

PAION AGM#2011

Invitation to the Annual General Meeting

PAION AG, Aachen

ISIN DE 000A0B65S3



Invitation to the Annual General Meeting

We hereby invite our shareholders to attend the ordinary Annual General Meeting of PAION AG 2011 to be held on

Tuesday, 24 May 2011, at 10:00 a.m. (CEST)

at forum M

Buchkremerstrasse 1-7, 52062 Aachen, Germany

Convenience Translation

PLEASE NOTE:

This document exists in an English and a German version. In case of discrepancies, the German version is decisive and shall prevail any interpretation.

Agenda

1. Presentation of the adopted annual financial statements and the approved consolidated financial statements as of 31 December 2010, the Management Reports for the Company and the Group for the financial year 2010, including the Report of the Supervisory Board for the financial year 2010 and the explanatory report pursuant to Sections 289 paras. 4 and 5 and 315 para. 4 of the Commercial Code (Handelsgesetzbuch, HGB).

These documents can be reviewed at www.paion.com/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.

2. Adoption of a resolution to formally approve the actions of the members of the Management Board for the financial year 2010

The Supervisory and Management Boards propose that the actions of the members of the Management Board holding office in the financial year 2010 be formally approved for the financial year 2010.

3. Adoption of a resolution to formally approve the actions of the members of the Supervisory Board for the financial year 2010

The Management and Supervisory Boards propose that the actions of the members of the Supervisory Board holding office in the financial year 2010 be formally approved for the financial year 2010.

4. Adoption of a resolution to appoint the auditors for the annual financial statements and consolidated financial statements for the financial year 2011 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 2011.
- 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 for the financial year 2011 in accordance with Sections 37w para. 5 and 37y no. 2 of the Securities Trading Act (Wertpapierhandelsgesetz, WpHG).

5. Election of Dr Harald F. Stock to the Supervisory Board to replace Dr Walter Wenninger upon the latter's termination of office

Dr Walter Wenninger has notified the Company of his intention to resign from the Supervisory Board and that such resignation shall come into effect concurrent with the appointment of Dr Harald F. Stock or another individual to the Supervisory Board.

The Supervisory Board of PAION AG is comprised of three members in accordance with Sections 95, 96 para 1, 101 para 1 Stock Corporation Act (Aktiengesetz, AktG) and Section 12 para 1 of the articles of incorporation of PAION AG. The Supervisory Board therefore proposes that the Annual General Meeting elects

Dr Harald F. Stock, German national, chemist, Chief Executive Officer of the Grünenthal Group, residing in Eisenberg

to the Supervisory Board as the shareholders' representative. The Annual General Meeting is not bound to elect the proposed candidate.

Dr Harald F. Stock currently also occupies seats on legally stipulated Supervisory Boards and comparable controlling bodies in Germany and abroad of the following companies:

- immatics biotechnologies GmbH, Tübingen, Member of the Supervisory Board
- ConfirMIS, Inc, Burlington, MA, U.S.A., Board Observer

The appointment would be valid for the period up until the end of the Annual General Meeting that formally approves the actions of the Supervisory Board for the fourth financial year following the assumption of office. The financial year in which office is assumed is not counted.

By dint of their professional experience and training, Dr Jörg Spiekerkötter and Mr Alan Goodman as members of the Supervisory Board have the necessary qualification to act in the capacity of an independent financial expert in the context of Section 100 para. 5 AktG. Mr Alan Goodman has been chairing the Audit Committee since May 2010.

6. Adoption of a resolution to revoke the previously Approved Capital 2009, create new Approved Capital 2011 and to amend the Articles of Incorporation accordingly

By resolution of the Annual General Meeting held on 25 May 2009, the Management Board was authorised to increase the capital stock of the Company with the approval of the Supervisory Board by up to EUR 12,300,000 by issuing

new bearer shares of no-par value against payment in cash or kind (Approved Capital 2009). On the basis of resolutions adopted by the Management and Supervisory Boards on 20 October 2010, 30 November 2010, 7 December 2010 and 28 March 2011, this authorisation to increase the capital stock of the Company was partially implemented. The Company increased the capital stock by EUR 757,857 on 2 November 2010, 13 December 2010 and 1 April 2011 by issuing 757,857 new bearer shares of no-par value against payment in cash. Shareholders' subscription rights for this increase of the capital stock were excluded. As a result of this capital increase, the remaining available Approved Capital 2009 declined to EUR 11,542,143.

