

paragon[®]

GROUP INTERIM REPORT 1.1. - 3.31.2015

HIGHLIGHTS OF THE FIRST QUARTER OF 2015

Highlights of the first quarter of 2015

- Good start to new fiscal year
- Substantial revenue growth of 11.4% to € 21.2 million
- EBIT at € 1.4 million more than doubled
- Acquisition of SphereDesign GmbH completed
- Body Kinematics doubles revenue
- Full-year revenue and earnings forecasts reiterated

Key Indicators

in € thousands	Jan. 1, 2015 – March 31, 2015	Jan. 1, 2014 – March 31, 2014	Change in %
Revenue	21,156	18,999	11.4
EBITDA	2,802	1,802	55.5
EBITDA margin in %	13.2	9.5	
EBIT	1,395	597	133.7
EBIT margin in %	6.6	3.1	
Annual net income	769	87	783.9
Earnings per share in €	0.19	0.02	783.9
Total assets	74,957	52,779	42.0
Equity	17,792	15,980	11.3
Equity ratio in %	23.7	30.3	
Unrestricted cash	7,282	14,835	- 50.9
Interest-bearing liabilities	34,642	25,785	34.3
Net debt*	27,360	10,950	149.9
Operating cash flow	2,800	- 2,333	223.7

* Net debt = interest-bearing liabilities minus unrestricted cash

Macroeconomic framework

Following a substantial upturn in global economic momentum in the second half of 2014, the Kiel Institute for the World Economy¹ (IfW) has forecast a slight slowdown for the first quarter of 2015. Driven by ongoing expansive monetary policies and the lower oil price, growth rates in major industrialized economies are expected to improve further. However, the development of key emerging economies such as China, Russia or Latin America is being held back by structural problems and the marked fall in commodity prices. For the paragon Group as an automotive supplier, the overall macroeconomic climate is relevant to the extent that it might positively or negatively affect global automobile sales and thus demand for the company's products. Despite prolonged sales crises in Russia and Brazil, automobile sales have continued to develop positively.

Based on the very positive developments in Western Europe (+8.7%) and persistently strong growth in China (+11.3%), automobile sales in the most important country markets rose further in the first quarter of 2015 according to the German Association of the Automotive Industry (VDA)². Substantial growth was also seen in the US (+5.6%) and India (+4.5%). Weaker performances were reported in particular for the Russian (-36.3%), Brazilian (-16.2%) and Japanese (-15.5%) markets. In the case of Japan, however, due account should be taken of the one-off impact of the sales tax increase from the previous year. Having said this, almost 345,000 fewer vehicles were sold in Russia and Brazil alone compared with the previous year. This factor had a negative impact of 2.2 percentage points on the overall market. Thus, in total the country markets referred to here grew by 2.9% in the first quarter of 2015.

Major German premium manufacturers, who are among the most important customers of paragon Group, have also maintained their dynamic performance. In March alone, Audi, BMW, Mercedes and Porsche each posted the best sales figures in their company histories. Based on manufacturer disclosures, sales of these four brands grew by 9.3% to 1.37 million vehicles in the first quarter of 2015 (prior year: 1.25 million). In China alone, the

market share of German manufacturers now amounts to 23%³ and has thus continued to rise (full-year 2014: 21.2%).

Overall, the economic climate for paragon Group in the first quarter of 2015 was still positive.

Business performance and major events

paragon Group's revenue rose by 11.4% to around € 21.2 million, and thus showed double-digit growth compared with the previous year's figure of € 19.0 million. As of March 31, paragon had already received more than 96% of the customer orders necessary to reach the planned revenue target for the current fiscal year.

Breakdown of revenue by business segment

The Sensors business segment acquired its first serial order from a major German OEM for the development of a CO₂ sensor. This product will enter serial production in 2016. The Cockpit business segment received strategically important new orders, including one from a renowned Bavarian automobile manufacturer in the wireless charging product segment. In February 2015, paragon signed contracts to take over SphereDesign GmbH, a company located in Bexbach that generated revenue of around € 4 million with 26 employees in 2014. This company's innovative display and control elements are an ideal strategic match for paragon, particularly in the Cockpit business segment. Following the takeover of SphereDesign GmbH by paragon AG with retroactive effect as of January 1, 2015, short-term synergies have already been achieved by leveraging shared expertise and resources. Markus Barth, one of SphereDesign's former managing partners, has been appointed as director of the Cockpit business segment. The acquisition of SphereDesign GmbH was received very positively by customers and suppliers of both companies.

