

## **paragon Confirms Preliminary Results for 2018 and an Optimistic Outlook for the Current Fiscal Year**

- **Group revenues of € 187.4 million above the recently increased forecast range (€ 180 to 185 million)**
- **EBIT of € 14.8 million; EBIT margin of 7.9% as forecast**
- **Equity ratio of 49.1%; € 48.9 million of free liquidity as of the end of the year**
- **Electromobility grows by 170.9% to € 66.9 million (prior year: € 24.7 million)**
- **Body Kinematics grows by 274.9% to € 35.0 million (prior year: € 9.3 million)**
- **Forecast for 2019: Further revenue growth of approximately 25% to about € 230 to 240 million, with an EBIT margin of about 8%**
- **Managing Director Dr. Stefan Schwehr will dedicate himself to his own entrepreneurial activities in the future**

**Delbrück, Germany, April 1, 2019 – Today, the management of paragon [ISIN DE0005558696] published its results for the 2018 fiscal year and confirmed its forecast for the current fiscal year. Accordingly, the Management expects the company to remain on its dynamic growth path as a result of its heightened visibility in the automotive growth areas of digitalization, CO<sub>2</sub> reduction, increased comfort and urbanization. According to the forecast, Group revenues in the current fiscal year will increase by about 25% to € 230 to 240 million with an EBIT margin of about 8%. The Sensors and Digital Assistance units in the automotive sector will make particular contributions to this. However, the largest growth driver will once again be the subsidiary Voltabox AG in the Electromobility operating segment, whose revenue will see an increase of approximately 60 to 70% to € 105 to 115 million.**

In the past fiscal year, the company generated Group revenues of € 187.4 million (prior year: € 124.8 million), and with growth of 50.1%, exceeded the recently raised forecast range of € 180 to 185 million. The revenue increase was largely attributable to the very good

performance in the new operating segments Electromobility and Mechanics (Body Kinematics unit), which recorded a revenue increase with third parties of 170.9% and 274.9% respectively, and thus increased their cumulative revenue share to 54.4% (prior year: 27.3%). In the Electromobility operating segment, the largest growth driver was the serial production of battery modules for intralogistics applications, especially for forklifts. Other revenue drivers were battery systems for trolleybuses and for use in mining vehicles, agricultural vehicles and starter batteries for motorcycles. The Mechanics operating segment benefited from the serial production of the latest generation of spoiler drive systems, among others. In the past fiscal year, the Electronics operating segment, which encompasses the Sensors, Interior and Digital Assistance units, remained the strongest operating segment in terms of revenues, realizing third-party revenue of € 85.5 million (prior year: € 90.8 million). While revenue growth to € 34.3 million was recorded in the Sensors unit due to rising take-rates with air quality sensors (prior year: € 33.8 million), revenue in the Interior unit declined to € 50.0 million due to life cycle effects (prior year: € 57.0 million). The Digital Assistance unit, which is represented by paragon semvox GmbH, contributed to revenue for the first time with € 1.2 million in the fourth quarter of 2018.

“We have once again demonstrated the reliability of our forecasts with our good business results,” says Klaus Dieter Frers, founder and Chairman of the Board of paragon. “In a generally difficult market environment, we benefit from our agile development and the consistent focus of our business in response to the changes in the automotive value chain. As a result, we set ourselves clearly apart from other market participants.”

Other operating income increased by 421.9% to € 7.2 million (prior year: € 1.4 million), which was mainly due to currency translation effects and expense allowances as well as other non-regular income. The inventory of finished goods and work in progress increased to € 9.2 million, while in the prior year it had decreased by € 1.1 million. This development is substantiated by the inventory buildup for revenue recognition in the first quarter of 2019. Capitalized development services of € 15.7 million remained slightly under the prior year's

level (prior year: € 16.4 million). The material input ratio improved slightly to 56.5% (prior year: 57.1%). This resulted in a gross profit for the 2018 fiscal year of € 113.5 million (prior year: € 70.2 million), which represents a gross profit margin of 60.6% (prior year: 56.3%).

