paragon AG Closes Strongest First Quarter in Company History and Confirms Forecast for 2018

- **New operating segments increase Group sales in the first quarter by 32.4% to € 34.2 million (prior year: € 25.9 million)**
- **Electromobility revenue doubles again to € 5.1 million (prior year: € 2.6 million), Body Kinematics jumps to € 7.5 million (prior year: € 0.8 million)**
- **EBIT margin of 4.7% (prior year: 5.2%)**
- **Free liquidity of € 149.1 million is available for acquisitions and growth investments (December 31, 2017: € 166.8 million)**
- **Forecast for 2018 confirmed: further revenue growth of around 40% to around € 175 million – with an EBIT margin of around 9.0%**

Delbrück, Germany, May 8, 2018 – Today, paragon AG [ISIN DE0005558696] published its results for the first quarter of 2018 and confirmed its forecast for the current fiscal year.

In the first quarter, the company generated Group sales of € 34.2 million (prior year: € 25.9 million) and, with its 32.4% revenue increase, completed the most successful first quarter in its thirty-year history. The revenue increase was largely attributable to the very good performance in the new operating segments Electromobility and Mechanics (Body Kinematics unit), which recorded a revenue increase with third parties of 97.5% and 860.4% respectively, and thus increased their cumulative revenue shares to 36.8% (prior year: 13.0%). The main growth drivers in the Electromobility operating segment were battery modules for intralogistics vehicles and battery systems for trolleybuses. The revenue increase in the Mechanics segment is particularly due to the acquisition of HS Genion GmbH (now paragon movasys GmbH) at the end of November 2017 and the start of series production for the latest generation of rear spoilers for several vehicle models over the course of 2017. The one-time effects incurred in the Mechanics operating segment in fiscal year 2017, which consisted of start-up costs and increased cost of materials due to prototype construction, were again incurred in the first quarter and led to subsequent additional costs of € 0.4 million in this segment. Furthermore, the largest operating segment, Electronics, dominated Group activities with a revenue share of 63.2% (prior year: 87.0%). Seasonal effects led to a slight decline in revenue of 3.9% to € 21.7 million (prior year: € 22.5 million).

“We are especially pleased that we have made such a brilliant start to our anniversary year,” said Klaus Dieter Frers, founder and CEO of paragon AG. “This has provided us with an excellent starting point for achieving the goals we have set ourselves for the year as a whole.”

Capitalized development costs increased as planned by 21.2% to € 4.5 million (prior year: € 3.7 million), the largest portion of which is attributable to the Mechanics operating segment (37%). Due to the expansion of production in the newest operating segments, the cost of materials increased by 35.5% to € 20.7 million (prior year: € 15.3 million). As a result, the material input ratio rose slightly to 60.4% (prior year: 59.1%). This results in a gross profit for the reporting period of € 19.8 million (prior year: € 15.7 million), which constitutes a lower gross profit margin of 57.8% (prior year: 60.6%) when adjusting for significant revenue increases.

“With our current developments, we are serving all major megatrends in the automotive industry,” said Dr. Stefan Schwehr, Chief Technology Officer (Electronics). “As a result, we will be able to participate to a great extent in the forthcoming changes in the automotive value chain, both with a higher proportion of systems and with new data-based product offerings.”

Personnel costs increased 25.2% to € 10.1 million (prior year: € 8.1 million) mainly as a result of new hires in connection with operational growth in the new operating segments. The personnel expense ratio accordingly came to 29.6% (prior year: 31.3%).

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose 42.9% to € 4.8 million (prior year: € 3.4 million), which corresponds to an EBITDA margin of 14.0% (prior year: 13.0%). After increased depreciation and amortization totaling € 3.1 million (prior year: € 2.0 million), earnings before interest and taxes (EBIT) increased 19.6% to € 1.6 million (prior year: € 1.3 million). Accounting for the increase in revenue, the EBIT margin decreased slightly to 4.7% (prior year: 5.2%).