1 Institut für Weltwirtschaft: "Business Cycle Forecast of Spring 2015" dated March 11, 2015

2 VDA press release dated April 16, 2015: "Western European car market's best March result in five years"

3 VDA press release dated April 20, 2015: "Wissmann: German automotive industry continues its success in China"

Revenue in the Acoustics business segment grew by a further total of around 17% compared with the prior quarter (Q4/2014). The innovative belt microphone system "belt-mic" is now being included in the basic version of a further vehicle model at a renowned Bavarian automobile manufacturer. The Body Kinematics business segment acquired further serial orders for linkage outlet flaps and two seamlessly adjustable spoiler drive systems for German sports car manufacturers and a drive motor for group-wide use in kinematics systems.

In line with expectations, the Electromobility business segment did not yet generate any relevant revenue either in Germany or in Texas in the first quarter. Major European bus projects were completed in 2014, while numerous follow-up projects will be launched in the second quarter of 2015. There have been delays at the bus manufacturer in the US which therefore primarily reduced its own inventory holdings in the first quarter of 2015. Further deliveries will take place from April 2015 onwards. Neither of these two one-off factors is expected to have any material impact on full-year fig-

ures. Voltabox experienced a sharp increase in specific unsolicited inquiries for high-performance battery systems from well-known vehicle OEMs and major system integrators. There is a marked trend towards original equipment in this field. Furthermore, a major order for starter batteries has been received from a well-known carmaker. Based on an initial term of six years, this is expected to generate a high double-digit revenue volume. A further US order has been acquired for intra-logistic vehicles with hybrid batteries. Voltabox Deutschland GmbH also agreed a far-reaching strategic partnership with Triathlon Batterien GmbH, a leading provider of drive batteries for logistics applications. At core, this exclusive agreement, which is expected to generate revenues in a double-digit million euro range over the next five years, involves supplying lithium ion batteries for intra-logistics applications, such as electric forklift trucks, driverless transport systems, etc. Alongside its strategic partnership for electric buses with Vossloh-Kiepe, Voltabox has thus accessed a second major market segment. Triathlon will become relevant for the company's revenue from the second quarter of 2015 onwards.

	Q1/2015 in € thousands	in %	Q1/2014 in € thousands	in %
Sensors business segment	8,509	40.2	7,358	38.7
Acoustics business segment	3,787	17.9	3,806	20.0
Cockpit business segment	7,703	36.4	7,280	38.3
Body Kinematics business segment	1,125	5.3	531	2.9
Voltabox Deutschland GmbH*	32	0.2	24	0.1
Voltabox of Texas, Inc.*	0	0	0	0
Total	21,156	100	18,999	100

* Electromobility business segment

Earnings performance

The company generated consolidated revenue of € 21.2 million in the first quarter (prior year: € 19.0 million), equivalent to year-on-year growth of 11.4%. In line with the revenue development, cost of materials rose year-on-year by 10.4% from € 10.7 million to € 11.8 million. As a percentage of revenue, the relevant ratio even decreased from 56.3% to 55.8%. Mainly due to newly hired staff in the new business segments, personnel expenses rose by 16.4% from € 5.4 million to € 6.3 million in the first quarter of 2015. The personnel expense ratio amounted to 29.7% compared to 28.5% in the previous year. Earnings before interest, taxes, depreciation and amortization (EBITDA) therefore surged by an impressive 55.5% from € 1.8 million to € 2.8 million. Net of depreciation and amortization of € 1.4 million (prior year: € 1.2 million) earnings before interest and taxes (EBIT) more than doubled from € 0.6 million in the previous year's quarter to € 1.4 million. Overall, paragon Group generated a quarterly net income (IFRS) of € 0.8 million in the first quarter of 2015 (prior year: € 0.1 million). This corresponds to earnings per share of € 0.19 (prior year: € 0.02).

Financial position and net assets

Driven mainly by the acquisition of SphereDesign GmbH and large investments in property, plant and equipment, total assets as of March 31, 2015 grew to € 75.0 million compared to € 52.8 million on March 31, 2014.

Non-current assets rose to € 40.6 million (March 31, 2014: € 19.3 million), resulting from higher investments in property, plant and equipment in connection with the development of the new business segments and from an increase in capitalized development services throughout the Group due to numerous customer inquiries and new projects.

