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**paragon GmbH & Co. KGaA**  
**Analyst / Investor Presentation**

Eigenkapitalforum | November 26, 2019

# paragon After First 9 Months – Affected by One-Offs

**PARAGON**® GmbH & Co. KGaA

Markets  
Segments

**Automotive**

Electronics

Mechanics

**Electromobility** VOLTABOX® 60% stake

Electromobility

Integration / Restructuring  
>> consolidation costs



Launch of spoiler product  
>> financial burden



New cell generation  
>> temporary production stop in H2/2019

Last-minute change requests of US customer  
>> sales postponed to 2020



- > Automotive business continues to provide stable support
- > Sales increase in the first nine months by 11.2% y-o-y
- > Growth drivers Body Kinematics and Digital Assistance
- > Sustainable improvement in earnings situation fully on target
- > Forecast confirmed: 2019e sales at € 130m (+8% y-o-y)



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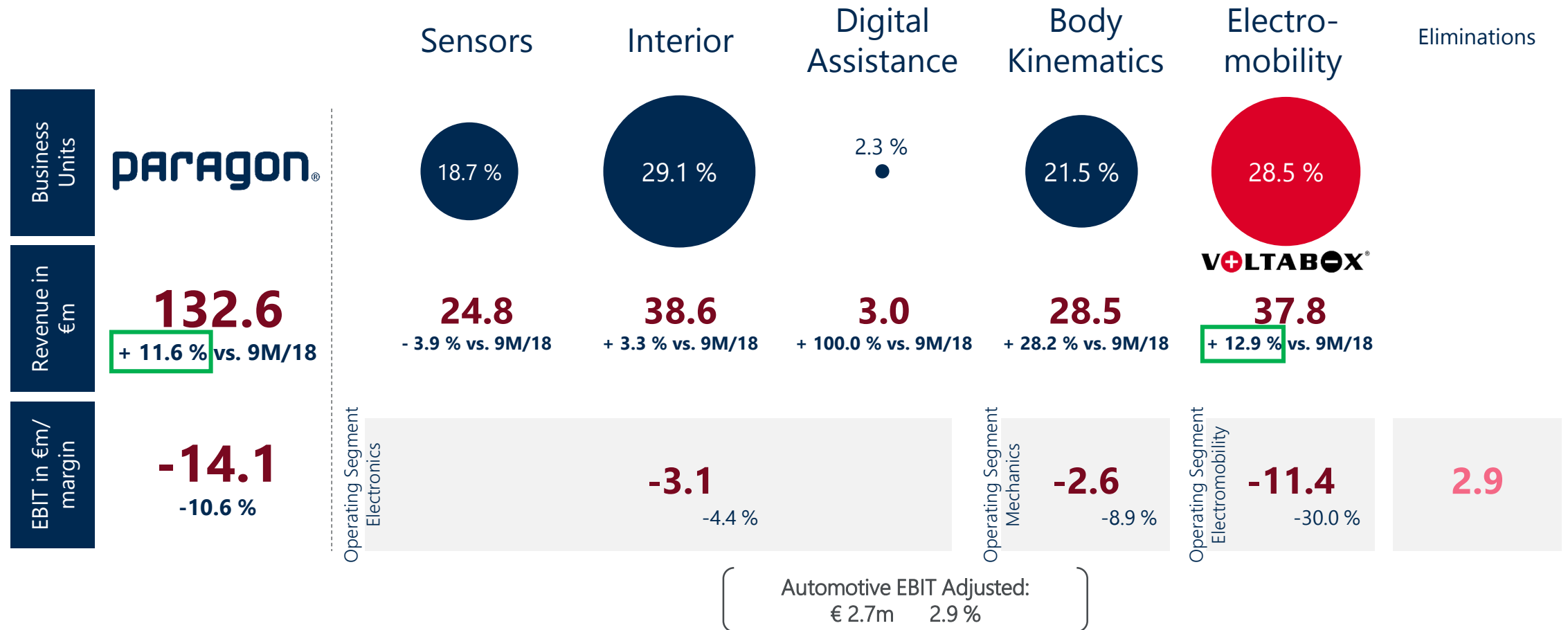
Electro-  
mobility

