

# **Articles of Association of paragon GmbH & Co. KGaA**

## **I. General terms and conditions**

### **§ 1**

#### **Company name, registered office and fiscal year 1.**

The name of the Company shall be:

**paragon GmbH & Co. KGaA**

2. The company has its registered office in Delbrück.
3. Fiscal year is the calendar year.

### **§ 2 Object of the Company**

1. The object of the Company is research and development in the field of microelectronics, the manufacture and sale of electronic devices, associated peripherals and corresponding assemblies, and the administration of patents, licenses and utility models.
2. The Company may also establish, acquire or participate in other companies, set up branches and take all other measures as well as carry out legal transactions which are necessary or useful for achieving and demanding the object of the Company.

### **§ 3 Announcements and electronic information**

1. Announcements by the Company shall be made by publication in the Federal Gazette.
2. Information to the holders of listed securities of the Company may, as far as permissible, also be transmitted by electronic media.
3. The transmission of notifications pursuant to Section 125 German Stock Corporation Act (AktG) is restricted to electronic communication. The General Partner is entitled, but not obliged, to send this information by other means.

## **II. Share capital and shares**

### **§ 4 Amount and division of share capital / Conditional capital**

1. The share capital of the Company amounts to EUR 4,526,266.00 (in words: four million five hundred twenty-six thousand two hundred sixty-six euros).
2. The share capital of the Company is divided into 4,526,266 (in words: four million five hundred twenty-six thousand two hundred sixty-six) no-par value bearer shares.
3. Mr. Klaus Dieter Frers contributes into the Company, with effect from September 1, 1999 24.00h
  - a) his limited partner's share in paragon productronic GmbH & Co. KG in the amount of DM 200,000.00;

- b) his share in paragon productronic Verwaltungs GmbH in the amount of DM 50,000.00;
- c) his real estate in Suhl in accordance with the contribution and post-formation agreement of December 22, 1999 and the supplement of April 25, 2000;
- d) his limited partner's share in paragon sensoric GmbH & Co. KG in the amount of DM 500,000.00;
- e) his share in paragon sensoric Verwaltungs GmbH in the amount of DM 50,000.00 in accordance with the contribution and post-formation agreement attached to this deed and in accordance with the supplement to the contribution and post-formation agreement also attached to this deed.

and as consideration receives shares with a nominal value of EUR 3,070.00.

In addition, in accordance with the contribution and subsequent formation agreement dated December 22, 1999 and the supplement dated April 25, 2000, paragon sensors + systems AG assumes the loan of DM 2 million granted by IKB Deutsche Industriebank AG (loan agreement no. 002 dated July 31, 1996) by way of assumption of debt by way of discharge or, if the creditor's consent is not granted, as assumption of performance in the internal relationship.

- 4. The share capital existing as at the conversion of the Company into a partnership limited by shares (*Kommanditgesellschaft auf Aktien*) was fully provided by the transformation of the legal entity in its previous legal form, paragon Aktiengesellschaft.
- 5. The share capital of the Company is conditionally increased by up to EUR 2,263,133.00 through the issuance of up to 2,263,133 new no-par value bearer shares (Conditional Capital 2017/I). The conditional capital increase serves exclusively for the purpose of granting shares to the holders or creditors of convertible bonds or bonds with warrants that are issued by the Company or a group company of the Company within the meaning of Section 18 AktG, in which the Company holds a direct or indirect interest of at least 90%, in accordance with the authorization of the General Meeting on May 10, 2017 up to and including May 9, 2022 against cash or non-cash contribution. The conditional capital increase also serves to issue shares to holders of convertible bonds or bonds with warrants that carry conversion or option obligations in accordance with the respective convertible bonds or bonds with warrants.

