

May 26th, 2017

Europa | Germany | Auto Supplier

DR. KALLIWODA
RESEARCH GmbH

Update

BUY

Target Price: EUR 89.3

Industry: Automotive Supplier
Country: Germany
ISIN: DE0005558696
Bloomberg: PGNG.DE
Reuters: PGN GR
Website: www.paragon.ag

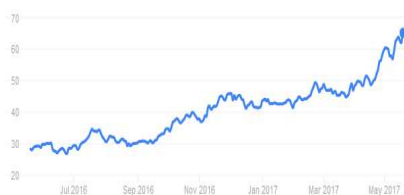
Last Price: 65.25
High **Low**
Price 52 W.: 66.80 24.00
Market Cap. (EURm) 295.34
No. of Shares (in m) 4.53

Shareholders

Klaus-Dieter Frers 50.01%
Free Float 49.99%

Dividend	in EUR	in %
2011	0.25	4.20%
2012	0.35	3.81%
2013	0.25	2.38%
2014	0.25	1.76%
2015	0.25	0.79%
2016	0.25	0.41%

1-year Chart



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paragon AG

well positioned for further expansion

- The key factor in the company's growth in the 1Q/2017 was very good sales performance in the Electromobility operating segments, that remains to be biggest driver of expansion with a 9.9 percent share of turnover (previous year: 7.6%). The favourable industry environment offered an increase in sales of 11.7% to € 25.9m, with an EBIT margin of 5.2%. EBITDA increases 10.7 percent to € 3.4m (1Q/2017: €3.0m).
- The first supply of complex battery systems for blue-chip client Komatsu Mining (Joy Global) is intended for fiscal year 2017. The client is seen to account for close to fifty percent of Voltabox's total order backlog.
- With considerable contacts in place, good long-term awareness in its order book and the recent €13.4m capital increase providing financing, we consider that paragon as well based for further expansion. Although the Company is actually offering significant sales and income growth, we feel the serious acceleration will start from 2018 or late 2017 onwards.
- The driver will be the demonstration of the Company's potential to hasten manufacturing in electromobility. We forecast that the production capacity will boost by a 3-4 times supported by a massive order backlog of more than € 680m and € 1.4bn on group level offering smoothpath into energetic expansion further than 2019E.
- Under those circumstances, we raise our mid-term revenue and income estimates for the Company anticipating the increase of sales by 23% (CAGR 2016-19E) and improvement in net income to above € 11m by 2019E. The stock continues to be a BUY with a new Target Price of € 89.3 (changed from €51) based on DCF.

Key Figures

EURm	2012	2013	2014	2015	2016E	2017E	2018E	2019E
Net sales	70.4	73.9	79.0	95.0	102.8	125.4	163.0	189.9
EBITDA	11.8	12.5	10.5	14.2	16.1	21.9	27.9	31.3
EBIT	7.8	7.9	6.2	7.8	8.9	13.4	16.8	20.3
Net income	4.6	3.9	2.8	3.4	3.6	6.0	8.2	11.0
EPS	1.1	1.0	0.7	0.8	0.8	1.3	1.8	2.4
BVPS	3.2	3.9	4.2	4.7	7.7	8.9	10.5	12.5
RoE	40.6%	27.3%	16.8%	18.6%	13.3%	16.1%	18.8%	21.2%
EBIT margin	11.0 %	10.7 %	7.9 %	8.2 %	8.7 %	10.7 %	10.3 %	10.7 %
P/E	57.9x	68.0x	96.8x	78.9x	82.0x	49.1x	35.9x	26.7x
P/BVPS	20.6x	16.9x	15.6x	14.4x	8.7x	7.5x	6.3x	5.3x
EV/EBITDA	27.7x	26.2x	31.1x	23.0x	20.3x	14.9x	11.7x	10.4x

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1 Company Profile

paragon AG (the Company thereafter) was founded in 1988 as an electronics manufacturer. The company's headquarters are located in Delbrück (North Rhine-Westphalia). Other Company's divisions are based in Suhl, St. Georgen, Bexbach and Nuremberg (production or development). The paragon AG has also finished to build a battery production plant in Texas (USA) and a factory in Kunshan (greater Suzhou region).

1.1 Products and Market Share

Founded as a contract manufacturer for electronics, paragon is now a pure Tier 1 automotive supplier. Its main focus relies on auto electronics for interior products to enhance the health, comfort, communication and efficiency. The product catalog includes more than 170 products with a capacity of over 15 million units produced per annum, in addition to its 250 patents owned.

Divisions		
Sensors	Acoustics	Electromobility
Air quality sensor AQS	Microphone	Energy Storage Powerpack
Air improvement system	Seatbelt microphone blet mic	Motor Controller MoDrive
Air treatment system		DC/DC Converter DCCon
Clutck travel sensor		Onboard Charger ChargeON
All gear sensor		
Start-stop sensor		
Cockpit	kinematics	
Interfaces	Aerodynamic	
Cradles & Consoles	Comfort	
cTablet docking station	Convertible tops	
Instruments	Safety	
Controls		
Reversing camera system		
Stepper Motors		

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Many of paragon's products own its unique features, such as the Voltabox battery systems, when they come to fruition in the enhancement of electromobility for commercial vehicles. The sensors, besides, can be softer and simultaneously faster gearshift, as well as for the vehicle manufacturer resulting in economic benefits, where a separate reverse gear sensor is no longer required.

