

Report of the Supervisory Board

Dear Shareholders,

In fiscal year 2022, the Supervisory Board performed the duties incumbent upon it under the law, the Articles of Association, and the Rules of Procedure, and intensively supported the management of the business by the Management Board in fulfillment of its advisory and supervisory function. The Supervisory Board was directly involved in all decisions of fundamental importance for the Company. In the performance of its duties, the Supervisory Board received regular, prompt and comprehensive reports from the Management Board on corporate planning, the situation and development of the Company and the Group, and all significant business transactions, both in writing and verbally.

The Supervisory Board voted on the decisions or measures of the Board of Management requiring its approval by law, the Articles of Association or the Board of Management's Rules of Procedure, as well as on other decisions of fundamental importance, after careful examination and consultation. In addition to receiving reports from the Management Board, the Chairmen of the Supervisory Board maintained continuous contact with the Management Board during their respective terms of office. They kept themselves informed about current business developments, the liquidity situation, the course of business activities and other significant business transactions.

Meetings of the Supervisory Board and focus of deliberations

A total of nine Supervisory Board meetings were held in the 2022 financial year, some of which were held as virtual meetings. All members of the Supervisory Board in office at the time participated in full at all Supervisory Board meetings.

The Supervisory Board has formed an Audit Committee, to which Dr. Jörg Spiekerkötter (until May 25, 2022), Mr. Michael Schlenk (from May 25, 2022), Dr. Chris Tanner and Dr. Markus Leyck Dieken belong or belong. Dr. Chris Tanner is Chairman of the Audit Committee and meets all the requirements of Section 100 (5) AktG.

Furthermore, the Supervisory Board has formed a Personnel and Nominating Committee comprising Dr. Jörg Spiekerkötter (until May 25, 2022), Mr. Michael Schlenk (from May 25, 2022), Dr. Karin Dorrepaal and Dr. Chris Tanner. Dr. Karin Dorrepaal is Chairwoman of this committee.

The Supervisory Board also has a Commercial Development Committee, to which Dr. Jörg Spiekerkötter (until May 25, 2022), Mr. Michael Schlenk (from May 25, 2022), Mr. Gregor Siebert (from May 25, 2022) and Dr. Markus Leyck Dieken belong or belonged. Mr. Gregor Siebert was Chairman of this committee until his transfer to the Management Board, i.e. until the end of November 30, 2022. Since December 1, 2022, Dr. Markus Leyck Dieken has chaired this committee.

There are currently no other committees.

The meetings of the Supervisory Board in fiscal year 2022 focused in particular on the following topics:

- The strategic orientation of the PAION Group
- The financing of the PAION Group
- The progress of the marketing authorization applications for remimazolam, angiotensin II and eravacyclin
- The opportunities for optimal commercialization of PAION's products, either through licensees or through own commercialization in selected territories
- The composition of the Management Board and the staffing of the PAION Group
- Impact of the Coronavirus Pandemic on the Business of the PAION Group

The budget for 2022 and the budget planning for 2023 prepared by the Management Board were reviewed in detail and approved by the Supervisory Board. The strategic alignment was discussed, reviewed and adjusted on the basis of medium- and long-term corporate planning. Particular attention was also paid to the Company's risk situation and risk management.

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

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

Conflicts of interest of Supervisory Board members pursuant to Recommendation E.1 of the German Corporate Governance Code (version dated December 16, 2019) did not arise in the financial year 2022.

The Audit Committee held four meetings in fiscal year 2022 and dealt in particular with the following topics:

- The financial statements of the Company and the PAION Group
- Significant accounting matters
- The issuance of the engagement to the auditor and the determination of focal points of the audit
- The monitoring of the accounting process, the effectiveness of the risk management system and the internal control system.

With the exception of two meetings, at each of which one member was absent, all committee members attended all committee meetings.

The Personnel and Nominations Committee dealt on an ad hoc basis in particular with the composition of the Management Board and the Supervisory Board, the staffing of the PAION Group and the remuneration system for the Management Board. The committee members attended all committee meetings in full.

Changes in the Supervisory Board

At the Company's Annual General Meeting on May 25, 2022, Michael Schlenk and Gregor Siebert were elected to the Supervisory Board, replacing Dr. Jörg Spiekerkötter and Dr. Dr. Irina Antonijevic. Mr. Schlenk took over the chairmanship of the Supervisory Board from Dr. Spiekerkötter. Mr. Siebert was a member of the Supervisory Board until the end of November 2022 and was then appointed by the Supervisory Board of PAION AG pursuant to Sec. 105 (2) AktG to succeed Dr. Phillips as a member of the Management Board and Chairman of the Management Board for a period from December 1, 2022 to November 30, 2023.

