



CORPORATE NEWS

EARNINGS

PAION AG REPORTS RESULTS FOR THE FIRST QUARTER 2010

- PAION finalises preparation for Phase IIb study with CNS 7056
- PAION's partners achieve development milestones that trigger milestone payments
- PAION improves its financial position strongly with an equity facility of EUR 15 million and milestone payments extending its cash reach significantly

Aachen (Germany), 11 May 2010 – 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 quarter ended 31 March 2010.

- PAION secures cash reach until the middle of 2012 through income from co-operations and an equity facility. This is based on cash and cash equivalents of EUR 19 million as of 31 March 2010 (31 December 2009: EUR 22.9 million), the milestone payments due from Acorda and Ono in Q2/2010 and the expected cash inflows from a partial use of the new equity facility. This is sufficient to fund the Phase IIb trial with CNS 7056 and secure a cash reach until the middle of 2012 based on the current cost structure.
- Group revenues amounted to EUR 0.7 million and increased against Q1 2009 (EUR 0.4 million) due to a milestone payment from Acorda for the completion of preclinical preparations for the clinical development of the compound GGF2. The loss for the first three months of 2010 of EUR -2.8 million was EUR 0,5 million lower than in the corresponding prior-year period (EUR -3.3 million). Research and development expenses decreased slightly by EUR 0.1 million to EUR 2.5 million compared to the corresponding prior-year period.

Overview First Quarter 2010

In the first quarter of 2010 PAION concentrated on the development of CNS 7056. Based on the results of the Phase Ib and Phase IIa studies PAION completed the preparations to conduct a Phase IIb study with patients undergoing a colonoscopy. The aim of this study is to refine the optimal dose regimen for Phase III with a multi-centre trial. The patient enrolment will start shortly as the regulatory process is now completed.

In early February 2010, PAION announced that Ono Pharmaceutical had initiated the first Japanese Phase I study with CNS 7056. Ono is developing

CNS 7056 for the Japanese market initially for the induction and maintenance of anaesthesia which requires continuous infusion. The first subject in the Japanese Phase I study was enrolled in April 2010 after the balance sheet date. This triggered the first milestone payment of USD 1 million from Ono; payment is expected in May 2010.

At the end of February 2010, PAION reported that H. Lundbeck A/S had presented data from a post-hoc analysis using Desmoteplase in acute ischaemic stroke at the International Stroke Conference in San Antonio, Texas. The findings from the post-hoc analysis of the DIAS-2 trial performed by PAION provided the basis for the design of the currently ongoing clinical phase III programme (DIAS-3 and DIAS-4 studies) which aims to enrol 800 patients with acute ischaemic stroke. Lundbeck expects study completion in 2011.

In mid March 2010, PAION reported that Lundbeck had initiated a clinical Phase II trial with Desmoteplase in the treatment of acute ischaemic stroke (DIAS-J) in Japan. This study is required for the approval of the substance for the Japanese market. Lundbeck expects to take approximately 1.5 years to conduct the study.

In March 2010, Acorda Therapeutics filed an IND (Investigational New Drug) application for the substance GGF2. This triggered the obligation to pay the first milestone of USD 0.5 million; the payment was received in April 2010. On 20 April 2010 Acorda announced the IND acceptance which triggered the obligation to pay the second milestone of USD 0.5 million; the payment is expected in May 2010. Acorda plans to begin a clinical Phase I study with GGF2 in heart failure patients by mid 2010.

In May 2010 PAION entered into an equity facility agreement for EUR 15 million with Commerce Court Small Cap Value Fund Ltd. (CCSCVF) managed by Acqua Capital Management Inc., Toronto, Canada. This equity facility gives PAION the right to issue new shares out of the existing authorised capital in multiple tranches to CCSCV against a cash contribution. PAION intends to use this facility in the first instance to strengthen its cash position and extend its cash reach.

Consolidated financial results for the first quarter 2010

Revenues of EUR 0.7 million in the first three months of 2010 relate in the amount of EUR 0.4 million (USD 0.5 million) to a milestone payment from Acorda Therapeutics for the completion of preclinical preparations for the clinical development of the compound GGF2. Furthermore the revenues include the systematic release of deferred income in connection with the license agreement concluded with Lundbeck (EUR 0.4 million) as well as the refund of development expenses by Lundbeck.

Research and development expenses of EUR 2,5 million in the first three months of 2010 decreased slightly by EUR 0.1 million compared with the corresponding prior-year period. The main research and development focus was on CNS 7056.

General and administrative expenses remained at the prior-year period level in the first quarter of 2010, amounting to EUR 1.1 million (prior-year period: EUR 1.2 million).

The financial result for the first three months of 2010 decreased year on year by EUR 0.1 million down to EUR -0.1 million. The main reasons for the decrease are significantly lower money market interest rates as well as the reduction in cash and cash equivalents compared to the prior-year period.

In the preceding Quarter cash outflows in total of EUR 3.7 million result in cash and cash equivalents of EUR 19.2 million.

The total assets as of 31 March 2010 decreased by EUR 3,4 million compared to 31 December 2009 and amounted to EUR 32,1 million. The decrease was mainly due to a lower equity through the loss of the period and lower cash and cash equivalents. As of 31 March 2010 the equity ratio is 51.4%, which means a decline compared to 31 December 2009 (54.3%). If the subordinate loan and the deferred non-refundable upfront payment from Lundbeck were recognised as economic equity, the equity ratio would increase to 87.4%.

On average, PAION employed 29 employees in the first three months of 2010 (fiscal year 2009: 30 employees).

