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PAION AG

Aachen

- ISIN DE 000A0B65S3 -

- WKN A0B65S -

Invitation to the Extraordinary General Meeting

We hereby invite our shareholders to the extraordinary general meeting, which will be held on Wednesday, 25 January 2023, at 10:00 (CET) at Tivoli, Business & Event Section, Krefelder Straße 205, 52070 Aachen, Germany.

I. Agenda

The Company's share capital, which currently amounts to EUR 71,336,992.00 shall be reduced by way of an ordinary capital reduction through the consolidation of shares at a ratio of 10:1. In order to attain an even reduction ratio, a shareholder will transfer two shares before the extraordinary general meeting to the Company free of charge, which shall be redeemed; thereby, the capital will be reduced by EUR 2.00 in simplified form. The share capital, which will be reduced to EUR 71,336,990.00 after the redemption, shall then be reduced to EUR 7,133,699.00 by way of an ordinary capital reduction through the consolidation of shares.

1. Resolution on the simplified capital reduction by way of redemption of two shares and on the corresponding amendment to the Articles of Association

The Management Board and Supervisory Board propose to the general meeting to adopt the following resolutions:

a) Simplified capital reduction by redemption of two shares

The Company's share capital, which amounts to EUR 71,336,992.00, divided into 71,336,992 bearer shares without nominal value (no-par value shares) with a pro rata value of EUR 1.00 per no-par value share shall be reduced by EUR 2.00 to EUR 71,336,990.00. The reduction shall be executed by redemption of two no-par value bearer shares, which have been provided to the Company free of charge in simplified form pursuant to Section 237 para. 3 No. 1 of the German Stock Corporation Act (*Aktiengesetz* – "AktG"). The pro rata amount of the share capital attributable to the two shares to be redeemed, totaling EUR 2.00, shall be transferred to the capital reserve of the Company pursuant to Section 237 para. 5 AktG.

The capital reduction through redemption will be executed for the purpose of establishing an even reduction ratio of 10:1 in the subsequent ordinary capital reduction.

The Management Board shall be authorized, with the approval of the Supervisory Board, to determine the further details of the reduction of share capital and its implementation.

b) Amendment of Section 4 para. 1 and para. 2 of the Articles of Association

Section 4 para. 1 and para. 2 of the Articles of Association shall be, upon entry of the resolution on the capital reduction in the Commercial Register, amended as follows:

"(1) The Company has a capital stock of EUR 71,336,990.00 (in words: Euro seventy-one million three hundred thirty-six thousand nine hundred ninety).

(2) The share capital is divided into 71,336,990 shares with no par value."

2. Resolution on the reduction of the share capital pursuant to the provisions on the ordinary capital reduction by consolidation of shares and on the corresponding amendment to the Articles of Association

The Management Board and the Supervisory Board propose to the general meeting to adopt the following resolutions:

a) Ordinary capital reduction

The share capital of the Company shall be reduced from EUR 71,336,990.00 (after effectiveness of the capital reduction in accordance with the resolution under agenda item 1), divided into 71,336,990 no-par value bearer shares with a proportionate amount of the share capital of EUR 1.00 per no-par value bearer share, by EUR 64,203,291.00 to EUR 7,133,699.00, divided into 7,133,699 no-par value bearer shares. The reduction shall be carried out in accordance with the provisions on ordinary capital reduction (Sections 222 et seq. AktG); the capital reduction shall be carried out in such a way that

ten (10) no-par value bearer shares are merged into one (1) no-par value bearer share. Any fractional shares resulting from the fact that a shareholder holds a number of shares not divisible by ten (10) shall be merged with other fractional shares and realized by a bank commissioned by the Company for the account of the shareholders involved. Before realization, shareholders will have the option to instruct their custodian bank in regard to compensation for fractional shares.

The capital reduction by the consolidation of shares shall be effected for the purpose of partially offsetting losses and further to allow for contributions to the capital reserve. The capital reduction is intended to achieve a stock exchange price of the Company above the proportionate amount of EUR 1.00 per no-par value share in the share capital; a refund to the shareholders is not intended.

The Management Board is authorized, with the consent of the Supervisory Board, to determine the further details of the reduction of the share capital and its implementation.

b) Amendment to Section 4 para. 1 and 2 of the Articles of Association

Section 4 para. 1 and 2 of the Articles of Association shall be amended as follows upon entry of the resolution on the capital reduction in the Commercial Register:

“(1) The Company has a capital stock EUR 7,133,699.00 (in words: seven million one hundred thirty-three thousand six hundred ninety-nine).

