

PARAGON®



paragon GmbH & Co. KGaA
Roadshow & Conference Presentation

June 2019

Agenda

— Highlights

— Business Overview

— Financials

— Appendix

paragon – Tier1 to the Automotive Industry

1988

- Established in Delbrück by Klaus Dieter Frers

2000

- Nov. 29: IPO at Frankfurt Stock Exchange (market cap: € 26.4m)

2017

- Oct. 13: IPO of Voltabox AG (Electromobility); (market cap: € 506.4m) / 60 % shareholder paragon

Today

- 12 locations (Germany, USA, China)
- > 1,100 employees
- Market leader with > 300 different electronic and electromechanical products + systems
- Serving more than 30 customers, thereof more than 25 automotive OEMs incl. blue chips like Audi, Porsche, Daimler, VW and BMW and 5 e-mobility customers
- Fast growing / Highly profitable / Highly visible

Extract from Automotive Customer List



Extract from E-Mobility Customer List

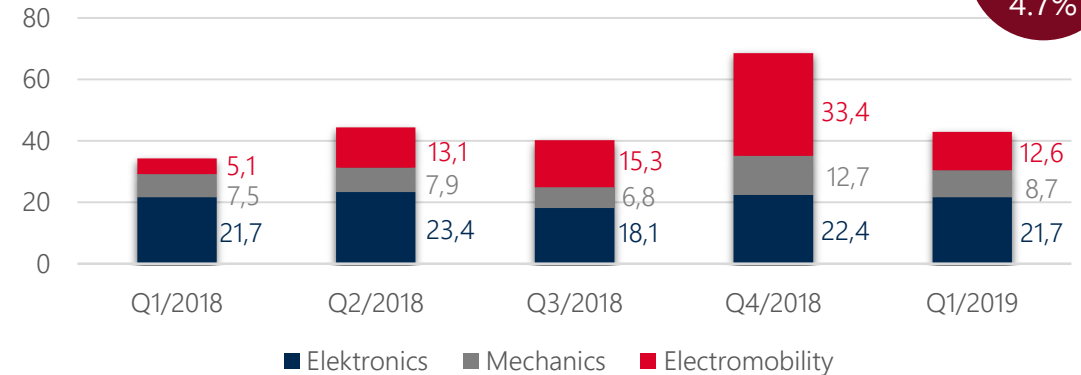


Q1/2019 Results Confirm Growth Course With Jump in Sales

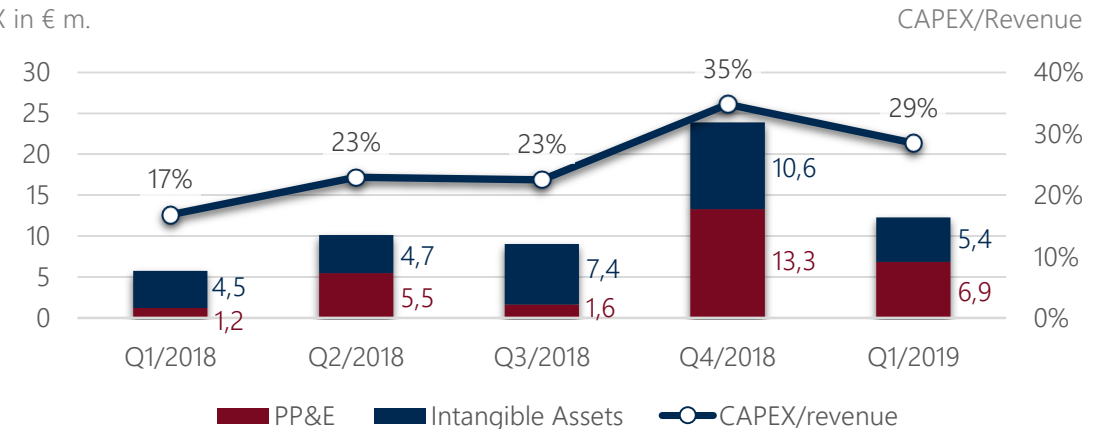
- Sustainable revenue growth+ 25.4% to € 43.0m
- Electromobility + 148.8%
- Body Kinematics + 15.6%
- Product/Customer Mix provides growth despite declining global car sales in Q1
- No significant influence from current headwinds in automotive sector (Diesel issue, WLTP, Tariff war China <> USA, ...)
- Group EBIT up 26.3%; EBIT margin stable at 4.7%
- CAPEX* € 12.3m / free liquidity* € 24.4m
- Forecast confirmed for FY 2019:
Revenue from € 230-240m; EBIT margin at 8%)

EBIT margin: 4.7%

Revenue in € m.



CAPEX in € m.



* Excl. proceeds of CHF 35m bond issue in April.

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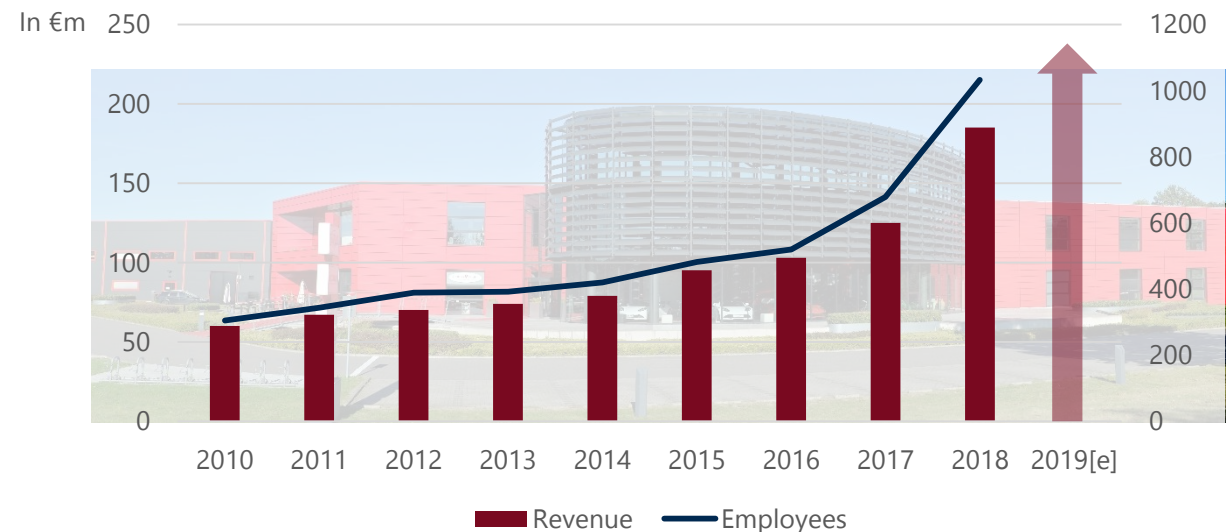
The paragon Principle – Growth Strategy



