

## **paragon is adjusting its forecast for 2019 due to weakness in the automotive industry and revenue delays at Voltabox**

- **Restraint among OEM customers is depressing revenue in Sensors and Acoustics; Cockpit and Body Kinematics are above expectations**
- **Additional costs for new products are burdening earnings at paragon movasys GmbH**
- **The Voltabox subsidiary is reducing its revenue and earnings forecast due to revenue delays**
- **For the year as a whole, Group revenue of € 200 million to € 210 million and a negative EBIT margin of around -1 to -2 % are planned**
- **An extensive cost reduction program is being implemented**

**Delbrück, Germany, August 12, 2019 – paragon GmbH & Co. KGaA [ISIN DE0005558696] is adjusting its revenue and earnings forecast for the 2019 fiscal year. The essential reasons are increasing market weakness in the automotive industry and the corrected annual forecast for the publicly traded subsidiary Voltabox. In the automotive business, the changed product mix has had an unfavorable impact on profitability. At Voltabox, revenue delays are occurring in the U.S. business, while a temporary production stoppage is underway due to the conversion to the latest technology at an important cell supplier.**

In the automotive sector, revenues in the Sensors and Acoustics units are below the already conservative budget figures despite a good start to the year. The reason is the further declining market share of an important OEM customer. By contrast, revenues in the Cockpit and Body Kinematics units are above budget. As extrapolated for the 2019 fiscal year as a whole, revenue of around € 130 million in the automotive business will tend to be more at the upper end of the previously planned range of € 115 million to € 135 million.

However, the changed product mix is leading to weaker profitability. This is primarily attributable to HS Genion GmbH, which was acquired in November 2017 and is currently part of paragon movasys GmbH. Here the launch of new products has led to significant additional

costs for personnel and material. According to preliminary figures, the deviation from planned EBIT in the first half of the year was € 3.3 million. The consequently unprofitable paragon movasys GmbH has already taken targeted measures to reduce costs. Among other items, functions that were previously still assigned to the two sites at Landsberg am Lech and Delbrück have been consolidated. The measures should be completed by mid-2020, enabling the subsidiary to achieve an EBIT margin of 3 to 4 %.

The one-time costs for the consolidation and integration of new subsidiaries will result in an additional € 3.5 million burden to EBIT in the current year. These measures primarily involve the consolidation of sites for development and production that is currently being implemented. Specifically, the development location in Nuremberg and production lines in Neu-Ulm will be integrated into the Limbach site.

Overall, one-time effects of around € 7 million, which will depress unadjusted EBIT to about positive € 3.5 million (approx. 3 % EBIT margin), are anticipated in the automotive sector in 2019. EBIT adjusted for one-time effects will be at least € 10 million.

The publicly traded subsidiary Voltabox has reduced its revenue and earnings forecast for the year as a whole. This is mainly due to the partial postponement of a major order for the American subsidiary Voltabox of Texas, Inc., into 2020 and the conversion of an important cell supplier to the latest technology.

The initial USD 22 million order for Voltabox of Texas, Inc., from a customer in the telecommunication industry involves the redesign and equipment of 5G mobile transmission towers. Since the customer unexpectedly changed its product specifications shortly before the start of series production, deliveries will begin only toward the end of this year. For Voltabox this means entry into a new, lucrative mass market. Aside from the U.S. business, the technological conversion to a new cell generation at an important supplier requires Voltabox to correct its forecast. Contrary to original expectations, this conversion is resulting in an interruption of the supply of materials at Voltabox in the second half of 2019 and thereby to

a multi-month production interruption in subareas. The temporary supply stoppage can be replaced only partially by existing modules.

For fiscal year 2019, Voltabox now anticipates Group revenue of € 70 million to € 80 million instead of the originally indicated € 105 million to € 115 million. For the EBIT margin the company is forecasting a range of -8 to -9 %. Previously, the company had expected a positive EBIT margin of 8 to 9 %. The Voltabox Management Board has introduced a program of measures to improve cost structures and to ensure a sustainable return to the profit zone in 2020.

In sum, paragon GmbH & Co. KGaA is expected to achieve Group revenue of € 200 million to € 210 million in the current fiscal year. As a result of the consolidation of the Voltabox AG subsidiary, an EBIT margin of about -1 to -2 % is being forecast at the Group level. Originally, the Group had planned on revenue of € 230 million to € 240 million along with a positive EBIT margin of around 8 %.

According to preliminary figures, in the first half of the year the paragon Group achieved revenue of € 96 million, which represents an increase of 22 %, and a negative EBIT of € -5.4 million after € 4.8 million in the prior year. The company will publish its mid-year figures on August 22, 2019.

**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, Neu-Ulm and Nuremberg (Bavaria, Germany), Korntal-Münchingen and St. Georgen (Baden-Württemberg, Germany), Bexbach and Saarbrücken (Saarland, Germany) and 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/en](http://www.paragon.ag/en).

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