

GROUP INTERIM REPORT
AS OF MARCH 31, 2019
FIRST QUARTER



Highlights from First Quarter 2019

- Group revenues increase 25.4% to € 43.0 million (prior year: € 34.2 million)
- EBITDA up 57.7% to € 7.6 million (prior year: € 4.8 million)
- EBIT increases by 26.3% to € 2.0 million (prior year: € 1.6 million)
- Revenue and profitability forecast confirmed for current fiscal year

Group Key Figures (IFRS)

€ '000 / as indicated	Jan. 1 to Mar. 31, 2019	Jan. 1 to Mar. 31, 2018	Change in %
Revenue	42,955	34,244	25.4
EBITDA	7,569	4,800	57.7
EBITDA margin in %	17.6	14.0	n. a.
EBIT	2,036	1,612	26.3
EBIT margin in %	4.7	4.7	n. a.
Group result	1,714	-644	n. a.
Earnings per share in €	0.31	-0.01	n. a.
Investments (CAPEX) ¹	12,260	5,738	113.7
Operating cash flow	-8,526	-8,101	-5.2
Free cash flow ²	-20,786	-13,839	-50.2
€ '000 / as indicated	Mar. 31, 2019	Dec. 31, 2018	Change in %
Total assets	360,824	362,293	-0.4
Equity	179,567	177,799	1.0
Equity ratio in %	49.8	49.1	n. a.
Free liquidity	24,371	48,926	-50.2
Interest bearing liabilities	115,992	110,636	4.8
Net debt ³	91,621	61,710	48.5
Employees ⁴	1,057	1,032	2.4

Share

	Mar. 31, 2019	Dec. 31, 2018	Change
Xetra closing price in €	36.00	17.48	105.9%
Number of shares outstanding	4,526,266	4,526,266	0.0%
Market capitalization in € million	162.9	79.1	83.8

1 CAPEX = Investments in property, plant and equipment + investments in intangible assets

2 Free cash flow = Operating cash flow - investments (CAPEX)

3 Net debt = interest bearing liabilities - free liquidity

4 Plus 90 temporary employees (December 31, 018: 107)

Dear shareholders,
customers, business partners
and employees,

With sales growth of 25.4% to € 43.0 million, we have once again outperformed the general market with our forward-looking product portfolio. The greatest driver of growth was the Electromobility operating segment with sales growth of 148.8%. In the Electronics operating segment, the new Digital Assistance unit contributed to revenue for the first time. The expected momentum could also be seen in the Body Kinematics unit, which recorded growth of 15.6%.

This result is all the more significant, considering that the general market environment made a weak showing in the first quarter as expected. The International Monetary Fund reduced its global growth outlook for the current year accordingly to 3.5% in the run-up to the World Economic Forum in Davos. The German Federal Ministry of Economics currently considers Germany to be in a weak phase, with expected growth of only 0.5%. General economic burdens were cited once again as the reason for this. These include the known trade disputes as well as the uncertainty surrounding Brexit, which are dampening investor sentiment.

According to the German Association of the Automotive Industry, a weakening of global automotive sales was also perceptible in the first quarter. While the US and European light vehicle markets declined by 2% and 3%, respectively, the decrease was especially pronounced in China at 14%.

Particularly in the Electronics operating segment, development and marketing are becoming increasingly intertwined at paragon, including for the companies acquired in the last year. This is especially significant for the new development of “EDWIN,” which encompasses a hardware module from the Interior unit along with the semi-voice voice-operated assistant, a purely software solution.

This development has allowed paragon to become a driver of digital voice recognition within a relatively short period of time. This comprehensive voice control system with more than 200 functions even enables the driver to communicate barrier-free, i.e., without a passcode. The ODP S3 software is already in use as a voice-operated assistant in multiple mass-production models. Soon, the first vehicles carrying the new complete solution shall also leave the production line.