With a lower financial result of € -1.5 million (prior year: € -0.8 million) and income taxes of € 0.4 million (prior year: € 0.5 million), the paragon Group generated a consolidated net loss of € 0.3 million in the period under review (prior year: consolidated net gain of € 0.1 million). This corresponds to earnings per share of € -0.06 (prior year: € 0.02).

Noncurrent assets increased € 5.6 million to € 117.4 million (December 31, 2017: € 111.8 million). This gain is attributable in part to an increase in intangible assets of € 2.6 million to € 62.6 million, which resulted from the further capitalization of own work in connection with the development of new product generations and product innovations. Additionally, financial assets increased by € 2.6 million to € 2.9 million.

By contrast, current assets decreased € 2.9 million to € 197.2 million (December 31, 2017: € 200.1 million). While inventories rose € 7.8 million to € 25.2 million and trade receivables increased € 6.5 million to € 39.1 million, cash and cash equivalents decreased € 17.8 million to € 128.1 million.

paragon AG’s equity remained nearly unchanged at € 176.6 million (December 31, 2017: € 177.1 million). Accordingly, the equity ratio as of the balance sheet date was 56.1% (December 31, 2017: 56.8%).

Cash flow from operating activities decreased in the period under review by € 6.0 million to € -8.1 million (prior year: € -2.1 million). While depreciation and amortization increased by € 1.1 million to € 3.1 million, trade receivables rose € 4.6 million over the prior year to

€ 7.1 million. At the same time, inventories increased by € 4.2 million to € 7.8 million. Finally, trade payables increased by € 1.9 million over the prior year, totaling € 3.9 million.

Cash flow from investing activities fell by € 3.6 million to € -8.3 million (prior year: € -4.7 million) in the reporting period, which is due in part to € 0.5 million in higher investments in property, plant and equipment and € 0.9 million in higher investments in intangible assets due to the capitalization of development work as well as to payments for investments in financial assets amounting to € 2.6 million. The increase in financial assets is attributable to the acquisition of Concurrent Design by Voltabox AG on March 27, which is initially being reported as an investment.

Cash and cash equivalents decreased € 17.8 million as of the end of the reporting period to € 128.1 million (December 31, 2017: € 145.8 million).

The Management Board confirms its forecast for the current year, as explained in detail in the Group management report for the 2017 fiscal year alongside the key assumptions upon which the forecast is based.

Based on the solid order situation, paragon AG expects to again grow significantly faster than the automotive sector in 2018. The Electromobility operating segment is expected to more than double its revenues to around € 60 million and make a sustained contribution to the Group's profitability with an EBIT margin of around 10%. Another growth driver will be the Mechanics operating segment. From the fiscal year 2019 onwards, the Electronics operating segment is expected to increasingly contribute to the Group's growth through new products.

According to the forecast, Group sales will grow by more than 40% to around € 175 million with a consolidated EBIT margin of around 9%. The Management Board expects to see an investment volume of around € 35 million in the current year.

This forecast does not yet take into account several promising acquisitions of paragon AG and Voltabox AG that are currently in various project stages. The interim report and condensed consolidated financial statements from March 31, 2018, are available for download at http://www.paragon.ag/en/investors.html.

Company Profile

paragon AG (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, e-mobility and body kinematics. 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. With Voltabox AG (ISIN DE000A2E4LE9), a subsidiary that is also listed on the regulated market (Prime Standard) of Deutsche Börse AG in Frankfurt, Germany, the Group is also active in the rapidly growing Electromobility operating segment with its cutting-edge lithium-ion battery systems. In the Mechanics operating segment, paragon AG develops and produces active mobile aerodynamic systems.
In addition to the company headquarters in Delbrück (North Rhine-Westphalia, Germany), paragon AG and its subsidiaries operate sites in Suhl (Thuringia, Germany), Nuremberg and Landsberg am Lech (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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