

Report of the Supervisory Board

Dear Shareholders,

In the 2021 financial year, the Supervisory Board performed the duties incumbent upon it in accordance with the law, the Articles of Association and the Rules of Procedure and intensively accompanied the management of the business by the Executive Board in fulfilment of its advisory and supervisory function. The Supervisory Board was directly involved in all decisions of fundamental importance for the company. In the course of fulfilling its duties, the Supervisory Board received regular, timely and comprehensive reports from the Management Board on corporate planning, the situation and development of the company and the Group, as well as on all significant business transactions, both in writing and verbally.

The Supervisory Board voted on the decisions or measures of the Management Board that required its approval according to the law, the Articles of Association or the Management Board's rules of procedure, as well as on other decisions of fundamental importance, after careful examination and consultation. In addition to the reports of the Management Board, the Chairman of the Supervisory Board maintained continuous contact with the Executive Board. The Chairman of the Supervisory Board was informed about the current business development, the liquidity situation, the course of business activities and other important business transactions.

Meetings of the Supervisory Board and focal points of the deliberations

In the 2021 financial year, a total of five Supervisory Board meetings took place, which were held as virtual meetings. All Supervisory Board meetings were attended by all Supervisory Board members, with the exception of one meeting in which one Supervisory Board member was unable to attend.

The Supervisory Board has formed an Audit Committee consisting of Dr Jörg Spiekerkötter, Dr Chris Tanner and Dr Markus Leyck Dieken. Dr Chris Tanner is the chairman of the audit committee and fulfils all the requirements of § 100 para. 5 AktG.

The Supervisory Board has formed a Personnel and Nominating Committee, to which Dr Jörg Spiekerkötter, Dr Karin Dorrepaal and Dr Chris Tanner belong. Dr Karin Dorrepaal is the chairperson of this committee.

The Supervisory Board has formed a Research and Development Committee, to which Dr Karin Dorrepaal, Dr Irina Antonijevic and Dr Markus Leyck Dieken belong or belonged. Dr Irina Antonijevic was chairperson of this committee until her retirement. After her retirement from the Supervisory Board in January 2022, a decision has not yet been made on her successor as Chair of the Research & Development Committee.

There are currently no other committees.

The main focus of the meetings of the Supervisory Board in the 2021 business year was on the following topics:

- The strategic orientation of the PAION Group
- The financing of the PAION Group
- The in-licensing of the products Angiotensin II and Eravacyclin
- The progress of the marketing authorisation applications for Remimazolam
- The phase III development programme with Remimazolam in Europe
- The opportunities for optimal commercialisation of PAION's products, either through licensees or through own commercialisation in selected territories
- The composition of the Management Board and the staffing of the PAION Group
- Impact of the coronavirus pandemic on the PAION Group's business activities

The budget for 2021 prepared by the Management Board and the budget planning for 2022 were reviewed in detail and approved by the Supervisory Board. The strategic orientation was discussed, reviewed and adjusted on the basis of medium and long-term corporate planning. Special attention was also paid to the company's risk situation and risk management.

The Management Board regularly informed the Supervisory Board about the PAION Group's net assets, financial position and results of operations. This was based on the monthly financial reports provided in a timely manner, the interim statements, the half-yearly and annual financial reports as well as variance analyses in relation to planning.

The Audit Committee discussed the half-year report and the interim statements with the Executive Board prior to their publication.

Conflicts of interest of the members of the Supervisory Board pursuant to Recommendation E.1 of the German Corporate Governance Code (version of 16 December 2019) did not occur in the 2021 financial year.

The Audit Committee held four meetings in the 2021 financial year and dealt in particular with the following topics:

- The accounting of the Company and the PAION Group
- Significant accounting matters
- The selection of a new auditor after the previous auditor could no longer be the auditor of PAION AG due to exceeding the fee cap
- The issuing of the engagement to the auditor and the determination of focal points of the audit
- The monitoring of the accounting process, the effectiveness of the risk management system and the internal control system.

The members of the Committee attended all meetings of the Committee, with the exception of two meetings, at each of which one member was absent.

The Personnel and Nominations Committee held three meetings in the fiscal year 2021 and dealt in particular with the composition of the Management Board and the Supervisory Board, the staffing of the PAION Group, and the remuneration system for the Management Board. All committee members attended all meetings of the committee.

The Research and Development Committee held one meeting in the 2021 financial year and dealt in particular with the European Remimazolam Phase III development programme in the indication of general anaesthesia. The committee members attended the committee meeting in full.

