

## Automotive Business Remains a Stable Pillar for paragon – Major Investments in Past Years Pay Off

- Positive development of paragon Automotive confirmed – increase in third-party revenue of around 8% to nearly € 95 million in the first nine months compared to the prior year and adjusted EBIT margin at 2.9%
- Early focus on future topics is increasingly making paragon the beneficiary of structural change in the automotive industry
- Group revenue rises in the first three quarters by 11.6% to € 132.6 million due to persistently strong automotive business
- Outlook for the 2020 fiscal year: Increase in Group revenue to € 225 million to € 240 million
- Significant improvement in earnings expected in the coming year: EBITDA margin between 15% and 16% and EBIT margin between 5% and 7%; Free cash flow in the single-digit positive area

Delbrück, November 13, 2019 – Today, paragon [ISIN DE0005558696] published the interim consolidated financial statements as of September 30 and provided an outlook for the upcoming fiscal year. Management sees its strategy of orienting the Group toward products and services that make paragon a beneficiary of structural change in the automotive industry as fully vindicated. In fiscal year 2020, the company expects to perform significantly better than the industry again with a revenue increase to € 225 million to € 240 million. At approximately 5% to 7%, the EBIT margin is expected to be in the same range as in 2018.

paragon's automotive business is once again proving to be a reliable backbone of the Group. After the first nine months, paragon Automotive contributed € 99.1 million to the Group revenue of € 132.6 million. Despite reduced expectations in the current fiscal year, paragon achieved a revenue increase of 7.8% in the automotive business – at Group level, growth amounted to 11.6% – over the prior year, thus maintaining its much more agile growth compared to the sector.

In 2019, the paragon Group's earnings were impacted by one-time costs from the launch of new products and the consolidation and integration of new subsidiaries in addition to revenue postponements at the subsidiary Voltabox. Adjusted for one-time effects, EBIT of paragon Automotive amounts to € 2.7 million, which corresponds to an EBIT margin of 2.9%. On Group level, paragon shows an unadjusted EBIT of € -14.1 million and an unadjusted EBIT margin of -10.6%. The Body Kinematics operating segment made significant contributions to the increase in revenue with the ramp-up of the spoiler production for the model series 992 of the Porsche 911.

With its automotive business, paragon is aiming to increase the revenue in the current fiscal year by 8% over the prior year to € 130 million with an EBIT margin of 8.1% adjusted for one-time effects. Despite the sustained sales weakness associated with a major customer, this Group subarea is demonstrating its robustness after the first three quarters. "The early and consistent focus on the premium segment and beneficial mega-trends has made us highly resilient in regard to the purportedly weak development of the automotive industry. Rather, our positioning allows us to become a winner of structural change. As such, we cannot be lumped together with other automotive suppliers," says Klaus Dieter Frers, Chairman of the Board of paragon GmbH, the general partner of paragon GmbH & Co. KGaA.

### **Focusing on Stabilizing the Earnings Situation**

The Electromobility operating segment, represented by the subsidiary Voltabox AG, contributed revenue of € 37.9 million to consolidated net income in the first nine months as planned. As expected, the EBIT margin of Voltabox was -30.0% in accordance with the revenue postponements announced in August; an improvement in profitability in the fourth quarter is in sight. Above all, battery systems for use in intralogistics applications helped to expand the Voltabox business. In the Mechanics operating segment, the growth of 21.2% in third-party revenue was driven in particular by the ongoing series production of software-

controlled rear spoiler drive technology. In the Electronics operating segment, paragon profits from series production of the air quality sensor for several premium manufacturers.

In recent months, paragon Automotive has launched a comprehensive cost reduction program for the subsidiary paragon movasys GmbH, which entails a reduction of production costs along with the consolidation of key functions and has already generated substantial synergy effects for the future. In addition, paragon has pursued a reorganization of its sites in Germany, thereby facilitating not only the reduction of rental costs, but also an increase in efficiency in the subareas of development and production.

