

## paragon Quickly Outpaces the Coronavirus Crisis – Production Working Extra Shifts

- Rapid revenue recovery shows clear V shape – Impact of the shutdown less critical than assumed
- Automotive revenue at € 50.0 million in the first half of the year (prior year: € 64.0 million) – Monthly revenue has again reached the prior year's level
- Half-year earnings at a similar level as the same period of the prior year despite coronavirus-related revenue decline – EBITDA margin at 6.8% (prior year: 8.0%)
- EBITDA margin of 17% in June signals earnings potential – Cost-reduction measures are working
- Positive outlook for a successful second half of the year – Revenue between € 60 and 70 million (prior year: € 71.4 million)
- Forecast for the automotive business in 2020 raised: Revenue now between € 110 and 120 million with an EBITDA margin between 8 and 12% expected – Positive trend foreseeable for 2021 and 2022

Delbrück, September 4, 2020 – paragon [ISIN DE0005558696] delivered its half-year report today, confirming its positive outlook for the second half of the year. There is unexpectedly high demand for major paragon products in the wake of the rapid recovery of the Chinese market and increased vehicle sales by key customers. Having achieved a stable EBITDA margin in the first two quarters, the Management expects revenue at the prior year's level in the second half of the year. The impact of the comprehensive cost reductions is also expected to have a considerable effect on earnings. Now that the company's foundation is secure, Management raised its revenue forecast for 2020 and predicts a further recovery for 2021 and 2022, based on customer surveys and market analyses.

“Our focus is clearly on the future. The consequences of the six-week closure of our production sites seemed devastating at first, but ultimately we were able to counter them promptly and effectively. We rectified the dip in our revenue development in a sustainable manner in June. This was achieved with the help of the high demand in the Chinese market, 40% of which is supplied directly or indirectly. The reinvigorated vehicle sales of some key

customers also contributed to bringing our deliveries back to the prior year's level," says Klaus Dieter Frers, CEO and founder of paragon. "We find that the quick recovery of sales is not uniform across the entire product range. There have been postponements in favor of products which we are currently producing in a total of nine extra shifts, and we are working hard to expand our capacities. We expect the revenue for the full year to be 14% lower than in the prior year in the best case. Nevertheless, we should not forget that our revenue forecast for 2020 before the coronavirus pandemic was € 140 million. The good development in the second half of the year makes it possible for us to raise the forecast for 2020 and to derive initial trends for 2021 and 2022." In the coming year, the Management sees the opportunity to reach a revenue on par with 2019, indicating considerable growth. A return to the original medium-term revenue forecasts is considered possible for 2022. At present, paragon is working on expanding its product portfolio. "As you know, we expect to sell our stake in Voltabox in the near future. After this transaction is completed, we will be able to further sharpen our profile as a technology supplier. Though we have been active in the automotive market for decades, I have the feeling that we're only just beginning," emphasizes Klaus Dieter Frers.

The management emphasizes the progress made in aligning the cost base, which is now also reflected in the operating results. Despite below-target revenue in the first half of the year due to the coronavirus, the paragon Group achieved an EBITDA margin of 6.8% in its Automotive business. This made it possible to uphold the earnings level of fiscal year 2019 in the year to date, under difficult conditions. Having reached an EBITDA margin of 17% in June, the company expects positive momentum in the revenue structure in the months from July to December.

Revenue development in the first six months was primarily influenced by sales in the Interior, Kinematics and Sensors operating segments. With a decline of merely 12.5% to € 16.5 million (prior year: € 18.8 million), revenue from the Kinematics unit in particular, which represents the Mechanics operating segment, proved to be relatively stable compared to the prior year.

The new Digital Assistance operating segment was even able to achieve an increase of 30.8% compared to the prior year. In total, revenue from the Electronics operating segment came to € 35.5 million (prior year: € 46.7 million), of which € 33.6 million (prior year: 45.1 million) was attributable to third-party revenue.

The company's active working capital management approach had a positive impact in the first half of the year. As a result, the inventories of finished and unfinished goods were reduced by € 1.9 million (prior year: reduction by € 0.2 million). Own work capitalized decreased to € 3.1 million (prior year: € 6.6 million) due to the conservative approach. This results in an overall performance of € 53.4 million (prior year: € 73.4 million).

