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PAION AG

Aachen

- ISIN DE000A3E5EG5 -

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Invitation to the Annual General Meeting

We hereby invite our shareholders to the Annual General Meeting to be held on Wednesday, July 12, 2023, at 10:00 a.m. CEST. The Annual General Meeting 2023 of PAION AG, Aachen, Germany, will be held as a virtual Annual General Meeting without the physical presence of the shareholders or their proxies (except for the proxies appointed by the Company). The entire Annual General Meeting will be broadcast with images and sound via an internet-based AGM shareholder portal for duly registered and legitimized shareholders and their proxies. The voting rights of shareholders and their proxies will be exercised exclusively by postal vote or by granting power of attorney to the proxies appointed by the Company. The venue of the Annual General Meeting as defined by the Stock Corporation Act is Forum M, Buchkremerstrasse 1-7, 52062 Aachen, Germany. A physical presence of the shareholders and their proxies (with the exception of the proxies nominated by the Company) at the location of the Annual General Meeting is excluded. For further details, please refer to the additional information and notes at the end of the invitation following the agenda.

I. Agenda

- 1. Presentation of the adopted annual financial statements and the consolidated financial statements approved by the Supervisory Board as of December 31, 2022, the management reports for the Company and the Group for the financial year 2022, including the report of the Supervisory Board for the financial year 2022, and the explanatory report of the Management Board on the disclosures pursuant to sections 289a (1) and 315a (1) of**

the German Commercial Code as of December 31, 202 2.

The Supervisory Board has approved the annual financial statements and the consolidated financial statements prepared by the Executive Board; the annual financial statements are thus adopted. A resolution by the Annual General Meeting on this agenda item 1 is therefore not intended and not necessary. Rather, the documents referred to are merely to be made available to the Annual General Meeting and explained 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 viewed on the internet at <https://www.paion.com/media-and-investors/annual-general-meeting/> and will also be accessible during the Annual General Meeting and will also be sent to shareholders free of charge without delay upon request.

2. Resolution on the approval of the actions of the members of the Management Board for fiscal year 202 2.

The Supervisory Board and the Management Board propose that the actions of the members of the Management Board holding office in the fiscal year 2022 be approved.

3. Resolution on the ratification of the actions of the members of the Supervisory Board for the 202 financial year 2

The Supervisory Board and the Management Board propose that the acts of the members of the Supervisory Board holding office in the fiscal year 2022 be ratified.

4. Resolution on the appointment of the auditor of the annual financial statements and the auditor of the consolidated financial statements as well as the auditor for a possible review of the condensed financial statements and the interim management report and for a possible review of additional interim financial information.

The Supervisory Board proposes - based on the recommendation of the Audit Committee - that Baker Tilly Holding GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, headquartered in Düsseldorf, Munich branch office

- (a) as auditors of the financial statements and consolidated financial statements for the fiscal year 2023;
- (b) in the event of a review of the condensed financial statements and the interim management report (sections 115 (5) and 117 no. 2 of the Wertpapierhandelsgesetz (WpHG -

German Securities Trading Act)) for the first half of the financial year 2023, as auditor for such a review; and

- (c) in the event of a review of additional interim financial information (section 115 (7) of the Wertpapierhandelsgesetz (WpHG - German Securities Trading Act)) for the first and/or third quarter of the financial year 2023 and/or for the first quarter of the financial year 2024, to be the auditor for such a review

to order.

5. Presentation of the compensation report for fiscal year 2022 for discussion

Under the Act Implementing the Second Shareholders' Rights Directive (ARUG II), the Management Board and Supervisory Board must prepare an annual compensation report in accordance with section 162 of the German Stock Corporation Act (AktG) and submit it to the Annual General Meeting for approval in accordance with section 120a (4) AktG or, under the conditions of section 120a (5) AktG, for discussion. The Management Board and Supervisory Board have prepared a compensation report on the compensation granted and owed to each member of the Management Board and Supervisory Board in the financial year 2022. The compensation report was audited by the auditors in accordance with § 162 (3) AktG and issued with an audit opinion. As the Company is a listed medium-sized corporation within the meaning of Section 267 (2) of the German Commercial Code (HGB) and therefore meets the requirements of Section 120a (5) of the German Stock Corporation Act (AktG), the compensation report will not be submitted to the Annual General Meeting for resolution on approval but will be discussed under a separate agenda item. A resolution of the Annual General Meeting on this item 5 of the agenda is therefore not required.

The compensation report for the financial year 2022, prepared and audited in accordance with Section 162 of the German Stock Corporation Act (AktG), and the auditor's report on its audit are printed in Section II. ('Further information on the agenda') of this invitation and are available from the time the Annual General Meeting is convened and during the Annual General Meeting on the Company's website at

<https://www.paion.com/media-and-investors/annual-general-meeting>

accessible.

6. Elections to the Supervisory Board

Pursuant to Sections 95, 96 (1), 101 (1) AktG and Section 12 (1) of the Articles of Association of PAION AG, the Supervisory Board of PAION AG is composed of five members. The Annual General Meeting is not bound by election proposals.

6.1 Election of Dr. Karin Louise Dorrepaal to the Supervisory Board

The term of office of Supervisory Board member Dr. Karin Louise Dorrepaal ends at the close of the Annual General Meeting in 2023, i.e. the Annual General Meeting convened with this invitation. The Supervisory Board proposes to the Annual General Meeting that Dr. Dorrepaal be appointed as a member of the Supervisory Board for a further term of office.

Against this background, the Supervisory Board proposes to the Annual General Meeting to resolve the following:

"Dr. Karin Louise Dorrepaal, resident in Amsterdam/Netherlands, full-time member of the Supervisory Board or comparable supervisory bodies of the companies listed below, is hereby appointed as a member of the Supervisory Board of the Company with effect from the end of the Annual General Meeting 2023 for a further term of office until the end of the Annual General Meeting which resolves on the ratification of actions for the fourth fiscal year after the beginning of the further term of office. The fiscal year in which the further term of office begins shall not be taken into account in calculating the period."

The Annual General Meeting is not bound by election proposals.

Dr. Dorrepaal, born 1961, is currently simultaneously and full-time a member of statutory supervisory boards and comparable domestic and foreign supervisory bodies of the following companies:

- Almirall S.A., Barcelona/Spain
- Gerresheimer AG, Düsseldorf
- Triton Beteiligungsberatung GmbH, Frankfurt
- Kerry Group plc, Tralee/Ireland
- Van Eeghen & Co B.V., Amsterdam/Netherlands
- Intravacc B.V., Bilthoven/Netherlands

In the opinion of the Supervisory Board, there are no personal or business relationships between Dr. Dorrepaal on the one hand and companies of the PAION Group, their corporate bodies or a shareholder directly or indirectly holding more than 10% of the voting shares in PAION AG on the other hand that are relevant for the election decision of the Annual General Meeting.

The Supervisory Board has satisfied itself that Dr. Dorrepaal is able to devote the expected amount of time. A curriculum vitae of Dr. Dorrepaal, which provides information on relevant knowledge, skills and experience and discloses the main activities of Dr. Dorrepaal in addition to her Supervisory Board mandate with the Company, can be viewed at www.paion.com/de/m Medien-investoren/hauptversammlung/ and will also be accessible during the Annual General Meeting via the aforementioned internet address.

6.2 Election of Dr. Mirko Jean Sickinger, LL.M., attorney-at-law, to the Supervisory Board

Mr. Gregor Siebert, member of the Supervisory Board, is currently appointed as deputy member of the Management Board of PAION AG pursuant to Sec. 105 (2) AktG. His membership of the Supervisory Board is therefore currently suspended. Furthermore, his term of office as a member of the Supervisory Board will expire at the end of the Annual General Meeting 2023, i.e. the Annual General Meeting to be convened with this invitation. With Mr. Siebert's departure from the Supervisory Board, a position on the Supervisory Board will therefore become vacant.

The Supervisory Board proposes to the Annual General Meeting that the attorney Dr. Mirko Sickinger be elected to the Supervisory Board as Mr. Siebert's successor. Dr. Sickinger is to be elected to the Supervisory Board on a transitional basis until a candidate has been found to take over this position for a longer period. Therefore, the election is to be held until the end of the Annual General Meeting which resolves on the ratification of the acts of the Supervisory Board for the fiscal year 2023.

Against this background, the Supervisory Board proposes to the Annual General Meeting to resolve the following:

"Dr. Mirko Jean Sickinger, LL.M., resident in Cologne, attorney-at-law and partner at the law firm Heuking Kühn Lüer Wojtek, is appointed as a member of the Supervisory Board of the Company with effect from the end of the Annual General Meeting 2023 until the end of the Annual General Meeting resolving on the discharge for fiscal year 2023."

The Annual General Meeting is not bound by election proposals.

Dr. Sickinger, born in 1963, is currently not a member of any statutory supervisory boards or comparable domestic or foreign boards of companies.

Dr. Sickinger is an attorney and partner of the law firm Heuking Kühn Lüer Wojtek. Since 2020, there has been a client agreement between PAION AG and the law firm Heuking Kühn Lüer Wojtek on legal advisory services, under which Dr. Sickinger, as lead partner, provides legal advice to PAION AG in the area of stock corporation and capital markets law. It is intended to continue the mandate agreement between PAION AG and the law firm Heuking Kühn Lüer Wojtek even after a possible election of Dr. Mirko Sickinger as a member of the Supervisory Board. In this context, Dr. Sickinger shall also continue to act as a lawyer, provided and to the extent that this activity is compatible with his position as a member of the Supervisory Board.

Beyond that, in the opinion of the Supervisory Board, there are no personal or business relationships between Dr. Sickinger on the one hand and companies of the PAION Group, its executive bodies or a shareholder directly or indirectly holding more than 10% of the voting shares in PAION AG on the other hand that would be relevant for the election decision of the Annual General Meeting.

The Supervisory Board has satisfied itself that Dr. Sickinger is able to devote the expected amount of time. A curriculum vitae of Dr. Sickinger, which provides information on relevant knowledge, skills and experience and discloses the main activities of Dr. Sickinger in addition to his Supervisory Board mandate with the Company, can be viewed at www.paion.com/de/medien-investoren/hauptversammlung/ and will also be accessible during the Annual General Meeting via the aforementioned Internet address.

7. Amendments to the articles of association concerning virtual general meetings

With the Act on the Introduction of Virtual General Meetings of Stock Corporations and Amendment of Cooperative and Insolvency and Restructuring Law Provisions (Bundesgesetzblatt I No. 27 2022, p. 1166 et seq.), the German legislator has permanently anchored the format of the virtual general meeting in the Stock Corporation Act with some changes compared to the previously existing COVID-19 exemptions.

These legal changes are to be taken into account by inserting two new paragraphs in Section 24 of the Articles of Association.

This concerns the enabling of virtual shareholders' meetings (agenda item 7.1, new paragraph 7) and the participation of Supervisory Board members in the virtual shareholders' meeting (agenda item 7.2, new paragraph 8).

7.1 Resolution on the amendment of § 24 of the Articles of Association to authorize the Management Board to hold virtual shareholders' meetings

Pursuant to the newly introduced Section 118a AktG, the Articles of Association of the Company may provide or authorize the Management Board to provide for a shareholders' meeting to be held without the physical presence of the shareholders or their proxies (virtual shareholders' meeting). Such a provision in the Articles of Association must be limited in time. The time limit may not exceed five years after entry of the provision in the Articles of Association in the Commercial Register. The law makes the holding of a virtual shareholders' meeting for the purpose of safeguarding shareholders' rights subject to certain further requirements.

The Management Board and Supervisory Board propose a provision in the Articles of Association authorizing the Management Board to provide for an Annual General Meeting to be held as

a virtual Annual General Meeting. Taking into account the newly introduced provisions, the legally possible authorization period of up to five years is to be utilized.