1.2 Clients

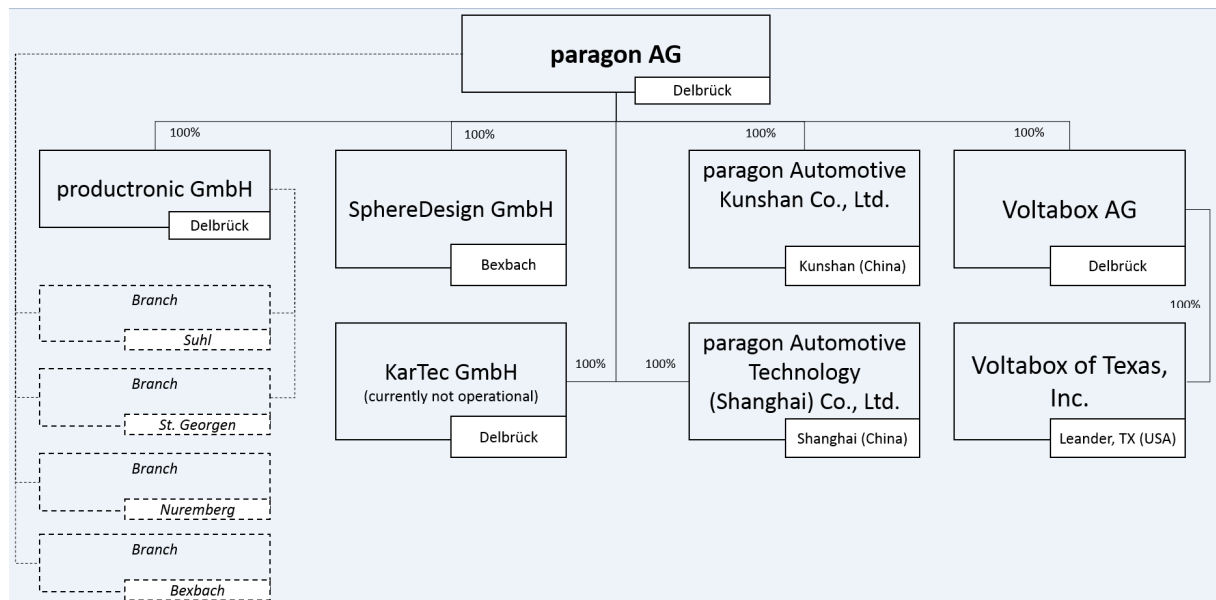
paragon AG maintains long-term customer relationship, which is translated in the fact that its over 170 products are currently demanded by 23 customers for 172 vehicle models, where the largest automotive producers, Audi, VW, Daimler, BMW and Porsche, cover approximately about 77% of total sales (end of 2015). Even though the company is increasingly receiving new orders from new products and developed applications, such as CO² sensors, wireless charging products or new innovative belt microphones.

1.3 Strategic partnership

In mid June, 2016, the Company announced that, Voltabox, a subsidiary of paragon AG, based in Austin, Texas, has arranged an exclusive strategic partnership with Joy Global to produce smart battery systems for mining equipment. The first supply of complex battery systems are intended for fiscal year 2017. The battery management system is developed by designers in this sort of way that the accessible energy is optimized for an entire shift of work in the mines whilst making the most of the entire battery life. This symbolizes a substantial enhancement over the lead-acid batteries presently utilized by mine operators. The client is seen to account for close to fifty percent of Voltabox's total order backlog.

paragon has regularly demonstrated its capability to pioneer and provide leading-edge technology development for both top tier automotive OEMs and significantly for blue-chip clients throughout its Electromobility division. Responding to several emerging global topics, paragon has placed itself as a strategic partner to many global players, such as recent announcements with Joy Global and KUKA, both of which consider the group into new and developing end-markets and further minimize dependence on pure automotive drivers. While electromobility is turn out to be the main driver over the medium term, the Group's core businesses carry on to expand with technology advancement and international reach.

1.4 Corporate structure



Source: Company

2 SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> • Combination of innovation and integration of force through company-wide culture of innovation with a focus in developing new products , while observing the product integration into the overall system for the automobile manufacturers; by First-Mover-Advantage and high success rate of bringing products to the market. Over 170 products and 250 patents. • Products with unique features in niche markets with high quantities in automated manufacturing. Therefore high margins and strong market position in several areas. • Direct supplier with many years of customer loyalty, knowing what customers want, means entry-market barriers. • Growth potential across all divisions, supported by blue-chip customer base. 	<ul style="list-style-type: none"> • High business risk due to strong sales focus on three German automotive manufacturers in the premium area, tempered by long-term customer relationships under contracts, all model series, and the relatively small dependence of premium manufacturers. • Low negotiating power with customers and suppliers in the low-selling environment of numerous competitors mitigated by the relatively higher willingness to pay the premium end-user customers. • Strong competition with high pressure to innovate, since more than half of key innovations are taking place in the field of electronics.
Opportunities	Risks
<ul style="list-style-type: none"> • Increasing use of paragon products in the compact and mid-range through new technologies and efficient production with a high degree of automation and economies of scale, eg. Air quality. • Growth and diversification through the field of electric mobility by expanding the customer base to smaller commercial vehicles in domestic and urban areas, where applications are already in use for electric mobility. • Reduction of product-specific integration costs for the customer through development of applications to support the vehicle installation can be a significant competitive advantage. • Considerable pipeline of new product introductions arriving at market via R&D investment 	<ul style="list-style-type: none"> • Products are not expected to develop their potential and the number of units produced cannot cover the costs. paragon AG tries to avoid this by an intensive dialogue with automobile manufacturers. • Competitor may displace paragon of revenue-important market niches. • An unexpected slump in the automobile industry may lead to liquidity difficulties at paragon. • Significant production increase needs to be delivered

