Press release – 29th March 2019

Half year 2018/19

- Back to growth in Q2
- 5,6% EBITDA margin

Acceleration in activity and increased profitability targeted in the second half

Paragon ID (Euronext Paris - FR0011980077 - PID), the leading provider of identification solutions for Transport, e-ID, Traceability, Brand Protection and Payment, has published its half-year consolidated financial statements for 2018/19 (period from 1st July to 31st December 2018). These results were approved by the Board of Directors on March 21, 2019 and have been the subject of a limited review by the Statutory Auditors.

In €M – IFRS standards Limited review	H1 2018/19 (6 months)	H1 2017/18 (6 months)
Turnover	**50,2**	**51,6**
EBITDA[1] *EBITDA Margin[1]*	**2,8** ***5,6%***	**4,3** ***8,3%***
Depreciation and amortization	**2,8**	**2,6**
Recurring operating income	**0,0**	**1,7**
Other non-current income and expenses	-0,3	-1,7
Operating result	-0,3	0,0
Financial result	-1,0	-1,0
Net result from continuing activities	-1,3	-1,1
Net result from discontinued activities	-0,2	-2,0
Net result	**-1,5**	**-3,1**

1 Operating income before depreciation, amortization and non-recurring items.

The companies Amatech and RFID Discovery have been consolidated respectively since October 1 and November 1, 2018. The participation held in the company airweb, since November 1, 2018, does not give rise to a consolidation by global integration.

€50.2 million in half-year sales: return to growth in the second quarter

In the first half of 2018/19, Sales in Paragon ID amounted to € 50.2 million, compared with € 51.6 million in the first half of 2017/18, which represented a particularly high basis of comparison (delivery of NFC cards to Hasbro and cyclically higher passport delivery volumes in the United States).

After a period marked by major industrial reorganizations which were completed in 2018, the group returned to growth in Q2 2018/19 (+ 3% vs. Q2 2017/18), with all activities contributing to this recovery.

5.6% EBITDA margin in the first half of 2018/19

The EBITDA[1] for the first half of 2018/19 amounted to € 2.8 million, representing an EBITDA[1] margin of 5.6% compared with 8.3% a year earlier.

As planned in the industrial reorganization and cost reduction plan implemented in 2017 and 2018, the first half of 2018/19 reflects a reduction in the cost base. The discontinuation of certain industrial activities, in particular the Chinese operations, reduced losses by € 1.8 million from one half-year to the next. In addition, personnel and other operating expenses have decreased by € 0.1 million compared to the previous half-year.

While the industrial reorganization of the group has started to yield positive results, EBITDA[1] in the first half, as compared with that of last year was penalized by:

i. a significant baseline effect compared with the 1st quarter of 2017/18, particularly impacted by a one-off deal with high added value;
ii. the impact of a strengthening dollar on cost of sales
iii. sustained pressure on selling prices in traditional activities, in a context of rising costs of raw materials and components; passing these on to customers requires a certain amount of time as contracts are, in many cases, awarded through tenders on a fixed price basis;
iv. costs associated with the qualification of new partners and subcontractors to serve the company's customers more efficiently;
v. one-off costs related to redefining and launching new industrial processes to increase the profitability of certain product lines, notably in e-ID. The earliest results of these actions should materialize during the 2nd semester and should contribute significantly in 2019/20.

Depreciation and provisions amounted to € 2.8 million in the first half of 2018/19 and is stable compared to the previous year. After taking into account these net allocations, the half-year current operating result is also stable.

Non-current expenses amounted to € 0.3 million, a net decrease compared to the first half of 2017/18 (€ 1.7 million) marked by industrial restructuring.

Financial costs amounted to € -1.0 million in the first half, stable compared to last year. They consist essentially of interests on bonds and costs of factoring.

Net income was € -1.5 million (vs. € -3.1 million in the first half of 2017/2018), including € 0.2 million of losses from discontinued operations (discontinuation of production in China).

Balance sheet position as of December 31, 2018

On the asset side of the balance sheet, accounts receivable declined in the first half of the year, as a result of the conclusion of a new non-recourse factoring contract.

[1] Operating income before depreciation, amortization and non-recurring items.

Inventories rose to € 15.4 million, reflecting the resumption of the company's growth at the end of the half-year, the anticipation of a more dynamic activity expected in the second half of 2018/19 and the building up of raw material stocks for UK-based units in preparation for Brexit.