Changes in the Supervisory Board

The Supervisory Board and the Management Board have unanimously proposed to the Aachen District Court the appointment of Mr Michael Schlenk to the Supervisory Board after Dr Irina Antonijevic resigned from the Supervisory Board on 27 January 2022 in order to appoint a candidate for the chairmanship of the Supervisory Board in Mr Schlenk at an early stage. The long-standing Chairman of the Supervisory Board, Dr Jörg Spiekerkötter, will retire from the Supervisory Board at the next Annual General Meeting in May 2022 after 15 years with the expiry of his mandate. The Supervisory Board and Management Board will propose to the Annual General Meeting in May 2022 that Mr Schlenk be elected to the Supervisory Board.

The Supervisory Board would like to thank Dr. Dr. Antonijevic who, in her role as Chair of the R&D Committee, has made a valuable and significant contribution to the successful development of remimazolam and, most recently, to the transformation of PAION AG into a commercially successful specialty pharma company with her extensive experience. The Supervisory Board would particularly like to thank Dr Dr Antonijevic for her willingness to step down from her mandate in January 2022 before it expires in May of this year, thus enabling a smooth transition for the Chairmanship.

Changes in the Management Board

Sebastian Werner was appointed by the Supervisory Board as a new member of the Management Board in the position of Chief Financial Officer of PAION AG with effect from 1 June 2022. Sebastian Werner will thus succeed Abdelghani Omari, who, at his own request and by mutual agreement, will prematurely resign from his Management Board mandate, which expires on 31 December 2022, with effect from 31 August 2022 and will leave the Company's Management Board to pursue new management opportunities in the future. The Supervisory Board would like to thank Mr Omari for the trustful cooperation, his successful work and his great commitment to PAION over the past 14 years.

Corporate Governance

The term "corporate governance" stands for transparent corporate management oriented towards long-term value creation. The Supervisory Board follows the principles of the German Corporate Governance Code ("Code"). In December 2021, the Supervisory Board and the Executive Board jointly issued an updated Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act (AktG) and subsequently made it permanently available to shareholders on the company's website at <https://www.paion.com/medien-investoren/corporate-governance/entsprechenserklaerung/> and subsequently made it permanently available to the shareholders on the Company's website. Since issuing the last Declaration of Conformity in December 2020, PAION AG has complied with all recommendations of the German Corporate Governance Code as amended on 16 December 2019 (effective since publication in the Federal Gazette on 20 March 2020) with the exception of the recommendations in F.2 regarding the timing of the public disclosure of mandatory interim financial information and in C.5 regarding the number of

mandates held by Supervisory Board members. Information on corporate governance at PAION AG can be found in the corporate governance statement jointly prepared by the Supervisory Board and the Management Board in the annual report. The corporate governance statement can be viewed on the company's website at <https://www.paion.com/medien-investoren/corporate-governance/erklaerung-zur-unternehmensfuehrung/> can be viewed.

Annual and consolidated financial statements

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne branch, ("Ernst & Young") was appointed by the Annual General Meeting on 27 May 2021 as auditor and group auditor for the financial year 2021. Ernst & Young's independence was confirmed to us in writing prior to the Annual General Meeting. In September 2021, however, Ernst & Young had to resign from its mandate as Ernst & Young had exceeded the fee cap for permissible non-audit services and could no longer be appointed as auditors of PAION AG for the fiscal year 2021. In January 2022, the competent local court in Aachen appointed Baker Tilly GmbH & Co KG Wirtschaftsprüfungsgesellschaft, Munich branch, ("Baker Tilly") as auditor and group auditor for the fiscal year 2021. Baker Tilly audited the annual and consolidated financial statements of PAION AG, the management report and the group management report for the fiscal year 2021 prepared by the Management Board and issued an unqualified audit opinion. The consolidated financial statements were - prepared in accordance with Section 315e of the German Commercial Code (HGB) on the basis of the International Financial Reporting Standards (IFRS).

All members of the Supervisory Board received the financial statement documents and the auditor's reports in good time before the Supervisory Board's balance sheet meeting on 29 March 2022 and dealt with these documents in detail in preparation for this meeting. At the balance sheet meeting, the Supervisory Board discussed and reviewed the annual and consolidated financial statements of PAION AG, the management report and the group management report. The assessments made by the Management Board in the management report and group management report were consistent with the Management Board's previous reports to the Supervisory Board and also corresponded to the Supervisory Board's own assessment. The auditor also participated in the balance sheet meeting. He reported on the audit, in particular that there were no significant weaknesses in the internal

control and risk management system with regard to the accounting process, reported on the focal points of the audit and was available to the Supervisory Board for additional questions and information.

The Supervisory Board takes note of and approves the audit reports of the annual and consolidated financial statements as well as the management report and the consolidated management report. After its own examination, the Supervisory Board raises no objections and approves the annual and consolidated financial statements prepared by the Management Board. The annual financial statements are thus adopted.

The Supervisory Board thanks the members of the Management Board and all employees for their great commitment and for their achievements in the 2021 financial year.

Aachen, March 2022

For the Supervisory Board

Dr Jörg Spiekerkötter

Chairman