

The background is an abstract, dynamic composition of blue and white light trails. These trails are curved and flow from the bottom left towards the top right, creating a sense of motion and depth. The colors range from deep, dark blues to bright, almost white highlights, giving the impression of a high-speed tunnel or a digital data stream.

PARAGON

paragon GmbH & Co. KGaA
Webcast with EUR Bondholders

January 31, 2022

Strong Business Model




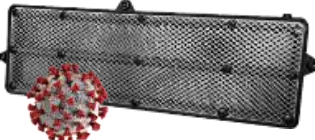



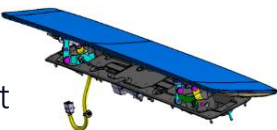


Pure Play Automotive - Innovator for Leading OEMs

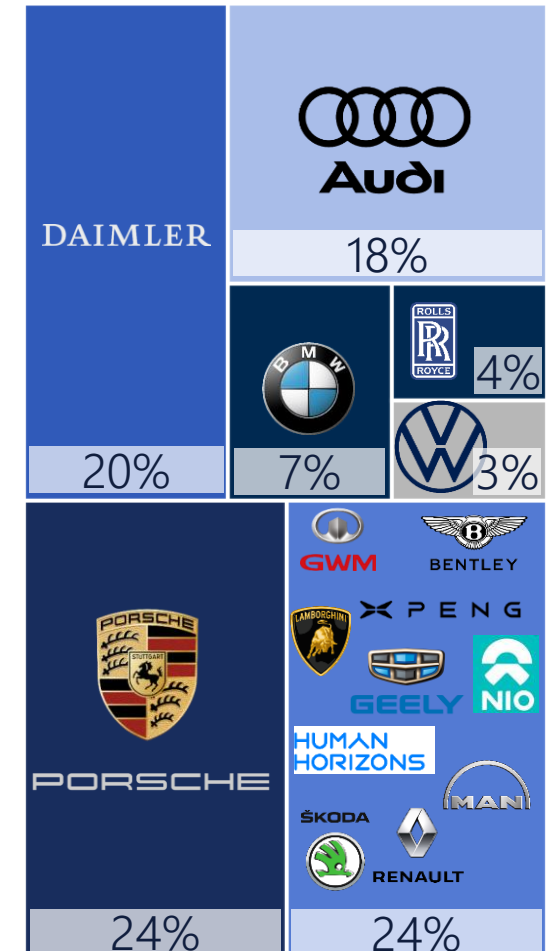
Self-developed, innovative Products along the Megatrends in Mobility

<p>Inspiration Megatrends *) → Key technologies</p>	<p>Introduction Push Principle → First-Mover approach</p>
<p>Innovation R&D → Future oriented solutions</p>	<p>Integration Automated Series Production → Market entry barriers</p>

*) Urbanization, Digitalization, CO₂-Reduction, Ultimate Comfort

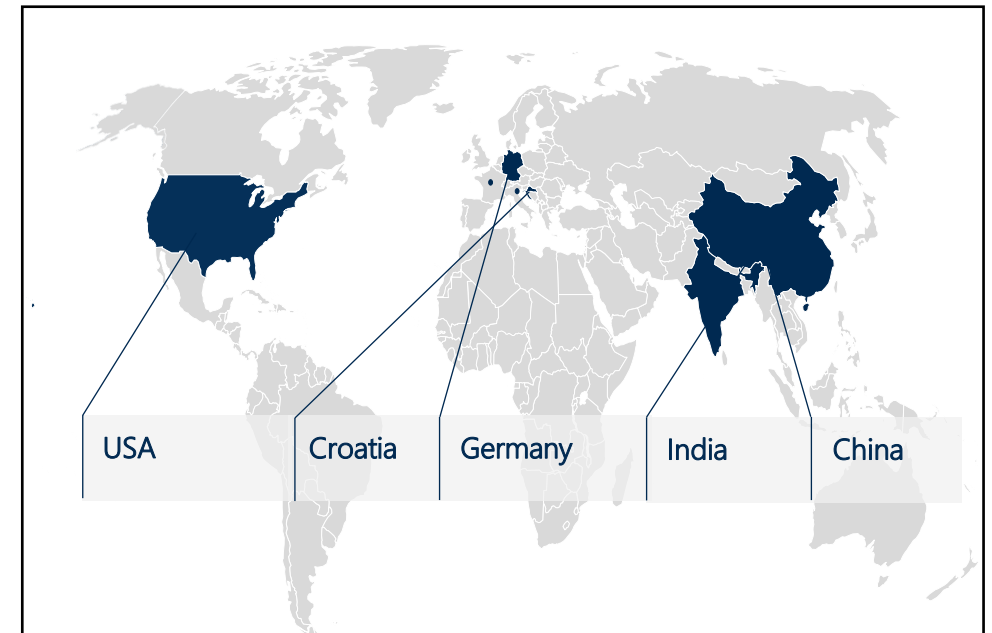
paragon's Products: All about a Safe, Clean and Smooth Ride

