

paragon Grows Much Faster than the Automotive Sector in the First Half of the Year Thanks to New Units

- Group sales up 42.1 percent to € 78.6 million (prior year: € 55.3 million); Revenue with automotive manufacturers grows by about 28 percent
- Revenue of the new units Body Kinematics and Electromobility more than triples; their share of revenue increases to 42.8 percent (prior year: 18.3 percent)
- EBITDA up 38.0 percent to € 11.0 million (prior year: € 8.0 million)
- EBIT margin declines slightly to 6.1 percent (prior year: 6.7 percent)
- Revenue forecast raised for the current fiscal year to € 180–185 million
- Due to the restructuring of a strategically important agreement of the Voltabox subsidiary, a Group EBIT margin of about 8 percent is now expected in the current year

Delbrück, Germany, August 21, 2018 – Today paragon GmbH & Co. KGaA [ISIN DE0005558696] published its Group interim report for the first half of the year through June 30, 2018, announcing an increase in the revenue forecast for the full year.

“With our special product and customer mix, we are growing much faster than the entire automotive industry,” comments Klaus Dieter Frers, founder and Chairman of the Board of paragon GmbH, the personally liable general partner of paragon GmbH & Co. KGaA, on the first half year. **“Our sales are growing even faster than our earnings because we still have to bear considerable start-up costs in the new business units. However, our operating business will become significantly more profitable again in the second half of the year. For example, we will increasingly benefit from economies of scale in our growth segment of Electromobility.”**

The company generated Group sales of € 78.6 million in the first half of the year (prior year: € 55.3 million). The growth resulted from the very good operating performance in the Mechanics operating segment (including paragon movasys GmbH) and the Electromobility operating segment (consisting of Voltabox AG). While revenue with third parties in the Electronics operating segment of about € 45.0 million was in line with the prior year’s level,

revenue generated by the two new units Mechanics and Electromobility more than tripled to about € 33.6 million (prior year: € 10.1 million). These growth segments therefore accounted for about 42.8 percent of Group sales (prior year: 18.3 percent). Revenue with automotive manufacturers, represented by the Electronics and Mechanics operating segments, grew by 27.9 percent from € 47.3 million in the prior year to € 60.5 million.

Capitalized development costs developed more slowly, as expected, and were up by 19.5 percent to € 9.0 million (prior year: € 7.5 million), equally attributable to all three operating segments. Due to the expansion of production in the new business units, the cost of materials increased by 43.5 percent to € 44.5 million (prior year: € 31.0 million). The material input ratio was nearly unchanged at 56.6 percent (prior year: 56.0 percent). This results in a gross profit for the first six months of € 45.3 million (prior year: € 33.7 million), which constitutes a gross profit margin of 57.6 percent (prior year: 61.0 percent).

Personnel expenses rose by 38.7 percent to € 23.2 million, mainly due to the increase in personnel in the new business units (prior year: € 16.7 million). The personnel expense ratio declined to 29.5 percent as a result of significantly higher revenue (prior year: 30.3 percent).

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose 38.0 percent to € 11.0 million (prior year: € 8.0 million), which corresponds to an EBITDA margin of 14.0 percent (prior year: 14.5 percent). After an expected increase in depreciation and amortization totaling € 6.2 million (prior year: € 4.3 million), earnings before interest and taxes (EBIT) improved by 29.4 percent to € 4.8 million (prior year: € 3.7 million). Accounting for the considerable increase in revenue, the EBIT margin decreased slightly to 6.1 percent (prior year: 6.7 percent).

With a financial result of € -2.9 million (prior year: € -1.5 million) and increased income taxes of € 1.2 million (prior year: € 0.6 million), the paragon Group generated a consolidated income of € 0.7 million (prior year: € 1.6 million) in the reporting period. This corresponds to earnings

per share of € 0.16 (prior year: € 0.35). Minority interests accounted for € -0.2 million of non-controlling interests.

As of June 30, 2018, total assets increased by € 4.8 million to € 316.6 million (December 31, 2017: € 311.8 million), which was primarily attributable to the further increase in intangible assets.

Noncurrent assets increased accordingly by € 15.0 million to € 126.8 million (December 31, 2017: € 111.8 million). In addition to an increase in property, plant and equipment of € 4.8 million to € 41.2 million (December 31, 2017: € 36.4 million), this gain is particularly attributable to an increase in intangible assets, up € 7.0 million to € 67.0 million, resulting from the further capitalization of own work in connection with the development of new product generations and product innovations (December 31, 2017: € 60.0 million). Moreover, goodwill increased by € 2.7 million to € 10.1 million following the acquisition of Concurrent Design, Inc. by the Voltabox subgroup (December 31, 2017: € 7.4 million).

