



PRESS RELEASE

PAION ANNOUNCES RESTRUCTURING

- Significant cost reduction due to restructuring of the company
- Cash reach secured until including Q2/2013 with modest cash inflow
- Out-licensing of Remimazolam remains key priority
- Reduced expectations regarding the partnering of M6G lead to an impairment charge of EUR 6.1 million
- CFO Bernhard Hofer will step down as Management Board member end of the first quarter 2012
- Switch from Prime Standard segment to General Standard of the German Stock Exchange

Aachen (Germany), 19 December 2011 – The biopharmaceutical company PAION AG (ISIN DE000A0B65S3; Frankfurt Stock Exchange Prime Standard: PA8) today announces a major corporate restructuring, which results in significant personnel and cost reductions. The restructuring process has been approved by the Supervisory Board and will be implemented immediately.

The objective of the restructuring is to reduce the recurring costs of the PAION Group significantly and as such ensuring the continuation of the core business activities. These include the potential partnering of Remimazolam and the continuation of the ongoing Phase Ib study with Solulin in addition to the already partnered projects Desmoteplase and GGF2.

In this context, the number of employees will be reduced by 19 to 8. Given the smaller scale of the company, CFO Bernhard Hofer will step down from the Management Board at the end of the first quarter 2012. The current Vice President finance, Mr Abdelghani Omari will take over Mr. Hofer's responsibilities below Executive Board Level. The board members, Dres. Mariola and Wolfgang Söhngen, have volunteered to reduce their base salary to 60% as of December 2011. In addition the Supervisory Board members will voluntarily reduce their fix compensation to 50%.

The above cost reductions will allow all core functions of the business to remain fully functional and therefore to retain the key know-how of the company. The remaining staff will also make a personal contribution to reduce costs.

PAION is optimistic that these measures will ensure the continuation of the operational core business activities beyond 2012 if further modest revenues can be secured. This should lead to an extension of the cash reach until the second quarter of 2013 when payments from existing license agreements are expected and should secure the further going concern of the company.

Dr. Wolfgang Söhngen, CEO of PAION commented: "*This major restructuring represents a very painful but necessary cut for our company, however is essential for the continuation of PAION's business activities. The related*

significant cost savings will lead to an extended cash reach well into the second quarter of 2013 and thus providing a sufficiently large time window to advance the partnering efforts for Remimazolam."

"On behalf of the Supervisory Board, I would like to sincerely thank the leaving employees for their outstanding contribution and their commitment to the development of PAION," commented Chairman Dr. Jörg Spiekerkötter. "In particular, I would like to thank Mr. Hofer for his successful work and great commitment to Paion. Given the downsizing of the company, however, it is clear that Mr. Hofer is looking for a new challenge. We wish him and the other leaving employees all the best for the future."

Due to the continuing restrained investments of the pharmaceutical industry a partner for the pain drug M6G has not been identified so far and chances are considerably lower than expected in the past. In connection with the preparation of the 2011 financial statements this leads to an impairment charge of EUR 6.1 million. As a result a higher net loss will be stated in the financial statements of the company in 2011, however not affecting the cash position of PAION which is expected to be approximately EUR 7.5 million at year end.

The successful out-licensing of Remimazolam will remain the key priority for PAION. Furthermore the ongoing Phase Ib study with Solulin will continue until the end of January 2012. The further development of Solulin after end of January 2012 is subject to potential third party funding.

PAION's Management Board also decided a switch from the Prime Standard listing of the company at the Frankfurt Stock Exchange to a General Standard listing in the regulated market. PAION will now proceed with the relevant application to the Frankfurt Stock Exchange to withdraw the listing of shares on the Prime Standard. The management of the Frankfurt Stock Exchange has to publish the withdrawal immediately on the Internet (www.deutsche-boerse.com). The time period between the publication of the withdrawal and its implementation is three months. The listing of the shares of PAION AG on the regulated market (General Standard) shall remain unaffected by the withdrawal. The switch of the stock exchange segment will result in the reduction of the additional expenses which are associated with a listing on the Prime Standard. It represents therefore a further cost saving measure.

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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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