Sensors 	Air Quality Sensor (AQS) Air Quality Improver (AQI) Particulate Matter Sensor DUSTDETECT Electric Virus-Filter DUSTPROTECT	<u>New order:</u> First nomination of mass production for electric Virus-Filter DUSTPROTECT 
Interior 	Microphones Loudspeakers/Sound Systems Controls Instruments	<u>New development project:</u> Wireless Charging Next Gen Fully integrated in interior panel 
Kinematics 	Spoilers Seat Components Special Mechanics	<u>New orders:</u> High volume spoiler nominations in Chinese market 
Digital Assistance 	Voice assistant using artificial intelligence and machine learning	<u>New order:</u> January 2022: Largest order in company's history; additional 40m EUR order for AI-based voice assistant
Power 	Flow-Shape-Design (FSD) Lithium-Ion batteries Buffer batteries	<u>New Technology:</u> Revenue forecast for more than 80m EUR in 2026 due to new FSD-technology



More than three Decades of Experience in Automotive

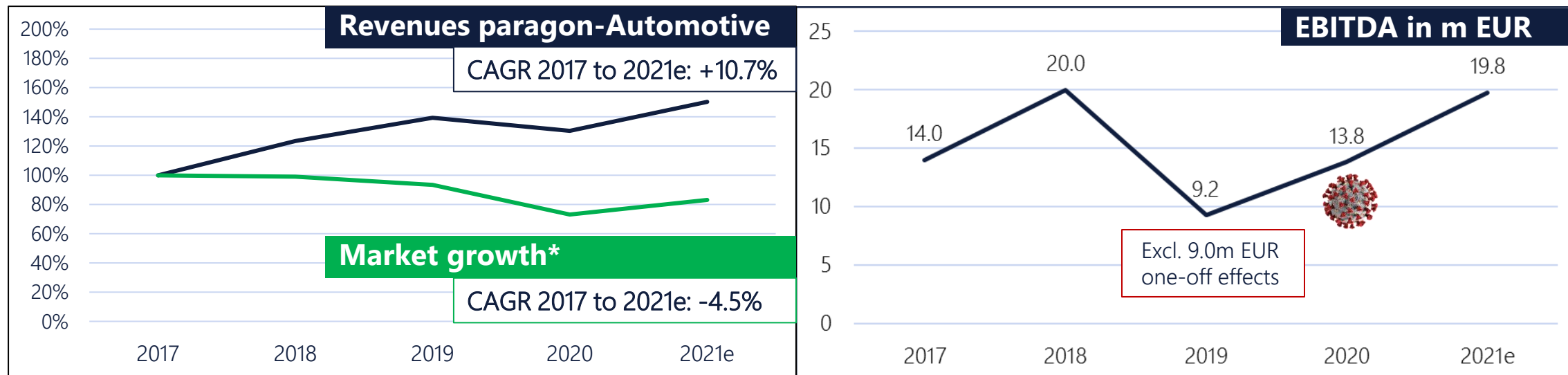
- Year of foundation: 1988
- Corporate form: GmbH & Co. KGaA (limited partnership)
- General Partner: paragon GmbH (unlimited liability)
- Management: Klaus Dieter Frers, founder and CEO
Dr. Matthias Schöllmann
- Stock exchange: Listed in Frankfurt/Main since 2000
ISIN DE0005558696
- Shareholders: Klaus Dieter Frers 49.3 %
Freefloat 50.7%
- Employees: 900 worldwide (>20% in R&D)





Operational Performance

paragon is Beating overall Market Trends – Year on Year on Year

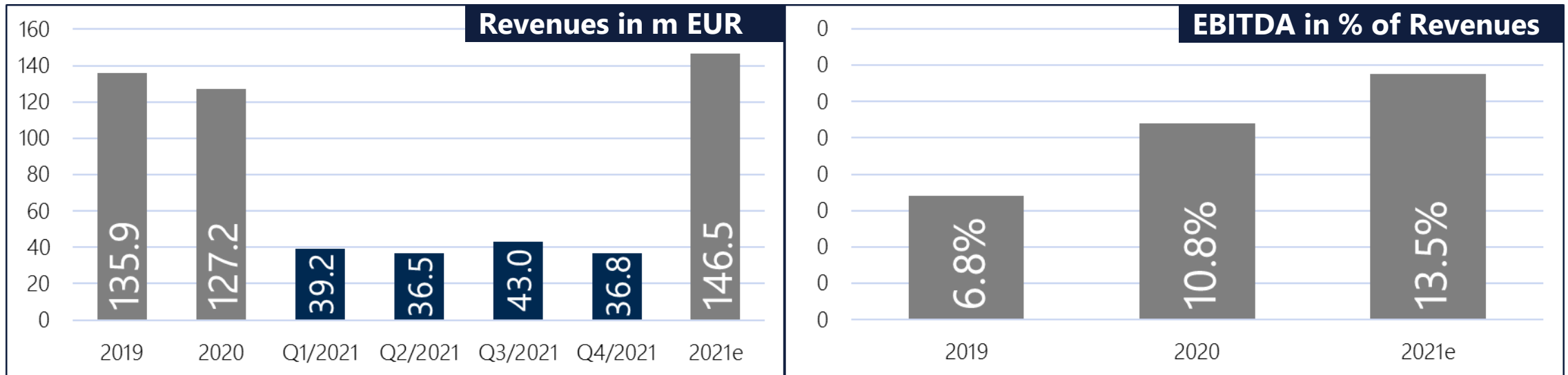


*Source: IHS Markit - Customized Light Vehicle Production Forecast, October 2021

- Higher volumes + new products + new customers resulting in **higher market penetration**
- paragon's innovative products address the entire market – massive potential for **gaining further market share**
- **Revenue drivers are sensors, instruments, and KI software**