VOLTABOX®

- > Sales increase by 13.2% to € 37.9m
- > Announced one-off effects affect Q3 figures as expected
- > Progress in adjusting the cost structure
- > Consequent focus on a successful year 2020
- > Sustainable growth



# Q3 Figures Reflect Announced One-Off Effects



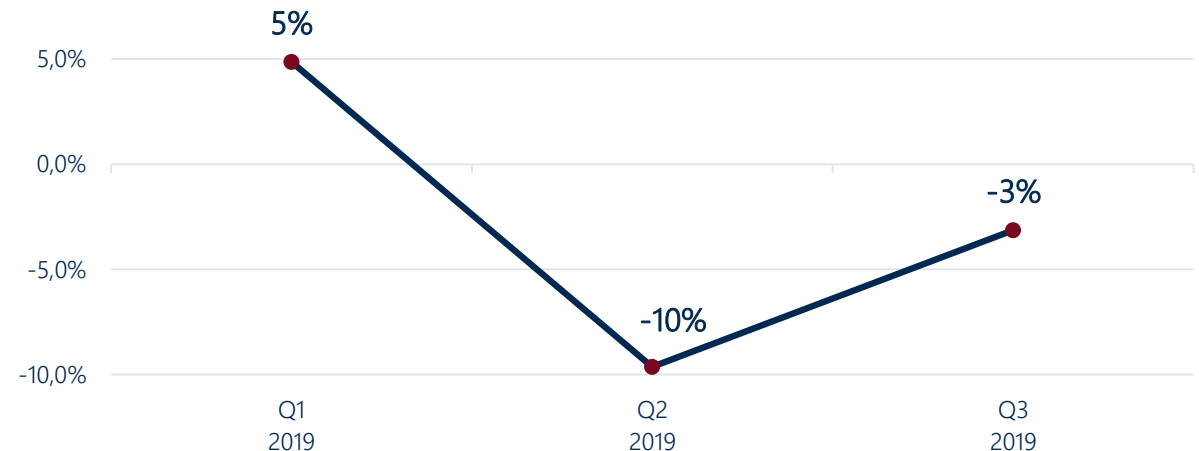
# Cost Reduction Takes Effect

# Overview – Improving Profitability paragon Automotive

- Adjustments in employee structure already effective in Q3 - full effect in Q4
- Capacity adjustment and efficiency increase in value-added processes already have an impact
- Further progress in site consolidation and integration of new subsidiaries
- Significant revenue increase in Q3/2019 at paragon movasys
- ERP implementation at movasys and semvox

paragon Automotive	Q1 2019	Q2 2019	Q3 2019
EBIT absolute per quarter €m	1,476	-3,240	-967
EBIT margin per quarter	4.9%	-9.6%	-3.1%