In the Electromobility operating segment, good operational business development was ensured in the first quarter particularly by battery systems for use in intralogistics. The Mechanics operating segment benefited particularly from the ongoing series production of the software-controlled rear spoiler drive technology.

With a Group EBIT margin of 4.7%, we are also well on our way to achieving our profitability target for the current year.

The German Financial Reporting Enforcement Panel (FREP) subjected the consolidated financial statements of Voltabox AG as of December 31, 2017, and the combined management report for the 2017 fiscal year to an audit pursuant to Section 342b (2)(3)(3) of the German Commercial Code (HGB) (random audit) and identified a need for corrections. Since this also had an effect on the paragon Group consolidation, we already had adjusted the corresponding previous year values in the consolidated financial statements of paragon GmbH & Co. KGaA as of December 31, 2018, and in the combined management report for the 2018 fiscal year and explained them in greater detail in the notes. These balance sheet corrections are based on one-off effects, do not result in an outflow of funds and also have no tax consequences.

The 2017 HGB financial statements are free of errors. There are no effects for the current financial year or future financial years.


The final findings of the FREP on the paragon consolidated financial statements 2017 have been available to us since May 6, 2019. We have not lodged an objection, so we expect to publish the relevant BaFin decision in the coming weeks.

As of the end of the first quarter, the management once again consists of two people, as Dr. Stefan Schwehr will be dedicating himself to his own entrepreneurial activities in the field of home hi-fi. We wish him all the best in his endeavors, and we thank him for five years together in leadership of the paragon Group.

At the beginning of April, we decided to issue a bond for CHF 35 million, which was rapidly placed exclusively in Switzerland with a nominal interest rate of 4.0%. In doing so, we increased our liquidity for further growth and optimized the financing structure with highly favorable conditions. The course of business thus corresponded to our expectations overall, and we are consistently working on implementing our growth strategy. For this, we are further expanding related marketing activities, and the highlight of the year is sure to be our presentation at this year's IAA in Frankfurt in September.

We are confirming our forecast for the current year with expected revenues between € 230 and 240 million and an EBIT margin of roughly 8%. Of this, Voltabox stands to contribute between € 105 and 115 million with an EBIT margin between 8 and 9%.

We would like to take this opportunity to thank all our employees for their outstanding work and our business partners, customers and shareholders for their trust.



Klaus Dieter Frers
CEO



Dr. Matthias Schöllmann
Managing Director
Automotive

paragon in the Capital Market

After a weak fourth quarter overall, market participants initially approached the new year cautiously, with institutional investors showing greater risk aversion than private investors. Medium term-oriented investors also declined to use the price losses in the equity market at the beginning of February to enter into or conclude short positions. The generally skeptical mood ultimately continued over the course of the first quarter, even as prices increased.

On the whole, most German stock indices concluded the first three months with gains (DAX 9.2%, SDAX 15.0%, TecDAX 9.0%). The STOXX Europe 600 Automobiles & Parts (SXAP) index, which lists the most important European automotive industry stocks, also posted growth of 10.3%. With a price increase of 105.9%, the paragon share clearly stood out in this market environment and made up for a portion of its losses from the previous quarters. Starting from an initial price of € 19.50 with an initially stable course, the lowest price of € 14.88 was posted in mid-February. With relatively high trading volumes, the share price subsequently increased, particularly during March, to reach a high of € 38.10. With