Outlook

The equity facility and the milestone payments for development progress from the co-operations strongly improves PAION's financial situation.

PAION will shortly start a clinical Phase IIb study with CNS 7056. PAION aims to have the compound ready for the clinical Phase III programme in 2011 and expects that the Phase IIb data will enhance the value of CNS 7056 for potential partners. For M6G it is intended to close a partnering agreement in 2010. Beyond that, PAION expects extensive development activities in 2010 by the partners Lundbeck, Ono and Acorda, which could trigger further milestone payments from 2011 onwards.

PAION's research and development expenses in 2010 relate mainly to production development and a clinical Phase IIb study with CNS 7056 in patients undergoing a colonoscopy. The patient enrolment is expected to last approximately nine months. For the other projects in development only minor expenses are planned.

In parallel to PAION's development of CNS 7056 our development partner Ono has started the first clinical Phase I study in Japan with CNS 7056 for the induction and maintenance of anaesthesia, which triggered the first milestone payment of USD 1 million in the beginning of the second quarter 2010. PAION participates from the progress of Ono's development in the form of additional data and financially in form of milestone payments and royalties from launch onwards.

Lundbeck is currently conducting two worldwide Phase III studies with Desmoteplase in acute ischaemic stroke. Lundbeck expects study completion in 2011 and to be able to file for market approval (MAA/NDA) in 2012. In parallel Lundbeck has started in the first quarter 2010 a Phase II study with Desmoteplase in stroke in Japan. Lundbeck bears all development costs and pays to PAION milestones up to EUR 63 million and from market entry a double-digit percentage revenue share.

Acorda expects to start the first clinical study by mid of 2010 with GGF2. In case of further positive development, additional milestone payments of up to

USD 7.5 million until approval and afterwards revenue dependent licence fees are payable to PAION.

Revenues in 2010 will include, just as last year, the monthly release of deferred income in connection with the non-refundable milestone payment in the amount of EUR 8 million received from Lundbeck as well as the first milestone payments from the development progress with CNS 7056 in Japan and GGF2 of USD 2 million in total. In addition PAION expects additional revenues from the intended partnering agreement for M6G.

The budgeted expenses lead, after deduction of the revenues from the existing license agreements with Ono and Acorda, to a significant net loss for the year. The expected additional revenues from the intended licensing of M6G and possibly CNS 7056 can significantly reduce the net loss for the year.

As of 31 March 2010 PAION's cash and cash equivalents amounted to EUR 19 million. The milestone payments from Acorda and Ono in 2010 and the expected cash inflows from a partial use of the equity facility will increase the liquidity. This leads to an increase cash reach until mid 2012 including the Phase IIb study with CNS 7056 and based on the current cost structure. This does not account for further upfront payments, milestone payments and cost reimbursements from existing and future partners or an extensive or total use of the equity facility. These would expand the cash reach even further but may also be used fully or in part for funding of additional development activities within the existing portfolio or newly acquired substances. 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 prior to market approvals.

###

Key Consolidated Financial Figures, IFRS

(all figures in KEUR unless otherwise noted)

	Q1 2010	Q1 2009
Profit and Loss Statement		
Revenues	742	405
Research and development expenses	-2,483	-2,616
General and administrative expenses	-1,103	-1,152
Operating result	-2,836	-3,382
Net loss for the period	-2,871	-3,327
Number of shares outstanding (weighted average, undiluted)	24,602,919	24,602,919
Number of shares outstanding (weighted average, diluted)	24.932.607	24.526.552
Earnings per share in EUR (undiluted)	-0.12	-0.14
Earnings per share in EUR (diluted)	-0.12	-0.14

Balance Sheet (compared to Dec. 2009)

Intangible assts	11,147	11,380
Cash and cash equivalents	19,238	22,871
Equity	16,503	19,304
Non-current liabilities	11,637	12,033
Total assets	32,135	35,550
Equity ratio (percent)	51.4	54.3

Cash flow

Cash flow from operating activities	-3,480	-3,573
Cash flow from investing activities	-12	-25
Cash flow financing activities	-146	-164

Employees

Group employees (average)	29	30
---------------------------	----	----

The full report will be available as from 11 May 2010 on our corporate website at <http://www.paion.com/en/berichte-2010>.

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 Tuesday, 11 May 2010 at 2 p.m. CET (1 p.m. GMT, 8 a.m. ET) to present the financial results of the first quarter of 2010, 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 +49-69-201744210, from the UK +44-20-71539154 and from the US +1-877-4230830 (other countries: please choose from D/UK/US numbers). The participant PIN code is 408998, 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 107325670 and in the field "PIN Code" 408998. After entering your name in the specified field please click on "Go". The dial-in details for the conference call and the webcast link will also be available on our 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 and has a second site in Cambridge, UK. The company is specialized in developing and commercializing innovative drugs for the hospital-based treatment in 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
<http://www.paion.com>

Disclaimer:

This release contains certain forward-looking statements concerning the future business of PAION AG. These forward-looking statements contained herein are based on the current expectations, estimates and projections of PAION AG's management as of the date of this release. They are subject to a number of assumptions and involve known and unknown risks, uncertainties and other factors. Should actual conditions differ from the Company's assumptions, actual results and actions may differ materially from any future results and developments expressed or implied by such forward-looking statements. Considering the risks, uncertainties and other factors involved, recipients should not rely unreasonably upon these forward-looking statements. PAION AG has no obligation to periodically update any such forward-looking statements to reflect future events or developments.