In line with the positive business performance, current assets increased slightly from € 33.5 million to € 34.4 million, mainly due to higher inventories and increased trade receivables and a simultaneous reduction in liquid funds.

Non-current provisions and liabilities increased by € 4.8 million to € 31.6 million, up from € 26.9 million as of March 31, 2014. Current provisions and liabilities rose from € 9.9 million to € 25.5 million. This increase was mainly driven by trade payables and current financial liabilities.

The total equity of paragon AG grew from the prior year's figure of € 16.0 million to € 17.8 million as of March 31, 2015. Given the substantial rise in total assets, this resulted in an equity ratio of 23.7% compared to 30.3% as of March 31, 2014.

The cash flow from operating activities showed a significant improvement from € -2.3 million in the previous year to € 2.8 million in the first quarter of 2015. The cash flow benefited in particular from the negative impact on the previous year's figure of partial pension provision outsourcing. Furthermore, the rise in inventories was more than offset by the increase in trade payables and other liabilities.

Cash and cash equivalents amounted to € 9.4 million as of March 31, 2015, compared to € 16.1 million as of March 31, 2014.

Research and development

Research and development is an area to which paragon traditionally accords high strategic priority. In the first quarter of 2015 as well, all five business segments made significant progress with development projects intended to substantially enhance the company's market position and sales opportunities. This is also reflected in the R&D quota, which rose from 10.0% to 10.4% despite the increase in revenue.

The Sensors business segment focused on bringing the next generation of AQI and CO₂ sensors to serial production maturity. Activities in the Acoustics business segment concentrated on the further development of the new scalable sound system, concept studies for a compact microphone for the global market, the introduction of the latest measurement and inspection standards and the development of a technology carrier, enabling paragon to vividly present its innovations. The

Cockpit business segment is pressing ahead with expanding its TFT-based display system product group and already presented impressive development results at customer roadshows. As part of a platform strategy for future products, strategic partnerships have been expanded with various suppliers, particularly in the field of microcontrollers, where paragon is to be a first-level support customer. Moreover, another key focus is on making greater application of new technologies and production methods, particularly for look and feel components. Given its positive order and acquisition situation, the Body Kinematics business segment has further expanded its development capacities and prototype construction. In the Electromobility business, both battery system modules have been consistently expanded and developed further.

Investments

paragon invested around € 9.6 million in total in the period from January 1 to March 31, 2015 (prior year: € 1.6 million). This increase was mainly driven by investments in property, plant and equipment, which grew from € 1.2 million to € 5.8 million. This was due to the construction of the production building in the US (€ 3.1 million), the takeover of property, plant and equipment upon the acquisition of SphereDesign GmbH (€ 0.7 million) as well as further replacement investments and new investments in machinery.

A sum of € 2.6 million was invested in intangible assets (prior year: € 0.4 million). These related primarily to the takeover of SphereDesign GmbH and the associated takeover of capitalized development services of € 1.5 million, as well as to an increase in capitalized development services from the various business segments, which rose year-on-year by € 0.7 million to € 1.1 million (prior year: € 0.4 million).

Employees

As of March 31, 2015, paragon Group had a total of 452 permanent and 58 temporary employees. The total number of employees thus rose by 12% compared with the previous year's reporting date (March 31, 2014: 398 permanent, 56 temporary). With the sales office in Shanghai and the US subsidiary Voltabox of Texas, Inc., paragon has 13 employees abroad (prior year: 7). The Group had the following (permanent/temporary) employee totals at its individual locations in Germany as of March 31, 2015: Delbrück (141/0), Suhl (203/57), Nuremberg (26/1), St. Georgen (49/0) and Bexbach (20/0).