- **paragon is focusing on high growth of revenues AND reducing costs IN PARALLEL**
- **EBITDA more than doubled** despite COVID and supply chain crises - further improvements expected in the following quarters

Double digit Growth despite COVID and Supply Chain Crises – strong Start in 2022 – EBITDA Margin seen rising to 15+%



- Strong fourth quarter with revenues and EBITDA meeting our forecast
- Every quarter in 2021 with double digit EBITDA margins => robust business model
- Revenue growth 2019/2021 by 7.8% - with just 1% more employees

- Strong start in 2022: Revenues in January +10% compared to January 2021
- H1/2022: Order releases +15% above H1/2021
- EBITDA margin rising to 15+%

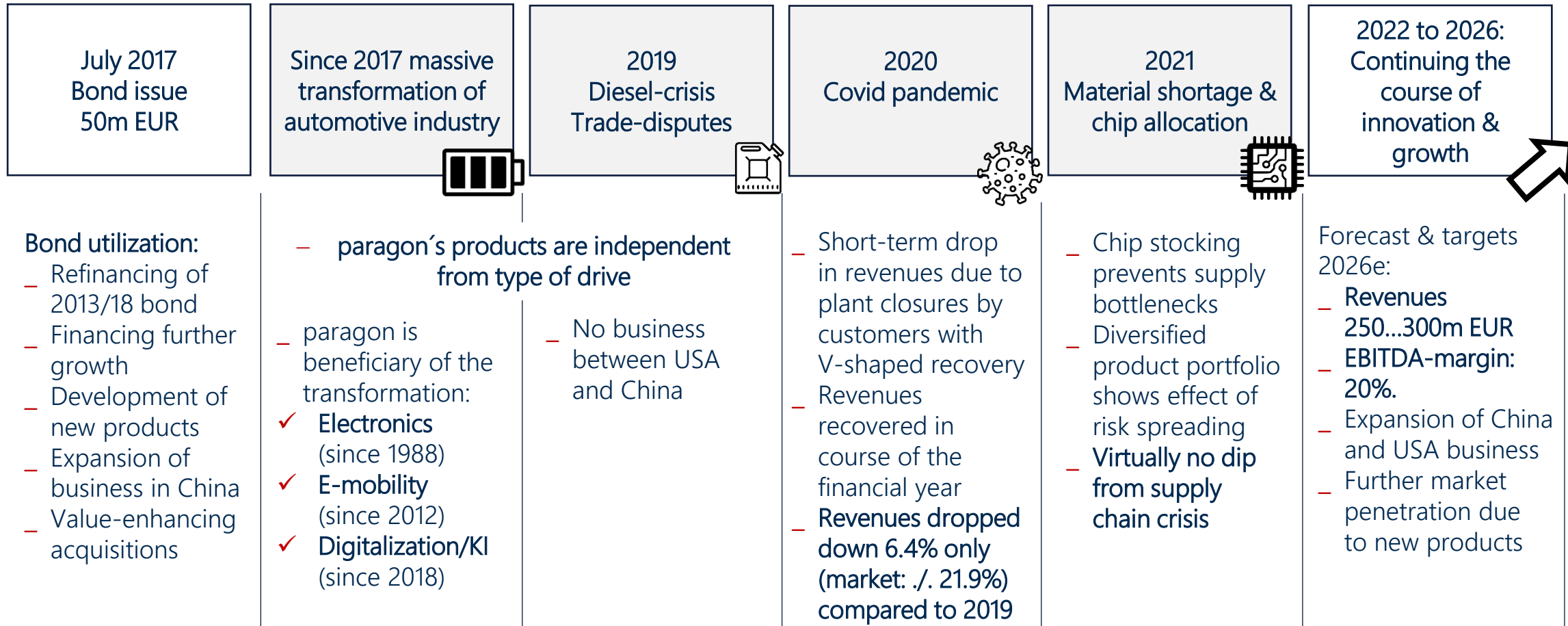
Complete P&L for the period ending September 30, 2021 is publicly available on our homepage