The conditional capital increase is only to be implemented to the extent that the holders of warrants from bonds with warrants or creditors of convertible bonds issued by the Company or by a group company of the Company within the meaning of Section 18 AktG, in which the Company holds a direct or indirect interest of at least 90 %, on the basis of the authorization of the General Meeting of May 10, 2017, up to and including May 9, 2013, exercise their conversion or option rights, or, if they are obliged to exercise their option rights or convert their bonds, fulfil their obligation to exercise their conversion or option rights, provided that the conversion or option rights are not serviced by granting treasury shares or other forms of fulfilment are used to service them. The new shares shall be issued at the option/conversion prices to be determined in accordance with the above authorization resolution in the terms and conditions of the bonds or warrants. The new shares may be entitled to dividends from the beginning of the fiscal year for which the General Meeting has not yet passed a resolution on the appropriation of profits. The General Partner is authorized to determine the further details of the execution of the conditional capital increase.

- 6. The General Partner is authorized, subject to the approval of the Supervisory Board, to increase the share capital of the Company on one or more occasions up to and including 9 May 2022 by up to a total of EUR 2,263,133.00 against cash and/or non-cash contributions by issuing up to 2,263,133 new no-par value bearer shares (no-par value shares) (Authorized Capital 2017/I). The shareholders are generally to be granted subscription rights. The statutory subscription right may also be granted in such a way that the new shares are taken up by a banking consortium with the obligation to offer them indirectly to the shareholders for subscription within the meaning of

Section 186 (5) AktG. However, the General Partner is authorized, subject to the consent of the Supervisory Board, to exclude the statutory subscription right of the shareholders in the following cases:

- a) to the extent necessary to compensate for fractional amounts resulting from the subscription ratio;
- b) if the capital increase is against cash contributions and the pro rata amount of the share capital attributable to the new shares for which the subscription right is excluded does not exceed a total of 10% of the existing share capital, either at the time this authorization takes effect or - if this amount is lower - at the time it is exercised. The issue price of the new shares may not be significantly lower than the stock exchange price of the already listed shares of the same class and features at the time of the final determination of the issue price within the meaning of Sections 203 (1) and (2), 186 (3) sentence 4 AktG. Shares issued or to be issued to service convertible bonds or bonds with warrants shall be counted towards the maximum limit of 10 % of the share capital, provided that these bonds were issued during the term of the authorized capital in corresponding application of Section 186 (3) sentence 4 AktG under exclusion of the subscription right. Furthermore, those treasury shares of the Company that are sold during the term of the authorized capital under exclusion of shareholders' subscription rights pursuant to Sections 71 (1) No. 8 sentence 5, 186 (3) sentence 4 AktG shall be counted towards the maximum limit of 10% of the share capital;
- c) in the case of capital increases against contributions in kind in order to grant shares for the purpose of acquiring companies, parts of companies or interests in companies and other assets;
- d) to the extent necessary to grant the holders of conversion or option rights or corresponding obligations under convertible bonds or bonds with warrants issued by the Company subscription rights for new shares of the Company to compensate for dilution to the extent to which they would be entitled as shareholders after exercising their conversion or option rights or after fulfilling their conversion obligations;
- e) to issue employee shares to employees and pensioners of the Company and its affiliated companies.

The General Partner is authorized, subject to the approval of the Supervisory Board, to determine the further details of the implementation of the capital increase. The Supervisory Board is authorized to amend the Articles of Association in accordance with the respective utilization of authorized capital.

## **§ 5 Bearer shares**

1. The shares of the Company are bearer shares.
2. The form of the share certificates and the profit and renewal coupons shall be determined by the General Partner with the approval of the Supervisory Board. The Company may combine individual shares in share certificates representing a plurality of shares (global certificates). The right of shareholders to individual share certificates is excluded.
3. In the event of a capital increase, the dividend entitlement of new shares may be determined in deviation from Section 60 (2) AktG.
4. In the event of the issue of non-voting preference shares, further preference shares may be issued which, in terms of the distribution of profits or company assets, are equal to the existing preference shares.

