

# PAION AGM#2020

Invitation to the Ordinary Annual General Meeting  
PAION AG, Aachen

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# Invitation to the Ordinary Annual General Meeting

We hereby invite our shareholders to attend the ordinary General Meeting 2020 of PAION AG to be held on

**Wednesday, 27 May 2020, at 10:00 a.m. (CEST)**

as a virtual annual general meeting without physical presence of the shareholders or their proxyholders (with the exception of the voting proxies appointed by the Company) and will be transmitted from Martinstrasse 10-12, 52062 Aachen, online at

[www.paion.com/medien-und-investoren/hauptversammlung/](http://www.paion.com/medien-und-investoren/hauptversammlung/)

**Please note the special instructions below for participating at the virtual Annual General Meeting.**

## Convenience Translation

### PLEASE NOTE:

**THIS IS A CONVENIENCE TRANSLATION OF THE GERMAN INVITATION TO THE ANNUAL GENERAL MEETING OF PAION AG, WHICH IS PROVIDED TO SHAREHOLDERS FOR INFORMATIONAL PURPOSES ONLY. ONLY THE GERMAN VERSION OF THIS DOCUMENT IS LEGALLY BINDING ON PAION AG. NO WARRANTY IS MADE AS TO THE ACCURACY OF THIS TRANSLATION AND PAION AG ASSUMES NO LIABILITY WITH RESPECT THERETO.**

# I. Agenda

## **1. Presentation of the adopted annual financial statements and the consolidated financial statements approved by the Supervisory Board as of 31 December 2019, the Management Reports for the Company and the Group for the financial year 2019, including the Report of the Supervisory Board for the financial year 2019 and the Management Board's explanatory report on the information pursuant to Sections 289a para. 1 and 315a para. 1 of the German Commercial Code (HGB) as of 31 December 2019**

The Supervisory Board has approved the annual financial statements and the consolidated financial statements prepared by the Management Board; the annual financial statements are thus adopted. A resolution of the Annual General Meeting regarding this agenda item 1 is therefore neither envisaged nor necessary. The documents described above only have to be made available to the Annual General Meeting and to be outlined by the Management Board or, in the case of the report of the Supervisory Board, by the Chairman of the Supervisory Board.

These documents can be reviewed at [www.paion.com/medien-und-investoren/hauptversammlung/](http://www.paion.com/medien-und-investoren/hauptversammlung/) and will also be accessible in the Annual General Meeting of the Company and can also be sent to shareholders immediately and free of charge upon request.

## **2. Adoption of a resolution to formally approve the actions of the members of the Management Board for the financial year 2019**

The Supervisory and Management Boards propose that the actions of the members of the Management Board holding office in the financial year 2019 be formally approved for the financial year 2019.

## **3. Adoption of a resolution to formally approve the actions of the members of the Supervisory Board for the financial year 2019**

The Supervisory and Management Boards propose that the actions of the members of the Supervisory Board holding office in the financial year 2019 be formally approved for the financial year 2019.

#### **4. Adoption of a resolution on the appointment of the auditor and the Group auditor as well as the auditor for a potential review of the abbreviated financial statements and the interim management report and the potential review of additional interim financial information**

The Supervisory Board, upon recommendation by its Audit committee, proposes that Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, branch office Cologne, be elected

(a) as auditor and group auditor for the financial year 2020;

(b) in case of a review of the abbreviated financial statements and the interim management report (Section 115 para. 5 und 117 no. 2 of the German Securities Trading Act (WpHG)) for the first half year of the financial year 2020 as auditor for such a review; as well as

(c) in case of a review of additional interim financial information (Section 115 para. 7 of the German Securities Trading Act (WpHG)) for the first and/or third quarter of the financial year 2020 and/or the first quarter of the financial year 2021, as auditor for such a review.

#### **5. Adoption of a resolution (i) to authorise the implementation of a Stock Option Plan 2020 to issue stock options with subscription rights to shares of PAION AG to members of the Management Board of PAION AG and to such employees of PAION AG or its group companies as are considered critical for the development and success of the Company, (ii) creation of a new Conditional Capital 2020 to fulfil the Stock Option Plan 2020, and (iii) to amend the Articles of Incorporation of PAION AG accordingly**

To safeguard the future of the PAION Group the definition and successful implementation of strategic corporate goals is considered crucial and thereby increase the company's value in the long term. Those individuals whose decisions are closely linked to the development and/or success of the Company are of utmost importance. The granting of stock options aims to strengthen the interest of these individuals in enhancing the value of the Company over the long term by establishing a competitive remuneration component.

In order to establish a fit-for-purpose stock option plan that can be used to achieve the intended goals in the best possible way, it is proposed to create a new Stock Option Plan 2020. It is therefore proposed to the Annual General Meeting to create a Conditional Capital 2020 in order to enable the creation of shares from conditional capital in fulfilment of the stock options from the Stock Option Plan 2020.

The Management Board and the Supervisory Board therefore propose that the Annual General Meeting adopts the following resolutions:

**a) Authorization to issue stock options with subscription rights to shares of PAION AG**

The Management Board is authorised, with the approval of the Supervisory Board, subject to the following provisions to issue up to 1,200,000 stock options with subscription rights to shares of PAION AG with a term of 10 (ten) years from the date of issue under the Stock Option Plan 2020 (“**Stock Option Plan 2020**”) until 26 May 2025, subject to the provision that each stock option grants the right to subscribe to one share of PAION AG. The stock options may only be subscribed by members of the Management Board of PAION AG (Group 1) and by key members of staff of PAION AG or one of its Group companies (Group 2). Current and future members of the management bodies of group companies are not included in the group of important employees of PAION AG or one of its group companies. For the group of current and future members of the management bodies of group companies (Group 3), no allocation of stock options from Stock Option Plan 2020 is foreseen. Should individuals being members of Group 1 or Group 2 be members of Group 3 at the same time, these individuals can still be granted stock options based on their membership of Group 1 or Group 2. This authorization only applies to the Supervisory Board in respect of the granting of stock options to members of the Management Board.

Shareholders’ subscription rights are excluded.

The following key items apply to the issuance of stock options under the Stock Option Plan 2020:

*(1) Subscription entitlements, aggregate volume and distribution of the same*

Under the Stock Option Plan 2020, a maximum of 1,200,000 stock options can be issued to the beneficiaries.

The up to 1,200,000 options to be issued on the basis of this authorization are only to be distributed to the following groups of beneficiaries as follows:

Group 1	Current and future management board members of the company	A maximum of 480,000 options
Group 2	Current and future employees of the company or group companies	A maximum of 720,000 options
Group 3	Current and future members of the management bodies of group companies	No Options

„Group companies“ are (i) companies in which PAION AG holds more than 50% of the shares directly or indirectly, (ii) companies in which PAION AG, directly or indirectly holds more than 50% of the voting rights, and/ or (iii) companies of which PAION AG is the direct or indirect controlling Company on the basis of a domination agreement or a similar corporate agreement. In consultation with the respective boards that are responsible for the remuneration of the beneficiaries, the Management Board of PAION AG will determine the exact group of beneficiaries and the scope of the stock options to be offered to each of them for subscription. To the extent that members of the Management Board of PAION AG (Group 1) shall be granted stock options, these decisions and the issuance of the stock options are the sole responsibility of the Supervisory Board of PAION AG.

*(2) Issue period and term*

The stock options can be issued to beneficiaries in the period between entering the Conditional Capital 2020 in the Commercial Register and 26 May 2025. Within this timeframe at any time, but not for a period of 30 days prior to the publication of the half-year report of PAION AG or the consolidated financial statements of PAION AG on the company’s website (“**the issue lock-up periods**”), the granting of stock options may be decided upon by the competent bodies.

Stock options may also be issued to beneficiaries who enter into a service or employment contract with the company or a group company for the first time within three months of the start of the service or employment relationship; In these cases, the adoption of a resolution by the responsible committees can also take place within the issue lock-up periods, provided that this is permitted by law. The commitment to grant stock options can, in these cases, form part of the service or employment contract. If the Company or a Group Company purchases or acquires an enterprise or part of

an enterprise (by way of a share or asset deal), stock options can be issued to a person who thus becomes a beneficiary within three months from the purchase or acquisition; the commitment to grant stock options may in this case be given even before the purchase or acquisition on condition that it does not take effect until the purchase or acquisition.

Stock options granted to beneficiaries in Group 1 will be issued (“**day of issue**”) 30 days after the day on which the Supervisory Board of the Company adopts such resolution, to beneficiaries in Group 2 30 days after the day on which the Management Board adopts such resolution in consultation with the respective boards that are responsible for the remuneration of the beneficiaries.

The issuance of the options also requires the signature by the relevant beneficiary of a declaration relating to the subscription of stock options, in which the beneficiary accepts the subscription offer submitted by PAION AG and declares his or her agreement to comply with the terms and conditions of the stock option plan.

The term of the stock options commences on the day of issue and expires at the end of ten years.

### *(3) Exercise lock-up periods*

The stock options may not be exercised during the following „**exercise lock-up periods**“: a) in each case during a period of 30 (thirty) days prior to the publication of the Consolidated Half-Year Financial Statements of PAION AG or the Consolidated Financial Statements of PAION AG on the Company’s website; however, this lock-up period does not apply to option holders who at the beginning of this 30-day period are no longer in an employment or service relationship with the Company or a Group company; b) from the day on which PAION AG publishes an offer to its shareholders to subscribe to new shares or bonds or other securities with conversion or option rights in the Federal Gazette (Bundesanzeiger) up until the day on which the Company’s shares with subscription rights are listed for the first time „ex subscription rights“ on the Frankfurt Stock Exchange; c) from the day on which PAION AG publishes the payment of a dividend in the Federal Gazette (Bundesanzeiger) up until the day on which the Company’s shares with dividend rights are listed for the first time „ex dividend“ on the Frankfurt Stock Exchange.

#### *(4) Waiting period and vesting period of the stock options*

The stock options may only be exercised following expiry of a waiting period of 4 (four) years from the day of issue. For beneficiaries of Group 1, the Supervisory Board, and beneficiaries of Group 2, the Management Board in consultation with the respective boards that are responsible for the remuneration of the beneficiaries may define a waiting period longer than four years. The provision that the stock options may only be exercised outside of specific exercise lock-up periods and only if all other conditions for exercise are met remains unaffected by the expiry of the waiting period.