"We mastered the challenging production restart in the second quarter in an exemplary manner. This took a temporary toll on our resources, but the commitment paid off. Our customers have been demanding our accustomed just-in-time delivery again for some time now. This is now the entire focus of our production, and our capacity is gradually increasing," emphasizes Dr. Matthias Schöllmann, Managing Director of Automotive. "The pleasing development in customer orders once again demonstrates that our technologies set paragon apart from the competition and also put us ahead of industry trends. We are not a typical automotive supplier; I see us as more of a technology company," says Dr. Schöllmann.

The cost of materials decreased due to the reduced revenue to € 26.5 million (prior year: € 38.5 million). This resulted in a material input ratio (calculated from the ratio of cost of materials to revenue and inventory changes) of 55.1% (prior year: 60.3%).

Gross profit for the first half of the year was € 26.9 million (prior year: € 34.9 million), which constitutes a gross profit margin of 53.6% (prior year: 54.6%). Personnel expenses fell to € 17.0 million (prior year: € 22.2 million). The personnel expense ratio was accordingly 33.9% (prior year: 34.7%).

Taking into account the 13.3% decrease of € 6.5 million (prior year: € 7.5 million) in other operating expenses, earnings before interest, taxes, depreciation and amortization (EBITDA) totaled € 3.4 million (prior year: € 5.1 million). This corresponds to an EBITDA margin of 6.8% (prior year: 8.0%). After increased depreciation and amortization of € 8.9 million (prior year: € 6.9 million), earnings before interest and taxes (EBIT) decreased to € -5.6 million (prior year: € -1.8 million). The EBIT margin accordingly came to -11.2% (prior year: -2.8 %).

After positive income tax expenses of € 0.8 million (prior year: positive income taxes of € 0.3 million), the paragon Group generated a result from continuing operations of € -8.1 million (prior year: € -4.0 million) in the reporting period. This corresponds to earnings per share of € -1.80 (prior year: € -0.89).

The Electromobility operating segment is reported as a discontinued operation. The result from discontinued operations for the first half of the year is € -21.8 million (prior year: € -3.9 million).

As of June 30, 2020, total assets had decreased to € 244.7 million (December 31, 2019: € 274.1 million). Noncurrent assets decreased by € 39.4 million to € 127.5 million (December 31, 2019: € 166.9 million) as a result of reporting assets held for sale under current assets.

Current assets increased by € 10.1 million to € 117.3 million (December 31, 2019: € 107.2 million) despite the decrease in inventories from paragon and the reduction in trade receivables.

Equity decreased by € 28.4 million to € 24.2 million as of the balance sheet date (December 31, 2019: € 52.6 million), particularly due to the negative total consolidated net income. This caused the equity ratio to decrease to 9.9 % (December 31, 2019: 19.6%).

Cash flow from operating activities improved in the period under review to € 4.1 million (prior year: € -11.7 million). The primary reasons for this were the decrease in inventories by

€ 2.8 million, the increase in other provisions and provisions for pensions by € 4.0 million and the decrease in liabilities by € 2.8 million.

Cash flow from investing activities improved by € 11.9 million to € -3.3 million in the period under review (prior year: € -15.2 million). This is largely the result of our temporarily conservative investment strategy due to the uncertainties surrounding the coronavirus pandemic.

Based on the positive development of customer orders, the Management raised its revenue forecast for the automotive business in fiscal year 2020. Accordingly, a revenue between € 110 and 120 million is expected. In the core automotive business, paragon is aiming for an EBITDA margin of 8 to 12%. The Management of paragon plans an investment volume (CAPEX) of € 15 to 20 million in the automotive sector in the current year.

The company's complete interim report as of June 30, 2020 is available for download at <https://www.ir.paragon.ag>.

**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), Landsberg am Lech and Neu-Ulm (Bavaria, Germany), St. Georgen (Baden-Württemberg, Germany), Limbach (Saarland, Germany), Aachen (North Rhine-Westphalia, Germany) as well as in Kunshan (China), Oroslavje (Croatia) and Austin (Texas, USA).

Additional information about paragon can be found at [www.paragon.ag](http://www.paragon.ag).

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