### **III. Personally liable partner (General Partner)**

#### **§ 6 Personally liable partner (General Partner)**

1. Personally liable partner (General Partner) is paragon GmbH with its registered office in Delbrück (currently still operating under the name Rheinsee 640 V V GmbH with its registered office in Düsseldorf).
2. The General Partner has made no special contribution and is neither entitled nor obliged to do so. It participates neither in the profit and loss nor in the assets of the Company. In the event of the dissolution of the Company, the General Partner is not entitled to a dispute credit balance.
3. Other personally liable partners may be admitted to the Company with or without management and/or representation authority. Admission requires the approval of the General Partner and the approval of the General Meeting. The provisions of these Articles of Association concerning the General Partner shall apply mutatis mutandis to newly acceded General Partners. The Supervisory Board is authorized to amend the wording of the Articles of Association in accordance with the admission of the General Partner.
4. The General Partner will withdraw from the Company if someone other than Ms Brigitte Frers or a person directly related to Mr Klaus Dieter Frers (Section 1589 (1) sentence 1 German Civil Code (BGB)) becomes the legal or beneficial owner of the majority of voting rights in the General Partner and does not submit a takeover offer or a mandatory offer to the shareholders of the Company within three months after the acquisition takes effect in accordance with the provisions of the German Securities Acquisition and Takeover Act (WpÜG).
5. If the General Partner withdraws from the partnership without a General Partner having been admitted at the same time, the partnership will be continued by the limited liability shareholders alone on a transitional basis. In this case, the Supervisory Board must immediately apply for the appointment of an emergency representative to represent the Company until a new General Partner is appointed. The Supervisory Board is entitled to amend the Articles of Association in accordance with the change of the General Partner.

#### **§ 7 Representation and management of the Company, catalogue of approvals**

1. Unless otherwise provided by law, the Company shall be represented by the General Partner.
2. The management of the Company is incumbent on the General Partner and also includes extraordinary management measures. The shareholders' right of objection or approval at the General Meeting in the case of extraordinary management measures pursuant to Section 164 sentence 1 German Commercial Code (HGB) is excluded.
3. With respect to the following transactions of the Company and its affiliated companies, the General Partner requires the approval of the Supervisory Board:
  - a) Transactions under conversion law to change the Group structure;
  - b) The purchase, sale or encumbrance of land, rights equivalent to land or rights to land, provided that the value of the measure exceeds EUR 3 million in an individual case;
  - c) Holdings in other undertakings or abandonment of such holdings if the value of the measure exceeds EUR 5 million in an individual case;
  - d) Assumption of guarantees, warranties or similar liabilities outside the ordinary course of business, insofar as the measure is of material importance for the Group;
  - e) Granting of loans or other credits outside the ordinary course of business, insofar as the measure is of material importance for the Group.

4. The approval of the Supervisory Board required under paragraph (3) may also take the form of a general authorization for a group of the aforementioned transactions.
5. In the event of differences of opinion between the General Partner and the Supervisory Board on management actions pursuant to paragraph (3), the General Meeting shall decide at the request of the General Partner.

#### **§ 8 Reimbursement of expenses and remuneration**

1. All expenses in connection with the management of the Company's business, including the remuneration of its directors, shall be reimbursed to the General Partner. The General Partner charges its expenses monthly.
2. For the assumption of the management and the personal liability, the Company shall pay to the General Partner an annual remuneration, irrespective of the Company's profits and losses, in the amount of 4 % of the General Partner's share capital in euros.
3. Vis-à-vis the limited liability shareholders, all payments to the General Partner are to be treated as expenses of the Company.

### **IV. Supervisory board**

#### **§ 9 Tasks and powers of the Supervisory Board**

1. The Supervisory Board is responsible for monitoring the management of the Company and advising the General Partner. It has management authority and power of representation for the legal relationships between the Company and the General Partner.
2. The Supervisory Board is entitled to request from the General Partner reports in accordance with Section 90 AktG on the affairs of the Company and the companies affiliated with it within the meaning of Section 15 AktG, as well as to inspect and to examine the books and records of the Company. The Supervisory Board may determine that the above rights are exercised by individual members of the Supervisory Board or, for certain tasks, by special experts.
3. The members of the Supervisory Board are obliged to maintain confidentiality regarding confidential reports and confidential consultations received.
4. The Supervisory Board is entitled to make amendments to the Articles of Association relating to the form only.