Subject to certain restrictions that are outlined below in Sections 9 (Lapse of the stock options) and 12 (Adjustments), stock options become non-forfeitable after a vesting period of 2 (two) years from the date of issue (“**Vesting Period**”). For beneficiaries of Group 1, the Supervisory Board, and for beneficiaries of Group 2, the Management Board may, in consultation with the respective boards that are responsible for the remuneration of the beneficiaries, define a vesting period that is longer than two years.

If the employment or service relationship, on which the issue and/or continued validity of stock options is based, is suspended between a beneficiary and a PAION Group Company by virtue of an agreement between the beneficiary and this Company or a unilateral decision made by the beneficiary, the expiry of the waiting period and vesting period is postponed for the duration of this suspension.

In the event of a “**Change of Control**” (as defined below) in the company, the conditions of the stock options may include the provisions listed below.

A Change of Control for the purposes of this resolution occurs with the publication pursuant to Section 10 in conjunction with Section 35 WpÜG that a bidder has directly or indirectly (if applicable by adding voting rights) acquired control in the Company within the meaning of the WpÜG. A Change of Control for the purposes of this Annual General Meeting resolution is also the receipt by the Company of a notification pursuant to section 33 WpHG that a party required to notify (if applicable by adding voting rights) has reached or exceeded 50% or 75% of the voting rights in the Company, unless this notification is preceded by a publication pursuant to section 10 in conjunction with section 35 WpÜG. A Change of Control for the purposes of this Annual General Meeting resolution is also the receipt of a notification by the Company that a party required to notify reaches or exceeds 30 % of



the voting rights in the Company (if applicable by adding voting rights), if this was preceded by a voluntary takeover bid.

The provisions of the stock options may stipulate that in the event of termination of the employment relationship with a beneficiary of group 2 or termination of the appointment to the Management Board of a beneficiary of group 1 within a period of six months after the change of control, the stock options that have not yet vested do not expire, but become prematurely vested in deviation from (9) (Lapse of the stock options). In this case, vesting already occurs if the employment relationship or the appointment to the board of directors is not terminated with effect within the six-month period, but the event triggering the termination of the employment relationship or the termination of the appointment to the Management Board (for example, a notice of termination of the employment contract or a termination agreement) falls in the six-month period. The above regulations in the provisions of the stock options can also be provided for the cases in which the group company in which the employment relationship exists with a beneficiary of Group 2 or an operating part of a group company in which the beneficiary of Group 2 is employed ceases to be part of the PAION group within a period of six months after the change of control of the PAION group.

The provisions of the stock options may also provide that the stock options may be terminated unilaterally by the Company within a reasonable period of time after the occurrence of a Change of Control, including during the waiting period, in return for a cash payment in the amount of the difference between the exercise price and the price of the shares in the closing auction of Xetra trading (or a functionally comparable successor system replacing the Xetra system) on the last trading day before the termination date (submission of the termination notice).

The provisions of the stock options may also stipulate that the beneficiaries are obliged (with the prior consent of the Management Board and Supervisory Board) to transfer the stock options to the bidder (within the meaning of the WpÜG) who makes a voluntary takeover bid or a mandatory bid for all outstanding shares of the Company, provided that the price per stock option offered for the transfer of the stock options is at least equal to the difference between the exercise price and the price offered for the acquisition of the outstanding shares per share (including any price increases). The provisions of the stock options may also provide that instead of cash compensation, listed shares in the acquiring company may also be granted at the Company's option; the details of such grant shall be determined by the competent body at its reasonable discretion.

The provisions of the stock options may also provide that in the event of a Change of Control, any unexpired waiting period at the time of the Change of Control shall end prematurely, provided that four years of the waiting period have already expired at that time.

#### *(5) Subscription ratio and exercise of subscription rights*

Each stock option entitles the holder to purchase one share from the Conditional Capital 2020 created for this purpose against payment of the exercise price. The new shares participate in the profits from the beginning of the financial year onwards for which, at the time of exercising the subscription right, the Annual General Meeting has not adopted any resolutions in respect of the appropriation of the retained earnings.

Deviating from this, it can be provided that instead of issuing shares from the Conditional Capital 2020 created for this purpose, the beneficiaries may acquire treasury stock and/or shares from authorized capital that has already been resolved and/or will be resolved in the future and/or receive cash compensation. In case of Group 2 beneficiaries, the Management Board with approval by the Supervisory Board and in consultation with the respective boards responsible for the remuneration of the beneficiaries determines which alternatives should be made available to the beneficiaries in each instance; in case of Group 1 beneficiaries, the Supervisory Board makes this determination. The determining boards must be solely guided by the best interests of the Company and its shareholders. The amount of cash compensation should be equivalent to the difference between the exercise price and the closing share price in Xetra trading (or a comparable successor system that replaces the functions of the Xetra system) on the day before the exercise.

#### *(6) Exercise price*

The exercise price corresponds to the average closing price of PAION AG shares in Xetra trading (or a comparable successor system) on the fourth to eighth Xetra trading days following the publication of the most current Consolidated Quarterly Statement or Report, Half-Year or Consolidated Financial Statements of PAION AG on the Company's website prior to the issuance. The exercise price must be adjusted, if necessary (for more details, see 12 (Adjustments) below).

### *(7) Performance target*

Stock options may only be exercised if the closing share price in Xetra trading (or a comparable successor system) on the day prior to exercise exceeds the exercise price by at least the so-called necessary share price increase. The necessary share price increase is 25% of the exercise price.

### *(8) Exercising the stock options*

Stock options may be exercised by submission of a written declaration to PAION AG ("**Confirmation of Exercise**"). Subject to the provisions of the following sentence, the day of exercise ("**Day of Exercise**") is the day on which the Company receives the Confirmation of Exercise. Without incurring an extension of the term of the stock options, Confirmations of Exercise received by the Company prior to expiry of the waiting period or during an exercise lock-up period are deemed to have been received on the first day following the expiry of the waiting period respectively the lock-up period if the Company has not received written revocation of the Confirmation of Exercise by the latest at 10:00 a.m. on the last bank working day at the Company's registered office prior to this date.

The Company may determine a facilitated or amended form and delivery of the Confirmation of Exercise and settlement of the transactions including internet-based settlement or settlement by third parties.

### *(9) Lapse of the stock options*

Stock options that have not or cannot be exercised prior to the end of their respective terms shall lapse at the end of their term without any right to recourse and/or compensation without the Company having to issue a corresponding agreement or declaration that the options have lapsed.

Stock options held by Group 2 beneficiaries whose vesting period has not expired lapse without recourse and compensation on the day the employment relationship between the beneficiary and the Company or a Group Company effectively ends, irrespective of the reasons for this termination, including disability, retirement or death. The same applies if a Group Company with which the beneficiary has entered into an employment relationship or an operative unit thereof no longer forms a part of the PAION Group.

In case a Group 2 beneficiary no longer holds his position or a position at least equivalent to his previous position after issue of the stock options but

prior to expiry of the vesting period, a certain portion of his stock options that is calculated using a formula to be determined in the specific conditions for the issue of the options (“**option conditions**”) and taking into account the vesting period that has already expired, lapses without recourse and compensation on the day from which he neither holds the position held at the time the stock options were issued nor a position at least equivalent to this position.

In case a Group 2 beneficiary reduces his standard weekly working hours (i.e. part-time work) after issue of the stock options but prior to expiry of the vesting period, a certain portion of his or her stock options that is calculated using a further formula to be determined in the option conditions and taking account any vesting period that has already expired, lapses without recourse and compensation on the day on which the reduced standard weekly working hours takes effect.

All stock options not exercised by Group 2 beneficiaries lapse – even if the vesting period has already expired – without recourse and compensation if the Company or a Group Company terminates the employment of the beneficiary for cause, effective on the day the termination comes into effect.

A portion of the stock options held by Group 1 beneficiaries where the vesting period has not yet expired lapses without recourse and compensation on the day the appointment as member of the Company’s Management Board finally ends without reappointment because that member has reached the end of his or her term, resigned, died or for any other reasons, unless such appointment is revoked. In line with this aforementioned sentence and taking account any vesting period that has already expired, a certain part of the affected Group 1 beneficiaries’ stock options that is calculated using a formula to be determined in the option conditions lapses without recourse and compensation on the day on which the beneficiary’s appointment as a member of the Company’s Management Board ends.

In the case of valid revocation of an appointment as member of the Management Board pursuant to Section 84 para. 3 of the German Stock Corporation Act (“**AktG**”) (except cases of withdrawal of confidence by the annual general meeting), all of the affected Group 1 beneficiaries’ stock options that have not been exercised at the time of valid revocation shall lapse without recourse and compensation, even if the vesting period has already expired. The regulation of section 84 para. 3 sentence 4 AktG does not apply.

If the appointment as a member of the Management Board – in the case of Group 1 beneficiaries – or the employment relationship – in the case of Group 2 beneficiaries – ends following the death of the beneficiary, stock options for which the waiting period has expired may be exercised, in compliance with the terms and conditions of the Stock Option Plan 2020, particularly including the aforementioned provisions. In the case of joint heirs and/or legatees, only a single authorised representative of all heirs/legatees may exercise their rights arising from the inherited or bequeathed stock options vis-à-vis the Company.

To avoid undue hardship, especially in the case of exclusion of a Group Company or a part of a Group Company where the beneficiary is employed from the PAION Group or in the case of redundancies or the termination of service or employment contracts or upon expiry of the appointment to the Management Board, in the case of Group 1 beneficiaries, or termination of the employment relationship, in the case of Group 2 beneficiaries, as a result of the death of the beneficiary before expiration of the vesting period, the Management Board, with the approval of the Supervisory Board and in consultation with the respective boards that are responsible for the remuneration of the beneficiaries – in the case of Group 2 beneficiaries – and the Supervisory Board – in the case of Group 1 beneficiaries – may approve special dispensatory agreements in individual cases.

In all of the above cases of stock options expiring, these can be reissued.

#### *(10) Transferability*

The stock options granted to the beneficiaries are not transferable. Stock options may not be disposed of in any way, sub-participations in stock options may not be granted, they may not be pledged nor may fiduciary authority over the stock options be awarded. The same applies to legal transactions that constitute a sale of or charge on the stock options in a commercial sense. If a beneficiary disposes of his or her stock options in contradiction of these rules, the stock options lapse without recourse and compensation. This does not apply to dispositions by virtue of death in favour of the spouse, registered partner under a Civil Union or children of a beneficiary, nor to dispositions in favour of the aforementioned dependents aimed at executing legacies or satisfying a community of heirs. Transferability by succession is excluded unless the beneficiary bequeaths his or her estate to the spouse, registered partner or children. The provision on the authorization to reissue expired stock options to beneficiaries remains unaffected.

