

paragon Benefits in 2018 from Technological Upheaval in the Automotive Sector and Grows by 50 Percent

2018 Fiscal Year

- Preliminary revenue of € 187.4 million above the recently increased forecast range (€ 180 to 185 million)
- Preliminary EBIT doubles to € 15.2 million; preliminary EBIT margin of 8.1 percent as forecast
- Preliminary equity ratio of about 50 percent; solid cash position with more than € 40 million as of the end of the year

2019 Outlook

- Significant revenue growth to € 230 to 240 million with around 8 percent EBIT margin expected
- The largest growth drivers remain electromobility and digitalization

Delbrück, Germany, March 7, 2019 – The management of paragon [ISIN DE0005558696] expects a continuation of its dynamic growth strategy despite the current difficult market environment in the automotive sector. According to the forecast, Group revenue in the current fiscal year should increase by around 25 percent to € 230 to 240 million with an EBIT margin of around 8 percent. In particular, the Sensors and Digital Assistance units will contribute to this in the automotive business. However, the largest growth driver will once again be the subsidiary Voltabox AG in the Electromobility operating segment, whose revenue should increase in the range of 60 to 70 percent to € 105 to 115 million.

“We exceeded our own high expectations in the past year with 50 percent revenue growth and nearly 100 percent EBIT growth and are now positioned better than ever as a Group,” says Klaus Dieter Frers, Chairman of the Board of paragon. “With our own new

developments and targeted acquisitions, we have positioned ourselves in such a way that we will continue to benefit from technological upheaval in the automotive sector.”

According to preliminary, unaudited figures, this has led to revenue growth of 50.1 percent to € 187.4 million with an EBIT margin of 8.1 percent. With significant product developments and acquisitions, paragon has repositioned itself in the Electronics operating segment. The new Digital Assistance business unit contributed to revenue in the fourth quarter for the first time. In the Mechanics operating segment, paragon movasys GmbH recorded several series ramp-ups in production. Since the additional expenses in connection with various product launches and integration costs declined significantly over the course of the year, the Mechanics operating segment was able to make a significant contribution to earnings.

“We further expanded our customer base in the past year and received important new orders,” says Dr. Matthias Schöllmann, Managing Director of Automotive. “The newest members of the paragon family, paragon semvox with its platform for artificial intelligence and paragon electroacoustic with its modern speaker systems that are also suitable for the external speakers of EVs, are respective trendsetters in their areas. We are using their integration into our existing portfolio to expand our business model so that we can offer even more digital systems in the future, for example for various cloud applications. At the CES in Las Vegas in January, we showed where we are heading.”

The Voltabox AG subsidiary, which represents the Electromobility operating segment, made a substantial contribution to the Group’s positive development with revenue growth of about 145.3 percent to € 66.9 million, along with an EBIT margin of 8.8%, according to preliminary, unaudited figures. The automated mass production of battery modules for use in intralogistics was the largest driver of this dynamic.

The investments in property, plant and equipment and intangible assets (CAPEX), at around EUR 38.5 million, reflected the strong growth and thus also exceeded the forecast (around EUR 35 million).

According to preliminary, unaudited figures, free cash flow totaled about € -126.8 million at the end of 2018. This is attributable in part to a major build-up of inventory in connection with the significant expansion of business activities and the four acquisitions made last year. Another factor was the temporary increase in trade receivables due to extended payment terms for an important customer of Voltabox AG in the second half of 2018. Therefore, management expects a significant improvement in free cash flow in fiscal year 2019.

Despite high growth-related expenses, the Group's equity ratio of about 50 percent and liquidity of more than € 40 million remained at a very solid level.

For business development in the current year, management is assuming a somewhat weaker world economy and a global increase in the sale of passenger cars of about 1 percent. In the submarkets for lithium-ion battery systems currently occupied by the Voltabox subsidiary, market growth of about 12 percent is assumed.

Based on the good order situation for 2019, management expects revenues to grow by around 25 percent, also in view of the current challenging market situation in the automotive market. All operating segments (Electronics, Mechanics and Electromobility) should contribute to this. In the Electronics operating segment, significantly higher revenues are expected in the Sensors business unit, in particular, from air quality sensors for the Chinese market and the start of series production of the fine dust particle sensor DUSTDETECT; the new Digital Assistance operating segment should also make a significant contribution to revenue growth in 2019 with the introduction of voice assistance systems 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, the management at paragon is very optimistic about the current fiscal year. With expected Group revenues of € 230 million to € 240 million and a Group EBIT margin

of around 8 percent, the company's dynamic growth strategy should be continued. Voltabox AG, which represents the Electromobility operating segment, should make another disproportionate contribution to the Group's growth with planned revenue of € 105 to 115 million, along with an EBIT margin of 8 to 9 percent. 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 on investment volume (CAPEX) of around € 40 million in the current year. Of this amount, about 35 percent relates to Voltabox. According to plans, the Group's capitalized development costs will amount to around 45 percent of the investment total. Over the medium term, significant synergies should be leveraged from the commissioning of new buildings in Landsberg am Lech, Limbach-Kirkel and Delbrück planned over 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 has developed positively again as of the end of 2018.

The complete, audited consolidated financial statements and the company's annual report are expected to be published on April 1, 2019. Further information about paragon GmbH & Co. KGaA is available at <https://www.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 Cedar Park (Austin/Texas, USA).

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

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