Investor Relations

The major German Stock Index (DAX) performed very well in the first quarter of 2015 and rose almost continuously throughout the three-month period. Having closed the prior year at 9,805 points on December 30, 2014, the DAX initially headed to its annual low of 9,469 points (January 6, 2015) and then consistently gained ground, reaching a high of 12,167 points on March 16. At the end of the first quarter, on March 31, 2015, the index closed only marginally lower at 11,966 points. This corresponds to a substantial 22.0% increase throughout the year.

paragon's share was not to be outdone by this positive performance and even outperformed the DAX. Following a subdued start to the year, where the share also marked its annual low at € 13.38 on January 28, 2015, from mid-February onwards the share price benefited from better than expected results for fiscal 2014 and an ongoing highly positive outlook for the current fiscal year. The share price climbed to reach its annual high at € 18.98 on March 10. At € 18.35, the first-quarter clos-

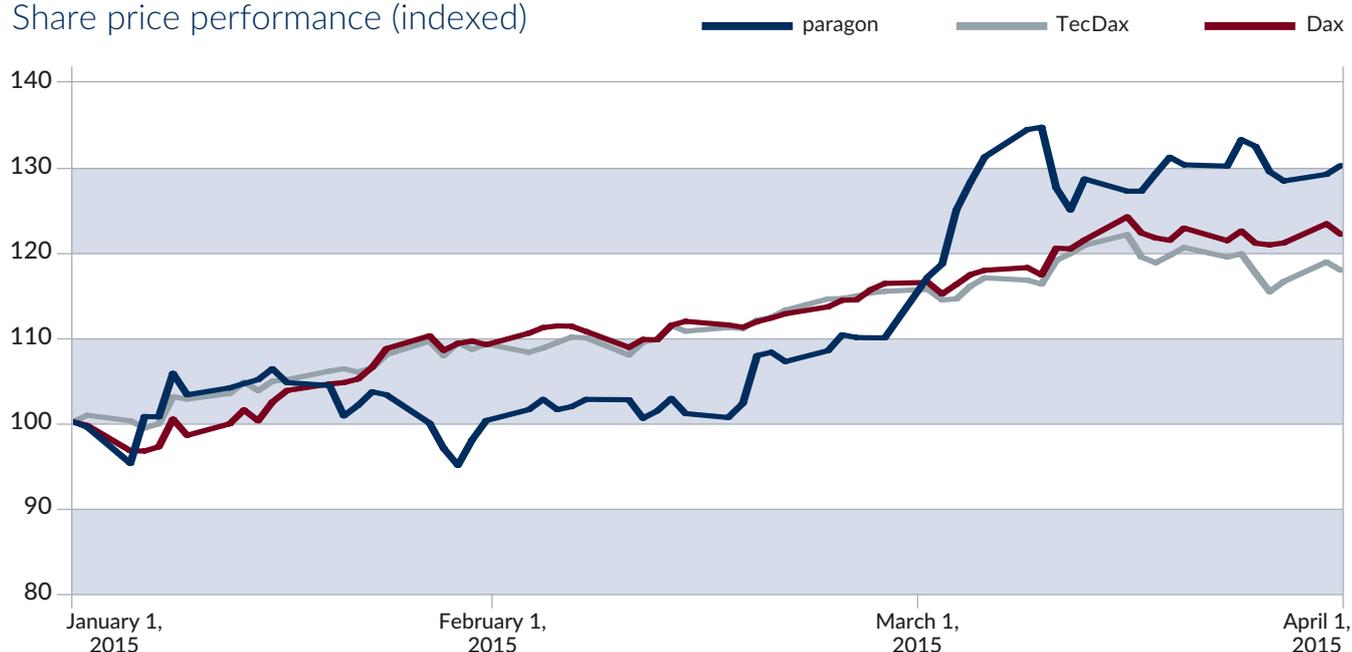
ing price was slightly lower but nevertheless reflects an increase of 30.1% on the previous year's closing price of € 14.10.

One highlight of our investor relations work in the first quarter of 2015 was the Annual Results Press Conference held on paragon's own premises at its headquarters in Delbrück on March 11, 2015. Alongside the figures for the past fiscal year, paragon's CEO Klaus Dieter Frers also outlined the company's plans and forecasts for 2015 to the attending media representatives.

Based on the results and budget figures presented, which exceeded expectations, in an analysts' conference call Dr. Kalliwoda Research GmbH, Frankfurt/Main renewed its "buy" recommendation and further raised its target share price (March 16: target € 25). The research report can be viewed on the company's website at www.paragon.ag under Investor Relations/Research Studies. Furthermore, paragon expects a further renowned equity research company to take up coverage of the stock in the coming months.