The existing Approved Capital 2009 shall be revoked, a resolution with regard to new Approved Capital 2011 adopted, and the articles of incorporation amended accordingly.

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

- a) The Management Board is authorised to raise the capital stock of the Company with the approval of the Supervisory Board and up until 23 May 2016, by a total nominal amount of up to EUR 12,680,388 by one or several issuances of a total of 12,680,388 new bearer shares of no-par value against payment in cash and/or kind (Approved Capital 2011). Both ordinary shares and/or non-voting preferred shares may be issued.

Subject to the following exceptions, the shareholders must be granted subscription rights. The shares can be taken over by a bank or syndicate of banks committing to offer them for sale to the shareholders of the Company (so-called "indirect subscription rights"), if they are not offered directly for sale to the shareholders. Shareholders' subscription rights can, however, be excluded in whole or in part, for one or several capital increases, in the following cases:

- I) The Management Board is hereby authorised to exclude peak amounts from the shareholders' subscription rights, with the approval of the Supervisory Board.
- II) Subject to the approval of the Supervisory Board, the Management Board is authorised to exclude shareholders' rights to subscribe to share issuances against contributions in kind, especially, but not solely restricted to, issuances for the purpose of acquiring (both directly and

indirectly) companies, parts of companies, investing in companies or other assets associated with such acquisition plans, or for servicing convertible and/or warrant-linked bonds and/or convertible bonds with conversion obligations that were issued against contributions in kind.

III) Subject to the approval of the Supervisory Board, the Management Board is further authorised to exclude shareholders' subscriptions rights in respect of capital increases against contributions in cash if the issue price of the new shares is not substantially lower, as defined in Sections 203 paras. 1 and 2, 186 para. 3 sent. 4 AktG, than the stock exchange price of those shares in the same class and with the same rights that are already admitted for trading at the time of finally specifying the issue price, and if the new shares issued against contributions in cash with subscription rights excluded pursuant to Section 185 para. 3 sent. 4 AktG do not, in total, account for a share of more than 10 percent of the capital stock, both at the time they are issued and at the time of exercising this authorisation.

The maximum cap of 10 percent of the capital stock is reduced by the proportionate amount of capital stock relating to such treasury stock as is sold by the Company during the term of this authorisation with subscription rights excluded pursuant to Section 186 para. 3 sent. 4 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 or issued to service warrant-linked and/or convertible bonds or participation rights with conversion or option rights, provided that the bonds are issued during the term of this authorisation with subscription rights excluded pursuant to Section 186 para. 3 sent. 4 AktG.

IV) Subject to the approval of the Supervisory Board, the Management Board is further authorised to exclude shareholders' subscription rights to the extent necessary to enable subscription rights to new bearer shares of the Company with no-par value to be granted to the holders of conversion and/or option rights and/or holders of convertible bonds with conversion obligations issued in the past or in the future by the Company or a company that is directly or indirectly wholly owned by the Company, to the extent to which they would be entitled upon exercising their conversion and/or option rights and/or complying with their conversion obligation.

The Management Board is authorised to determine with the approval of the Supervisory Board the further details in respect of the share rights and conditions of issuance.

- b) The amount of EUR 11,542,143 remaining of the Approved Capital 2009, which was authorised by the Annual General Meeting on 25 May 2009 for a restricted period up until 25 May 2014 pursuant to Section 4 para. 3 of the Articles of Incorporation, will be revoked when the new Approved Capital 2011 becomes effective.
- c) In Section 4 of the Articles of Incorporation, para. 3 will be amended to read as follows:

“The Management Board is authorised to raise the capital stock of the Company with the approval of the Supervisory Board and prior to 23 May 2016, by a total nominal amount of up to EUR 12,680,388 by one or several issuances of a total of 12,680,388 new bearer shares of no par value against payment in cash and/or kind (Approved Capital 2011). Ordinary and/or preference shares may be issued in each case.