The Management Board will only make use of the authorization to hold a virtual Annual General Meeting at its due discretion, taking into account all circumstances of the individual case. The Management Board will decide on the format and concrete form of the General Stockholders' Meeting taking into account the interests of the Company and its stockholders and, in particular, giving high priority to safeguarding stockholders' rights. In addition, it will take into account the following aspects in particular when deciding whether to hold a virtual General Stockholders' Meeting:

content of the planned agenda, health protection (e.g. in the event of a pandemic situation), process stability and planning reliability, scope of the format, energy and resource consumption (sustainability considerations), and the effort and cost of holding the meeting. When deciding whether to hold a virtual shareholders' meeting, the Management Board will also take into account the experience with the virtual format gained by utilizing the authorization in previous years.

In doing so, the Management Board intends to base the exercise of its discretion essentially on the format of the face-to-face meeting as well as on the format of this year's virtual Annual General Meeting. In particular, this means that if a virtual General Stockholders' Meeting is held, stockholders will be able to ask their questions during the virtual General Stockholders' Meeting, i.e. the option of shifting the primary right to ask questions to the run-up to the General Stockholders' Meeting - while granting only a right to ask follow-up questions or to ask questions again during the General Stockholders' Meeting - is not to be used. However, it is pointed out that the Management Board is entitled and obliged to critically review and, if necessary, revise its current assessment when convening any future virtual shareholders' meeting.

The new provision of the Articles of Association is to be incorporated into the Articles of Association by inserting a new paragraph 7 in § 24. In addition, the heading to § 24 is to be expanded accordingly to include the subject matter of the "Format of the Annual General Meeting" in order to cover the content added by the new paragraph 7.

The Management Board and Supervisory Board therefore propose that the following resolution be adopted:

"The heading of Section 24 of the Articles of Incorporation is amended and reworded as follows:

"Section 24 Participation in the General Meeting and Format of the General Meeting".

The following new paragraph 7 shall be added to Section 24 of the Articles of Association:

*"(7) The Management Board is authorized to provide that shareholders' meetings held within five years of the entry of this provision of the Articles of Association in the commercial register may be held without the physical presence of the shareholders or their proxies at the location of the shareholders' meeting (virtual shareholders' meeting) ("**Authorization virtual shareholders' meeting 2023**")."* "

7.2. Resolution on an amendment to the Articles of Association to enable members of the Supervisory Board to participate in a virtual Annual General Meeting by way of video and audio transmission

In addition to the members of the Board of Management, the members of the Supervisory Board shall in principle also physically participate in a virtual shareholders' meeting on site. However, use shall be made of the option to enable members of the Supervisory Board to participate by means of video and audio transmission in accordance with § 118a (2) sentence 2 AktG. Section 23 (6) sentence 2 of the Articles of Association already contains such an option for Supervisory Board members. This provision is now to be expressly extended to virtual shareholders' meetings. In this context, the content of the provisions governing cases in which participation by means of video and audio transmission is to be specified.

The Management Board and Supervisory Board therefore propose that the following resolution be adopted:

"In Section 24 (6) of the Articles of Association, the second sentence shall be deleted and replaced by the following sentence.

"Members of the Supervisory Board (with the exception of the chairman of the meeting) shall, in consultation with the chairman of the Supervisory Board, be permitted to participate in the Annual General Meeting, including in the case of a virtual Annual General Meeting pursuant to subsection 7, by means of video and audio transmission if their physical presence at the location of the Annual General Meeting would not be possible, or would only be possible at considerable expense, due to legal restrictions, their residence abroad, their necessary residence at another location in Germany, or due to an unreasonable duration of travel.

8. Amendment to the Articles of Association on the provision of proof of entitlement to attend the Annual General Meeting and to exercise voting rights

Section 24 (1) of the Company's Articles of Association provides, among other things, for how shareholders are to provide proof of entitlement to attend the Annual General Meeting and to

exercise their voting rights. Since 2020, it has been stipulated there that proof of share ownership must be provided in text form by the ultimate intermediary in accordance with Section 67c (3) AktG.

The provision of Section 67c (3) AktG on confirmation by the ultimate intermediary has been introduced with effect from January 1, 2020 by the Act Implementing the Second EU Shareholder Rights Directive ("ARUG II") in order to achieve standardization in Europe. However, German and foreign banks still have problems issuing the confirmation of the ultimate intermediary in the correct form in accordance with Section 67c (3) AktG. This leads to administrative work for the Company and the appointed AGM service providers in the run-up to an AGM. In order to avoid this administrative and thus cost burden in the future, the Articles of Association are to be amended to the effect that confirmation of shareholder status and thus entitlement to participate can in the future be issued not only by way of confirmation pursuant to Sec. 67c (3) AktG but also by way of a deposit certificate issued by the depositary bank, as was also possible prior to January 1, 2020.

The Management Board and Supervisory Board therefore propose that the following resolution be adopted:

"The following sentence, hitherto contained in the fifth sentence of section 24(1):

"Proof of share ownership in text form by the ultimate intermediary pursuant to Section 67c (3) AktG is required for this purpose."

shall be deleted and the following new Section 24 (1) sentence 5 shall be added in its place:

"Such proof shall be furnished by way of a special certificate of share ownership issued in text form and in German or English by the depositary institution; a certificate pursuant to Section 67c (3) of the German Stock Corporation Act shall suffice in any case."

II. Further information on the agenda

1 Supplementary information on agenda item 5 (Compensation report pursuant to Section 162 AktG including audit opinion)

PAION AG

- Compensation Report 2022 -

I. Preliminary remark

Pursuant to Section 162 of the German Stock Corporation Act (AktG) as amended by the Act Implementing the Second Shareholders' Rights Directive of December 12, 2019 ("ARUG II", BGBl 2019 I, p. 2637), the Management Board and Supervisory Board of a listed company are required to prepare a clear and comprehensible annual report on the compensation granted and owed by the company and by companies in the same group (Section 290 of the German Commercial Code (HGB)) to each individual current or former member of the Management Board and Supervisory Board in the past fiscal year.

This remuneration report describes the main features of the remuneration systems for the Management Board and the Supervisory Board of the Company, the implementation of the remuneration systems in general and specifically in the fiscal year 2022 as well as the individually granted and owed remuneration of the members of the Management Board and the Supervisory Board of PAION AG in the fiscal year 2022, i.e. in the period from January 1 to December 31, 2022, pursuant to Sec. 162 AktG as amended by ARUG II.

II. Compensation of the members of the Board of Management

1. Main features of the previous compensation system and the new compensation system

The remuneration of the members of the Management Board of PAION AG is based on two different remuneration systems as of December 31, 2022:

-By resolution of the Annual General Meeting on May 27, 2021, the Annual General Meeting approved a new compensation system for the Management Board in accordance with sections 87a, 120a (1) sentence 1 AktG ("New Compensation System"). The New Compensation System applies to all employment contracts of members of the Management Board concluded, extended or amended after May 27, 2021.

-In addition, for employment contracts with members of the Management Board already in existence on May 27, 2021 and not renewed or amended since that date ("old contracts"), the previous compensation system will continue to apply ("previous compensation system").

Accordingly, two compensation systems are still applicable for the reporting year 2022. The Company had four Management Board members in the financial year and reporting year 2022, namely Dr. James Neil Phillips, Mr. Abdelghani Omari, Mr. Gregor Siebert and Mr. Sebastian Werner. Dr. Phillips left the Company on November 30, 2022. For Mr. Phillips, the New Compensation System was applied in the period from January 1 to November 30, 2022. Mr. Omari left the Company's Management Board as of August 31, 2022. A legacy contract existed with Mr. Omari, so that the Previous Compensation System applied to Mr. Omari in 2022. Mr. Gregor Siebert was appointed to the Management Board as of December 1, 2022. The New Compensation System was therefore applicable to Mr. Siebert. Mr. Sebastian

Werner was appointed to the Management Board effective June 1, 2022. The New Compensation System was therefore applicable to Mr. Werner.

The main features of the previous compensation system and the new compensation system are outlined below.

1.1 General features of the previous compensation system

The compensation of the Management Board members under the Previous Compensation System consists of a fixed annual compensation, a variable bonus, long-term performance-related compensation components in the form of stock options, and fringe benefits in the form of company car allowances and contributions to insurance and pension plans. All stock options issued to date have a term of ten years. The variable bonus is based on the achievement of long-term and sustainable financial and strategic corporate targets set by the Supervisory Board at the beginning of each financial year. The degree of achievement of the targets and the associated amount of variable compensation are assessed and determined by the Supervisory Board. The bonus agreements do not provide for a minimum amount and an amount limit and are paid out depending on the individual achievement of targets. In addition, the Supervisory Board may in exceptional cases grant special compensation to individual members of the Management Board at its due discretion.

The remuneration of the members of the Management Board also covers their management activities at the subsidiaries.

Under the Previous Compensation System, stock options were issued to members of the Management Board under various stock option programs, namely under the 2010, 2014, 2016 and 2018 stock option programs.

The stock option agreements concluded with the individual members of the Management Board provide for a quantitative limit. With regard to the development of the value of the stock options granted, which is directly related to the development of the PAION share, no limits have been agreed other than minimum increases in value.

In the event of a change of control and termination of employment within a certain period after the change of control, the Management Board members are each entitled to contractual severance payments. The severance payments correspond in each case to the value of two years' fixed compensation.

All Management Board contracts under the Previous Compensation System provide that in cases other than a change of control, any severance payments on premature termination of Management Board service may not exceed the value of two years' fixed compensation and may not remunerate more than the remaining term of the Management Board employment contract. The Management Board contracts do not provide for any transitional payments upon expiry of the Management Board contracts.

In the event of a significant deterioration in the situation of the Company, the Supervisory Board is entitled to reduce the total compensation of the members of the Management Board to the appropriate level in accordance with the provisions of stock corporation law if the continued payment of such compensation would be inequitable for the Company.

In the event of an acquisition of control, the terms and conditions of the 2010, 2014, 2016 and 2018 stock option programs provide that for all stock options issued to members of the Management Board for which the vesting period has not yet expired, the entitlement to subscribe for shares from the stock options issued is converted into an entitlement to cash settlement based on the share price on the date on which the acquisition of control becomes effective. The corresponding stock options expire. Instead of the cash settlement, listed shares in the acquiring company may also be granted at the Company's discretion.

1.2 General Features of the New Compensation System

The Supervisory Board of PAION AG has adjusted the existing remuneration system for the members of the Management Board to the extent necessary in 2021 with the New Remuneration System to the new regulations introduced by the ARUG II and has resolved the following principles on this basis. The structure of the remuneration provided for in the New Remuneration System continues to be geared towards the sustainable and long-term development of PAION AG and its group companies (hereinafter "PAION Group").

The compensation of the Management Board comprises both fixed (non-performance-related) components and variable (performance-related) components. As part of the variable compensation, the Supervisory Board defines performance criteria and targets for the achievement of these performance criteria, on the fulfillment of which the amount of the variable compensation depends.

The New Compensation System was presented to and approved by the Annual General Meeting on May 27, 2021 in accordance with Section 120a (1) AktG.

Compensation components

The compensation system basically comprises fixed (non-performance-related) and variable (performance-related) compensation components.

The fixed, non-performance-related compensation component consists of the basic compensation ("basic compensation") as well as benefits in kind and other compensation (the "fringe benefits").

The variable compensation components consist of a short-term variable component in the form of an annual bonus and a long-term variable component. The latter may be granted in the form of stock options and/or in the form of a bonus based on long-term performance criteria.

For the variable compensation components, target criteria are set by the Supervisory Board before the beginning of each financial year with a view to the strategic objectives, the requirements of sections 87, 87a of the German Stock Corporation Act (AktG) and the German Corporate Governance Code, on the basis of whose degree of achievement the amount of the actual payment or the scope of the allocation of the stock options to be issued is determined on the basis of the fair value at the time of issue. When setting the targets, the Supervisory Board ensures that they are demanding and ambitious and geared to sustainability. Subsequent amendment of the target values or the comparison parameters set for the variable compensation by the Supervisory Board is not permitted.

The sum of the aforementioned compensation constitutes the total compensation ("total compensation") of a member of the Board of Management.

