

## **paragon Increases Revenue by 40 Percent in Period up to September – Forecast for the Year as a Whole Confirmed**

- **Group sales for first three quarters of the year up by 40.2 percent to € 118.8 million; revenue from automotive manufacturers increases by around 20 percent**
- **Revenue of the new Body Kinematics and Electromobility business units almost tripled; share of Group sales doubled to 46.9 percent**
- **EBITDA increases by 36.3 percent to € 17.2 million**
- **EBIT margin amounts to 6.5 percent**
- **Revenue and EBIT forecasts for 2018 confirmed**

**Delbrück, Germany, November 13, 2018** – paragon GmbH & Co. KGaA [ISIN DE0005558696] published its condensed interim financial statements as of September 30, 2018, as well as its outlook for the year as a whole today.

**“We develop highly specific, independent technology solutions for German and foreign automotive manufacturers. This means we are far less sensitive to economic trends than other automotive suppliers,”** says Klaus Dieter Frers, founder and Chairman of the Board of paragon GmbH, the personally liable general partner of paragon GmbH & Co. KGaA. **“However, on the capital market we are nonetheless lumped in together with the rest of the automotive supplier industry. The negative assessment of our automotive business is not plausible, since current issues such as WLTP, the diesel problem and trade conflicts have had virtually no impact on us. The stock exchange is now valuing paragon’s majority stake in Voltabox higher than the paragon Group as a whole. Our equity is around € 55 million higher than our current market capitalization. However, we will not allow this market distortion to distract us from our clear strategy. Through our latest acquisitions, we will penetrate the digital segment of the automotive value chain even more strongly and realize new growth potential. At the same time, through Voltabox we are occupying attractive niche markets for e-mobility.”**

paragon generated revenue of € 40.2 million in the third quarter (prior year: € 29.4 million) and thus remains on track for fiscal year 2018. In the final quarter of the year, which is now underway, the company expects the usual pick-up in order volumes from its customers for this period. Deliveries are expected to increase significantly in the Electromobility operating segment in particular.

The third quarter was shaped by several acquisitions through which paragon will increase its added value in the automotive industry's digital and e-mobility-based future. Through its acquisition of SemVox (now: paragon semvox GmbH), paragon has won 10 years of development time in the field of artificial intelligence. SemVox's technology is already integrated in various vehicles and is around three years ahead of similar solutions, including those of major American providers. paragon semvox GmbH is the new "Digital Assistance" business unit of paragon GmbH & Co. KGaA. New product generations at the system level will help to shape the digital future of the automotive industry.

paragon is pursuing a similar objective through its acquisition of LPG. As well as tweeters and cone loudspeakers, this company develops and produces internal and external speakers whose configurable signals make it easier for other road users to notice electric vehicles. paragon is thus expanding its technology base for acoustics solutions and its value chain. The system components of LPG (now: paragon electroacoustic GmbH) represent an important aspect of the company's Interior business unit, which will combine the current Cockpit and Acoustics business units in future.

### **New Business Units Drive Revenue Trend**

In the first three quarters of the year, Group sales amounted to € 118.8 million (prior year: € 84.7 million) and were thus 40.2% higher than in the previous year. The increase in the inventory of finished goods and work in progress of € 9.3 million (prior year: € 1.1 million) is primarily attributable to expanded business activities in the Electromobility operating

segment and chiefly comprises completed modules for use in forklifts and other intralogistics applications.

Development costs capitalized were up as expected by 37.4% to € 14.5 million (prior year: € 10.6 million). They were equally attributable to all three of the operating segments. Due to the expanded volume of production in the new business units (especially increase in inventory of finished goods and work in progress at Voltabox AG), the cost of materials increased by 59.6% to € 72.7 million (prior year: € 45.6 million). The cost of materials ratio (calculated from the ratio of cost of materials to sales and changes in inventories) amounted to 56.4% (previous year 52.7%). This increase is mainly due to the higher sales contribution of paragon movasys GmbH, whose cost of materials ratio is still higher than the average cost of materials ratio in the Group. In addition, the share of development revenues in the Cockpit division was lower than in the previous year. At the same time, the cost of materials ratio in the Electromobility segment decreased due to economies of scale. This corresponds to a gross profit for the first nine months of € 70.6 million (prior year: € 51.5 million), which represents a gross profit margin of 59.4% (prior year: 60.8%). The number of employees increased by one quarter to 847 (December 31, 2017: 678).