“We are fully on schedule with the sustainable improvement of our earnings situation. Our comprehensive measures to adjust the cost structure are showing their initial impact, as the third quarter proves. We will reduce fixed costs significantly starting in the new fiscal year,” emphasizes Dr. Matthias Schöllmann, Managing Director of Automotive. “At the same time, we are highly confident in light of the improved framework conditions for our business.”

As indicated in the half-year report, the announced revenue postponements at the subsidiary Voltabox are clearly noticeable in the third and fourth quarter. The countermeasures taken by Voltabox will increasingly help ease the burden on EBIT and stand to reduce fixed costs at Voltabox by around 30% in the coming fiscal year. The rapid repayment of trade receivables due from a major Voltabox customer which arose in the second half of 2018 is proceeding completely according to plan. The Management Board of the subsidiary Voltabox also continues to see good opportunities for the value-preserving use of stockpiled battery systems in current projects. This is also shown by the current sales figures. The demand for the previous generation of Voltabox NMC systems will also continue in the coming year.

“There is no reason to pay dearly for revenue,” says Klaus Dieter Frers, Chairman of the Board of paragon GmbH and simultaneously the Supervisory Board Chairman of the 60%

Voltabox AG subsidiary. “It is much more important for Voltabox to systematically gear itself up for a successful year in 2020,” continues Frers.

### **Earnings Strongly Impacted by One-time Effects as Expected**

In the reporting period, earnings before interest, taxes, depreciation and amortization (EBITDA) decreased by 82.2% to € 3.1 million (prior year: € 17.2 million), which corresponds to an EBITDA margin of 2.3% (prior year: 14.5%). Due to the revenue postponement at Voltabox and the cost-intensive production ramp-ups in the Mechanics operating segment as well as the integration costs incurred from acquired companies, earnings before interest and taxes (EBIT) fell to € -14.1 million (prior year: € 7.7 million).

As of September 30, 2019, total assets had increased to € 380.7 million (December 31, 2018: € 362.3 million). This is mainly attributable to the increase of € 29.1 million in noncurrent assets to € 205.8 million (December 31, 2018: € 176.7 million). Inventories increased by € 39.5 million to € 98.4 million (December 31, 2018: € 58.9 million), mainly as a result of the supply of production material, which will primarily be used for production as part of Voltabox’s already initiated projects starting in the 2020 fiscal year. In addition, trade receivables decreased by € 20.0 million to € 50.7 million (December 31, 2018: € 70.7 million) in accordance with the agreement with an important Voltabox customer. The equity ratio fell to 42.1% as a result of the negative consolidated result (December 31, 2018: 49.1%).

Cash flow from operating activities significantly improved in the period under review to € -14.4 million (prior year: € -35.4 million). This was mainly attributable to the decrease of € 13.6 million in trade receivables (prior year: increase of € 25.0 million) and the € 6.0 million increase in trade payables. Cash flow from investing activities improved by € 13.3 million to € -40.2 million (prior year: € -53.5 million) in the period under review. Cash and cash equivalents totaled € 5.6 million (December 31, 2018: € 41.8 million) as of the end of the reporting period. Given the expected positive free cash flow development in the second half

of the year, paragon management remains convinced that the Group has an adequate cash position in the current fiscal year and that the cost reduction measures that have been taken are significantly increasing its internal financing capability.

### **Sustainable Growth and Return to Profitability in 2020**

In line with the forecast adjusted on August 12, the Group expects to achieve revenue of between € 200 million and € 210 million in fiscal year 2019 with an EBIT margin of -1% to -2%. Voltabox AG, which represents the Electromobility operating segment, is expected to make a contribution to the Group's growth with projected revenue of € 70 million to € 80 million. The subsidiary's EBIT margin, influenced by the revenue postponement, is expected to be -8% to -9%.