Determination of specific target total compensation by the Supervisory Board, appropriateness of Management Board compensation

In accordance with the compensation system, the Supervisory Board determines the performance criteria and targets for the achievement of the target total compensation ("target total compensation") for each Management Board member for the upcoming financial year in each case. The target total compensation corresponds to the total compensation (as previously defined) that would be paid if the performance criteria for short-term and long-term variable compensation were assumed to be met 100% of the time. The employment contract may also provide for the Supervisory Board to redefine the amount of the target total compensation for the upcoming fiscal year by adjusting the variable compensation components. The aim here is to ensure that the respective remuneration is commensurate with the tasks and performance of the Management Board member and the situation of the Company, is geared towards the long-term and sustainable development of PAION AG and the PAION Group, and does not exceed the usual remuneration without special reasons.

Both external (horizontal) and internal (vertical) comparisons are used to assess the appropriateness of the level of compensation:

External (horizontal) comparison

In order to assess the appropriateness and customary nature of the specific target total compensation of the members of the Management Board compared to other companies, the Supervisory Board uses a suitable peer group (horizontal comparison). For this peer group comparison, the market position of the companies compared to PAION AG is decisive.

The companies in the peer group are comparable listed biotechnology and pharmaceutical companies based in Germany that are active in research & development and the marketing of innovative drugs.

In doing so, the Supervisory Board considers the structure of the compensation, the target total compensation and the individual components as well as the maximum total compensation at the peer companies.

Internal (vertical) comparison

The internal (vertical) comparison refers to the relation of the remuneration of the Management Board to the remuneration of the senior management and the workforce of PAION AG. The Supervisory Board has delimited the circle of senior managers for this purpose by defining the department head level and the country managers as the senior management circle.

The Supervisory Board takes into account the development of the remuneration of the groups described and how the ratio develops over time.

Relation of the individual compensation components

The percentage of the various compensation components is shown below. The percentage stated in each case relates to an assumed 100% target achievement for determining the short-term and long-term variable compensation. The target values relevant for target achievement are specified by the Supervisory Board for the respective fiscal year.

The proportion of the compensation components is stated in a range in each case so that the Supervisory Board retains the option of differentiating the compensation of the Management Board members on a functional basis and/or varying the ratios within these ranges in the future if necessary as part of an annual review of the compensation, in particular with regard to market practice.

- The base compensation contributes between 40% and 70% of the total target compensation.
- The short-term variable compensation contributes between 10% and 25% to the target total compensation.
- The long-term variable compensation contributes between 15% and 30% to the target total compensation.
- The fringe benefits contribute a total of up to a maximum of 5% of the target total compensation.

No share of the target total compensation is stated for the pension benefits granted by the Company in the form of continued remuneration to surviving dependents, as these are only paid in the event of the death of the Management Board member and therefore do not contribute to the target total compensation during the term of office.

With regard to the target remuneration structure, the Supervisory Board ensures that the long-term variable components of the remuneration exceed the short-term variable remuneration components so that the remuneration structure is geared towards the long-term and sustainable development of PAION AG.

Maximum limit for total compensation ("maximum total compensation")

In accordance with § 87a (1) sentence 2 no. 1 AktG, the Supervisory Board has set a maximum amount for the total compensation of the members of the Management Board (i.e. the sum of basic compensation, fringe benefits and short-term and long-term variable compensation components) ("maximum total compensation"). This maximum total compensation amounts to

-for the Chairman of the Board of Management EUR 600,000.00 and

-for the other members of the Board of Management EUR 500,000.00 each.

The maximum total compensation refers to the sum of all values resulting from the compensation arrangements in a fiscal year.

Explanations of the individual compensation components

Fixed remuneration components

Basic remuneration

The basic remuneration is a fixed remuneration for the entire year, paid in twelve monthly installments at the end of each month with statutory deductions.

When determining the amount of the basic remuneration, the Supervisory Board takes into account the area of responsibility and the duties of the respective Management Board member.

As part of the basic remuneration, it is possible to make use of salary conversion to contribute to a direct insurance policy.

Ancillary services

Each member of the Management Board may also receive the following fringe benefits:

- a monthly payment in lieu of providing a company car,
- the conclusion of or inclusion in a group accident insurance policy,
- the assumption of any contributions for membership in professional associations,
- the possible assumption or reimbursement of telecommunication costs, relocation costs and expenses for a double household for business reasons,
- the assumption of contributions to health and long-term care insurance up to a fixed amount,
- the conclusion of a D&O insurance policy with a deductible in accordance with Section 93 (2) sentence 3 AktG.

Pension payments

The employment contracts may provide that, in the event of the death of a member of the Management Board, PAION AG will pay the surviving dependents the fixed salary for the month of death and up to three subsequent months, but no longer than until the termination of the employment contract. Furthermore, the Company will pay the proportionate amount of the short- and long-term variable remuneration to the surviving dependents.

Variable compensation components

The variable compensation components comprise both short-term and long-term components. The short-term variable remuneration component in the form of the annual bonus and the long-term variable remuneration component in the form of stock options and/or a bonus aligned to long-term performance criteria differ in their underlying performance period and the financial performance criteria and non-financial performance criteria used to measure the payout. The selection of the performance criteria is based on the corporate strategy of PAION AG and is oriented towards growth, profitability and competitiveness.

Short-term variable remuneration ("STI")

Short-term variable compensation (or short-term incentive, "STI") in the form of a bonus is intended to reward the Management Board member's contribution to the Company's success in a specific financial year.

In addition to financial performance criteria, this is also based on non-financial performance criteria that take into account the collective and/or individual performance of the Management Board members.

The amount of the bonus is determined depending on the achievement of the targets, whereby if the set targets are exceeded, the maximum amount of the bonus is set at 100% of the STI target amount

Financial performance criteria

The amount of the bonus to be paid depends on the extent to which a member of the Board of Management achieves the targets set by the Supervisory Board for that member of the Board of Management for one or more of the following key financial indicators as performance criteria within the meaning of Section 87a (1) sentence 2 no. 4 AktG:

- Sales revenue and related sales ratios, EBIT (earnings before interest and taxes), EBITDA (earnings before interest, taxes, depreciation and amortization), free cash flow and other cash flow indicators, equity and debt indicators (e.g. debt-to-equity ratio),
- Share price development of the PAION AG share and/or earnings per share and total shareholder return,
- targets with regard to securing, maintaining and/or expanding the financing of PAION AG and PAION Group.

For the aforementioned financial performance criteria, the Supervisory Board determines the degree of target achievement, expressed as a percentage, in each case after the end of the relevant financial year.

In addition to the financial performance criteria, the Supervisory Board may also define non-financial performance criteria, in particular also personal performance criteria, from the following areas for individual or all members of the Management Board before the beginning of each fiscal year:

- Strategic corporate objectives such as the achievement of important strategic projects (including mergers & acquisitions, strategic partnerships), the development of new markets, cooperation

with the Supervisory Board or sustainable strategic, technical or structural corporate development, the implementation of any transformation projects, milestones in the area of market access (including pricing & reimbursement) and/or cooperations with pharmaceutical companies,

- Conduct and complete clinical trials,
- Achievement of other operational milestones, e.g., supply chain,
- ESG (Environment, Social, Governance) objectives such as occupational health and safety, compliance, energy and environment (such as development of a sustainability roadmap for the company and the Group, optimization of resource use, reduction of waste/emissions), customer satisfaction, employee concerns or corporate culture (such as measures to increase employer attractiveness and employee satisfaction, measures for management development, diversity and equal opportunities),
- Organizational and cultural development (e.g., promoting corporate values, strengthening internal cooperation and communication, succession planning).

By also taking into account non-financial performance criteria, the Supervisory Board is to be given the opportunity to also consider the individual or collective performance of the Executive Board, also with regard to the so-called ESG targets.

Long-term variable compensation ("LTI")

The long-term variable compensation (long-term incentive, or "LTI") is designed to promote the long-term commitment of Management Board members to the Company and its sustainable growth. The long-term variable compensation component consists of a bonus based on long-term performance criteria and a stock option plan, or a combination of both.

LTI Cash Bonus

For the LTI cash bonus, the above explanations regarding the specification of the financial and non-financial performance criteria, the determination of the achievement of the targets and the calculation of the STI apply accordingly, with the proviso that the targets are not based on the achievement of the targets in one, but rather several, in any case not less than three financial years.

Stock option plan

The stock options are granted to the members of the Management Board on the basis of stock option plans of the Company. The basis for such a stock option plan is currently the authorization of the Annual General Meeting of May 27, 2020 under agenda item 5. However, stock options may also be issued on the basis of a stock option plan with a different content, which is based on an authorization basis yet to be resolved by the Annual General Meeting in the future.

Ongoing review and adjustment of performance criteria

The Supervisory Board reviews the appropriateness of the variable compensation components each year, paying particular attention to their intended incentive effect.

Adjustment in the event of extraordinary developments

In the event of extraordinary developments as defined in the New Compensation System, the Supervisory Board shall be entitled, even after the beginning of the respective assessment period, to adjust the amount of the individual compensation components (including the target total compensation of variable compensation elements in the event of 100% target achievement), their relationship to each other, the criteria for target achievement, the respective payment amounts, and the payment dates, provided that the annual maximum compensation and the upper limits set for the variable compensation components prior to the beginning of the fiscal year are not exceeded.

If there are adjustments due to extraordinary developments, these are disclosed and justified in the compensation report.

Malus/Claw-Back

In certain cases, the Supervisory Board has the option of reducing variable compensation components not yet paid out or reclaiming variable compensation components already paid out ("malus" and "claw-back").

Compensation upon termination of Management Board membership

The employment contracts with Management Board members may also include provisions for compensation in the event of premature termination of the Management Board office or employment contract.

In the event of premature termination of the employment contract (without good cause for termination of the employment contract by the Company), a severance payment may be granted, the amount of which is, however, limited to two years' total compensation and may not exceed the compensation for the remaining term of the employment contract ("severance payment cap"). In other cases of premature termination, too, any payments are limited to a maximum amount of two years' total compensation or the compensation for the remaining term of the employment contract as severance payment cap. The employment contracts with Management Board members may provide for an extraordinary termination option for the Management Board members with three months' notice to the end of the month, in particular in the event of a change of control.

However, extraordinary termination should only be possible if the occurrence of a change of control leads to

- a significant change in the Company's strategy,
- a significant change in the company's own area of activity and/or
- a relocation of the own place of work by more than 300 km

with the member of the Board of Management concerned.

In the event of termination, a payment up to the amount of the severance payment cap may be agreed.

Temporary deviations

In accordance with item 9 of the New Compensation System, the Supervisory Board may temporarily deviate from individual components of the compensation system if this is necessary in the interests of the long-term well-being of the Company. This relates in particular to situations in which deviation from the compensation system is necessary to serve the long-term interests and viability of the Company as a whole or to ensure its profitability. Such situations may be based on both macroeconomic and company-related exceptional circumstances. Deviations are permitted in particular in economic crises in which the compensation of the (potential) Management Board members deemed suitable by the Supervisory Board on the basis of the compensation system and the resulting incentive structure appear to be inadequate in the interests of the Company. The components of the compensation system which may be deviated from in exceptional cases are the basic compensation (in particular the amount and payment date), the fringe benefits and pension payments (amount, type and grant date), the variable compensation components (in particular the respective assessment bases, the rules for setting targets, the performance criteria, the rules for determining target achievement and for setting the amounts to be paid out, as well as the payment dates), including the relationship of the compensation components to each other, and the maximum total compensation. If, after due assessment, the Supervisory Board comes to the conclusion that, in view of the exceptional situation, the granting of variable compensation is not in the interests of the long-term well-being of the Company, it may temporarily waive the granting of variable compensation in favor of increased fixed compensation. The deviation from the compensation system shall only be temporary and shall not exceed a period determined by the Supervisory Board in its due discretion. Such a deviation from the compensation system also requires the Supervisory Board to (i) determine by a majority of the votes cast that a situation exists which requires a temporary deviation from the compensation system in the interest of the long-term well-being of the Company and (ii) determine which specific deviations are required in its view. Insofar as the provisions of the Management Board employment contract permit a unilateral amendment of the relevant compensation provisions, the Supervisory Board will unilaterally implement the deviations deemed necessary; otherwise it will endeavor to find an appropriate contractual arrangement with the Management Board member or members concerned.