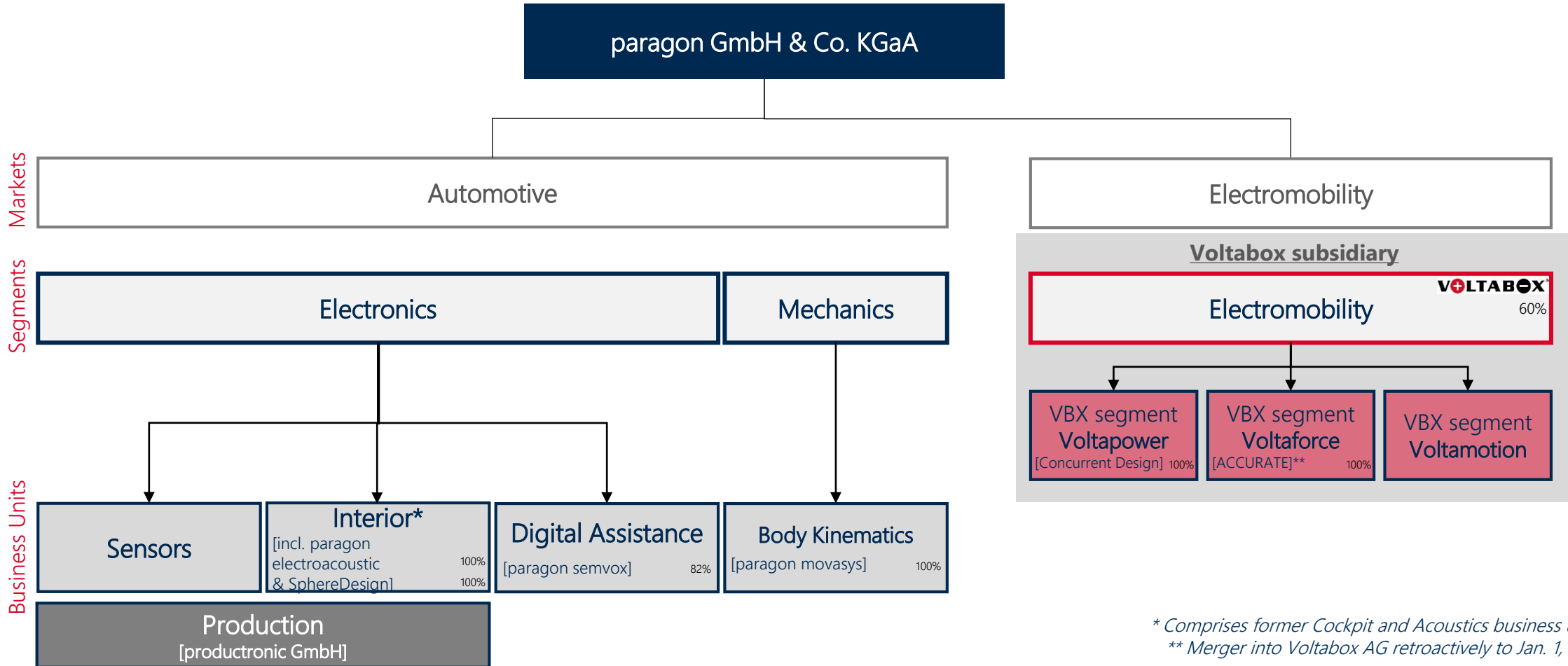
Mission Statement

Early occupation of
high-margin and
fast growing
premium market segments
with
enabling technology
for existing **megatrends!**

- Active product development
- Interdisciplinary team of experts (electronics, mechanics, chemistry, production technology)
- Excellence in mass production (high degree of automation)
- Unique product portfolio and market position

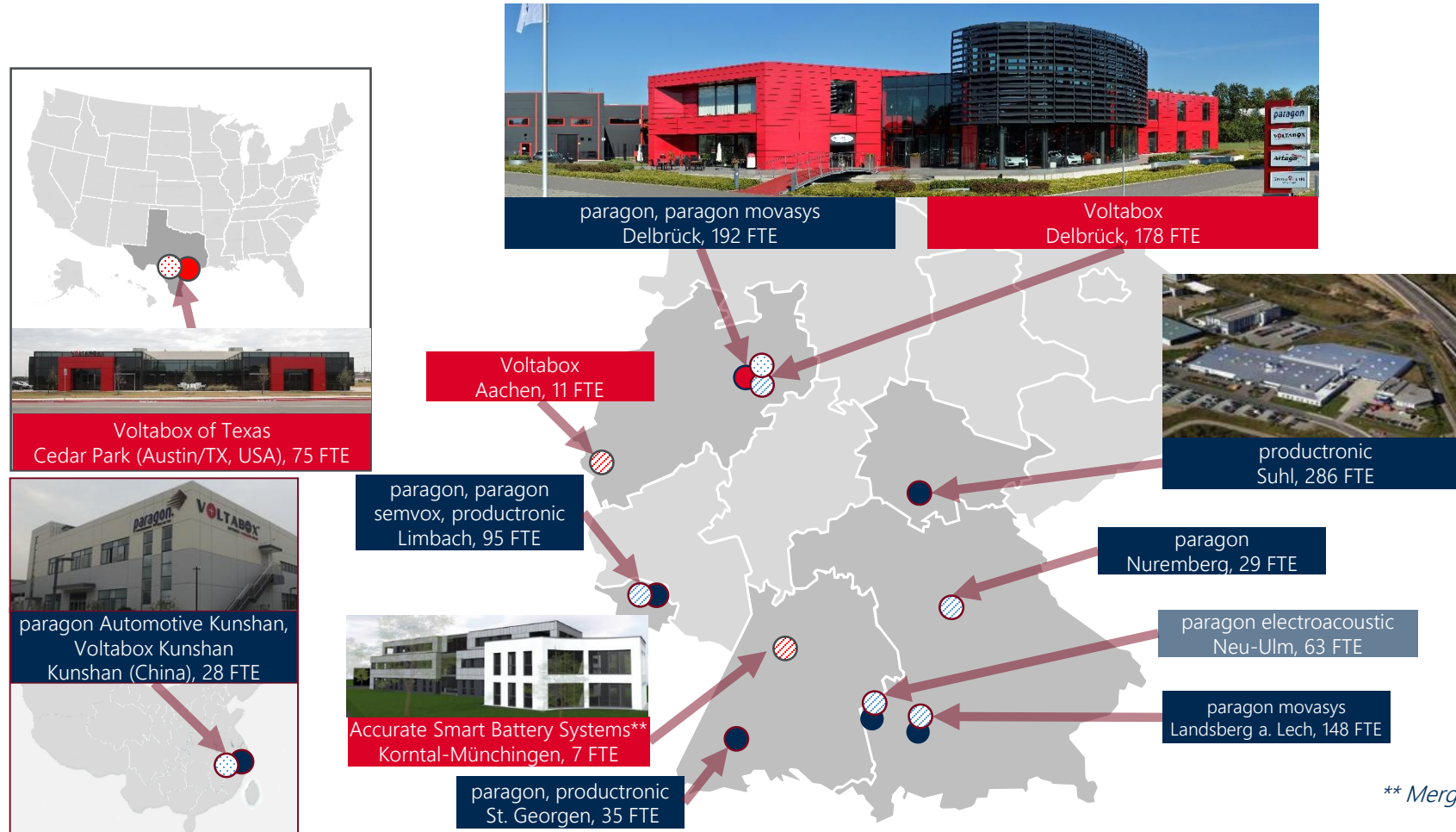


Current Group Structure Reflects Focus on Megatrends



* Comprises former Cockpit and Acoustics business units.
 ** Merger into Voltabox AG retroactively to Jan. 1, 2019.

Group Locations With Successful Post-Merger Integration



- 1,147 Group employees* (as of Mar. 31, 2019)
- Thereof 282 FTE in R&D (25% of total staff)



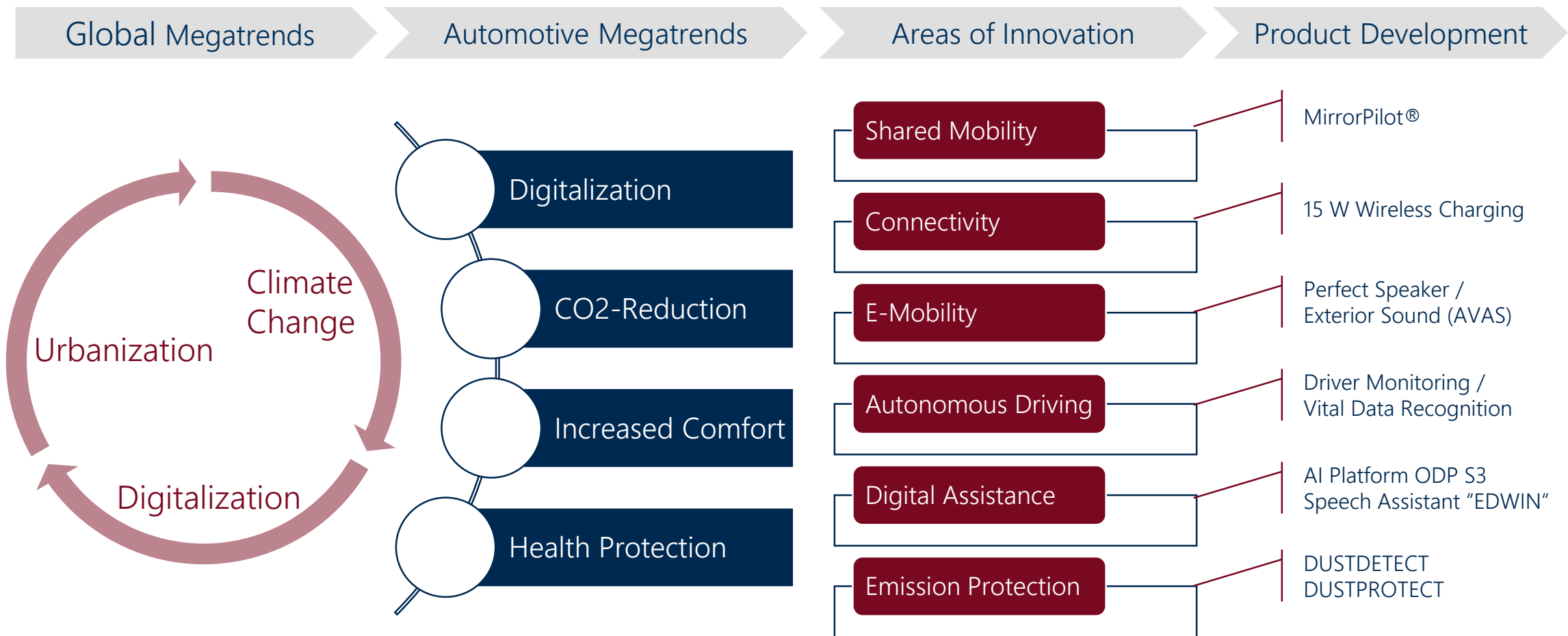
- Administration and sales
- Production
- R&D

* Incl. 90 temporary workers.
 ** Merger into Voltabox AG retroactively to Jan. 1, 2019.