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3 Valuation

Our DCF model for paragon AG indicates a 12-month fair value of € 89.3 per share. Although some delays and one-time effects in 2017 in the electromobility business, we have estimated significant profitability contributions in the upcoming years from this division while the automotive divisions in our forecasts should impact more from 2018.

a. WACC

The discount rate was calculated by deriving the weighted cost of capital. We assumed that the target capital structure will not change in the subsequent business years. Figuring a risk prime follows the CAPM and covers in particular the systemic risks (market risk prime exp. company specific risk).

WACC assumptions	
Equity	
Long-term risk free rate	2.0%
Market risk premium	5.8%
Beta	1.00
Equity costs	7.8%
Debt	
Debt costs (before tax)	3.2%
Tax rate on debt interest	30.0%
Debt costs (after tax)	2.2%
Equity value	61.0%
Debt Value	39.0%
Gearing	63.8%
WACC	5.6%

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b. DCF

Discounted-Cash-Flow-Modell (Basis 05/2017)						
in EUR m	2017E	2018E	2019E	2020E	2021E	2022E
Net sales	125.4	163.0	189.9	218.4	240.3	259.5
(y-o-y change)	22.0%	30.0%	16.5%	15.0%	10.0%	8.0%
EBIT	13.4	16.8	20.3	22.9	25.1	27.0
(EBIT margin)	9.5%	9.4%	9.9%	9.8%	9.8%	9.8%
NOPLAT	8.7	11.2	14.2	16.0	17.5	18.9
+ Depreciation and Amortization	8.5	11.1	11.0	12.0	13.2	14.3
= Net operating cash flow	17.2	22.3	25.2	28.0	30.8	33.1
- Total investments (Capex and WC)	-28.4	-22.4	-22.5	-21.8	-22.8	-23.0
Capital expenditure	-27.0	-22.6	-21.3	-21.5	-22.0	-22.5
Working capital	-1.3	0.2	-1.2	-0.3	-0.8	-0.5
= Free cash flow (FCF)	-11.2	0.0	2.7	6.2	8.0	10.1
PV of FCF's	-10.7	0.0	2.3	5.1	6.2	7.4
PV of FCFs in explicit period	10.2					
PV of FCFs in terminal period	404.2					
Enterprise Value	327.0					
Implied Enterprise value (EV)	414.4					
+ Net cash / - net debt	-31.7					
+ Investitionen / - Minderheiten	0.0					
Shareholder value	382.7					
Number of shares outstanding (m)	4.5					
WACC	5.6%					
Cost of equity	7.8%					
Pre-tax cost of debt	3.2%					
Normal tax rate	30.0%					
After-tax cost of debt	2.2%					
Share of equity	61.0%					
Share of debt	39.0%					
Fair value per share in € (today)	84.6					
Fair value per share in € (in 12 months)	89.3					

Sensitivitätsanalyse		Terminal EBIT-Marge						
		6.8%	7.8%	8.8%	9.8%	10.8%	11.8%	12.8%
WACC	2.6%	-678.9	-812.4	-945.8	-1079.3	-1212.8	-1346.3	-1479.7
	3.6%	244.0	293.5	343.0	392.6	442.1	491.6	541.2
	4.6%	92.7	112.3	131.9	151.5	171.1	190.7	210.3
	5.6%	52.9	64.6	76.3	88.0	99.7	111.5	123.2
	6.6%	34.5	42.6	50.7	58.8	67.0	75.1	83.2
	7.6%	23.9	30.0	36.1	42.1	48.2	54.2	60.3

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4 Financials

4.1 Financial Performance in 12M/2016 and 4Q/2016

The company carried on its energetic progress in fiscal year 2016 with sales revenue expansion of 8.2% to around € 102.8m (previous year: € 95.0m) and achieved its sales estimate of around 8% growth. Along with the Company's EBIT margin of 8.7%, the Management Board's earnings outlook of about 9% was also accomplished.

Regardless of decreased financial result of € -3.2m (previous year: € -2.8m) due to the a drop in financial income and greater financing expenses, earnings before taxes (EBT) improved to € 5.8m (previous year: € 5.0m). Considering higher income taxes of € 2.2m (past year: € 1.6m), the paragon Group created a consolidated net income of € 3.6m (previous year: € 3.4m) in the year under assessment. This translates to earnings per share of € 0.84 (earlier year: € 0.83).

The assets of the Company elevated substantially to € 115.6m (4Q/2015: € 92.6m) primarily due to the of the capitalization of development costs, the cash capital raise from authorized capital at the starting of the fourth quarter, the growth of the Artegastrasse building and the development of the production facilities at the Delbrück site as well as increased inventories due to the of the growth to business activities.

