

The background of the slide is an abstract, dynamic composition of blue and white light trails. These trails are curved and appear to be moving rapidly, creating a sense of depth and motion, similar to a tunnel or a high-speed light path. The colors range from deep, dark blues to bright, almost white highlights.

PARAGON

paragon GmbH & Co. KGaA

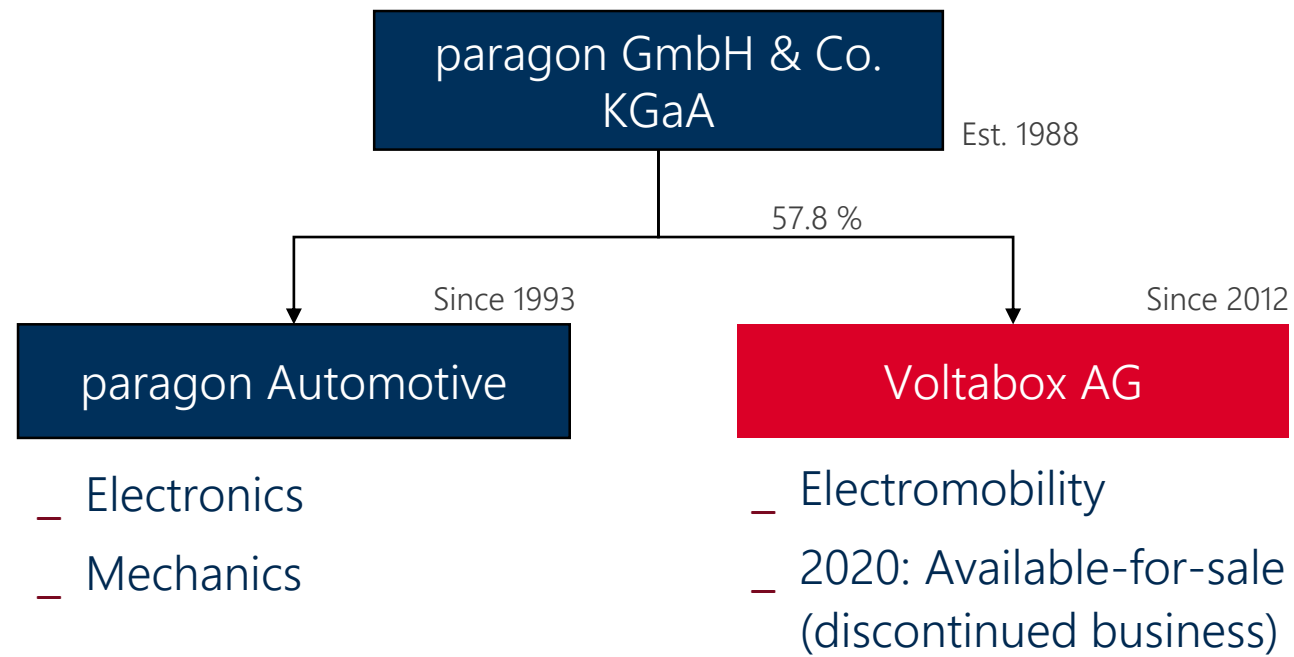
Half-year results

September 4, 2020

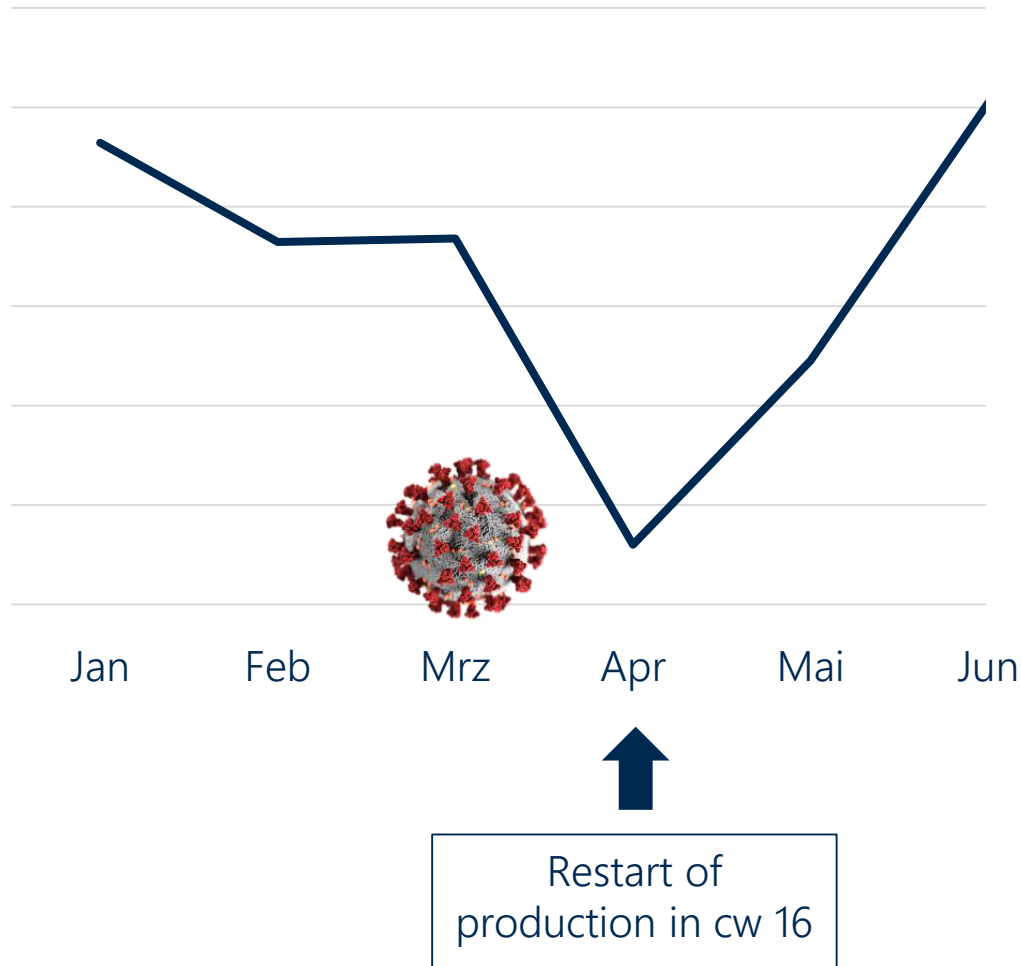
paragon GmbH & Co. KGaA H1/2020:

**Strong recovery
after forced
plant shutdowns**

Company Structure



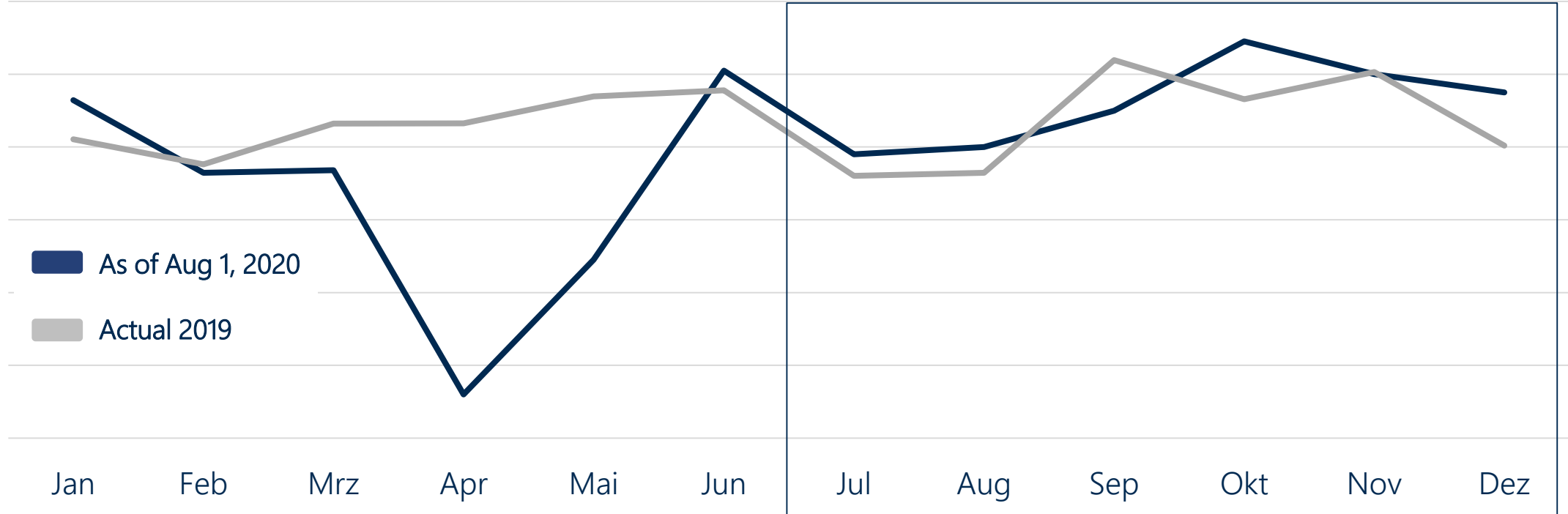
Revenue Development in H1/2020 Shows V Formation



