



CORPORATE NEWS

EARNINGS

PAION AG REPORTS RESULTS FOR THE FIRST QUARTER 2009

Aachen (Germany), 13 May 2009 – The biopharmaceutical company PAION AG (ISIN DE000A0B65S3; Frankfurt Stock Exchange, Prime Standard: PA8) today reported its consolidated financial result according to International Financial Reporting Standards (IFRS) for the first quarter ended 31 March 2009.

Cash and cash equivalents at the end of the reporting period amounted to EUR 32.4 million (December 31, 2008: EUR 36.1 million).

These provide the necessary flexibility to implement value-generating steps and – based on further optimised cost structures – secure a cash reach at least until mid 2011. This does not account for further cost reductions as well as for 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 financing 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 are due prior to market approval.

Group revenues decreased from EUR 1.7 million in 2008 to EUR 0.4 million due to lower reimbursements for research and development in the first quarter of 2009. Research and development expenses increased by EUR 1.0 million, especially for the further development of CNS 7056. The net loss for the period therefore amounted to EUR 3.3 million, compared to EUR 1.2 million in 2008.

Operational highlights:

- In January 2009 PAION reported the positive data of its first study with **CNS 7056**. The Phase I proof of concept study compared intravenous CNS 7056 to placebo and a standard dose of midazolam, the current gold standard for procedural sedation. The anticipated favourable profile was observed and no safety issues were raised. Volunteers treated with increasing doses of CNS 7056 were successfully sedated at the higher dose cohorts as expected and recovered to full consciousness rapidly. Following the proof of concept, PAION prepared in the first quarter 2009 a Phase IIa study (single dose) with patients undergoing endoscopy of the upper gastrointestinal tract and a Phase Ib study (multiple dose) with volunteers undergoing a colonoscopy. On 15 and 20 April, respectively, the initiations of these trials were announced. On 11 May 2009 the results of the first part of the Phase I trial were reported: the effect of CNS 7056 can be reversed by flumazenil; no re-sedation of the volunteers was observed. These data strengthen the safety profile of CNS 7056.

Dr. Wolfgang Söhngen, PAION's CEO commented: *"We are excited about the smooth progress of our compound CNS 7056 which continues to show promising results. For 2009 we will focus on this important asset."*

- In early April PAION reported the positive results of a Phase IIa study with **CNS 5161**. The primary objective of the study was to define the maximum tolerable dose and to assess the relationship between the plasma concentration of CNS 5161 and changes in pain level. Efficacy signals were observed in all but the lowest dose cohort reducing the pain in these patients by approximately 50%. EMEA guidelines for neuropathic pain indicate that a 30-50% reduction in pain can be considered a response.

Consolidated financial results for the first quarter 2009:

Revenues for the first quarter 2009 amounted to EUR 0.4 million and mainly include the systematic release of deferred income in connection with the license agreement concluded with Lundbeck. The revenues in the prior year period furthermore included in addition one off reimbursements of prior production development costs by Lundbeck according to the license agreement with Lundbeck.

Research and development expenses of EUR 2.6 million in the first three months of 2009 increased by EUR 1.0 million compared with the corresponding prior-year period. The increase is primarily attributable to the broader product pipeline compared to the prior year. The main research and development focus was on CNS 7056, M6G and Solulin.

General and administrative expenses remained at the prior-year period level in the first quarter of 2009, amounting to EUR 1.1 million.

The net loss of the Group on 31 March 2009 was EUR 3.3 million, an increase of EUR 2.1 million compared to the prior year's period. This increase was mainly due to lower turn-over and higher expenses for research and development. Earnings per share amounted to EUR -0.14 (prior year's period: EUR -0.07).

In the preceding quarter cash outflows in total of EUR 3.8 million resulted in cash and cash equivalents of EUR 32.4 million.

The equity decreased by EUR 2.9 million to 28.6 million and the equity ratio remained at 62.6% as of 31 March 2009, and is nearly unchanged compared to 31 December 2008. Taking the subordinate loan borrowed into account and recognizing the deferred non-refundable upfront payment of Lundbeck as economic equity, the equity ratio would increase to 91.2 %.

As of 31 December 2008 PAION's headcount amounted to 30 employees in Aachen and Cambridge.

Outlook:

In 2009 PAION's focus lies on performing the clinical trials with its compound CNS 7056 as well as closing at least one partnering/license agreement. The major part of the research and development expenses is allocated to the Phase Ib and Phase IIa studies with CNS 7056 which were initiated in April 2009. The recruitment of the volunteers and the patients, respectively, is to be completed until end of the year.

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. This does not have any impact on the progress of the current projects. In 2009 revenues will result mainly from the proportional release of the deferred income in connection with the milestone payment received from Lundbeck in 2008. Additional revenues are expected from the closing of new cooperation agreements. In total, a negative financial result is expected for the fiscal year.

Cash and cash equivalents in the amount of EUR 32.4 million provide the necessary flexibility to implement value-generating steps and – based on further optimized cost structures – secure a sufficient cash reach at least until mid 2011.

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Key Consolidated Financial Figures, IFRS

(all figures in KEUR unless otherwise noted)

	31 March 2009	31 March 2008
Profit and Loss Statement		
Revenues	405	1,651
Research and development expenses	-2,616	-1,637
General and administrative expenses	-1,152	-1,035
Selling and marketing expenses	0	-15
Net loss for the period	-3,327	-1,176
Number of shares outstanding	24,602,919	16,755,552
Earnings per share in EUR (undiluted)	-0.14	-0.07
Earnings per share in EUR (diluted)	-0.14	-0.07
Balance Sheet		
Intangible assts	11,489	11,336
Cash and cash equivalents	32,358	36,072
Equity	28,596	31,528
Non-current liabilities	13,060	13,426
Total assets	45,649	49,313
Equity ratio (percent)	62.6	63,9
Cash flow		
Cash flow from operating activities	-3,573	-5,545
Cash flow from investing activities	-25	-289
Cash flow financing activities	-164	-158
Employees		
Group employees (average)	30	42

The full report on the first quarter 2009 will be available as from 13 May 2009 at <http://www.paion.com/reports>.

Earnings call and webcast

On 13 May 2009 at 2 p.m. CEST (1 p.m. BST, 8 a.m. EDT) the Management Board of PAION will host a public conference call (conducted in English) to present the financial results of the first quarter 2009, highlight the most important events in 2009 and provide further details on the company's latest developments. To access the call, participants may dial +49 69 2222 3262 (from Germany), +44 207 0980 693 (from the UK) or +1 703 6219 129 (from the US); for other countries please choose from D/UK/US numbers. The participant passcode is 605444, followed by the hash key (#). To allow for smooth processing we suggest that you dial in 10 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 our website <http://www.paion.com/investors>. 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 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 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.

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