### *(11) Authorization to define details*

The additional provisions for granting stock options and the additional terms and conditions of exercise are determined by the Supervisory Board if members of the Management Board are affected.

Otherwise the Company's Management Board shall be responsible for defining these details and shall determine, where stipulated by law, with the agreement of those Group Company's boards responsible for the remuneration of said beneficiaries.

Aforementioned details for determination shall include in particular the determination of the option conditions, the selection of individual beneficiaries from the relevant group of beneficiaries, the grant of stock options to individual beneficiaries, the definition of the organization and process for granting and exercising stock options and issuing shares and further rules for dealing with stock options in special cases.

### *(12) Adjustments*

If the number of shares issued by the Company changes over the term of the stock options without such change relating to an inflow or outflow of funds (e.g. based on a capital increase from the Company's funds, a capital reduction or a redistribution of the share capital), the number of shares to which each stock option gives the right of subscription changes in the same ratio as the aggregate number of shares prior to the change to the aggregate number of shares following the change. In these cases, the exercise price per share changes in the same ratio inversely.

In the case of capital increases against deposits with direct or indirect shareholders' subscription rights, the issuance of convertible or warrant-linked bonds respectively other securities with conversion or option rights, each with direct or indirect shareholders' subscription rights, or the payment of special or bonus dividends but not normal dividends to shareholders, the exercise price or the subscription ratio shall be adjusted and, as such, redefined, pursuant to Section 317 of the German Civil Code (BGB), by the Company at their discretion. The adjustment and redefinition must be performed in such a way as to ensure that the aggregate value of any beneficiary's stock option entitlement is equal to the value prior to the measure being implemented. An adjustment and redefinition will not be performed if it involves less than 5% of the exercise price.

In the case that measures implemented by the Company and/or the stock exchanges on which the Company's shares are listed result in the shares no longer being admitted for trading, the Company reserves the right by means of unilateral declaration to the beneficiaries to revoke any stock options granted under this Stock Option Plan 2020 that have not yet been exercised, irrespective of whether such stock options are exercisable or not. In this case, the relevant stock options lapse without recourse upon receipt by the relevant beneficiary of the declaration of revocation („revocation date“). To the extent that issued stock options are revoked on the revocation date, the Company is obliged to compensate the relevant beneficiary for the affected stock options by offering either comparable rights or an entitlement to cash settlement, at the Company's discretion, with the aim of compensating the relevant beneficiary for the ensuing economic disadvantage suffered by the beneficiary as a result of the revocation of the exercisable stock options on the revocation date, where legally possible and commercially justifiable for the Company. The effectiveness of the revocation is independent of any agreement concerning the type and amount of compensation and of the introduction of any other employee participation plans.

The aforementioned rules apply accordingly in cases where the Company or a Group Company is merged into an acquiring legal entity, carved up or out, converted into a different legal form or incorporated into an acquiring legal entity following the issue of stock options under this Stock Option Plan 2020. In these cases, the compensation may also take the form of subscription rights to shares in an acquiring legal entity or other rights relating to an acquiring legal entity. If the pertinent legal conditions for comparable employee participation plans change during the term of this Stock Option Plan 2020, the Company shall be entitled to adjust the terms and conditions of the plan accordingly, taking reasonable account of the economic interests of the holders of the stock options, even if the existing plans do not have to be adjusted for legal reasons.

In the course of controlling the adequacy of remuneration, the Supervisory Board – in respect of stock options that have already been issued to Group 1 members – and the Management Board – in respect of stock options that have already been issued to Group 2 members – shall have the option of placing a restriction on the earnings generated from exercising the stock options in the event of extraordinary developments. This restriction in the event of extraordinary developments is to be provided in the option conditions, for example by a corresponding restriction of the possibility to exercise the stock options if a profit limit resulting from exercising the stock options is exceeded in the event of extraordinary developments. In the event

that such discretion as referred to above is exercised, the Supervisory and/or Management Board shall consider that, in the case of a biotechnology Company such as the PAION group, the earning potential inherent in stock options represents a crucial element acting as an incentive to the beneficiaries.

### *(13) Reporting obligations, taxes and transaction costs*

The Management Board shall report each financial year in the consolidated financial statements on the drawdown of the Stock Option Plan 2020, the stock options granted to the beneficiaries, and the stock options that have been exercised.

The taxes and social security contributions levied in connection with the granting and exercise of the stock options and the transaction costs incurred by any exercise of the stock options must be borne by the respective beneficiaries.

## **b) Creation of new Conditional Capital 2020**

The share capital of the Company shall be conditionally increased (Conditional Capital 2020) by an amount of up to EUR 1,200,000.00 by issuing an aggregate of up to 1,200,000 new bearer shares with no par value. The Conditional Capital 2020 serves to secure the subscription rights arising from stock options that can be issued by PAION AG under the Stock Option Plan 2020 in the period between entering the Conditional Capital 2020 in the Commercial Register up until 26 May 2025 based on the authorization granted by the Annual General Meeting of PAION AG on 27 May 2020. The conditional capital increase shall only be implemented to the extent to which holders of option rights issued within the framework of the Stock Option Plan 2020 exercise such option rights. The shares from the Conditional Capital 2020 shall be issued at the exercise price defined in lit. a) no. (a)(6) of item 5 of the Agenda for the General Meeting on 27 May 2020. The new shares shall participate in the profits from the beginning of the financial year for which, at the time of exercising the subscription right, the Annual General Meeting has not adopted any resolutions in respect of the appropriation of the retained earnings. The Management Board is authorized to determine the further details of the implementation of a conditional capital increase with the approval of the Supervisory Board. The Supervisory Board shall be authorized to amend Section 4 para. 11 of the Articles of Incorporation to reflect the relevant drawdown of the Conditional Capital 2020



Section 4 of the Articles of Incorporation shall be amended to contain the following para. 11:

„(11) The share capital of the Company is conditionally increased by up to EUR 1,200,000.00 by issuing an aggregate of up to 1,200,000 new bearer shares of no par value (Conditional Capital 2020). The conditional capital increase shall only be implemented to the extent to which holders of option rights issued within the framework of the Stock Option Plan 2020 exercise such option rights. The new shares participate in the profits from the beginning of the financial year onwards for which, at the time of exercising the subscription right, the Annual General Meeting has not adopted any resolutions in respect of the appropriation of the retained earnings. The Management Board shall be authorized to determine the further details of the implementation of the conditional capital increase with the approval of the Supervisory Board. The Supervisory Board is authorized to amend Section 4 para. 11 of the Articles of Incorporation to reflect the relevant drawdown of the Conditional Capital 2020.”

**6. Adoption of a resolution on the creation of an Authorized Capital 2020 with the possibility of excluding the subscription rights and on the cancellation of the existing authorized share capital as well as on the respective amendment of Section 4 para. 3 of the Articles of Incorporation**

The General Meeting adopted a resolution on 22 May 2019 authorizing the Management Board, with the approval of the Supervisory Board, to increase the Company's share capital through 21 May 2024 by up to a total of EUR 31,929,071.00 by issuing new ordinary bearer shares in one or more tranches against contribution in cash and/or in kind (Authorized Capital 2019).

Going forward, in order for the Company to be able to comprehensively strengthen its equity when necessary or to react quickly on acquisition opportunities that complement the product portfolio – also under exclusion of the subscription right against cash contributions pursuant to Section 186 para. 3 sentence 4 of the AktG – the Authorized Capital 2019 shall be cancelled, a new Authorized Capital 2020 in the amount of 40% of the share capital of the company as of 20 April 2020 shall be created and the Articles of Incorporation shall be amended accordingly.

The Management Board and the Supervisory Board therefore propose that the General Meeting approves the following resolution:

**a) Creation of an Authorized Capital 2020 with the possibility to exclude subscription rights**

The Management Board, with the approval of the Supervisory Board, is authorized to increase the Company's share capital by a total of up to EUR 26,134,928.00 by issuing up to 26,134,928 new bearer shares with no-par value (Stückaktien) in one or more tranches against contribution in cash and/or in kind (Authorized Capital 2020).

The shareholders must generally be granted subscription rights. The shares may also be assumed by one or more banks with the obligation to offer these to shareholders of the Company for subscription (so-called indirect subscription rights), in accordance with Section 186 para. 5 of the AktG. However, the Management Board, with the approval of the Supervisory Board, is entitled to exclude shareholders' subscription rights for one or more capital increases under the Authorized Capital 2020,

aa) in order to exclude fractional amounts from subscription rights;

bb) insofar as it is required in order to grant a subscription right to no-par value bearer shares in the Company to holders or creditors of convertible bonds (Wandelschuldverschreibungen), warrant-linked bonds (Optionsschuldverschreibungen), profit participation rights (Genussrechten) and/or participating bonds (Gewinnschuldverschreibungen) (or any combination of those instruments) (hereinafter collectively "**Bonds**") with conversion or option rights (Wandlungs- oder Optionsrechten) or mandatory conversion or option features (Wandlungs- oder Optionspflichten) and which have been or are to be issued by the Company or a company which is dependent on the Company or in which the Company has a direct or indirect majority shareholding, to the extent the holders or creditors would be entitled to as shareholders after exercising the option or conversion rights, or after performance of a mandatory conversion or option;

cc) for the issuance of shares against cash contributions, if the issue price of new shares is not, within the meaning of Sections 203 paras. 1 and 2, 186 para. 3 sent. 4 AktG, substantially below the stock market price of shares already listed and the pro rata amount of the share capital attributable to the new shares issued under the exclusion of subscription rights in accordance with Section 186 para. 3 sent. 4 AktG does not exceed a total of 10% of the share capital, neither at the time at which this authorisation becomes effective nor at the time at which it is exercised. This limitation of 10% of the share capital shall include shares that are issued for the fulfilment of Bonds with conversion or option rights or mandatory conversion or option features, provided these Bonds were issued in accordance with Section 186 para. 3 sent. 4 AktG or are issued during the term of this authorization. The