Production restarted from week 16 onwards / logistical challenges mastered; average capacity utilization at 95% of previous year

>> Corona-dip is behind us!

Forecast H2/2020 Equals Previous Year



Actual figures from July and August including forecast September to Dezember indicate:
H2/2020 revenues could mirror H2/2019

Strong Recovery

- _ Corona impact on revenues less severe than originally expected
- _ Rapid recovery of Chinese market – direct and indirect deliveries to China estimated to determine 40% of paragon's sales
- _ Strong increase of major vehicle sales – production portfolio adapted
- _ Production capacity nearly fully utilized
- _ Already 9 extra shifts completed for key products - capacity increase on the way

paragon Automotive - Retrospective

2020

- ⊕ January: Perfect start of the year
 - ⊕ Sensors +12.3 %
 - ⊕ Overall turnover +10 %
- ⊖ March: Comprehensive production stoppages at all automotive customers
 - ⊖ All paragon production plants closed for 6 weeks
 - ⊖ Short-time work
 - ⊖ Salary cut at management level

paragon Automotive - Retrospective

2020



Since March & April



Review of all capital expenditure activities



Focus on working capital management



Focus on cash management



Focus on cost-saving activities



Successful restart of production



May & June



Negotiated price increases for various products

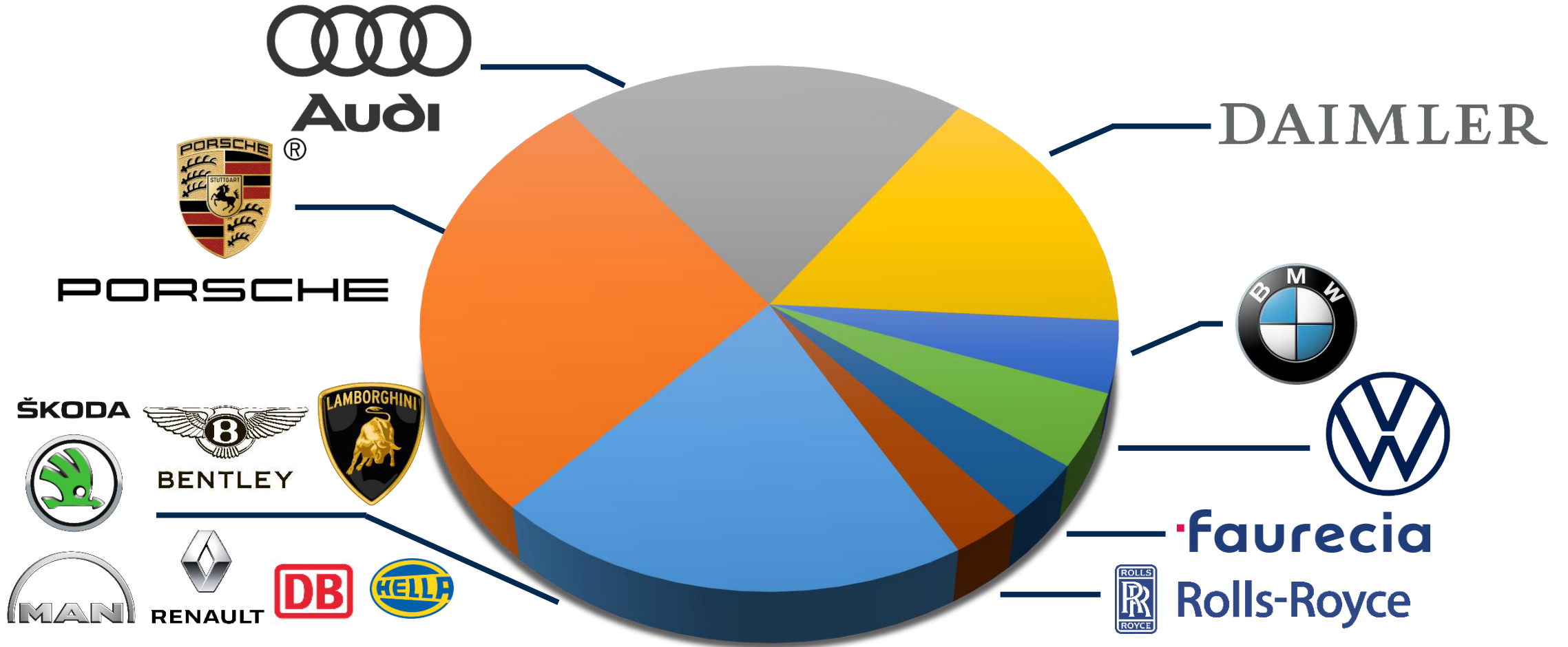


Capacity usage in general on previous year's level



Already 9 extra shifts

paragon Automotive Customer Structure H1/2020



P&L Development 2017-2020 in Comparison

P&L paragon Automotive in €m	H1/2019	Q1/2020	Q2/2020	H1/2020
Revenues	64.0	29.5	20.5	50.0
Capitalized development costs	6.6	1.9	1.2	3.1
Change in finished goods and WIP	-0.2	-1.6	-0.3	-1.9
Other operating income	3.0	1.7	0.5	2.2
Total performance	73.4	31.5	21.9	53.4
Material costs	-38.5	-14.4	-12.2	-26.6
Personnel costs	-22.2	-10.6	-6.3	-16.9
Other expenses	-7.6	-4.5	-2.0	-6.5
EBITDA	5.1	2.0	1.4	3.4
EBITDA in %	8.0%	6.8%	6.8%	6.8%
Depreciation	-6.9	-4.4	-4.5	-8.9
EBIT	-1.8	-2.4	-3.1	-5.5