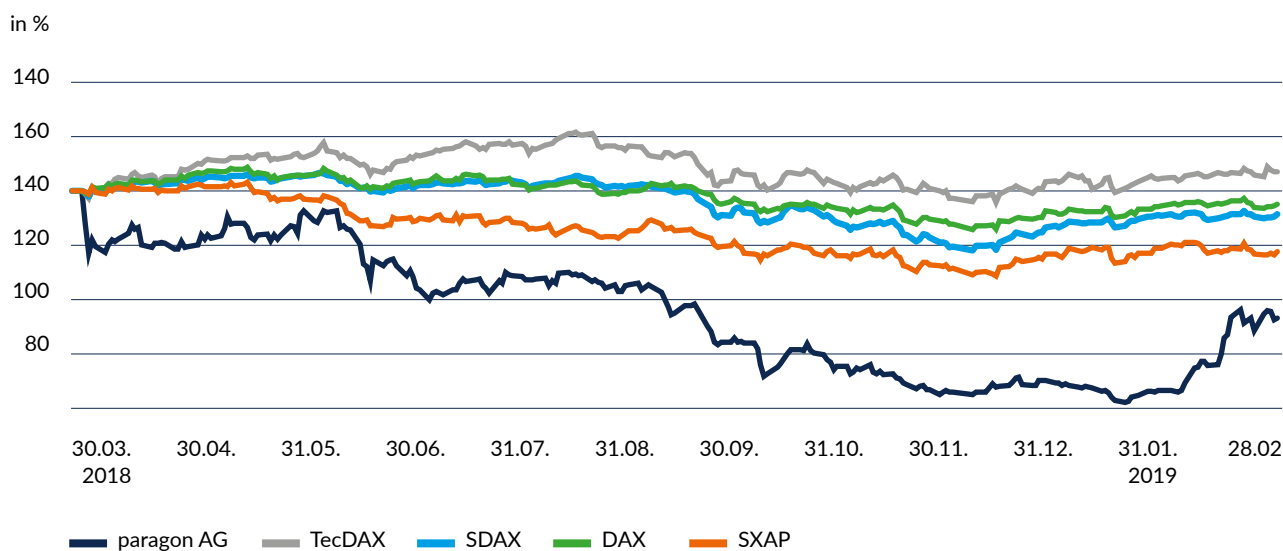
a closing price for the quarter of € 36.00, the stock market value came to € 163 million as of the reporting date. The stock market value increase thus amounted to € 83.8 million over the previous quarter.

The corporate bond 2017/22, tradable since June 28, 2017, remained comparatively stable in the first quarter with an average of 99.69%.

In April, paragon issued a bond under the leadership of Helvetische Bank AG for CHF 35 million with a coupon of 4.00%. The bond has been listed on the SIX Swiss Exchange under the ISIN CH0419041105 since April 23, 2019. The smallest tradable unit is CHF 5,000.

At the beginning of May, the mandatory announcement by Voltabox AG pursuant to Section 109 (2) Sentence 1 of the German Securities Trading Act (WpHG) regarding the changes to the consolidated financial statements for 2017 contained in the 2018 Annual Reports and thus already known, caused irritation and initially stopped the upward trend of the paragon share.

Performance of paragon Share



Business Performance

The highly favorable operational business performance in the Electromobility operating segment was largely responsible for company growth in the first quarter of 2019.

€ '000 / as indicated	Electronics ¹			Mechanics ²			Electromobility ³		
	Q1 2019	Q1 2018	Δ in %	Q1 2019	Q1 2018	Δ in %	Q1 2019	Q1 2018	Δ in %
Revenue with third parties	21,667	21,655	0.1	8,703	7,530	15.6	12,585	5,059	148.8
Revenue intersegment	691	1,129	-38.8	141	12,596	-98.9	44	-3	n. a.
Revenue	22,358	22,784	-1.9	8,844	20,125	-56.1	12,630	5,056	149.8
EBIT	578	2,094	-72.4	-488	1,039	-147.0	560	-769	n. a.
EBIT margin	2.6%	9.2%	n. a.	-5.5%	5.2%	n. a.	4.4%	-15.2%	n. a.

€ '000 / as indicated	Eliminations			Group		
	Q1 2019	Q1 2018	Δ in %	Q1 2019	Q1 2018	Δ in %
Revenue with third parties	0	0	0	42,955	34,244	25.4
Revenue intersegment	-877	-13,722	93.6	0	0	0
Revenue	-877	-13,722	93.6	42,955	34,244	25.4
EBIT	1,386	-752	n. a.	2,036	1,612	26.3
EBIT margin	n. a.	n. a.	n. a.	4.7%	4.7%	n. a.