same applies to other shares that can still be issued to service bonds with conversion or option rights or with conversion or option obligations during the term of this authorization, provided that these bonds were issued in accordance with Section 186 para 3 sent. 4 of the AktG or are issued during the term of this authorization under the exclusion of subscription rights. The limit of 10% of the share capital shall further include those treasury shares of the Company which are issued during the term of this authorization under exclusion of the shareholders' subscription rights in accordance with Section 71 para. 1 no. 8 sent. 5 sub-sent. 2 in connection with Section 186 para. 3 sent. 4 AktG. Shares issued against cash contributions during the term of this authorization under the exclusion of shareholders' subscription rights pursuant to Section 186 para. 3 sent. 4 AktG (applied accordingly) on the basis of other corporate actions are likewise to be included in this limit of 10% of the share capital;

dd) insofar as is necessary to issue shares to persons who are or were in an employment relationship with the Company and/or its affiliated companies subject to the limitation that the proportionate share of the shares to be issued of the share capital must in total not exceed 5% of the share capital, neither at the time the authorization is adopted nor at the time it is exercised. The limit of 5% of the share capital shall also include treasury shares of the Company as well as shares of the Company from conditional capital that are issued to employees or members of management bodies of the Company or its affiliated companies during the term of this authorization;

ee) to issue shares against contributions in kind, particularly – but not limited to this – for the purpose of (also indirectly) acquiring companies, parts of companies, investments in companies or other assets. This authorization to exclude subscription rights in the case of capital increases against contributions in kind is limited to an amount that must not exceed 20% of the share capital neither at the time it takes effect nor when this authorization is used.

The Management Board is further authorized, with the approval of the Supervisory Board, to determine the other features of the shares and the terms for the issue of shares.

The Supervisory Board is authorized to amend the articles of association in accordance with the respective scope of share capital increase from the Authorized Capital 2020.

## **b) Amendment of Section 4 para. 3 of the Articles of Association**

Section 4 para. 3 of the Company's Articles of Association shall be amended for the Authorized Capital 2020 as follows:

„(3) The Management Board, with the approval of the Supervisory Board, is authorized to increase the Company's share capital by a total of up to EUR 26,134,928.00 by issuing up to 26,134,928 new bearer shares with no-par value (Stückaktien) in one or more tranches against contribution in cash and/or in kind through 26 May 2025 (Authorized Capital 2020).

The shareholders must generally be granted subscription rights. The shares may also be assumed by one or more banks with the obligation to offer these to shareholders of the Company for subscription (so-called indirect subscription rights), in accordance with Section 186 para. 5 of the AktG. However, the Management Board, with the approval of the Supervisory Board, is entitled to exclude shareholders' subscription rights for one or more capital increases under the Authorized Capital 2020,

a) in order to exclude fractional amounts from subscription rights;

b) insofar as it is required in order to grant a subscription right to no-par value bearer shares in the Company to holders or creditors of convertible bonds (Wandelschuldverschreibungen), option bonds (Optionsschuldverschreibungen), profit participation rights (Genussrechten) and/or participating bonds (Gewinnschuldverschreibungen) (or any combination of those instruments) (in the following together "Bonds") with conversion or option rights (Wandlungs- oder Optionsrechten) or mandatory conversion or option features (Wandlungs- oder Optionspflichten) and which have been or are to be issued by the Company or a company which is dependent on the Company or in which the Company has a direct or indirect majority shareholding, to the extent the holders or creditors would be entitled to as shareholders after exercising the option or conversion rights, or after performance of a mandatory conversion or option;

c) for the issuance of shares against cash contributions, if the issue price of new shares is not, within the meaning of Sections 203 paras. 1 and 2, 186 para. 3 sent. 4 AktG, substantially below the stock market price of shares already listed and the pro rata amount of the share capital attributable to the new shares issued under the exclusion of subscription rights in accordance with Section 186 para. 3 sent. 4 AktG does not exceed a total of 10% of the share capital, neither at the time at which this authorization becomes

effective nor at the time at which it is exercised. This limitation of 10% of the share capital shall include shares that are issued for the fulfilment of Bonds with conversion or option rights or mandatory conversion or option features, provided these Bonds were issued in accordance with Section 186 para. 3 sent. 4 AktG or are issued during the term of this authorization. The same applies to other shares that can still be issued to service bonds with conversion or option rights or with conversion or option obligations during the term of this authorization, provided that these bonds were issued in accordance with Section 186 para 3 sent. 4 of the AktG or are issued during the term of this authorization under the exclusion of subscription rights. The limit of 10% of the share capital shall further include those treasury shares of the Company which are issued during the term of this authorization under exclusion of the shareholders' subscription rights in accordance with Section 71 para. 1 no. 8 sent. 5 sub-sent. 2 in connection with Section 186 para. 3 sent. 4 AktG. Shares issued against cash contributions during the term of this authorization under the exclusion of shareholders' subscription rights pursuant to Section 186 para. 3 sent. 4 AktG (applied accordingly) on the basis of other corporate actions are likewise to be included in this limit of 10% of the share capital;

d) insofar as is necessary to issue shares to persons who are or were in an employment relationship with the Company and/or its affiliated companies subject to the limitation that the proportionate share of the shares to be issued of the share capital must in total not exceed 5% of the share capital, neither at the time the authorization is adopted nor at the time it is exercised. The limit of 5% of the share capital shall also include treasury shares of the Company as well as shares of the Company from conditional capital which are issued to employees or members of management bodies of the Company or its affiliated companies during the term of this authorization;

e) to issue shares against contributions in kind, particularly – but not limited to this – for the purpose of (also indirectly) acquiring companies, parts of companies, investments in companies or other assets. This authorization to exclude subscription rights in the case of capital increases against contributions in kind is limited to an amount totaling 20% of the share capital neither at the time it comes into effect nor at the time it is used this authorization exceeds.

The Management Board is further authorized, with the approval of the Supervisory Board, to determine the other features of the shares and the terms for the issue of shares.

The Supervisory Board is authorized to amend the Articles of Association in accordance with the respective scope of share capital increase from the Authorized Capital 2020.“

### **c) Cancellation of the existing authorized capital**

The currently existing authorization granted by the Annual General Meeting on 22 May 2019 and valid through 21 May 2024 to increase the share capital in accordance with Section 4 para. 3 of the Articles of Association is cancelled at the time the new Authorized Capital 2020 to be resolved under lit. a) and lit. b) is submitted for registration to the commercial register.

### **d) Filing for registration in the commercial register**

The Management Board is instructed to file the cancellation of the authorized capital under Section 4 para. 3 of the Articles of Association (adopted under Section c)) and the new Authorized Capital 2020 (adopted under Sections a) and b)) for registration in the commercial register under the provision that the cancellation is entered first, this however only if the new Authorized Capital 2020 is entered immediately thereafter.

The Management Board is authorized, subject to the preceding paragraph, to file for registration of the Authorized Capital 2020 in the commercial register independently of the other resolutions of the General Meeting.

## **7. Amendment of § 24 of the Articles of Association (Right to Attend)**

### **a) Revision of § 24 Section 1 of the Articles of Association regarding the registration and the proof of shareholder status**

The prerequisites for attendance at the general meeting and the exercise of voting rights have been changed by the German Implementation Act of the Second Shareholder Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie, ARUG II). According to the changed § 123 Section 4 Sentence 1 AktG, in the future, a proof of the last intermediary (Letztintermediär) in accordance with the newly introduced § 67c Section 3 AktG shall suffice for attendance at the general meeting or the exercise of voting rights for ordinary bearer shares of listed companies. In accordance with the currently applicable version of § 123 Section 4 Sentence 1 AktG pursuant to § 24 Section 1 Sentence 2 of the Articles of Association, a special evidence of share ownership issued by the custodian in text form in the German or English language is required for attendance at the Annual General Meeting and the exercise of voting rights.

ARUG II entered into force on 1 January 2020. The changes to § 123 Section 4 Sentence 1 AktG and the newly introduced § 67c Section 3 AktG shall become applicable only from 3 September 2020 and for the first time to annual general meetings that will be convoked after 3 September 2020. The changes will therefore become applicable before the Annual General Meeting of the Company in 2021.

In order to avoid a deviation of the provision on such proof for attendance at the general meeting of the Company or the exercise of voting rights in the Articles of Association and the AktG, a respective change to the Articles of Association shall already be resolved upon now.

The Management Board shall ensure by a respective application to the commercial register that the change to the Articles of Association shall become effective only starting 3 September 2020.

Further, in the scope of these changes to the Articles of Association, the Management Board shall be authorized to provide in the invitation a shorter registration period than the statutory registration period.

Therefore, the Management Board and the Supervisory Board propose that the following be resolved:

§ 24 Section 1 of the Articles of Association shall be revised as follows:

*“(1) Shareholders are entitled to attend the Annual General Meeting and to exercise their voting rights if they have registered prior to the meeting. The registration must be received by the Company or another place specified in the invitation in text form in the German or English language within the statutory period prior to the Annual General Meeting. The Management Board is authorized to provide for a shorter period of registration, to be measured in days, instead of the statutory period.*

*Shareholders must further provide evidence of their entitlement to attend the Annual General Meeting and to exercise their voting rights. For this purpose, a proof of share ownership in text form issued by the last intermediary according to § 67c Section 3 AktG is required. The evidence must refer to a date to be determined in the invitation in accordance with the statutory requirements and must be received by the Company or one of the other offices specified in the invitation within the statutory period before the Annual General Meeting. The Management Board is authorized to provide for a shorter period, to be measured in days, instead of the statutory period.”*

The Management Board is instructed to apply for registration of the change of the Articles of Association to be registered in the commercial register only after 3 September 2020.

### **b) Insertion of a new § 24 Section 5 of the Articles of Association to enable Postal Voting**

Pursuant to § 118 Section 2 AktG, the Articles of Association may provide, or authorize the Management Board to provide, that shareholders may cast their votes in writing or by way of electronic communication (postal voting) even without participating in the Annual General Meeting. The current version of the Articles of Association does not provide for such a postal voting. However, the Company considers it expedient to authorize the Management Board to allow postal voting in individual cases.

