

paragon AG once again grows faster than the market in 2016 and targets further acceleration

- Consolidated revenue up 8.2% to € 102.8 million (prior year: € 95.0 million)
- Electromobility grows 92.7 percent to € 14.3 million (prior year: € 7.4 million) – share of consolidated revenue increases to 13.9 percent (prior year: 7.8 percent)
- EBITDA rises particularly strongly to € 16.1 million (prior year: € 14.2 million)
- EBIT margin now at 8.7 percent (prior year: 8.2 percent)
- Forecast for 2017: Revenue of € 120 to 125 million – with an EBIT margin of 9.0 to 9.5 percent and € 27 million in investments

Delbrück, Germany, March 27, 2017 – Today, paragon AG [ISIN DE0005558696] published its results for fiscal year 2016 and its forecast for the current fiscal year.

In fiscal year 2016, the company generated consolidated revenue of € 102.8 million (prior year: € 95.0 million). Business performance in the Electronics operating segment, which dominated Group activities with third parties with a revenue share of 83.0%, was mainly characterized by an increase in the take-rate for air quality sensors, an increase in the output volume of the latest generation of hands-free microphones and several production starts for modern display instruments. The Group's customer structure broadened as planned due to the significant growth in the Electromobility operating segment, which accounted for 13.9% of revenue with third parties. The segment benefited particularly from the dynamic development of demand in the intralogistics market. The Mechanics operating segment was characterized by several parallel series developments of adaptively extendable spoilers and contributed to the Group's activities with third parties with a revenue share of 3.1%.

“With the reorganization into the three operating segments, we will be able to steer our R&D activities more efficiently in the future,” says Klaus Dieter Frers, founder and CEO of paragon AG. “The Electronics operating segment is comprised of the three business units Sensors,

Cockpit and Acoustics while the Mechanics operating segment is home to the Body Kinematics unit and production. This is not only directly related to our decision to convert Voltabox Deutschland GmbH into a stock corporation, which was made to expedite the expansion of business activities in the Electromobility operating segment,” says Klaus Dieter Frers. “It also allows us to focus more closely on the enormous market opportunities created by connectivity, autonomous driving and improvements in the aerodynamics of vehicles.”

Project-related development costs for product innovations and the production costs for test equipment used in serial production rose 20.1% to € 15.3 million (prior year: € 12.8 million).

The cost of materials developed more slowly, increasing only 4.0% to € 57.7 million (prior year: € 55.5 million). This is primarily due to a modified product mix stemming from business expansion and various cost-cutting measures. The material input ratio decreased accordingly to 56.2 percent (prior year: 58.4%). Gross profit rose to € 60.5 million (prior year: € 56.9 million), which corresponds to a gross profit margin of 58.9% (prior year: 59.8%).

“The cross-site optimization of process control with agile development methods enables us to be even better adapted to the shortening innovation cycles of automotive manufacturers,” says Dr. Stefan Schwehr, Chief Technology Officer (Electronics). “All processes, from sample phase management to the transfer to production are affected by this, as is our innovation management. This is particularly important for our latest innovations in air quality and autonomous driving.”

Personnel costs increased particularly strongly by 11.2% to € 29.2 million (prior year: € 26.3 million) mainly as a result of recent hires in connection with operational growth in the new Electromobility and Mechanics operating segments as well as in central Group functions. The personnel expense ratio was accordingly slightly higher at 28.5% (prior year: 27.7%). At € 15.2 million, other operating expenses remained well below the prior year’s figure of € 16.3 million,

which was predominantly due to the absence of rental costs for the building at Artegastrasse as a result of its acquisition. Earnings before interest, taxes, depreciation and amortization (EBITDA) therefore rose 13.2% to € 16.1 million (prior year: € 14.2 million), which corresponds to an EBITDA margin of 15.7% (prior year: 15.0%).

After a slight increase in depreciation and amortization to € 7.1 million (prior year: € 6.3 million), earnings before interest and taxes (EBIT) increased 14.4% to € 8.9 million (prior year: € 7.8 million) thanks largely to the drop in other operating expenses. As a result, the EBIT margin rose to 8.7% (prior year: 8.2%).