2. Compensation of the members of the Management Board of the Company in fiscal year 2022

2.1 Implementation of the compensation systems in the employment contracts, structure of Management Board compensation in fiscal year 2022

2.1.1 Compensation system to date in 2022

As stated above under section 1, the Previous Compensation System in 2022 applied to Mr. Omari for the period from January 1 to August 31, 2022. If and to the extent that the Previous Compensation System was still applicable to the compensation of the members of the Executive Board, the compensation was in line with the Previous Compensation System.

Mr. Omari's employment contract, which was subject to the previous compensation system, provides for the payment of an annual fixed compensation, the payment of an annual performance-related bonus, and participation in stock option programs.

For the financial year 2022, the Supervisory Board has set performance targets for the payment of the annual bonus to the members of the Executive Board. More detailed explanations of the specific performance targets set and how they promote the long-term development of the Company are provided below in section 2.2. No stock options were allocated or granted in the financial year 2022.

2.1.2 New remuneration system in 2022

As already stated above under section 1, the New Compensation System was applicable in the 2022 financial year for the Management Board member Dr. Phillips for the period from January 1 to November 30, 2022. For Mr. Siebert, the New Compensation System was applicable for the period from December 1, 2022 to December 31, 2022, and for Mr. Werner for the period from June 1, 2022 to December 31, 2022. The New Compensation System was implemented in the employment contracts of Dr. Phillips, Mr. Siebert and Mr. Werner. In accordance with the New Compensation System, the employment contracts provide for the payment of fixed compensation, fringe benefits, short-term variable compensation in the form of an annual bonus ("STI"), and the payment of long-term variable compensation consisting of a bonus based on long-term performance criteria and/or the allocation of stock options through participation in stock option plans ("LTI"). For the procedure of setting the performance criteria for the STI and the LTI, the performance criteria to be set and the determination of target achievement, the regulations of the New Compensation System apply in accordance with the employment contracts. Reference is made to the above information on the principles of the New Compensation System under section 1.2.

2.2 Amount of the remuneration

2.2.1 Fixed and variable remuneration

The following table shows the compensation granted and owed to the Management Board members Dr. James Neil Phillips, Abdelghani Omari, Gregor Siebert and Sebastian Werner in the financial year 2022 within the meaning of section 162 (1) sentence 1 AktG, broken down into fixed and variable compensation components, and their respective shares. In this context, it is noted that the Company applies the terms "granted" and "owed" in accordance with the explanatory memorandum to the ARUG II as follows:

- Compensation is "*granted*" within the meaning of Sec. 162 (1) Sentence 2 No. 1 AktG if it factually, i.e. actually, accrues to the board member and thus passes to his assets ("inflow principle", cf. explanatory statement to the government draft ARUG II, BT-Drs. 19/9739, p.111, explanatory statement resolution recommendation BT-Rechtsausschuss ARUG II, BT-Drs. 19/15153, p. 53). The Company therefore discloses as "granted" compensation within the meaning of section 162 (1) sentence 2 no. 1 AktG those benefits which actually accrued to the Management Board member in fiscal year 2021, in particular by way of payment to the Management Board member.
- Compensation is "*owed*" within the meaning of § 162 (1) sentence 1 AktG if the Company has a legally existing obligation to the board member which is due but not yet fulfilled (Explanatory Statement to the Government Draft ARUG II, BT-Drs. 19/9739, p.111, Explanatory Statement Resolution Recommendation BT Legal Committee ARUG II, BT-Drs. 19/15153, p.53).

Accordingly, the following table includes on the one hand the fixed compensation paid for the 2022 financial year. The variable compensation shown in the table relates to the variable compensation paid in fiscal year 2022 for fiscal year 2021 ("bonus for fiscal year 2021"), as well as the variable compensation for fiscal year 2022 ("bonus for fiscal year 2022") for Mr. Omari, which was paid in 2022. The variable compensation (still) payable for fiscal year 2022 ("bonus for fiscal year 2022") is not included in the table below, except for Mr. Omari, as it will not be due and payable until 2023 after target achievement has been determined. With the exception of Mr. Omari, the variable compensation payable for the financial year 2022 is therefore neither "granted" nor "owed" in the financial year within the meaning of section 162 (1) sentence 1 AktG. The variable compensation payable for the financial year 2022 will therefore be reported in the compensation report for the financial year 2023.

	Dr. James Phillips (EUR)	Percentage	Abdelghani Omari (EUR)	Percentage	Sebastian Werner (EUR)	Percentage	Gregor Siebert (EUR)	Percentage
Basic remuneration	320.000,04	74,74%	140.000,00	34,46%	122.500,00	93,28%	13.334,00	91,36%
Severance payment in 2022	0,00		78.686,29	19,37%	0,00	0,00%	0,00	0,00%
Ancillary services	15.127,44	3,53%	10.084,96	2,48%	8.824,34	6,72%	1.260,62	8,64%
Annual performance bonus ("bonus for fiscal year 2021")	93.000,00	21,72%	77.500,00	19,08%	0,00	0,00%	0,00	0,00%
Annual bonus ("Bonus for fiscal year 2022 - payment in 2022")	0,00	0,00%	100.000,00	24,61%	0,00	0,00%	0,00	0,00%
Multi-year variable performance remuneration	0,00	0,00%	0,00	0,00%	0,00	0,00%	0,00	0,00%

Utility expenses	0,00	0,00%	0,00	0,00%	0,00	0,00%	0,00	0,00%
Total compensation	428.127,48	100%	406.271,25	100%	131.324,34	100%	14.594,62	100%

For the variable compensation, the Supervisory Board specifies performance criteria for the respective fiscal year, based on the achievement of which the amount of the bonus to be paid is determined. The performance criteria set by the Supervisory Board for the bonus paid in 2022 for the fiscal year 2021 were based on the strategic and operational objectives of the Company and the PAION Group, in particular with regard to the achievement of approvals of the active pharmaceutical ingredients, the achievement of economic and financial objectives as well as the development of the share price. The performance criteria for the bonus paid in 2022 for the fiscal year 2021 were based on the New Compensation System.

The performance criteria specified by the Supervisory Board for the bonus for the 2021 financial year, their weighting and the achievement of targets and the resulting payment of variable compensation are shown in the table below. The Supervisory Board has set uniform targets for the members of the Management Board for 2021. The details on targets and target achievement given in the table therefore apply uniformly to all members of the Executive Board.

Specified target	Given Time period for the achievement of objectives	Weighting (in %)	Type of Target achieve- ment (meas- ure)	Degree of Target achieve- ment (in %)
EU marketing authorization (short sedation)	Q2/2021	5 % 15%	EMA Marketing Authorization No anesthesiologist in label	100 %
Capital increase/external financing increase	Q4/2021	20 %	Total debt and equity increase € 50m	100 %

Specified target	Given Time period for the achievement of objectives	Weighting (in %)	Type of Target achieve- ment (meas- ure)	Degree of Target achieve- ment (in %)
Sales target	Q4/2021	15%	€ 8.5Mio	83,53%
Product in-licensing	Q1-2/2021	15%	Completion of the contract, capital apprecia- tion of 25% or B/E one year.	100 %
Life cycle manage- ment	H2/2021	10%	Feasibility study sublingual and new intellectual property (IP).	100%
Share price	Q4/2021	20%	15% above DAX Biotechnology subsector	0%
				Degree of Target achieve- ment TOTAL: 77.5 %

These goals promote the long-term development of the company. The marketing authorization in Europe will open up an important market for the commercialization of Remimazolam. The capital increase was a prerequisite for the establishment of commercial sales infrastructures in Europe. Debt capital was increased by EUR 20.5M through a loan. Product in-licensing expands the product portfolio. The feasibility study for sublingual drug delivery is an important milestone to expand the application possibilities of Remimazolam. The goal of a share price increase or an increase in market capitalization is important for the refinancing ability of the company on the one hand and the increase in value for the shareholders on the other hand.

Against the background of target achievement of 77.5% for the respective Management Board member, the following payment of the bonus for fiscal year 2021 results for the Management Board members in office in fiscal year 2021:

Member of the Board	In prospect bonus for the Fiscal year 2021 (maximum, EUR)	Degree of target achievement (in %)	Final bonus for fiscal year 2021 (EUR)
Dr. James Neil Phillips	120.000,00	77,5%	93.000,00
Abdelghani Omari	100.000,00	77,5 %	77.500,00

In addition, 100% of the 2022 bonus was paid to Mr. Omani in 2022 (see explanations under 2.2.1 Fixed and variable compensation).

In 2022, a severance payment of EUR 55,833.34 and vacation compensation of EUR 15,000 were agreed with Mr. Phillips. Similarly, payment of salaries for December 2022, January 2023 and February 2023 in the amount of EUR 26,667.67 each, with fringe benefits of EUR 1,705 per month, was agreed. For 2022, Mr. Phillips will receive a bonus of EUR 30,000, which will be paid in 2023. A severance payment of EUR 78,686.29 was agreed with Mr. Omari, which was paid in 2022.

We refer to Table 2.2.1. for the presentation of other compensation components.

2.2.2 Granted and awarded shares and stock options

a) Stock options

In the past, the members of the Management Board of the Company were granted stock options on the basis of the Previous Compensation System. Also under the New Compensation System, the issuance of stock options is a component of the compensation, namely the long-term variable compensation ("LTI").

The stock option agreements concluded with the individual members of the Management Board provide for a quantitative limit. With regard to the development of the value of the stock options granted, which

is directly related to the development of the PAION share, no limits have been agreed other than minimum increases in value.

No stock options were granted to members of the Management Board in the financial year 2022. Beyond this, there are no "promised" stock options within the meaning of Section 162 (1) sentence 2 no. 3 AktG.

b) Shares

In the past, no shares were granted or promised to the members of the Executive Board, with the exception of the subscription of shares due to the exercise of stock options. Also under the New Compensation System, the granting or promise of shares, outside the subscription of shares through the exercise of stock options (cf. section 3.1 above), is not envisaged.

2.3 No clawback of variable compensation components

The Company had no reason to claw back variable compensation components in 2022 and has therefore not clawed back any variable compensation components.

2.4 Conformity with the Previous and New Compensation System

As already stated above in the preliminary remarks to this section II, the Previous Compensation System applied in fiscal year 2022 to the member of the Management Board who left in that fiscal year with regard to an existing legacy contract as follows:

- Mr. Abdelghani Omari in the period from January 1 to August 31, 2022

The New Compensation System applied to the members of the Management Board in fiscal year 2022 as follows:

- Dr. James Neil Phillips for the period from January 1 to November 30, 2022
- Mr. Sebastian Werner for the period from June 1 to December 31, 2022
- Mr. Gregor Siebert for the period from December 1 to December 31, 2022.

In 2022, there was a deviation with regard to the ratios of the compensation components set out in section 1.2. The deviation is due to the fact that no long-term variable compensation is reported for 2022 and that the ratios of the compensation components therefore deviate overall from the requirements under the compensation system. The fact that no long-term variable compensation is reported results from the following circumstances:

Firstly, the deviation results from the fact that, as previously explained, the new compensation system, which provides for the ratios of the compensation components, was only temporarily applicable to the incumbent members of the Management Board in 2022. In 2021, too, the new compensation system

was only applicable to the members of the Management Board to a limited extent, namely only to Mr. Phillips from October 1 to December 31, 2021. In this respect, long-term variable compensation components agreed under the new compensation system could not yet have been granted or owed in the 2022 financial year anyway.