1 Business units Sensors, Interior and Digital Assistance. Since first quarter 2019 incl. productronic GmbH.

2 Business unit Body Kinematics (paragon movasys GmbH). Since first quarter 2019 excl. productronic GmbH.

3 Voltabox subgroup.

Sales development in the individual units was as follows:

Distribution of revenues € '000	Q1/2019	Share in %	Q1/2018	Share in %	Change in %
Sensors	7,866	18.3	8,666	25.3	-9.2
Interior*	13,152	30.6	12,989	37.9	1.2
Digital Assistance	649	1.5	n. a.	n. a.	n. a.
Body Kinematics	8,703	20.3	7,530	22.0	15.6
Electromobility	12,585	29.3	5,059	14.8	148.8
thereof: Germany	11,315	26.3	4,636	13.6	144.1
thereof: USA	1,270	3.0	423	1.2	200.3
Total	42,955	100.0	34,244	100.0	25.4

* Previously Cockpit and Acoustics.

Financial Performance

In the first quarter of the current fiscal year, paragon GmbH & Co. KGaA generated Group sales of € 43.0 million (prior year: € 34.2 million), which corresponds to an increase of 25.4%. The higher level of other operating income of € 3.3 million (prior year: € 0.2 million) is primarily the result of foreign currency effects. With an increase in the inventory of finished and unfinished products of € 2.1 million (prior year: € 1.5 million) and higher planned capitalized development costs of € 5.4 million (prior year: € 4.5 million), a total operating performance of € 53.8 million (prior year: € 40.5 million) has been achieved.

The cost of materials increased by 26.6% to € 26.2 million (prior year: € 20.7 million). This resulted in a material usage ratio (calculated from the ratio of cost of materials to revenue and inventory changes) of 58.1% (prior year 57.8%).

This yielded a gross profit for the first quarter of € 27.6 million (prior year: € 19.8 million), which corresponds to a gross profit margin of 64.4% (prior year: 57.8%). Personnel expenses rose by 44.3% to € 14.6 million (prior year: € 10.1 million), due to the increase in personnel over the course of 2018. The personnel expense ratio was accordingly higher at 34.0% (prior year: 29.6%).

In consideration of the relatively low increase of only 11.9% in other operating expenses amounting to € 5.4 million (prior year: € 4.9 million), an increase of 57.7% was achieved in earnings before interest, taxes, depreciation and amortization (EBITDA), which totaled € 7.6 million (prior year: € 4.8 million), corresponding to an EBITDA margin of 17.6% (prior year: 14.0%). After increased depreciation and amortization and impairments totaling € 5.5 million (prior year: € 3.2 million), earnings before interest and taxes (EBIT) improved by 26.3% to € 2.0 million (prior year: € 1.6 million). The EBIT margin therefore remained stable at 4.7% (prior year: 4.7%). With a virtually unchanged financial result of € -1.5 million (prior year: € -1.5 million) and deferred income tax receivables of € 1.2 million (prior year: € 0.8 million income taxes), the paragon Group generated a consolidated income of € 1.7 million (prior year: € -0.6 million) in the reporting period. This corresponds to earnings per share of € 0.31 (prior year: € -0.01). Minority interests accounted for € 0.3 million of consolidated income (prior year: € -0.6 million).

Net Assets

Total assets were virtually unchanged at € 360.8 million as of March 31, 2019 (December 31, 2018: € 362.3 million). While noncurrent assets increased by € 14.3 million to reach € 191.0 million (December 31, 2018: € 176.7 million), current assets decreased by € 15.8 million to € 169.9 million (December 31, 2018: € 185.6 million).

The increase in noncurrent assets is primarily the result of the € 11.4 million increase in property, plant and equipment to € 61.9 million (December 31, 2018: € 50.5 million) due to the first-time application of the new IFRS 16 accounting standards on leases effective as of January 1, 2019. The changes resulting from the modified retro-active first-time application are explained in detail in the notes.

