

Declaration of Conformity with the German Corporate Governance Code

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 2011, PAION AG complied and continues to comply with all recommendations of the „Government Commission on the German Corporate Governance Code" (version dated 26 May 2010), with the following exceptions:

1. 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.

2. Specification of concrete objectives regarding the composition of the Supervisory Board (clause 5.4.1 paragraph 2)

The German Corporate Governance Code recommends that the Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the company, take into account the international activities of the company, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation. The Supervisory Board of PAION AG has specified objectives regarding the composition of the Supervisory Board considering the specifics of the company. Because of the current size of the Supervisory Board it has refrained from the determination of concrete objectives regarding an appropriate degree of female representation. The Supervisory Board welcomes the inclusion of women as Supervisory Board members. The selection of members of the Supervisory Board will be carried out exclusively on the basis of the qualification of candidates.

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, 15 December 2011

Supervisory Board of PAION AG

Management Board of PAION AG

Dr Jörg Spiekerkötter
Chairman of the Supervisory Board

Dr Wolfgang Söhngen
Chairman of the Management Board

Bernhard Hofer
Member of the Management Board