ISIN:	DE0005558696
WKN:	555869
Ticker symbol:	PGN
Market segment:	Regulated Market
Transparency level:	Prime Standard
Sector:	Technology
Industry:	Automobile supplier
Stock exchange:	Frankfurt (XETRA)
Also traded in:	Berlin, Düsseldorf, Hamburg, Munich, Stuttgart
Number of shares:	4,114,788
Share price on March 31, 2015:	€ 18.35
Market capitalization on March 31, 2015:	€ 75.5 million
Average trading volume (52 weeks) at March 31, 2015:	12,036 shares per day
Designated Sponsor	ODDO SEYDLER Bank AG

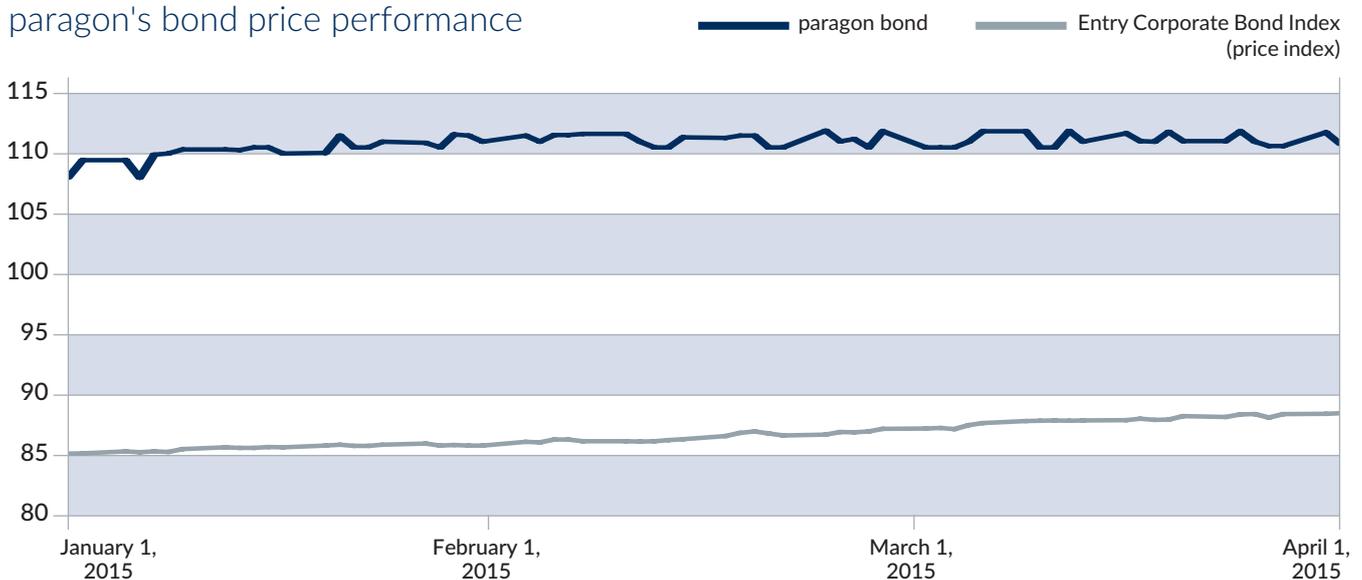
Share price performance (indexed)



The bond issued in July 2013 also continued to perform very stably and is still listed well above the issue price of 100%. Its price amounted to 110.8% at the end of the first quarter of 2015. By contrast, the Entry Corporate Bond Index (price index) referred to for comparison still remained far below the 100% mark.

ISIN:	DE000A1TND93
WKN:	A1TND9
Ticker symbol:	PGNA
Market segment:	Open Market
Transparency level:	Entry Standard for corporate bonds
Stock exchange:	Frankfurt
Also traded in:	Berlin, Hamburg, Hannover, Munich
Issue volume:	up to € 20 million
Placed volume: (December 31, 2014):	€ 13 million
Coupon:	7.25% p.a. (annual payment)
Issue date:	July 2, 2013
Maturity:	July 2, 2018
Rating (May 27, 2014):	BBB- (Creditreform Rating AG)
Bond price on March 31, 2015:	110.8%
Average trading volume (52 weeks) at March 31, 2015:	€ 21,937 (nominal) per day

paragon's bond price performance



Risk report

Detailed information on paragon's individual risk situation was presented in the opportunities and risk section of the Annual Report for the fiscal year ended December 31, 2014. The statements contained therein with respect to the company's overall risk situation continue to apply without amendment.

Upon publication of this report, the Managing Board was not aware of any risks that could threaten the continued existence of the company.

