

paragon Achieves Strongest Quarter for Automotive in Company's History

- Q3 revenues clearly up more than 9% relative to same quarter of prior year –strongest quarter in terms of revenues in history of paragon Automotive at € 33.8 million
- Preliminary figures confirmed: Automotive business revenues after nine months at € 83.8 million – EBITDA margin of paragon Automotive already within target range at 9.0%
- Further earnings effects anticipated in Q4 following Q3 EBITDA margin of 12.2%
- 2020 forecast reaffirmed: Automotive business revenues and earnings for the year as a whole expected to reach upper end of the forecast range; potential for further revenue growth

Delbrück, Germany, October 30, 2020 – paragon [ISIN DE0005558696] presented today the Group interim report as of September 30, 2020, in which it confirmed the preliminary figures. The reported figures show that the company is achieving highly robust performance in regard to both revenue development and profitability. With the highest quarterly revenues for the Automotive business since the foundation of the company, paragon has achieved a record result. The Management has reaffirmed the forecast and anticipates dynamic year-end business.

“We are absolutely satisfied with paragon’s performance. The fact that our business model is holding steady in this challenging time even for the automotive industry is an achievement owed to the strategic decisions we have made in recent months and years. We will be concluding the fiscal year in a significantly better position than many of us anticipated – and in the coming year, we will be on track towards our pre-coronavirus level,” says Klaus Dieter Frers, founder and CEO of paragon.

In addition to the solid EBITDA of € 7.5 million (prior year: € 8.5 million), which corresponds to a margin of 9.0% (prior year: 8.9%), the development of cash flow in the current year also serves to underscore paragon’s robust performance. Following a negative cash flow as of the end of this reporting period in the prior year, the operating cash flow after nine months in the

current year amounts to a positive € 8.3 million; the third quarter alone contributed € 4.2 million. Through the comprehensive investments made in prior years, paragon has established the conditions for a profitable growth trajectory and for strengthening its internal financing capability.

“We are seeing continued significant progress, both at the product development level as well as in regard to the expansion of our customer base. Our first steps into markets like the U.S., France and Italy, which we had only developed to a limited extent in the past, are proving extremely promising. I am confident that we have found here the right balance between gradual advancement and taking advantage of our opportunities,” states Dr. Matthias Schöllmann, Managing Director of Automotive at paragon.

Income statement figures demonstrate strong operational performance

During the third quarter, paragon provided clear proof of its substantial improvements in efficiency following the first half of a year marked by a multi-week interruption of production. As the result of an active working capital management approach, inventories of finished and unfinished goods had decreased by € 2.5 million as of the reporting date (prior year: reduction by € 0.2 million). Own work capitalized decreased to € 4.1 million (prior year: € 10.5 million) due to the conservative capitalization approach. This results in an overall performance of € 87.8 million (prior year: € 109.0 million).

The cost of materials decreased due to the reduced revenues to € 44.8 million (prior year: € 56.9 million). This resulted in a material input ratio (calculated from the ratio of cost of materials to revenue and inventory changes) of 51.9% (prior year: 59.9%).

Gross profit for the first half of the year was € 42.9 million (prior year: € 52.1 million), which constitutes a gross profit margin of 51.2% (prior year: 55.0%). Personnel expenses fell to € 24.3 million (prior year: € 34.1 million). The personnel expense ratio was accordingly 29.0% (prior year: 36.0%).

Taking into account the other operating expenses of € 11.1 million (prior year: € 9.5 million), earnings before interest, taxes, depreciation and amortization (EBITDA) totaled € 7.5 million (prior year: € 8.5 million). This corresponds to an EBITDA margin of 9.0% (prior year: 8.9%). Due to increased depreciation and amortization of € 12.4 million (prior year: € 11.1 million) and affected the Corona-related temporary plant closures in spring, earnings before interest and taxes (EBIT) decreased to € -6.5 million (prior year: € -2.7 million). The EBIT margin accordingly came to -7.7% (prior year: -2.9%).

The paragon Group generated a result from continuing operations of € -10.4 million (prior year: € -5.9 million) in the reporting period. This corresponds to earnings per share of € -2.29 (prior year: € -1.30).

Balance sheet streamlined through optimized working capital management

As of September 30, 2020, total assets had decreased to € 225.3 million (December 31, 2019: € 274.1 million). Noncurrent assets decreased by € 41.7 million to € 125.2 million (December 31, 2019: € 166.9 million) as a result of reporting assets held for sale under current assets. Current assets decreased by € 7.1 million to € 100.1 million (December 31, 2019: € 107.2 million) due to the decrease in inventories of paragon Automotive and the repayment of trade receivables.

Equity decreased by € -38.7 million to € 13.9 million as of the balance sheet date (December 31, 2019: € 52.6 million), particularly due to the negative consolidated net income of the subsidiary Voltabox.

Positive free cash flow after nine months

Cash flow from operating activities improved in the period under review to € 8.3 million (prior year: € -2.0 million). Primary causes of this were the reduction of inventories by € 8.0 million, a smaller increase in receivables and other assets relative to the comparative period totaling € 2.3 million, and the decrease in payables and other liabilities by € 3.9 million.

Cash flow from investing activities improved by € 26.2 million to € -1.4 million in the period under review (prior year: € -27.6 million). This is also the result of our minimized, more conservative investment strategy due to the uncertainties surrounding the coronavirus pandemic. Cash and cash equivalents totaled € 3.9 million as of the end of the reporting period (December 31, 2019: € 9.5 million).

Forecast signals sustained stable growthThe Management expects revenues in the automotive business to reach between € 110 and 120 million in fiscal year 2020. In the core automotive business, paragon is aiming for an EBITDA margin of 8 to 12%. Based on the good development of call-offs in the third quarter and the stable outlook for the fourth quarter, management expects to reach the upper end of the respective ranges. With regard to revenues, there is also the potential that sales of € 125 million can be realized by the end of the year.

The Management of paragon plans an investment volume (CAPEX) of roughly € 10 to 15 million in the Automotive business in the current year.

The company's complete interim report as of September 30, 2020 is available for download at <https://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. In addition, the Group holds a stake in Voltabox AG (ISIN DE000A2E4LE9), a subsidiary that is also listed on the regulated market (Prime Standard) of Deutsche Börse AG in Frankfurt a.M., which is active in the rapidly growing electromobility segment with cutting-edge lithium-ion battery systems developed inhouse.

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.

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