2.5 Consideration of the resolution of the Annual General Meeting pursuant to Sec. 120a (4), (5) AktG

Pursuant to Section 162 (1) Sentence 2 No. 6 AktG, an explanation must be included in the compensation report of how the resolution of the Annual General Meeting on the compensation report pursuant to Section 120a (4) AktG or the discussion of the compensation report pursuant to Section 120a (5) AktG was taken into account. The Compensation Report 2021 was presented for discussion on May 25, 2022 under item 5. of the agenda of the Annual General Meeting. As the Company met the requirements of Section 120a (5) of the German Stock Corporation Act (AktG) for qualification as a listed small corporation within the meaning of Section 267 (1) of the German Commercial Code (HGB) at that time, the Compensation Report was not submitted to the Annual General Meeting for a resolution on approval, but rather for discussion under its own agenda item. A resolution of the Annual General Meeting on the Compensation Report 2021 was therefore not required.

The compensation report for the 2021 financial year, which was prepared and audited in accordance with Section 162 of the German Stock Corporation Act (AktG), and the auditor's report on its audit were also included in the invitation to the 2022 Annual General Meeting and were available on the Company's website from the time the Annual General Meeting was convened and during the Annual General Meeting.

2.6 Compliance with the maximum remuneration

In the compensation of the members of the Executive Board, the maximum compensation for Management Board members set out in the New Compensation System was complied with. Even though the maximum compensation was not applied to all Management Board members and not over the entire period, the Company confirms as a precaution that the maximum compensation was not exceeded for all Management Board members and over the entire period 2022, irrespective of the question of the applicability of the New Compensation System:

The New Compensation System provides for a maximum compensation of EUR 600,000.00 for the Chairman of the Management Board and a maximum compensation of EUR 500,000.00 each for the other members of the Executive Board.

The compensation "granted and owed" to the members of the Management Board in 2022 (as detailed above under section 2.1) within the meaning of § 162 (1) sentence 1 AktG amounted to the following amounts:

-Mr. Dr. James Neil Phillips EUR 428,127.48

-Mr. Abdelghani Omari EUR 406,271.25

- Mr. Sebastian Werner EUR 131,324.34

- Mr. Gregor Siebert EUR 14,594.62

The above disclosures are based on the interpretation of the terms "granted" and "owed" in section 162 (1) sentence 1 AktG given under section 2.1 and accordingly take into account the variable compensation paid to the Management Board in the 2022 financial year for target achievement in the 2021 financial year, i.e. the bonus for the 2021 financial year, but not the variable compensation payable in the 2023 financial year for the achievement of targets in the 2022 financial year, i.e. the bonus for the 2022 financial year, with the exception of Mr. Omari, whose variable compensation for the achievement of targets in 2022 was already paid when he left the company in 2022.

If, in line with opinions in the legal literature, compliance with the maximum compensation pursuant to Section 162 (2) sentence 2 no. 7 AktG were to be based not on the bonus for the 2021 financial year but on the bonus "earned" in 2022, i.e. the bonus for the 2022 financial year (i.e. insofar as this deviates from the interpretation of the terms "granted" and "owed" set out in section 2.1), the maximum compensation would also be complied with for the members of the Board of Management. Even assuming full achievement of the performance criteria set for the Management Board members for 2022 and corresponding payment of the bonus for the 2022 financial year in the maximum amount, this would result in the following total compensation for the members of the Executive Board:

-Mr. Dr. James Neil Phillips EUR 420,960.82

-Mr. Abdelghani Omari EUR 328,771.25

- Mr. Sebastian Werner EUR 161,324.34

- Mr. Gregor Siebert EUR 14,594.62

2.7 Promises in the event of premature termination of employment

In the event of a change of control and termination of employment within a certain period after the change of control, the Management Board members are each entitled to special termination rights and contractual severance payments. The severance payments correspond in each case to the value of two years' fixed compensation, limited to the compensation for the remaining term of the Management Board employment contract.

All Management Board contracts provide that in cases other than a change of control, any severance payments on premature termination of Management Board service may not exceed the value of two years' fixed compensation and may not remunerate more than the remaining term of the Management

Board employment contract. The Management Board contracts do not provide for any transitional payments upon expiry of the Management Board contracts.

III. Remuneration of the members of the Supervisory Board

1. basic features of Supervisory Board compensation

The remuneration of the members of the Supervisory Board is set out in Section 21 of PAION AG's Articles of Association as follows:

" § 21

Compensation of the Supervisory Board

(1) In addition to reimbursement of his expenses, each member of the Supervisory Board shall receive compensation of EUR 25,000 per financial year. If a member of the Supervisory Board did not serve the Company as a member of the Supervisory Board for the entire financial year, he or she shall be entitled to remuneration only on a correspondingly pro rata basis, in proportion to the actual term of office to the entire financial year. In addition, members of the Supervisory Board receive EUR 1,000 for each Supervisory Board meeting (attendance fee) they attend in person, but for no more than five meetings per fiscal year. The Chairman receives double and his deputy 1.5 times this remuneration. For committee work, the chairman of a committee receives EUR 7,000 per fiscal year and the other committee members EUR 1,000 per fiscal year. If a committee member did not serve as a committee member for the entire fiscal year, he or she is entitled to remuneration only on a pro rata basis in proportion to the actual time spent on the committee to the entire fiscal year.

(2) In addition, the members of the Supervisory Board shall be reimbursed any value-added tax payable on the reimbursement of expenses or the Supervisory Board remuneration, insofar as they are entitled to invoice the Company separately for value-added tax and exercise this right.

(3) The members of the Supervisory Board shall be included in a pecuniary loss liability insurance policy for executive bodies and certain executives maintained by the Company in the interest of the Company at an appropriate level, insofar as such a policy exists. The premiums for this shall be paid by the Company."

The remuneration of the members of the Supervisory Board set forth in Section 21 of PAION AG's Articles of Association is based on the following considerations, which in the opinion of the Management Board and the Supervisory Board remain valid:

The compensation of the Supervisory Board consists of the following elements:

- of a fixed remuneration,
- an attendance fee for Supervisory Board meetings,
- a reject money
- a refund of any value-added tax payable on the reimbursement of expenses and the Supervisory Board remuneration, and
- the inclusion of the members of the Supervisory Board in a pecuniary loss liability insurance policy with the premiums being paid by the Company, insofar as such a policy exists.

The remuneration is payable quarterly in arrears.

The compensation system for the members of the Supervisory Board takes into account the statutory requirements and the recommendations of the German Corporate Governance Code.

The compensation of the Supervisory Board members is balanced overall and is commensurate with the responsibilities and tasks of the Supervisory Board members and the situation of the Company. Furthermore, the compensation of the Supervisory Board is in line with the market and suitable for attracting capable mandate holders and thus ensuring appropriate supervision and advice of the Executive Board.

The compensation of the members of the Supervisory Board consists purely of fixed remuneration. No variable, performance-related compensation is paid. The Company is of the opinion that by limiting itself to a purely fixed compensation, the Supervisory Board's monitoring and advisory function is promoted in the best possible way and thus contributes to the long-term and sustainable development of the Company. On the one hand, the decision not to pay performance-related compensation avoids any false incentives that might be created for the members of the Supervisory Board. Furthermore, a constant, non-performance-related fixed compensation also takes into account the fact that the monitoring and consulting expenses of the Supervisory Board do not necessarily develop synchronously with a positive or negative business development of the Company. On the contrary, in the event of negative business development, increased monitoring and consulting expenses often become apparent. The Company is therefore of the opinion that non-performance-related compensation best reflects the monitoring and advisory function of the Supervisory Board. This is also in line with suggestion G.18 of the German Corporate Governance Code in the version of April 28, 2022, according to which the compensation of the Supervisory Board should consist of a fixed compensation.

The higher time commitment of the Chairman and Deputy Chairman of the Supervisory Board is taken into account by the fact that the fixed compensation and the attendance fee for the Chairman of the Supervisory Board are 2.0 times and for the Deputy Chairman of the Supervisory Board 1.5 times the compensation of ordinary Supervisory Board members. This differentiation ensures that the additional

work to be performed by the Chairman and Deputy Chairman of the Supervisory Board is appropriately compensated and, in addition, creates a sufficient incentive for Supervisory Board members to assume the position of Chairman or Deputy Chairman of the Supervisory Board. In this respect, the differentiation of compensation also complies with Recommendation G.17 of the German Corporate Governance Code as amended on April 28, 2022, according to which the compensation of Supervisory Board members should take appropriate account of the higher time commitment of the Chairman and Deputy Chairman of the Supervisory Board.

The remuneration of the members of the Supervisory Board at PAION AG is determined by the Annual General Meeting by way of a provision in the Articles of Association. For this purpose, the Management Board and the Supervisory Board submit a resolution proposal to the Annual General Meeting.

Pursuant to Section 113 (3) of the German Stock Corporation Act (AktG), resolutions on the compensation of the members of the Supervisory Board of listed companies must be adopted at least every four years. A resolution confirming the compensation is permissible. Furthermore, a new resolution on the compensation of Supervisory Board members is required in the event of any changes.

The above provision of the Articles of Association on Supervisory Board compensation is based on a resolution of the Annual General Meeting 2022. The Annual General Meeting on May 25, 2022 confirmed the provision of the Articles of Association and the compensation system behind this provision in accordance with Section 113 (3) AktG.

2. Supervisory Board compensation granted and owed 2022

The following table shows the compensation granted and owed to members of the Supervisory Board within the meaning of section 162 of the German Stock Corporation Act (AktG) in fiscal year 2022:

	Basic remuneration (EUR)	Attendance fee (EUR)	Scrap money (EUR)	Ancillary services (EUR)	TOTAL
Dr. Jörg Spiekerkötter (Chairman)	19.863,01	6.000,00	0,00	0,00	25.863,01
Michael Schlenk (Chairman)	30.273,97	4.000,00	0,00	0,00	34.273,97
Dr. Karin Dorrepaal	37.500,00	7.500,00	7.000,00	0,00	52.000,00

	Basic remuneration (EUR)	Attendance fee (EUR)	Scrap money (EUR)	Ancillary services (EUR)	TOTAL
(Vice Chairwoman)					
Dr. Dr. Irina Antonijevic	1.479,45	1.000,00	0,00	0,00	2.479,45
Dr. Hans Christoph Tanner	25.000,00	5.000,00	7.000,00	0,00	37.000,00
Dr. Markus Leyck Dieken	25.000,00	5.000,00	0,00	0,00	30.000,00
Gregor Siebert	13.013,69	1.000,00	3.643,84	0,00	17.657,53

The compensation granted and owed to the members of the Supervisory Board in fiscal year 2022 complied with the provisions of the Articles of Association and thus also with the compensation system confirmed by the Annual General Meeting on May 25, 2022.

IV. Comparative representation

The following table shows a comparative presentation of the annual change in the compensation of the members of the Board of Management and the Supervisory Board with the Company's earnings performance over the past five years:

	2022 vis-à-vis 2021 ¹	2021 vis-à-vis 2020 ¹	2020 vis-à-vis 2019 ¹	2019 vis-à-vis 2018 ¹	2018 vis-à-vis 2017 ¹
Development of Management Board compensation (in %)					
Dr. James Neil Phillips	0,12 % ²	1,16 %	215,63 %	-	-
Abdelghani Omari	26,49% ²	6,13 %	30,94 %	-8,94 %	-2,03 %
Dr. Jürgen Beck	-100,00 % ²	-78,33 %	12,96 %	-6,76 %	-
Dr. Wolfgang Söhngen	-	-	-100,00 % ²	-28,24 %	6,94 %
Dr. Jürgen Raths	-	-	-	-	-100,00 % ²
Sebastian Werner	100,00% ²	-	-	-	-
Gregor Siebert	100,00% ²	-	-	-	-
Development of Supervisory Board compensation (in %)					
Dr. Jörg Spiekerkötter	-48,27 % ²	0,00 %	0,00 %	0,00 %	0,00 %
Michael Schlenk	100,00 % ²	-	-	-	-

¹The total compensation used as a basis for the fiscal years 2022 and 2021 is the total compensation according to the compensation report of the respective fiscal year, determined according to the principles outlined above in section 2.2.1 on the interpretation of "granted and owed" compensation. . The total compensation used as a basis for the financial years 2017 to 2020 is the total compensation according to the Compensation Report of the respective financial year (for the Board of Management according to the inflow table of the German Corporate Governance Code as amended on February 7, 2017). The determination of the total compensation for the Board of Management for the financial years 2017 to 2020 according to the inflow table of the German Corporate Governance Code 2017 differs from the determination of the total compensation for the Board of Management for 2022 and 2021. This is because, in contrast to the principles on the interpretation of compensation "granted and owed" set out above in section 2.2.1, under the German Corporate Governance Code 2017 the inflow table also took into account a bonus "earned" in the reporting year, even if it was not yet due or paid in the reporting year.