Subject to the following exceptions, the shareholders must be granted subscription rights. The shares can be taken over by a bank or syndicate of banks committing to offer them for sale to the shareholders of the Company (so-called “indirect subscription rights”) if they are not offered directly for sale to the shareholders. Shareholders’ subscription rights can, however, be excluded in part or in full for one or several capital increases in the following cases:

- I) The Management Board is authorised to exclude peak amounts from the shareholders’ subscription rights, with the approval of the Supervisory Board.
- II) Subject to the approval of the Supervisory Board, the Management Board is authorised to exclude shareholders’ rights to subscribe to share issuances against contributions in kind, especially, but not solely restricted to, issuances for the purpose of acquiring (both directly and indirectly) companies, parts of companies, investing in companies or other assets associated with such acquisition plans, or for servicing convertible and/or warrant-linked bonds and/or convertible bonds with conversion obligations that were issued against contributions in kind.

III) Subject to the approval of the Supervisory Board, the Management Board is further authorised to exclude shareholders' subscriptions rights in respect of capital increases against contributions in cash if the issue price of the new shares is not substantially lower, as defined in Sections 203 paras. 1 and 2, 186 para. 3 sent. 4 AktG, than the stock exchange price of those shares in the same class and with the same rights that are already admitted for trading at the time of finally specifying the issue price, and if the new shares issued against contributions in cash with subscription rights excluded pursuant to Section 185 para. 3 sent. 4 AktG do not, in total, account for a share of more than 10 percent of the capital stock, both at the time they are issued and at the time of exercising this authorisation.

The maximum cap of 10 percent of the capital stock is reduced by the proportionate amount of capital stock relating to such treasury stock as is sold by the Company during the term of this authorisation with subscription rights excluded pursuant to Section 186 para. 3 sent. 4 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 or issued to service warrant-linked and/or convertible bonds or participation rights with conversion or option rights, provided that the bonds are issued during the term of this authorisation with subscription rights excluded pursuant to Section 186 para. 3 sent. 4 AktG.

IV) Subject to the approval of the Supervisory Board, the Management Board is further authorised to exclude shareholders' subscription rights to the extent necessary to enable subscription rights to new bearer shares of the Company with no-par value to be granted to the holders of conversion and/or option rights and/or holders of convertible bonds with conversion obligations issued in the past or in the future by the Company or a company that is directly or indirectly wholly owned by the Company, to the extent to which they would be entitled upon exercising their conversion and/or option rights and/or complying with their conversion obligation.

The Management Board is authorised to determine with the approval of the Supervisory Board the further details in respect of the share rights and conditions of issuance.”

- d) To ensure that the revocation of the former Approved Capital I does not come into effect without the new Approved Capital 2011 taking its place, the Management Board is instructed to only submit the resolution adopted in lit. b) above in respect of the revocation of the former Approved Capital 2009 for entry in the commercial register when it is certain that the resolution in respect of the creation of the new Approved Capital 2011 as outlined in lit. a) above in an amount of EUR 12,680,388 and the corresponding amendment to the Articles of Incorporation as outlined in lit. c) above will be entered in the commercial register immediately following the registration of the revocation.
- e) The Supervisory Board is authorised to amend Section 4 para. 3 of the Articles of Incorporation to reflect the relevant drawdown of Approved Capital 2011 or upon expiry of the period of authorisation.

Reports to the Annual General Meeting

In respect of item 6 on the Agenda for the Annual General Meeting on 24 May 2011, the Management and Supervisory Boards propose to revoke of the existing Approved Capital 2009 and to replace it with a new approved capital (Approved Capital 2011). Pursuant to Section 203 para. 1 sent. 1 in conjunction with Section 186 para. 4 sent. 2 AktG, the Management Board has issued a report pertaining to item 6 on the Agenda for the Annual General Meeting, explaining its reasons for authorising the exclusion of shareholders' subscription rights when issuing new shares. This report forms part of this invitation and can be downloaded from the internet at

www.paion.com/hv

or inspected at the Annual General Meeting.