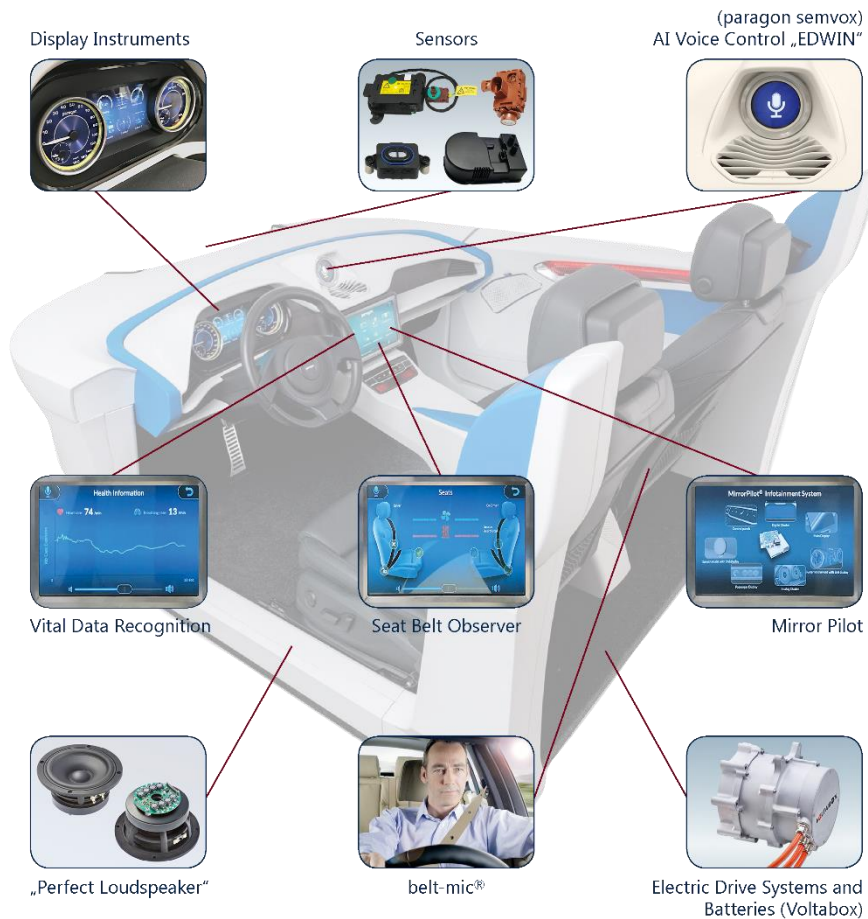
Current Portfolio Positioning

Segments	Electronics			Mechanics	E-Mobility
Business Units	Sensors	Interior	Digital Assistance	Body Kinematics	V+LTABOX
Key products	AQS®, AQI®, DUSTDETECT	Analog luxury instruments, MirrorPilot®, Speech control & hands-free microphones, belt-mic®, ICC, (3D+ In-car-audio)	semvox.AI technology (ODP S3)	Active mobile aerodynamic systems	High performance battery systems, battery modules, starter batteries
Key customers	Audi, BMW, VW	Porsche, Daimler, Audi, VW	Porsche, Audi	Daimler, Audi, Porsche, Rolls Royce	Triathlon Batterien, Kiepe Electric, Komatsu Mining, BMW Motorcycles
Growth potential					
Competitive strength					
Market entry barriers	Patents & mass production	Quality, OEM relations, Know-how, mass production	Know-how	Quality & OEM relations	Modularity & specialization
Main markets	Automotive				Public transportation, industrial applications, selected mass markets

Innovations Made by paragon



Most Recent Innovations...



Extract from R&D activities

Sensors Business Unit: (paragon)

- DUSTPROTECT
- DUSTDETECT
- Vital Data Recognition / Seat Belt Observer



Interior Business Unit: (paragon)

- Outside Sound (AVAS)
- Perfect Loudspeaker
- Active Noise Cancellation – „ANC“



Body Kinematics Business Unit: (paragon)

- Compact Modular Spoiler Drive with Double Worm Gear Unit

Electromobility Business Unit: (Voltabox)

- Modular standard containers for use in buses & trucks (incl. LTO)
- New generation of battery system for forklifts
- New modular kit for mass applications
- Software-as-a-service (recurring revenues)

ODP S3 - The Leading Software Platform for AI Assistants

- ODP S3 has been selected as the core technology for voice-enabling the infotainment units of VW group
- More than 15 million cars to be equipped with paragon semvox technology within the next 5 years
- geni:OS, the new generation of ODP S3, launched in Q2/2019
- New product family EDWIN provides the first combined hardware and software solution for in-car AI assistants



Multimodal input



AI Assistant

Multimodal output



natural

personalized

multimodal

proactive

context aware

task-based

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Key Data First Quarter 2019 (I)

Material input ratio

58.1%

(Q1/2018: 57.8%)

- > Higher revenue share of Voltabox and paragon movasys

Personnel expense ratio

31.8%

(Q1/2018: 29.6%)

- > Increase of personnel in the course of FY2018

EBITDA margin

17.6%

(Q1/2018: 14.0%)

- > Disproportionately low OPEX growth

EBIT margin

4.7%

(Q1/2018: 4.7%)

- > Increase of depreciation

Further profitable growth expected
in FY 2019!

Key Data First Quarter 2019 (II)

Equity Ratio

49.8%

(Dec. 31, 2018: 49.1%)

Slight increase due to increased profit carried forward

Operating Cashflow

Stable at € -8.5m

(Q1/2018: € -8.1m)

Increase in inventories for production ramp up

Free liquidity*

€ 24.4m

(Dec. 31, 2018: € 48.9m)

Increased business activities

** Defined as cash and cash equivalents + unused credit lines.
Excl. proceeds of CHF 35m bond issue in April.*

Key Data First Quarter 2019 (III)

- _ Increase in depreciation/amortization of noncurrent fixed assets as planned
- _ Decrease of trade receivables (while strong increase in previous year due to Voltabox)
- _ Inventory build-up to enable rapid delivery to the intralogistics market in the electromobility segment
- _ Decrease of trade payables (while increase in previous year)

Free cash flow*:
€ -20.8m
(Q1/2018: € -13.9m)

€ -8.5m

(Q1/2018: € -8.1)

Cash flow from operating activity

€ -12.3m

(Q1/2018: € -8.3m)

Cash flow from investment activity

€ -3.6m

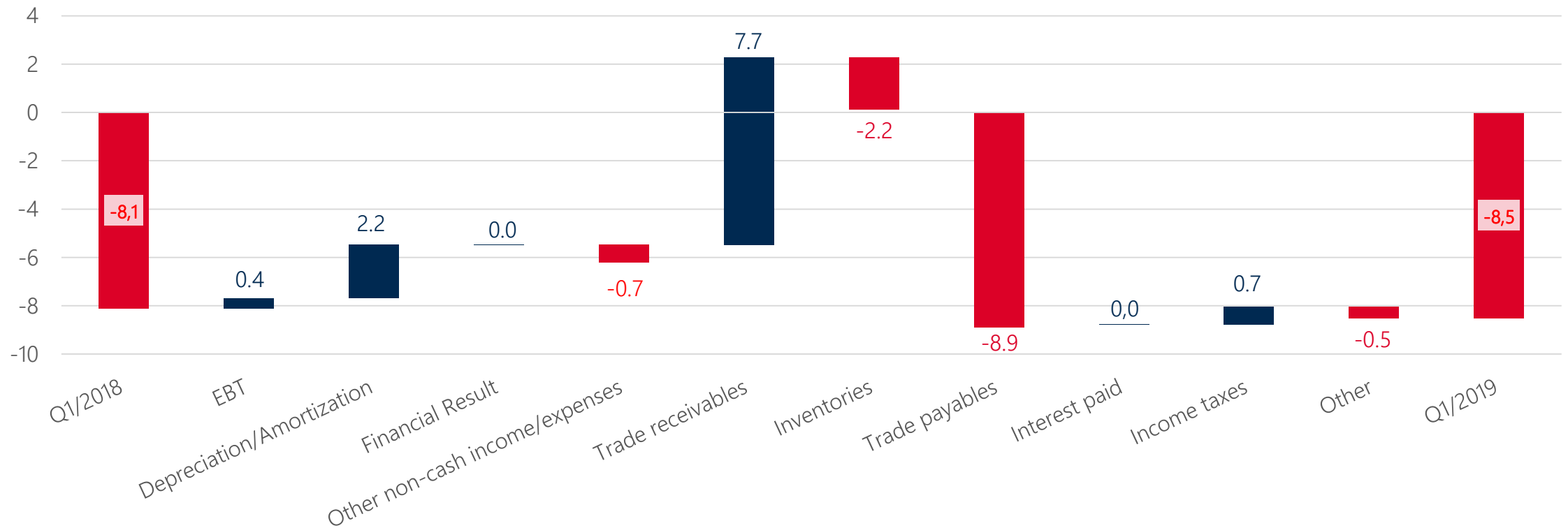
(Q1/2018: € -1.3m)

Cash flow from financing activity

* Operating cash flow – CAPEX.