Outlook

According to the Kiel Institute for the World Economy (IfW)⁴, the annual rate of global economic growth is set to accelerate slightly to 3.7% in 2015 (prior year: 3.5%). This growth will mainly be driven by the large industrialized economies. The euro area should also benefit from this, with GDP growth forecast to rise to 1.3% (prior year: 0.9%). Emerging economies also stand to profit from growing demand from the industrialized economies. Given lower commodities prices and unresolved structural problems, however, the IfW has forecast a slight loss of momentum here, with GDP growth of 4.7% (prior year: 4.9%).

The IfW expects Germany to continue benefiting from a positive macroeconomic climate, with a slight acceleration in growth to 1.8% (prior year: 1.6%). Key factors driving this growth are private housing construction and consumer spending, supported by low inflation and a persistently robust labor market. Given the current low-interest climate, Germany faces a medium-term risk of overheating. Having said this, major political and economic risks in Europe still remain unresolved. All in all, paragon's Managing Board currently does not expect the macroeconomic situation to have any specific impact on the Group's business performance.

The German Association of the Automotive Industry (VDA)⁵ remains positive about 2015 and expects the global automotive market to grow by 2% to 77.4 million vehicles, mainly driven by the Chinese market. German premium manufacturers are maintaining their growth

course and, following a strong opening quarter, also expect to see new record turnover figures for the full year. Against this backdrop, paragon Group continues to operate in a positive market climate in fiscal 2015.

Following a very good first quarter, paragon's Managing Board is also positive about the company's ongoing revenue performance in the further course of the fiscal year. The order situation and outlook in individual business segments remain positive and have exceeded the company's own expectations in some areas, a development to which the new strategic partnership with Triathlon Batterien GmbH and the takeover of Sphere-Design GmbH have also contributed. The Managing Board therefore reiterates its forecast for fiscal 2015, which involves consolidated revenue of around € 100 million and an unadjusted EBIT margin of around 10%.

Alongside substantial revenue growth in the Electromobility business segment, where significant additional revenue potential has already been tapped with the strategic partnership for the intra-logistics business, the other business segments will also contribute notably to the Group's growth. Particularly worth mentioning here are the excellent order situation for AQS air quality sensors, the AQI air quality improvement systems and the boom in turnover with microphones, display instruments and back-up cameras. Key growth drivers include the ongoing growth in automobile sales, rising installation rates for hands-free systems, and the use of eCall technology. The Acoustics business segment expects sales of its "belt-mic" belt microphone system alone to double. Development orders for additional vehicle models are already on the horizon. The Cockpit and Body Kinematics business segments are continuing to work at full steam on the serial development and implementation of numerous exciting products due to enter serial production in 2015 and 2016. The pipeline is thus well-stocked.

Activities in the further course of the year will focus among other areas on the increasing internationalization of the paragon Group and on the partly related expansion of the Electromobility business segment at Voltabox of Texas, Inc. The launch of manufacturing at the newly built US production site is scheduled for June 2015.

⁴ Institut für Weltwirtschaft: "Business Cycle Forecast of Spring 2015" dated March 11, 2015

⁵ VDA press release dated March 2, 2015: "Wissmann: Export strength and free trade safeguard domestic locations"

Planning work for the Chinese business has also been completed. The sales subsidiary already in Shanghai since 2012 will be extended into a manufacturing operation and will move in the coming months into new premises offering ideal conditions in Kunshan not far from Shanghai. Production is scheduled to begin in the fall of 2015. In future, the new plant will produce air quality sensors, air quality improvement systems and stepper motors for display instruments. In a second stage, the company plans to further extend its product range. paragon has attracted Wolfgang Ketter, a highly reputed automotive product manufacturing expert with more than 25 years of experience in the automotive industry, as General Manager for its Chinese business. Among other roles, Wolfgang Ketter has in the past sev-

en years already acted as head of the Chinese division for a global automotive supplier and was responsible for developing several production sites in China and for acquiring new customers and suppliers. paragon is thus optimally prepared to operate in the Chinese market under its own steam also in future. In recent months, the company has already acquired several Chinese automakers as new customers with corresponding order volumes.

Against this backdrop, the Managing Board believes that the company is still well on track to meet the targets set for fiscal 2015 and, assuming that the market climate remains favorable, to maintain its substantial growth course in 2016 as well.