(2) The capital stock is divided into 7,133,699 shares with no par value.”

c) Entry in the Commercial Register

The Management Board is instructed to submit the ordinary capital reduction to be resolved under this agenda item 2 and the corresponding amendments to the Articles of Association for entry in the Commercial Register subject to the provision that the registration shall not take place until the simplified capital reduction proposed under agenda item 1 of this invitation and the corresponding amendments to the Articles of Association have been resolved and entered in the Commercial Register.

II. Explanatory notes on the capital reductions to the Extraordinary General Meeting

According to current plans, the Company has the capital required for business operations until mid-2023. In addition, the Company is expected to require further funding for the successful commercialization and marketing of its products.

For this reason, the Company would like to have the opportunity to raise necessary funds through a capital increase by issuing new shares in mid-2023. Since the beginning of the year, the price of the Company's shares has initially been just above EUR 1.00, and most recently even below EUR 1.00 Raising further funds through a capital increase is thus made

considerably more difficult or even impossible because at such a share price new shares would have to be offered or issued either without a discount on the share price or – which is legally problematic in the case of a capital increase with subscription rights – even at a premium on the share price. This is because the statutory minimum issue amount is EUR 1.00 per share.

Due to the consolidation of shares, the number of existing shares of the Company will be reduced in a ratio of 10:1 without the capital reduction affecting the amount of the total equity of the Company. The share price should increase accordingly, if any other factors and developments are disregarded, and thus be above the minimum issue amount of EUR 1.00, making it possible for the Company to carry out capital increases in the coming months. The timing for a specific capital increase is currently not foreseeable.

The Management Board and the Supervisory Board do not intend to use the authorized capital in the amount of more than 50% of the reduced capital stock.

Insofar as a shareholder holds a number of shares at the time of the consolidation of the securities account holdings in the ratio of 10:1 which is not divisible by 10, so that a consolidation is not completely possible, so-called fractional shares will arise. The custodian banks will endeavor to balance out these fractional shares on the instructions of their clients. The fractional shares will be managed under a separate ISIN during this period. The shareholders of PAION AG have the possibility to instruct their respective custodian bank regarding the handling of fractional shares, in particular the sale of fractional shares or the purchase of additional fractional shares for the purpose of consolidation into one share. Remaining fractional shares which cannot be settled by the custodian banks will be combined with other fractional shares by the Clearstream Banking AG and realized by the bank commissioned by the Company as full rights for the account of the custodian banks. The proceeds of the realization will be paid to the shareholders via the custodian banks. The realization of the fractional shares will be carried out on the open market or in accordance with Section 226 para. 3 AktG.

III. Further information on the convening of the General Meeting

1. Requirements for participation in the General Meeting and the exercise of voting rights

Only those shareholders who have registered in due time are entitled to participate in the general meeting and to exercise their voting rights. The registration must be received by the Company no later than Wednesday, 18 January 2023, 24:00 (CET), at the following address

PAION AG
c/o BADER & HUBL GmbH
Friedrich-List-Straße 4a
70565 Stuttgart
or by email to: hauptversammlung@baderhubl.de

and the shareholders must have provided the Company with specific proof of share ownership that they were shareholders of the Company at the beginning of Wednesday, 4 January 2023, 0:00 (CET) (record date). For this purpose, a proof of shareholding in text form by the ultimate intermediary pursuant to Section 67c para. 3 AktG is required.

Like the registration, the proof of shareholding must be received by the Company at the aforementioned address no later than Wednesday, 18 January 2023, 24:00 (CET). The registration and the proof of shareholding must be in text form (Section 126b of the German Civil Code (BGB)) and must be in German or English.

The instructions for the application procedure can also be found on the website

<https://www.paion.com/medien-investoren/hauptversammlung/>.

2. Significance of the record date

In relation to the Company, only those who provided specific proof of share ownership shall be deemed to be shareholders for the purpose of attending the meeting and exercising voting rights. The entitlement to participation and the scope of voting rights shall be determined exclusively by the shareholder's proven shareholding on the record date. The record date does not imply any block on the saleability of the shareholding. In particular, sales or other transfers of shares after the record date in relation to the Company shall have no significance for the entitlement to exercise shareholder rights and the scope of voting rights. The same applies to the acquisition of shares after the record date. Persons who acquire shares only after the record date cannot derive any rights as shareholders, in particular no voting rights, from these shares for this extraordinary general meeting.

