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PAION AG

Aachen

- ISIN DE 000A0B65S3 -

Invitation to the Annual General Meeting

We hereby invite our shareholders to attend an ordinary Annual General Meeting of PAION Aktiengesellschaft to be held on 5 May 2008, at 10:00 a.m. at forum M, Buchkremerstrasse 1-7, 52062 Aachen, Germany.

Agenda

- 1. Presentation of the adopted annual financial statements and the approved consolidated financial statements as of 31 December 2007, the Management Reports for the Company and the Group for the financial year 2007 including the explanatory report pursuant to Sections 289 para. 4 and 315 para. 4 of the Commercial Code (*Handelsgesetzbuch*, HGB), and the Report of the Supervisory Board for the financial year 2007**

These documents can be reviewed at www.paion.de/hv. They will also be available for inspection at the Annual General Meeting and can also be sent to shareholders immediately and free of charge on request.

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- 2. Adoption of a resolution to formally approve the actions of the members of the Management Board for the financial year 2007**

The Supervisory and Management Boards propose that the actions of the members of the Management Board be formally approved for the financial year 2007.

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- 3. Adoption of a resolution to formally approve the actions of the Supervisory Board for the financial year 2007**

The Management and Supervisory Boards propose that the actions of the members of the Supervisory Board be formally approved for the financial year 2007.

4. Adoption of a resolution to appoint the auditors for the annual financial statements and consolidated financial statements for the financial year 2008 and to perform a review of the abbreviated financial statements and the interim management report pursuant to Sections 37w para. 5 and 37y no. 2 of the Securities Trading Act (*Wertpapierhandelsgesetz, WpHG*)

The Supervisory Board proposes the adoption of the following resolutions:

- a) The appointment of Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, as auditor for the annual financial statements and the consolidated financial statements for the financial year 2008.
- b) The appointment of Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, as auditor to perform a review of the abbreviated financial statements and the interim management report in accordance with Sections 37w para. 5 and 37y no. 2 of the Securities Trading Act (*Wertpapierhandelsgesetz, WpHG*).

5. Adoption of a resolution (i) to authorise the instigation of a stock option plan 2008 to issue stock options with subscription rights to shares of PAION AG to members of the Management Board of PAION AG and to such employees of PAION AG and its group companies as are particularly important for the success of the Company while at the same time terminating the issue of any new shares under the stock option plan 2005, and (ii) to amend the profit entitlement of those shares that can already be purchased as a result of stock options already granted under the stock option plan 2005, and (iii) to create new Conditional Capital 2008 I to service the stock option plan 2008 while at the same time reducing the Conditional Capitals III and 2004 II to the extent that they are not needed to service the stock options granted under the stock option plan 2005, and (iv) to amend the articles of incorporation accordingly

To ensure the future of PAION Group, the definition and successful implementation of long-term strategic corporate goals are crucial. Those individuals whose decisions are closely linked to the development and success of the Company are extremely important. The granting of stock options aims to strengthen the interest of these individuals in enhancing the value of the Company over the long term and to create a competitive remuneration element. In order to have an optimal and contemporary stock option plan that can best achieve its defined aims, the Company suggests closing the stock option plan 2005 for new issues and creating a new stock option plan 2008 that is based on the stock option plan 2005 but optimised. In order to avoid differing profit entitlements of the shares that can be subscribed on the basis of the stock option plans 2005 and 2008 the Company proposes to adapt the profit entitlement of those shares that can be subscribed on the basis of stock options already granted under the stock option plan 2005 to the profit entitlement rules of those shares that can be subscribed through the stock option plan 2008. The Annual General Meeting is requested to adopt a resolution to create Conditional Capital 2008 I to enable the creation of shares from conditional capital to service the stock options from the stock option plan 2008. The Annual General Meeting held on 30 December 2004 adopted a resolution to create Conditional Capital 2004 II in an amount of EUR 1,000,000 in order to service the stock option plan 2005 that was resolved at the same time. In addition, the Annual General Meeting that was held on 26 August 2005 adopted a resolution to create Conditional Capital

III that could also be used to service the stock options from the stock option plan 2005. In doing so, the capital stock of the Company was conditionally increased by up to EUR 110,000 additionally by issuing up to 110,000 new bearer shares of no par value. Currently, 858,121 stock options have been granted under the stock option plan 2005. To the extent that Conditional Capital 2004 II is not needed to service the stock options granted under the stock option plan 2005, the Annual General Meeting is requested to adopt a resolution to reduce, respectively cancel the same. In addition, the Annual General Meeting is requested to adopt a resolution to cancel Conditional Capital III since it is not needed to service the stock options granted under the stock option plan 2005.

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

a) To authorise the issue of stock options with subscription rights to shares of PAION AG

With the approval of the Supervisory Board and prior to 31 December 2013, under the stock option plan 2008 the Management Board is authorised to issue up to 815,000 stock options with subscription rights to shares of PAION AG with a term of ten years from the date of issue, each stock option granting the right to subscribe to one share of PAION AG, in line with the following provisions. The stock options may only be subscribed by the members of the Management Board of PAION AG and by those key members of staff of PAION AG and its Group companies who are particularly important for the success of the Company. This authorisation only applies to the Supervisory Board in respect of the granting of stock options to the members of the Management Board.

Shareholders' subscription rights are excluded.

The following key points apply to the issuance of stock options under the stock option plan 2008:

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

Under the stock option plan 2008, stock options may only be granted to a) members of the Management Board of PAION AG ("Group 1") and b) key members of staff of PAION AG and its Group companies who are particularly important for the success of the Company ("Group 2"). "Group companies" are (i) companies in which PAION AG holds more than 50% of the shares directly or indirectly, (ii) companies in which PAION AG holds more than 50% of the voting rights directly or indirectly, and (iii) companies of which PAION AG is the direct or indirect controlling company on the basis of a control agreement or similar corporate agreement. The Management Board of PAION AG will determine the exact group of beneficiaries and the scope of the stock options to be offered to each of them for subscription. To the extent that members of the Management Board of PAION AG are granted stock options, these decisions and the issuance of the stock options are the sole responsibility of the Supervisory Board of PAION AG.