We are all set: This will Drive our EBITDA even Further






- Closure of the loudspeaker plant in Neu-Ulm, relocation to existing locations in 2021
→ lower fixed costs [savings 2022ff: 700 KEUR]
- Concentration of kinematics production in Landsberg am Lech and Oroslavje (Croatia) in 2021/2022
→ lower fixed costs, products with high manual effort shifted to Croatia [savings 2022ff: 600 KEUR]
- Increased automation (e.g. spoiler for Porsche 992, external loudspeaker for BMW E-vehicles) in 2021
→ lower unit costs [savings 2022ff: 300 KEUR]
- Sale of Voltabox shares in 2021
→ end of margin dilution, no hidden risks or liabilities, no further management attention
- Established R&D in India in 2021
→ lower personnel costs [savings 2022ff: 225 KEUR]
- Sale of loss-making noncore activities in Aachen in 2022
→ lower fixed costs [savings 2022ff: 400 KEUR]
- Better product mix since H2 2021
→ higher profitability



paragon is here to Stay - Crises come and go



Expectations 2022+

<p>Sensors</p> 	<p>Air Quality Sensors (AQS) Air Quality Improver (AQI) Particulate Matter Sensor DUSTDETECT Electric Virus-Filter DUSTPROTECT</p>	<ul style="list-style-type: none"> - Ramp-up of electric virus filters (booked business!) from 2023 on 	<ul style="list-style-type: none"> - New generation of Air Quality Sensors with artificial intelligence - Revenues expected to increase by 50% over the next five years
<p>Interior</p> 	<p>Microphones Loudspeaker/Sound System Controls Instruments</p>	<ul style="list-style-type: none"> - Market launch of Wireless Charging Next Gen at various OEMs in 2023 	<ul style="list-style-type: none"> - Expansion of product line Instruments - Increase speaker/sound business by > 80% over the next five years
<p>Kinematics</p> 	<p>Spoilers Seat Components Special Mechanics</p>	<ul style="list-style-type: none"> - Strong growth in spoiler business due to various ramp-ups with Chinese OEMs 	<ul style="list-style-type: none"> - New special mechanics for LIDAR sensors for autonomous driving - Expansion of actuator business, e.g. for sunroofs
<p>Digital Assistance</p> 	<p>Voice assistant using artificial intelligence and machine learning</p>	<ul style="list-style-type: none"> - Booked business for future infotainment platform with revenues already in 2022 	<ul style="list-style-type: none"> - Further nomination of various platforms by global OEMs expected
<p>Power</p> 	<p>Flow-Shape-Design Lithium-Ion Batteries Buffer batteries</p>	<ul style="list-style-type: none"> - Taking advantage of technology change from lead-acid batteries to Lithium-Ion batteries 	<ul style="list-style-type: none"> - Additional potential for buffer batteries in e-vehicles - Strong increase of revenues > 80m EUR in 2026 expected

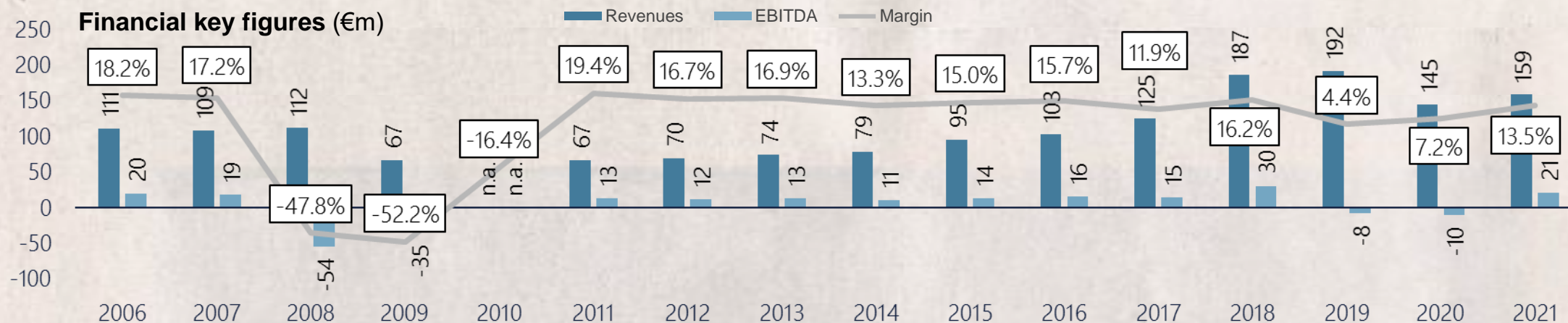
Our View on 2022

- Recovery of global material situation in first half of 2022
- Sustainable effects of implemented cost-saving measures
- Catch-up effects from 2021