“At the beginning of this year, we already presented our clear plan for the further development of the product portfolio in line with the growth drivers of digitalization and e-mobility,” says Dr. Matthias Schöllmann, Managing Director of paragon GmbH. “We thereby attach particular importance to the scalability of our systems, which is a prerequisite for the rapid integration of acquisitions from last year and establishes the basis for the continued profitable growth of the company.”

Personnel costs increased by 47.9% to € 52.2 million, mainly as a result of new hires in connection with operational growth and the expanded scope of consolidation during the fiscal year (prior year: € 35.3 million). As a result, the personnel expense ratio declined slightly to 27.8% (prior year: 28.2%). Other operating expenses increased by 54.3% to € 31.1 million (prior year: € 20.2 million). This is attributable particularly to currency exchange effects, higher rental expenses, and legal and consulting costs in connection with corporate acquisitions. Earnings before interest, taxes, depreciation and amortization (EBITDA) thus rose by 104.5% to € 30.3 million (prior year: € 14.2 million), which corresponds to an EBITDA margin of 16.2% (prior year: 11.9%).

After an expected increase in depreciation and amortization totaling € 14.4 million (prior year: € 9.4 million), earnings before interest and taxes (EBIT) improved by 173.9% to € 14.8 million (prior year: € 5.4 million). As a result, the EBIT margin rose to 7.9% (prior year: 4.3%).

As a result of lower financing costs, the financial result improved slightly to € -4.2 million (prior year: € -4.4 million). This results in an increase in earnings before taxes (EBT) of 928.6% to € 10.6 million (prior year: € 1.0 million). Taking into account significantly higher income taxes (deferred tax assets) of € 7.2 million (prior year: € 5.0 million), the paragon Group generated

a consolidated income of € 3.4 million in the period under review (prior year: € -4.0 million). This corresponds to earnings per share of € 0.52 (prior year: € -0.30).

The assets of paragon GmbH & Co. KGaA have increased as of the reporting date by 17.6% to € 362.3 million, primarily as a result of the capitalization of development costs, the expansion of the scope of consolidation and the significant expansion of operating activities (December 31, 2017: € 308.0 million).

Cash flow from operating activities decreased in the period under review to € -53.5 million (prior year: € -10.0 million). Taking into account the € 9.6 million higher earnings before taxes (EBT) as well as a € 5 million increase in depreciation of fixed assets and non-cash expenses of € 3.8 million, this development was attributable in particular to a € 51.6 million increase in net current assets as a result of higher inventories and trade receivables.

Cash flow from investment activity increased in the period under review to € -73.4 million (prior year: € -37.2 million). This development resulted from the € 16.9 million in higher payments for investments in property, plant and equipment with € 10.1 million higher investments in intangible assets as well as € 10.4 million higher payments from the acquisition of consolidated companies and business units.

This resulted in free cash flow adjusted for transaction investments of € -102.3 million (prior year: € -31.8 million), which in the view of Management will significantly improve during the current fiscal year since various one-time items will no longer apply and economies of scale will increasingly take effect.

Accordingly, cash and cash equivalents fell to € 41.8 million as of the end of the reporting period (prior year: € 145.8 million). Freely available liquidity was € 48.9 million as of the reporting date (prior year: € 166.8 million).

Due to the good order situation for 2019, management expects revenue to grow by about 25% despite the currently challenging situation in the automotive market. All operating segments

(Electronics, Mechanics and Electromobility) will contribute to this. In the Electronics operating segment, a significant increase in revenue is expected in the Sensors unit in particular, driven by air quality sensors for the Chinese market and the series launch of the DUSTDETECT particle sensor. Similarly, the new Digital Assistance unit will contribute significantly to revenue growth in 2019 with the introduction of a voice assistance system in at least 10 new models. The Mechanics operating segment is growing as a result of volume increases and new launches, while the Electromobility operating segment will be a significant growth driver through the expansion of revenue in the USA, including new battery systems for the intralogistics market and the increasing demand in Europe for Li-ion battery systems for commercial vehicles as well as pedelecs and e-bikes.

