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+++ Corporate News +++

# paragon GmbH & Co. KGaA: Publication Pursuant to § 109 (2) (1) of the German Securities Trading Act (WpHG)

**Delbrück, Germany, June 7, 2019** – The German Financial Reporting Enforcement Panel (FREP) has determined that the consolidated financial statements of paragon GmbH & Co. KGaA, Delbrück, as of the balance sheet date December 31, 2017 are erroneous:

1. Regarding income taxes there were the following violations of accounting standards:
   a) Deferred tax liabilities as of December 31, 2017 and tax expense for the 2017 fiscal year are reported too high by € 2.7 million, respectively, since following a company-internal transfer of assets the previously recognized deferred tax liability was not adjusted for the changed temporary difference. This violates IAS 12.15.
   b) The deferred tax assets and equity are reported too high by € 3.2 million, respectively, as of December 31, 2017, since net deferred tax assets were recognized for deferred taxes at the Voltabox of Texas Inc. subsidiary, although this company had a history of tax losses and there were no conclusive substantive indications of the usability of the tax losses. The tax expense in the 2017 fiscal year is reported too low by at least the € 1.1 million increase with effect on profit or loss. This violates IAS 12.35.
   c) The tax reconciliation in the notes to the consolidated financial statements is incomplete and erroneous so that the reported tax rate of 120 percent is not explained. This violates IAS 12.81(c).
   d) It was not disclosed in the notes to the consolidated financial statements that tax advantages of € 2.8 million in connection with the tax deductibility of the costs of the stock market listing of a subsidiary recognized with no effect on profit or loss

were also recognized with no effect on profit or loss in equity. This violates IAS 12.81(a).

e) No offsetting of deferred tax assets and liabilities was performed in the consolidated balance sheet. This violates IAS 12.74.

2. Regarding the shares of minority interests there were the following violations of accounting standards:

a) Earnings before taxes are reported too high by about € 1.6 million since all transaction costs in connection with the stock market listing of shares of the subsidiary Voltabox AG in October 2017 totaling € 9.4 million were recognized in equity with no effect on profit or loss, although only a partial amount of about € 7.8 million related to the placement of 6,325,000 shares with new investors (transaction with minority interests). Transaction costs of about € 1.6 million relate to the initial stock market listing of the 9,500,000 shares still being held (no transaction with minority interests). The recognition of these costs with no effect on profit or loss violates IAS 1.109 sentence 2 in conjunction with IFRS 10.23, IAS 32.37 sentence 3 and IAS 32.38 sentence 2.

b) The shares of minority interests are reported too low by € 4.0 million as of December 31, 2017 since too small a share of the additional equity from the stock market listing of the subsidiary Voltabox AG was allocated to them. This violates IFRS 10.B96, which stipulates that the addition for minority interests results from the proportionate value of the associated assets and liabilities.

c) The proportionate claim of the minority interests of the Voltabox AG subsidiary for compensation of loss for the 2017 fiscal year of € 4.0 million was added to the shares of minority interests not with no effect on profit or loss through equity, but instead as an (increased) share of consolidated net income for the 2017 fiscal year. This violates IAS 1.109 sentence 2, which stipulates that transactions with owners acting in their capacity as owners are to be recognized through equity with no effect on profit or loss.

3. Consolidated income is reported too high by about € 0.6 million since losses from the currency translation of a loan denominated in foreign currency was not recognized with effect on profit or loss but in other comprehensive income. This violates IAS 21.28.
4. The earnings per share of € -0.15 reported in the income statement were determined on the basis of total consolidated income for the 2017 fiscal year. This violates IAS 33.10, which stipulates that earnings per share are to be based only on the share of earnings attributable to the company's own shareholders.
5. It is disclosed in the notes to the consolidated financial statements that Ms. Frers – the wife of Klaus Dieter Frers (Chief Executive Officer and controlling shareholder in the 2017 fiscal year) – is employed under an employment contract. The amount of remuneration for her activities in the 2017 fiscal year is not disclosed. This violates IAS 24.18(a), which stipulates that not only the fact that transactions have occurred with related parties is to be disclosed, but also the amount of the transactions is to be indicated.