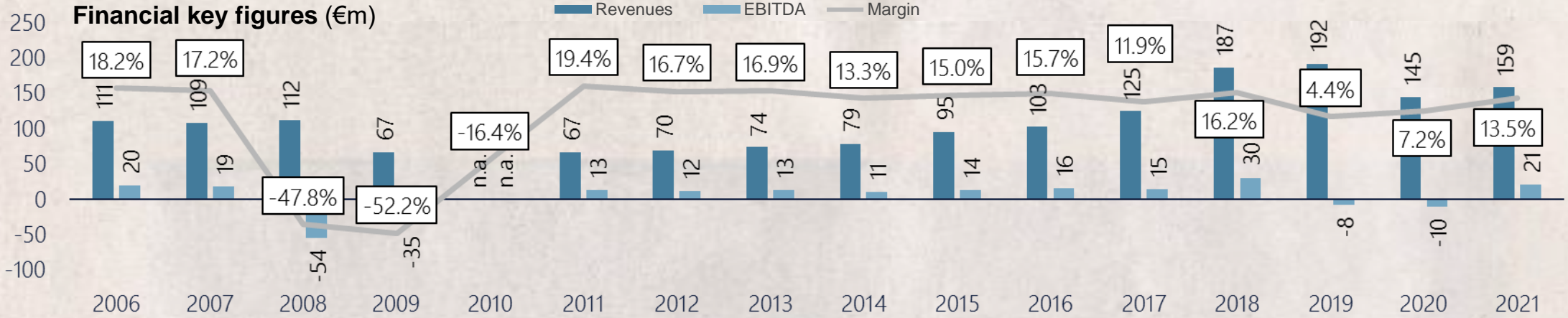
Forecast for 2022

- Booked business 1st half year: +15% vs. 2021
- 155 – 165m EUR revenues
- > 15 % EBITDA-margin

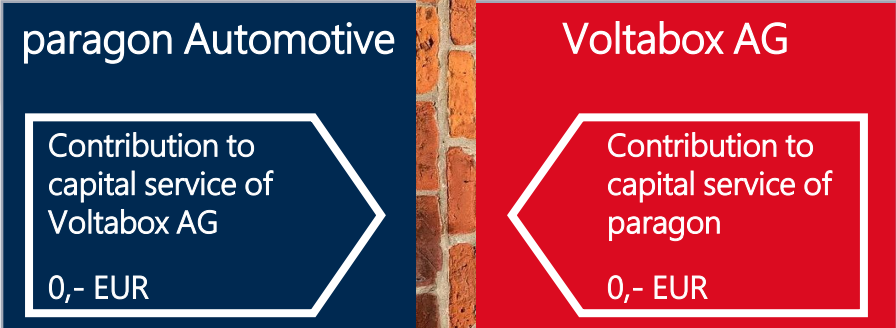
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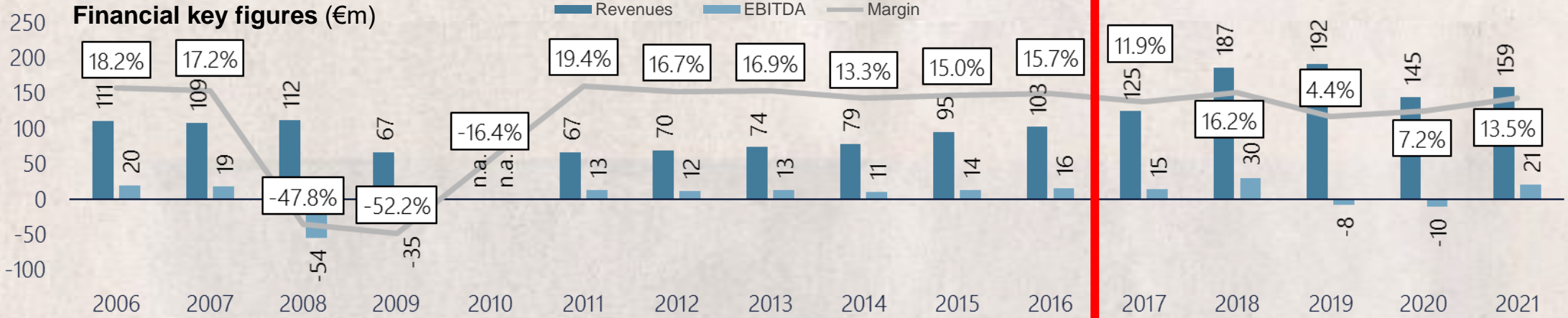


Only focus for any rating

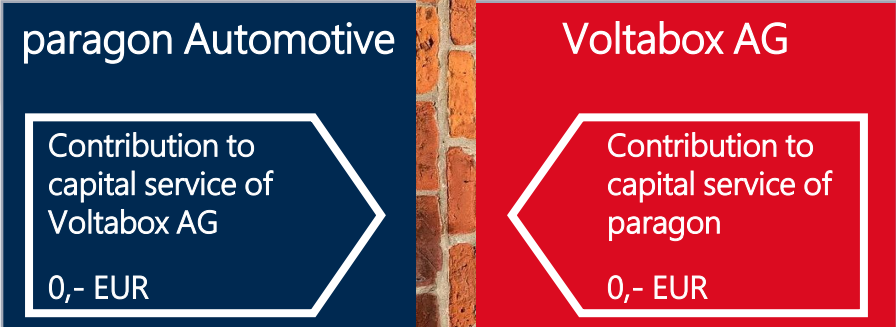


- paragon and Voltabox never had mutual capital service nor mutual liabilities
- But - Voltabox is history!