Revenues H1/2020

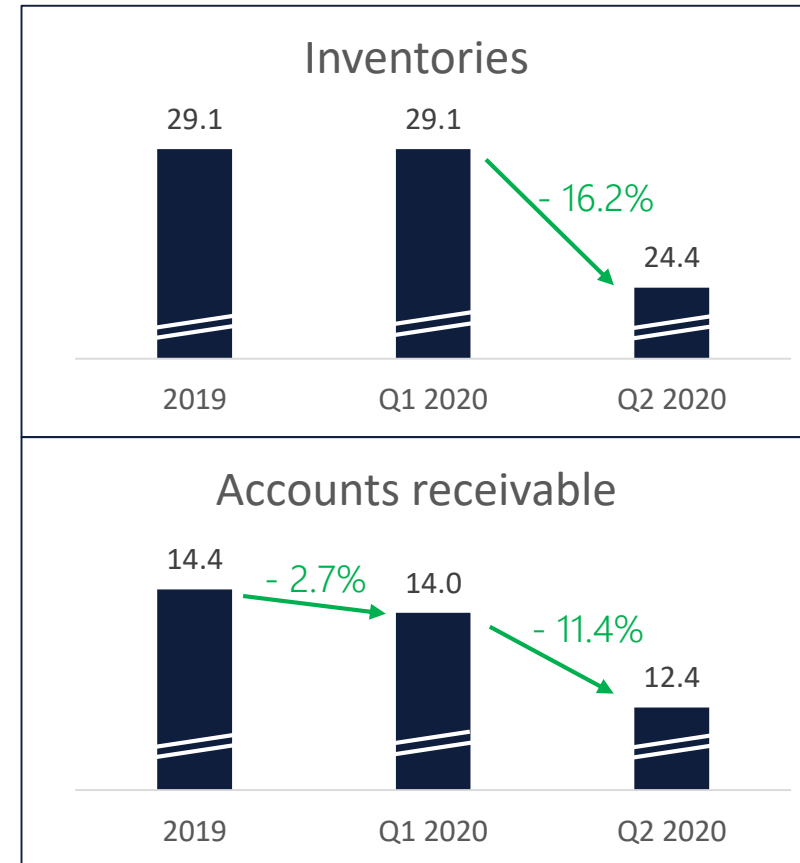
- Kinematics' sales robust with only 12.5% decline to € 16.5m
- Increase Digital Assistance by 30.8% compared to H1/2019
- Electronics segment € 33.5m (prior year: € 45.1m)

EBITDA margin H1/2020

- Only slight decrease compared to H1/2019 despite Corona-influence
- Same level as FY 2019 – previous year was burdened by one-time effects
- EBITDA margin in June was 17% showing the potential of implemented cost-saving measures

Focus on Working Capital Management

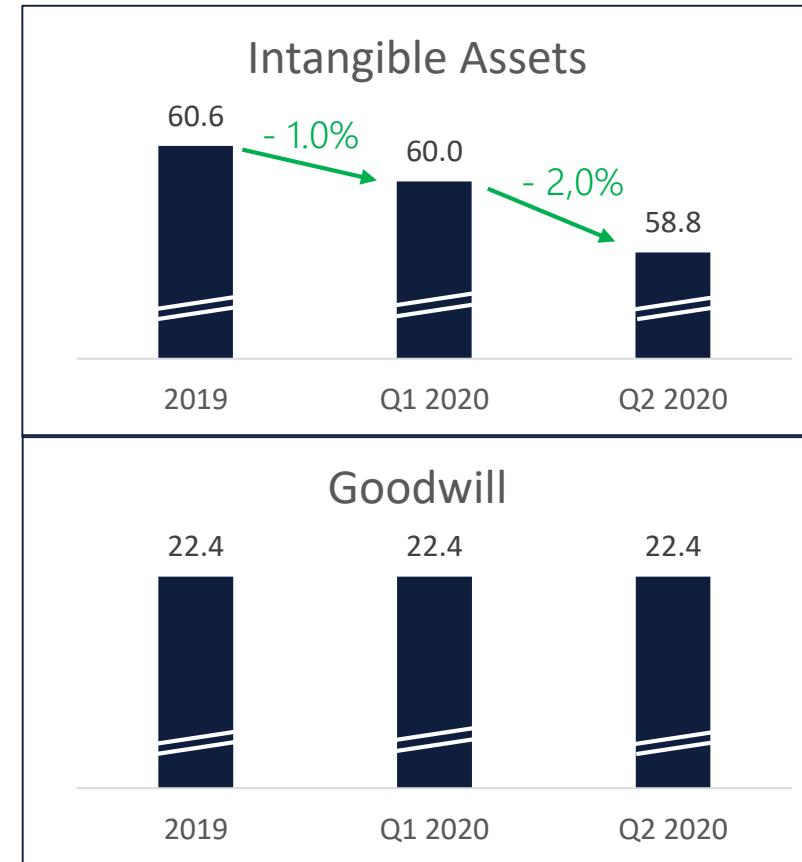
- Inventories reduced by 16.2% from Q1 to Q2 through active management of stocks at hand
- Reduction of receivables by 13.9% from 2019 to Q2 due to improved collection of overdue and one time payments from customers
- Positive cash effect results in € 6.7m