Under the stock option plan 2008, a maximum aggregate of 815,000 stock options may be granted to the beneficiaries. Maximum 366,750 stock options in total (equivalent to max. 45% of the total stock options) can be issued to Group 1 beneficiaries; maximum 448,250 stock options in total (equivalent to maximum 55 percent of the total stock options) can be issued to Group 2 beneficiaries. Beneficiaries belonging to both groups can only be granted stock options if these are deducted from the Group 1 quota.

(2) Issue period and term

The stock options can be issued to beneficiaries in the period between entering the Conditional Capital 2008 I in the Commercial Register and 31 December 2013. Within this period, the relevant boards may only resolve to grant stock options between the 9th Xetra trading day (or a trading day on a comparable successor system that replaces the functions of the Xetra system) ("Xetra trading day") on the Frankfurt Stock Exchange following the publication of a quarterly or semi-annual Group report of PAION AG or of consolidated financial statements of the Company on the Company's web site and the last day of the calendar quarter in which such publication occurs – subject to the following rules for beneficiaries who sign a service or employment contract with the Company or a Group company for the first time.

Beneficiaries who sign a service or employment contract with the Company or a Group company for the first time may also be granted stock options within a period of three months after commencement of service or employment; in such cases, the relevant boards can also adopt such resolutions outside the timeframe stipulated in the section above. The commitment to grant stock options can, in these cases, form part of the service or employment contract. If the Company or a Group company acquires an enterprise or part of an enterprise, thus establishing a service or employment relationship for the first time by dint of law or agreement, a person who thus becomes a beneficiary can also acquire stock options within three months from the establishment of the service or employment relationship; the commitment to grant stock options may in this case be given even before the employment relationship is established on condition that it does not take effect until the employment relationship has been established.

Stock options granted to beneficiaries in Group 1 will be issued ("day of issue") one month after the day on which the Supervisory Board of the Company adopts such resolution, to beneficiaries in Group 2 one month after the day on which the Management Board adopts such resolution, and in those cases where stock options are issued to beneficiaries within three months of commencement of a service or employment contract on the day on which the beneficiary commences service or employment as defined in the employment contract unless the aforementioned rules in this section result in a later day of issue.

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

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

(3) Exercise lock-up periods

The stock options may not be exercised during the following "exercise lock-up periods": a) in each case during a period starting on the third Xetra trading day (or a trading day on a comparable successor system that replaces the functions of the Xetra system) ("Xetra trading day") prior to the end of a financial year quarter of the Company and ending three (3) Xetra trading days after publication of the relevant quarterly or semi-annual Group report relating to that quarter for PAION AG or the consolidated financial statements of PAION AG on the Company's website; b) from the day on which PAION AG publishes an offer to its shareholders to subscribe to new shares or bonds or other securities with conversion or option rights in the electronic Federal Gazette up until the

day on which the Company's shares with subscription rights are listed for the first time "ex subscription rights" on the Frankfurt Stock Exchange; c) from the day on which PAION AG publishes the payment of a dividend in the electronic Federal Gazette up until the day on which the Company's shares with dividend rights are listed for the first time "ex dividend" on the Frankfurt Stock Exchange.

(4) Waiting period

The stock options may only be exercised following expiry of a waiting period, which begins on the day of issue and ends two years from the day of issue for one half of the stock options issued to any beneficiaries who are participating in the stock option plan for the first time, three years from the day of issue for a further quarter of the stock options issued to these beneficiaries and four years from the day of issue for a further quarter of the stock options issued to these beneficiaries. In the case of beneficiaries who are already participating in a stock option plan of PAION AG, the waiting period ends at least two years from the day of issue. In the case of Group 1 participants the Supervisory Board, and in the case of Group 2 participants the Management Board, can define a waiting period longer than two years. The right to exercise the stock options only outside of specific exercise lock-up periods and only provided all other conditions for exercise are met remains unaffected by the expiry of the waiting period.

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

If a controlling interest in PAION AG is acquired as defined by the Securities Acquisition and Takeover Act (*Wertpapierübernahmegesetz, WpÜG*), (i) the waiting period for all issued stock options ends two years after the day of issue in the case of those stock options whose two-year waiting period has expired, or, in case a longer waiting period has been defined, on the day the controlling acquisition comes into effect; (ii) the entitlement to subscribe to shares on the basis of issued stock options whose two-year waiting period has not yet expired is converted upon the acquisition of the controlling interest into an entitlement to a corresponding cash settlement based on the share price on the day the controlling acquisition comes into effect; the corresponding stock options lapse. The Company may choose to grant listed shares in the acquiring company instead of the cash settlement.

(5) Subscription ratio and exercise of subscription rights

Each stock option entitles the holder to purchase one share from the Conditional Capital 2008 I created for this purpose against payment of the exercise price. The new shares participate in the profits from the beginning of the financial year onwards for which, at the time of exercising the subscription right, the Annual General Meeting has not adopted any resolutions in respect of the appropriation of the retained earnings.

Instead of issuing shares from the Conditional Capital 2008 I created for this purpose, the beneficiaries can alternatively be offered the option of purchasing treasury stock or receiving cash compensation, especially if no further shares are available from this conditional capital. The Management Board agrees with the Supervisory Board as to which alternatives should be offered to the beneficiaries in each instance in the case of Group 2 beneficiaries; the Supervisory Board makes this decision when Group 1 beneficiaries are affected. When making the decision, these boards must be guided solely by the interests of the Company and its shareholders. The amount of cash

compensation should be equivalent to the difference between the exercise price and the closing share price in Xetra trading (or a comparable successor system that replaces the functions of the Xetra system) on the day before exercise.

(6) Exercise price

The exercise price corresponds to the unweighted average closing price of PAION AG shares in Xetra trading (or a comparable successor system that replaces the functions of the Xetra system) on the 4th to 8th Xetra trading days following publication of a quarterly or semi-annual Group report of PAION AG or the consolidated financial statements of the Company on the Company's website. Where stock options are issued to beneficiaries within three months from commencing service or employment, the exercise price corresponds to the unweighted average closing price of PAION AG shares in Xetra trading (or a comparable successor system that replaces the functions of the Xetra system) on the 4th to 8th Xetra trading days following the first publication of a quarterly or semi-annual Group report of PAION AG or the consolidated financial statements of the Company on the Company's website following the employment of the relevant beneficiary. The exercise price must be adjusted, if necessary (for more details, see (12) below).