Therefore, the Management Board and the Supervisory Board propose that the following be resolved:

In § 24 of the Articles of Association the following new Section 5 shall be added:

*“(5) The Management Board is authorized to provide that shareholders may cast their votes in writing or by means of electronic communication (postal voting) even without participating in the Annual General Meeting.”*

### **c) Insertion of a new § 24 Section 6 of the Articles of Association regarding the Participation of Members of the Management Board and Supervisory Board in the Annual General Meeting**

According to § 118 Section 3 Sentence 1 AktG, the members of the Management Board and the Supervisory Board shall participate in the Annual General Meeting. However, pursuant to § 118 Section 3 Sentence 2 AktG, the Articles of Association may provide for certain cases in which the participation of members of the Supervisory Board may take place by means of video and audio transmission.

The Company considers it advisable to make use of the option provided for in § 118 Section 3 Sentence 2 AktG and to provide in the Articles of Association for cases in which members of the Supervisory Board may participate by means of video and audio transmission.



Therefore, the Management Board and the Supervisory Board propose that the following be resolved:

In § 24 of the Articles of Association the following new Section 6 shall be added:

*“(6) The members of the Management Board and the Supervisory Board should personally attend the Annual General Meeting. If a member of the Supervisory Board is unable to attend the Annual General Meeting because he/she is abroad for an important reason or would have to make considerable journeys to the place of the Annual General Meeting due to his/her residency abroad, he/she may also participate in the Annual General Meeting by means of video and audio transmission.”*

## II. Reports by the Management Board

### 1. Report by the Management Board on agenda item 5

Regarding item 5 of the Annual General Meeting on 27 May 2020, the Management Board and Supervisory Board propose (i) to authorize the implementation of a Stock Option Plan 2020 to issue stock options with subscription rights to shares of PAION AG to members of the Management Board of PAION AG and to such employees of PAION AG or its group companies as are particularly important for the development and success of the Company, and (ii) creation of a new Conditional Capital 2020 to service the Stock Option Plan 2020, and (iii) to amend the Articles of Incorporation accordingly. The Management Board submits the following report for item 5 of the General Meeting agenda:

The commercial success of the PAION Group is largely dependent on its ability to attract and retain qualified staff. This applies, in particular, to highly qualified executives and employees who are courted across national borders and industry sectors with attractive remuneration systems. Allowing members of the Management Board and key members of staff to participate in the Company's capital and, as such, in the commercial risk and success of the Company is an integral part of common international remuneration systems. Granting stock options has been possible in Germany for years and is now common practice. The stock option plan does not merely serve as an incentive to the beneficiaries and to strengthen the focus of the corporate strategy on increasing the value of the Company over the long term in line with the interests of shareholders. It further strengthens the financial markets' trust in that the Company's management is sufficiently motivated and thus offers further incentives for investing in the Company.

PAION AG has in the past already made use of the legal options to allow employees' and executives' participation in the Company's capital.

In order to have an optimal and contemporary stock option plan that can best achieve its defined aims, a new Stock Option Plan 2020 should be created.

Stock options can only be granted to members of the Management Board of PAION AG (Group 1) and to key employees at PAION AG or one of its Group companies (Group 2) who contribute substantially to the development and results of PAION AG. Current and future members of the management bodies of group companies are not included in the group of important employees of PAION AG or one of its group companies. For the group of the current and future members of the management bodies of group companies (Group 3), no

allocation of stock options under Stock Option Plan 2020 is foreseen. Should individuals being members of Group 1 or Group 2 be members of Group 3 at the same time, these individuals can still be granted stock options based on their membership of Group 1 or Group 2.

On this basis, the Management Board of PAION AG determines the individual beneficiaries and the scope of the stock options to be offered to each of them for subscription in consultation with the respective boards that are responsible for the remuneration of the beneficiaries. To the extent that members of the Management Board of PAION AG are granted stock options, these decisions and the issuance of the stock options are the sole responsibility of the Supervisory Board of PAION AG.

Each stock option issued under the Stock Option Plan 2020 entitles the holder to purchase one share in PAION AG. The new shares participate in the profits from the beginning of the financial year onwards for which, at the time of exercising the subscription right, the Annual General Meeting has not adopted any resolutions in respect of the appropriation of the retained earnings. The proposal for resolution does not, however, contain any restrictions concerning new shares created through capital increases from the conditional or authorized capital, but rather allows treasury stock or cash settlements to be potentially offered as alternatives to beneficiaries who exercise their subscription rights. A maximum aggregate of 1,200,000 stock options can be issued. The authorization to issue stock options is limited until 26 May 2025.

The incentive for the beneficiaries is largely defined by the price they have to pay upon exercising the stock option. The proposal for resolution is based on an exercise price that corresponds to the average closing price of PAION AG shares in Xetra trading (or a comparable successor system) on the fourth to eighth Xetra trading days following the publication of the most current Consolidated Quarterly Statement or Report, Half-Year or Consolidated Financial Statements of PAION AG on the Company's website prior to the issuance. In addition, stock options may only be exercised if the closing share price in Xetra trading (or a comparable successor system) ("stock exchange price") on the day prior to exercise exceeds the exercise price by at least the so-called necessary share price increase. The necessary share price increase is 25% of the exercise price.

The stock options may only be issued at specific times in order to avoid, above all, the risk of insider knowledge being exploited. The option of being able to offer participation in an attractive remuneration system by virtue of the stock option plan is extremely helpful in the search for highly qualified employees

and – to the extent that this should become necessary in the future – members of the Management Board of PAION AG. The proposal therefore includes a provision that stock options may also be issued to such new employees respectively members of the Management Board within three months from the commencement of their service or employment also outside of the defined issue periods if this is legally permissible. In such cases, the agreement to issue stock options may form part of the service or employment contract. If the Company or a Group Company purchases or acquires an enterprise or part of an enterprise by way of a share or an asset deal, stock options can be issued to a person who thus becomes a beneficiary within three months from the purchase or acquisition; the commitment to grant stock options may in this case be given even before the purchase or acquisition on condition that it does not take effect until after the purchase or acquisition.

In order to provide the beneficiaries with a long-term incentive to increase the value of the Company in the interest of all shareholders, the proposal includes waiting periods prior to the first exercise of the subscription rights. For participants in Group 1, the Supervisory Board, and for participants in Group 2, the Management Board, may define a waiting period of more than four years in consultation with the respective boards that are responsible for the remuneration of said beneficiaries. The limitation to exercise the stock options only outside of specific lock-up periods and only provided all other conditions are met, remains unaffected by the expiry of the waiting period. Subject to certain restrictions, stock options become non-forfeitable for all beneficiaries 2 (two) years after the day of issue (“**vesting period**”). In the case of Group 1 participants, the Supervisory Board, and in the case of Group 2 participants, the Management Board, may – in consultation with the respective boards that are responsible for the remuneration of the beneficiaries – define a vesting period that is longer than two years. Parts of the granted stock options shall lapse in the event that, prior to the expiry of the vesting period, (x) the appointment of a Group 1 participant to the Management Board finally ends on grounds other than revocation without re-appointment and/or (y) a Group 2 participant (i) no longer performs the task originally assigned to him although his employment continues, and therefore no longer classifies as a beneficiary, or (ii) reduces his weekly working hours. The right to exercise subscription rights (term) shall expire at the end of ten years from the day of issue. Stock options that have not been or cannot be exercised up to the end of their term shall lapse at the end of their term without recourse and compensation.

The proposed resolution shall also exclude in principle the transferability of the stock options granted to the beneficiaries. This aims to provide the necessary personal incentives which forms the cornerstone of the stock option plan.

Finally, the proposed resolution determines that the Supervisory Board is authorized to define the additional provisions for granting stock options and the additional terms and conditions of exercise where members of the Company's Management Board are affected; otherwise the Company's Management Board is responsible for defining the details and will make its decision, where stipulated by law, with the agreement of those Group Company boards which are responsible for the remuneration of the beneficiaries. These details include in particular the definition of option conditions, the selection of individual beneficiaries from the relevant group of beneficiaries, the grant of stock options to individual beneficiaries, the definition of the organization and process for granting and exercising stock options and issuing shares, and further the rules for dealing with stock options in special cases, in particular in the event of a change of control at the company.

The creation of new conditional capital in an amount of EUR 1,200,000.00 serves primarily to service the rights of the beneficiaries to purchase shares. In order to increase flexibility with regard to the exercise of the subscription rights, the proposed resolution entitles the Company to alternatively offer shares from authorized capital that has already been resolved or will be resolved in the future, treasury stock and/or cash compensation to service the beneficiaries' entitlements.

## **2. Report by the Management Board on agenda item 6 (adoption of a resolution on the creation of an Authorized Capital 2020 with the possibility of excluding the subscription rights and on the cancellation of the existing authorized share capital as well as on the respective amendment of Section 4 para. 3 of the Articles of Association)**

Regarding agenda item 6 of the Annual General Meeting on 27 May 2020, the Management Board and Supervisory Board propose that the existing authorized capital is cancelled and replaced by a new authorized capital (Authorized Capital 2020). In accordance with Section 203 para. 2 sent. 2 in connection with Section 186 para. 4 sent. 2 AktG, the Management Board submits the following report for agenda item 6 of the General Meeting on 27 May 2020 concerning the reasons for the authorization of an exclusion of shareholder subscription rights in the issuing of new shares:

In order for the Company to remain flexible in the future to comprehensively strengthen its equity when necessary (also by excluding subscription rights against cash contributions pursuant to Section 186 para. 3 sentence 4 AktG) the existing Authorized Capital 2019 in its existing amount shall be cancelled,

a new Authorized Capital 2020 shall be created and the Articles of Association shall be amended accordingly.

The new authorized capital (Authorized Capital 2020) proposed under agenda item 6a) of the General Meeting on 27 May 2020 shall authorize the Management Board, with the approval of the Supervisory Board, to increase the share capital by up to EUR 26,134,928.00 by issuing up to 26,134,928 new no-par value bearer shares in one or more tranches against contributions in cash and/or in kind through 26 May 2025.

The Authorized Capital 2020 will allow the Company to continue to raise the capital required for the further development of the Company on capital markets through the issuing of new shares at short notice and have the flexibility to quickly take advantage of a favourable market environment in order to meet future financing needs. In addition, it is important to be able to react quickly on acquisition opportunities that complement the product portfolio. Since decisions on the covering of a future capital requirement must usually be made quickly, it is important that the Company is not dependent on the rhythm of the Annual General Meetings or the long notice period for convening an Extraordinary General Meeting. The legislator has taken these circumstances into account with the „authorized capital“ instrument.