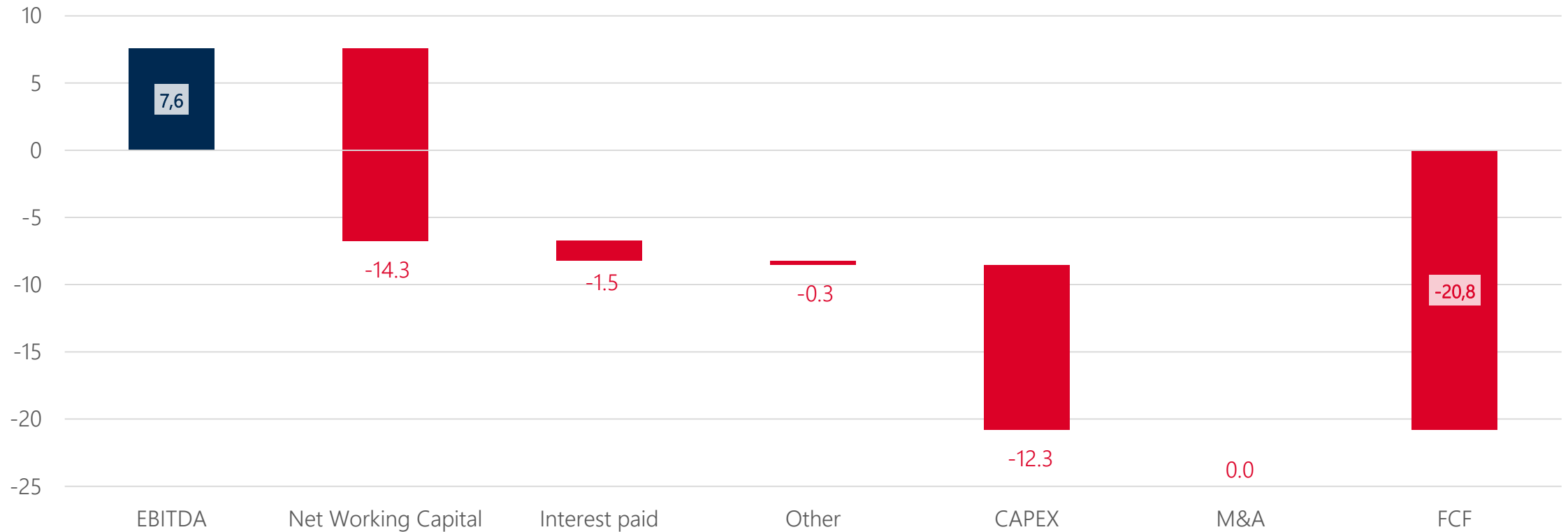
Changes in Operating Cash Flow in Q1/2019 (y-o-y)

Operating cash flow bridge [in € million]



Key Cash Flow Developments in Q1/2019

EBITDA / free cash flow bridge [in € million]



Key Facts for Revenues 2019e

paragon Automotive		
Automotive Industry Megatrends	paragon Solutions	Sales Trend
Digitalization	Digital Assistance	↑ ↑
Urbanization / CO2-Reduction	Air Quality, External Sound, Body-Kinematics	↗
Comfort	Acoustics, Instrumentation, Connectivity	↗

Key Facts for Revenues 2019e

paragon Electromobility

V+LTABOX® Megatrend Electrification:

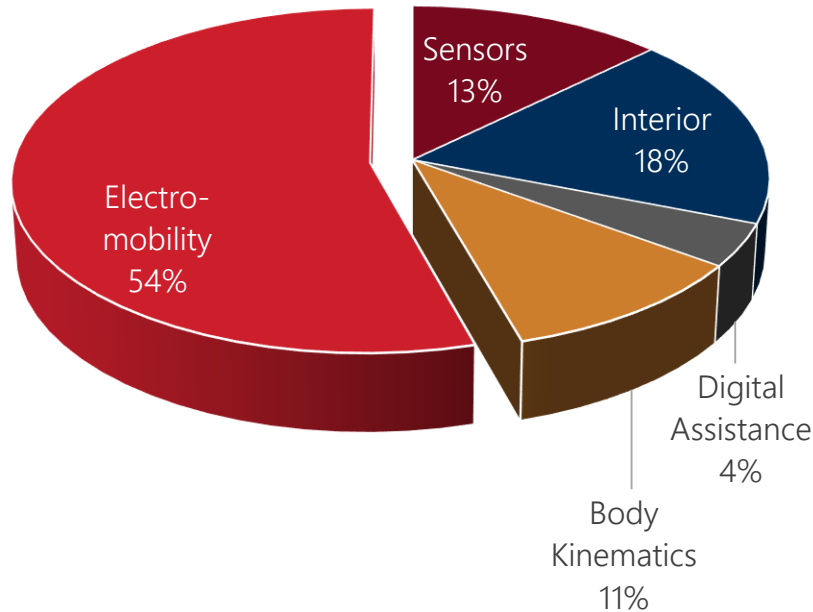
	Revenues Intralogistics			Agriculture and Construction	
-	Revenue Share Direct Sales			Mining	
-	Revenue Share Triathlon (JT Energy)			Port / Rail	
	Trolley and EV buses			Electric Vehicles	
 	Mass markets (Starter batteries, Pedelects, ...)				

Current Forecast

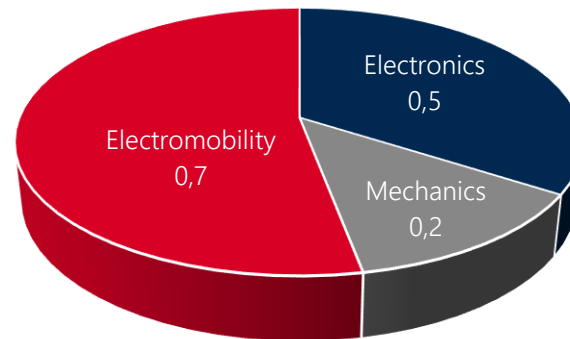
paragon GmbH & Co. KGaA	Results	Forecast
	FY 2018	FY 2019
Group revenue	€ 187.4m	€ 230 – 240m
EBIT margin	7.9%	8%
Investments	€ 48.8m	€ 40.0m
<i>thereof: IAS 38</i>	<i>€ 15.1m</i>	<i>€ 18m</i>
Voltabox AG	Results	Forecast
60 % equity interest	FY 2018	FY 2019
Group revenue	€ 66.9m	€ 105 – 115m
EBIT margin	8.4%	8 – 9%
Investments	€ 13.6m	€ 14m
<i>thereof: IAS 38</i>	<i>€ 2.9m</i>	<i>€ 8m</i>

60-months Cumulative Order Backlog (Weighted)*

60-months cumulative order backlog (weighted)* (€2.1bn) as of Dec. 31, 2018 by segments/units



60-months cumulative orders on hand* as of Dec. 31, 2018 (in €bn)



– Approx. €2.1bn total 60-months cumulative order backlog (weighted)* (Dec. 31, 2017: €2.0bn)

- Estimated order backlog is weighted according to the expected lifetime and the probability of occurrence
- Serves as base for planning
- Evaluation system in place since IPO in FY 2000

– Thereof approx. € 1.1bn attributable to Voltabox (Dec. 31, 2017: € 1.0bn)

* Including framework agreements.

