

## Declaration of Conformity with the German Corporate Governance Code

(convenience translation: only the German version is binding)

In accordance with section 161 of the German Stock Corporation Act (AktG), the Management Board and the Supervisory Board of PAION AG have an obligation to declare each year that the company has complied and is complying with the latest recommendations of the "Government Commission German Corporate Governance Code" or which of the recommendations have not been or are not being applied.

Pursuant to section 161 of the German Stock Corporation Act, the Management Board and the Supervisory Board of PAION AG declare that: In fiscal year 2009, PAION AG complied and continues to comply with all recommendations of the „Government Commission on the German Corporate Governance Code" (versions dated 18 June 2009 and 6 June 2008), with the following exceptions:

### 1. Deductible in Directors' and Officers' (D & O) liability insurance policies (clause 3.8 paragraph 2)

The German Corporate Governance Code recommends that a suitable deductible is agreed for D & O insurance policies that the company takes out for members of the management and supervisory boards. The existing D & O insurance policy taken out by PAION AG does not provide for any deductible for members of the Management Board and members of the Supervisory Board in an insured event. The insurance cover is not provided if the damages incurred in insured events are attributable to fraudulent actions, omissions or conscious breach of duty. With the renewal of the D & O insurance policies on 1 January 2010 a deductible according to the legal requirements will be agreed for the Management and Supervisory Board.

### 2. Formation of committees (clause 5.3.3)

The German Corporate Governance Code recommends that the Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the General Meeting. The Supervisory Board of PAION AG consists of three members. The nomination of candidates is carried out by the whole Supervisory Board, so that the Supervisory Board has refrained from forming a nomination committee.

### 3. Remuneration of the members of the Supervisory Board (clause 5.4.6 paragraph 2)

The German Corporate Governance Code recommends that the members of the Supervisory Board receive both fixed and performance-related remuneration. The members of the Supervisory Board of PAION AG receive fixed remuneration. Performance-related remuneration is currently not envisaged for the members of the Supervisory Board, since in the opinion of the company a performance-related remuneration currently does not seem reasonable for the Supervisory Board as supervisory body of the company.

Aachen, 11 December 2009

The Management Board of PAION AG

Dr. Wolfgang Söhngen

Bernhard Hofer

Dr. Mariola Söhngen

Dr. Gavin Kilpatrick

The Supervisory Board of PAION AG

Dr. Walter Wenninger

Alan Goodman

Dr. Jörg Spiekerkötter