### **Profitability on Track**

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose 36.3% to € 17.2 million (prior year: € 12.6 million), which corresponds to an EBITDA margin of 14.5% (prior year: 14.9%). After an expected increase in depreciation and amortization totaling € 9.5 million (prior year: € 6.5 million), earnings before interest and taxes (EBIT) improved by 25.4% to € 7.7 million (prior year: € 6.1 million). The EBIT margin decreased as scheduled to 6.5% (prior year: 7.2%).

With a financial result of € -3.9 million (prior year: € -2.9 million) and income taxes of € 1.9 million (prior year: € 1.1 million), paragon generated a consolidated income of

€ 2.0 million in the period under review (prior year: € 2.1 million). This corresponds to earnings per share of € 0.43 (prior year: € 0.47). Minority interests accounted for € 0.7 million.

As of September 30, 2018, total assets increased by € 19.2 million to € 331.0 million (December 31, 2017: € 311.8 million), which is mainly attributable to the increase in financial assets as well as intangible assets and goodwill.

### **Cash Flow Reflects Growth Strategy**

The equity of paragon GmbH & Co. KGaA increased only marginally to € 178.2 million (December 31, 2017: € 177.0 million). Given the slight increase in total assets, as of the end of the reporting period the equity ratio decreased to 53.8% (December 31, 2017: 56.8%).

Cash flow from operating activities declined in the period under review by € 32.2 million to € -35.4 million (prior year: € -3.2 million). The main reasons for this were the € 17.0 million higher increase in trade receivables to € 25.0 million, due to the sales financing of an important customer by Voltabox, and the € 23.3 million higher increase in inventories to € 27.9 million. At the same time, trade payables and other liabilities increased by € 5.4 million in the period under review, having declined by € 1.9 million in the prior year. Finally, depreciation of noncurrent assets increased by € 2.9 million to € 9.4 million.

Cash flow from investing activities decreased by € 40.7 million to € -53.5 million in the period under review (prior year: € -12.9 million). This was mainly due to a € 6.7 million increase in payments for investments in property, plant and equipment to the current € 8.3 million (prior year: € 1.6 million), a € 5.6 million increase in payments for investments in intangible assets to € 16.6 million and payments for investments in financial assets in the amount of € 19.9 million for the acquisition of SemVox. In addition, payments resulting from the acquisition of consolidated companies and other business units increased by € 7.9 million to € 8.7 million due to the acquisitions of Concurrent Design and ACCURATE.

Cash and cash equivalents totaled € 65.1 million as of the end of the reporting period (prior year: € 33.8 million).

### **Forecast Confirmed in Challenging Market Environment**

On the basis of the good order situation, paragon expects, as forecast, to once more grow significantly faster than the automotive sector in fiscal year 2018. However, due to paragon's specific product-customer mix, management does not consider that the current challenges facing the automotive industry will pose any additional risks to its further economic development in the current fiscal year.

In view of Voltabox AG's robust order backlog for fiscal year 2018, management is expecting a significantly higher growth rate in the Electromobility operating segment. Voltabox has confirmed its revenue forecast for the current fiscal year in the amount of € 65–70 million. The Body Kinematics business unit should also make a particularly strong contribution to growth; the company expects the organizational measures that have been taken to provide synergy effects here totaling € 3–5 million over the course of the next three years. From fiscal year 2019 onwards, the Electronics operating segment is expected to provide a stronger contribution to the Group's growth through new products and acquisitions.

For fiscal year 2018, paragon's management confirms its revenue forecast of € 180–185 million. An EBIT margin of around 8% is still expected. Voltabox's restructuring of its agreement with Triathlon in the second half of 2018 has already been factored in here. This will burden EBIT in the current fiscal year by around € 2 million. An investment volume of around € 35 million is expected for the year as a whole.

The Group interim report and the condensed interim financial statements as of September 30, 2018, are available for download at [ir.paragon.ag](http://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, 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](http://www.paragon.ag).

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