Cash and cash equivalents improved to € 14.3m (previous year: € 8.5m) as of the balance sheet date, primarily due to the of the cash capital boost from authorized capital at the beginning of the fourth quarter.

Looking solely at the last quarter, Q4/2016 sales improved comfortably by 5.3% y-o-y to € 29.1m which was primarily taken by the Electromobility segment (Q4 +90% y-o-y to € 7.4m). In general, additionally the automotive business (86% of sales) ought to have benefitted via improve in the take rate for air quality sensors along with the output volume of the most recent technology of hands-free microphones and a number of production begins for modern-day display devices.

Q4/2016 EBIT increased by 13% y-o-y to € 3.9m converting towards a sound EBIT margin of 13.4%. Remarkably, the operating performance appears set to be still hidden by short-term production ramp-up costs because personnel expenses increased by 11% to € 29.2m in anticipation for innovative series productions for both the Electromobility (e.g. batteries) along with the automotive business (e.g. Body Kinematics business that is anticipated to start production in 2017).

Key facts in 12M/2016

in EURm	2014	2015	2016
Net sales	79.04	94.99	102.80
EBITDA	12.50	10.53	14.21
<i>EBITDA margin</i>	15.8%	11.1%	13.8%
EBIT	7.92	6.25	7.81
<i>EBIT margin</i>	10.0%	6.6%	7.6%
Net income	3.95	2.78	3.40
<i>Net margin</i>	5.0%	2.9%	3.3%

4.2 Financial Performance in 1Q/2017

The favourable industry environment offered an increase in sales of 11.7% to € 25.9m, with an EBIT margin of 5.2%. With the first-quarter plans for the further growth of production, especially in the Electromobility and Mechanics operating segments, the Company is well on the way to achieving the forecast of Management Board for the full year of €125m in revenue.

The key factor in the company's growth in the first quarter was very good operative performance in the Electronics and Electromobility operating segments.

In the last qtr, paragon AG produced sales of € 259m (previous year: € 23.2m), which indicates an increase of 11.7%. Capitalized development costs elevated of 12.3% to € 3.7 million (previous year: € 3.3m), a big percentage of which is due to the Electronics (55%) and Electromobility (24%) operating segments. Because of the prepared development of business actions in the newest segments, the cost of materials enhanced significantly by 17.7% to € 15.3m (prior year: € 13.0 million). The material input ratio rose consequently to 59.1% (previous year: 56.1%). This led to a gross profit for the first quarter of € 15.7m (previous year: € 14.2m), which results in a gross profit margin of 60.6% (previous year: 61.2%). Personnel costs elevated mainly as an effect of the fresh hires in link with the operational expansion in the new segments - particularly in the field of development - by 14.1% to € 8.1m (previous year: € 7.1m). The personnel expense ratio consequently appeared to be 31.3% (earlier year: 30.6%). EBITDA increased 10.7% to € 3.4m (prior year: € 3.0 million), which matches to an EBITDA margin of 13.0% (earlier year: 13.1%). The paragon Group produced a net profit for the quarter of € 0.07m.

Total assets increased to € 118.4m at the time of March 31, 2017 (1Q/2016: € 102.3m). This progress was primarily pushed by the purchase of the building located at Artegastrasse 1, Delbrück (Germany), the production building in Austin, Texas (USA), and capitalized development expenses.

Cash flow from operating activities reduced in the 1Q/2017 to € -2.1m (previous year: € 1.5m). This is mostly as a result of a cut down in other provisions and pension provisions of € 0.5m, on the flip side

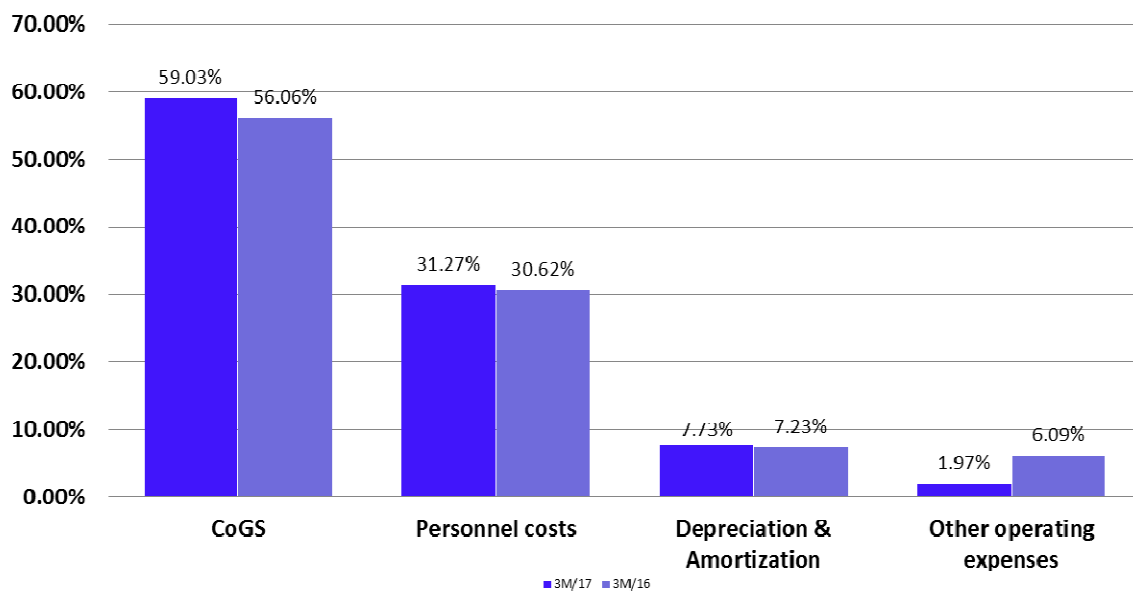
to a boost of € 1.5m in the earlier year, together with a € 1.9m smaller raise in trade payables to €2.0m (previous year: € 3.9m). Cash flow from investment activities reduced a bit in the interval under evaluation to € 4.7m (past year: € 4.9m). Cash and cash equivalents amounted to € 9.1m as of the end of the reporting interval (previous year: € 9.7m).