The Supervisory Board would like to thank Dr. Dr. Antonijevic, who, in her role as Chairperson of the R&D Committee, has made a valuable and significant contribution to the successful development of Remimazolam and, most recently, to the transformation of PAION AG into a commercially successful specialty pharma company with her extensive experience.

The Supervisory Board would also like to thank Dr. Spiekerkötter, who retired from the Supervisory Board after 15 years - including a long period as its Chairman. He has accompanied the company through various phases. For example, he was instrumental

in the decision to acquire CeNeS and thus the early project Remimazolam in 2008 and supported PAION in bringing this innovative product to patients worldwide.

Changes in the Management Board

Dr. James Phillips has left PAION AG as of November 30, 2022 by mutual agreement with the Company in order to devote himself to humanitarian tasks in the future.

Mr. Gregor Siebert, a member of the Supervisory Board until the end of November 2022, was appointed by the Supervisory Board of PAION AG pursuant to Sec. 105 (2) AktG to succeed Dr. Phillips as a member of the Management Board and Chairman of the Management Board for a period from December 1, 2022 to November 30, 2023. Sebastian Werner was appointed by the Supervisory Board as a new member of the Management Board in the position of Chief Financial Officer of PAION AG with effect from June 1, 2022. Mr. Sebastian Werner thus succeeded Abdelghani Omari, who at his own request and by mutual agreement resigned from his Management Board mandate, which expired on December 31, 2022, effective August 31, 2022. The Supervisory Board would like to thank Mr. Omari for the trustful cooperation, his successful work and his great commitment to PAION over the past 14 years.

Corporate Governance

The term "corporate governance" stands for transparent corporate management geared to long-term value creation. The Supervisory Board follows the principles of the German Corporate Governance Code ("Code"). In December 2022, the Supervisory Board and the Management Board jointly issued an updated Declaration of Conformity pursuant to Sec. 161 AktG and subsequently made it permanently available to the shareholders on the Company's website at <https://www.paion.com/de/medien-investoren/corporate-governance/entsprechenserklaerung/>. Since issuing the last declaration of conformity in December 2021, PAION AG has complied with all recommendations of the German Corporate Governance Code as amended on December 16, 2019 (effective since publication in the Federal Gazette on March 20, 2020), with the exception of the recommendations in F.2 regarding the timing of the public disclosure of mandatory interim financial information. Since 27 June 2022, PAION AG also complied with all recommendations of the GCGC 2022 with the exception of the recommendations in A.1 regarding the newly introduced recommendations on social and environmental factors (often also referred to as

"ESG"), with the exception of the recommendations in A.3 regarding the coverage of sustainability-related objectives in the internal control system and the risk management system, with the exception of the recommendations in C.1 with regard to the competence profile of the Supervisory Board with expertise on sustainability issues relevant to the company, with the exception of the recommendations in D.10 with regard to the knowledge and experience of the Supervisory Board in the field of sustainability reporting and its audit and finally with the exception of the recommendations in F.2 with regard to the timing of the public disclosure of the mandatory interim financial information. Information on PAION AG's corporate governance can be found in the corporate governance statement jointly prepared by the Supervisory Board and the Management Board in the annual report. The corporate governance statement can be found on the Company's website at <https://www.paion.com/de/medien-investoren/corporate-governance/erklaerung-zur-unternehmensfuehrung/eingesehen>.

Annual and consolidated financial statements

Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Munich branch, ("Baker Tilly") was appointed by the Annual General Meeting on May 25, 2022 as auditor and group auditor for the fiscal year 2022 . Baker Tilly audited the annual and consolidated financial statements of PAION AG, the management report and the group management report for the fiscal year 2022 prepared by the Management Board and issued an unqualified audit opinion. The consolidated financial statements were prepared in accordance with section 315e of the German Commercial Code (HGB) on the basis of International Financial Reporting Standards (IFRS).

All members of the Supervisory Board received the financial statement documents and the auditor's reports in good time before the Supervisory Board's balance sheet meeting on March 29, 2023 and dealt with these documents in detail in preparation for this meeting. At the balance sheet meeting, the Supervisory Board discussed and reviewed the annual and consolidated financial statements of PAION AG, the management report and the group management report. The assessments made by the Management Board in the management report and group management report were consistent with the Management Board's previous reports to the Supervisory Board and also corresponded to the Supervisory Board's own assessment. The auditors also attended the financial statements meeting. They

reported on the audit, in particular that there were no significant weaknesses in the internal control and risk management systems relating to the accounting process, reported on the main points of the audit and were available to the Supervisory Board to answer additional questions and provide information.

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

The Supervisory Board would like to thank the members of the Management Board and all employees for their great commitment and for their achievements in fiscal year 2022.

Aachen, March 2023

For the Supervisory Board

Michael Schlenk

Chairman