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## **paragon AG forecasts significant jump in revenue and earnings in 2015**

- Consolidated revenue to rise by around 20 per cent to approx. €95 million in 2015
- EBIT expected to double
- Investment in new business segments is paying off
- Sensors, Acoustics and Electromobility are driving growth

Delbrück, December 18, 2014 – The Managing Board of paragon AG is predicting a surge in growth in 2015. As a result it is aiming for an unadjusted EBIT margin of about 10 per cent on consolidated revenue of around €95 million. This forecast is at the top end of its current outlook that predicts revenue growth of up to 20 per cent in 2015 compared with 2014. The significant investment in growth over recent years is now clearly paying off.

Klaus Dieter Frers, chairman of the Managing Board of paragon AG said: “As predicted the past two or three years have been dominated by massive capital investment in fast-growing segments with prospects for the future. Now we are starting to reap the benefits. In terms of revenue we are forecasting a two-digit amount of million euros in the Electromobility sector but we also expect further increases in other segments. This will cut back our cost ratios as scheduled and substantially push up our earnings both in absolute terms and as a percentage of revenue.”

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A conservative growth rate of just 3 per cent for the existing business in the Cockpit, Acoustics and Sensors sectors is factored into the forecast although analysts believe that the revenue attributable to paragon's automotive industry customers will rise by 5.9 per cent and the proportion of vehicles fitted with paragon products is rising. The Body Kinematics segment is expected to contribute approximately €4-5 million to revenue while the share of total revenue attributable to Electromobility and its Voltabox brand is predicted to be as much as €15 million as paragon will be supplying the intralogistics sector for the first time. Numerous new production start-ups will be the main features of 2015 and 2016 including air quality sensors, the AQI air quality improver, trays for wireless smartphone charging, CO<sub>2</sub> sensors, and a new type of fragrancing system.

### **Significant growth in orders on hand**

The positive forecast is supported by a sharp rise in orders on hand. The volume currently logged in the order book is 30 per cent above the comparable level in 2013. On a 'lifetime' basis, the Group has orders on hand of more than €510 million compared with approx. €380 million last year.

Frers commented: "If the market performs favorably, and particularly if other projects in the pipeline involving Voltabox battery systems come to fruition, we could top the €100 million mark again for the first time since 2008. We are only at the development stage of some of the high-volume projects in the Voltabox segment and we have not included them in the projection for reasons of prudence. However, they could potentially result in substantial contributions to revenue as early as 2015 so there is definitely scope for improvement." In addition to the deployment of the battery packs in buses, commercial vehicles, and internal logistics systems paragon sees great potential in computer-controlled storage batteries for stabilizing power grids. Following a test phase an initial project on a scale of megawatt hours is scheduled to be completed in 2015 which illustrates the significantly shorter time to market for batteries than for automotive electronics. In 2016, paragon plans to

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significantly expand its business involving storage batteries for grid stabilization which should also provide economies of scale for established products. For the period 2015 to 2019, the Managing Board now forecasts cumulative revenues of between €220 and €300 million in the Electromobility segment.

### **Earnings set to advance**

Based on predicted revenue of around €95 million paragon is forecasting an unadjusted EBIT margin of about 10 per cent. Given that unadjusted EBIT of around €4 million is anticipated for 2014 (adjusted EBIT of around €8 million) the company is planning a dramatic rise in earnings next year. This rapid increase in revenue will also cut cost ratios correspondingly in the coming year. Overall, paragon is expecting a ratio of personnel expenses to revenue of 26.5 per cent and a cost of materials ratio of close to 52 per cent. This means that the huge capital investments in research and development of recent years will – as planned – be progressively reflected in rising earnings figures from 2015 onward.

Frers: “When we issued tranches of a bond in 2013 and 2014 with the aim of investing in new, fast-growing sectors we were fully aware that we would have to accept a fall in our profit margins. In the next few years we will be leveraging tremendous potential, largely in Electromobility, but also in other business segments. The period from 2012 to 2014 was dominated by a high level of upfront capital investment that is now bearing fruit. From 2015 onward we will benefit significantly from the positive effects of this capital investment on revenue and earnings.” Assuming that the market environment remains favorable the Managing Board believes that there will be very significant double-digit revenue growth once again in 2016.

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### **Company profile**

Listed in the regulated market (Prime Standard) of Deutsche Börse AG in Frankfurt am Main, paragon AG develops, produces, and sells advanced automotive electronics solutions. The portfolio of this direct supplier to the automotive industry includes products in the following business segments: Sensors, Acoustics, Cockpit, Electromobility, and Body Kinematics. Headquartered in Delbrück (North Rhine-Westphalia), paragon AG has branches in Suhl (Thuringia), Nuremberg (Bavaria), and St. Georgen (Baden-Württemberg) as well as a sales office in Shanghai (China) and a subsidiary in Austin (Texas, United States).

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