When implementing the Approved Capital 2011 to issue shares against contributions in cash, shareholders shall be awarded a general subscription right (Section 203, para. 1 sent. 1 in conjunction with Section 186 para. 1 AktG), whereby an indirect subscription right as defined in Section 185 para. 5 AktG shall also be deemed sufficient. Pursuant to applicable law, granting such an indirect subscription right to the issuance of new shares does not constitute an exclusion of subscription rights. Ultimately, shareholders are granted the same rights to subscription as with direct subscription rights. The sole difference lies in the fact that one or more banks are commissioned to handle the settlement for technical reasons.

The proposed resolution also envisages the authorisation of the Management Board, to exclude subscription rights in certain instances when implementing the Approved Capital 2011, such exclusion to be subject to the approval of the Supervisory Board.

This shall apply initially in cases where the Management Board needs to be authorised, in the interests of the Company and its shareholders and with the approval of the Supervisory Board, to execute at short notice a cash capital increase excluding shareholders' subscription rights provided that the issue price is not substantially lower than the stock exchange price. This authorisation will enable the simplified exclusion of subscription rights as permitted by Section 203 para. 1 in connection with Section 186 para. 3 sent. 4 AktG. The authorisation will enable the Company to react quickly and flexibly to exploit

market opportunities in its various fields of business and any resulting capital needs to be met at short notice without having to undergo the time-consuming and cost-intensive processing of subscription rights. The exclusion of subscription rights makes it possible to act very quickly and place shares at prices that are close to the stock exchange price, i.e. without the discount usually applied to subscription issues. This enables maximisation of the sale proceeds and the largest possible addition to equity capital. The authorisation in respect of simplified exclusion of subscription rights is not least justified by the fact that it frequently enables the generation of larger capital inflows. Renewing the authorisation also ensures that – as was also the case in the past – equity commitments can be utilised flexibly and at short notice to strengthen the capital base of the Company. The authorisation to exclude subscription rights when issuing new shares based on Section 186 para. 3 sent. 4 AktG may not exceed 10 percent of the Company’s capital stock, either when it comes into force or when it is exercised. Shares issued elsewhere with subscription rights excluded in accordance with or relative to Section 186 para. 3 sent. 4 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. Any discount on the current stock exchange price will probably not exceed 5 percent of the stock exchange price. Specifying this issue price close to the stock exchange price ensures that the value of subscription rights to new shares declines to virtually zero. Shareholders have the option of maintaining their relative share in the Company by purchasing additional shares on the stock exchange.

The Management Board also needs to be enabled to exclude shareholders’ subscription rights when issuing new shares against payment in kind. As a bio-pharmaceutical company, in particular, PAION faces global competition. The Company must therefore be in a position to act quickly and flexibly at all times and in the interests of its shareholders. This includes the acquisition of further companies or participations in companies and the execution of cooperation agreements, which can be enormously important, particularly for companies, such as PAION AG, who operate in the pharmaceuticals industry, for example to jointly develop or market medication. In return, it can be practical to grant shares in order to conserve Company liquidity or to comply with taxation conditions in various countries. In addition, practice has shown that stakeholders of attractive acquisition candidates are frequently very eager to acquire ordinary shares of the company in return. The creation of approved capital and the option of excluding subscription rights aims to enable PAION AG to make flexible use of opportunities and to enter into further

cooperation agreements, which are particularly important for PAION AG as a developing bio-pharmaceutical company. Since capital increases for purposes of acquisition are frequently necessary at short notice, it is important to ensure that they do not have to be approved by the Annual General Meeting, which generally only convenes once a year.

Furthermore, the exclusion of subscription rights aims to allow convertible and/or warrant-linked bonds and/or convertible bonds with conversion obligations issued against contributions in kind to be serviced if these are issued equally for the purpose of acquiring companies, parts of companies or participations in companies based on the authorisation resolved by the Annual General Meeting on 19 May 2010 in respect of Agenda item 9. The new shares will be issued against contribution in kind, either in the form of the bond to be incorporated or in the form of the contribution in kind made in respect of the bond. This raises the flexibility of the Company when servicing conversion rights and obligations. Offering bonds with conversion or option rights and/or conversion obligations instead of, or in addition to, shares or cash payments can constitute an attractive alternative. The added flexibility increases the competitive chances of the Company in respect of acquisitions.