Houlihan Lokey's Presentation on January, 25 was misleading

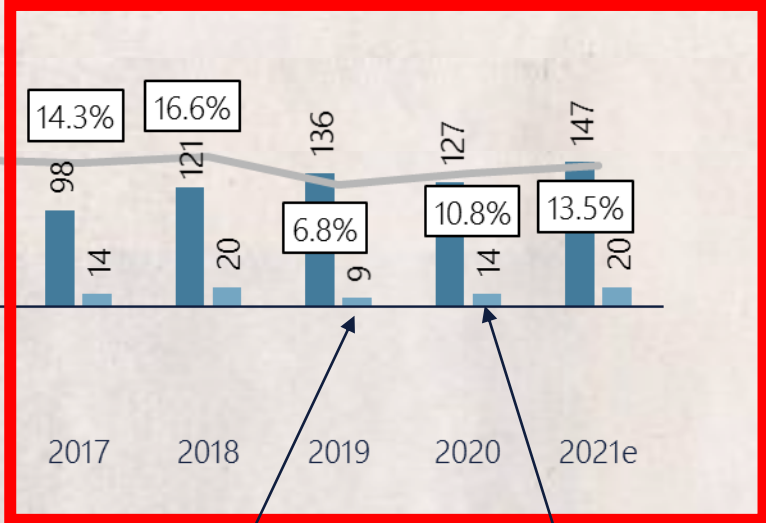
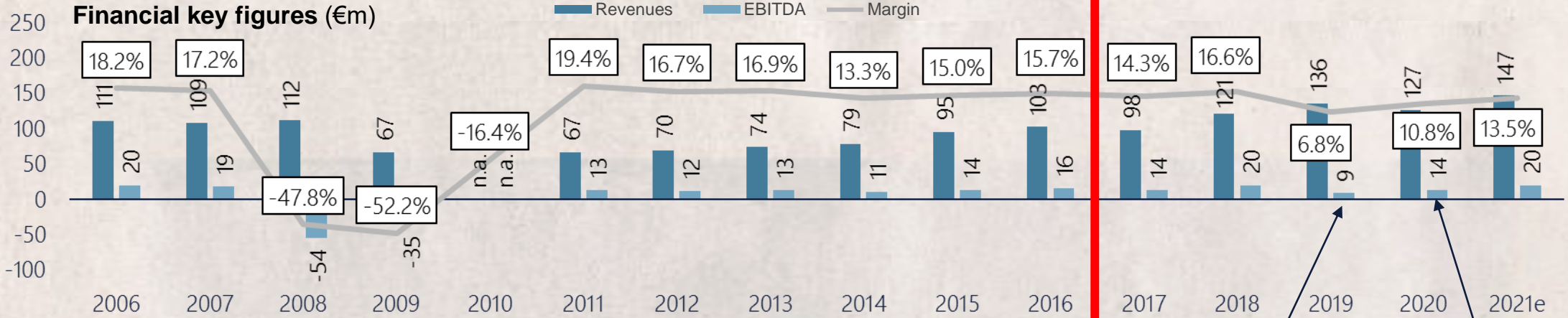


Only focus for any rating



- paragon and Voltabox never had mutual capital service nor mutual liabilities
- But - Voltabox is history!

