

## paragon confirms growth course with jump in sales

- Group revenues increase by 25.4% to € 43 million in the first quarter
- EBITDA grows by 57.7% to € 7.6 million
- EBIT rises to € 2.0 million; EBIT margin unchanged at 4.7 percent
- Electromobility strongest growth driver with 150 percent increase in revenues
- Forecast for 2019 confirmed: Revenue growth to about € 230 to 240 million with an EBIT margin of about 8%

**Delbrück, Germany, May 13, 2019** – The Management of paragon [ISIN DE0005558696] published its results for the first quarter of the 2019 fiscal year today and confirmed its forecast for the current fiscal year.

**“Almost without exception, there was negative news for the automotive industry at the start of the new year,”** says Klaus Dieter Frers, Chairman of the Board of paragon GmbH. **“paragon, however, has been able to decouple from this negative trend. We have grown significantly again. Due to the continued good order situation, we confirm our forecast for the full year“.**

In the first quarter of the current fiscal year, paragon GmbH & Co. KGaA generated Group revenues of € 43.0 million (prior year: € 34.2 million), which corresponds to an increase of 25.4%. In the Electromobility operating segment, battery systems for use in intralogistics applications were especially responsible for the excellent performance of the business in the first quarter, with growth of 148.8%. The 15.6% growth in the Mechanics operating segment was driven in particular by the ongoing series production of the software-controlled rear spoiler drive technology.

In the Electronics segment, on the other hand, where sales have been stable, development and marketing are increasingly interlinked. This is especially significant for the new development of “EDWIN,” which encompasses a hardware module from the Interior unit

along with the semvox voice-operated assistant, a purely software solution. This development has allowed paragon to become a technologically leading supplier of digital voice recognition within a relatively short period of time.

### **Gross profit margin improved**

In the first quarter of the current fiscal year, paragon GmbH & Co. KGaA generated a total operating performance of € 53.8 million (prior year: € 40.5 million). The higher level of other operating income of € 3.3 million (prior year: € 0.2 million) is primarily the result of foreign currency effects. The inventory of finished and unfinished products increased to € 2.1 million (prior year: € 1.5 million) and capitalized development costs were rose to € 5.4 million as planned (prior year: € 4.5 million). The cost of materials increased by 26.6% to € 26.2 million (prior year: € 20.7 million). This resulted in a material usage ratio (calculated from the ratio of cost of materials to revenue and inventory changes) of 58.1% (prior year 57.8%).

This yielded a gross profit for the first quarter of € 27.6 million (prior year: € 19.8 million), which corresponds to a gross profit margin of 64.4% (prior year: 57.8%). Personnel expenses rose by 44.3% to € 14.6 million (prior year: € 10.1 million), due to the increase in personnel over the course of 2018. The personnel expense ratio was accordingly higher at 34.0% (prior year: 29.6%).

In consideration of the relatively low increase of only 11.9% in other operating expenses amounting to € 5.4 million (prior year: € 4.9 million), an increase of 57.7% was achieved in earnings before interest, taxes, depreciation and amortization (EBITDA), which totaled € 7.6 million (prior year: € 4.8 million), corresponding to an EBITDA margin of 17.6% (prior year: 14.0%). After increased depreciation and amortization and impairments totaling € 5.5 million (prior year: € 3.2 million), earnings before interest and taxes (EBIT) improved by 26.3% to € 2.0 million (prior year: € 1.6 million). The EBIT margin remained stable at 4.7% (prior year: 4.7%). With a virtually unchanged financial result of € -1.5 million (prior year: € -1.5 million) and deferred income tax receivables of € 1.2 million (prior year: € 0.8 million income taxes),

the paragon Group generated a consolidated income of € 1.7 million (prior year: € -0.6 million) in the reporting period. This corresponds to earnings per share of € 0.31 (prior year: € -0.01). Minority interests accounted for € 0.3 million of consolidated income (prior year: € -0.6 million).