At the time of exercising its authorisation, the Management and Supervisory Boards of PAION AG will carefully review the issue price, including the further conditions of issuance, of the new shares and the value of the acquisition target, i.e. the value of the company or part of the company to be purchased or of the participation to be acquired in a company to ensure that they are reasonable and serve the best interests of PAION AG and its shareholders.

Subject to the approval of the Supervisory Board, the Management Board needs to be further authorised to exclude shareholders' subscription rights to enable subscription rights to new bearer shares of the Company with no par value to be granted to the holders of conversion and/or option rights and/or holders of convertible bonds with conversion obligations issued in the past or in the future by the Company or a company that is directly or indirectly wholly owned by the Company, to the extent to which they would be entitled upon exercising their conversion and/or option rights and/or complying with their conversion obligation. The terms and conditions governing the issuance of warrant-linked and convertible bonds generally incorporate a protective mechanism against dilution, which grants existing holders subscription rights to new shares in subsequent share issue programmes. As such, they rank as though they were already shareholders. In order to provide the bonds with this

protection against dilution, the rights of shareholders to subscribe to these shares must be excluded. This makes it easier to place the bonds and, as such, serves the interests of the shareholders in ensuring the best possible financing structure of the Company.

Where the shareholders' subscription rights are not excluded in principle from the implementation of the approved capital, the Management Board needs to be authorised to exclude peak amounts from shareholders' subscription rights with the approval of the Supervisory Board. Such option to exclude subscription rights is necessary to be able to produce a technically executable subscription ratio. Given the restriction to peak amounts, the effect of any ensuing possible dilution on the shareholders will be minimal. The new shares excluded from shareholders' subscription rights as free peaks will be utilised as best possible for the Company either by means of sale on the stock exchange or by other means.

In each individual case the Management Board will carefully analyse whether it will need to implement the authorisation to increase the capital with exclusion of shareholders' subscription rights. This option will only be implemented if the Management and Supervisory Boards are convinced that it is in the best interests of the Company and, as such, its shareholders.

The Management Board will report on each utilisation of the approved capital at the next Annual General Meeting.

Further information in respect of convening the Annual General Meeting

1. Attendance at the Annual General Meeting

Shareholders must register in time to attend the Annual General Meeting and exercise their voting rights: such registration must reach the Company by Tuesday, 17 May 2011, 24:00 CEST, at the latest, at the following address:

PAION AG
c/o BADER & HUBL GmbH
Wilhelmshofstrasse 67
D-74321 Bietigheim-Bissingen
Fax: +49 (0)7142 788667-11

or by e-mail to:

hauptversammlung@baderhubl.de

and shareholders must have submitted separate proof of their share ownership as of the start of Tuesday, 3 May 2011, 0:00 CEST. Proof of share ownership must be documented by a separate proof of share ownership issued by the custodian.

Both the registration and the proof of share ownership must be received by the Company at the above address by Tuesday, 17 May 2011, 24:00 CEST, at the latest. The registration and proof of share ownership must be in text form (Section 126 b BGB) and must be in German or English.

Further information relating to the registration procedure can be found on the website

www.paion.com/hv

Importance of the Effective Date for Provision of Proof

The provision of separate proof of share ownership is mandatory for recognition by the Company as a shareholder, and for the right to attend the Annual General Meeting and exercise voting rights. The right of attendance and the scope of voting rights are dictated solely by the number of shares

owned on the effective date. The effective date does not imply a temporary ban on the sale of the shareholdings. Even if the shareholdings are sold in part or in whole after the effective date, attendance and the scope of voting rights are dictated solely by the shareholders' share ownership as of the effective date; i.e. the sale of shares after the effective date does not impact the right to attend nor the scope of voting rights. The same applies mutatis mutandis for any shares acquired after the effective date. Individuals who do not own shares on the effective date and only subsequently become shareholders are entitled to attend and exercise the voting rights conveyed by the shares they own only if they obtain authorisation to do so or empowerment to exercise this right.