² Not comparable due to entry/exit during the year

	2022 vis-à-vis 2021 ¹	2021 vis-à-vis 2020 ¹	2020 vis-à-vis 2019 ¹	2019 vis-à-vis 2018 ¹	2018 vis-à-vis 2017 ¹
Dr. Karin Dorrepaal	38,67%	0,00 %	0,00 %	0,00 %	0,00 %
Dr. Dr. Irina Antonijevic	-90,08 % ²	0,00 %	0,00 %	0,00 %	77,87 %
Dr. Hans Christoph Tanner	48,00 %	0,00 %	0,00 %	0,00 %	77,87 %
Dr. Markus Leyck Dieken	-25,00%	-4,00 %	76,47 %	-	-
Gregor Siebert	100,00% ²	-	-	-	-
Earnings development (in %)					
Annual-result ³	62,47 %	323,34 %	-28,71 %	-407,80 %	-547,95 %
EBIT (Group) ⁴	106,82 %	-1.432,28 %	-116,97%	-25,12%	-21,53 %
Development of average compensation of employees on a full-time equivalent basis (in %) ⁵					

³ Income of PAION AG (separate financial statements) in accordance with section 275 (2) no. 17 HGB.

⁴ PAION AG defines EBIT at Group level as follows: Operating result before financial result and taxes

⁵ Pursuant to Section 26j (2) sentence 2 EGAktG, a comparison with the average compensation of employees on a full-time equivalent basis over the last five financial years pursuant to Section 162 (1) sentence 2 no. 2 AktG was not yet to be included in the compensation report for the financial year 2021. Pursuant to Section 26j (2) sentence 2 of the Introductory Act to the Stock Corporation Act (EGAktG), the first comparison with the compensation of employees on a full-time equivalent basis will be made as of the compensation report for the 2022 financial year for the development between the 2022 financial year and the 2021 financial year and will then be made successively for the subsequent years (i.e. the compensation report for the 2023 financial year will report both on the development between the 2021 financial year and the 2022 financial year and on the development between the 2022 financial year and the 2023 financial year, etc.).

	2022 vis-à-vis 2021 ¹	2021 vis-à-vis 2020 ¹	2020 vis-à-vis 2019 ¹	2019 vis-à-vis 2018 ¹	2018 vis-à-vis 2017 ¹
average remuneration of Employees ⁶	-2,22%	n/a	n/a	n/a	n/a

Independent Auditor's Report on the Audit of the Compensation Report Pursuant to Section 162 (3) of the German Stock Corporation Act (AktG)

To PAION AG, Aachen

Audit opinion

We have formally audited the remuneration report of PAION AG for the fiscal year from January 1, 2022 to December 31, 2022 to determine whether the disclosures pursuant to Sec. 162 (1) and (2) AktG have been made in the remuneration report. In accordance with section 162 (3) AktG, we have not audited the content of the remuneration report.

In our opinion, the accompanying compensation report complies, in all material respects, with the disclosures pursuant to § 162 (1) and (2) AktG. Our audit opinion does not cover the content of the compensation report.

Basis for the audit opinion

We conducted our audit of the compensation report in accordance with Section 162 (3) AktG and IDW Auditing Standard: The Audit of the Compensation Report in Accordance with Section 162 (3) AktG (IDW PS 870 (08.2021)). Our responsibility under this provision and this standard is further described in the Auditor's Responsibility section of our report. As an auditing practice, we have complied with the requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Practice of Public Accountants (IDW QMS 1). We have complied with the professional duties pursuant to the German Auditors' Code and the professional statutes for auditors / certified public accountants, including the requirements for independence.

Responsibility of the Board of Management and the Supervisory Board

⁶ All Group employees (excluding the Executive Board) were included in the group of employees on a full-time basis.

The Board of Management and the Supervisory Board are responsible for the preparation of the compensation report, including the related disclosures, which complies with the requirements of Section 162 AktG. They are further responsible for such internal control as they determine is necessary to enable the preparation of the compensation report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our objective is to obtain reasonable assurance about whether the disclosures pursuant to section 162 (1) and (2) AktG have been made in all material respects in the compensation report and to express an opinion thereon in an audit report.

We planned and performed our audit to obtain evidence about the formal completeness of the compensation report by comparing the disclosures made in the compensation report with the disclosures required by Section 162 (1) and (2) AktG. In accordance with Section 162 (3) AktG, we did not verify the accuracy of the disclosures, the completeness of the individual disclosures or the fair presentation of the compensation report.

Limitation of liability

For the performance of the engagement and our responsibility and liability, also in relation to third parties, the "General Engagement Terms for German Public Auditors and Public Audit Firms" in the version dated January 1, 2017 issued by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) apply.

Munich, May 15, 2023

Baker Tilly GmbH & Co KG

Auditing firm

(Düsseldorf)

Hanfland

Ninnemann

Certified Public Accountant Certified Public Accountant

III. Further information on the convening of the Annual General Meeting

1. Prerequisite for the exercise of shareholder rights in connection with the virtual shareholders' meeting and the exercise of voting rights

a) Virtual Annual General Meeting without physical presence of shareholders

The Management Board has resolved, with the approval of the Supervisory Board, to hold the Annual General Meeting 2023 in accordance with section 118a of the German Stock Corporation Act in conjunction with section 26n (1) of the German Stock Corporation Act. § Section 26n (1) of the Introductory Act to the German Stock Corporation Act (Einführungsgesetz zum Aktiengesetz) as a virtual Annual General Meeting without the physical presence of shareholders or their proxies (with the exception of the proxies nominated by the Company). Physical attendance of shareholders or their proxies (with the exception of the proxies nominated by the Company) at the venue of the Annual General Meeting is therefore excluded.

Shareholders who have duly legitimized and registered for the Annual General Meeting, or their proxies, can watch the entire Annual General Meeting on July 12, 2023 in picture and sound from 10:00 a.m. CEST onwards by using the internet-based Annual General Meeting system ("AGM **Shareholders' Portal**") on the website of PAION AG at

<https://www.paion.com/media-and-investors/annual-general-meeting>

track. How shareholders and their proxies can access the AGM shareholder portal is explained below in the section "Access to the AGM shareholder portal and electronic connection to the AGM".

Shareholders or their proxies may exercise their voting rights exclusively by postal vote (including by means of electronic communication) or by granting power of attorney and issuing instructions to the proxies appointed by the Company. Details are presented below.

Once again this year, we ask shareholders to pay particular attention to the following information, in particular on registering for the Annual General Meeting, exercising voting rights and other shareholder rights. We expressly point out that the format of the virtual Annual General Meeting in accordance with section 118a of the German Stock Corporation Act (AktG) differs both from the Annual General Meeting in person and from the virtual Annual General Meetings held on the basis of the COVID-19 exemptions in the years 2020 to 2022. This affects both the conduct of the meeting and the exercise of shareholders' rights. We therefore ask you to pay particular attention to the instructions given by the chairman of the meeting during the Annual General Meeting and to the information and notes below.

Registration and proof of share ownership

Shareholders who have registered with the Company at the address given below and have submitted special proof of their shareholding issued by their custodian bank in accordance with

the requirements of Section 67c (3) of the German Stock Corporation Act (AktG), which refers to the beginning of June 21, 2023 (0:00 hours CEST, so-called "record date"), are entitled to participate in the Annual General Meeting by electronic means and to exercise their voting rights and meeting-related shareholder rights:

PAION AG
c/o BADER & HUBL GmbH
Friedrich-List-Strasse 4a
70565 Stuttgart

or by e-mail to: hauptversammlung@baderhubl.de

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 registration and proof must be received by the Company at the above address no later than July 05, 2023, 24:00 CEST. After receipt of the registration and proof of shareholding, the shareholder or proxy will be sent the access card for the Annual General Meeting, on which the access data for the AGM shareholder portal are printed. With this access data, the shareholder or proxy can log on to the AGM shareholder portal and exercise shareholder rights (see also the section below entitled "Access to the AGM shareholder portal and electronic connection to the AGM"). In order to ensure timely receipt of the access card, we ask shareholders to ensure that the registration and proof of registration are sent to the Company as early as possible.

b) Access to the AGM shareholder portal and electronic connection to the AGM

For the purpose of conducting the virtual Annual General Meeting, the Company has set up the AGM shareholder portal, via which properly registered shareholders or their proxies can follow the entire Annual General Meeting in video and audio, issue proxies, and exercise voting rights and other shareholder rights.

The AGM shareholder portal is available on the PAION AG website at

<https://www.paion.com/media-and-investors/annual-general-meeting>

accessible. The personal access data required for access to the AGM shareholder portal will be sent to shareholders together with their access card after they have duly registered for the AGM.

The AGM shareholder portal may also be used by authorized representatives. This requires that the authorized representative receives the access card sent to the shareholder from the shareholder, unless the access card was sent directly to the authorized representative. Authorized intermediaries, shareholders' associations, proxy advisors and other persons treated as such

pursuant to Section 135 AktG may also use the AGM shareholder portal.

The AGM shareholder portal is expected to go live from June 21, 2023.

For the duration of the virtual General Stockholders' Meeting on July 12, 2023, properly registered stockholders or their proxies may connect electronically to the virtual General Stockholders' Meeting via the Stockholders' Meeting portal. The electronic connection enables shareholders or their proxies to exercise shareholder rights at the virtual Annual General Meeting, in particular the right to speak, to submit motions and to receive information.

c) Significance of the detection date

The record date is the decisive date for the scope and exercise of shareholder rights. In relation to the Company, only those persons are deemed to be shareholders in connection with the Annual General Meeting or the exercise of voting rights who have provided proof of share ownership as of the record date. The entitlement to exercise shareholder rights or the scope of voting rights is based exclusively on the shareholding as of the record date. Changes in the shareholding after the record date are of no significance in this respect. The record date is not linked to any block on the sale ability of shareholdings. Even in the event of the complete or partial sale of shareholdings after the record date, only the shareholdings as of the record date are relevant for the exercise of shareholder rights and the scope of voting rights, i.e. sales of shares after the record date have no effect on the entitlement to exercise shareholder rights or on the scope of voting rights. The same applies to additional purchases of shares after the record date. Persons who do not yet hold any shares on the record date and only become shareholders thereafter are only entitled to exercise shareholder rights in respect of the shares acquired by them after the record date insofar as they are authorized by the relevant shareholder on the record date or have themselves authorized to exercise such rights. The record date has no significance for any dividend entitlement.

d) Voting by absentee ballot (also by electronic communication)

Shareholders and their proxies may cast their votes by postal vote (also by electronic communication). Only those shareholders who have duly registered and provided evidence of their shareholding are entitled to exercise their voting rights by postal vote - in person or by proxy (see the section above entitled "Registration and evidence of shareholding").