Consolidated Balance Sheet of paragon AG, Delbrück, as of March 31, 2015, in accordance with IFRS

in € thousands	March 31, 2015	March 31, 2014
ASSETS		
Non-current assets		
Intangible assets	14,435	5,541
Goodwill	840	0
Property, plant and equipment	24,885	13,517
Financial assets	376	120
Other assets	85	103
Total non-current assets	40,621	19,281
Current assets		
Inventories	11,667	8,172
Trade receivables	10,142	6,523
Income tax claims	1,028	888
Other assets	2,138	1,766
Cash and cash equivalents	9,361	16,149
Total current assets	34,336	33,498
Total assets	74,957	52,779

in € thousands	March 31, 2015	March 31, 2014
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	4,115	4,115
Capital reserve	2,450	2,450
Revaluation deficit	- 781	- 446
Profit carried forward	11,521	9,775
Net income	769	87
Currency translation differences	- 282	- 1
Total equity	17,792	15,980
Non-current provisions and liabilities		
Non-current lease obligations	1,873	607
Non-current borrowings	11,356	9,703
Non-current bonds	13,146	13,007
Investment grants	1,246	1,347
Deferred tax liabilities	2,106	994
Pension provisions	1,915	1,224
Total non-current provisions and liabilities	31,642	26,882
Current provisions and liabilities		
Current portion of lease obligations	457	267
Current loans and current portion of non-current borrowings	7,810	2,201
Trade payables	9,268	3,413
Other provisions	370	- 62
Income tax liabilities	199	57
Other current liabilities	7,419	4,041
Total current provisions and liabilities	25,523	9,917
Total equity and liabilities	74,957	52,779

Consolidated Statement of Comprehensive Income of paragon AG, Delbrück, for the period from January 1, 2015 to March 31, 2015, in accordance with IFRS

in € thousands	Jan. 1 – March 31, 2015	Jan. 1 – March 31, 2014
Sales revenue	21,156	18,999
Other operating income	1,252	289
Increase or decrease in inventory of finished goods and work in progress	457	475
Other own work capitalized	1,335	417
Total operating performance	24,200	20,180
Cost of materials	- 11,810	- 10,702
Gross profit	12,390	9,478
Personnel expenses	- 6,290	- 5,406
Depreciation of property, plant and equipment and amortization of intangible assets	- 1,397	- 1,205
Impairment of property, plant and equipment and intangible assets	- 10	0
Other operating expenses	- 3,298	- 2,270
Earnings before interest and taxes (EBIT)	1,395	597
Financial income	154	4
Finance costs	- 568	- 457
Financial result	- 414	- 453
Earnings before taxes (EBT)	981	144
Income taxes	- 212	- 57
Net income	769	87
Earnings per share (basic)	0.19	0.02
Earnings per share (diluted)	0.19	0.02
Average number of shares outstanding (basic)	4,114,788	4,114,788
Average number of shares outstanding (diluted)	4,114,788	4,114,788
Other comprehensive income		
Actuarial gains and losses	0	0
Currency translation differences	- 176	0
Total comprehensive income	593	87

Consolidated Cash Flow Statement of paragon AG, Delbrück, for the period from January 1, 2015 to March 31, 2015, in accordance with IFRS

in € thousands	Jan. 1 – March 31, 2015		Jan. 1 – March 31, 2014	
Earnings before income taxes	981		144	
Depreciation/amortization of non-current assets	1,397		1,205	
Financial result	414		454	
Gains (-), losses (+) from the disposal of property, plant and equipment and financial assets	- 8		0	
Increase (+), decrease (-) in other provisions and pension provisions	- 359		- 117	
Income from the reversal of the special item for investment grants	- 22		- 149	
Other non-cash income and expense	- 23		2	
Increase (-), decrease (+) in trade receivables, other receivables and other assets	- 747		- 780	
Partial transfer of pension provisions	0		- 1,453	
Impairment of intangible assets	10		0	
Increase (-), decrease (+) in inventories	- 4,756		- 703	
Increase (+), decrease (-) in trade payables and other liabilities	6,837		- 25	
Interest paid	- 568		- 457	
Income taxes	- 356		- 384	
Cash flow from operating activities		2,800		- 2,263
Cash receipts from disposals of property, plant and equipment	9		0	
Cash payments to acquire property, plant and equipment	- 5,769		- 1,192	
Cash payments to acquire intangible assets	- 2,571		- 410	
Cash payments to acquire consolidated companies and other business units	- 1,219		0	
Interest received	1		2	
Cash flow from investing activities		- 9,549		- 1,600
Cash repayments of borrowings	- 983		- 540	
Amounts paid on insolvency ratio	607		0	
Cash proceeds from issuing loans	3,337		80	
Cash repayments for liabilities from finance leases	- 115		- 75	
Net cash proceeds from the issuance of bonds	0		2,900	
Cash flow from financing activities		2,846		2,365
Cash-effective change in liquidity	- 3,903		- 1,498	
Cash and cash equivalents at beginning of period	13,264		17,647	
Cash and cash equivalents at end of period	9,361		16,149	