(7) Exercise hurdles

Stock options may only be exercised if the closing share price in Xetra trading (or a comparable successor system) ("stock exchange price") on the day prior to exercise exceeds the exercise price by at least the so-called "necessary share price increase". The necessary share price increase is a linear increase of 5% p.a. of the exercise price from the day of issue onwards throughout the entire term of the stock option. The necessary share price increase is 1/240 (in writing: one-two hundredfortieth) of the exercise price for each completed month following the day of issue, in accordance with Section 187 para. 1 Civil Code (*Bürgerliches Gesetzbuch*, BGB).

(8) Exercising the stock options

The stock options are exercised by making a written declaration to PAION AG ("confirmation of exercise"). The day of exercise is generally the day on which the Company receives the confirmation of exercise. Without incurring an extension of the term of the stock options, confirmations of exercise received by the Company prior to expiry of the waiting period or during an exercise lock-up period are deemed to have been received on the first day following the expiry of the waiting period respectively the lock-up period if the Company has not received written revocation of the confirmation of exercise by the latest at 10:00 a.m. on the last bank working day at the Company's registered office prior to this date.

The Company may determine a facilitated or amended form and delivery of the confirmation of exercise and settlement of the transactions including, above all, internet-based settlement.

(9) Lapse of the stock options

Stock options that are not or cannot be exercised up to the end of their term lapse at the end of their term without recourse and compensation without the Company having to issue a corresponding agreement or declaration that the options have lapsed.

Stock options held by Group 2 beneficiaries whose waiting period has not expired lapse without recourse and compensation on the day the employment relationship between the beneficiary and the Company or a Group company effectively ends – irrespective of the reasons for this termination, including disability, retirement or death. The same applies if a Group company with which the beneficiary has an employment relationship or a part of a Group company where the beneficiary is employed is excluded from the PAION Group.

In case a Group 2 beneficiary no longer performs his or her management task and no longer belongs to the beneficiaries in Group 2 after issue of the stock options but prior to expiry of the waiting period, a certain portion of his or her stock options that is calculated using a specific formula and taking account of any waiting period that has already expired lapses without recourse and compensation on the day on which he or she no longer performs the management function ("lapse date I").

In case a Group 2 beneficiary shortens his standard weekly working hours (part-time work) after issue of the stock options but prior to expiry of the waiting period, a certain portion of his or her stock options that is calculated using a further formula and taking account of any waiting period that has already expired lapses without recourse and compensation on the day on which the shortened standard weekly working hours begin ("lapse date II").

All stock options not exercised by Group 2 beneficiaries lapse – even if the waiting period has already expired – without recourse and compensation if the Company or a Group company has cause to terminate the employment of the beneficiary for reasons caused by the latter on the day the termination comes into effect.

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

In the case of valid revocation of an appointment as member of the Management Board pursuant to Section 84 para. 3 Stock Corporation Act (*Aktiengesetz, AktG*), all of the affected Group 1 beneficiary's stock options that have not been exercised lapse without recourse and compensation.

If the appointment as a member of the Management Board – in the case of Group 1 beneficiaries – or the employment relationship – in the case of Group 2 beneficiaries – ends upon the death of the beneficiary, stock options whose waiting period has expired may be exercised within a period of 360 days from the first trading day on the Frankfurt Stock Exchange following the death of the beneficiary on which the stock options may be exercised, in compliance with the terms and conditions of the stock option plan 2008, and especially of the aforementioned provisions, whereby exercise lock-up periods postpone the expiry of the period, by the beneficiary's heirs and/or legatees, provided that these have proven their right of inheritance to the Company and that the stock options may be transferred to them by virtue of the death of the beneficiary. In the case of joint heirs and/or legatees, only a single authorised representative of all

heirs/legatees may exercise their rights arising from the inherited or bequeathed stock options vis-à-vis the Company.

To avoid undue hardship, especially in the case of exclusion from the PAION Group of a Group company or a part of a Group company where the beneficiary is employed or of the expiry of temporary service or employment contracts, the Management Board, with the approval of the Supervisory Board - in the case of Group 2 beneficiaries – and the Supervisory Board – in the case of Group 1 beneficiaries – may approve special dispensatory agreements in individual cases.

(10) Transferability

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

(11) Authorisation to define details

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

Otherwise the Company's Management Board is responsible for defining the details and will make its decision, where stipulated by law, with the agreement of those Group company boards which are responsible for the remuneration of the beneficiaries.

These details include, above all, selecting individual beneficiaries from the relevant group of beneficiaries, granting stock options to individual beneficiaries, defining the organisation and process for granting and exercising stock options and issuing shares, and rules for dealing with stock options in special cases.

(12) Adjustments

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

In the case of capital increases against deposits with direct or indirect shareholders' subscription rights, the issuance of convertible or warrant-linked bonds respectively other securities with conversion or option rights, each with direct or indirect shareholders' subscription rights, or the payment of special or bonus dividends but not normal dividends to shareholders, the exercise price and subscription ratio will be adjusted and, as such, redefined, pursuant to Section 317 Civil Code (*Bürgerliches*

Gesetzbuch, BGB), by the Company or by an accountant appointed by the Company and acting as arbitrator, at their discretion and taking account of the relevant rules of the Eurex Germany stock exchange that apply to such a measure. The adjustment and redefinition must be performed in such a way as to ensure that the aggregate value of any beneficiary's stock option entitlement is equal to the value prior to the measure being implemented. An adjustment and redefinition will not be performed if it would involve less than 5% of the exercise price.

In the case that measures implemented by the Company and/or the stock exchanges on which the Company's shares are listed result in the shares no longer being admitted for trading, the Company reserves the right by means of unilateral declaration to the beneficiaries to revoke any stock options granted under this stock option plan 2008 that have not yet been exercised, irrespective of whether such stock options are exercisable or not. In this case, the relevant stock options lapse without recourse upon receipt by the relevant beneficiary of the declaration of revocation ("revocation date"). To the extent that issued stock options are revoked on the revocation date, the Company is obliged to compensate the relevant beneficiary for the affected stock options by offering either comparable rights or an entitlement to cash settlement, at the Company's discretion, with the aim of compensating the relevant beneficiary for the ensuing economic disadvantage suffered by the beneficiary as a result of the revocation of the exercisable stock options on the revocation date, where legally possible and commercially justifiable for the Company. The effectiveness of the revocation is independent of any agreement concerning the type and amount of compensation and of the introduction of any other employee participation plans.