No Influence of Corona for Goodwill in 2020 Expected

Goodwill stable at € 22.4m

- € 16.1m (71.9%) of goodwill stands for paragon semvox GmbH → very successful and promising AI-technology with increasing penetration rate in European market
- € 5.1m (22.8%) apply to paragon movasys GmbH → already partly amortized by 31.12.2019 (was € 6.6m by 31.12.2018) due to change of forecast



New Forecast for 2020

Forecast 2020 paragon-Automotive (post-Corona) improved:

Revenues 2020e

€110 to 120m
(was € 105 to 115m)

EBITDA margin 2020e

8 to 12%
(Significant effects of cost savings expected)

Investments 2020e

€ 15 to 20m
(was € 20m)

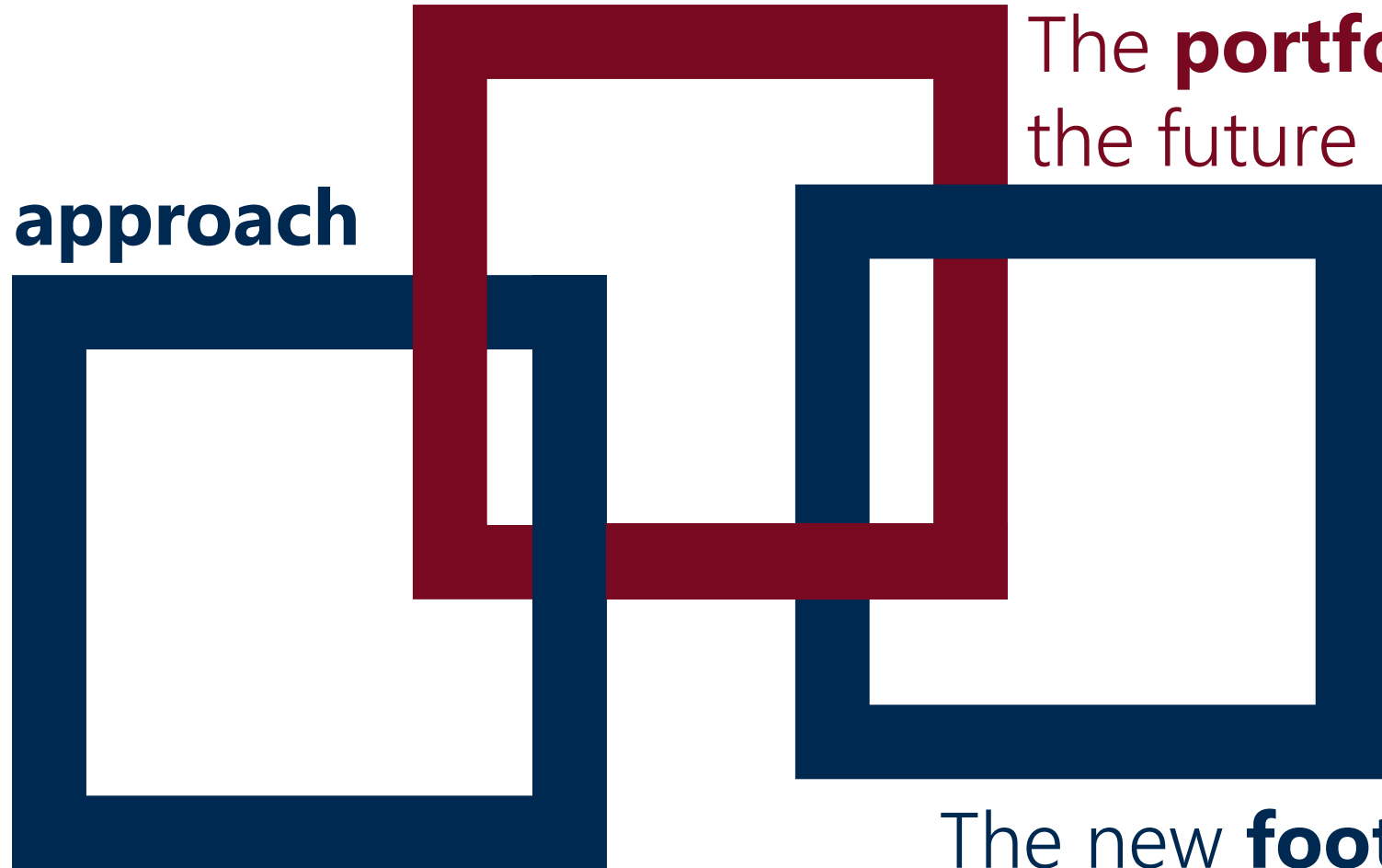
First Trends for 2021 and 2022

Magnitude of revenues 2021
likely to repeat 2019

Magnitude of revenues 2022
back to pre-Corona budget

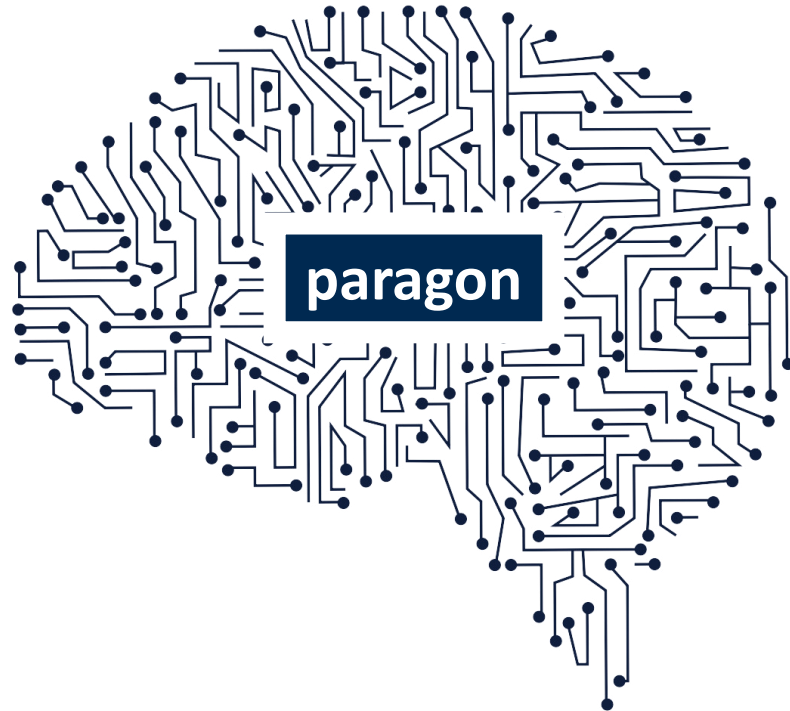
The paragon 2021 - Re-inventing paragon

The new **approach**



The new **footprint**

Software as a Product



E.D.W.I.N.
Enhanced Driving With Intelligence

Goal | Development of own ecosystem for AI-assistants

- Explainable and controllable AI
- Speech Recognition
- Speech Synthesis
- Sovereignty of digital data
- Emotion recognition and processing
- Eco-system for services and solutions