Key facts in 3M/2017

in EURm	3M/17	3M/16	Change
Net sales	25.87	23.15	11.7%
EBITDA	3.35	3.03	10.3%
<i>EBITDA-Marge</i>	12.9%	13.1%	
EBIT	1.35	1.36	-0.8%
<i>EBIT margin</i>	5.2%	5.9%	
Net income	0.17	0.27	-37.0%
<i>Net margin</i>	0.7%	1.2%	

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Group Profitability 3M/2017



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5 Outlook

We believe, that the Electromobility operating section (Votabox subsidiaries) is anticipated to bring about half of the revenue expansion, while the rest of sales expansion is mostly produced by the Electronics operating segment. As of financial year 2018, the Electronics segment and, to a lesser extent, the Mechanics segment are also anticipated progressively to have share in the Company's growth.

The additional substantial growth intended in the Electromobility operating segment is expected to make paragon far less dependent of macroeconomic drivers in the automotive industry and expand the client composition with exposure to less cyclical, higher-margin markets. Therefore we believe that there is a good reason to decrease weighted cost of capital and treat the Company's future cash flow more irrefutable.

Primarily based on its present competitive position and the substantial investments made in latest years, especially in the development of production sites in Germany, the U.S. and, most recently, in China, paragon AG carries on to be expecting to expand more rapidly compared to the global automotive industry in financial year 2017.

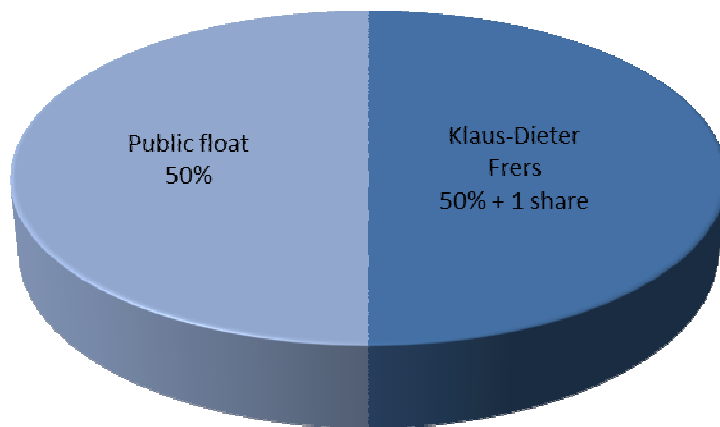
With considerable contacts in place, good long-term awareness in its order book and the recent €13.4m capital increase providing financing, we consider that paragon is well situated for further expansion. Although the Company is actually offering significant sales and income growth, we feel the serious acceleration will start from 2018 or late 2017 onwards.

The driver will be the demonstration of the Company's potential to speed up manufacturing in electromobility.

Furthermore, profitability ought to be even more pillowed as a result of a beneficial product mix pushed by the progressive ramp-up (start in 2018 or late 2017) of revenue with the top US mining equipment and service provider Joy Global. The customer is seen to account for about half of Votabox's total order backlog.

Under those circumstances, we raise our mid-term revenue and income estimates for the Company anticipating the increase of sales by 23% (CAGR 2016-19E) and improvement in net income to above € 11m by 2019E. The stock continues to be a BUY with a new Target Price of € 89.3 (changed from €51) based on DCF.