Upon utilization of the Authorized Capital 2020 to issue shares against cash contributions, the shareholders are generally granted subscription rights (Section 203 para. 1 sent. 1 in conjunction with Section 186 para. 1 AktG), whereby an indirect subscription right within the meaning of Section 186 para. 5 AktG is also sufficient. The issue of shares with the granting of such indirect subscription rights is not deemed an exclusion of subscription rights by the law. Shareholders are granted the same subscription rights as they would have in case of a direct subscription. For technical settlement reasons only one or more banks are involved in the settlement.

However, the Management Board shall, with the approval of the Supervisory Board, be permitted to exclude subscription rights in certain circumstances.

a) With the approval of the Supervisory Board, the Management Board shall be able to exclude fractional amounts from the subscription right. This exclusion of subscription rights aims to facilitate the handling of an issuing of shares which is subject to a general subscription right in order to arrive at a technically feasible subscription ratio. The value of fractional amounts per shareholder is normally low. Therefore, the possible dilution effect may also be considered low. On the other hand, the expenditure for an issuing

without such an exclusion is considerably higher. The exclusion therefore serves to make issuing more practicable and easily implementable. The new shares excluded as fractions from the shareholders' subscription rights will be used as is best for the Company either through sale on the stock market or in some other way. For these reasons, the Management Board and Supervisory Board consider the possible exclusion of the subscription right to be objectively justified and appropriate taking into consideration the interests of the shareholders.

b) In addition, the Management Board, with the approval of the Supervisory Board, shall be able to exclude the subscription right insofar as this is necessary to give the holders or creditors of convertible bonds, warrant-linked bonds, profit participation rights and/or participating bonds (or combinations of these instruments) (hereinafter collectively "**Bonds**") a subscription right to new shares. Bonds with conversion or option rights or mandatory conversion or option features regularly provide for a protection against dilution in their issuing conditions, which grants the holders or creditors a subscription right to new shares in subsequent issuances of shares or certain other measures. They are treated as if they were already shareholders. The shareholders' subscription rights to these shares must be excluded in order to be able to feature bonds with such a protection against dilution. This serves to facilitate the placement of Bonds and therefore the interests of the shareholders in the Company's optimal financial structure. In addition, the exclusion of subscription rights in favour of holders or creditors of Bonds has the advantage that in case the authorization is used, the option or conversion price need not be reduced for the holders or creditors of existing Bonds in accordance with the particular conditions of the Bonds. This allows a greater inflow of funds and is therefore in the interests of the Company and its shareholders.

c) The subscription rights may also be excluded in case of capital increases by cash contributions if the shares are issued at an amount that is not substantially below the stock market price and such a capital increase does not exceed 10% of the share capital (facilitated exclusion of subscription rights pursuant to Section 186 para. 3 sent. 4 AktG).

The authorization enables the Company to flexibly react to promising situations on the capital market and to place shares also at very short notice, i.e. without the need for a subscription offer lasting at least two weeks. The exclusion of subscription rights allows very quick actions and placements close to the stock market value, i.e. without the usual discount on an issuing with subscription rights. This builds the ground to achieve the highest pos-

sible sale amount and a maximum strengthening of the Company's equity. The authorization to facilitate the exclusion of subscription rights can be objectively justified not least by the fact that a greater cash inflow can be generated.

Such a capital increase may not exceed 10% of the share capital that exists as of the effective date of the authorization and also at the time of its exercise. The proposed resolution also includes a deduction clause. Shares that are issued to service bonds with conversion or option rights or with conversion or option obligations during the term of this authorization are to be counted against the maximum 10% of the share capital that this subscription right exclusion applies, provided that these bonds are issued in corresponding application of section 186 para. 3 sentence 4 of the AktG or were issued during the term of this authorization. The same applies to other shares that can still be issued to service bonds with conversion or option rights or with conversion or option obligations during the term of this authorization, provided that these bonds were issued in accordance with Section 186 para. 3 sentence 4 of the AktG or issued during the term of this authorization with the exclusion of subscription rights. Those treasury shares of the company that are to be counted towards the maximum limit of 10% of the share capital are those which will be sold during the term of this authorization, by excluding shareholders' subscription rights according to Section 71 para. 1 No. 8 Sentence 5 sub-sent. 2 in connection with Section 186 para. 3 Sentence 4 of the AktG. Those shares that are issued against cash contributions on the basis of other capital measures during the term of this authorization under exclusion of the subscription right of the shareholders in the corresponding application of Section 186 para. 3 sentence 4 of the AktG are to be counted towards the maximum limit of 10% of the share capital.

The facilitated exclusion of subscription rights mandates that the issue price of the new shares is not substantially lower than the stock market price. Any discount on the current stock market price or a volume-weighted stock market price during an appropriate number of trading days prior to the final determination of the issue price is expected to be no more than approximately 5% of the respective stock market price, subject to special circumstances of the individual cases. This also takes into account the need to protect shareholders from a value-based dilution of their investment. Setting the issue price close to the stock market price ensures that the value of any subscription rights for new shares would be very low. The shareholders have the opportunity to keep their relative investment by purchasing additional shares via the stock exchange.



d) Subscription rights to shares may also be excluded in order to issue shares to the employees of the Company and/or affiliated companies subject to the limitation that the proportionate share of the shares to be issued of the share capital must in total not exceed 5% of the share capital, neither at the time the authorization is adopted nor at the time it is exercised. Issuing employee shares shall allow the employees to participate in the Company and its success. This strengthens the employees' bond to the Company. The shares issued under this authorization may – together with treasury shares of the Company or Company shares from conditional capital which are issued to employees or members of management bodies of the Company or affiliated companies – not exceed a proportionate share of 5% of the share capital, neither at the time this authorization is adopted by the General Meeting nor at the time it is exercised.

e) The subscription right can be excluded in the event of capital increases against contributions in kind. The Company shall continue to be able to acquire companies, parts of companies, shareholdings or other assets or to react to offers for acquisitions or mergers in order to strengthen its competitiveness, profitability and corporate value. Experience shows that shareholders of attractive acquisition targets often have a strong interest in acquiring the Company's ordinary shares (with voting rights) as compensation, for example to maintain some influence over the subject of the contribution in kind. From the perspective of an optimum financing structure, the possibility of providing compensation not just in the form of cash contributions but also or exclusively as shares is favourable, to the extent that new shares can be used as acquisition currency, the Company's liquidity is protected, foreign capital acquisition is avoided and the seller(s) also benefit from the future price potential. This leads to an improvement in the competitive position of the Company with regard to acquisitions.

The possibility of using some shares as acquisition currency thereby gives the Company the necessary flexibility to quickly and flexibly take advantage of such acquisition opportunities and enables it to acquire even large units in exchange for shares. In some circumstances it might also be possible to acquire other assets in exchange for shares. In both cases it is necessary to exclude the subscription right of shareholders. Because such acquisitions frequently have to occur at short notice, it is important that they do not need to be decided upon at the General Meeting, which only takes place once a year. There is a necessity for authorized capital that the Management Board, subject to approval of the Supervisory Board, can quickly access.

If an opportunity presents itself for a merger with another Company or the acquisition of companies, Company units or participations in companies or other assets, the Management Board will in each case carefully consider whether or not to make use of the authorisation to increase capital through the issue of new shares. This particularly concerns an examination of the valuation ratio between the Company and the acquired Company participation or other assets and the fixing of the issue price of the new shares as well as further conditions relating to the issuing of shares. The Management Board will utilize the authorized capital only if it is convinced that the merger or acquisition of a Company, part of a Company or Company participation against new shares is in the best interest of the Company and its shareholders. The Supervisory Board will only give its necessary consent if it has reached the same conclusion.

This authorization to exclude subscription rights in the case of capital increases against contributions in kind is limited to a total amount that must not exceed 20% of the share capital neither at the time it comes into effect nor at the time this authorization is used.

The above-mentioned restrictions on the exclusion of subscription rights to certain facts limits the possible dilution of voting rights of the shareholders excluded from subscription rights. When considering all of these circumstances, the authorization to exclude subscription rights within the specified limits is necessary, suitable, appropriate and in the interests of the company.

If the Management Board uses one of the above authorizations to exclude subscription rights within the framework of a capital increase from the Authorized Capital 2020, it will report on this in the following Annual General Meeting.

### III. Further information regarding the convention of the Annual General Meeting

#### Virtual Annual General Meeting

Pursuant to §1 (1) and (2) of the law governing measures in company law, laws on cooperatives, association law, foundation law and residential property law to combat the effects of the COVID-19 pandemic („COVID-19-Gesetz“) in conjunction with § 118 (1) sentence 2 of the AktG, the Management Board has decided, with the approval of the Supervisory Board, that the Annual General Meeting will be held with-out the physical presence of the shareholders or their proxy holders as a virtual Annual General Meeting, and that the shareholders will take part in the Annual General Meeting and vote by way of electronic communication. The Annual General Meeting will take place in the presence of the Chairman of the Supervisory Board, the members of the Management Board as well as further members of the Supervisory Board – in part through the use of videoconferencing – in the company’s premises at Martinstrasse 10-12, 52062 Aachen, Germany. A notary charged with taking the minutes of the Annual General Meeting will likewise be present. Due to the implementation of the meeting in the form of a virtual Annual General Meeting, a physical participation of the shareholders or their proxies (with the exception of the voting proxies appointed by the Company) is not possible at the place of the meeting.

Holding the Annual General Meeting 2020 as a virtual meeting according to the COVID-19 law („COVID-19-Gesetz“) requires modifications in the course of the Annual General Meeting especially for the registration to the Annual General Meeting as well as in the rights of shareholders. The Annual General Meeting will be broadcast in its entirety in video and audio format via the Internet. The shareholders will be able to exercise their rights to vote by way of electronic communication (postal voting), granting powers of attorney and filing counter motions and election proposals are possible via proxy voting to the extent specified below. The shareholders will have an opportunity to ask questions by way of electronic communication, and shareholders who have exercised their right to vote can use electronic communication to object to resolutions of the Annual General Meeting.