Adjusted Numbers show: paragon was profitable the last 10 Years



Excl. 9.0m EUR one-off effects

Since 2017, EBITDA has always been positive and has increased by approx. 6m EUR

Prolongation EUR Bond

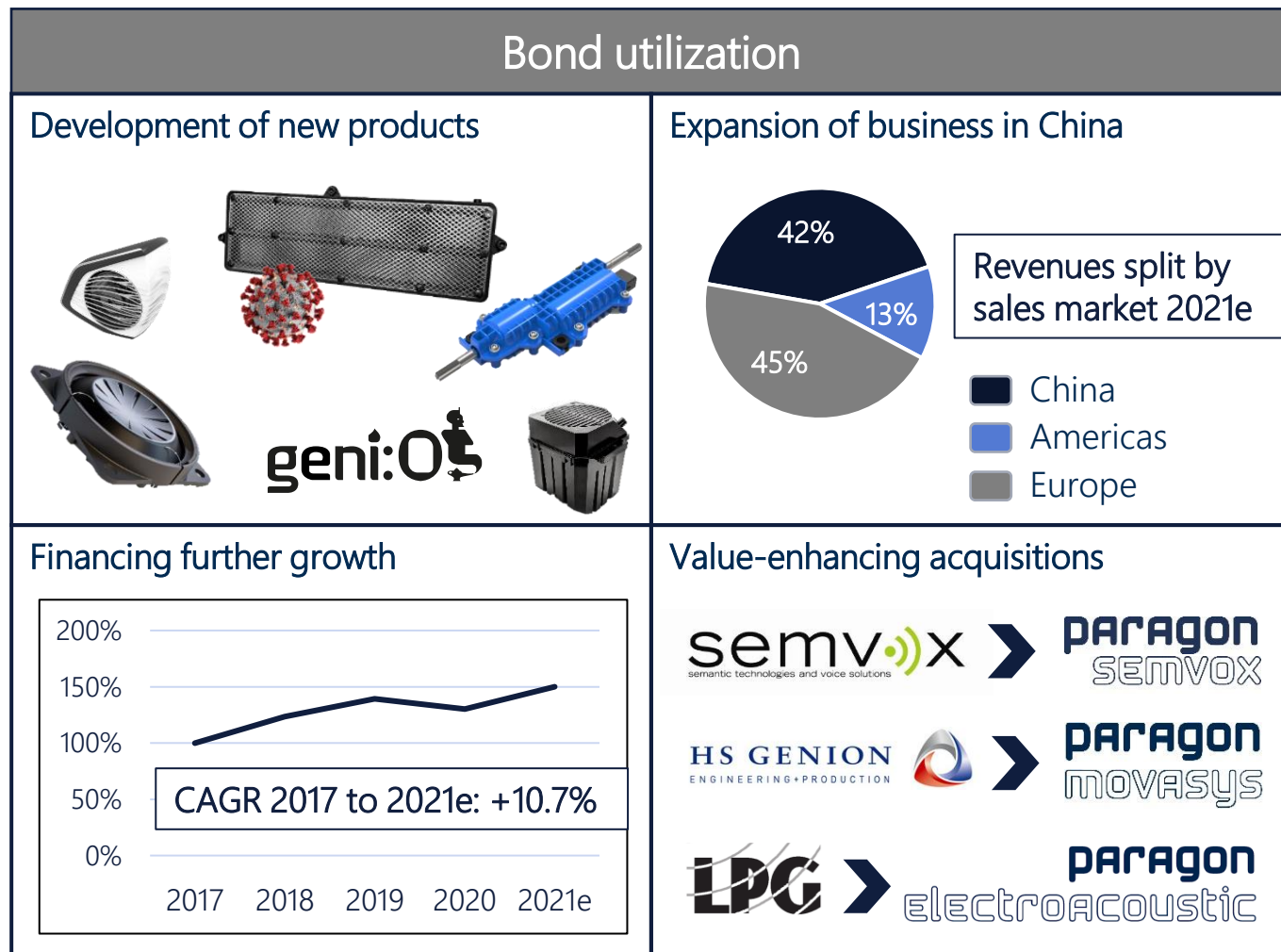


EUR Bond at a Glance

- Issue volume: 50m EUR
- Issue date: July 2017
- Maturity: July 2022
- Coupon: 4.5%
- Collateral: None
- Financial Covenants: None

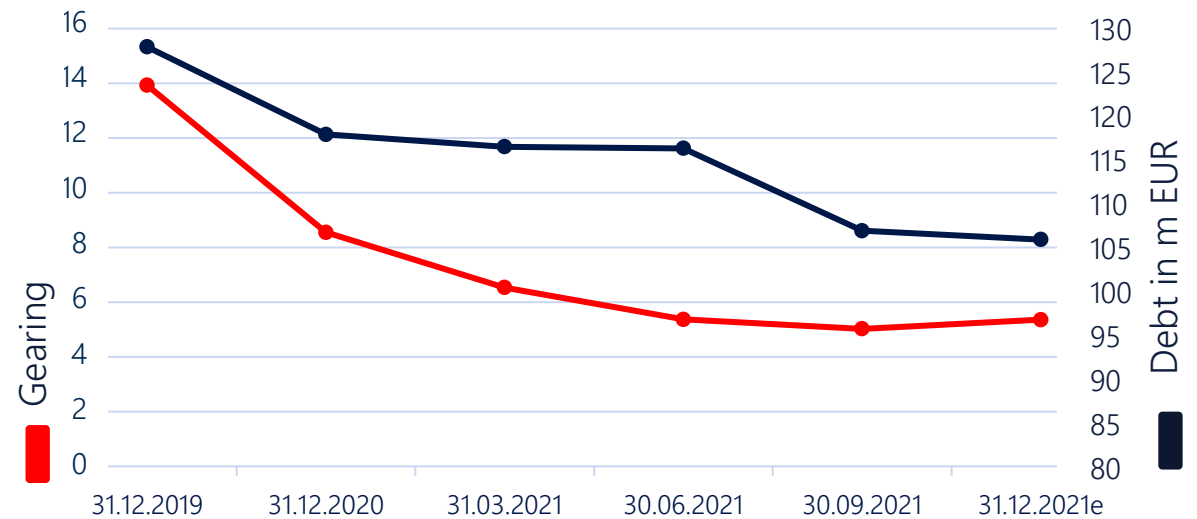
EUR bond boosted market position

- paragon revenues increase despite decreasing market growth and difficult market conditions (in the last 5 years by an average of approx. 11%)
- Largest order in 2022 is preview of paragon's future
- **Responsible** and **sustainable** use of the bond – no cash burning
- Expansion of **combustion engine-independent product portfolio** sets paragon apart from the market



Actual Gearing improved to 5.4

- Total liabilities to banks and bond holders have been reduced from Dec. 2019 to Dec. 2021 by 22.0m EUR to 105.9m EUR
- paragon-Automotive achieved 19.8m EUR EBITDA in the last 12 months
- Increased profitability and reduced debt improve **gearing** (debt to EBITDA) since December 2019 from 13.9 to 5.4 at the end of December 2021
- paragon is committed to further **deleveraging step-by-step**



