



## **AD-HOC-ANNOUNCEMENT ACCORDING TO §15 WPHG**

### **FINANCIAL RESULTS**

#### **PAION AG ANNOUNCES FINANCIAL RESULTS FOR THE FIRST HALF-YEAR AND SECOND QUARTER OF 2006**

Aachen (Germany), 8 August 2006 – PAION AG (Frankfurt Stock Exchange, Prime Standard PA8), a biopharmaceutical company focusing on the treatment of stroke and other thrombotic diseases today announced its financial results for the first half-year and second quarter of 2006.

In the first half-year 2006, revenues significantly increased by EUR 2,167k to EUR 2,868k compared with the first half-year 2005. As a result of an increase in research and development activities, the net loss for the period amounted to EUR 10,777k, compared with EUR 7,740k in the corresponding period in the prior year. The capital increase undertaken in April 2006 and the granting of a long-term subordinated loan provided PAION with new liquidity totalling EUR 16 million, which led cash and cash equivalents to improve to EUR 62,316k as of 30 June 2006, compared with EUR 52,190k at the end of the first quarter of 2006. Equity amounted to EUR 51,491k as of 30 June 2006. The equity ratio (equity as a proportion of total assets) therefore amounted to 71.6%.

#### **1<sup>st</sup> Half-year of 2006:**

Revenues rose significantly in the first half-year of 2006 to a total of EUR 2,868k (prior year's period: EUR 701k). This is attributable to the expansion of research and development activities and to the resultant increase in development expenses to be charged on to our cooperation partners Forest Laboratories, Inc. and H. Lundbeck A/S. Research and development expenses increased to EUR 8,857k in the first half-year of 2006 (prior year's period: EUR 5,616k) and mainly related to the development of the production process for Desmoteplase and to the execution of clinical studies for Desmoteplase and Enecadin. In line with the more extensive business activities, general and administrative expenses rose to EUR 2,277k in the first half-year of 2006 (prior year's period: EUR 1,987k.) Selling and marketing expenses reduced over the same period to EUR 596k (prior year's period: EUR 774k). PAION had a workforce of 76 employees as of 30 June 2006 (31 December 2005: 72 employees), corresponding to an average number of 75 employees during the first half-year of 2006 (prior year's period: 59 employees).

The marked expansion in research and development activities led to an increase in the negative operating result (EBIT) to EUR 11,521k in the first half-year of 2006 (prior year's period: EUR 8,205k). As a result of the increased liquidity, the financial result showed a considerable increase to EUR 744k compared with the prior year's period (EUR 465k). In line with the increase in operating expenses, the net loss for the period rose to EUR 10,777k (prior year's period: EUR 7,740k). Earnings per share amounted to EUR -0.67 (prior year's period: EUR -0.54).

## **2<sup>nd</sup> Quarter of 2006:**

In the second quarter of 2006, PAION generated revenues amounting to EUR 1,511k, compared with EUR 338k in the second quarter of 2005. Operating expenses rose to EUR 5,931k, compared with EUR 4,220k in the prior year's period. This increase was attributable in particular to the considerable expansion in research and development activities (EUR 4,421k, compared with EUR 2,610k in the prior year's period). The negative operating result (EBIT) rose to EUR 5,808k in the second quarter of 2006 (prior year's period: EUR 4,205k) and the net loss for the period amounted to EUR 5,514k (prior year's period: EUR 3,932k).

## **Outlook for 2006:**

As published just recently, PAION together with H. Lundbeck A/S will conduct a second clinical Phase III study with Desmoteplase for the treatment of acute ischaemic stroke. Subject to regulatory consultation and approval, this study is anticipated to start still in the fourth quarter 2006. PAION will assume major responsibility for financing and conducting the study. Within the scope of the agreement, Lundbeck will assume a part of the development cost for the production of Desmoteplase.

PAION expects significantly lower revenues in 2006 than in prior years as no milestone payments from the cooperation partners are planned in fiscal year 2006, even considering that PAION will recognise revenues of EUR 3 million resulting from the retrospective cost-assumption by Lundbeck. The revenues in 2006 will exclusively comprise allocated development cost.

The first half-year of 2006 has already witnessed a considerable increase in research and development expenses compared with the corresponding prior year's period. The expansion of the development programmes will result in a further increase in research and development expenses in the second half-year of 2006. This also includes the financing of major parts of the second Phase III study with Desmoteplase which has been agreed between PAION and its cooperation partners. As already communicated in the earlier reporting, PAION expects a significantly higher net loss for 2006 compared to prior years.

**- - - End of the Ad-hoc-Announcement - - -**

**On 10 August 2006 at 2 p.m. CEST the company will host a conference call** in which the members of the Management Board will present the financial results of the first half-year of 2006 and provide further details on the company's latest developments. To access the call (listen-only mode), please dial +49 (0)69 2222 2245. After the end of the call, a dial-in number to access the replay will be provided at [www.paion.de/investors](http://www.paion.de/investors).

## **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 from a stroke attack each year, and around 20% of them die within four weeks. For the US, the American Stroke Association expects the financial burden of stroke due to in-hospital costs, long-term care programs and productivity losses to be 58 billion dollars in 2006 alone.

### **About Desmoteplase**

Desmoteplase, the most 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*. Currently in Phase III, Desmoteplase was successfully tested in two independent Phase II studies for the treatment of acute ischaemic stroke between 3 and 9 hours after onset of symptoms and has received fast-track designation from the U.S. Food and Drug Administration for the indication of acute ischaemic stroke.

### **About Enecadin**

Enecadin is a neuroprotective sodium and calcium channel blocker. It is, after Desmoteplase, PAION's second drug candidate for the treatment of acute ischaemic stroke. During ischaemic stroke, depletion of energy results in a depolarisation of nerve cell membranes which causes an excessive influx of sodium and subsequently calcium ions. In this process of excitotoxicity, high intracellular amounts of calcium provoke a series of adverse reactions that ultimately lead to cell death. It effectively prevents these toxic processes by its unique mode of action, blocking both sodium and calcium channels. 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 an improved, soluble variant of the human membrane protein thrombomodulin. PAION acquired this biotechnologically produced thrombin modulator from Schering AG. In preclinical settings, Solulin effectively inhibited venous and arterial thrombosis in various animal models at doses that did not reveal any marked bleeding propensity. It acts specifically at sites with increased thrombin concentrations where it reduces thrombus formation as demonstrated in animal models.

### **About PAION**

PAION is a public biopharmaceutical company based in Aachen, Germany (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. PAION's activities are focused on the development of the three drugs Desmoteplase, Enecadin and Solulin. PAION's most advanced drug candidate, Desmoteplase, is partnered with Forest Laboratories, Inc. and H. Lundbeck A/S and currently being tested in an international multi-centred Phase III study. Currently PAION employs more than 75 people.

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