The development of current assets was primarily caused by two counteractive effects. While inventories increased by € 10.0 million, particularly as a result of the planned expansion of production in the Electromobility operating segment to € 68.9 million (December 31, 2018: € 58.9 million), liquid assets decreased by € 24.4 million to € 17.5 million (December 31, 2018: € 41.8 million) primarily as a consequence of the expansion of operational business activities and the reduction of short-term loans and trade payables.

Equity increased by € 1.8 million to € 179.6 million as of the balance sheet date (December 31, 2018: € 177.8 million), particularly due to increased retained earnings of € 99.3 million (December 31, 2018: € 95.9 million). This caused the equity ratio to increase slightly to 49.8% (December 31, 2018: 49.1%).

Noncurrent provisions and liabilities increased by € 4.2 million to € 104.3 million (December 31, 2018: € 100.1 million), which was caused primarily by the increase in noncurrent liabilities from finance leases of € 5.7 million to € 6.6 million (December 31, 2018: € 0.9 million) resulting from the first-time application of the new IFRS 16 accounting standards on leases.

In contrast, current provisions and liabilities decreased by € 7.5 million to € 76.9 million (December 31, 2018: € 84.4 million). This can be attributed to a reduction

of short-term loans by € 2.4 million to € 39.0 million (December 31, 2018: € 41.4 million), a reduction of trade payables by € 1.8 million to € 26.4 million (December 31, 2018: € 28.2 million) and a reduction of other current liabilities by € 5.7 million to € 7.1 million (December 31, 2018: € 12.7 million).

Financial Position

At € -8.5 million, cash flow from operating activities during the reporting period remained at essentially the same level as the same quarter in the prior year (prior year: € -8.1 million). While the depreciation and amortization of noncurrent assets increased by € 2.2 million to € 5.3 million as expected, trade receivables decreased by € 0.7 million (prior year: increase by € 7.1 million). As a result of the expansion of business activities, inventories grew to a higher extent than in the prior year, at € 10.0 million (prior year: 7.8). Trade payables decreased by € 5.0 million, after having increased by € 3.9 million in the prior year.

Cash flow from investment activity increased in the period under review by € 3.9 million to € -12.3 million (prior year: € -8.3 million), which is mainly due to the € 5.6 million higher payments for investments in property, plant and equipment, which totaled € 6.9 million (prior year: 1.2). In addition, € 2.6 million was also paid in the prior year for investments in financial assets in connection with the acquisition of Concurrent Design by Voltabox.

Cash flow from financing activity decreased during the period under review by € 2.3 million to € -3.6 million (prior year: € -1.3 million), particularly as a consequence of the € 7.0 million increase in payments for the repayment of financial loans with a € 4.8 million increase in payments from the utilization of financial loans.

Cash and cash equivalents totaled € 17.5 million as of the end of the reporting period (December 31, 2018: € 41.8 million).

Opportunity and Risk Report

In the first quarter of 2019, there were no significant changes in the opportunities and risks described in detail under “Opportunity and Risk Report” in the 2018 Annual Report. The 2018 Annual Report can be accessed on the internet at <https://ir.paragon.ag>.

Events after the Balance Sheet Date

On April 1, 2019, the Management resolved together with the Supervisory Board to issue a 5-year bond. The bond under Swiss law was offered exclusively in Switzerland with an indicative interest rate between 3½% and 4½% p.a. On April 4, the placement of the bond was concluded under the leadership of Helvetische Bank AG, which directly underwrote the bond; the coupon was set at 4.00%, and the issuance amount was set at CHF 35 million. The issuance, subscription and provisional listing on the SIX Swiss Exchange took place on April 23, 2019.

The net proceeds of the bond are intended to be used for growth financing in the automotive sector, for financing construction measures in Delbrück in order to combine and expand the distributed sites in Delbrück, for the refinancing of existing financial liabilities, and for general financing purposes.