**We request that our shareholders pay particular attention this year to the following notes on registering for the Annual General Meeting and exercising their rights to vote and other shareholder rights.**

## **1. Requirements for participating in the Virtual Annual General Meeting and exercising voting rights**

Only shareholders who have registered prior to the deadline may attend the virtual Annual General Meeting and exercise their voting rights. Due to the regulations provided in the COVID-19 law, the company has made use of the possibility of shortened deadlines within the framework of this virtual Annual General Meeting. Accordingly, in accordance with section 1 para. 3 of the COVID-19 Act, evidence of shareholding must relate to the beginning of the twelfth day before the meeting and must be received no later than on the fourth day before the Annual General Meeting. Such registration must reach the Company by Saturday, 23 May 2020, 24:00 (CEST), at the latest, at the following address:

PAION AG  
c/o BADER & HUBL GmbH  
Friedrich-List-Strasse 4a  
70565 Stuttgart  
Germany  
Facsimile: +49 (0) 711 234318-33

or by email to:

[hauptversammlung@baderhubl.de](mailto:hauptversammlung@baderhubl.de)

Shareholders must also submit separate proof of their share ownership to the Company, stating that they were shareholders on Friday, 15 May 2020, at 0:00 (CEST) (effective date for provision of proof). To prove share ownership, a separate proof of share ownership issued by the custodian bank is sufficient.

As for the registration, the proof of share ownership must reach the Company at the above address by Saturday, 23 May 2020, 24:00 (CEST), at the latest. The registration and proof of share ownership must be in written form (Section 126 b of the German Civil Code (BGB)) and in German or English.

After receipt of registration and credentials at the company under the above named address, fax number or email address, shareholders will receive their so-called access cards, on which the number of their votes is recorded and the required log-in data (access card number and PIN) for the internet-based shareholder portal („**AGM shareholders' portal**“) are printed. Access to the AGM shareholder portal is granted via the following website:

Further information regarding the registration process can also be found on this website.

## **2. Information on data protection for shareholders**

The Company, as the responsible body within the meaning of Article 4 no. 7 of the General Data Protection Regulation, processes personal data (last name, address, email address, number of shares, class of shares, type of ownership of shares and number of the access card and voting) based on applicable data protection laws. In addition, the Company also processes personal data of a proxy holder authorized by a shareholder, if any (in particular, such proxy holder's name and place of residence). If a shareholder or proxy holder contacts the Company, the Company also processes the personal data required to respond to any inquiries (such as the contact information provided by the shareholder or proxy holder, e.g., telephone numbers).

Depending on individual cases, this may also apply to additional personal data. For example, the Company processes information on motions, questions and election proposals. In the event of countermotions and election proposals which must be made available, the Company will also publish such proposals together with the shareholder's name, online at

The processing of personal data of shareholders is required pursuant to Sections 118 et seq. AktG in order to prepare, carry out and perform follow-up work on the General Meeting, as well as to enable shareholders to exercise their rights in connection with the General Meeting. Without the provision of such personal data, a participation of shareholders in the General Meeting and the exercise of voting rights and other rights would not be possible. The AktG in conjunction with Article 6 para. 1 c) of the General Data Protection Regulation, form the legal basis for the processing. Given that all shares in the Company are bearer shares, the Company does, however, point out that shareholders may be represented by proxies according to section 135 para. 5 AktG (intermediates, consultants on share voting rights, a shareholders' association or professional agents). The Company may also process personal data to fulfil other legal obligations, such as regulatory requirements as well as obligations to retain data under stock corporation laws, securities laws, commercial laws and tax laws. The relevant statutory provisions in conjunction with Article 6 para. 1 sentence 1 c) of the General Data Protection Regulation form the legal basis for such processing.

The Company's service providers that are commissioned for the purpose of holding the General Meeting receive personal data from the Company only to the extent such data is required to provide the requested services and only process the data in accordance with instructions from the Company.

Furthermore, personal data is made available to the shareholders and shareholder representatives in accordance with applicable laws, notably in the form of the list of participants.

The Company does not use personal data recorded in connection with the General Meeting for any decision based on automated processing (profiling).

The Company and its service providers, respectively, generally receive personal data of shareholders via the registration office of the financial institutions and these through the financial institution of the shareholder, such shareholders have commissioned to hold their shares in the Company (so-called custodian banks).

The storage period for the data recorded in connection with the Annual General Meeting regularly amounts to up to three years, unless the Company is legally required to provide evidence and retain data for a longer period of time or where the Company has a legitimate interest in further retention, for example in case of judicial and extrajudicial disputes in connection with the Annual General Meeting. After the expiration of the relevant period, personal data will be deleted.

If certain statutory requirements are met, shareholders have information, correction, limitation, objection and deletion rights with respect to their personal data and the processing thereof. If personal data of shareholders is inaccurate or incomplete, such shareholders have the right to request a correction and supplement. Shareholders may at any time request the deletion of their personal data, unless the Company is legally required or entitled to further process their data. Furthermore, shareholders have a right to data portability pursuant to Article 20 of the General Data Protection Regulation.

Shareholders can assert these rights vis-à-vis the Company free of charge via the following contact details, which also allow shareholders to contact the Company with respect to questions on data protection:

PAION AG  
Martinstrasse 10-12  
52062 Aachen  
Germany

Moreover, shareholders have the right to file a complaint with the data protection supervisory authorities pursuant to Article 77 of the General Data Protection Regulation.

The data protection supervisory authority responsible for the Company is:

LDI NRW  
Kavalleriestrasse 2-4  
40213 Dusseldorf  
Germany  
Phone: + 49 (0) 211 38424-0  
Facsimile: + 49 (0) 211 38424-10  
Email: poststelle@ldi.nrw.de

The Company's data protection officer can be contacted at:

Herr Nicholas Vollmer  
Priorstrasse 63  
41189 Mönchengladbach  
Germany  
Phone: + 49 (0) 2166 96523-30  
Email: datenschutzbeauftragter.paion@securedataservice.de

### **3. Importance of the effective date for provision of proof**

In relation to the company, the exercise of shareholder rights, in particular the right to vote at this year's virtual Annual General Meeting, only applies to shareholders who have provided evidence of shareholding. The right to exercise shareholder rights and the scope of the voting right are based solely on the proven shareholding of the shareholder on the record date. The record date does not block the sale of the shareholding. In particular, sales or other transfers of the shares after the record date in relation to the company have no significance for the right to exercise shareholder rights and the scope of voting rights. The same applies to the acquisition of shares after the record date. Persons who only acquire shares after the record date cannot derive any rights as shareholders from these shares for this year's virtual Annual General Meeting, in particular no voting rights. The record date has no bearing on dividend rights. This depends on who owns the shares at the end of the day of the Annual General Meeting.

#### **4. Voting by postal vote**

Shareholders can exercise their voting rights by postal vote for the first time this year. In this case too, timely registration and timely proof of shareholding are required.

Votes to be cast by postal vote can be transmitted electronically on the AGM shareholders' portal in the Internet or be transmitted via the postal voting form provided on the access cards and on the company's website at

[www.paion.com/medien-und-investoren/hauptversammlung/](http://www.paion.com/medien-und-investoren/hauptversammlung/)

Votes must be cast by postal vote via the internet-based AGM shareholders' portal at the latest by the end of the vote at the Annual General Meeting. Until this time, there is also a revocation or a change of the vote possible. In order to be able to carry out postal voting via the Internet, the Access card on which the required log-in data (access card number and PIN) are printed is required. The AGM shareholders' portal is accessible via the following website:

[www.paion.com/medien-und-investoren/hauptversammlung/](http://www.paion.com/medien-und-investoren/hauptversammlung/)

The votes cast using the postal voting form must reach, due to organizational reasons, the Company by Tuesday, 26 May 2020, 24:00 (CEST), at the latest at the following postal address, via telefax at the facsimile number below or electronically at the following email address:

PAION AG  
c/o BADER & HUBL GmbH  
Friedrich-List-Strasse 4a  
70565 Stuttgart  
Germany  
Facsimile: +49 (0) 711 234318-33  
Email: [hauptversammlung@baderhubl.de](mailto:hauptversammlung@baderhubl.de)

The above information applies to a revocation of the vote by postal vote according to the possibilities of transmitting the vote and according to the deadlines.

Also authorized representatives, including intermediaries, shareholder associations and voting rights advisors pursuant to Section 134a of the AktG and persons treated as such in accordance with Section 135 para. 8 of the AktG can use postal voting.



In connection with the authorization to exercise voting rights, we refer to any reporting obligations according to §§ 33 ff. of the German Securities Trading Act.

## **5. Representation by third parties; Company proxy**

### **Power of attorney and proxy voting**

After having granted such power of attorney, shareholders may also exercise their votes in the virtual Annual General Meeting by voting proxy (e.g. a financial institution, a shareholder association or other third parties). In the case of proxy voting, registration of the shareholder prior to the deadline and proof of share ownership in due time as described above are required as well. However, the proxy may also exercise the rights of the shareholder only by postal vote or by granting a power of attorney (also to the proxies) as specified in these conditions of participation.

If the shareholder authorizes more than one person, the company can reject one or more from these.

Pursuant to section 134 para. 3 sentence 3 of the AktG, the granting of proxy, its revocation and proof of authorization vis-à-vis the Company generally require the text form (section 126b of the German Civil Code) if no power of attorney is granted in accordance with section 135 of the AktG. A proxy form that can be used for this can be found on the access cards sent to the shareholders and is available for download under

[www.paion.com/medien-und-investoren/hauptversammlung/](http://www.paion.com/medien-und-investoren/hauptversammlung/)

When authorizing the exercise of voting rights in accordance with Section 135 of the AktG (granting power of attorney to intermediaries, voting rights advisors, shareholder associations or commercial agents), the power of attorney must be verifiably recorded by the proxy. The power of attorney must be complete and may only contain declarations related to the exercise of voting rights. In such cases, shareholders should agree with the person to be authorized on the form of the power of attorney.

For organizational reasons, proof of proxy authorization must be uploaded by the shareholder or the relevant proxy on the internet-based AGM shareholders' portal or must have reached the company at the following address by the end of Tuesday, 26 May, 2020, 24:00 (CEST):

PAION AG  
c/o BADER & HUBL GmbH  
Friedrich-List-Strasse 4a  
70565 Stuttgart  
Germany  
Facsimile: +49 (0) 711 234318-33  
Email: [hauptversammlung@baderhubl.de](mailto:hauptversammlung@baderhubl.de)

If the proof of authorization is not given in time as described above, the following applies:

By using the AGM shareholders' portal and entering the proxy name, surname and place of residence of the proxy, the proxy declares that the proxy has been duly authorized. In this case, however, proof of the authorization must be sent to the company by the end of the vote at the Annual General Meeting. For the transmission of this proof, we ask you to use the possibility of uploading via the AGM shareholders' portal or to use the above-mentioned e-mail address.