EBIT Development paragon Automotive 2019



Decline in EBIT stopped, recovery in Q3



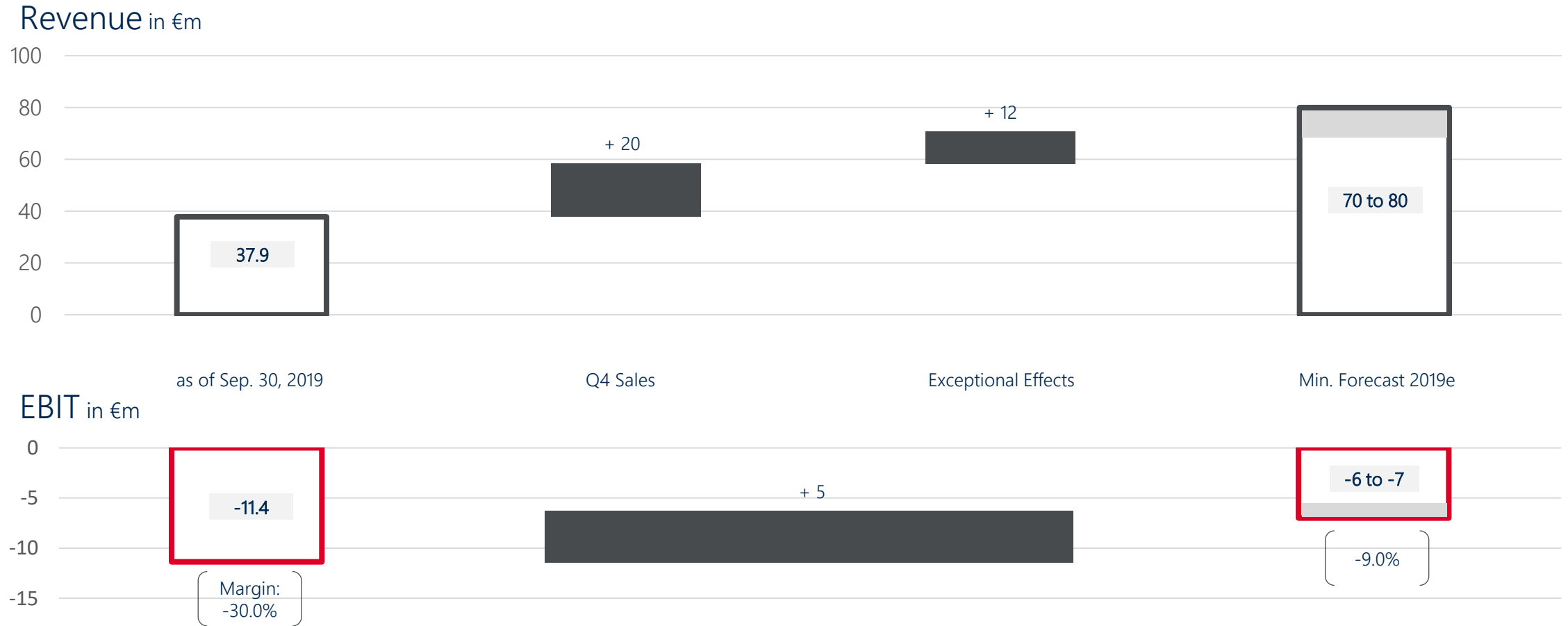
# Overview – Improving Profitability Voltabox

1	Personnel cost adjustments (Delbrück)	Large reduction of annual personnel costs and reduction of temporary workers - mainly effective from 01.01.2020	✓
2	Personnel cost adjustments (Austin)	Reduction of personnel costs in 2019 already effective today	✓
3	Sharpening of development focus	Focus on 38 projects (including 23 projects with higher priority) with stringent controlling	✓
4	Material savings through double size technology	Especially cost optimization of battery module for new cells of several manufacturers	✓