Against this backdrop, paragon's management is very optimistic about the current fiscal year. With expected Group revenues of € 230 to 240 million and a Group EBIT margin of about 8%, the company's dynamic course of growth should continue despite the rather subdued overall mood in the automotive industry.

Voltabox AG – which represents the Electromobility operating segment – is expected to once again make a particularly strong contribution to the Group's growth, with projected revenue of € 105 to 115 million and an EBIT margin of 8% to 9%. Voltabox's strong growth makes paragon less dependent on economic factors in the automotive sector even over the medium and long terms, while expanding the customer base.

Management plans an investment volume (CAPEX) of around € 40 million in the current year. Of this amount, about 35% relates to Voltabox. Own work capitalized in the Group is expected to amount to about 45% of the total investment amount in the current year. Over the medium term, significant synergies should be leveraged from the start-up of the new buildings in Landsberg am Lech, Limbach and Delbrück, which is planned to take place during the course of the year. No significant acquisitions are planned for the current year. Instead, the integration and consolidation of previous acquisitions have priority.

The cumulative order backlog for the next five years was about € 2.1 billion as of the end of 2018. Of this amount, about € 1.1 billion relates to the Voltabox subgroup.

As of March 31, 2019, Dr. Stefan Schwehr left the management of paragon GmbH following the end of his five-year appointment. Dr. Schwehr has played a major role in paragon's development into a widely diversified company that increasingly positioned itself as a direct supplier of innovative components and systems in the major automotive growth markets of digitalization, CO<sub>2</sub> reduction, increased comfort and urbanization.

"In the name of the entire management team, I would like to thank Dr. Schwehr for the excellent close collaboration over the last five years," says Klaus Dieter Frers, founder, majority shareholder and Chairman of the Board.

While Dr. Schwehr initially had a significant impact on the product offensive for IAA 2015 and the introduction of modern, agile methods in management and product development, he subsequently focused on paragon's digitalization strategy. Finally, Dr. Schwehr ensured the seamless integration of SemVox GmbH into the paragon Group.

"I look back at my time at paragon with pride and tremendous satisfaction," says Dr. Stefan Schwehr. "In the process, it was a great pleasure for me to make timely preparations for the enormous growth of this agile company."

In the future, Dr. Schwehr will dedicate himself to his own entrepreneurial activities in the field of home hi-fi, as the managing partner of audionet GmbH.

In the 2018 consolidated financial statements, paragon GmbH & Co. KGaA made corrections from the prior year that mainly involved the consideration of deferred tax assets in connection with a Company-internal transfer of assets, as well as expenses from the initial public offering of Voltabox AG. These were added to other operating expenses and offset with profit carried forward. The resulting corrections for the 2017 fiscal year are discussed in the notes to the consolidated financial statements for the 2018 fiscal year. The company's complete audited

consolidated financial statements can be downloaded at <https://www.paragon.ag/> under 2018 Annual Report.

**Profile: 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 of the automotive industry, the company's portfolio includes the Electronics operating segment's innovative air-quality management, state-of-the-art display systems, connectivity solutions, high-end acoustic systems and digital assistant systems. In the Mechanics operating segment, paragon develops and produces active mobile aerodynamic systems. With Voltabox AG, 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), Neu-Ulm, Nuremberg and Landsberg am Lech (Bavaria, Germany), Korntal-Münchingen and St. Georgen (Baden-Württemberg, Germany), Bexbach and Limbach (Saarland, Germany), Aachen (North Rhine-Westphalia, Germany) as well as in Kunshan (China) and Cedar Park (Austin, Texas, USA).

Additional information about paragon can be found at <https://www.paragon.ag/>.

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