Edwin | The digital buddy

Software Increases Product Performance

Perfect subwoofer

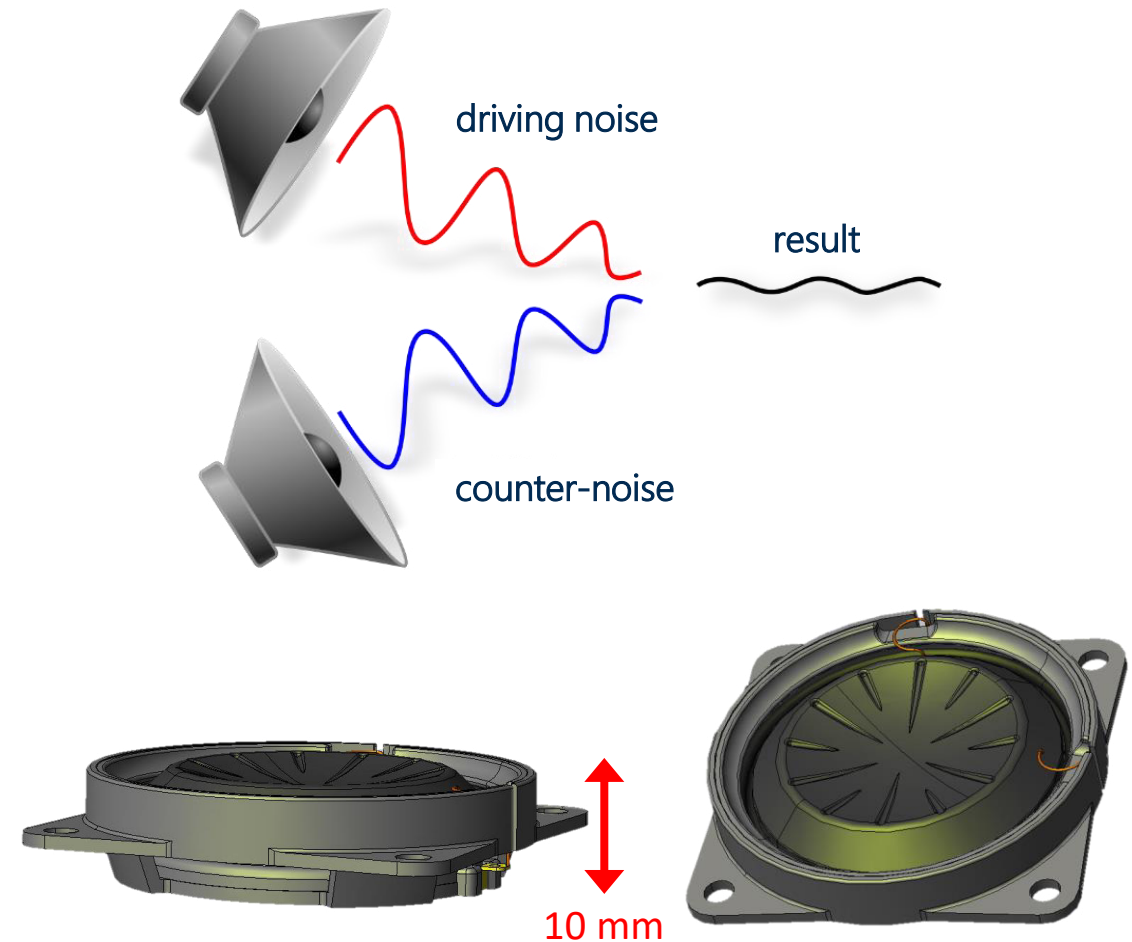
- Criterium: Maximum air movement to enable outstanding speaker performance
- Limitation: classic loudspeaker design limits acoustic utilization of diaphragm to 50%
- New: paragon's real-time software algorithms compensate nonlinearities of loudspeakers and significantly increase diaphragm utilization range
- New: paragon active speaker with outstanding diaphragm performance allowing for reduction of volume (up to 50%), weight (up to 50%) and cost (up to 30%)



Software Enables New Products

Road Noise Cancellation

- Goal: Reduction of driving noise in vehicle cabin
- Limitation: Identification of noise as well as calculation and processing of counter-noise must be faster than acoustic travel of noise to the ear; state-of-the-art noise cancellation systems with 10 ms signal delay sufficient for engine noise only
- paragon's innovation:
 - Concept with inherent signal processing time below 1 ms enables elimination of additional relevant noise sources (tires and chassis) as well
 - Super flat and powerful speakers to enhance noise cancellation performance by being mounted close to ear, e. g. integrated into headrest



The paragon 2021

**Sharpening the profile as
technology provider**



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