### **Company proxy**

In addition, we offer our shareholders the opportunity to be represented at the Annual General Meeting by voting proxies appointed by the company. The powers of attorney can be issued in writing, by fax, by e-mail or otherwise in text form (see address details below). In the case of transmission by e-mail, the proxy and instruction form enclosed with the admission card and filled out accordingly must be sent in an electronic form as an attachment (only as a „PDF“ or „TIF“ file). Even in the case of a proxy authorization, timely registration and sending of proof of share ownership in the form described above are required. The proxies nominated by the company are only available for proxy voting, counter motions within the meaning of section 126 para. 1 of the AktG and election proposals in accordance with section 127 of the AktG, but not for exercising other rights. The company's proxies are required by proxy to exercise the voting right on the agenda items exclusively in accordance with the instructions of the shareholder and to make the proposals and election proposals in accordance with the instructions of the shareholder. The proxies have no discretion in exercising their voting rights. In the case of votes for which no express instructions have been given, the voting right representatives abstain from voting.

A form that can be used to issue power of attorney and instructions to the company's proxies can be found on the access cards sent to the shareholders and is available for download at the company's website

[www.paion.com/medien-und-investoren/hauptversammlung/](http://www.paion.com/medien-und-investoren/hauptversammlung/)

For organizational reasons, the power of attorney and the instructions for the proxies appointed by the company must be received by the company at the following address by the end of Tuesday, 26 May 2020, 24:00 (CEST):

PAION AG  
c/o BADER & HUBL GmbH  
Friedrich-List-Strasse 4a  
70565 Stuttgart  
Germany  
Facsimile: +49 (0) 711 234318-33  
Email: [hauptversammlung@baderhubl.de](mailto:hauptversammlung@baderhubl.de)

This does not affect the possibility of authorizing the proxies appointed by the company via the AGM shareholders' portal, as described below, even during the current general meeting.

Alternatively, the company's proxies can also be authorized via the internet-based AGM shareholders' portal. Powers of attorney and instructions issued to the proxies appointed by the company via the shareholder portal must be issued in full by the end of the voting at the Annual General Meeting. Up to this point, it is also possible to revoke the powers of attorney or to change instructions. In order to use the AGM shareholders' portal, the required log-in data (access card number and PIN) printed on the access card are required. Shareholders can access the AGM shareholders' portal via the following website:

[www.paion.com/medien-und-investoren/hauptversammlung/](http://www.paion.com/medien-und-investoren/hauptversammlung/)

Furthermore, information relating to the Annual General Meeting and to the authorization of the voting proxies appointed by the Company can be found on the internet at

[www.paion.com/medien-und-investoren/hauptversammlung/](http://www.paion.com/medien-und-investoren/hauptversammlung/)

## **6. Possibility to ask questions by means of electronic communication; Declaration of contradiction**

### **Possibility to ask**

In accordance with section 1 para. 1 and para. 2 of the COVID-19 Act, shareholders are given the opportunity to ask questions using electronic communication. The Management Board has stipulated that shareholders registered for the Annual General Meeting can submit their questions to the company by electronic communication via the AGM shareholders' portal by Monday, 25 May 2020, 24:00 CEST, at the latest.

The Management Board will decide, at its own dutiful discretion, which questions it answers and how.

### **Declaration of contradiction**

Shareholders who have exercised their voting rights by postal vote or through a proxy, as explained above, have the option, contrary to Section 245 No. 1 of the AktG, to declare an objection to one or more resolutions of the Annual General Meeting by electronic communication without appearing at the Annual General Meeting to the notary. In addition to the requirement to cast a vote, a valid declaration of the objection requires that the shareholder or the proxy, by specifying the resolution against which the objection is directed, send an e-mail to the following e-mail by the end of the Annual General Meeting:

**[peters@muesgen-peters.de](mailto:peters@muesgen-peters.de)**

When declaring the objection, the corresponding access card number must also be provided as proof of shareholder status.

### **7. Requests for additions to the agenda pursuant to Section 122 para. 2 AktG**

Shareholders whose aggregate share ownership equates to a minimum of the twentieth (5%), or the proportionate amount of EUR 500,000.00 (i.e. equivalent to 500,000 shares) of the share capital, may demand pursuant to Section 122 para. 2 AktG the inclusion of items on the agenda and the publication thereof. Each requested agenda addition must be accompanied by a justification or proposed resolution.

Such an amendment demand must be addressed to the Management Board in writing and must be submitted to the Company at least 14 days in advance of the meeting; the date of receipt and the date of the meeting are not to be included in this calculation. The deadline for the receipt of such demands is therefore 24:00 (CEST) on Tuesday, 12 May 2020. Amendment demands received later than this shall not be considered.

Shareholders submitting a motion must prove that they have held the shares for at least 90 days before the date the motion is received and that they hold the shares until the Management Board decides on the motion, with Section 70 AktG being applicable when calculating the time for which the shares have been held. Section 121 para. 7 AktG shall apply accordingly.

Any requests for additions must be sent in writing by the aforementioned date to the following address:

PAION AG  
Management Board  
Martinstrasse 10-12  
52062 Aachen  
Germany

Additions to the agenda that must be announced will – insofar as they have not been announced by the time the Annual General Meeting is convened – be announced in the Federal Gazette (Bundesanzeiger) immediately upon receipt. They will also be published without delay on the internet at

[www.paion.com/medien-und-investoren/hauptversammlung/](http://www.paion.com/medien-und-investoren/hauptversammlung/)

#### **8. Countermotions and election proposals by shareholders pursuant to Sections 126 para. 1 and 127 AktG**

Every shareholder has the right to file countermotions to the proposals submitted by the Management Board and/or Supervisory Board regarding particular agenda items and to propose alternative candidates for election as auditor (agenda item 4). Countermotions and election proposals do not need to include a justification.

Countermotions and election proposals received by the Company at the address below at least 14 days prior to the Annual General Meeting, with the day of receipt and the date of the meeting not being included in this calculation, in other words by 24:00 (CEST) on Tuesday, 12 May 2020 at the latest, shall be published without delay on the Company's website at

[www.paion.com/medien-und-investoren/hauptversammlung/](http://www.paion.com/medien-und-investoren/hauptversammlung/)

Information on countermotions and election proposals pursuant to Sections 126 and 127 AktG as well as any statements of the administration may also be found at

[www.paion.com/medien-und-investoren/hauptversammlung/](http://www.paion.com/medien-und-investoren/hauptversammlung/)

Counter motions will be made available together with the shareholder's name and any justification.

Sections 126 para. 2 AktG or Section 127 sent. 1 in conjunction with Section 126 para. 2 AktG stipulate reasons that might warrant a counter motion and its justification or an election proposal not being published on the Company's website. A justification can, in particular, be excluded from publication if it is more than 5,000 characters long. Moreover, shareholders' election proposals need not be published if they do not include the name, the occupation held, and the place of residence of the proposed candidate. Section 127 sent. 3 in conjunction with Section 125 para. 1 sent. 5 AktG stipulates further reasons that might warrant election proposals not being published on the Company's website.

Counter motions and election proposals shall be sent to the following address:

PAION AG  
Investor Relations Department  
Martinstrasse 10-12  
52062 Aachen  
Germany  
Facsimile: +49 (0)241 4453-120

Email: [investor.relations@paion.com](mailto:investor.relations@paion.com)

Counter motions and election proposals sent to any other address will not be published.

Please note that counter motions and nominations, even if they have been sent to the Company in advance in due time, will only be considered in the Annual General Meeting if they are provided by the Company's proxies during the Annual General Meeting. For this the proxies in the context of submitting the counter motion and/or the election proposal are to be authorized and instructed accordingly.

## **9. Publications on the website**

The following documents in particular will be available on the Company's website at

[www.paion.com/medien-und-investoren/hauptversammlung/](http://www.paion.com/medien-und-investoren/hauptversammlung/)

together with this invitation to the Annual General Meeting from the time at which the meeting is convened:

Regarding agenda item 1:

- The adopted annual financial statements and the consolidated financial statements approved by the Supervisory Board as of 31 December 2019, the Management Reports for the Company and the Group for the financial year 2019, including the Report of the Supervisory Board to the Annual General Meeting for the financial year 2019 and the Management Board's explanatory report on the information pursuant to Sections 289a para. 1 and 315a para. 1 of the German Commercial Code (HGB) as of 31 December 2019.

Regarding agenda item 5:

- Management Board's report about the resolution to authorize the implementation of a Stock Option Plan 2020 to issue stock options with subscription rights to shares of PAION AG to members of the Management Board of PAION AG and to such employees of PAION AG or its group companies as are considered critical for the development and success of the Company

Regarding agenda item 6:

- Management Board's report on the resolution on the creation of Authorized Capital 2020 with the possibility of excluding subscription rights.

Regarding agenda item 7:

- Current status of the Articles of Association

The aforementioned documents as well as other legally required documents will also be available during the Annual General Meeting on Wednesday, 27 May 2020. The legal obligation is met by the documents being made available at the Company's website.

Any shareholders' counter motions, election proposals or amendment demands subject to mandatory publication and received by the Company within the

deadlines stated above shall likewise be published on the above-mentioned website.

This invitation to the Annual General Meeting was published in the Federal Gazette (Bundesanzeiger) on Thursday, 30 April 2020. On the same day, it was forwarded to such media outlets for publication that may be expected to publish the information throughout the European Union.

**10. Total number of shares and voting rights at the time the Annual General Meeting was convened**

At the time the General Meeting was convened, the share capital of the Company amounted to EUR 65,337,320.00, divided into 65,337,320 shares. Each ordinary share carries one vote at the General Meeting. The total number of shares and voting rights at the time the General Meeting was convened was 65,337,320. The Company did not hold any treasury stock at the time the meeting was convened.

PAION AG has not been notified of any participation in the Company by a financial institution that would require notification pursuant to Section 33 of the German Securities Trading Act (WpHG).

Aachen, April 2020

PAION AG

**Management Board**

PAION AG

Martinstrasse 10–12

52062 Aachen (Germany)

Phone +49 241 4453-0 Fax +49 241 4453-100

info@paion.com www.paion.com