If there is any doubt as to the accuracy or authenticity of the proof, the Company shall be entitled to require suitable further proof. If such evidence is not provided or is not provided in due form, the Company may reject the shareholder.

3. Representation by third party proxies; Company-nominated proxies Authorization and voting by proxy

Shareholders may also have their voting rights exercised in the general meeting by a proxy, for example a bank, an intermediary (Section 67a para. 4 AktG), a shareholders' association or another third party, after granting the corresponding power of attorney. Even in the case of representation by a proxy, timely registration and submission of proof of share ownership as explained above are required. The proxy may exercise the rights of the shareholder (also by granting a power of attorney to another third party or to the proxies of the Company) only as specified in these conditions of participation.

The granting of the power of attorney, its revocation and proof of authorization towards the Company must generally be made in text form (see below for the address data also applicable here) if neither an intermediary within the meaning of Section 67a para. 4 AktG nor a shareholders' association, proxy advisor or other persons within the meaning of Section 135 para. 8 AktG are authorized to exercise voting rights.

If powers of attorney to exercise voting rights are granted to an intermediary within the meaning of Section 67a para. 4 AktG, a shareholders' association, proxy advisor or to other persons within the meaning of Section 135 para. 8 AktG, there is no requirement for the power of attorney to be in text form, but it must be verifiably recorded by the proxy. The authorization must also be complete and may only contain declarations connected with the exercise of voting rights. We therefore ask shareholders who wish to authorize an intermediary within the meaning of Section 67a para. 4 AktG, a shareholders' association, proxy advisor or other persons within the meaning of Section 135 para. 8 AktG to exercise their voting rights to consult with the person to be authorized about the form of the authorization.

If the shareholder authorizes more than one person, the Company may reject one or more of them.

Shareholders who wish to authorize a proxy are requested to use the form provided by the Company for this purpose. The authorization form will be provided by the Company jointly with the admission ticket after registration. We also make this authorization form available to our shareholders from the website under

<https://www.paion.com/medien-investoren/hauptversammlung/>

In addition, we offer our shareholders the opportunity to be represented at the general meeting by proxies nominated by the Company and bound by instructions.

Authorizations for Company-nominated proxies may be issued in writing, by email or otherwise in text form (see address data below). In the case of transmission by email, the proxy authorization form for Company-nominated proxies attached to the admission ticket and completed accordingly must be transmitted in electronic form as an attachment (exclusively as a "PDF" or "TIF" file). The proxy authorization form for Company-nominated proxies is made available on the website at

<https://www.paion.com/medien-investoren/hauptversammlung/>

Even in the event of authorization of Company-nominated proxies, timely registration and submission of proof of share ownership in the form described above are required.

If the Company-nominated proxies are to be authorized, the shareholder must in any case give them instructions on how to exercise the voting rights on the items on the agenda. If there are no explicit instructions or if the instructions are contradictory or unclear, the Company-nominated proxies will abstain from voting on the relevant agenda item. The Company-nominated proxies are obliged to vote in accordance with the instructions given to them and

have the right to issue sub-proxies. The Company-nominated proxies do not accept instructions to speak, to object to resolutions of the general meeting, or to ask questions or propose motions, either in the run-up to the general meeting or during the general meeting.

Those shareholders who wish to make use of this option and grant authorization to the Company-nominated proxies require a proxy authorization form for this purpose, which also enables instructions to be issued. This form will be sent to shareholders jointly with the admission ticket. If a shareholder wishes to make use of the option to authorize Company-nominated proxies, he/she must complete a proxy authorization form and, for organizational reasons, send it to the Company by mail or email at the latest by Tuesday, 24 January 2023, 24:00 (CET) at the following address, whereby receipt is decisive:

PAION AG
c/o BADER & HUBL GmbH
Friedrich-List-Straße 4a
70565 Stuttgart
Email: hauptversammlung@baderhubl.de

Furthermore, information on the general meeting and on the authorization of the Company-nominated proxies can also be found on the Internet at

<https://www.paion.com/medien-investoren/hauptversammlung/>

4. Motions by shareholders for additions to the agenda pursuant to Section 122 para. 2 AktG

Shareholders whose shares together amount to at least one-twentieth of the share capital or the pro rata amount of EUR 500,000.00 (this corresponds to 500,000 shares) may demand in accordance with Section 122 para. 2 AktG that items be placed on the agenda and published. Each new item must be accompanied by a statement of reasons or a draft resolution.