Each ordinary share conveys one vote at the Annual General Meeting.

2. Proxy voting rights

Shareholders may exercise their votes at the Annual General Meeting by voting proxy (e.g. a financial institution or a shareholders' association). Such voting proxy must be granted and revoked and evidence of authorisation documented in text form. Exemptions may apply to financial institutions, shareholders' associations and other coequal persons or institutions (see Section 135 para. 8, and Section 125 para. 5 AktG). Therefore we ask our shareholders to consult with the respective financial institutions, shareholders' associations or other coequal persons or institutions concerning applicable form requirements. The admission card for shareholders will include a form for such voting proxy. We will also provide our shareholders with these forms for granting proxy at the Annual General Meeting on the internet at

www.paion.com/hv

Pursuant to Section 30a para. 1 no. 5 Securities Trading Act (Wertpapierhandelsgesetz, WpHG), the forms will be sent to the shareholders free of charge on request or issued at the Annual General Meeting.

In addition, we offer our shareholders the option of representation at the Annual General Meeting by voting proxies who are appointed by the Company and bound to adhere to instructions.

The authorisations can be transmitted in writing, by facsimile or e-mail (address, see below). In the event of e-mail transmission, please attach the completed and signed authorisation and instruction form which was enclosed with the admission card. The form may only be sent in electronic format ("PDF" or "TIF"). The authorisation and instruction form can also be downloaded at www.paion.com/hv. Even if you choose to authorise the voting proxies, registration and submission of proof of share ownership must still be provided prior to the deadline as described above. If the voting proxies appointed by the Company are to be authorised, the shareholder must issue clear instructions as to how his or her vote should be exercised for each of the items on the agenda. The authorisation is deemed to be invalid if corresponding instructions are not given. The voting proxies appointed by the Company are bound to vote in accordance with your instructions. Shareholders who would like to avail themselves of this option and issue authorisation to the voting proxies appointed by the Company require an authorisation form for this purpose, which they can also use to give instructions. This form will be included with the admission card sent to the shareholders. Shareholders must complete an authorisation and instruction form, and sign and return it to the Company prior to the close of business on Monday, 23 May 2011 by mail, facsimile or e-mail to the following address:

PAION AG
c/o BADER & HUBL GmbH
Wilhelmshofstrasse 67
D-74321 Bietigheim-Bissingen
Fax: +49 (0)7142 788667-11
e-mail: hauptversammlung@baderhubl.de

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.com/hv

3. Applications for addenda to the agenda, submitted by a minority as defined in Section 122 para. 2 AktG

Shareholders whose aggregate share ownership equates to a proportionate amount of EUR 500,000 of the capital stock, i.e. equivalent to 500,000 unit shares, may demand the inclusion of items on the agenda and the publication of the same. Each application must be accompanied by a justification or proposed resolution. Applications must reach the Company at the address indicated in (4.) before the close of Saturday, 23 April 2011.

4. Applications and candidates proposed for election by shareholders pursuant to Sections 126 para. 1 and 127 AktG

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

PAION AG
Abteilung Investor Relations
Martinstrasse 10-12
52062 Aachen
Germany
Facsimile: +49 (0)241 4453-120

Counter-proposals and proposals for candidates for election that fulfil the requirements of Sections 126, 127 Stock Corporation Act (Aktiengesetz, AktG) and are received before the end of business on Monday, 9 May 2011 at this address will be made available upon receipt to other shareholders in line with statutory provisions on the internet at

www.paion.com/hv

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

5. Shareholder rights to information pursuant to Section 131 para. 1 AktG

During the Annual General Meeting, any shareholder is entitled to request information from the Management Board about matters relating to the Company, including legal and business relationships to affiliated companies

and about the situation of the Group and the companies included in the consolidated financial statements to the extent that such information is necessary to enable a factual judgement of the respective item on the agenda.