The aforementioned rules apply accordingly in cases where the Company or a Group company is merged into an acquiring legal entity, carved up or out, converted into a different legal form or incorporated into an acquiring legal entity following the issue of stock options under this stock option plan 2008. In these cases, the compensation may also take the form of subscription rights to shares in an acquiring legal entity or other rights relating to an acquiring legal entity. If the pertinent legal conditions for comparable employee participation plans change during the term of this stock option plan 2008, the Company is entitled to adjust the terms and conditions of the plan accordingly, taking reasonable account of the economic interests of the holders of the stock options, even if the existing plans do not have to be adjusted for legal reasons.

(13) Reporting obligations, taxes and transaction costs

The Management Board will report each financial year in the annual report on the drawdown of the stock option plan 2008, the stock options granted to the beneficiaries, and the stock options that have been exercised.

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

b) Closing the stock option plan 2005 for new issues

The stock option plan 2005 will be closed for new issues. No further stock options can be issued under the stock option plan 2005. Any stock options already granted can, however, be exercised under the terms and conditions of the stock option plan 2005.

c) Changing the profit entitlement of shares that can be purchased on the basis of stock options already issued under the stock option plan 2005

The stock option plan 2005 will be amended to the extent that shares that can be subscribed on the basis of stock options already issued participate in profits from the beginning of the financial year onwards for which, at the time of exercising the subscription right, the Annual General Meeting has not adopted any resolutions in respect of the appropriation of the retained earnings.

The full terms and conditions of the stock option plan 2005 will be available for inspection during the Annual General Meeting 2008.

d) Creation of new Conditional Capital 2008 I

The capital stock of the Company will be conditionally increased (Conditional Capital 2008 I) by up to EUR 815,000 additionally by issuing an aggregate of up to 815,000 new bearer shares of no par value. The Conditional Capital 2008 I serves to secure the subscription rights arising from stock options that can be issued by PAION AG under the stock option plan 2008 in the period between entering the Conditional Capital 2008 I in the Commercial Register up until 31 December 2013 based on the authorisation granted by the Annual General Meeting of PAION AG on 5 May 2008. The Conditional Capital increase will only be implemented to the extent to which holders of option rights issued within the framework of the 2008 stock option plan exercise such option rights. The shares from the Conditional Capital 2008 I will be issued at the exercise price defined in lit. a) no. (6) item 5 of the Agenda for the Annual General Meeting on 5 May 2008. The new shares participate in the profits from the beginning of the financial year onwards for which, at the time of exercising the subscription right, the Annual General Meeting has not adopted any resolutions in respect of the appropriation of the retained earnings. The Management Board is authorised to determine the further details of the implementation of a Conditional Capital increase with the approval of the Supervisory Board.

e) Reduction and amendment of Conditional Capital 2004 II

The Conditional Capital 2004 II will be reduced by EUR 141,879 and amended as follows:

The capital stock of the Company will be conditionally increased (Conditional Capital 2004 II) by up to EUR 858,121 additionally by issuing an aggregate 858,121 new bearer shares of no par value. The Conditional Capital increase will only be implemented to the extent to which holders of option rights issued within the framework of the 2005 stock option plan exercise such option rights. The new shares participate in the profits from the beginning of the financial year onwards for which, at the time of exercising the subscription right, the Annual General Meeting has not adopted any resolutions in respect of the appropriation of the retained earnings. The Management Board is authorised to determine the further details of the implementation of the Conditional Capital increase with the approval of the Supervisory Board.

f) Revocation of Conditional Capital III

Conditional Capital III will be revoked in full.

- g) Section 4 para. 5 of the articles of incorporation will be amended to read as follows:**

"The capital stock of the Company will be conditionally increased (Conditional Capital 2004 II) by up to EUR 858,121 additionally by issuing an aggregate 858,121 new bearer shares of no par value. The Conditional Capital increase will only be implemented to the extent to which holders of option rights issued within the framework of the 2005 stock option plan exercise such option rights. The new shares participate in the profits from the beginning of the financial year onwards for which, at the time of exercising the subscription right, the Annual General Meeting has not adopted any resolutions in respect of the appropriation of the retained earnings. The Management Board is authorised to determine the further details of the implementation of the Conditional Capital increase with the approval of the Supervisory Board."

- h) The former Section 4 para. 6 of the articles of incorporation will be revoked in full.**

- i) The following new para. 6 will be added to Section 4 of the articles of incorporation:**

"(6) The capital stock of the Company will be conditionally increased (Conditional Capital 2008 I) by up to EUR 815,000 additionally by issuing an aggregate of up to 815,000 new bearer shares of no par value. The Conditional Capital increase will only be implemented to the extent to which holders of option rights issued within the framework of the 2008 stock option plan exercise such option rights. The new shares participate in the profits from the beginning of the financial year onwards for which, at the time of exercising the subscription right, the Annual General Meeting has not adopted any resolutions in respect of the appropriation of the retained earnings. The Management Board is authorised to determine the further details of the implementation of the Conditional Capital increase with the approval of the Supervisory Board."

- j) The Supervisory Board is authorised to amend Section 4 paras. 5 and 6 of the articles of incorporation to reflect the relevant drawdown of the Conditional Capitals.**

6. Adoption of a resolution to authorise the purchase of treasury stock

The currently existing authorisation to purchase treasury stock as resolved by the Annual General Meeting on 20 June 2007 is only valid until 20 December 2008. To date no use has been made of this authorisation. In order to continue to have the possibility of buying back shares, the Annual General Meeting is requested to adopt a resolution to revoke the authorisation granted last year and to grant the Management Board new authorisation to purchase treasury stock for a period of 18 months commencing on the date the resolution is adopted.

