



CORPORATE NEWS

EARNINGS

PAION AG REPORTS RESULTS FOR THE FISCAL YEAR 2009

Aachen (Germany), 16 March 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 fiscal year ended 31 December 2009.

- Cash and cash equivalents of the company at the end of the reporting period amounted to EUR 22.9 million (31 December 2008: EUR 36.1 million) securing a cash reach at least until mid 2011.
- Group revenues amounted to EUR 1.5 million and decreased due to lower reimbursements for research and development against 2008 (EUR 3.2 million).
- The net loss in 2009 amounts to EUR 13.0 million, an increase by EUR 0.4 million compared to the corresponding prior-year period.
- Research and development expenses increased by EUR 1.9 million to EUR 10.6 million compared to the corresponding prior-year period. This increase is primarily attributable to the broader product pipeline, primarily the costs for the development of CNS 7056.

Dr. Wolfgang Söhngen, CEO of PAION, commented: „We look back on a very successful year 2009 through the rapid clinical progress with our biggest value driver CNS 7056 in three successful completed clinical trials including the proof of concept. Therewith we further increased the interest of the pharma industry in that product. The ongoing Phase III studies of Lundbeck with Desmoteplase lay the foundation for a further increase in the value with this product.

A strong increase of the share price and a marked rise of the trading volume shows, that the capital market honours our successful business strategy.

Overview 2009

The development focus in 2009 was on our short-acting anaesthetic/sedative CNS 7056. This compound was in the preclinical development phase in the middle of 2008. A focussed and rapid development programme meant that within 18 months of starting the first in man study, three trials have been successfully completed including a Phase II study.

After completing the first in man proof of concept study in January 2009, PAION initiated a Phase Ib as well as a Phase IIa study in April 2009. The data from the Phase Ib study strengthened the safety as well as the efficacy profile of the substance for procedures up to 30 minutes. In reference to the safety it was shown that the effect of CNS 7056 can be reversed by the

established antagonist flumazenil and no re-sedation of the volunteers was observed. With regard to the efficacy it was demonstrated that an adequate sedation level could be maintained for a period of 30 minutes during a colonoscopy.

The Phase IIa study studied patients undergoing a diagnostic endoscopy of the upper gastrointestinal tract and showing improved efficacy of a single dose over the standard therapy midazolam.

The data from both studies demonstrate a good tolerability of CNS 7056 during the interventions and confirm the rapid onset and offset of the sedative effect. These results have led to an increased interest from potential pharma partners and users. PAION intends to confirm the clinically relevant improvement over the gold standard in a larger study.

In 2009, Desmoteplase also regained recognition from the capital market. Our partner Lundbeck has invested substantial efforts in the project since taking on world-wide rights early in 2008. With the ongoing Phase III studies, Desmoteplase is back on track as a key value driver for PAION. Discussions with the US licencing authority (FDA) have also had a positive impact on this. The FDA confirmed the prospect of fast track review on the premise of positive trial results. Without further expenditures (as Lundbeck covers all development costs) PAION profits from the development progress in the form of development and commercial milestone payments up to EUR 63 million.

Our second Phase III substance M6G also made an important step forward in 2009. During the third quarter PAION received valuable feedback from the FDA on M6G in which the remaining development path was defined for approval in the USA. In addition it was confirmed by the FDA that the substance is regarded as a new chemical entity. This generates a new momentum for the ongoing partnering discussions.

After the takeover by PAION in the scope of the CeNeS acquisition in 2008, it was decided to base the further development of CNS 5161 on third-party financing. Such financing could not be secured by year end 2009. The existing development co-operation for CNS 5161 with Ergomed was hence terminated and activities discontinued during the first quarter 2010.

After availability of the Phase I study results in 2008 PAION offered Solulin to potential partners. The out-licencing discussions with various interested parties however could not be completed successfully. As a result it was decided during the first quarter 2010 to complete the ongoing set of preclinical investigations, which may provide positive data to support further partnering activities. Until these data are available, partnering activities will be put on hold.

After the purchase of Flovagatran it was decided to conduct preclinical studies in preparation of the clinical assessment during cardiac bypass surgery. These studies were started in the first half of 2009. Technical difficulties resulted in a delay until the second half of 2010.

Consolidated financial results for the fiscal year 2009

Revenues of KEUR 1,533 in fiscal year 2009 mainly comprise the monthly release of deferred income of a non-refundable upfront payment received in 2008 in connection with the licence agreement concluded with Lundbeck (KEUR 1,455) and to a minor extent reimbursements of development services

from Lundbeck (KEUR 67; previous year: KEUR 1,702). The significant decline of the reimbursements of development services for Desmoteplase compared to the prior-year period indicates the successful completion of the know how transfer.

Compared with the previous year, research and development expenses increased in fiscal year 2009 by KEUR 1,857 to KEUR 10,586. The increase is primarily attributable to the enlargement of the product pipeline in the previous year. The main research and development focus was on CNS 7056 through the conduct of a Phase Ib and a Phase IIa study. Furthermore, research and development expenses were incurred for M6G, Solulin, Flovagatran and CNS 5161.