6 Shareholder's Structure



Source: Company, Dr. Kalliwoda Research GmbH © Copyright 2017

7 Profit and Loss Statement

Profit and Loss statement - paragon AG

in mEUR	Fiscal year							
	2012	2013	2014	2015	2016	2017E	2018E	2019E
Net sales	70.45	73.88	79.04	94.99	102.80	125.42	163.04	189.94
<i>Change in inventories</i>	0.57	0.26	0.79	1.44	-0.90	0.40	0.43	0.34
<i>Capitalised assets</i>	2.03	1.68	5.15	12.75	14.60	13.68	14.14	13.91
<i>other operating income</i>	2.02	1.10	1.35	3.18	1.10	1.12	1.14	1.16
Total Output	75.05	76.91	86.33	112.37	117.60	140.61	178.75	205.35
<i>Cost of goods sold</i>	-36.95	-36.27	-41.85	-55.52	-57.04	-72.55	-91.34	-102.88
Gross profit	38.10	40.64	44.48	56.85	60.56	68.05	87.41	102.47
<i>Personnel costs</i>	-18.85	-19.60	-21.76	-26.31	-29.20	-32.34	-41.29	-47.64
<i>Depreciation & Amortization</i>	-3.89	-4.31	-4.27	-6.29	-7.20	-8.53	-11.09	-11.02
<i>Write-downs</i>	-0.14	-0.27	-0.02	-0.11	0.00	0.00	0.00	0.00
<i>Other operating expenses</i>	-7.45	-8.54	-12.20	-16.33	-15.20	-13.83	-18.23	-23.48
EBIT	7.78	7.92	6.25	7.81	8.96	13.36	16.80	20.33
<i>Net financial results</i>	-1.08	-1.49	-1.96	-2.79	-3.20	-4.10	-4.48	-4.55
EBT	6.70	6.43	4.29	5.02	5.76	9.26	12.33	15.78
<i>Income taxes</i>	-2.07	-2.49	-1.51	-1.62	-2.20	-3.24	-4.09	-4.73
<i>Minority interests</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income / loss	4.64	3.95	2.78	3.40	3.56	6.01	8.23	11.05
EPS	1.13	0.96	0.67	0.83	0.80	1.33	1.82	2.44
Change y-o-y								
<i>Net sales</i>	n.a	4.87%	6.98%	20.18%	8.22%	22.00%	30.00%	16.50%
<i>Total Output</i>	n.a	2.47%	12.25%	30.16%	4.66%	19.57%	27.13%	14.88%
<i>Cost of goods sold</i>	n.a	-1.85%	15.39%	32.66%	2.74%	27.21%	25.89%	12.63%
<i>Gross profit</i>	n.a	6.67%	9.45%	27.80%	6.53%	12.37%	28.44%	17.23%
<i>Personnel costs</i>	n.a	3.98%	10.98%	20.92%	11.00%	10.75%	27.68%	15.38%
<i>Depreciation & Amortization</i>	n.a	10.91%	-1.02%	47.55%	14.49%	18.37%	30.00%	-0.63%
<i>Other operating expenses</i>	n.a	14.59%	42.85%	33.92%	-6.93%	-9.02%	31.82%	28.82%
<i>EBIT</i>	n.a	1.88%	-21.13%	24.95%	14.74%	49.10%	25.79%	20.99%
<i>Net financial results</i>	n.a	38.35%	31.68%	42.05%	14.82%	28.13%	9.15%	1.68%
<i>EBT</i>	n.a	-3.99%	-33.36%	17.12%	14.70%	60.75%	33.16%	28.00%
<i>Income taxes</i>	n.a	20.34%	-39.15%	7.01%	35.97%	47.40%	26.21%	15.67%
<i>Net income / loss</i>	n.a	-14.82%	-29.71%	22.63%	4.59%	69.00%	36.91%	34.14%
EPS	n.a	-14.82%	-29.71%	22.63%	-3.83%	67.08%	36.91%	34.14%
Share in total revenues								
<i>Net sales</i>	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<i>Total Output</i>	106.54 %	104.10 %	109.23 %	118.29 %	114.40 %	112.11 %	109.64 %	108.11 %
<i>Cost of goods sold</i>	-52.45 %	-49.09 %	-52.95 %	-58.44 %	-55.48 %	-57.85 %	-56.02 %	-54.16 %
<i>Gross profit</i>	54.09 %	55.01 %	56.28 %	59.85 %	58.91 %	54.26 %	53.61 %	53.95 %
<i>Personnel costs</i>	-26.76 %	-26.54 %	-27.53 %	-27.69 %	-28.40 %	-25.79 %	-25.33 %	-25.08 %
<i>Depreciation & Amortization</i>	-5.51 %	-5.83 %	-5.40 %	-6.62 %	-7.01 %	-6.80 %	-6.80 %	-5.80 %
<i>Write-downs</i>	-0.19 %	-0.36 %	-0.02 %	-0.12 %	0.00 %	0.00 %	0.00 %	0.00 %
<i>Other operating expenses</i>	-10.58 %	-11.56 %	-15.43 %	-17.19 %	-14.79 %	-11.03 %	-11.18 %	-12.36 %
<i>EBIT</i>	11.04 %	10.72 %	7.91 %	8.22 %	8.72 %	10.65 %	10.31 %	10.70 %
<i>Net financial results</i>	-1.53 %	-2.02 %	-2.48 %	-2.93 %	-3.11 %	-3.27 %	-2.74 %	-2.40 %
<i>EBT</i>	9.51 %	8.71 %	5.42 %	5.29 %	5.60 %	7.38 %	7.56 %	8.31 %
<i>Income taxes</i>	-2.93 %	-3.36 %	-1.91 %	-1.70 %	-2.14 %	-2.59 %	-2.51 %	-2.49 %
<i>Minority interests</i>	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
<i>Net income / loss</i>	6.58 %	5.34 %	3.51 %	3.58 %	3.46 %	4.80 %	5.05 %	5.82 %

