

Electromobility Leads Growth Charge for paragon AG in First Half of Year

- **Group revenue up 13.3 percent to € 55.3 million (prior year: € 48.8 million)**
- **Revenue share of Electromobility operating segment rises to 14.5 percent (prior year: 9.3 percent)**
- **EBITDA increases 17.7 percent to € 8.0 million (prior year: € 6.8 million)**
- **EBIT margin drops slightly to 6.7 percent (prior year: 7.2 percent)**
- **Investments reduced as planned to € 9.6 million (prior year: € 10.9 million)**
- **Revenue and earnings forecast confirmed for the whole fiscal year**

Delbrück, Germany, August 15, 2017 – paragon AG [ISIN DE0005558696] published its Group interim report for the first six months through June 30, 2017, today and confirmed its forecast for the current fiscal year.

In the first half of 2017, the company generated Group revenues of € 55.3 million (prior year: € 48.8 million). The growth resulted from the strong operating performance in the Electronics and Electromobility operating segments. While third-party revenue in the Electronics operating segment increased 5.9 percent, the Electromobility operating segment posted by far the highest growth rate with an increase of 78.1 percent. The growth segment therefore accounted for 14.5 percent of Group revenues (prior year: 9.3 percent).

The cost of materials developed disproportionately due to the expansion of production in the newer business units, increasing 16.7 percent to € 31.0 million (prior year: € 26.5 million). The material input ratio increased accordingly to 56.0 percent (prior year: 54.3 percent). This resulted in a gross profit for the first half of the year of € 33.7 million (prior year: € 29.1 million), which corresponds to a gross profit margin of 61.0 percent (prior year: 59.5 percent).

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“The operating result of Voltabox AG was positive for the first time in June. We expect a positive EBIT for the full year as well,” says Klaus Dieter Frers, founder and CEO of paragon AG. “Electromobility offers enormous growth potential for our company. The order book for the operating segment is well filled. And with our expanded production capacities, we are also in position to capitalize on this great growth potential.”

In the first half year, the Electromobility operating segment generated third-party revenue of € 8.0 million (prior year: € 4.5 million). The first pilot battery system with lithium-iron-phosphate (LFP) round cell modules for mining applications was delivered to Komatsu as planned in the second quarter. The initial practical tests have been successful. Serial production is slated to start next year.

Third-party revenue increased 5.9 percent to € 45.2 million in the Electronics operating segment (prior year: € 42.6 million). The first half year was marked by new developments (such as the particle sensor DUSTDETECT), further developments (such as the seat-individual 3D+ sound system) and sample phases for new product innovations. At the same time, serial production of a high-quality electronic clock started, while the production figures for the latest generation of the successful hands-free microphones increased further.

In the Mechanics operating segment, serial production of new product generations of our adaptive rear spoilers began. The operating segment’s third-party revenue increased 25.1 percent to € 2.1 million (prior year: € 1.7 million).

“With our numerous new developments, we are increasingly serving the megatrends of the automotive industry,” says Dr. Stefan Schwehr, Chief Technology Officer (Electronics). “Thanks to this strategic positioning, we are gradually increasing our share in the automotive value chain of tomorrow.”

Group earnings before interest, taxes, depreciation and amortization (EBITDA) rose 17.7 percent to € 8.0 million (prior year: € 6.8 million), which corresponds to an EBITDA margin of 14.5 percent (prior year: 13.9 percent). After increased depreciation and amortization of € 4.3 million (prior year: € 3.3 million), earnings before interest and taxes (EBIT) improved to € 3.7 million (prior year: € 3.5 million). Accounting for the increase in revenue, the EBIT margin decreased slightly to 6.7 % (prior year: 7.2 %).

With a financial result on par with the prior year's figure of € -1.5 million and lower income taxes of € 0.6 million (prior year: € 1.3 million), the paragon Group generated a notably higher consolidated net income of € 1.6 million in the period under review (prior year: € 0.7 million). This corresponds to earnings per share of € 0.35 (prior year: € 0.16).

The balance sheet total increased as of June 30, 2017, to € 119.7 million (December 31, 2016: € 115.6 million), which is mainly attributable to the further increase in intangible assets.

paragon AG's equity remained unchanged at € 34.7 million. The equity ratio fell to 29.0 percent (December 31, 2016: 30.0 percent) as a result of the slightly higher balance sheet total as of the end of the reporting period.

The cash flow from operating activities decreased in the reporting period, despite the € 1.0 million higher depreciation on noncurrent assets, totaling € 1.7 million (prior year: € 4.7 million). This is mainly due to an increase in other provisions and provisions for pensions that has been reduced by € 1.1 million. In addition, trade receivables increased € 4.7 million in the reporting period, whereas a reduction of € 3.4 million was recorded in the prior year. At the same time, growth in inventories was reduced by € 1.3 million. Trade payables increased € 1.7 million, after having decreased € 1.0 million in the prior year. Finally, income taxes were up € 1.1 million after having decreased € 0.2 million in the prior year.

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Cash and cash equivalents totaled € 8.7 million as of the end of the reporting period (prior year: € 5.7 million). Available liquidity decreased to € 14.2 million (prior year: € 17.3 million). At the beginning of July, the company received new financing from the issue of a corporate bond with a volume of € 50 million, an interest rate of 4.5 percent and a maturity of 5 years.

Based on the results for the first half year, the Management Board confirms its revenue and earnings forecast for the current fiscal year. Accordingly, Group revenue is expected to grow from € 102.8 million to between € 120 and € 125 million in the current fiscal year. An EBIT margin of around 9.0 percent to 9.5 percent is expected, which corresponds to an EBIT range between € 10.8 million and € 11.9 million.

The Electromobility operating segment is expected to account for roughly half of revenue growth. Accordingly, this operating segment will contribute about € 25 million to Group revenues in the current fiscal year.

The Mechanics operating segment is expected to record the highest relative revenue growth. It should contribute about € 4 million to the growth of Group revenues.

The remaining revenue growth is distributed among the business units Sensors, Cockpit and Acoustics, which are part of the largest operating segment Electronics.

In the current year, the Management Board is now expecting an investment volume of around € 21 million, as some of the originally planned investments have been shifted to the next year. The planned investment portfolio will consist of own work capitalized (€ 12 million), new buildings (€ 1 million) and new/replacement investments in machinery (€ 8 million).

The Group interim report and the condensed interim financial statements as of June 30, 2017, are available for download at www.paragon.ag/en/investors.

Company Profile

paragon AG (ISIN DE0005558696), which is listed in the regulated market (Prime Standard) of the Frankfurt Stock Exchange, develops, produces and distributes products and systems in the field of automotive electronics, e-mobility and body kinematics. As a 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. 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, produces and distributes adjustable body components such as adaptively extendable spoilers. paragon AG and its predecessors look back on almost 30 years of company history.

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), Bexbach (Saarland, Germany) and Aachen (North Rhine-Westphalia, Germany) as well as in Kunshan (China) and Austin, Texas (USA).

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