Voting by absentee ballot, as well as changes to and revocations of absentee ballots, can be made via the AGM shareholder portal at

<https://www.paion.com/media-and-investors/annual-general-meeting>

in accordance with the procedure provided for this purpose or in text form by sending the form "Postal vote or power of attorney to proxy", which will be sent to shareholders with the access card after proper registration. If the postal vote form is used, for organizational reasons the

completed form must be received by mail or e-mail no later than July 11, 2023, 24:00 CEST at the following address:

PAION AG
c/o BADER & HUBL GmbH
Friedrich-List-Strasse 4a
70565 Stuttgart

or by e-mail to: hauptversammlung@baderhubl.de

Electronic postal voting via the AGM shareholder portal will be possible from the time the AGM shareholder portal goes live, i.e. presumably from June 21, 2023, until no later than the time specified by the chairman of the meeting in the virtual Annual General Meeting on July 12, 2023, in the context of voting. Votes already cast can also be changed or revoked up to this time. The chairman of the meeting will indicate in good time when the option of electronic postal voting and changing and revoking votes already cast will end. How shareholders and their proxies can access the AGM shareholder portal is explained in the above section "Access to the AGM shareholder portal and electronic connection to the AGM".

Shareholders will receive further details on how to cast postal votes together with their access card.

e) Third party representation

Shareholders who do not wish to exercise their shareholder rights in connection with the Annual General Meeting in person may be represented by authorized third parties, e.g. by an intermediary (such as a bank), a shareholders' association or another person of their choice. Even in the case of representation by third parties, timely registration and proof of share ownership are required (see the above section "Registration and proof of share ownership"). The granting of the proxy, its amendment, revocation and proof of authorization vis-à-vis the Company must be submitted in text form or electronically via the AGM shareholder portal on the Company's website at

<https://www.paion.com/media-and-investors/annual-general-meeting>

in accordance with the procedure provided for this purpose, if no intermediary (e.g. a bank), no shareholders' association, no voting rights advisor or no other equivalent person pursuant to Section 135 AktG is authorized to exercise voting rights.

Shareholders are requested to use the form provided by the Company for granting proxy in text form. It will be sent to the duly registered persons together with the access card and is also

available for download on the Company's website under the above link.

The proxy, its amendment, revocation or proof of authorization may be submitted to the Company prior to the Annual General Meeting by mail or e-mail to the following address:

PAION AG
c/o BADER & HUBL GmbH
Friedrich-List-Strasse 4a
70565 Stuttgart

or by e-mail to: hauptversammlung@baderhubl.de

In this case, for organizational reasons, the transmission must take place no later than July 11, 2023, 24:00 CEST.

Proxies may be issued, amended, revoked or evidence of authorization via the AGM Shareholders' Portal up to the time of closure of the virtual AGM on July 12, 2023. How shareholders and their proxies can access the AGM shareholder portal is explained in the above section "Access to the AGM shareholder portal and electronic connection to the AGM".

Section 135 of the German Stock Corporation Act (AktG) applies to the authorization of intermediaries (e.g. banks), shareholders' associations, proxy advisors or other equivalent persons pursuant to Section 135 AktG to exercise voting rights. In particular, the proxy declaration must be recorded by the proxy in a verifiable manner. In addition, the declaration of proxy must be complete and may only contain declarations associated with the exercise of voting rights. Shareholders who wish to authorize an intermediary (e.g. a bank), a shareholders' association, a proxy advisor or other persons treated as equivalent pursuant to Section 135 AktG should consult with the intermediary or advisor on the form of the proxy.

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

Proxies (with the exception of the proxies appointed by the Company) may not physically attend the Annual General Meeting. They may only exercise voting rights for shareholders they represent by postal vote (please refer to the section "Voting by postal vote" above) or by granting (sub)powers of attorney to the proxies nominated by the Company (please refer to the section "Representation by proxies nominated by the Company" below). Please note that the exercise of rights by a proxy via the AGM Shareholders' Portal requires that the proxy receives the access card sent to him/her by the grantor of the proxy, unless the proxy has been sent the access card directly (see also the above section "Access to the AGM Shareholders' Portal and electronic connection to the AGM"). Shareholders will receive further details on representation by third

parties together with the access card or can obtain them from

<https://www.paion.com/media-and-investors/annual-general-meeting>

view

f) Representation by proxies appointed by the Company

We also offer our shareholders the option of being represented by proxies appointed by the Company when exercising their voting rights at the virtual Annual General Meeting. Even in the case of representation by proxies appointed by the Company, timely registration and proof of share ownership are required (see the above section "Registration and proof of share ownership"). The proxies must be issued with a power of attorney and instructions for exercising voting rights. The proxies are obliged to vote in accordance with the instructions; without instructions from the shareholder, the proxies appointed by the Company are not authorized to exercise voting rights. In the absence of explicit and unambiguous instructions, the proxies nominated by the Company will abstain from voting on the relevant voting item. The proxies will not accept any instructions to speak, request information, propose motions or nominations, or to declare objections to resolutions of the Annual General Meeting.

Proxies and instructions to the proxies appointed by the Company may be submitted in text form or electronically via the AGM shareholder portal on the Company's website at

<https://www.paion.com/media-and-investors/annual-general-meeting>

be issued, amended or revoked in accordance with the procedure provided for this purpose.

Shareholders are requested to use the section of the form "Postal Vote or Proxy to Proxy" provided for this purpose to issue proxies and instructions in text form, which will be sent to shareholders together with the access card after proper registration and is also available for download on the Company's website at the above link.

Proxies and instructions to the proxies nominated by the Company, as well as amendments and revocations thereof, must be received by mail or e-mail at the latest by July 11, 2023, 24:00 hours CEST, at the following address for organizational reasons:

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

Proxies and instructions to the Company's proxies can still be issued, amended or revoked via the AGM shareholder portal during the Annual General Meeting on July 12, 2023, at the latest by the time specified by the chairman of the meeting in the context of voting. The chairman of

the meeting will indicate in good time when the possibility of granting, amending and revoking powers of attorney and instructions to the proxies of the Company will end. How shareholders and their proxies can access the AGM shareholder portal is explained in the above section "Access to the AGM shareholder portal and electronic connection to the AGM".

Authorized third parties, including intermediaries (e.g. credit institutions), shareholders' associations, proxy advisors or other persons treated as equivalent pursuant to Section 135 AktG, may also grant power of attorney and issue instructions to the proxies appointed by the Company.

Shareholders will receive further details on granting power of attorney and issuing instructions to the proxies nominated by the Company together with the access card

g) Further information on the exercise of voting rights

If voting rights are exercised in due time by several means of transmission (letter, e-mail, electronically via the AGM shareholder portal or pursuant to Section 67c (1) and (2) sentence 3 AktG in conjunction with Article 2 (1) and (3) and Article 9 (4) of the Implementing Regulation ((EU) 2018/1212)) by postal vote or proxy and, if applicable, instructions are issued, these will be taken into account in the following order regardless of the time of receipt:

1. electronically via the AGM shareholder portal,
2. pursuant to Section 67c (1) and (2) sentence 3 AktG in conjunction with Article 2 (1) and (3) and Article 9 (4) of the Implementing Regulation ((EU) 2018/1212),
3. by e-mail and
4. by letter.

If several absentee ballots or proxies and instructions are received by the same means of transmission within the specified period, the declaration received last shall be binding.

If declarations with more than one form of voting right exercise are received by the same means of transmission, the following shall apply: postal votes shall take precedence over the granting of proxy and, if applicable, instructions to the proxies of the Company.

In the event that an individual vote is held on an agenda item instead of a collective vote, the absentee vote or instruction cast on this agenda item shall apply accordingly to each item of the individual vote.

2. Information on shareholders' rights pursuant to Sections 122 (2), 126 (1), (4), 127, 130a

(1) to (4), 131 (1), 118a (1) Sentence 2 No. 8 AktG

a) Request for addition to the agenda

Shareholders whose shares together amount to one-twentieth of the capital stock or the pro rata amount of the capital stock of EUR 500,000.00 may, in accordance with Section 122 (2) AktG, demand that items be placed on the agenda and published.

Each new item must be accompanied by a statement of reasons or a draft resolution. Requests for amendments must be addressed in writing to the Management Board of PAION AG and must be received by the Company at least 30 days prior to the Annual General Meeting, i.e. by the end of June 11, 2023, 24:00 hours CEST, at the following address:

PAION AG
Management Board
Heussstrasse 25
52078 Aachen

The applicants must prove that they have held the shares for at least 90 days prior to the date of receipt of the request and that they will hold the shares until the Executive Board's decision on the request. Section 70 AktG shall apply to the calculation of the shareholding period.

b) Motions and election proposals

Shareholders or their proxies have the opportunity to submit to the Company before the Annual General Meeting countermotions to proposals by the Management Board and Supervisory Board on specific agenda items in accordance with section 126 (1) AktG and election proposals for the election of Supervisory Board members or auditors in accordance with section 127 AktG. Countermotions must be accompanied by a statement of grounds; no statement of grounds is required for election proposals.

Countermotions and election proposals received by the Company at the address stated below by June 27, 2023, 24:00 hours CEST, will be published in accordance with sections 126 & 127 of the German Stock Corporation Act (AktG), including the name of the shareholder and any justifications, without undue delay after receipt on the internet at

<https://www.paion.com/media-and-investors/annual-general-meeting>

made accessible to the public. Any comments by the administration will also be published at the above Internet address.

Countermotions and election proposals must be sent exclusively to the following address:

PAION AG
Investor Relations Department

Heussstrasse 25
52078 Aachen

E-mail: investor.relations@paion.com

Applications addressed otherwise will not be considered.

Countermotions and election proposals which are to be made available pursuant to sections 126 & 127 AktG are deemed to have been made at the time of publication pursuant to section 126 (4) AktG. The Company will publish countermotions and election proposals to be made accessible via the AGM shareholder portal at

<https://www.paion.com/media-and-investors/annual-general-meeting>

to be put to the vote. Voting rights on countermotions and election proposals may be exercised after timely registration by the means described above. If the shareholder who has submitted the motion is not duly authorized and has not duly registered for the Annual General Meeting, the motion does not have to be dealt with at the Annual General Meeting.

Shareholders or their proxies who are connected electronically to the Annual General Meeting also have the right to submit motions and election proposals in the meeting by way of video communication as part of their right to speak (see the section below entitled "Right to speak").

c) Submission of comments

Properly registered shareholders or their proxies have the right to submit comments on the agenda items in text form by means of electronic communication pursuant to Section 130a (1) to (4) AktG. Comments can be submitted via the AGM shareholder portal on PAION AG's website at

<https://www.paion.com/media-and-investors/annual-general-meeting>

in a text field provided for this purpose. How shareholders and their proxies can access the AGM shareholder portal is explained in the above section "Access to the AGM shareholder portal and electronic connection to the AGM".

Comments must be submitted no later than five days before the meeting, i.e. no later than July 06, 2023, 24:00 CEST.

Comments must be written in German and relate to the agenda of the Annual General Meeting. The length of comments in text form may not exceed 10,000 characters (including spaces).

Comments received on the agenda items will be published no later than four days prior to the Annual General Meeting, i.e. no later than 07 July 2023, 24:00 CEST, on the AGM shareholder

portal, which is only accessible to properly registered shareholders or their proxies, on the website of PAION AG at

<https://www.paion.com/media-and-investors/annual-general-meeting>

made available to the shareholders. By submitting the statement, the shareholder or his proxy agrees that the statement may be made available on the AGM shareholder portal, stating his name.

The Company will not publish statements under the conditions of Section 126 (2) sentence 1 no. 1, no. 3 or no. 6 AktG, i.e. in particular if they contain discriminatory, offensive or otherwise criminally relevant, obviously false or misleading content. Statements will also not be published if they do not relate to the agenda of the Annual General Meeting, are written in a language other than German or exceed 10,000 characters (including spaces).

The Company reserves the right to comment on submitted statements during the Annual General Meeting in addition to making them available via the AGM shareholder portal prior to the Annual General Meeting as described above.