For the 2020 fiscal year, paragon intends to achieve revenue in the range of € 225 million to € 240 million. The company expects an EBIT between € 12 million and € 17 million (corresponding to an EBIT margin of 5% to 7%) and an EBITDA between € 34 million and € 39 million (corresponding to an EBITDA margin of 15% to 16%). According to plans, free cash flow will be in the single-digit positive area. Investment volume should amount to approximately € 32.5 million, thereof about 60 % for own work capitalized.

Based on a new planning methodology adapted to the Group's business model, the subsidiary Voltabox expects revenue between € 85 million and € 100 million with an EBITDA margin of approximately 15% and an EBIT margin of 5% to 7% in fiscal year 2020. The free cash flow of Voltabox is also expected to be in the single-digit positive area. In accordance with the postponed revenue growth, Voltabox plans an investment volume of approximately € 12.5 million, thereof about 70 % for own work capitalized.

The main revenue drivers for the Electromobility operating segment in the coming year will be the existing market segments of intralogistics, batteries for pedelecs and e-bikes and

starter batteries for motorcycles, trucks, mining vehicles and telecommunications equipment. In the public transportation market segment, the trolleybus area will be augmented by business from the conversion of diesel buses to electric powertrains. Beginning in 2020, Voltabox will supply cooperation partner e-troFit with battery systems for retrofitting projects. Together with partners ZF Friedrichshafen AG and Valeo, diesel drive buses and trucks will be converted to a sustainable drive concept for less than half the purchase price of an electric bus. The system also promises cost advantages for original equipment. The Voltabox Management Board expects this project to contribute revenue in the high single-digit million range in fiscal year 2020. The sales figures planned by e-troFit indicate a dramatic revenue increase for subsequent years.

Along with the existing business from series production started in 2018 and earlier, the performance of paragon's Automotive revenue will be encouraging in the upcoming fiscal year, particularly due to the production ramp-ups initiated this year as well as the production starts and expansions planned for 2020. While series launches were primarily recorded in the Mechanics operating segment in the current fiscal year, upcoming developments for fiscal year 2020 include the initial production of the Dustdetect® particulate matter sensor for use in the Chinese market, the significant increase in quantities of the particle sensor for a high-end German manufacturer that was confirmed following the IAA and substantial increases in deliveries of AI software for digital assistant solutions for use in the high-volume vehicles of leading automotive manufacturers.

Together with the new launches, the management's confidence also stems from the positive development of paragon's customer base. According to the latest figures from the renowned market research institute IHS, the growth of paragon customers, nearly all of whom belong to the premium segment, will amount to approximately 4% in the coming year. In comparison, IHS expects a marginal growth close to zero for the overall market in 2020.

The company's Group interim report as of September 30, 2019 is available for download at <https://ir.paragon.ag>.

**About paragon GmbH & Co. KGaA**

paragon GmbH & Co. KGaA (ISIN DE0005558696), which is listed in the regulated market (Prime Standard) of the Frankfurt Stock Exchange, develops, produces and distributes forward-looking solutions in the field of automotive electronics, body kinematics and e-mobility. As a market-leading direct supplier to the automotive industry, the company's portfolio includes the Electronics operating segment's innovative air-quality management, state-of-the-art display systems and connectivity solutions, and high-end acoustic systems. In the Mechanics operating segment, paragon develops and produces active mobile aerodynamic systems. With Voltabox AG (ISIN DE000A2E4LE9), a subsidiary that is also listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange, the Group is also active in the rapidly growing Electromobility operating segment with its cutting-edge lithium-ion battery systems developed in-house.

In addition to the company headquarters in Delbrück (North Rhine-Westphalia, Germany), paragon GmbH & Co. KGaA and its subsidiaries operate sites in Suhl (Thuringia, Germany), Landsberg am Lech and Neu-Ulm (Bavaria, Germany), Markgrönigen and St. Georgen (Baden-Württemberg, Germany), Limbach (Saarland, Germany), Aachen (North Rhine-Westphalia, Germany) as well as in Kunshan (China) and Austin (Texas, USA). Additional information about paragon can be found at [www.paragon.ag](http://www.paragon.ag).

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