Forecast

The Management’s forecast for the current fiscal year and the underlying assumptions are explained in detail in the combined management report for the 2018 fiscal year. Accordingly, the Management expects Group sales of € 230 to 240 million and a Group EBIT margin of about 8%, whereby the company’s dynamic course of growth should continue despite the rather subdued overall mood in the automotive industry.

Voltabox AG – which represents the Electromobility operating segment – is expected to once again make a particularly strong contribution to the Group’s growth, with projected revenue of € 105 to 115 million and an EBIT margin of 8% to 9%. Voltabox’s strong growth stands to

make paragon less dependent on economic factors in the automotive sector even over the medium and long terms while expanding the customer base.

Development of key performance indicators

€ '000 / as indicated

	2018	Year-to-date Q1/2019	Forecast 2019
Financial performance indicators			
Group revenue	187,383	42,955	€ 230 to 240 million
EBIT margin	7.9 %	4.7 %	Approx. 8 %
Investments (CAPEX)*	48,805	12,260	Approx. € 40 million

* CAPEX = Investments in property, plant and equipment + investments in intangible assets

Condensed Group Interim Financial Statements

Consolidated Statement of Comprehensive Income
for the period of January 1 to March 31, 2019 (IFRS)

€ '000	Jan. 1 – Mar. 31, 2019	Jan. 1 – Mar. 31, 2018
Revenue	42,955	34,244
Other operating income	3,337	237
Increase or decrease in inventory of finished goods and work in progress	2,140	1,533
Other own work capitalized	5,406	4,489
Total operating performance	53,838	40,503
Cost of materials	-26,196	-20,695
Gross profit	27,642	19,808
Personnel expenses	-14,619	-10,134
Depreciation of property, plant and equipment, and amortization of intangible assets	-5,339	-3,120
Impairment of property, plant and equipment and intangible assets	-194	-68
Other operating expenses	-5,454	-4,874
Earnings before interest and taxes (EBIT)	2,036	1,612
Financial income	5	0
Financial expenses	-1,479	-1,454
Financial result	-1,474	-1,454
Earnings before taxes (EBT)	562	158
Income taxes	1,152	-802
Group result	1,714	-644
Earnings per share in € (basic)	0.31	-0.01
Earnings per share in € (diluted)	0.31	-0.01
Average number of outstanding shares (basic)	4,526,266	4,526,266
Average number of outstanding shares (diluted)	4,526,266	4,526,266
Other comprehensive income		
Actuarial gains and losses	0	0
Currency translation reserve	-678	-613
Total comprehensive income	1,036	-1,257
Group result attributable to minority interests		
Shareholder paragon Group	1,381	-47
Non-controlling interests	333	-597
Total comprehensive income attributable to minority interests		
Shareholder paragon Group	822	-589
Non-controlling interests	214	-668

Consolidated Balance Sheet as of March 31, 2019 (IFRS)

€ '000	Mar. 31, 2019	Dec. 31, 2018
ASSETS		
Noncurrent assets		
Intangible assets	93,841	91,688
Goodwill	30,444	30,395
Property, plant and equipment	61,930	50,527
Financial assets	326	326
Other assets	2,218	1,528
Deferred taxes	2,193	2,193
	190,952	176,657
Current assets		
Inventories	68,901	58,927
Trade receivables	69,342	70,713
Income tax assets	22	91
Other assets	14,151	14,064
Liquid funds	17,456	41,841
	169,872	185,636
Total assets	360,824	362,293