Financial Calendar* 2019

– Jan. 10/11,	ODDO BHF FORUM, Lyon
– Jan. 31,	Bankhaus Lampe German Corporate Conference, London
– Feb. 19/20,	ODDO BHF German Conference, Frankfurt am Main
– Apr. 1,	Annual report 2018
– Apr. 3-5,	Bankhaus Lampe German Conference, Baden-Baden
– Apr. 11,	Solventis Aktienforum, Frankfurt am Main
– May 13,	Interim release as of March 31 – First quarter
– May 13/14,	Equity Forum Spring Conference, Frankfurt am Main
– May 15,	Annual general meeting paragon GmbH & Co. KGaA, Delbrück
– May 16,	Annual general meeting Voltabox AG, Delbrück
– June 12,	Quirin Champions Konferenz, Frankfurt am Main
– June 12,	NIBC Innovation & Growth in European Capital Markets, Brussels
– Aug. 22,	Interim report as of June 30 – Half year
– Sep. 2/3,	Equity Forum Fall Conference, Frankfurt am Main
– Nov. 14,	Interim release as of September 30 – 9 months
– Nov. 25-27	Eigenkapitalforum, Frankfurt am Main
– Dec. 10/11	Münchener Kapitalmarktkonferenz, Munich

** Expected dates for paragon GmbH & Co. KGaA and Voltabox AG.*

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Appendix – Financials in Detail

Key Earnings Data (IAS)

In € million / as indicated	FY 2018	FY 2017*	Change
Revenue	187.4	124.8	50.1%
EBITDA	30.3	14.8	104.5%
EBITDA margin (in %)	16.2	11.9	n/a
EBIT	14.8	5.4	173.9%
EBIT margin (in %)	7.9	4.3	n/a
Group result	3.4	-4.0	n/a
Earnings per share (€)	0.52	-0.30	n/a

* As amended in the Consolidated Financial Statements 2018.

Key Data Net Assets and Financial Position (IAS)

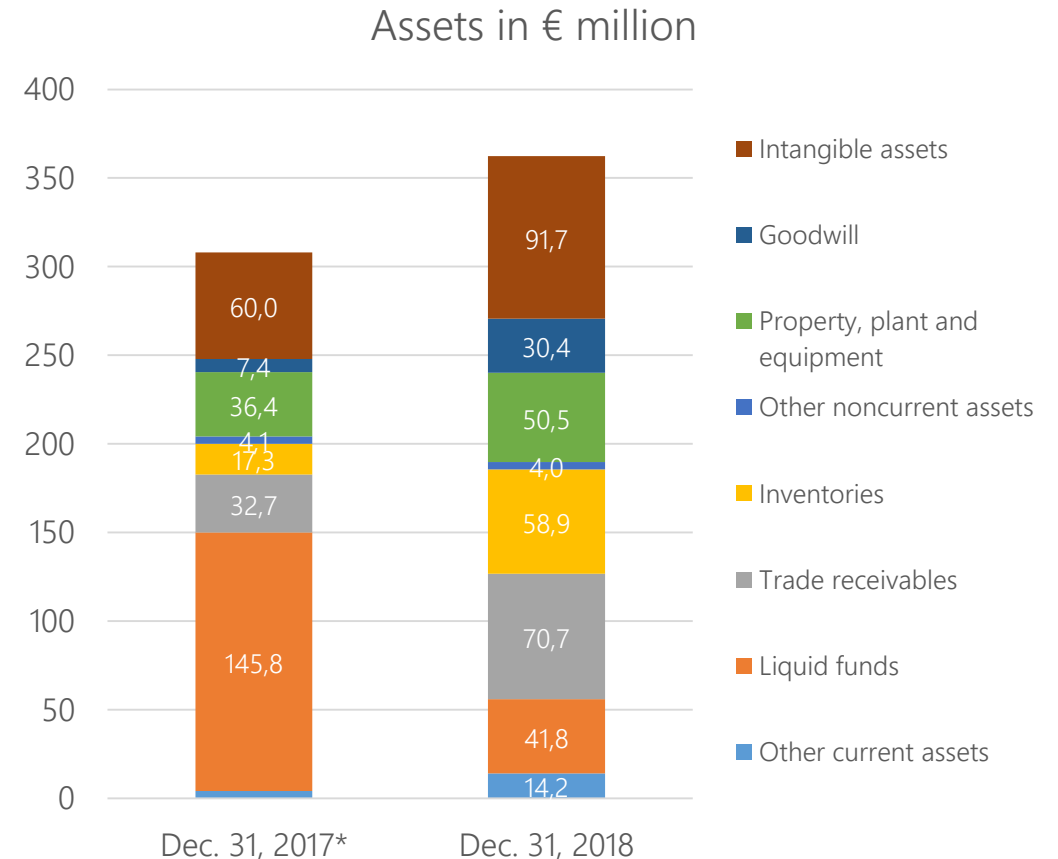
In € million / as indicated	FY 2018	FY 2017*	Change
Total assets	362.3	308.0	17.6%
Equity	177.8	176.0	1.0%
Equity ratio (in %)	49.1	57.1	n/a
Free liquidity	48.9	166.8	-70.7%
Interest bearing liabilities	110.6	86.3	28.1%
Net Debt**	61.7	-80.5	n/a
Operating cash flow	-53.5	-10.0	436.5%

* As amended in the Consolidated Financial Statements 2018.

** Defined as: interest bearing liabilities – free liquidity.

Key Developments of Assets

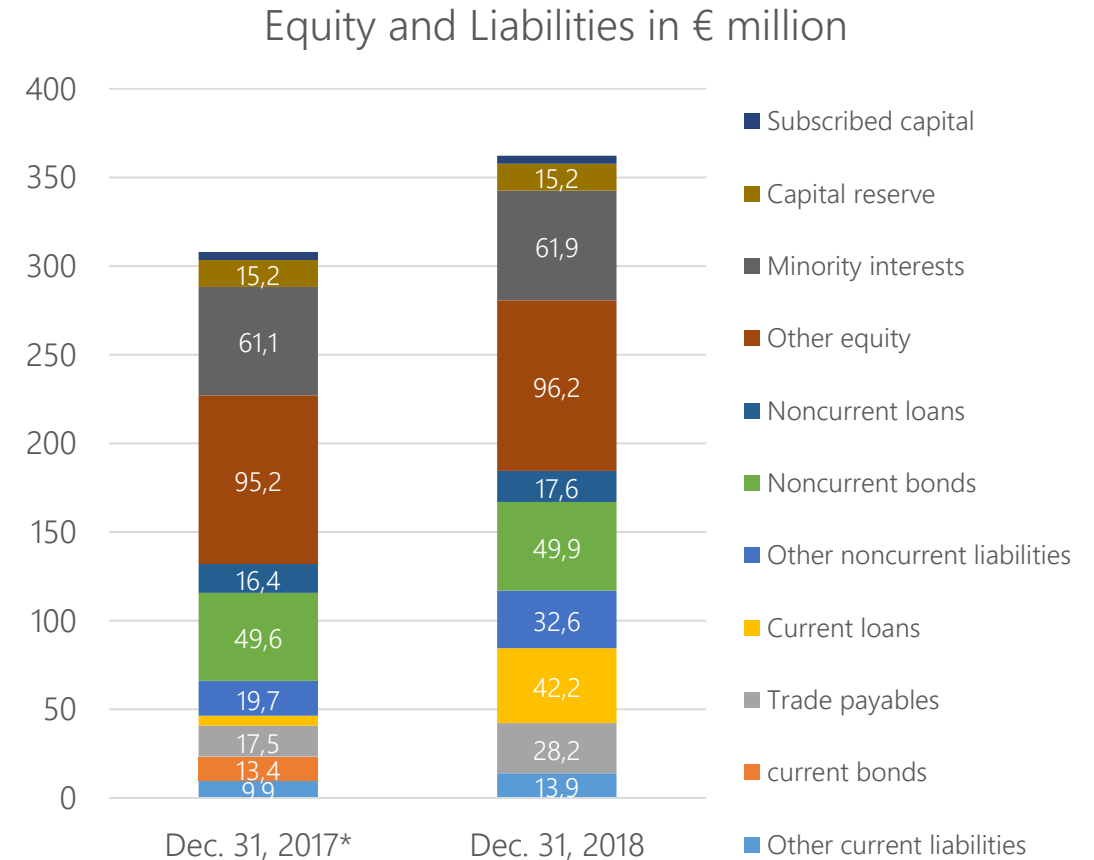
- **Increase of noncurrent assets by € 68.8m**
 - Intangible assets € +31.7m – capitalized development expenses and extended scope of consolidation
 - Goodwill € +23.0m – Acquisition of SemVox and LPG by paragon and of Concurrent Design and ACCURATE Smart Battery Systems by Voltabox
 - Property, plant and equipment € +14.1m – extended scope of consolidation
- **Decrease of current assets by € 14.5m**
 - Inventories € +41.6m – mainly Voltabox and extended scope of consolidation
 - Trade receivables € +38.0m – mainly sales financing support of Voltabox customer Triathlon
 - Other assets € +9.9m – mainly Voltabox effect
 - Liquid funds € -104.0m – mainly M&A and Voltabox extension of payment terms with largest customer in 2H2018



* As amended in the Consolidated Financial Statements 2018.