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

- a) The Management Board is authorised to purchase treasury stock up to an amount equivalent to 10 percent of the capital stock at the time of adopting this resolution, with the approval of the Supervisory Board; together with other shares owned by the Company or assigned to the Company pursuant to Section 71a et seqq. Stock Corporation Act (*Aktiengesetz*, AktG), the stock purchased on the basis of this authorisation may not at any time exceed 10 percent of the capital stock. The authorisation may not be used for the purpose of trading treasury stock.

- b) The authorisation can be exercised either in full or in several partial amounts by the Company, independent companies or majority-owned companies or by third parties on behalf of the Company or one of its independent or majority-owned companies. The authorisation can be exercised for any legally permissible purpose and for one or more of the aims outlined in lit. e).
- c) The authorisation to purchase stock is valid until 5 November 2009. The authorisation granted by the Company's Annual General Meeting on 20 June 2007 to purchase treasury stock will be revoked upon this new authorisation coming into effect.
- d) At the discretion of the Management Board and with the approval of the Supervisory Board, the stock can be purchased (1) on the stock exchange or (2) by means of a public purchase offer submitted to all the Company's shareholders. If the stock is purchased on the stock exchange, the Company can avail itself of the services of third parties and can use derivatives, provided that the third parties adhere to the following restrictions.
 - (1) If the shares are purchased on the stock exchange, the consideration paid per share (excl. ancillary costs) may not be more than 10% above or more than 10% below the average closing price in Xetra trading (or a comparable successor system) over the last three trading days prior to the Company committing to purchase the shares.
 - (2) If the shares are purchased by means of a purchase offer submitted to all the Company's shareholders, the purchase price or the purchase price bandwidth offered per share (excl. ancillary costs) may not be more than 20% above or below the average closing price in Xetra trading (or a comparable successor system) over the 4th – 10th trading days prior to the day the offer is published. The scope of the offer can be restricted. Where a purchase offer submitted to all the Company's shareholders results in the volume of tendered shares exceeding the repurchase volume, the declarations of acceptance must be treated proportionately; shareholders' rights to tender their shares in the ratio of their participation quotas can be excluded. A preferential acceptance of smaller lots of up to 100 tendered shares per shareholder can be included as a clause. The purchase offer can stipulate further terms and conditions.
- e) The Management Board is authorised to use the Company's shares purchased on the basis of this authorisation for all legally permissible purposes, with the approval of the Supervisory Board.
 - (1) The Management Board is authorised, with the approval of the Supervisory Board, to sell the treasury stock purchased on the basis of the aforementioned authorisation by other means than on the stock exchange or by offering the shares to all shareholders on condition that the shares are sold against payment in cash and at a price that is not substantially lower than the stock exchange listing of the Company's shares at the time of the sale.

Shareholders' subscription rights are excluded. This authorisation is restricted to a total of 10 percent of the capital stock at the time of adopting this resolution. The maximum cap of 10 percent of the capital stock is reduced by the proportionate amount of capital stock relating to such shares as are issued by means of capital increase during the term of this authorisation with subscription rights excluded pursuant to Section 186 para. 3 sent. 4 Stock Corporation Act (*Aktiengesetz*, AktG). The maximum cap of 10 percent of the capital stock is further reduced by the proportionate amount of capital stock relating to such shares as are issuable to

service warrant-linked and/or convertible bonds provided that the bonds are issued during the term of this authorisation with subscription rights excluded pursuant to Section 186 para. 3 sent. 4 Stock Corporation Act (*Aktiengesetz*, AktG).

- (2) The Management Board is authorised, with the approval of the Supervisory Board, to transfer the treasury stock purchased on the basis of the aforementioned authorisation to third parties to the extent that such shares are transferred against payment in kind for the purpose of acquiring companies, parts of companies or participations in companies, of merging companies, or of licensing products. Shareholders' subscription rights are excluded.
 - (3) The Management Board is authorised, with the approval of the Supervisory Board, to use the treasury stock purchased on the basis of the aforementioned authorisation to service conversion or option rights granted by the Company or a Group company with the bond issue or to fulfil conversion obligations arising from bonds issued by the Company or a Group company. As such, shareholders' subscription rights are excluded.
 - (4) The Management Board is authorised, with the approval of the Supervisory Board, to issue the treasury stock purchased on the basis of the aforementioned authorisation as employee shares to the Company's current and retired employees and to affiliated companies as defined in Section 15 et seqq. Stock Corporation Act (*Aktiengesetz*, AktG). As such, shareholders' subscription rights are excluded.
 - (5) The Management Board is authorised, with the approval of the Supervisory Board, to use the treasury stock purchased on the basis of the aforementioned authorisation to service the stock option plan 2005 resolved by the Annual General Meeting on 30 December 2004 and to service the stock option plan 2008 to be resolved by this Annual General Meeting. Shareholders' subscription rights are excluded. This authorisation is restricted to a total of 10 percent of the capital stock. If the Conditional Capitals 2004 II and 2008 I are drawn down to any extent for this purpose, the drawdown must be included in the relevant calculation in respect of this authorisation.
 - (6) The Management Board is authorised, with the approval of the Supervisory Board, to withdraw the treasury stock purchased on the basis of the aforementioned authorisation without the need for any further resolution by the Annual General Meeting. The withdrawal results in a capital reduction.
- f) The aforementioned authorisations to sell or withdraw treasury stock can be exercised in full or in parts, once or several times, separately or jointly. The Management Board will inform the Annual General Meeting of the reasons behind and purpose of purchasing treasury stock, of the number of purchased shares and their corresponding share in the capital stock, and of the price paid for the shares at the next Annual General Meeting.
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Reports to the Annual General Meeting

ad 5: Report by the Management Board to the Annual General Meeting

The commercial success of the PAION Group is largely dependent on its ability to acquire and hold qualified staff. This applies, in particular, to highly qualified executives and employees who are courted across national borders and, in part, across sectors of industry and offered attractive remuneration systems. Allowing members of the Management Board and key members of staff who are particularly important to the success of the Company to participate in the Company's capital and, as such, in the commercial risks and successes of the Company is an integral part of common international remuneration systems. Granting stock options has been possible in Germany for several years and is now common practice. The stock option plan does not just serve as an incentive to the beneficiaries to strengthen the focus of corporate strategy on increasing the value of the Company over the long term, which is also in the interests of shareholders, but also to strengthen the financial markets' conviction that the Company's management is sufficiently motivated in order to offer further reasons for investing in the Company's shares.

