INTERIM REPORT BY MANAGEMENT FOR THE SECOND HALF OF THE YEAR 2012

ACCORDING TO § 37X WPHG

FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2012

- Record revenues of EUR 24,5 million
- Net profit of EUR 15.8 million
- Cash and cash equivalents amounting to EUR 20.1 million
- Financial guidance Increased and new outlook for the financial year 2012
- Successful development of a sales force for Remifentanil-PAION
- Phase II / III study in anaesthesia initiated by Ono
- Phase II study for ICU sedation initiated by Ono
- Completion of Phase Ib study with Solulin in Haemophilia

Aachen (Germany), 07 November 2012 – The biopharmaceutical company PAION AG (ISIN DE000A0B65S3; Frankfurt Stock Exchange, General Standard: PA8) today reports its consolidated financial results according to International Financial Reporting Standards (IFRS) for the period from 1 January to 30 September 2012.

Revenues in the first nine months of 2012 amounted to EUR 24.5 million and increased by EUR 21.4 million compared to the prior-year period. The revenues relate in the amount of EUR 20.1 million to the sale of Desmoteplase to Lundbeck. The income for the first nine months of 2012 amounted to EUR 15.8 million meaning an increase of EUR 20.9 million compared to the prior-year period.

Dr Wolfgang Söhngen, CEO of PAION commented: "*We are proud of our achievements in the last months, because we have accomplished a lot more than many expected last year around the same time. The agreements with Lundbeck and Yichang, and the start of the Phase II / III study by Ono give us flexibility to pursue our strategic repositioning. The rapid development progress by Ono demonstrates the potential of Remimazolam and gives us the opportunity to leverage unexpected synergies earlier than expected, which will also be supported by the planned launch of Remifentanil-PAION. We consider this as a significant overall value increase of our lead program, which will open up further opportunities.*"

Development and Commercialisation Activities

In the first nine month of 2012 important strategic decisions were made in order to position the company as a commercial provider of specialized products in anaesthesia. The key element of this strategy is PAION's lead compound Remimazolam.

The collaboration with Ono shows intense progress. In the reporting period, a partnering of Remimazolam with Yichang was completed. Even in the event of further out-licensing it remains the goal, to actively participate in selected

European countries in the marketing. For the out-licensing of Remimazolam in countries outside of Japan and China PAION does not give a timeline

In order to establish an independent platform in the anaesthesia market successfully, the distribution rights for the short-acting opioid Remifentanil were acquired in Germany and it was started to build a lean sales organization. It is envisaged that Remifentanil and potentially other products will be used to prepare the ground for the commercialisation of Remimazolam. Based on the results of the market research and market access study conducted in 2011, PAION believes that Remimazolam is an excellent drug candidate to serve as a focal point for the commercial anaesthesia platform.

Portfolio Update

Remimazolam

In July 2012 PAION signed an exclusive licence agreement with Yichang for **Remimazolam** in China. For territories outside of Japan and China, PAION does not give a timeline for partnering.

The collaboration with Ono is going extremely well. Back in May 2012, a Phase II study in Japan has been completed successfully. On 5 November 2012 Ono announced the initiation of a Phase II/III study in anaesthesia. The enrolment of the first patient will trigger a milestone payment of three million USD from Ono Pharmaceutical which is expected by the end of this year. Furthermore a Phase II study in ICU sedation was initiated. Thus, the development program by ONO is being progressed rapidly, broader and ahead of schedule.

Based on this, it is appropriate to pool the resources of both development partners. PAION is evaluating to expand the Japanese data package to European anaesthesia studies in order to adjust the dossier to the European requirements.

Furthermore, synergies could arise from the successful use of Remifentanil in the hospital market. From discussions held so far the sales force active since the third quarter had with anaesthesiologists a great medicinal and pharma economic interest in the combined use of Remifentanil-PAION and Remimazolam derived. Taking this feedback and the development by Ono into account PAION will evaluate the development of Remimazolam in the indication anaesthesia as a lead indication.

Remifentanil-PAION

The in August 2012, announced acquisition of distribution rights for Remifentanil-PAION was an important step in building an anaesthesia portfolio and for the planned forward integration. In the reporting period the building of a lean sales organization focused on the anaesthesia market has been initiated successfully. The sales force will focus initially on the marketing of Remifentanil. However, it is intended for the future that the sales force will market after a successful launch also Remimazolam and other yet to be acquired anaesthesia products in addition to Remifentanil-PAION. The launch of Remifentanil-PAION is announced for the first quarter of 2013.

The ultra-short effect of the opioid Remifentanil-PAION is an essential element in the "Fast-Track" approach. This concept means benefits for the patient, physicians, nurses, and is reducing the treatment costs. The good tolerability, efficacy and rapid degradability of Remifentanil patients, who were given

Remifentanil during surgery, often spared them the stay in the ICU. Remifentanil-PAION is therefore an ideal companion product for the anaesthetic Remimazolam which is under development, which is according to the studies carried out characterized also by the advantages of compatibility and effectiveness and rapid biodegradability as it is degraded by the same mechanism as Remifentanil.