# Financials

# Voltabox Q4 incl. Exceptional Effects Through Divestments



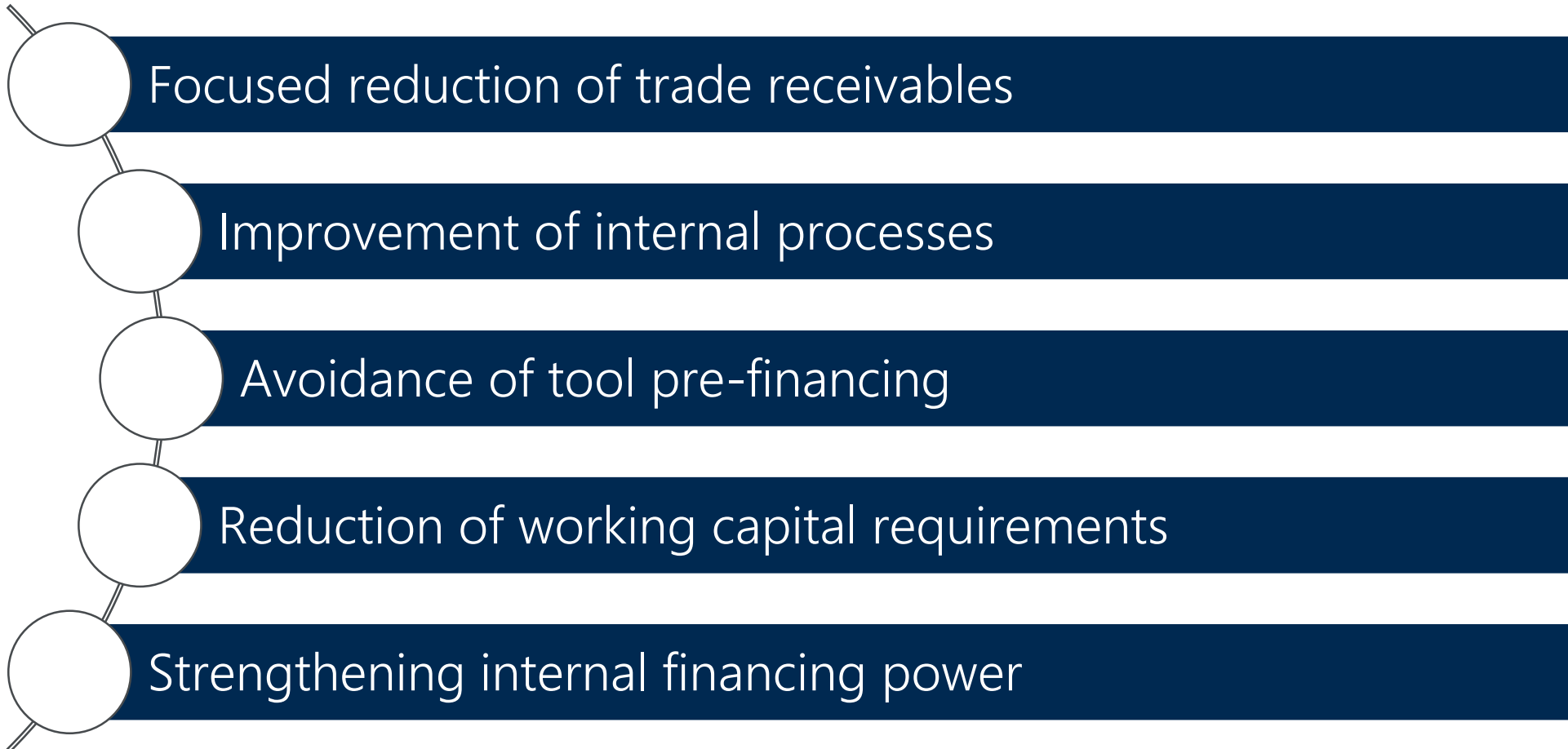
# Trends Free Cash Flow Full Year 2019

	FCF 2018	FCF 9M/2019	FCF H2e/2019	FCF trend full year 2019e y-o-y
<b>Voltabox AG</b>	€ -68,4m	€ -24,9m	Slightly positive	Significantly improved earnings compared to prior-year period
<b>paragon GmbH &amp; Co. KGaA</b>	€ -102,3m	€ -54,6m	Slightly positive	Significantly improved earnings compared to prior-year period