PAION AG has already made use of the legal options and recommendation submitted by the German Corporate Governance Code to allow employees and executives to participate in the Company by launching its stock option plan 2005 and the employee participation plan 2006. In order to have an optimal and contemporary stock option plan that can best achieve its defined aims, the stock option plan 2005 for new issues should be closed and a new stock option plan 2008 created that is based on the stock option plan 2005 but optimised.

Stock options can only be granted to members of the Management Board of PAION AG and to those key employees who contribute substantially to the results of the PAION Group. On this basis, the Management Board of PAION AG determines the individual beneficiaries and the scope of the stock options to be offered to each of them for subscription. To the extent that members of the Management Board of PAION AG are granted stock options, these decisions and the issuance of the stock options are the sole responsibility of the Supervisory Board of PAION AG.

Each stock option issued under the stock option plan 2008 entitles the holder to purchase one share in PAION AG. The new shares participate in the profits from the beginning of the financial year onwards for which, at the time of exercising the subscription right, the Annual General Meeting has not adopted any resolutions in respect of the appropriation of the retained earnings. The proposal for resolution does not, however, contain any restrictions concerning new shares created through capital increases, but rather allows treasury stock or cash settlements to be offered as alternatives to beneficiaries who exercise their subscription rights. A maximum aggregate of 815,000 stock options can be issued. The authorisation to issue stock options is limited to 31 December 2013.

The incentive for the beneficiaries is largely defined by the price they have to pay upon exercising the options. The proposal for resolution is based on an exercise price that corresponds to the unweighted average closing price of PAION AG shares in Xetra trading (or a comparable successor system that replaces the functions of the Xetra system) on the 4th to 8th Xetra trading days following publication of a quarterly or semi-annual Group report of PAION AG or the consolidated financial statements of the Company on the Company's website. Where stock options are issued to beneficiaries within three months from commencing service or employment, the exercise price corresponds to the unweighted average closing price of PAION AG shares in Xetra trading (or a comparable successor system that replaces the functions of the Xetra system) on the 4th to 8th Xetra trading days following the first publication of a quarterly or semi-annual Group report of PAION AG or the consolidated financial statements of the Company on the Company's website following the

commencement of the service or employment relationship of the relevant beneficiary as defined in the employment contract. In addition, stock options may only be exercised if the closing share price in Xetra trading (or a comparable successor system) ("stock exchange price") on the day prior to exercise exceeds the exercise price by at least the so-called "necessary share price increase". The necessary share price increase is a linear increase of 5% p.a. of the exercise price from the day of issue onwards throughout the entire term of the stock option. The necessary share price increase is 1/240 (in writing: one-hundredfortieth) of the exercise price for each completed month following the day of issue, in accordance with Section 187 para. 1 Civil Code (*Bürgerliches Gesetzbuch*, BGB).

The stock options may only be issued at specific times in order to avoid, above all, the risk of insider knowledge being exploited. The option of being able to offer participation in the attractive remuneration system with the stock option plan is extremely helpful in the successful search for additional highly qualified employees and – to the extent that this should become necessary in the future – members of the Management Board of PAION AG. The proposal therefore includes a provision that stock options may also be issued to such new employees respectively members of the Management Board within three months of their commencing service or employment. In such cases, the agreement to issue stock options may form part of the service or employment contract.

In order to incentivise the beneficiaries over the longer term to increase the value of the Company in the interests of all shareholders, the proposal includes waiting periods prior to the first exercise of the subscription rights. Beneficiaries who participate in a stock option plan of PAION AG for the first time can exercise one half of their stock options two years from the day of issue, an additional quarter of their stock options three years after the day of issue and a further quarter of their stock options four years from the day of issue. In the case of beneficiaries who are already participating in a stock option plan of PAION AG, the waiting period ends at least two years from the day of issue. In the case of Group 1 participants the Supervisory Board, and in the case of Group 2 participants the Management Board, can define a waiting period longer than two years. The right to exercise subscription rights (term) expires at the end of ten years from the day of issue. Stock options that are not or cannot be exercised up to the end of their term lapse at the end of their term without recourse and compensation.

The proposed resolution also excludes in principle the transferability of the stock options granted to the beneficiaries. This aims to secure the personal incentivisation that is one of the purposes of the stock option plan. Finally, the proposed resolution determines that the Management Board is authorised to define the additional provisions for granting stock options and the additional terms and conditions of exercise; these decisions are made by the Supervisory Board of PAION AG where members of the Company's Management Board are affected. These details include, above all, selecting individual beneficiaries from the relevant group of beneficiaries, granting stock options to individual beneficiaries, defining the organisation and process for granting and exercising stock options and issuing shares, and rules for dealing with stock options in special cases.

In order to protect the cash flow of the Company over the long term, the employee participation plan 2006 entitles PAION AG to choose by means of unilateral declaration to the participants to substitute the Stock Appreciation Rights ("SARs") granted under the employee participation plan 2006 with stock options prior to expiry of the waiting period of the SARs. This makes it possible for PAION to replace some or all of the SARs with stock options from the stock option plan 2008. The waiting period for the stock options issued in connection with this substitution is determined by the provisions of the stock option plan 2008 and is at least two years from the issue of the stock options, resulting in an extension of the original waiting period of the SARs from the employee participation plan 2006.

Moreover, the issue price and exercise hurdle will be redefined in line with the provisions of the stock option plan 2008.

The creation of new conditional capital in an amount of EUR 815,000, equivalent to 815,000 shares, serves primarily to service the rights of the beneficiaries to purchase shares. In order to increase flexibility with regard to the exercise of the subscription rights, the proposed resolution entitles the Company to alternatively offer treasury stock or cash compensation to service the beneficiaries' entitlements.

ad 6: Report by the Management Board pursuant to Sections 71 para. 1 No. 8, 186 para. 4 sent. 2 Stock Corporation Act (*Aktiengesetz, AktG*)

Agenda item 6 contains a proposal to authorise the Company to purchase treasury stock in an amount equivalent to up to 10 percent of the current capital stock prior to 5 November 2009, either itself or through dependent or majority-owned companies or through third parties acting on behalf of the Company.