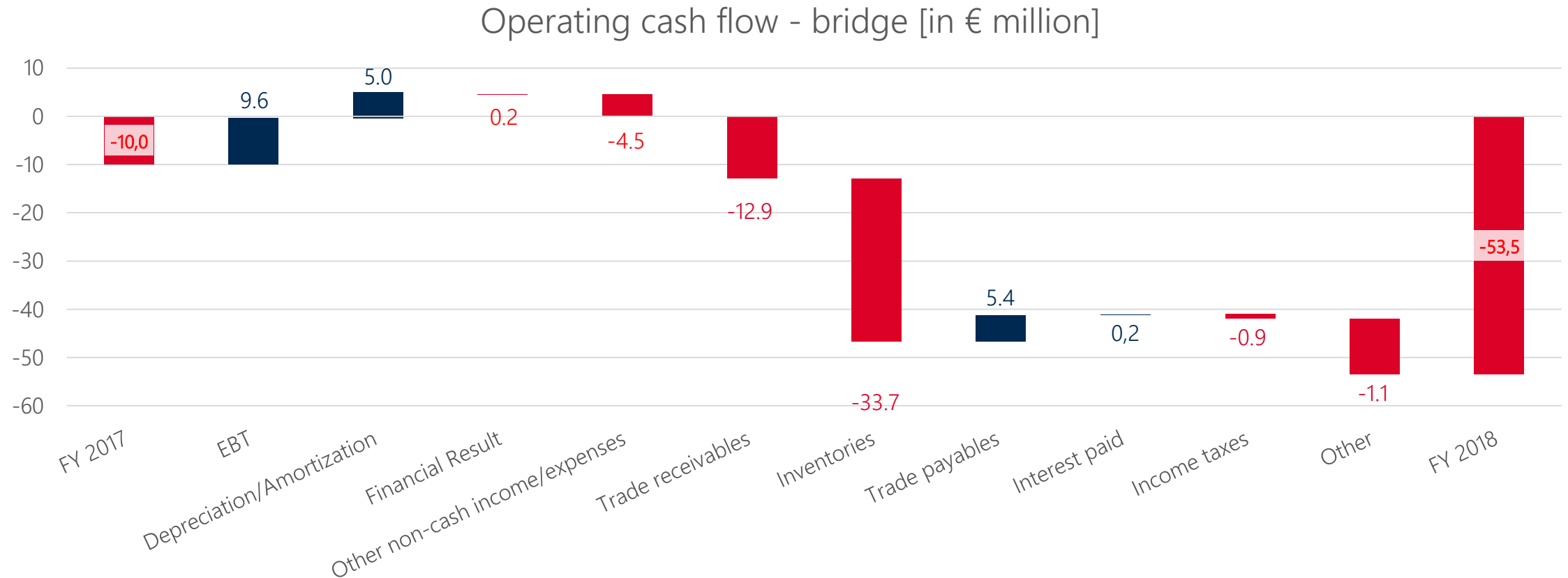
Key Developments of Equity and Liabilities

- Increase of noncurrent provisions and liabilities by € 14.5m
 - Increase of deferred taxes by € 9.8m
- Increase of current provisions and liabilities by € 38.0m
 - Increase of current loans by € 36.5m
 - Increase of trade payables by € 10.7m
 - Decrease of current bonds by € 13.4m
- Increase of equity by € 1.8m
 - Equity ratio at 49.1% (Dec. 31, 2017: 57.1%)*
(against the backdrop of increased balance sheet total)

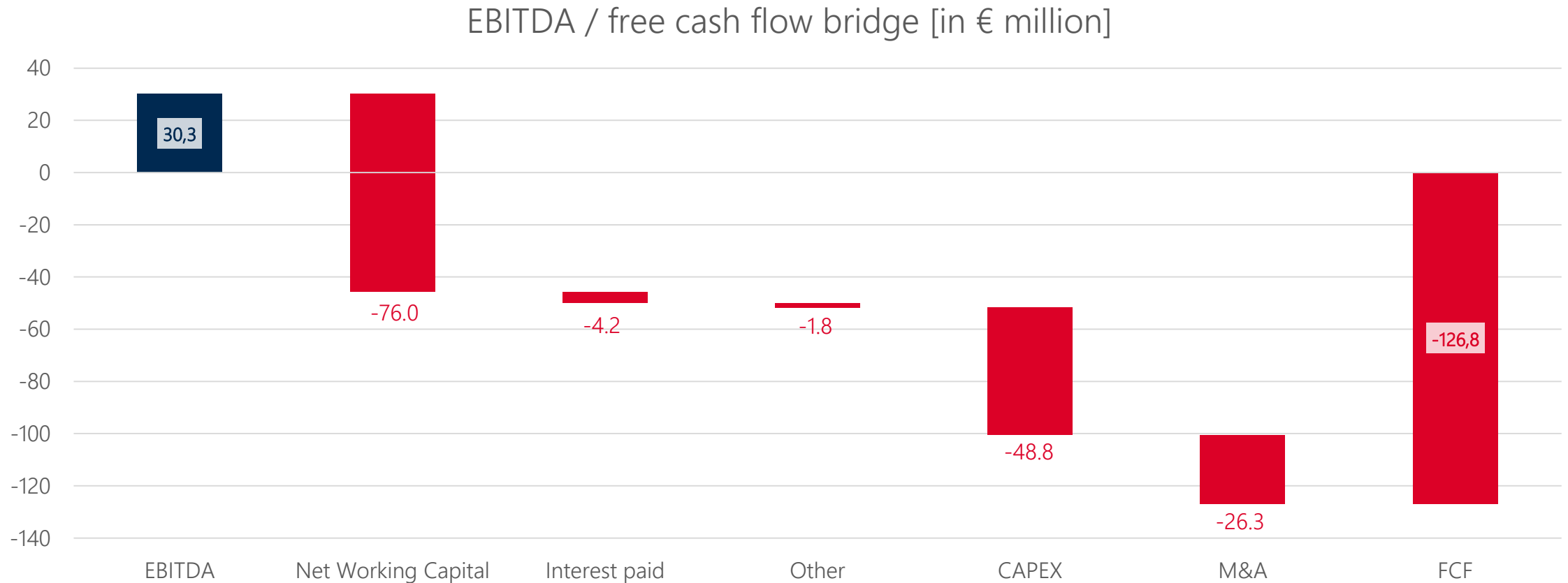


* As amended in the Consolidated Financial Statements 2018.

Changes in Operating Cash Flow in FY 2018 (y-o-y)

