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paragon forecasts further revenue and EBIT growth for 2016

- Consolidated Group revenue to grow by around 8% and cross the € 100 million mark
- EBIT margin of approx. 9% expected
- Electromobility as key growth driver
- Internationalization: battery systems in the US and air quality in China
- Highpoint of investment phase now passed
- Further jump in revenue signaled for 2017

Delbrück, December 3, 2015 – The Managing Board of the publicly listed automotive supplier paragon AG has specified its forecast for the coming year. Consolidated Group revenue is set to grow by a further total of around 8% compared with 2015 and cross the € 100 million mark. Earnings are also expected to rise, with an EBIT margin of around 9% of revenue. Alongside the ongoing strong business performance with sensors, microphones and cockpit systems, the key growth drivers will be the Body Kinematics business division and above all Electromobility. This business division – with its Voltabox subsidiaries in Germany and the US – should contribute revenue of more than € 15 million and thus account for an increasingly significant share of total Group revenue.

Comments Klaus Dieter Frers, CEO of paragon AG: “We will grow significantly faster than the automobile market in the coming year as well. This growth will be driven by our highly competitive

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products and by the extensive investments made in recent years – especially in expanding and developing our production plants in Germany, the US, and most recently in China in 2015. We will reap the benefits of these investments on all levels in the years ahead. The lively investment activity in the years behind us is now no longer needed in this form.”

Decoupling from developments in the automotive industry

The 2016 forecast includes initial revenues from the major order placed in the course of the year for li-ion starter batteries serial production at paragon’s Voltabox Deutschland subsidiary is due to start in mid-2016. Voltabox then expects substantial revenue growth in this product segment from 2017. Strategically, this will also enable it to decouple from developments in the overall automotive industry. Furthermore, production ramp-ups at the plants newly opened in the US and China will also contribute to this dynamic performance. Alongside battery systems in Texas, in China paragon will initially be focusing above all on its leading air quality management solutions that ensure clean air in the vehicle interior and are in particularly great demand in the Asia region.

Given paragon’s growth momentum with new products, the supply of superior quality systems, new international customers and new markets such as electromobility, the events surrounding VW are not expected to have any significant impact on paragon in future either. Since the various problems became known in September 2015, call-up behavior to date has given no reason to expect any downturn in revenue. The Managing Board has nevertheless taken a more conservative approach in its planning for 2016 and has thus already anticipated potential future influences. Adds Klaus Dieter Frers: “Given the rise in equipping rates – also at the VW Group – we rather expect to see increased quantities. We see further upside potential in various orders received in the Electromobility business division. For these, it is not yet absolutely clear what share will lead to revenue in 2016 already. For

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2017, we expect a renewed jump in revenue by a further 15% to 20%. This will largely be driven by new products.”

Substantial growth in orders on hand

The positive outlook is backed up by significant growth in orders on hand. The current volume of orders received is 7.8% ahead of the equivalent prior year’s figure. In a lifetime consideration, the Group currently has orders on hand of more than approx. € 1 billion.

The earnings performance is also expected to gain significant momentum in 2016. The company expects a margin of around 9% – implying significantly disproportionate EBIT growth compared with revenue. One reason for this also relates to future investment activities at paragon AG. With investments of € 14.0 million budgeted for 2016, paragon is – as planned – scaling down its capital expenditure to less than half the 2015 investment volume, which was inflated by various one-off factors. paragon will thus return to a pre-2014 level of investment. The highpoint of the investment phase initiated by the corporate bond issue in 2013 has therefore passed. Based on current budgeting, a slightly positive free cash flow is possible. The Managing Board also expects the equity ratio to return to around 24% by the end of 2016, accompanied by a reduction in the debt/equity ratio.

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 divisions: Sensors, Acoustics, Cockpit, Electromobility, and Body Kinematics. Headquartered in Delbrück (North Rhine-Westphalia), paragon AG has branches in Suhl (Thuringia), Nuremberg (Bavaria), St. Georgen (Baden-Württemberg), and Bexbach (Saarland), as well as subsidiaries in Bexbach (SphereDesign), Kunshan (China), and Austin (Texas, USA).

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