By contrast, current assets decreased by € 10.3 million to € 189.8 million (December 31, 2017: € 200.1 million), which is the result of offsetting effects. While inventories rose by € 9.1 million to € 26.4 million, trade receivables increased by € 17.9 million to € 50.6 million and other assets grew by € 8.5 million to € 12.7 million, cash and cash equivalents decreased by € 45.7 million to € 100.1 million. The increase in inventories and the significant increase in trade receivables are due to the dynamic growth of the Electromobility operating segment. Other assets increased due to the early reorganization of the cooperation agreement by the Voltabox subsidiary with the partner Triathlon, primarily reflecting the capitalization of the related investment contribution subsidies for capacity expansion. In addition to the dividend payment of € 1.1 million in the second quarter and the acquisition of a building at the Landsberg am Lech site in the amount of € 4.2 million, the decline in cash and cash equivalents is primarily due to expenses for operating activities in connection with the organic growth of the new units. The purchase price payment for the takeover of Concurrent Design, Inc. by the Voltabox subgroup accounted for € 2.6 million.

Noncurrent provisions and liabilities increased slightly by € 2.1 million to € 90.5 million (December 31, 2017: € 88.4 million), mainly due to higher deferred tax liabilities and an increase in noncurrent bonds.

Current provisions and liabilities also increased slightly by € 2.8 million to € 49.2 million (December 31, 2017: € 46.4 million). In addition to the increase in trade payables of € 0.7 million to € 18.2 million, this is primarily due to the increase in other provisions of € 1.0 million to € 1.2 million. At the same time, short-term loans and the current portion of long-term loans decreased by € 0.8 million to € 3.8 million.

The equity of paragon GmbH & Co. KGaA remained virtually unchanged at € 177.0 million. The equity ratio fell slightly to still very strong 55.9 percent (December 31, 2017: 56.8 percent) as a result of the somewhat higher balance sheet total as of the end of the reporting period.

Cash flow from operating activities decreased in the period under review by € 29.3 million to € -27.6 million (prior year: € 1.7 million). The main reasons for this were the € 21.7 million increase in trade receivables primarily resulting from the sales financing of an important customer by Voltabox, the € 6.5 million increase in inventories and € 3.2 million in additional other non-cash expenses. At the same time, trade payables and other liabilities increased by € 2.4 million, depreciation of fixed assets increased by € 1.9 million and the financial result decreased by € 1.4 million in the reporting period.

Cash flow from investing activities decreased by € 6.8 million to € -15.9 million (prior year: € - 9.1 million) in the reporting period, which is mainly due to significantly higher payments for investments in property, plant and equipment of € 6.7 million (prior year: € 0.9 million) and higher payments for investments in intangible assets of € 9.2 million (prior year: € 7.8 million).

Cash and cash equivalents totaled € 100.1 million as of the end of the reporting period (December 31, 2017: € 145.8 million).

Based on the good order situation for 2018, paragon GmbH & Co. KGaA continues to assume that it will again grow much faster than the automotive sector, thereby increasingly insulating itself from sector-related conditions. The automotive industry is currently affected by uncertainty in connection with the consequences of the diesel affair, the stricter WLTP emissions standard and the current economic policy of the US government. However, due to paragon's specific product-customer mix, management continues not to see any additional risks to the further economic development of the company in the current fiscal year. In view of Voltabox AG's robust order backlog, management is expecting a significantly higher growth rate in the Electromobility operating segment. The Body Kinematics business unit should also make a particularly strong contribution to growth; the organizational measures that have been taken raise the prospect of synergy effects here totaling € 3–5 million over the course of the next three years.

Due to the expected initial consolidation of the recently acquired Navitas Systems, LLC, during the third quarter, Voltabox AG has raised its revenue forecast from the original € 60 million to € 65–70 million. 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.

Against this backdrop, the management at paragon remains very optimistic about the current fiscal year. Due to the adjustment of Voltabox AG's forecast, Group sales of € 180–185 million (previously: around € 175 million) are now forecast. Although there have been no changes to the expected operating profitability of paragon or Voltabox, the restructuring of Voltabox's agreement with Triathlon is burdening EBIT in the current fiscal year by about € 2 million; as a result, the EBIT margin at the paragon Group is now expected to be 8 percent (previously 9 percent). The early restructuring of the cooperation agreement was necessary in order to secure the strategic goal of market leadership in the growth market of intralogistics.

Management expects to see an investment volume of around € 35 million in the current year.

The Group interim report and the condensed interim financial statements as of June 30, 2018, are available for download at www.paragon.ag/en/investors.

Profile: 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), 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).

Additional information about paragon can be found at www.paragon.ag.

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