# Lessons learned



## paragon Automotive Conclusions from the Developments in 2019

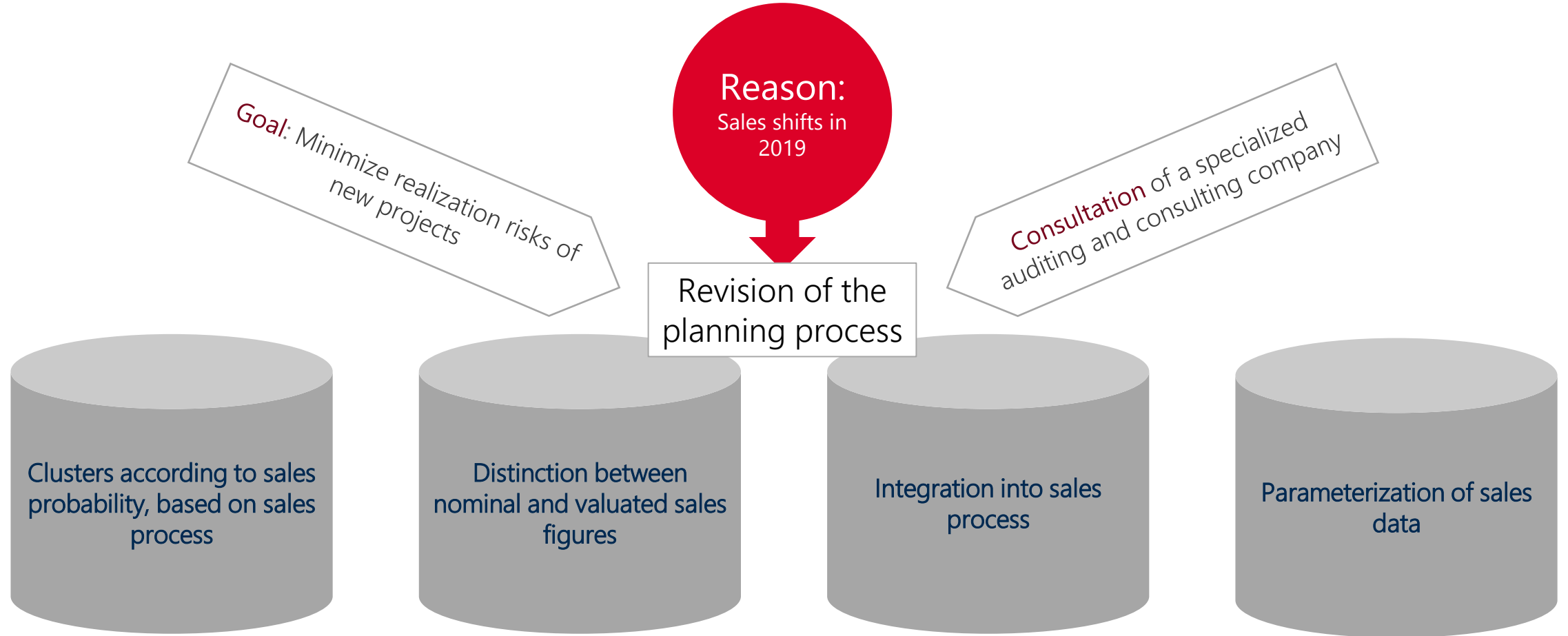


## **Voltabox Conclusions from the Developments in 2019**



# Growth in 2020 ff.

# New Planning Process at Voltabox

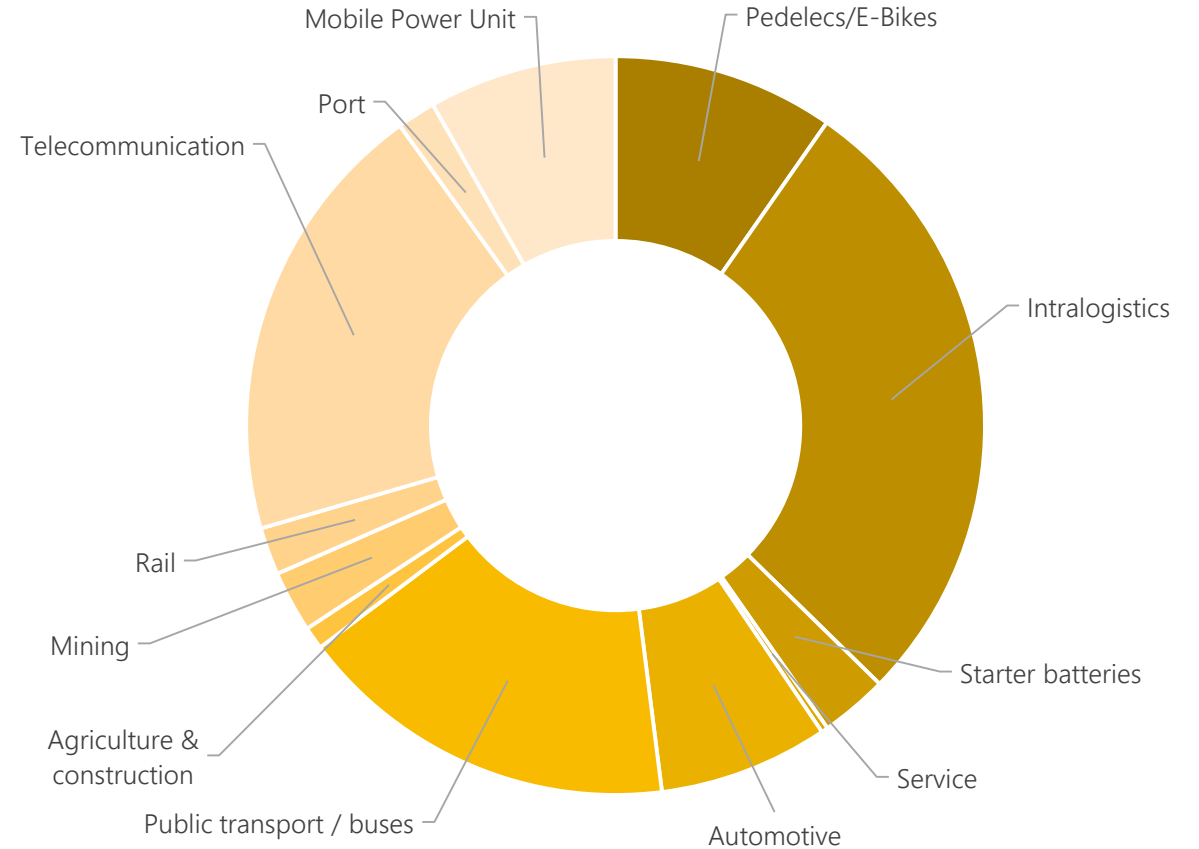


No impact on total order backlog –  
changed conservative approach should allow more realistic estimation of future revenue recognition



## Sales by Markets in 2020

- Continuation of the significant reduction in bulk risk with regard to major customers in the intralogistics sector
- Focusing within the entered markets and further development of standardized solutions allows more efficient development and shorter time-to-market
- New (sub-)sales markets in the following areas
  - Public transport / buses (conversion of diesel buses)
  - 5G network
  - Mobile Power Unit (mobile battery storage for flexible use)
  - Port and rail applications



# Market Drivers 2020 – Underlying Conditions Brighten Up

**Handelsblatt** Online edition 23.10.2019

**Ausgerechnet die Autobranche könnte das ganze Land technologisch nach vorn bringen**

Auf die Leitindustrie kommen schwierige Zeiten zu. In der konjunkturellen Krise müssen sich die Autohersteller auf ihre Kraft zur Innovation besinnen.