One Option: Potential Repayment

- _ Intensive **evaluation of all options** (priorities A/B/C) during the last 2 years
- _ **Realization of diverse measures**, e.g.
 - _ Sale of land not required for operations
 - _ Sale-and-lease-back of various buildings
 - _ Improved operational performance
- _ **Portfolio adjustment** based on strategic reasons
 - _ Sale of Voltabox stake → concentration on successful automotive business
 - _ Sale of Aachen site (7 employees) → E-motor test bench and power electronics remain marginal activities
- _ Final commitment to Plan A: **Repayment of EUR bond by sale/partial sale of a subsidiary**
 - _ M&A project close to completion, several investors still in process
 - _ Due diligence of major interested party completed; contract negotiations expected to start soon
 - _ Adequate price hardly to achieve (difficult M&A-market, dumping attempts due to maturity of EUR bond)
 - _ More time needed to maintain value

What's the Process for envisaged Prolongation?

- _ paragon has engaged professional consulting firm **OneSquare** to support paragon
- _ **Presounding**: Alignment with major creditors
- _ paragon published an offer to the bondholders on January 20, 2022:
 - _ **Prolongation** by further 5 years at unchanged interest rate
 - _ Option of **partial repayment** if the M&A project is successful
- _ **Legal process** for prolongation
 - _ **First bondholder resolution**: Voting without meeting
 - _ (50% participation quorum, 75% approval quorum)
 - _ **Possible second bondholder meeting** on 1st half of March
 - _ (25% participation quorum, 75% approval quorum)

paragon in close Dialogue with Bondholders

- Overall feedback encouraging – paragon to tackle roadblocks
- Broad range from well reception to refusal
- Some want to stay with unchanged conditions
- ✓ **Consensus: No forced sale of assets in stressed situation, more time needed**
- ✓ **Consensus: No one has interest to test a worst-case scenario**
- Reasonable compromise sought – suitable for bondholders as well as for the company
- Various demands from interested parties...

Demands	Our Comments
- Bonus to the bondholders	- Cash drain weakening the company
- Collateral and/or debt-to-equity-swap	- Vast majority of debt is unsecured - Bank loans and CHF-bond with pari-passu-clauses - Either ALL creditors are unsecured or NONE – then collateral isn't an advantage
- Haircut contributed by other creditors	- paragon hasn't asked bondholders for a haircut

CHF- versus EUR-Bond

- Maturity schedule CHF-Bond:
 - 8.75m CHF on April 23, 2022
 - 21.0m CHF on April 23, 2023
- Proposed maturity schedule puts repayment of EUR-bond timely after CHF-bond:
 - 50.0m EUR to be postponed from July 5, 2022 to July 5, 2027

Comments and demands	Our Comments
<ul style="list-style-type: none"> - Repayment of CHF-bond degrades EUR-bond 	<ul style="list-style-type: none"> - Repayment of CHF-bond is part of paragon's programm for reduction of net debt - Provides lesser risks for all unsecured debt incl. EUR-bondholders
<ul style="list-style-type: none"> - Repayment of CHF-bond reduces cash position of paragon 	<ul style="list-style-type: none"> - Proceeds coming from selling assets until April 2023 - Cash position from operations unchanged
<ul style="list-style-type: none"> - Nothing left for EUR-bond - EUR-bondholders losing something - Transfers value away 	<ul style="list-style-type: none"> - Background for this statements unclear - paragon's performance and perspectives in good shape
<ul style="list-style-type: none"> - Equal treatment of CHF- and EUR-bond - Prolongation of CHF-bond 	<ul style="list-style-type: none"> - No consent with CHF-bondholders achievable - Critical 2/3 participation quorum - CHF-bondholders widespread/unknown and not motivated - Withdrawal more than likely - Modification of CHF-bond is final

In tentative Consideration for a Revised Proposal

Demands	Our Thoughts: To choose a selection out of...
<ul style="list-style-type: none"> - Consent fee 	<ul style="list-style-type: none"> - Attendance fee possible
<ul style="list-style-type: none"> - Adjusted coupon 	<ul style="list-style-type: none"> - Possible - Idea: Conditional to gearing - Semiannual interest payments possible
<ul style="list-style-type: none"> - Schedule for fast repayment 	<ul style="list-style-type: none"> - Idea: Enabling schedule of limited sale of bonds at par to paragon - Any EUR-bondholder could make his choice - In-line with paragon's strong commitment for deleveraging step-by-step
<ul style="list-style-type: none"> - Contribution of shareholders 	<ul style="list-style-type: none"> - Limitation of dividends possible
<ul style="list-style-type: none"> - Restructuring opinion (IDW S6) 	<ul style="list-style-type: none"> - Operational performance above market benchmarks - No restructuring case, business model in good shape - Validation of business plan 2022-2026 by <u>Dr. Wieselhuber & Partner</u> available 2nd half of February

Schedule



January 20, 2022	●	Offer to the EUR-bondholders
January 25, 2022	●	SdK's information conference
January 31, 2022	●	paragon's investor conference
February 4 – 6, 2022	●	1st bondholder resolution; voting without meeting
1st half of March 2022	●	Possible 2nd bondholder meeting

Your Questions please

Thank you very much
for your Attention



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