Total assets were virtually unchanged at € 360.8 million as of March 31, 2019 (December 31, 2018: € 362.3 million). While noncurrent assets increased by € 14.3 million to reach € 191.0 million (December 31, 2018: € 176.7 million), current assets decreased by € 15.8 million to € 169.9 million (December 31, 2018: € 185.6 million).

The increase in noncurrent assets is primarily the result of the € 11.4 million increase in property, plant and equipment to € 61.9 million (December 31, 2018: € 50.5 million) due to the new IFRS 16 accounting standard.

The development of current assets was primarily caused by two counteractive effects. While inventories increased by € 10.0 million, particularly as a result of the planned expansion of production in the Electromobility operating segment to € 68.9 million (December 31, 2018: € 58.9 million), liquid assets decreased by € 24.4 million to € 17.5 million (December 31, 2018: € 41.8 million) primarily as a consequence of the expansion of operational business activities and the reduction of short-term loans and trade payables.

Equity increased by € 1.8 million to € 179.6 million as of the balance sheet date (December 31, 2018: € 177.8 million). This caused the equity ratio to increase to 49.8% (December 31, 2018: 49.1%).

Noncurrent provisions and liabilities increased by € 4.2 million to € 104.3 million (December 31, 2018: € 100.1 million), which was caused primarily by the increase in noncurrent liabilities from finance leases of € 5.7 million to € 6.6 million (December 31, 2018: € 0.9 million).

**Stable cash flow**

At € -8.5 million, cash flow from operating activities during the reporting period remained at essentially the same level as the same quarter in the prior year (prior year: € -8.1 million). While the depreciation and amortization of noncurrent assets increased by € 2.2 million to € 5.3 million as expected, trade receivables decreased by € 0.7 million (prior year: increase by € 7.1 million). As a result of the expansion of business activities, inventories grew to a higher extent than in the prior year, at € 10.0 million (prior year: 7.8). Trade payables decreased by € 5.0 million, after having increased by € 3.9 million in the prior year.

Cash flow from investment activity increased in the period under review by € 3.9 million to € -12.3 million (prior year: € -8.3 million), which is mainly due to the € 5.6 million higher payments for investments in property, plant and equipment, which totaled € 6.9 million (prior year: 1.2).

Cash and cash equivalents totaled € 17.5 million as of the end of the reporting period (December 31, 2018: € 41.8 million). Free liquidity totaled € 24.4 million (December 31, 2018: € 48.9 million).

**Forecast confirmed**

In view of the continuing good order situation, the Management of paragon expects Group sales of € 230 to 240 million and a Group EBIT margin of about 8%. 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 stands to make paragon less dependent on economic factors in the automotive sector even over the medium and long terms while expanding the customer base.

**FREP random audit completed at Voltabox**

The German Financial Reporting Enforcement Panel (FREP) subjected the consolidated financial statements of Voltabox AG as of December 31, 2017, and the combined management report for the 2017 fiscal year, to an audit pursuant to Section 342b (2)(3)(3) of the German Commercial Code (HGB) (random audit) and identified a need for corrections. Since this also had an effect on the paragon Group consolidation, we already had adjusted the corresponding previous year values in the consolidated financial statements of paragon GmbH & Co. KGaA as of December 31, 2018, and in the combined management report for the 2018 fiscal year and explained them in greater detail in the notes. These balance sheet corrections are based on one-off effects, do not result in an outflow of funds and also have no tax consequences. The 2017 HGB financial statements are free of errors. There are no effects for the current financial year or future financial years.

The final findings of the FREP on the paragon consolidated financial statements 2017 have been available to us since May 6, 2019. We have not lodged an objection, so we expect to publish the relevant BaFin decision in the coming weeks.

The company's Group interim report as of March 31, 2019 – 1st quarter is available for download at <https://www.paragon.ag/>.

**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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