The Annual General Meeting on 20 June 2007 had already authorised the Company to purchase treasury stock prior to 20 December 2008, and to sell these shares under certain conditions elsewhere than on the stock exchange or by offering them to the shareholders. This authorisation has not been implemented to date. Since it expires before the Annual General Meeting 2009, a new authorisation is needed to enable the future purchase of treasury stock by the Company.

The authorisation aims to enable the Management Board to purchase treasury stock on the stock exchange or by means of a public purchase bid in an aggregate amount equivalent to up to 10 percent of the Company's current capital stock in the interests of both the Company and its shareholders. The treasury stock purchased by the Company can be resold on the stock exchange or by means of a public offer to all shareholders. These options ensure that both the purchase and re-issue of the shares adhere to the principle of equal treatment of shareholders. In the case of a public purchase bid, each shareholder who is willing to sell can decide how many and, once the price range has been determined, at what price he is willing to tender shares. If the number of shares tendered at the fixed price exceeds the number required by the Company, the tender offers must be accepted on the basis of allotment, whereby the option should exist to give preferential acceptance to smaller lots tendered or to smaller parts of tendered offers up to a maximum of 100 shares. This helps to prevent both fractional amounts when determining the quotas to be purchased, and small residual holdings, and as such simplifies the technical settlement of the process.

The proposal for resolution also includes enabling the Management Board, with the approval of the Supervisory Board, to sell the treasury stock purchased on the basis of the authorisation elsewhere than on the stock exchange or by extending an offer to all shareholders, if the treasury stock is sold at a price that is not substantially lower than the stock exchange listing of PAION AG shares at the time of the sale. This authorisation, which is equivalent to an exclusion of subscription rights, utilises the option of a simplified exclusion of subscription rights as permitted by Section 71 para. 1 Nr. 8 Stock Corporation Act (*Aktiengesetz, AktG*) with corresponding application of Section 186 para. 3 sent. 4 Stock Corporation Act (*Aktiengesetz, AktG*). Its purpose, in particular, is to enable Company shares to be offered to institutional investors and/or to extend the shareholder base in the interests of the Company. In doing so, the Company will be able to react quickly and flexibly to favourable stock exchange developments. Shareholders' interests are protected by the stipulation that the shares may only be sold at a price that is not substantially lower than the stock exchange listing of PAION AG shares at the time of the sale. This ensures reasonable protection of the shareholders' assets and voting rights. The authorisation based on Section 186 para. 3 sent. 4 Stock Corporation Act (*Aktiengesetz, AktG*) to exclude subscription rights when selling treasury stock is restricted to maximum 10 percent in total of the Company's

capital stock, whereby the value of the capital stock is taken as being the current value existing at the time of adopting the resolution in respect of this authorisation. Shares issued elsewhere with subscription rights excluded in accordance with or relative to Section 186 para. 3 sent. 4 Stock Corporation Act (*Aktiengesetz, AktG*) are deducted from this cap. Shareholder protection against dilution is guaranteed by the stipulation that the shares may only be sold at a price that is not substantially lower than the relevant stock exchange price. The final fixing of the sale price for treasury stock will be decided shortly before the sale. In fixing the price, the Management Board will strive to keep any disagio on the stock exchange price as low as possible, taking the then prevailing market conditions into consideration. Interested shareholders can maintain their stake at substantially the same conditions by purchasing additional shares on the market.

The Management Board needs to be further authorised, with the approval of the Supervisory Board, to utilise the treasury stock purchased on the basis of the proposed authorisation to finance the acquisition of companies or participations in other companies or to acquire product licences. The global competition for market opportunities in the bio-pharmaceutical segment is increasingly necessitating the use of this type of acquisition financing as well. The proposed authorisation should give the Company the necessary scope to be able to quickly and flexibly exploit any acquisition opportunities that arise and to offer an optimal financing structure. This option to acquire participations and enter into partnerships is particularly important for PAION given the global competition on the bio-pharmaceutical market, where sales and research cooperation agreements and appropriate participations can be particularly important. The proposed exclusion of subscription rights reflects this necessity. When determining the valuation relations, the Management Board will ensure reasonable protection of the shareholders' interests. When deciding on the type of shares to be acquired to finance such transactions, the Management Board will be guided solely by the interests of the Company and its shareholders.

In addition, the Management Board needs to be able to use the treasury stock purchased on the basis of the proposed authorisation, with the approval of the Supervisory Board, to service the rights of holders or beneficiaries of convertible and/or warrant-linked bonds issued by the Company or a wholly owned associated company. If the company makes use of this possibility there will be no need to conditionally increase capital and, as such, shareholders' interests will not be affected by this additional option.

Moreover, the Company needs to be enabled to issue the treasury stock purchased on the basis of the authorisation as employee shares to employees of the Company and its affiliates. The right to buy back shares to be offered to employees of the Company or its affiliates pursuant to Section 71 para. 1 Nr. 2 Stock Corporation Act (*Aktiengesetz, AktG*) remains unaffected.

Furthermore, the Company needs to be enabled to use treasury stock to service the stock option plans 2005 and 2008.

The stock option plan 2005 approved by the Annual General Meeting of PAION AG on 30 December 2004, in respect of which today's Annual General Meeting is requested to adopt a resolution closing this stock option plan for new issues, is structured as follows:

Under the stock option plan, rights to the acquisition of shares in PAION AG could be granted to members of the Management Board of PAION AG and to employees of the PAION group, based on their stock options. Each option entitled the holder to purchase one share in the Company against payment of the exercise price. In the case of stock options that were issued within one month from the first listing of PAION AG shares, the exercise price was equivalent to the offering price. The exercise price for stock options issued or due for issue at a later date corresponded to the share price of PAION AG shares that was valid at the time of first issuance of the stock options by the Supervisory Board in the relevant year. According to the terms of the warrants, subscription rights could be granted in an amount equivalent to 7 percent maximum of the capital stock of the Company following the

public offering (approx. EUR 1,110,000). The Supervisory Board decided whether to issue options to the members of the Management Board and the further details of such issuance; these decisions were made by the Management Board for PAION Group employees. Stock options could only be exercised in staggered form after a waiting period of two years. Moreover, exercise was contingent upon the share price of PAION AG at the time of exercise having risen by 1/240 per calendar month relative to the share price of the Company at the time of issuance of the option. Furthermore, the eligible Management Board member or employee could only exercise up to 50% of his stock options during the first year following completion of the waiting period. Subsequently, up to a further 25% of the options could be exercised each year. 45% of the tranche were reserved for the four members of the Management Board and 55% for the remaining eligible employees.