#### **§ 10 Composition of the Supervisory Board**

1. The Supervisory Board consists of three members.
2. Unless the General Meeting determines otherwise, the Supervisory Board members shall be elected for the period until the end of the General Meeting which resolves on the discharge for the fourth fiscal year after the beginning of the term of office. The current fiscal year at the beginning of the term of office shall not be included in the calculation. Supplementary elections for prematurely retired members are held for the remainder of their term of office. Section 30 (3) AktG remains unaffected.
3. The General Meeting may simultaneously appoint substitute members for the Supervisory Board members to be elected by it who, in the order in which they were elected, replace the members of the Supervisory Board who resigned prematurely.
4. Each member of the Supervisory Board may resign from his office at any time - except at an untimely date - also without good cause by written declaration to the Chairman of the Supervisory Board or to the General Partner.

### **§ 11 Chairman of the Supervisory Board**

1. The supervisory board elects a chairman and a deputy from among its members for its term of office. Their term of office depends on the duration of their Supervisory Board office.
2. If the chairman or his deputy resigns before the end of this term of office, a successor to the resigning member shall be elected immediately for the remainder of his term of office.

### **§ 12 Internal procedures of the Supervisory Board**

1. The meetings of the Supervisory Board shall be convened by the Chairman of the Supervisory Board or, in his absence, by his deputy, stating the individual items on the agenda, with a notice period of two weeks. The day of dispatch and the meeting shall not be included in the calculation of the time limit. The meeting may be convened in writing, by telephone or by fax. In urgent cases, the convocation period may be shortened.
2. Resolutions of the Supervisory Board are passed in meetings. In addition, resolutions may also be passed in writing, by telephone or by fax.
3. If an agenda item has not been duly announced, a resolution on such item may only be passed if no member of the Supervisory Board objects. In such a case, absent members of the Supervisory Board shall be given the opportunity to subsequently object to the resolution within a reasonable period of time to be determined by the Chairman. The resolution shall only take effect if the absent members of the Supervisory Board have not objected within this period of time.
4. The Supervisory Board shall constitute a quorum if all its members participate in the passing of a resolution. Absent Supervisory Board members may participate in the resolution by having votes submitted in writing by Supervisory Board members present.
5. The Chairman of the Supervisory Board - or, if he is prevented from attending, his deputy - chairs the meetings of the Supervisory Board and determines the order of the items on the agenda and the form of voting.
6. The Supervisory Board passes its resolutions by a simple majority of the votes cast, unless the law provides otherwise. Abstentions shall not be included in the determination of the result of the vote.
7. The Chairman of the Supervisory Board - or, if he is prevented from doing so, his deputy - is authorized to make the declarations required to implement the resolutions of the Supervisory Board and to accept declarations on behalf of the Supervisory Board.
8. Minutes must be taken of the deliberations and resolutions of the Supervisory Board, which must be signed by the Chairman. The minutes must be forwarded to all members of the Supervisory Board.

### **§ 13 Remuneration of the Supervisory Board**

1. The remuneration of the members of the Supervisory Board is determined by the General Meeting.
2. The members of the Supervisory Board shall be reimbursed for their expenses, including any value-added tax incurred by them in their Supervisory Board activities.