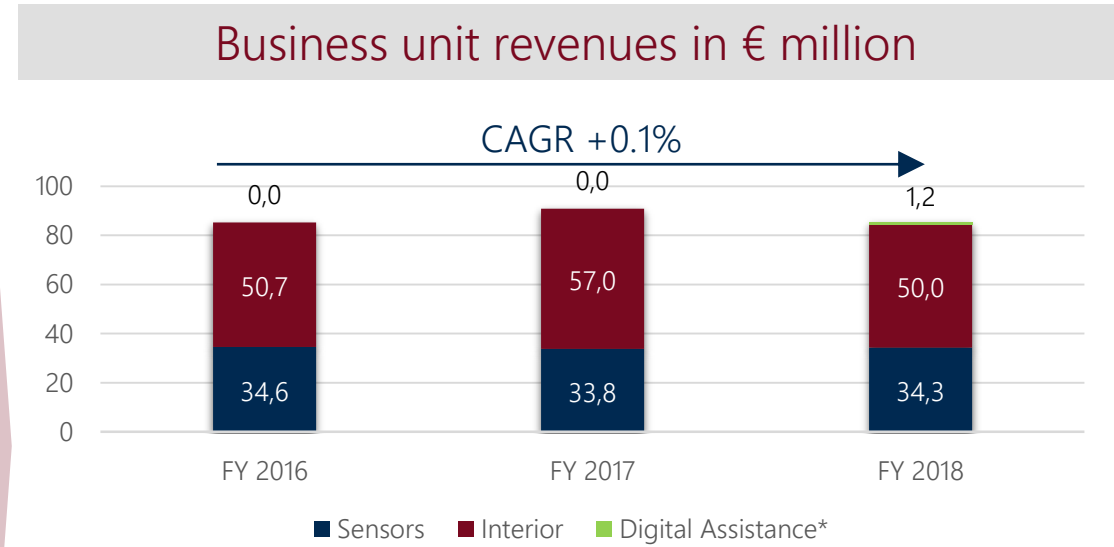


Key Cash Flow Developments in FY 2018



Electronics: High Growth Potentials

		Products ahead of market launch
Sensors	<p>Air quality</p> <ul style="list-style-type: none"> - Air quality sensor AQS® - Air improvement system AQI®/IONAIR - A/C-purifier AQC© - CO₂ sensor - Particle sensor DUSTDETECT© 	<ul style="list-style-type: none"> Particle filter DUSTPROTECT Contactless capturing of vital data
Interior	<p>Connectivity</p> <ul style="list-style-type: none"> - Display instrumentation - Camera and monitor systems - Charging trays / Cradles - Connectivity solutions / Media interfaces - Controls and stepper motors 	<ul style="list-style-type: none"> Mirror Pilot Wireless charging 15W
	<p>Acoustics</p> <ul style="list-style-type: none"> - Hands-free microphones - Noise measurement microphones - belt-mic® seat belt microphone - Vehicle sound systems (incl. ANC) - Perfect speaker 	<ul style="list-style-type: none"> 3D+ sound system Active road noise cancelling
Digital Assistance	<p>Speech assistants</p> <ul style="list-style-type: none"> - Technologies and solutions for voice control (proactive assistants) - Hard- and software in the field of virtual assistance systems 	<ul style="list-style-type: none"> High-end in-car voice control (AI software) Cloud-based smart assistance speaker



* Initial consolidation 4Q2018.

Mechanics: World Market Leader in Active Aerodynamics

Body Kinematics



Movable body components

- Active aerodynamics
- Actuators for rear spoilers



Movable interior comfort

- Rear folding tables for Mercedes S-Class et al.

Products ahead of market launch

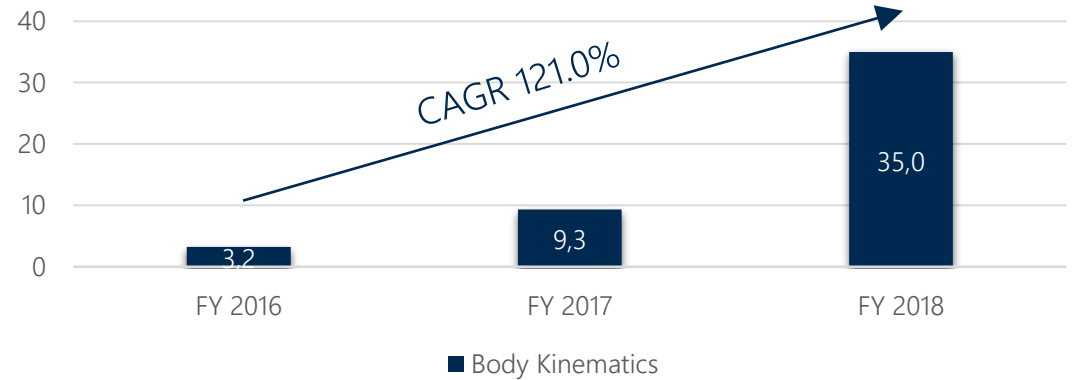
Plug and play spoiler systems

Organic winglet

Sound design of spoiler drives

Innovative door and trunk components

3rd party business unit revenues in € million



TOP customers (as of Dec. 31, 2018)



E-Mobility: Leading Market Positions in Fast Growing Niches



Public transportation

_ Trolley buses



Intralogistics

_ Forklifts & Automated Guided Vehicles (AGVs)



Underground mining

_ Battery Hauler & Big Bertha



Agriculture & construction

_ Schäffer front wheel loader



Starter batteries

_ BMW motorcycles (HP4)



Selected mass markets

_ Pedelecs & E-bikes

Products ahead of market launch

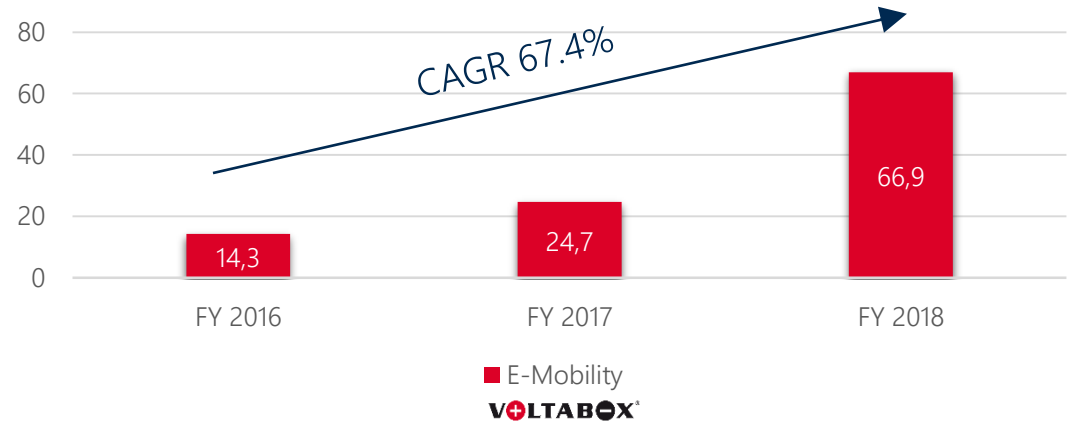
Onboard charger

DC/DC converter

Inverters

E-Machines

3rd party business unit revenues in € million



TOP customers (as of Dec. 31, 2018)



KIEPE ELECTRIC

Schäffer



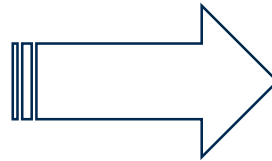
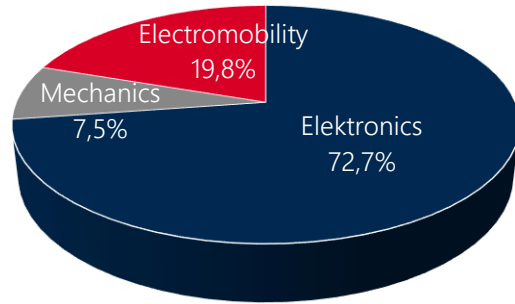
KOMATSU



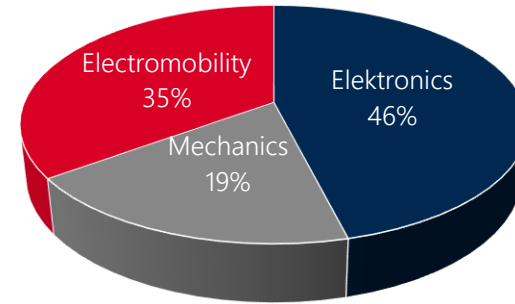
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Broadening of Portfolio and Customer Base

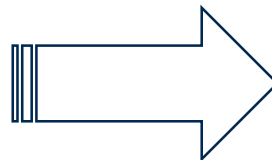
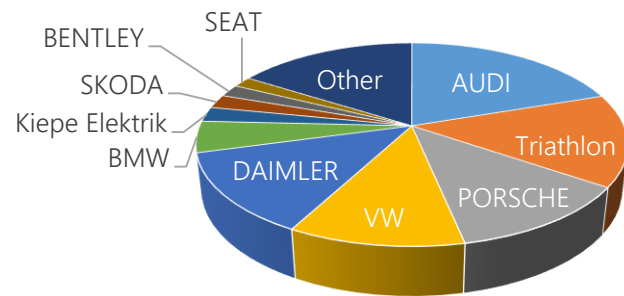
FY 2017



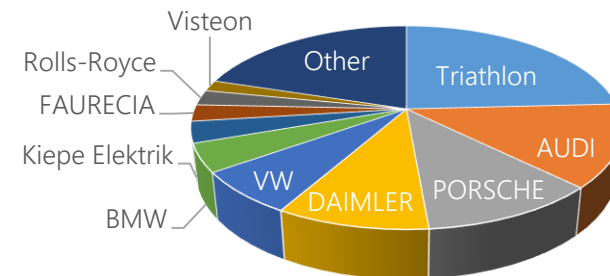
FY 2018



FY 2017



FY 2018



Recent M&A Activity



HS Genion GmbH (Landsberg am Lech) / € 15.2m paid in Q4/17 / initial consolidation Dec. 2017

- Previously largest competitor > rise to world market leader in body kinematics – enables shift to a system provider



Concurrent Design, Inc. (Austin, TX, USA) / € 2.6m paid in Q1/18 / initial consolidation Apr. 2018

- Engineering service provider with highly-skilled staff – enables simultaneous development of complex battery systems



ACCURATE – SMART BATTERY SYSTEMS – GmbH (Korntal-Münchingen) / € 6.2m paid in Q3/18 / initial consolidation Sep. 2018

- Developer and manufacturer of Li-Ion battery packs for mass market applications (i.e. pedelecs) – horizontal diversification