Despite a reduced financial result of € -3.2 million (prior year: € -2.8 million), earnings before taxes (EBT) managed to increase to € 5.8 million (prior year: € 5.0 million). Taking into account higher income taxes of € 2.2 million (prior year: € 1.6 million), the paragon Group generated a consolidated net income of € 3.6 million (prior year: € 3.4 million) in the year under review. Against the backdrop of the 10% increase in the subscribed capital on October 5, 2016, this corresponds to earnings per share of € 0.84 (prior year: € 0.83).

The assets of paragon AG increased significantly to € 115.6 million (December 31, 2015: € 92.6 million) mainly as a result of the capitalization of development costs, the cash capital increase from authorized capital, the expansion of the Artegastrasse building and the expansion of the production facilities at the Delbrück site as well as higher inventories as a result of the expansion of business activities.

paragon AG's equity increased 78.7% to € 34.7 million (December 31, 2015: € 19.4 million). In addition to the increase in profit carried forward to € 12.9 million (December 31, 2015: € 10.5 million), this is due in large part to the increase in capital reserves to € 15.2 million (December 31, 2015: € 2.5 million) in connection with the cash capital raised. Given the sharp rise in total assets, the equity ratio increased, as expected, to 30.0% (December 31, 2015: 21.0%).

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Cash flow from operating activities increased in the period under review to € 16.8 million (prior year: € 12.9 million). In addition to the higher earnings before tax (EBT), this is largely due to a smaller increase in inventories, an increase in trade payables and higher depreciation on noncurrent assets.

Cash flow from investment activity decreased in the period under review by 28.4% to € 23.2 million (prior year: € 32.3 million). This development is the result of the sharp decrease of 60.7% in payments for investments in property, plant and equipment, which amounted to € 7.7 million (prior year: € 19.6 million), while payments for investments in intangible assets were up 16.7% to € 14.4 million (prior year: € 12.3 million).

Cash and cash equivalents increased to € 14.3 million (prior year: € 8.5 million) as of the balance sheet date, mainly as a result of the cash capital increase.

Based on the current competitive position of the paragon Group and the extensive investments made in recent years, particularly in the development of production sites in Germany, the U.S. and, most recently, in China, the Management Board continues to expect paragon to grow more quickly than the global automotive industry in fiscal year 2017. Group sales are expected to grow to between € 120 million and € 125 million in the current fiscal year. An EBIT margin of around 9.0% to 9.5% is expected.

The Electromobility operating segment is expected to contribute about half of the revenue growth, while the remaining revenue growth is predominantly generated by the Electronics operating segment. As of fiscal year 2018, the Electronics operating segment and, to a lesser extent, the Mechanics operating segment are also expected to increasingly contribute to the Group's growth.

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The Management Board expects to see an investment volume of around € 27 million in the current year. Capitalized development costs are planned to amount to around 45% of the investment total for the current year.

The further significant expansion planned in the Electromobility operating segment is intended to make paragon more independent of macroeconomic factors in the automotive industry and broaden the customer structure.

The annual report and consolidated financial statements from December 31, 2016, are available for download at <http://www.paragon.ag/investoren.html>.

Company Profile

paragon AG (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, e-mobility and body kinematics. As a direct supplier of the automotive industry, the company's portfolio includes the Electronics operating segment's innovative air-quality sensors, high-end acoustic systems and state-of-the-art display instruments. With the Voltabox subsidiaries, the Group is also active in the rapidly growing Electromobility operating segment with its own lithium-ion battery systems developed in-house. In the Mechanics operating segment, paragon develops and produces adjustable body components such as adaptively extendable spoilers. In addition to the company headquarters in Delbrück (North Rhine-Westphalia, Germany), paragon AG and its subsidiaries operate sites in Suhl (Thuringia, Germany), Nuremberg (Bavaria, Germany), St. Georgen (Baden-Württemberg, Germany) and Bexbach (Saarland, Germany) as well as in Kunshan (China) and Austin, Texas (USA).

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