



To the Shareholders
of PAION AG

Aachen, 8 August 2005

Annual General Meeting of PAION AG

Dear Shareholder of PAION AG,

You are cordially invited to this year's Annual General Meeting of PAION AG, to be held on August 26, 2005 in Aachen, Germany.

We would be very pleased to welcome you in person. However, you can, of course, be represented by a person in your trust, or by the independent proxies nominated by the company.

In any event, it is imperative that you have a certificate of deposit from your custodian bank. This certificate of deposit confirms your status as a shareholder and the number of your votes. At the same time, your custodian bank is obliged to inform us, without delay, if you sell shares prior to the Annual General Meeting of PAION AG.

Please arrange to have the enclosed certificate of deposit confirmed by your custodian bank no later than August 19, 2005. Please proceed as follows:

1. Personal attendance at the Annual General Meeting

Send the certificate of deposit confirmed by your custodian bank to the address below. You will then receive your personal admission ticket by return of post:

Haubrok Corporate Events GmbH
EK PAION AG
Widenmayerstr. 32
80538 Munich
Germany

2. Proxy by a person in your trust

First apply for your personal admission ticket for the Annual General Meeting as described under "1. Personal attendance at the Annual General Meeting".

On the back of your admission ticket you will find a form of proxy which you can use to authorise a person in your trust as your representative. Give the admission ticket to your representative. The admission ticket and your authorisation entitle your authorised representative to attend the Annual General Meeting in person.

3. Proxy by the company's proxies

First apply for your personal admission ticket for the Annual General Meeting as described under "1. Personal attendance at the Annual General Meeting".

Grant the proxies nominated by us authorisation and instructions for exercising your right to vote via letter or fax using the enclosed form "Authorisation and Instructions to the Company's Proxies".

You should then send your authorisation and your certificate of deposit by post or fax to the address below.

- By post to:
Mr Marcus Graf or Mrs Norma Körnig
Proxies of PAION AG
c/o Haubrok Corporate Events GmbH
Widenmayerstr. 32
80538 Munich
Germany

- or, alternatively, via fax to the following number:
+49 (0) 89 / 210 27 298

Regardless of the means by which the proxy is issued, please ensure that your authorisation and instructions are issued no later than 6 p.m. on Wednesday, August 24, 2005 (deadline for receipt by the company's proxies). Authorisation and instructions which have not arrived at the company's proxies by 6 p.m. on August 24, 2005 will not be considered.

If you have any questions connected with the issuing of authority to the proxies of PAION AG, you can contact our information line on +49 (0) 89 / 210 27 222 (Mon. - Fri. 9 a.m. to 5 p.m. CET).

Kind regards

Dr. Peer Nils Schröder
PAION Investor Relations

Important

If the proxies receive authority and instructions by more than one medium (post or fax), the authority with the corresponding instructions last received and deemed to be formally correct shall be considered as binding. Where authorisation and instructions are not completed in full, or have been completed incorrectly, or were not issued in a manner considered to be formally correct, the votes concerned will not be represented by the proxies at the Annual General Meeting. In the case of personal attendance by the shareholder at the Annual General Meeting, the authorisation and instructions issued ahead of the Annual General meeting to the company's proxies shall lose their validity.

The proxies of PAION AG shall not exercise the voting rights given to them in the event of non-recognised agreements ahead of the Annual General Meeting (e.g. interlocutory applications) or in the event of an agreement on counter motions to the proposed rulings of the administrative body. That is to say, in the event of the application of a subtraction procedure the proxies shall in such cases abstain.

If motions from shareholders (counter motions) regarding the agenda item of our Annual General Meeting are received that are subject to disclosure requirements, you can view their wording on the internet at www.paion.de/hv. If you would like to endorse an announced counter motion to an agenda item, vote "No" to this agenda item. Should it come to a further vote on the relevant agenda items, the proxies nominated by the company will abstain from voting.

PAION AG does not provide a guarantee of, and shall not be liable for, the operability and availability of fax machines for issuing authorisation and instructions where there is no intention or gross negligence involved.