Solulin/PN13
Due to the focus of the available resources on anaesthesia and restructuring the Phase Ib study had to be completed in October 2012 as the enrolment lagged far behind the study objectives.

Solulin is being further evaluated for the treatment of radiation injury. In July 2012, the preclinical efficacy of Solulin in radiation injury was published in "Nature Medicine". Further preclinical studies are ongoing to confirm the results.

The research on thrombomodulin mutants (PN 13) as a successor of Solulin in haemophilia will continue until the project ends in 2014. For this research, PAION has been granted in July 2012 public research funding from the Federal Ministry of Education and Research (BMBF) in the amount of EUR 0.7 million EUR.

Finances

Revenues
Revenues in the first nine months of 2012 amounted to EUR 24.5 million and increased by EUR 21.4 million compared to the prior-year period. The revenues in the amount of EUR 20.1 million mainly relate to the sale of Desmoteplase to Lundbeck. Furthermore the revenues relate in the amount of EUR 2.5 million (prior-year period: EUR 0.4 million) to the complete release of deferred income resulting from the milestone payment of EUR 8 million received from Lundbeck in 2008 and in the amount of EUR 1.8 million through the license agreement with Yichang.

Net income
The **income** for the first nine months of 2012 amounted to EUR 15.8 million meaning an increase of EUR 20.9 million compared to the prior-year period.

Development costs
Research and development expenses amounted to EUR 2.4 million in the first nine months of 2012. This means a decrease of EUR 2.0 million compared to the prior-year period. The decrease is due to reduced development activities. The main research and development focus was on Remimazolam and Solulin.

General administrative and selling expenses in the first nine month 2012 amounted to EUR 3.5 million. These include EUR 1.9 million administrative expenses and EUR 1.6 million selling expenses. Administrative expenses include restructuring costs and decreased by EUR 0.4 million compared to the prior-year period. Selling expenses include one-off costs in connection with partnering activities, costs in connection with the agreements with Lundbeck and Yichang as well as costs for forward integration. Selling expenses

amounted to EUR 1.6 million, an increase of EUR 0.4 million compared to the prior-year period.

Income taxes
The **income taxes** relate in the amount of EUR 2.5 million (tax expenses) to an accrual for expected tax payments in connection with sale of Desmoteplase to Lundbeck as well as in the amount of EUR 0.2 million (tax income) to tax claims for reimbursement of parts of the research and development costs from the British tax authorities.

Liquidity
Cash and cash equivalents on 30 September 2012 have increased compared to 31 December 2011 by EUR 12.6 million to EUR 20.1 million. This does not include the payment of EUR 1.5 million received in October 2012. The cash and cash equivalents alone secure a cash reach into 2014 including repayment of the subordinated loan due in April 2013. Further cash inflows from existing and future partners would extend the cash reach.

Business and Financial Outlook 2012

PAION increases its outlook for 2012 made on 08 August 2012 with the publication of the half year report 2012 with expected revenues of approximately EUR 26.8 million compared to EUR 24.5 million expected so far. PAION further concentrates on the implementation of its strategic realignment and focus on anaesthesia:

This includes the planned launch of Remifentanil-PAION and the evaluation of a new lead indication for Remimazolam in anaesthesia. For territories outside of Japan and China, PAION does not give a timeline for partnering.

Furthermore, PAION expects the continuation of the development activities by its cooperation partners Ono and Yichang (Remimazolam) and Acorda (GGF2).

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Key Consolidated Financial Figures, IFRS (unaudited)

(all figures in KEUR unless otherwise noted)	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011
Revenues	1,650	243	24,454	3,066
Research and development expenses	-590	-1,347	-2,376	-4,380
General administrative and selling expenses	-1,017	-979	-3,479	-3,529
Net result for the period	-31	-2,164	15,847	-5,046
Earnings per share in EUR for the period (basic)	-0.01	-0.09	0.62	-0.20
Earnings per share in EUR for the period (diluted)	-0.01	-0.09	0.62	-0.20

	Q1-Q3 2012	Q1-Q3 2011
Cash flows from operating activities	13,055	-5,043
Cash flows from investing activities	-4	-41
Cash flows from financing activities	-442	179
Change in cash and cash equivalents	12,622	-4,917
Average number of group employees	16	25

	30.09.2012	31.12.2011
Intangible assets	4,001	4,013
Cash and cash equivalents	20,139	7,516
Equity	15,494	-464
Non-current liabilities	8,069	9,955
Balance sheet total	28,074	12,606
Equity ratio	55.2%	

About PAION

PAION is headquartered in Aachen, Germany and has a second site in Cambridge, UK. The company is specialised in developing innovative drugs for the hospital-based treatment in indications for which there is a substantial unmet medical need. PAION extends its “Search & Develop” business model, by transforming into a “Specialty Pharma Company”, with a focus on anaesthesia products.

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