SemVox GmbH (Saarbrücken) (82%) / € 16.4m* paid in Q3/18 / initial consolidation Oct. 2018

- Leading B2B supplier of technologies for intelligent and e.g. voice-operated digital assistance solutions on basis of Artificial Intelligence and Machine Learning esp. for Automotive applications – enables OEMs to develop their own digital assistants



LPG Lautsprecher-Produktions-Gesellschaft mbH
and
ETON Electro Acoustic GmbH



(Neu-Ulm) / € 3.0m paid in Q4/18 / initial consolidation Nov. 2018

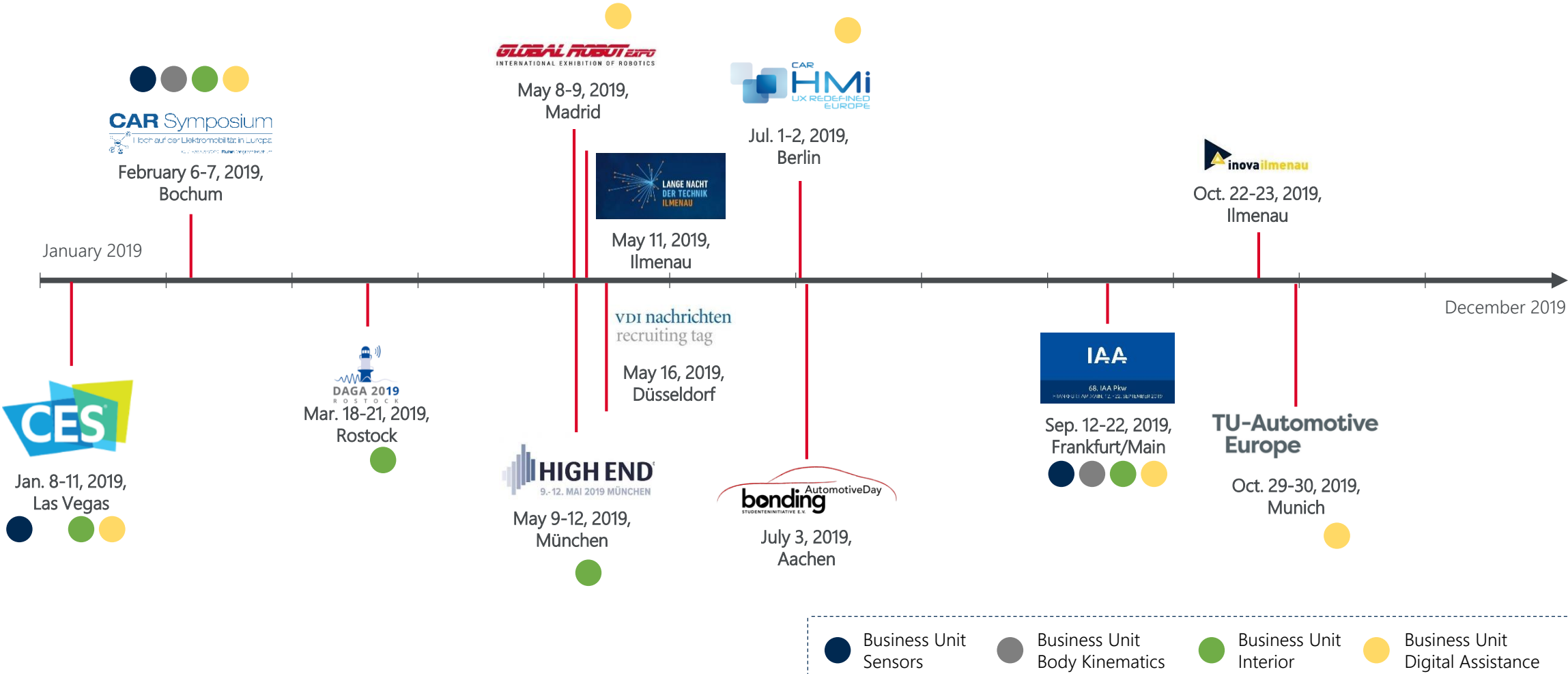
- Manufacturer of high end speaker systems – enables Interior business unit expansion

* Excl. dormant equity holding of € 3.5m.

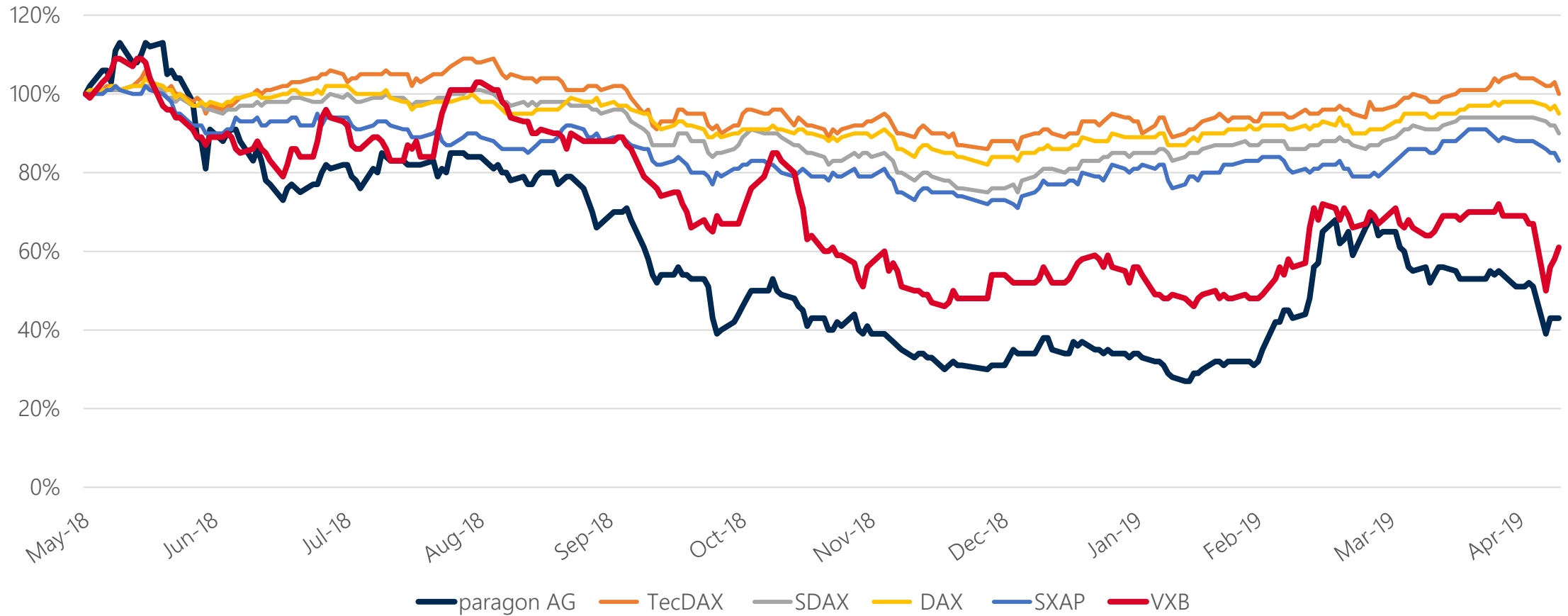
** Merger into Voltabox AG retroactively to Jan. 1, 2019.

Appendix – Business Overview

paragon at Fairs and Conferences in 2019



12-Months Share Performance



German Financial Reporting Enforcement Panel audit (FREP)

VBX FY 2017 (€m)	Before	Amendment	After	Nature
EBIT	0.6	-3.4	-2.8	Inclusion of reallocated operating expenses from IPO
Tax	-0.1	-2.9	-3.0	Disallowance of deferred tax losses at Voltabox of Texas
Reallocation	9.9	-9.9	0.0	Profit from paragon transfer agreement recognized directly in equity
Net income	9.7	-16.2	-6.5	The above effects
Number of shares (m)	11.3		4.7	Weighted average calculation corrected for timing of debt conversion
EPS (€)	0.86	-2.25	-1.39	
Net assets	3.3	-3.0	0.4	Deferred tax assets disallowed
PGN FY 2017 (€m)	Before	Amendment	After	Nature
EBIT	7.6	-2.2	5.4	Other operating expenses increase
Tax	-3.9	-1.1	-5.0	Includes deferred tax changes
Net income	-0.7	-3.3	-4.0	Lower adjustment as profit/loss transfer has no effect at Group level
EPS (€)	-0.15		-0.30	Reflects change to minority calculation
Net assets	311.8	-3.9	308.0	Deferred tax balances and net income reallocations

No effects on HGB statements, liquidity, forecast, etc. / management focus on market opportunities

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