Available cash decreased to € 3.3 million at the end of December, largely as a result of this inventory policy and the financing of acquisitions completed during the first half of the year (acquisition of RFID Discovery and acquisition of strategic participation in airweb).

On the other side of the balance sheet, Paragon ID's shareholders' equity amounted to € 26.2 million as of December 31, 2018.

Financial debts amounted to € 11.2 million, down some €4.2m in comparison to June 30, 2018, reflecting the opposite side of the new factoring arrangements mentioned above.

Borrowings from related parties amounted to € 37.7 million at the end of 2018. They consist of the two bonds issued at the time of the merger between Paragon ID and ASK and cash advances granted by the main shareholder to support the development of Paragon ID, including its acquisitions.

At December 31, 2018, Paragon ID's net financial debt[2] stood at € 7.8 million, representing a controlled gearing of 30%.

€M – IFRS standards Limited review	30/06 2018	31/12 2018
Non current assets	**74,1**	**77,6**
incl Goodwill	50,0	49,4
Current assets	**34,3**	**32,2**
Of which trade and other	16,4	9,8
Of which inventories	11,5	15,4
Cash and cash equivalent	11,4	3,3
TOTAL ASSETS	**119,6**	**113,1**

€M – IFRS standards Limited review	30/06 2018	31/12 2018
Equity	**28,5**	**26,2**
Financial debts	**15,4**	**11,2**
Of which bank loans	5,7	4,9
Of which bank overdraft	2,7	4,0
Of which factoring debts	4,5	0,1
Related-party loans	**34,2**	**37,7**
Trade and other payables	**25,5**	**23,3**
Other liabilities	**16,0**	**14,7**
TOTAL LIABILITIES AND EQUITY	**119,6**	**113,1**

Perspectives

After returning to growth in the second quarter, Paragon ID foresees this trend strengthening.

Activity in the coming months will be driven by the Company's having won numerous tenders in the area of Ticketing – including contactless and mobile – with transport operators for Smart Cities, and, more broadly, the growing use of RFID technologies in an increasing number of sectors (aviation, luxury, health, pharmaceutical).

Already, the trend for Q3 2018/19's activity is indicative of this acceleration in growth.

Paragon ID looks forward to an increasing number of orders linked to the latest technological acquisitions (Amatech in the payment sector and RFID Discovery in the traceability field) between now and the end of this financial year.

In terms of profitability, Paragon ID anticipates an improvement in the second half of the year due to better absorption of fixed costs through the acceleration of growth. The second semester should also see some improvement in margins through increased selling prices and productivity gains.

[2] Financial debts (excluding factoring debts) – cash & cash equivalents

Clem Garvey, Paragon ID CEO, comments:

"After a significant transition period in 2017 and 2018, marked by the merger between ASK and Paragon ID and the industrial reorganization of the new merged entity, Paragon ID's ambition is now to deliver sustained growth in its activity and its profitability. The first objective is now being reached as the company has already returned to growth in the second quarter, a trend that is expected to increase in rate in the coming quarters.

In terms of profitability, the effects of our industrial optimization efforts are not yet fully felt because of extraneous impacts on margins. Actions taken to improve margins and the first significant contributions from our recent acquisitions should lead to an improvement in our profitability – EBITDA margin - for the full year 2018/19 which will close at the end of June. "

Financial diary for the financial year 2018/19

Q3 turnover 2018/19	**24th april 2019**
Yearly Turnover 2018/19	**31st july 2019**
Annual results 2018/19	**31st october 2019**

These dates are given for information only, they are likely to be modified if necessary. All publications will take place before the opening of the Euronext markets.

A propos de Paragon ID

Paragon ID is a leader in identification solutions, in particular in the e-ID, Transport & Smart Cities and Traceability & Brand Protection sectors. It has recently entered the area of Payment through its acquisition of Amatech Group.

Paragon ID employs more than 600 staff, with manufacturing sites in two continents (US and Europe), close to its customers.

Paragon ID is listed on Euronext Paris with a majority of its shares being held by Paragon Group, a leading provider of Identification and Customer Communications services. Paragon Group has a turnover in excess of €800 million (2018 fiscal year) and over 6,000 employees. For further information about Paragon Group, visit www.paragon-europe.com.

Euronext Paris - Share identification: Paragon ID - ISIN Code: FR0011980077 - Mnemonic code: PID.

For further information about Paragon ID, visit Paragon-id.com.

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