The full text of the stock option plan 2005 as resolved by the Annual General Meeting on 30 December 2004 will be provided to the Company's shareholders upon request. The material features of the stock option plan 2008 are outlined in agenda item 5. The full text of the stock option plan 2008 will be available for inspection during the Annual General Meeting 2008.

The material reasons justifying the approval of the PAION stock option plans 2005 and 2008 are explained below:

Granting stock options or subscription rights to employees and executives, which allow these beneficiaries to purchase shares of the Company under certain terms and conditions, is an internationally accepted form of remuneration, which has become increasingly more common in Germany over recent years. The purpose being to incentivise the beneficiaries to improve their performance in order to further increase the value of a company and, as such, to aid the performance of the stock exchange price of the shares, in comparison with other companies as well, in the interests of the shareholders and the company. At the same time, such plans enable a company to compete for outstanding employees and executives on the international market. As a bio-pharmaceutical company, PAION is particularly dependent on highly qualified scientific and technical experts. Given the aforementioned aims, any treasury stock acquired and resold to service the stock option plan can only be offered to the beneficiaries, and not to the shareholders.

A stock option plan represents an element of remuneration aimed at supporting a long-term increase in the value of the Company by further increasing the motivation of the beneficiaries.

Compared with conditional capital, the use of treasury stock or an appropriate cash compensation payment within the framework of a stock option plan can be implemented to exploit tax advantages in the shape of deductible personnel expenses.

Lastly, the authorisation to purchase treasury stock will enable shares to be withdrawn without the need for any further resolution by the Annual General Meeting. Such authorisation is equally common and allows the Company to react appropriately and flexibly to relevant developments on the capital markets.

The Management Board will inform the next Annual General Meeting of any implementation of the authorisation to purchase treasury stock.

Attendance at the Annual General Meeting

Shareholders who have provided the Company with special written proof of their share ownership issued by their custodian bank in German or English may attend the Annual General Meeting and exercise their voting rights. Such proof must be provided to the following address:

PAION AG
c/o Landesbank Baden-Württemberg
Abteilung 4027 H Hauptversammlungen
Am Hauptbahnhof 2
70173 Stuttgart
Germany

or by E-Mail to: HV-Anmeldung@LBBW.de

The proof of share ownership must refer to Monday, 14 April 2008 00:00 CEST and must be furnished to the Company by Monday, 28 April 2008 at the latest. Admission cards to the Annual General Meeting will be issued to shareholders following receipt of their proof of share ownership by the Company. In order to ensure prompt receipt of the admission cards, our shareholders are requested to ensure that they send their proof of share ownership to the Company in good time.

Admission cards and voting cards will be issued to shareholders and proxies entitled to attend the meeting.

Proxy voting rights

Shareholders who do not attend the Annual General Meeting in person may grant proxy, for example to their custodian bank or a shareholders' association or other person of their choosing, to exercise their voting rights. An admission card must, in any case, be ordered if proxy is to be granted. A form for granting proxy at the Annual General Meeting will be enclosed with the admission card. Pursuant to Section 30a para. 1 no. 5 Securities Trading Act (Wertpapierhandelsgesetz, WpHG), we will also provide our shareholders with these forms for granting proxy at the Annual General Meeting on the internet at

www.paion.de/hv.

The forms will be sent to the shareholders free of charge on request.

We also offer our shareholders the option of granting proxy to a voting proxy appointed by the Company who is bound to adhere to instructions. Such authorisation to the voting proxy appointed by the Company must be issued in writing and must contain instructions as to how the shareholder's vote is to be exercised. Such authorisation is deemed to be invalid if corresponding instructions are not given. The voting proxy appointed by the Company is obliged to exercise the votes as instructed. The form for granting proxy and issuing instructions to the voting proxy appointed by the Company will be enclosed with the admission card, and is available for download, as mentioned above, on the Company's web site or can be requested from the Company. The shareholder must complete the authorisation/instruction form and mail or fax it to the Company by 30 April 2008 at the latest. Further details on authorising the voting proxy appointed by the Company will be provided to shareholders together with the admission card.

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

www.paion.de/hv.

Queries and proposals submitted by shareholders

Shareholders who would like to request documentation, submit queries to the Annual General Meeting or file counter-proposals to the proposals submitted by the Management and/or Supervisory Boards must exclusively submit these to the following address:

PAION AG
Abteilung Investor Relations
Martinstrasse 10-12
52062 Aachen
Germany

Facsimile: +49 241 4453-523

Counter-proposals and proposals for candidates for election that fulfil the requirements of Sections 126, 127 Stock Corporation Act (*Aktiengesetz, AktG*) and are received in good time at this address will be made available upon receipt to other shareholders in line with statutory provisions on the internet at

www.paion.de/hv.

Any comments by the administration will also be published on the aforementioned internet page.

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

Pursuant to Section 30b para. 1 no. 1 Securities Trading Act (*Wertpapierhandelsgesetz, WpHG*) as amended by the Transparency Directive Implementation Act (*Transparenzrichtlinie-Umsetzungsgesetz, TUG*), we hereby disclose: At the time of convening the Annual General Meeting 2008, PAION AG had issued an aggregate number of 16,755,552 shares conferring 16,755,552 voting rights.

PAION AG has not been notified of any participation in the Company by a bank, such participation being subject to registration pursuant to Section 21 Securities Trading Act (*Wertpapierhandelsgesetz, WpHG*).

The invitation to the Annual General Meeting was published in the electronic Federal Gazette on 25 March 2008.

Aachen, March 2008

PAION AG

Management Board