€ '000	Mar. 31, 2019	Dec. 31, 2018
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	4,526	4,526
Capital reserve	15,165	15,165
Minority interests	61,179	61,900
Revaluation reserve	-802	-802
Profit/loss carried forward	99,270	95,883
Group result	1,381	2,334
Currency translation differences	-1,152	-1,207
	179,567	177,799
Noncurrent provisions and liabilities		
Noncurrent liabilities from finance lease	6,616	937
Noncurrent loans	16,780	17,579
Noncurrent bonds	50,527	49,881
Special item for investment grants	895	917
Deferred taxes	22,726	24,059
Pension provisions	2,933	2,885
Other noncurrent liabilities	3,837	3,837
	104,314	100,095
Current provisions and liabilities		
Current portion of liabilities from finance lease	3,098	861
Current loans and current portion of noncurrent loans	38,971	41,378
Current bonds	0	0
Trade payables	26,444	28,242
Other provisions	632	579
Income tax liabilities	739	618
Other current liabilities	7,059	12,721
	76,943	84,399
Total equity and liabilities	360,824	362,293

Consolidated Cash Flow Statement for the period of January 1 to March 31, 2019 (IFRS)

€ '000	Jan. 1 – Mar. 31, 2019	Jan. 1 – Mar. 31, 2018
Earnings before taxes (EBT)	562	158
Depreciation/amortization of noncurrent fixed assets	5,339	3,120
Financial result	1,474	1,454
Gains (-), losses (+) from the disposal of property, plant and equipment and financial assets	0	0
Increase (+), decrease (-) in other provisions and pension provisions	102	-29
Income from the reversal of the special item for investment grants	-22	-22
Other non-cash income and expenses	-1,043	-299
Increase (-), decrease (+) in trade receivables, other receivables and other assets	664	-7,074
Impairment of intangible assets	194	68
Increase (-), decrease (+) in inventories	-9,974	-7,822
Increase (+), decrease (-) in trade payables and other liabilities	-5,015	3,867
Interest paid	-1,479	-1,454
Income taxes	672	-68
Cash flow from operating activities	-8,526	-8,101
Cash receipts from the disposal of property, plant and equipment	0	0
Cash payments for investments in property, plant and equipment	-6,854	-1,212
Cash payments for investments in intangible assets	-5,406	-4,526
Cash payments for investments in financial assets	0	-2,573
Cash payments for the acquisition of consolidated companies other business units	0	0
Interest received	0	0
Cash flow from investment activities	-12,255	-8,311
Loan repayments	-8,495	-1,480
Proceeds from loans	5,225	401
Repayments of liabilities from finance lease	-334	-267
Cash flow from financing activities	-3,604	-1,346
Changes in cash and cash equivalents	-24,385	-17,758
Cash and cash equivalents at the beginning of the period	41,841	145,826
Cash and cash equivalents at the end of the period	17,456	128,068

Notes

The new IFRS 16 accounting standards for leasing are applied by paragon GmbH & Co. KGaA as of January 1, 2019. Using the modified retrospective first-time application, the following change in balance sheet items is effective from the beginning of the fiscal year:

€ '000	Dec. 31, 2018	Amendment IFRS 16	Jan. 1, 2019
Property, plant and equipment	50,527	6,131	56,658
Total assets	362,293	6,131	196,358
Current liabilities from lease	861	1,812	2,673
Non-current liabilities from lease	937	4,319	5,256
Equity and Liabilities	362,293	6,131	196,358

Financial Calendar

January 10/11, 2019	ODDO BHF Forum, Lyon
February 19/20, 2019	ODDO BHF German Conference, Frankfurt am Main
April 1, 2019	Annual Report – Consolidated Financial Statements 2018
April 3 to 5, 2019	Bankhaus Lampe Deutschlandkonferenz, Baden-Baden
May 13, 2019	Group Interim Report as of March 31, 2019 – 1. Quarter
May 13/14, 2019	Equity Forum Spring Conference, Frankfurt am Main
May 15, 2019	Annual General Meeting, Delbrück
June 12, 2019	Quirin Champions Conference, Frankfurt am Main
August 22, 2019	Group Interim Report as of June 30, 2019 – 1. Half Year
September 27, 2019	Baader Small-Cap Day, München
November 14, 2019	Group Interim Report as of September 30, 2019 – 9 Months
November 25 to 27, 2019	Eigenkapitalforum, Frankfurt am Main

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