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8 Balance Sheet

Balance Sheet - paragon AG								
in mEUR	Fiscal year							
	2012	2013	2014	2015	2016E	2017E	2018E	2019E
Assets								
Cash and cash equivalents	14.08	17.65	13.26	8.45	14.30	12.60	10.17	10.57
Inventories	7.31	7.47	6.91	11.22	13.70	16.90	16.27	17.96
Trade accounts and notes receivables	1.79	6.04	9.76	10.38	8.40	10.65	10.06	12.05
Other current assets	2.20	1.95	2.40	2.81	3.30	6.27	6.15	7.50
Current assets	25.39	33.10	32.34	32.86	39.70	46.42	42.66	48.07
Property, plant and equipment	13.54	12.98	20.18	34.55	37.40	52.40	62.40	72.40
Sonstige immaterielle Vermögenswerte	4.91	5.60	9.44	23.96	37.20	40.70	42.20	42.50
Firmenwert	0.00	0.00	0.00	0.77	0.80	0.80	0.80	0.80
Other assets	0.12	0.25	0.47	0.41	0.40	0.54	0.71	0.82
Deferred tax assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-current assets	18.58	18.83	30.08	59.69	75.80	94.44	106.11	116.52
Total assets	43.97	51.94	62.42	92.55	115.50	140.86	148.76	164.60
Liabilities								
Trade payables	3.04	3.36	6.12	10.72	16.40	20.50	19.52	21.99
Other liabilities	8.13	5.91	4.54	7.04	7.10	8.15	10.60	12.35
Short-term financial debt	2.39	2.86	5.50	9.34	12.40	19.40	22.40	27.40
Provisions	0.30	0.06	0.09	0.02	0.10	0.14	0.18	0.16
Current liabilities	13.86	12.18	16.24	27.12	36.00	48.20	52.70	61.89
Long-term financial debt	12.26	20.21	24.71	38.53	33.60	41.60	38.10	33.60
Special benefits	2.09	1.50	1.27	1.18	3.30	1.50	1.96	2.28
Pension obligations	2.73	1.22	1.88	2.09	2.50	2.95	1.63	1.90
Deferred tax liabilities	0.00	0.94	1.12	3.51	5.50	6.39	7.01	8.17
Other non-current liabilities	0.00	0.00	0.00	0.72	0.00	0.00	0.00	0.00
Long-term liabilities	17.08	23.86	28.98	46.03	44.90	52.45	48.70	45.95
Total liabilities	30.94	36.04	45.23	73.15	80.90	100.65	101.40	107.83
Shareholders equity	13.03	15.89	17.20	19.40	34.70	40.21	47.36	56.76
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total equity and liabilities	43.97	51.94	62.42	92.55	115.60	140.86	148.76	164.60

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9 Cash Flow Statement

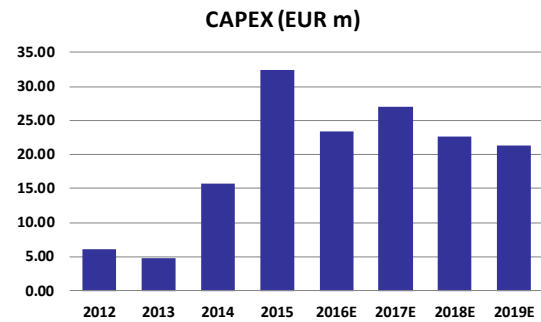
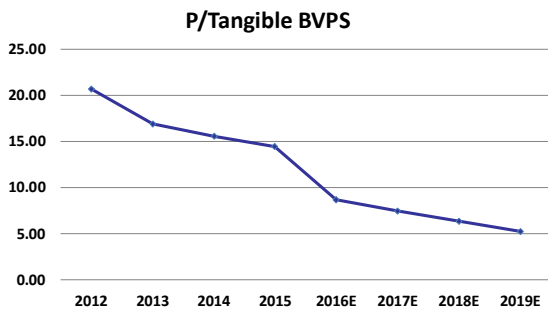
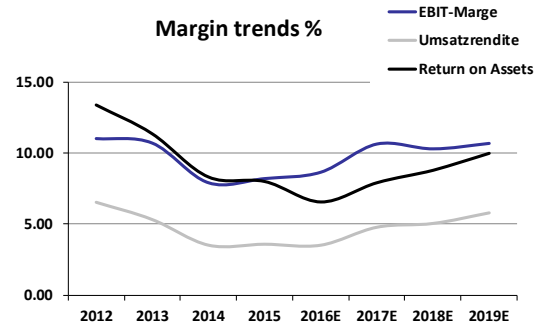
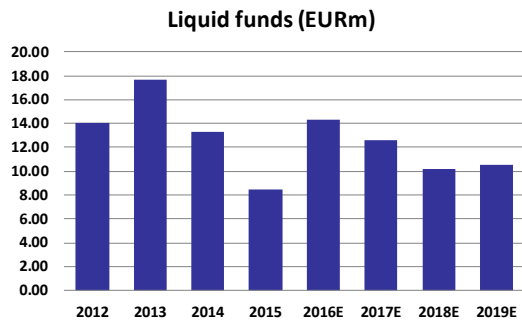
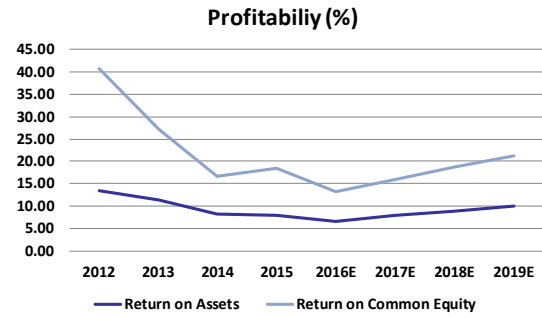
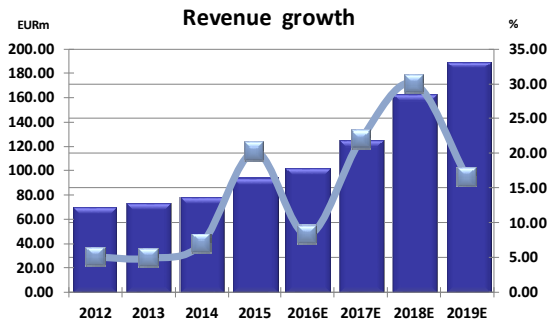
Cash Flow statement - paragon AG								
in mEUR	Fiscal year							
	2012	2013	2014	2015	2016E	2017E	2018E	2019E
Net income	4.6	3.9	2.8	3.4	3.6	6.0	8.2	11.0
Depreciation & Amortisation	3.9	4.3	4.3	6.3	4.9	8.5	11.1	11.0
Others	-0.9	0.9	0.3	3.5	2.1	0.9	0.7	1.1
Change of working capital	-1.8	-4.1	-0.4	-0.3	5.2	-1.3	0.2	-1.2
Increase (-), decrease (+) in inventories	-0.4	-0.2	0.6	-4.3	-2.5	-3.2	0.6	-1.7
Increase (-), decrease (+) in trade receivables	-1.3	-4.2	-3.7	-0.6	2.0	-2.3	0.6	-2.0
Increase (+), decrease (-) in trade payable	0.0	0.3	2.8	4.6	5.7	4.1	-1.0	2.5
Others wc positions	0.0	0.0	0.0	0.0	-4.1	0.0	1.0	2.0
Net operating cash flow	5.8	5.1	6.9	12.9	16.8	12.8	21.4	22.8
Cash flow from investing	-6.2	-4.8	-15.7	-32.3	-23.3	-27.0	-22.6	-21.3
Free cash flow	-0.3	0.3	-8.7	-19.5	-6.5	-14.2	-1.1	1.5
Cash flow from financing	-0.9	3.3	4.3	14.7	12.2	12.5	-1.3	-1.1
Change in cash	-1.2	3.6	-4.4	-4.8	5.8	-1.7	-2.4	0.4
Cash, start of the year	15.3	14.1	17.6	13.3	8.5	14.3	12.6	10.2
Cash, end of the year	14.1	17.6	13.3	8.5	14.3	12.6	10.2	10.6