## **V. General Meeting**

### **§ 14 General Meeting**

1. The General Meeting shall be held at the registered office of the Company or at another location in the Federal Republic of Germany with at least 100,000 inhabitants.
2. The General Meeting shall be convened by the General Partner or, in the cases prescribed by law, by the Supervisory Board.
3. The General Meeting must be convened in the form provided for by law, at least within the statutory time limit.
4. Shareholders are entitled to attend the General Meeting and to exercise their voting rights at the General Meeting if they have registered in good time and proved their entitlement to participate in the General Meeting and to exercise their voting rights at the General Meeting. Registration must be in text form and must be in German or English.
5. The entitlement to attend the General Meeting and to exercise voting rights at the General Meeting must be verified in the form of written proof of share ownership by the custodian bank. The proof must be in German or English and must refer to the beginning of the twenty-first day before the General Meeting. Registration and proof of share ownership must be received by the Company at the address provided for this purpose in the notice of the meeting at least six days prior to the General Meeting. The day of the General Meeting and the day of receipt shall not be counted.
6. The General Meeting may be transmitted in whole or in part in sound and vision if the General Partner and the Supervisory Board so decide. The transmission may also take place in a form to which the public has unrestricted access. The form of transmission shall be announced in the notice of the meeting.
7. The personally liable partner (general partner) is authorized to provide that Annual General Meetings held within two years of the entry of this provision in the commercial register may be held without the physical presence of shareholders or their proxies at the venue of the Annual General Meeting (virtual Annual General Meeting). If a virtual Annual General Meeting is held, the members of the Supervisory Board may also participate by means of video and audio transmission; however, this does not apply to the chairman of the meeting if he is a member of the Supervisory Board. All provisions of these Articles of Association for Annual General Meetings, including Section 16, shall apply to the virtual Annual General Meeting, unless otherwise stipulated by law or expressly provided for otherwise in these Articles of Association.

### **§ 15 Voting rights**

1. Each no-par value share grants one vote at the General Meeting.
2. The right to vote begins with the full payment of the contribution.
3. The voting right may be exercised by a proxy. The granting of the power of attorney to the proxy, its revocation and proof of the power of attorney vis-à-vis the Company must be in text form. The details for the granting of these powers of attorney, their revocation and their proof vis-à-vis the Company will be announced in the notice of the General Meeting, in which simplifications may also be determined; Section 135 AktG remains unaffected.
4. The General Meeting passes its resolutions by a simple majority of the votes cast, unless a larger majority is required in the Articles of Association or mandatory statutory provisions. If the law also stipulates a majority of the share capital represented when the resolution is adopted, a simple majority of the share capital represented is sufficient, to the extent permitted by law.

5. If a resolution requires the consent of the General Partner, the General Partner's managing directors shall declare at the General Meeting whether the resolution is approved or rejected.
6. The General Partner is authorized to provide that the shareholders may cast their votes, even without attending the meeting, in writing or by means of electronic communication (postal vote). The details will be announced together with the notice of the General Meeting.

### **§ 16 Chairmanship of the General Meeting**

1. Unless the meeting elects another person, the Chairman of the Supervisory Board or another Supervisory Board member to be determined by the Supervisory Board shall chair the General Meeting.
2. The Chairman shall chair the General Meeting. It determines the order in which the items on the agenda are being dealt with, the type, form and order of voting and is authorised to limit the rights of the shareholders to ask questions and speak for an appropriate period of time and to determine further details in this regard.

## **VI. Annual Financial Statements and Appropriation of Profits**

### **§ 17 Annual financial statements**

1. The General Partner must prepare the annual financial statements and the management report as well as the consolidated financial statements and the group management report for the past financial year within the periods provided for by law, and submit them without undue delay to the Supervisory Board and the auditor. The proposal which the General Partner intends to make to the General Meeting for the appropriation of the balance sheet profit is to be submitted to the Supervisory Board together with the annual financial statements and the management report.
2. The Supervisory Board shall examine the documents within one month of their receipt and shall report the results of its examination in writing to the General Meeting.
3. The General Partner and the Supervisory Board are authorized to allocate up to 75 percent of the annual net profit to other revenue reserves, as long as the other revenue reserves do not exceed 50 percent of the share capital and as long as they would not exceed 50 percent of the share capital after the transfer.

### **§ 18 Appropriation of profits**

1. The General Meeting shall resolve on the appropriation of the balance sheet profit shown in the adopted annual financial statements.
2. The General Partner is authorised to make instalment payments on the balance sheet profit in accordance with Section 59 AktG.

### **§ 19 Foundation expenses**

The Company shall bear the estimated formation expenses of EUR 3,000.00 plus VAT arising from the formation of paragon Aktiengesellschaft as well as the formation expenses arising from the transformation of legal form, in particular costs for the notarisation of the Articles of Association, the registration of the Company for and its entry in the commercial register, taxes incurred, the costs of the formation consultancy and formation audit as well as the costs of the announcements, up to an amount of EUR 10,000.

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