in 2010.

Since the beginning of 2009 several cost reduction measures were carried out which will lead to sustainable cost savings in the current and future fiscal years. In 2009 revenues will result mainly from the monthly release of the deferred income in connection with the milestone payment received from Lundbeck in 2008. In total, a net loss is expected for the fiscal year 2009.

As of 30 September 2009 PAION's cash and cash equivalents amount to EUR 27 million. These provide the necessary flexibility to implement value-generating steps and – based on further optimised cost structures – secure a sufficient cash reach at least until mid 2011. This does not account for further cost reductions, upfront payments, milestone payments and cost reimbursements from existing and future cooperation partners, which could expand the cash reach but may also be used fully or in part for funding of additional development activities. The cooperation with Lundbeck alone provides for future milestone payments of up to EUR 63 million, of which up to EUR 38 million will become due until market approvals.

###

(all figures in EUR k unless otherwise noted)	Q3 2009	Q3 2008	Q1-Q3 2009	Q1-Q3 2008
Revenues	377	483	1.164	2.697
Research and development expenses	-2.783	-1.670	-8.275	-6.064
General and administrative expenses	-1.121	-1.407	-3.388	-6.161
Selling and marketing expenses	0	-18	0	-84
Net result for the period	-3.152	-2.284	-10.043	-9.320
Earnings per share in EUR for the period (basic)	-0,13	-0,07	-0,41	-0,49
Earnings per share in EUR for the period (diluted)	-0,13	-0,07	-0,41	-0,49
			Q1-Q3 2009	Q1-Q3 2008
Net cash from operating activities			-8.828	-2.144
Net cash from investing activities			-53	-467
Net cash from financing activities			-498	-1.471
Average number of group employees			30	50
			30 Sept 2009	31 Dec 2008
Intangible assets			11.257	11.336
Cash and cash equivalents			26.754	36.072
Equity			22.086	31.528
Non-current liabilities			12.291	13.426
Balance sheet total			39.028	49.313
Equity ratio			56,6%	63,9%

The nine month report will be available as of 4 November 2009 on our corporate website at: <http://www.paion.com/en/berichte-2009/>

Earnings call and webcast

In addition to the publication of the results, the Management Board of PAION will host a public conference call (conducted in English) on Wednesday, 4 November 2009 at 2 p.m. CET (1 p.m. GMT, 8 a.m. ET) to present the financial results for the first nine months 2009, highlight the most important events of this period and provide further details on the company's latest developments.

To access the call, participants from Germany may dial +49-69-22223262, from the UK +44-20-70980693 and from the US +1-703-6219129 (other countries: please choose from D/UK/US numbers). The participant pass code is 606556, followed by the hash key (#). To allow for smooth processing we suggest that you dial in ten minutes before the beginning of the call.

The conference call will be supplemented by a webcast presentation which can be accessed during the call under the following link: <https://www.anywhereconference.com>. In the field "Web Login" please enter 107277594 and in the field "Pin Code" 606556. After entering your name in the specified field please click on "Go". The dial-in details for the conference call and the webcast link are also available on PAION's website <http://www.paion.com>

The conference call will be recorded. Details on how to access the replay will be posted on the same web page after the call.

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 specialized 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 has a "Search & Develop" business model, which is based on its core expertise in drug development. Where appropriate, particularly during the late stages of the clinical development, PAION seeks to collaborate with experienced partners.

Contact

Ralf Penner
Director Investor Relations & Public Relations
PAION AG
Martinstrasse 10-12, 52062 Aachen - Germany
Phone +49 241 4453-152
E-mail r.penner@paion.com

www.paion.com