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10 Ratios

Fiscal year	2012	2013	2014	2015	2016	2017E	2018E	2019E
Gross margin	50.8%	52.8%	51.5%	50.6%	51.5%	48.4%	48.9%	49.9%
EBITDA margin	15.7%	16.3%	12.2%	12.6%	13.7%	15.6%	15.6%	15.3%
EBIT margin	10.4%	10.3%	7.2%	6.9%	8.5%	9.5%	9.4%	9.9%
Net margin	6.2%	5.1%	3.2%	3.0%	3.1%	4.3%	4.6%	5.4%
Return on equity (ROE)	40.6%	27.3%	16.8%	18.6%	13.3%	16.1%	18.8%	21.2%
Return on assets (ROA)	13.4%	11.3%	8.3%	8.0%	6.5%	7.9%	8.8%	10.0%
Return on capital employed (ROCE)	17.9%	12.2%	8.8%	8.1%	6.9%	9.4%	11.7%	13.9%
Net debt (in EURm)	0.6	5.4	16.9	39.4	31.7	48.4	50.3	50.4
Net gearing	4.4%	34.1%	98.5%	203.1%	91.4%	120.4%	106.3%	88.9%
Equity ratio	29.6%	30.6%	27.6%	21.0%	30.0%	28.5%	31.8%	34.5%
Current ratio	183.2%	271.8%	199.1%	121.2%	110.3%	96.3%	80.9%	77.7%
Quick ratio	114.6%	194.4%	141.8%	69.4%	63.1%	48.2%	38.4%	36.5%
Net interest cover	7.2	5.3	3.2	2.8	2.8	3.3	3.8	4.5
Net debt/EBITDA	0.05	0.43	1.61	2.77	1.97	2.21	1.80	1.61
CAPEX/Sales	8.2%	6.0%	19.4%	37.8%	22.7%	21.6%	13.9%	11.2%
Working capital/Sales	0.2%	8.4%	10.7%	7.0%	1.8%	4.1%	1.5%	1.7%
EV/Sales	4.6	4.4	4.1	3.4	3.2	2.6	2.0	1.7
EV/EBITDA	27.7	26.2	31.1	23.0	20.3	14.9	11.7	10.4
EV/EBIT	42.1	41.3	52.3	41.9	36.7	24.5	19.5	16.1
P/BVPS	20.6	16.9	15.6	14.4	8.7	7.5	6.3	5.3
P/E	57.9	68.0	96.8	78.9	82.0	49.1	35.9	26.7
P/FCF	-773.7	925.8	-30.8	-13.8	-41.3	-18.9	-234.8	184.9

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