Such a demand for an amendment must be addressed in writing to the Management Board and must be received by the Company at least 30 days prior to the meeting; the day of receipt and the day of the general meeting shall not be included in this calculation. The last possible date of receipt is therefore Sunday, 25 December 2022, 24:00 (CET). Demands for amendments received after this time will not be considered.

The shareholders concerned shall prove that they have held the shares for at least 90 days prior to the date of receipt of the demand by the Company and that they will hold the shares until the decision of the Management Board on the demand, whereby Section 70 AktG shall apply to the calculation of the shareholding period. Section 121 para. 7 AktG shall apply *mutatis mutandis*.

Please provide any demands for amendments to the following address:

PAION AG
Vorstand

Heussstraße 25
52078 Aachen

Timely and properly submitted demands for amendments will – insofar as they have not already been announced at the time the meeting was convened – be published and forwarded in the same way as the invitation convening the general meeting. They will also be published without delay on the internet at

<https://www.paion.com/medien-investoren/hauptversammlung/>

5. Countermotions by shareholders pursuant to Section 126 para. 1 AktG

Every shareholder has the right to submit a countermotion at the extraordinary general meeting against the proposals of the Management Board and/or Supervisory Board on specific items on the agenda. Countermotions must not be accompanied by a statement of grounds.

Countermotions from shareholders received by the Company at the address given below at least 14 days prior to the general meeting, not including the day of receipt and the day of the general meeting, i.e. no later than 24:00 (CET) on Tuesday, 10 January 2023, will be published without undue delay on the Company's website at

<https://www.paion.com/medien-investoren/hauptversammlung/>

Information on countermotions pursuant to Section 126 AktG as well as any statements by the administration can also be found at

<https://www.paion.com/medien-investoren/hauptversammlung/>

Countermotions, including the name of the shareholder and any provided statement of grounds will be made available.

In Section 126 para. 2 AktG, the law states reasons why a countermotion and its statement of grounds not be made available on the website. In particular, a statement of grounds for a countermotion need not be made available if it exceeds 5,000 characters in total.

The following address shall be decisive for the submission of countermotions.

PAION AG
Abteilung Investor Relations
Heussstraße 25
52078 Aachen
Email: investor.relations@paion.com

Countermotions addressed elsewhere will not be made available.

The right of any shareholder to submit counter motions to the various agenda items during the general meeting, even without prior and timely submission to the Company, remains unaffected. Please note that counter motions which have been submitted to the Company in advance and in due time will only be considered at the general meeting if they are made verbally there.

6. Shareholder's right to information pursuant to Section 131 para. 1 AktG

Pursuant to Section 131 para. 1 AktG, the Management Board must provide any shareholder with information on the Company's affairs upon request at the general meeting, to the extent that such information is necessary for a proper evaluation of the item on the agenda. This obligation to provide information also extends to the Company's legal and business relationships with an affiliated company and the situation of the group and the enterprises included in the consolidated financial statements. Under certain conditions set out in more detail in Section 131 para. 3 AktG, the Management Board may refuse to provide information.

Pursuant to Section 26 para. 1 of the Articles of Association, the chairman of the meeting is authorized to limit the time shareholders have to ask questions and speak; in particular, he is authorized to set a reasonable time limit at the beginning of the extraordinary general meeting or during its course for the entire course of the general meeting, for individual agenda items, and for individual speeches and questions.

7. Publications on the website

As of the convening of the general meeting, the following documents in particular are available together with this invitation on the Company's website at:

<https://www.paion.com/medien-investoren/hauptversammlung/>

The documents and information will also be accessible via the aforementioned website during the general meeting on Wednesday, 25 January 2023. The legal obligation is satisfied by making the documents and information available on the Company's website.

Any counter motions and motions for additions to the agenda from shareholders received by the Company in good time within the meaning of the aforementioned deadlines and subject to publication will also be made available via the aforementioned website.

The invitation to the general meeting was published in the Federal Gazette on Thursday, 15 December 2022. On the same day, it was forwarded for publication to those media which can be expected to disseminate the information throughout the European Union.

8. Total number of shares and voting rights at the time of convening the Extraordinary

General Meeting

At the time of convening of the general meeting, the share capital of the Company amounts to EUR 71,336,992.00 and is divided into 71,336,992 no-par value shares. In principle, each no-par value share grants one vote at the extraordinary general meeting in principle. At the time of convening the extraordinary general meeting, the Company holds no treasury shares. The total number of shares entitled to participate and vote at the time of convening is therefore 71,336,992.