Pursuant to Section 26 para. 2 of the Articles of Incorporation, the chairman of the meeting is authorised to place time restrictions on the right of shareholders to speak and ask questions; in particular, he is authorised to define a reasonable period of time for the entire Annual General Meeting, for individual items on the agenda and for individual contributions and questions, either at the start or during the course of the Annual General Meeting.

6. Publications on the website

This invitation to the Annual General Meeting, the documentation and shareholder applications that must be made available, and other information is available on the Company's website at www.paion.com/hv. The invitation was published in the electronic Federal Gazette on 12 April 2011.

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

At the time of convening the Annual General Meeting, the capital stock of the Company amounted to EUR 25,360,776.00, represented by 25,360,776 shares. Each ordinary share conveys one vote at the Annual General Meeting. The total number of shares and voting rights outstanding at the time of convening the Annual General Meeting amounted to 25,360,776. The Company did not hold any treasury stock at the time of convening the Meeting.

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 2011 was published in the electronic Federal Gazette (Elektronischer Bundesanzeiger) on Tuesday, 12 April 2011. On the same day, the invitation was forwarded to the media for publication within the European Union in the context of Section 121 para. 4a AktG.

Aachen, April 2011

PAION AG

Management Board

Directions to Annual General Meeting Location

Location: forum M, Buchkremerstrasse 1–7, 52062 Aachen, Germany

(Map see last page)

Approach by car

1. Approaching Aachen from Belgium, Dusseldorf or Cologne:

Use the motorway A4 (E40) or A44 (E40) until “Kreuz Aachen” junction.

Continue on the A4 (E 314) towards “Heerlen/Aachen Zentrum/Eindhoven/Antwerpen”.

Approaching from the Netherlands:

On passing the border, the motorway from the Netherlands will change into German A4 (E 314).

2. Leave the motorway at the next exit (exit no. 3, “Aachen Zentrum/Würselen”) and turn right in direction Aachen “Krefelder Strasse. B 57”.
3. Continue straight on for approx. 3 km. Coming down from the hill top there is a crossroads with traffic lights. Turn left into “Monheimsallee”.
4. At the next large crossroads with traffic lights turn right into “Peterstrasse”. After approx. 450 m turn left into “Ursulinerstrasse” and then right into “Buchkremerstrasse”. The main entrance of “forum M” is on the right-hand side.
5. Turning right at the next corner you will find a public parking block “Parkhaus Büchel”.

Approach by train

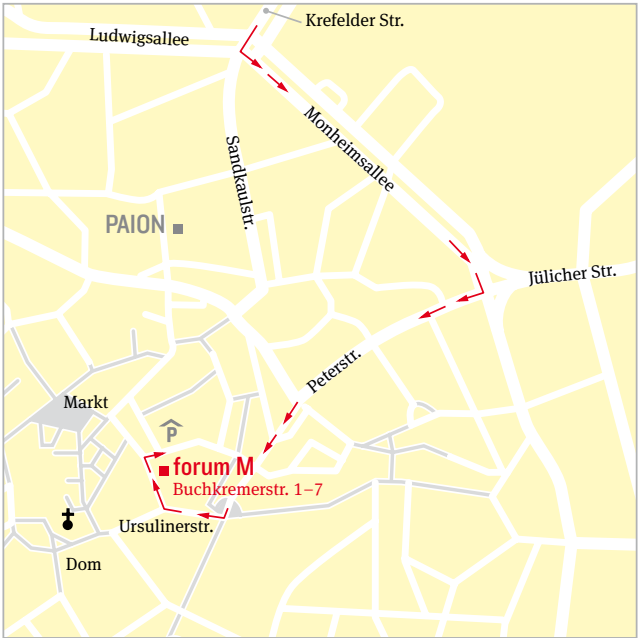
Take a taxi from the main railway station. It will take approx. 10 minutes to get to “forum M”.

Travel expenses and parking fees will not be covered by the company.

Welcome!

Annual General Meeting Location

forum M, Buchkramerstrasse 1–7, 52062 Aachen, Germany



PAION AG

Martinstrasse 10–12 52062 Aachen (Germany)

Phone +49 (0) 241 4453-0

Facsimile +49 (0) 241 4453-120

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