**AUTOMOBIL PRODUKTION** Online edition 12.07.2019

**Trendwende dank China**

## Audi-Verkäufe legen wieder zu

**Frankfurter Allgemeine** Print edition 14.11.2019  
ZEITUNG FÜR DEUTSCHLAND



**manager magazin** Online edition 09.10.2019

09.10.2019  
**Absatz in USA und China wächst deutlich**

### Chinesen reißen sich um Porsche

**AUTOMOBIL PRODUKTION** Online edition 29.10.2019

**Deutsche dominieren**

## Premiumfahrzeugmarkt in China wächst weiter

**Automobilwoche** Online edition 30.10.2019  
DIE BRANCHEN- UND WIRTSCHAFTSZEITUNG

**Trotz Umweltdebatte und schwacher Konjunktur: Eigene Beschäftigte schätzen die Automobilindustrie**

**STUTTGARTER ZEITUNG** Online edition 07.11.2019

**Absatz steigt weiter**

### Daimler verkaufte im Oktober mehr Autos

**AUTOMOBIL PRODUKTION** Online edition 24.06.2019

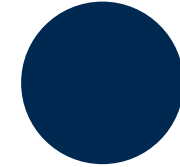
**SUV-Autos werden kleiner**

**Branchenexperte: Trend zu kleinen SUVs speist das Wachstum**

# Forecast by Group Sectors 2020

Global automotive market  
0,1 %

paragon customers  
4,3 %



paragon's specific customer base proves to be robust against supposedly lower demand in the automotive market

Because...

Growth of the automotive industry in 2020 according to the expectations of the market research institute IHS



**Trade conflict:**

No deliveries of paragon products between USA and China



**Diesel crisis, less combustion engines, etc.:**

paragon products are independent of the engine or rather beneficiaries of the change



**Significantly reduced production volumes, falling demand, "long-term dent":**

paragon concentrated on premium segment and beneficial megatrends for years and profits from growing market shares and higher added value per vehicle

## Revenue

~ € 140m

VBX: € 85m to € 100m

## EBIT margin

5% to 7%

VBX: 5% to 7%

## EBITDA margin

15% to 17%

VBX: ~15%

# Markets in Focus



# Market Entry in 2020 - Conversion of Diesel Buses



- Sales expectation in higher single-digit million range in 2020 - strong increase in sales figures from 2021 according to e-troFit
- Newly validated cells at Voltabox are ideal for application (cost and functional benefits) - Voltabox as sole battery system supplier
- e-troFit battery module can also be used for intralogistics (less dependence on previous main cell supplier)

# Energy Thought Flexible – Voltabox Mobile Power Units

- Voltafox are the new mobile energy storage devices from Voltabox – Portable Lithium-ion battery system for a wide range of applications
- Voltabox uses its ready-developed and powerful forklift battery system for this purpose
- >> Optimum use for stock of prismatic NMC cells/modules (1. Generation)

- Various scalable designs and performance features possible
- Calendar week 46: Construction of prototypes
- Calendar week 49: Start of pilot project in Austin

4 core markets

- Construction
- Event
- Disaster Relief
- Border Patrol
- National Parks
- Construction (e.g. welding)
- Mobile Broadcasting (TV crew)

Further potential application areas

- Medical Support
- Field Hospital
- Agriculture
- Etc.



## Characteristics

- LTE/3G/4G/GPS connectivity
- Remote control via Web-APP
  - Proactive recommendations for exchange by providers
  - Location determination, anti-theft protection

# Summary

## Basis for Sustainable, Profitable Growth

2019/2020



- \_ High investments of past years pay off – market and product strategy in automotive sector proves to be extremely robust
  - \_ Outlook continues to promise significantly faster growth than market
  - \_ Focusing and optimized forecasting of Voltabox increases planning reliability
  - \_ Reduction of production costs and bundling of central functions at subsidiary paragon movasys - reorganization of locations in Germany
  - \_ Normalization of cash flow achieved – positive free cash flow expected in 2020
  - \_ Cost adjustment at Voltabox leads to noticeably leaner organization
- >> paragon Group to return to earnings figures of 2018 level - basis created for successful realization of medium-term prospects



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**Thank you very much  
for your attention.**

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