Motions and election proposals, questions and objections to resolutions of the Annual General Meeting in the context of comments submitted in text form will not be considered at the Annual General Meeting. Motions and election proposals (see section "Motions and election proposals" above), the right to information (see section "Right to information" below) and objections to resolutions of the Annual General Meeting (see section "Statement of objections" below) may only be submitted via the channels described separately in this invitation.

d) Right to speak

Shareholders or their proxies who are electronically connected to the Annual General Meeting have the right to speak at the meeting via video communication. From the beginning of the Annual General Meeting, the AGM shareholder portal on the website of PAION AG at

<https://www.paion.com/media-and-investors/annual-general-meeting>

A virtual request to speak table is accessible via the "Request to speak" button, which shareholders or their proxies can use to register their speech. How shareholders and their proxies can access the AGM shareholder portal is explained in the above section "Access to the AGM shareholder portal and electronic connection to the AGM".

Shareholders or their proxies who have registered to speak via the virtual registration table will be connected for their speech. The Company reserves the right to check the functionality of the video communication between the shareholder or proxy and the Company prior to the speech and to reject the speech if the functionality is not ensured. The minimum technical requirement for a speech via video communication is an Internet-capable terminal with camera and microphone. Further details on the procedures and technical requirements for speaking contributions

are published on PAION AG's website at

<https://www.paion.com/media-and-investors/annual-general-meeting>

made available to the shareholders. The chairman of the meeting will also explain the procedure for requesting and speaking in more detail at the Annual General Meeting.

The right to speak also includes in particular the right to submit motions and election proposals in accordance with section 118a (1) sentence 2 no. 3 AktG and to request information in accordance with section 131 (1) AktG (see the section below entitled "Right to information").

e) Right to information

Pursuant to Section 131 (1) of the German Stock Corporation Act (AktG), each properly registered shareholder or his proxy must be provided with information by the Management Board on the Company's affairs at the Annual General Meeting upon request, insofar as the information is necessary for the proper assessment of an item on the agenda and there is no right to refuse to provide information. The Executive Board's duty to provide information also extends to the Company's legal and business relations with affiliated companies and to the situation of the Group and the companies included in the consolidated financial statements. The right to information also includes the opportunity to ask questions about answers already provided by the Executive Board.

By order of the chairman of the meeting, the right to information and the right to ask questions in the virtual shareholders' meeting may be exercised exclusively by means of video communication. The chair of the meeting intends to make use of this option. In this case, information and inquiries may be made exclusively by way of video communication in the Annual General Meeting, i.e. in the context of exercising the right to speak via the AGM shareholder portal on the website of PAION AG at

<https://www.paion.com/media-and-investors/annual-general-meeting>

(please refer to the section "Right to speak" above). Requests for information and inquiries cannot be made by other means, either before or during the Annual General Meeting. § Section 131 (4) sentence 1 AktG stipulates that if a shareholder has been provided with information outside the Annual General Meeting due to his capacity as a shareholder, this information must be provided to any other shareholder or his proxy at his request in the Annual General Meeting, even if it is not necessary for the proper assessment of the item on the agenda. Pursuant to Art. 131 par. 5 sentence 1 AktG, a shareholder who is refused information may request that his question and the reason for which the information was refused be recorded in the minutes of the meeting. In the context of the virtual Annual General Meeting, it is ensured that shareholders or their proxies who are electronically connected to the Annual General Meeting can submit their request in accordance with section 131 (4) sentence 1 AktG or section 131 (5) sentence 1 AktG by means of electronic communication via the AGM shareholder portal on the website of

PAION AG at

<https://www.paion.com/media-and-investors/annual-general-meeting>

in the form of video communication at the Annual General Meeting.

f) Explanation of contradictions

Shareholders or their proxies who are electronically connected to the Annual General Meeting have the right to object to resolutions of the Annual General Meeting by means of electronic communication pursuant to Section 118a (1) sentence 2 no. 8 AktG. Objections can be submitted via the AGM shareholder portal on PAION AG's website at

<https://www.paion.com/media-and-investors/annual-general-meeting>

be declared in accordance with the procedure provided for this purpose during the Annual General Meeting, i.e. from the opening of the Annual General Meeting until its closing. The notary public recording the minutes has authorized the Company to receive objections via the AGM shareholder portal. Incoming objections will be forwarded to the notary from the AGM shareholder portal without delay.

How shareholders and their proxies can access the AGM shareholder portal is explained in the above section "Access to the AGM shareholder portal and electronic connection to the AGM".

g) Further explanations on the rights of shareholders

Further explanations of shareholders' rights pursuant to Arts. 122 par. 2, 126 par. 1 and par. 4, 127, 130a par. 1 to par. 4, 131 par. 1, 118a par. 1 sentence 2 no. 8 AktG are available for download from the Company's website (<https://www.paion.com/media-and-investors/annual-general-meeting>).

Supplementary information

3. Information and documents for the Annual General Meeting; website

The information pursuant to Section 124a of the German Stock Corporation Act (AktG), an overview with the information pursuant to Section 125 of the German Stock Corporation Act (AktG) in conjunction with the Implementing Regulation (EU) 2018/1212, as well as further information in connection with the Annual General Meeting are available on the following website of the Company as of the convening of the Annual General Meeting and for the duration of the Annual General Meeting:

<https://www.paion.com/media-and-investors/annual-general-meeting>

In particular, the documents relevant to agenda items 1, 2, and 5 or referred to therein can be

retrieved.

Any requests for additions to the agenda, counter motions and election proposals from shareholders requiring publication will also be made available on the Company's website mentioned above. The voting results will also be published there after the Annual General Meeting.

During the virtual Annual General Meeting, the list of participants will be made available to all shareholders who have duly registered and who have been electronically connected to the Annual General Meeting, and to their proxies, via the AGM shareholder portal on the website of PAION AG at

<https://www.paion.com/media-and-investors/annual-general-meeting>

are available to shareholders. How shareholders and their proxies can access the AGM shareholder portal is explained in the above section "Access to the AGM shareholder portal and electronic connection to the AGM".

4. Receipt of a voting confirmation pursuant to Art. 118 par. 1 sentences 3 to 5, par. 2 sentence 2 AktG and proof of the vote count pursuant to Art. 129 par. 5 AktG

Pursuant to Section 118 (1) sentence 3, (2) sentence 2 AktG, in the case of electronic exercise of voting rights, the receipt of the electronically cast vote must be confirmed electronically by the company to the casting party in accordance with the requirements pursuant to Art. 7 (1) and Art. 9 (5) subpara. 1 of the Implementing Regulation (EU) 2018/1212. If the confirmation is issued to an intermediary, the intermediary shall immediately transmit the confirmation to the shareholder pursuant to Section 118 (1) sentence 4 AktG. Shareholders or proxies can retrieve and print out the confirmation of their votes on the AGM shareholder portal immediately after they have been exercised.

Furthermore, pursuant to Art. 129 par. 5 sentence 1 AktG, the person voting may request confirmation from the Company within one month of the day of the Annual General Meeting as to whether and how his/her vote was counted. The company shall provide the confirmation in accordance with the requirements of Art. 7 par. 2 and Art. 9 par. 5 subpar. 2 of the Implementing Regulation (EU) 2018/1212. If the confirmation is issued to an intermediary, the intermediary shall send the confirmation to the shareholder without undue delay pursuant to Art. 129 par. 5 sentence 3 AktG.

The aforementioned inquiries by shareholders or proxies may be addressed within the aforementioned period to:

PAION AG
c/o BADER & HUBL GmbH
Friedrich-List-Strasse 4a
70565 Stuttgart

or by e-mail to: hauptversammlung@baderhubl.de

5. Total number of shares and voting rights at the time of convening the Annual General Meeting

At the time of convening the Annual General Meeting, the share capital of the Company amounts to EUR 7,133,699.00 and is divided into 7,133,699 no-par value shares. Each no-par value share grants one vote at the Annual General Meeting. The total number of shares with participation and voting rights at the time of convening is therefore 7,133,699. The Company does not hold any treasury shares at the time of convening.

PAION AG does not have any shareholding of a credit institution in the Company that is subject to notification pursuant to Section 33 of the German Securities Trading Act (Wertpapierhandelsgesetz).

6. Information on data privacy for shareholders

The Company, as the controller within the meaning of Art. 4 No. 7 of the General Data Protection Regulation, processes personal data (last name, first name, address, e-mail address, number of shares, class of shares, type of ownership of shares, number of the access card, PIN 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 also processes the personal data required to respond to any concerns (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 and election proposals to be made accessible, these are also published on the internet, including the name of the shareholder, at

<https://www.paion.com/media-and-investors/annual-general-meeting>

published.

The processing of shareholders' personal data is mandatory pursuant to Secs. 118 et seq. German Stock Corporation Act (AktG) in order to prepare, conduct and follow up the Annual General Meeting and to enable shareholders to exercise their rights within the framework of the Annual General Meeting. Without the provision of this personal data, it is not possible for shareholders to participate in the Annual General Meeting and exercise their voting rights and other meeting-related rights. The legal basis for the processing is the Stock Corporation Act in conjunction with Art. 6 (1) c) of the General Data Protection Regulation. However, as all shares of the Company are bearer shares, the Company points out that shareholders may be represented by proxies pursuant to Section 135 of the German Stock Corporation Act (intermediaries, proxy advisors,

shareholders' associations or persons acting in a businesslike 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 and obligations to retain data under stock, securities, commercial and tax law. The legal basis for the processing is the respective statutory regulations in conjunction with Art. 6 (1) sentence 1 lit. c) of the General Data Protection Regulation.

When answering questions during the Annual General Meeting, the name of the questioner will generally be disclosed. The legal basis for this processing is the legitimate interest pursuant to Art. 6 (1) f of the German Data Protection Regulation (DSGVO).

The Company's service providers, which are used for the purpose of organizing the Annual General Meeting by way of commissioned processing, only receive personal data from the Company that is required for the performance of the commissioned service and process the data exclusively in accordance with the Company's instructions.

In other respects, personal data is made available to shareholders and shareholder representatives within the framework of the statutory provisions, namely via the list of participants.

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

The Company or the service providers commissioned with this task generally receive the shareholders' personal data via the registration office and the latter via the shareholder's bank which the shareholders have commissioned to hold their shares in the Company in safe custody (so-called custodian bank).

For the data collected in connection with the Annual General Meeting, the storage period is generally up to three years, unless legal proof and retention requirements oblige the Company to store the data further or the Company has a legitimate interest in storing the data, for example in the event of legal or out-of-court disputes arising from the Annual General Meeting. After expiry of the relevant period, the personal data will be deleted. As part of the inspection of the list of participants in the Annual General Meeting, other participants and shareholders may gain insight into the data recorded in the list of participants relating to shareholders or their proxies attending the Annual General Meeting, insofar as these are included in the list of participants. Part of your personal data will also be published in compliance with the provisions of stock corporation law in connection with requests for additions to the agenda, counter motions or nominations for election which require publication.

For the virtual Annual General Meeting, additional personal data is processed in so-called "log files" to make the virtualization technically possible and to simplify its administration. This concerns, for example, your IP address, the web browser you use, and the date and time of the call. The personal data will be stored for as long as required by law or if the Company has a legitimate interest in storing it, for example in the event of legal disputes arising from the Annual General

Meeting. The personal data will then be deleted unless we are required by law to retain it for a longer period (e.g. under the German Stock Corporation Act, the German Commercial Code, the German Fiscal Code or the German Money Laundering Act). The Company does not use this data for any other purposes than those stated here.

Under certain legal conditions, shareholders have the right to information, correction, 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 supplemented. Shareholders may request the deletion of their personal data at any time, unless the Company is legally obliged or entitled to continue processing their data. Furthermore, shareholders have a right to data portability pursuant to Article 20 of the General Data Protection Regulation.

Shareholders may exercise these rights free of charge vis-à-vis the Company using the following contact data, which shareholders may also use to contact the Company with questions relating to 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 Düsseldorf
Phone: + 49 (0) 211 38424-0

E-mail: poststelle@ldi.nrw.de

The company's data protection officer can be reached at:

Mrs. Michaela Genderka
Blumenstraße 13
47918 Toenisvorst
Tel.: + 49 (0) 2151 94 22 060
E-mail: m.genderka@emge-data.de

Aachen, June 2023

PAION AG

The Board