“We remain a family-run business”

Interview with CEO Klaus Dieter Frers on the planned change of legal form

1. **Mr. Frers, paragon AG plans to convert into a KGaA. Are you preparing to leave?**
   No, it has nothing to do with that. I will remain with the company. My most important task in the coming years will be to systematically prepare the company for its next growth spurt. On the basis of our existing customer relationships, we have the opportunity to generate annual sales of more than half a billion euros by 2021. To achieve this, we need greater capacities, more employees and new management concepts that distribute responsibility across more shoulders – we need all this to capitalize on the strong growth opportunities and avoid unnecessary risks. However, this will require substantial investments, some of which we will finance via the capital market. The KGaA offers the best conditions for this.

2. **Why is it not possible to realize this growth as an AG?**
   Because my family has a great interest in further shaping the strategy and growth of this company in the long term for the benefit of all shareholders. However, any capital increase as an AG could dilute our influence as shareholders – creating a conflict between maintaining the family’s influence and advancing the company’s growth. We can avoid this conflict with the KGaA legal form. Many shareholders value paragon precisely because it is a family-owned, listed company.

3. **Do you want to continue running paragon as an entrepreneur without bearing the corresponding financial risks?**
   My family is and will remain the main shareholder of the company. The majority of our assets are linked to the well-being of the company and are therefore subject to the full entrepreneurial risk. Since its foundation 30 years ago, paragon has been characterized by entrepreneurship, passion, innovative spirit and the will to succeed through constant renewal. New developments such as our lithium-ion-based battery systems – not to mention the corresponding successful IPO of Voltabox – would not have been possible without this entrepreneurial courage and the willingness to continuously invest in this project over the years. The planned conversion into a KGaA preserves exactly these values – the desire to create something new rather than relying on established concepts and the freedom to believe in one’s own ideas without requiring immediate commercial success.

4. **But doesn’t this step also end the possibility of a takeover for the stock?**
   If one looks at the details of the planned conversion, they will quickly notice that nothing will actually change. My family has been the key shareholder and will continue to be so after the conversion. Moreover, the KGaA does not exclude a takeover. The Articles of Association of the KGaA expressly provide that a third party acquiring control of the general partner is obliged to submit a takeover bid to the other partners.

5. **As an investor, does it make any difference whether I buy shares of paragon AG or paragon KGaA?**
   Anyone wishing to invest in a company that recognizes important trends in the automotive industry at an early stage and transforms them into attractive lines of business will continue to be well-served with paragon in the future. After all, the order

backlog of around 2 billion euros has nothing to do with the question of whether or not paragon is an AG.

6. **To what extent will paragon AG's Management Board and Supervisory Board be restricted in their decision-making as a result of the change of legal form?**
   Here, too, it is worth taking a look at the prepared details; the future management of the general partner and the Supervisory Board will continue to determine the fate of the company. In particular, the Supervisory Board has unusually far-reaching rights compared to other listed KGaAs. The change of legal form therefore plays practically no role in the decision-making powers of both bodies.

7. **Very briefly: Why is the conversion of paragon AG into a KGaA the right decision?**
   Because it gives paragon better access to the capital market while essentially remaining a family business.