PAION AG has no shareholding of a credit institution in the Company that is subject to notification pursuant to Section 33 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

9. Information on data protection for shareholders

The Company, as the controller within the meaning of Art. 4 No. 7 of the General Data Protection Regulation, processes personal data (surname, first name, address, email address, number of shares, class of shares, type of ownership of shares, number of the admission card, and votes) on the basis of the applicable data protection laws. In addition, the Company also processes the personal data of any proxy appointed by a shareholder (in particular his name and place of residence). If a shareholder or proxy contacts the Company, the Company will also process the personal data necessary to respond to any requests (such as contact details provided by shareholders or their proxies, such as telephone numbers).

Depending on the individual case, other personal data may also be considered. For example, the company processes information on motions, questions and election proposals. In the case of countermotions to be made available, these, including the name of the shareholder, are also published on the internet at

<https://www.paion.com/medien-investoren/hauptversammlung/>

The processing of shareholders' personal data is strictly necessary pursuant to Sections 118 et seq. AktG, in order to prepare, conduct and follow up the extraordinary general meeting and to enable the shareholders to exercise their rights within the framework of the extraordinary general meeting. Without the provision of this personal data, it is not possible for shareholders to participate in the extraordinary general meeting and exercise their voting rights and other rights related to the meeting. The legal basis for the processing is the German Stock Corporation Act (AktG) in conjunction with Art. 6 para. 1 lit. c of the General Data Protection Regulation. Since all shares of the Company are bearer shares, however, the Company points out that shareholders may be represented by proxies pursuant to Section 135 AktG (intermediaries, proxy advisors, shareholders' associations or persons acting in a business-like manner) while maintaining their anonymity or without providing their personal data. The Company may also process personal data in order to comply with other legal obligations, such as regulatory requirements as well as obligations to retain data under share, securities, commercial and tax

law. The legal basis for the processing is the respective statutory regulations in conjunction with Art. 6 para. 1 sentence 1 lit. c of the General Data Protection Regulation.

The Company's service providers, which are used for the purpose of organizing the extraordinary general meeting by way of commissioned processing, shall only receive such personal data from the Company as is necessary for the performance of the commissioned service and shall process the data exclusively in accordance with the instructions of the Company.

Apart from that, personal data will be made available to shareholders and shareholder representatives within the framework of the legal provisions, namely via the list of participants.

The Company does not use the personal data collected in connection with the general meeting to make decisions based on automated processing (profiling).

The Company or the service providers commissioned with this receive the personal data of the shareholders as a rule via the registration office and the latter via the shareholder's credit institution which the shareholders have commissioned with the safekeeping of their shares in the Company (so-called custodian bank).

For the data collected in connection with the general meeting, the storage period is regularly up to three years, unless legal proof and storage regulations oblige the Company to further storage or the Company has a justified interest in storage, for example in the event of judicial or extrajudicial disputes arising from the extraordinary general meeting. After expiry of the relevant period, the personal data will be deleted. Within the scope of the inspection of the list of participants of the general meeting, other participants and shareholders may gain insight into the data recorded in the list of participants regarding the shareholders or their proxies participating in the general meeting, provided that they are included in the list of participants. Some of your personal data will also be published in compliance with the provisions of the AktG in the context of requests for additions to the agenda or counter motions that require publication, if you submit such requests.

Under certain legal conditions, shareholders have a right of access, rectification, restriction, objection and deletion with regard to their personal data or its processing. If shareholders' personal data is incorrect or incomplete, they have the right to have it corrected and completed. Shareholders may at any time request the deletion of their personal data, unless the Company is legally obliged or entitled to further process their data. Furthermore, shareholders have a right to data portability pursuant to Art. 20 of the General Data Protection Regulation.

Shareholders may exercise these rights against the Company free of charge via the following contact details, which shareholders may also use to contact the Company for questions regarding data protection:

PAION AG
Heussstraße 25
52078 Aachen

In addition, shareholders have a right of appeal to the data protection supervisory authorities pursuant to Art. 77 of the General Data Protection Regulation.

The data protection supervisory authority responsible for the Company is:

LDI NRW
Kavalleriestraße 2-4
40213 Dusseldorf
Tel.: + 49 (0) 211 38424-0
Email: poststelle@ldi.nrw.de

The Company's Data Protection Officer can be contacted at:

Ms. Michaela Genderka
Blumenstraße 13
47918 Tönisvorst
Tel.: + 49 (0) 2151 94 22 060
Email: m.genderka@emge-data.de

Aachen, December 2022

PAION AG

The Management Board