Compared with the previous year, general and administrative expenses decreased in fiscal year 2009 by KEUR 3,199 to KEUR 4,348, which is mainly due to one-off transaction and restructuring costs incurred in the prior-year period. Furthermore, the cost reduction measures implemented in 2008 and beginning of 2009 came into full effect.

The loss for 2009 was EUR -13.0 million (prior-year period: EUR -12.6 million). Earnings per share amounted to EUR -0.53 (prior-year period: EUR -0.60).

Cash and cash equivalents of the company at the end of the reporting period amounted to EUR 22.9 million (31 December 2008: EUR 36.1 million) securing a cash reach at least until mid 2011.

The total assets as of 31 December 2009 decreased by KEUR 13,763 compared to 31 December 2008 and amounted to KEUR 35,550. The decrease was mainly due to a lower equity through the loss of the period and lower cash and cash equivalents. As of 31 December 2009 the equity ratio is 54.3%, which means a decline compared to 31 December 2008 (63.9%). If the subordinate loan and the deferred non-refundable upfront payment from Lundbeck were recognised as economic equity, the equity ratio would increase to 87.9% (previous year: 91.0%).

As of 31 December 2009 the total headcount at PAION Group amounted to 30 employees, of whom eight work for PAION UK Group. By comparison, the headcount as of 31 December 2008 amounted to 33 employees.

Outlook

On the basis of the results achieved in 2009 in two clinical studies (Phase Ib and Phase IIa) with CNS 7056 and the classification of M6G as new chemical entity the main tasks for the subsidiaries in 2010 will be the conduct of a clinical Phase IIb clinical study with CNS 7056 and the closing of partnering agreements for CNS 7056 and M6G. Beyond that PAION expects in 2010 extensive development activities by the cooperation partners Lundbeck, Ono and Acorda and first milestone payments resulting from these cooperations.

PAION's research and development expenses in 2010 relate mainly to production development and a clinical Phase IIb study with CNS 7056 with patients undergoing a colonoscopy. In January technically the regulatory approval for the study was achieved as the time for FDA feedback within the obligatory waiting period had lapsed. So PAION continued with the last steps of the study preparation such as packaging of the clinical trial material and setting up of sites. In early March prior the technical initiation of the study the

FDA requested that PAION submitted additional analyses of the previously submitted data which PAION provided promptly. The FDA informed PAION that they will come back with their initial assessment by mid April. PAION is confident that the material that was submitted will be satisfactory to initiate the trial and assumes a recruitment period of approximately nine months once the study has been initiated.

For the other projects in development only minor expenses are planned.

In parallel to PAION's development of CNS 7056, our cooperation partner Ono has started the first clinical Phase I study in Japan in February. PAION participates from the progress of development in the form of additional development data and financially in the form of milestone payments and royalties from launch onwards. PAION expects the first small milestone in 2010.

PAION's cooperation partner Lundbeck is currently conducting two Phase III studies with Desmoteplase in stroke and expects to be able to file marketing applications in 2012. Lundbeck bears all development costs and pays to PAION milestones up to EUR 63 million and from market entry a double-digit revenue share.

Acorda has made progress in the development of GGF2 (out licensed to Acorda by PAION UK, formerly CeNeS, in 2002), as a result the first clinical study is now expected to start in 2010. With the transition from preclinical to clinical development the first milestone payments will become due. In case of a positive development, milestone payments in total of USD 8.5 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 first milestone payments expected from the development progress with CNS 7056 and GGF2. In addition PAION expects substantial revenues from intended partnering agreements for CNS 7056 and M6G.

The budgeted expenses and the small revenues expected from the existing licence agreements with Ono and Acorda will result in a significant net loss at year end. However, the expected substantial revenues from the intended licensing of CNS 7056 and M6G can significantly reduce the loss for the period or – in the best case – even result in a net income.

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Key Consolidated Financial Figures, IFRS

(all figures in KEUR unless otherwise noted)

	2009	2008
Profit and Loss Statement		
Revenues	1,533	3,166
Research and development expenses	-10,568	-8,729
General and administrative expenses	-4,348	-7,546
Operating result	-12,995	-13,799
Net loss for the period	-13,037	-12,580

Number of shares outstanding (weighted average, undiluted)	24,602,919	20,853,621
Number of shares outstanding (weighted average, diluted)	24,617,448	20,853,621
Earnings per share in EUR (undiluted)	-0.53	-0.60
Earnings per share in EUR (diluted)	-0.53	-0.60

Balance Sheet

Intangible assts	11,380	11,336
Cash and cash equivalents	22,871	36,072
Equity	19,304	31,528
Non-current liabilities	12,033	13,426
Total assets	35,550	49,313
Equity ratio (percent)	54.3	63.9

Cash flow

Cash flow from operating activities	-12,508	-4,589
Cash flow from investing activities	-108	-435
Cash flow financing activities	-658	-1,638

Employees

Group employees (average)	30	42
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The full annual financial report 2009 will be available as from 16 March 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, 16 March 2010 at 2 p.m. CET (1 p.m. GMT, 9 a.m. EST) to present the financial results of 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 +49-69-201744210, 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 996840, 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 107325417 and in the field "PIN Code" 996840. 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>

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.

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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.