Consolidated Statement of Changes in Equity of paragon AG, Delbrück, in accordance with IFRS

in € thousands	Subscribed capital	Capital reserve	Revaluation deficit	Reserve from currency translation	ACCUMULATED PROFIT		Total
					Profit carried forward	Net income	
January 1, 2014	4,115	2,450	- 446	- 1	9,775	0	15,893
Net income	0	0	0	0	0	2,775	2,775
Actuarial gains and losses	0	0	- 335	0	0	0	- 335
Currency translation	0	0	0	- 105	0	0	- 105
Other comprehensive income	0	0	- 335	- 105	0	0	- 441
Comprehensive income	0	0	- 335	- 105	0	2,775	2,335
Dividend payout	0	0	0	0	- 1,029	0	- 1,029
December 31, 2014	4,115	2,450	- 781	- 106	8,746	2,775	17,198

in € thousands	Subscribed capital	Capital reserve	Revaluation deficit	Reserve from currency translation	ACCUMULATED PROFIT		Total
					Profit carried forward	Net income	
January 1, 2015	4,115	2,450	- 781	- 106	11,521	0	17,198
Net income	0	0	0	0	0	769	769
Actuarial gains and losses	0	0	0	0	0	0	0
Currency translation	0	0	0	- 176	0	0	- 176
Other comprehensive income	0	0	0	- 176	0	0	- 176
Comprehensive income	0	0	0	- 176	0	769	593
Dividend payout	0	0	0	0	0	0	0
March 31, 2015	4,115	2,450	- 781	- 282	11,521	769	17,791

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Basis of accounting and accounting policies

The interim consolidated financial statements of paragon AG as of March 31, 2015 have been prepared in accordance with the uniform accounting policies set out in International Financial Reporting Standards (IFRS) also applied in the Annual Report for the period from January 1, 2014 to December 31, 2014. Application has been made of the standards issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) effective as of the balance sheet date.

The group interim report is consistent in terms of its form and contents with the requirements of Deutsche Börse. The report represents an update of the Annual Report for the period under report. Its key focus is on the current reporting period and it should be read in conjunction with the Annual Report and the supplementary information about the company included therein. The aforementioned Annual Report is available online at www.paragon.ag.

SphereDesign GmbH, Bexbach, was fully consolidated for the first time in the first quarter of 2015. As a result, the existing scope of consolidation accounted for in the 2014 consolidated financial statements, comprising KarTec GmbH, paragon Automotive Technology (Shanghai) Co., Ltd., Voltabox of Texas, Inc., and Voltabox Deutschland GmbH, has been extended to include SphereDesign GmbH.

Income statement, balance sheet, cash flow statement

The sections headed "Financial position and net assets" and "Earnings performance" provide a detailed overview and include specific disclosures about the consolidated income statement, consolidated balance sheet, and consolidated cash flow statement of paragon AG.

Managing Board and Supervisory Board

There were no changes in the composition of the Managing Board or the Supervisory Board as of March 31, 2015 compared with December 31, 2014.

Events after the balance sheet date

The Managing Board is not aware of any events after the balance sheet date on March 31, 2015 that are of particular significance or that could materially influence the company's result of operations, financial position or net assets.

Information about the preparation of the interim financial statements

These interim consolidated financial statements have not been audited or subject to any audit review.

Forward-looking statements entail risks

These interim consolidated financial statements include statements that also concern the future performance of the paragon Group. These statements are based on both assumptions and estimates. Although the Managing Board is convinced that the forward-looking statements are realistic, it cannot offer any guarantees in this respect. The assumptions involve risks and uncertainties that could lead actual results to deviate from expected results.

Delbrück, May 12, 2015

The Managing Board

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