

**GROUP INTERIM STATEMENT**

AS OF JUNE 30, 2020

FIRST HALF YEAR

Group Key Figures (IFRS) <sup>1</sup>

€ '000 / as indicated	Jan. 1 to Jun. 30, 2020	Jan. 1 to Jun. 30, 2019 <sup>2</sup>	Change in %	Jan. 1 to Apr. 30, 2020	Jan. 1 to Apr. 30, 2019 <sup>2</sup>	Change in %
Revenue	50,039	63,968	-21.8	20,587	33,598	-38.7
EBITDA	3,381	5,125	-34.0	1,364	64	2031.3
EBITDA margin in %	6.8	8.0	n. a.	6.6	0.2	n. a.
EBIT	-5,605	-1,764	-217.7	-3,236	-3,240	-0.1
EBIT margin in %	-11.2	-2.8	n.a.	-15.7	-9.6	n. a.
Result from continued activities	-8,130	-4,035	-101.5	-4,498	-4,912	-8.4
Result from discontinued activities	-21,799	-3,887	-460.8	-5,564	-4,724	17.8
Group result	-29,929	-7,922	-277.8	-10,062	-9,636	4.4
Earnings per share of continued activities in €	-1.80	-0.89	n. a.	-0.99	-1.09	8.4
Investments (CAPEX) <sup>3</sup>	3,313	15,192	-78.2	548	5,740	-90.5
Operating cash flow <sup>4</sup>	4,078	-11,669	n.a.	2,703	-16,295	n. a.
Free cash flow	765	-26,861	n.a.	2.156	-22,035	n. a.
In TEUR bzw. It. Angabe	Jun. 30, 2020	Dec. 31, 2019 <sup>5</sup>	Change in %	Jun. 30, 2020	Jun. 30, 2019 <sup>5</sup>	Change in %
Total assets	244,738	274,056	-11.1	244,738	380,794	-35.8
Equity	24,191	52,607	-54.0	24,191	168,422	-85.6
Equity ratio in %	9.9	19.2	n. a.	9.9	44.2	n. a.
Free liquidity	10,589	18,002	-41.2	10,589	31,466	-66.3
Interest bearing liabilities	126,800	148,974	-14.9	126,800	142,033	-10.7
Net debt <sup>6</sup>	116,211	130,972	-11.3	116,211	110,567	5.1
Employees <sup>7</sup>	787	800	-1.6	787	818	-3.8

## Share

	Jun. 30, 2020	Dec. 31, 2019	Change	Jun. 30, 2020	Jun. 30, 2019	Change
Xetra closing price in €	8.85	14.50	-39.0%	8.85	20.85	-57.6%
Number of shares outstanding	4,526,266	4,526,266	0	4,526,266	4,526,266	0
Market capitalization in € million	40.1	65.6	-25.5	40.1	94.4	54.3

1 The operating activities of paragon were previously divided into the operating segments of Electronics, Mechanics and Electromobility. The Electromobility operating segment is represented by the listed subsidiary Voltabox AG. On March 3, 2020, paragon announced its intention to sell its stake in Voltabox AG. As a result of the planned sale, the previously fully consolidated investment has been accounted for as a discontinued operation since the first quarter of 2020 in accordance with the provisions of IFRS 5.

2 Comparative figures for the prior year have been adjusted due to the reporting of discontinued operations (Electromobility operating segment) in accordance with IFRS 5.

3 CAPEX = investments in property, plant and equipment + investment in intangible assets

4 Free cash flow = operating cash flow – investments (CAPEX)

5 Values from 2019 include paragon Automotive (Electronics and Mechanics operating segments) as well as the Electromobility operating segment.

6 Net debt = interest-bearing liabilities – available liquidity.

7 Plus 9 temporary workers at paragon Automotive (December 31, 2019: 46; June 30, 2019: 64).

## The First Half-Year of 2020 at a Glance

- Production restart successfully completed in the second quarter –  
Effects of six-week plant closures less negative than expected
- Automotive revenue in the first half of the year at € 50.0 million (prior year: € 64.0 million) –  
Current monthly revenue is back to the prior year's level
- EBITDA margin of June 2020 in the amount of 17% shows potential –  
Cost reduction measures are working
- First half-year earnings at similar level as the first half of 2019 despite coronavirus-related revenue decline: EBITDA at € 3.4 million (prior year: € 5.1 million) – Margin at 6.8% (prior year: 8.0%)
- Positive outlook for successful second half of the year –  
Revenue of € 60 to 70 million (prior year: € 71.4 million)
- Forecast for automotive business in 2020 raised: Revenue between € 110 and 120 million with an EBITDA margin expected between 8 and 12% – Positive trend for 2021 and 2022 foreseeable

Dear shareholders,  
customers, business partners  
and employees,

In the course of the first half of the year, we have provided updates in various publications about how the coronavirus crisis is affecting paragon. This half-year report clearly demonstrates that we have succeeded relatively well in cushioning the implications of the nationwide shutdown in Germany, the plant closures of our customers, and the resulting temporary interruption of our production, and that the measures we have taken have been effective. Various external sources have confirmed that we have “put up a valiant fight.”

Our crisis management has thus proven to be effective, as evidenced by the EBITDA margin of 17 percent in June. With revenue of around € 50 million that was strongly influenced by the plant closures, we generated EBITDA of € 3.4 million in the first half of 2020. With a margin of 6.8 percent, this corresponds exactly to the margin (marked by one-time operating effects) that we achieved in the prior full year. Our focus is clearly on the future. We do not share the widespread pessimism about the automotive supply industry that was observed by the German Association of the Automotive Industry (VDA) in a recent survey of industry representatives. We see no reason to share this view. To understand paragon, it is essential to realize that we can only be compared with our competitors to a certain extent. The paragon Group is still far from being represented in every country or market in the world. Our focus so far has been primarily on the German market of premium manufacturers. Moreover, there is room to considerably increase the model penetration of many of our products. We are still at the beginning of the life cycle with many of the recently developed innovations. The reasons for the two-year double-digit growth rates in paragon’s automotive business – despite a stagnating or even shrinking market – are obvious.

In the survey of VDA mentioned above, every second automotive supplier expects to reach its pre-crisis level in 2022; this is sometimes described as a “low lasting for years.” At paragon, we see things differently; in the second half of 2020, we expect roughly the same revenue level as in the prior year. We will continue to grow in 2021. In 2022, we will return to the business plan that was valid before the coronavirus pandemic. What’s more, thanks to the cost-reduction measures we have meticulously pursued, we are already seeing initial improvements that will become even more noticeable in the next few years.

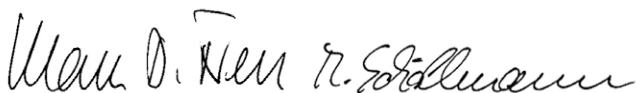
We also recently reached a milestone with the conclusion of a groundbreaking collaboration agreement in the Sensors business unit. In our recently published annual report, we indicated our efforts to develop the use of sensors to detect small children in cars. Together with Ilmsens, a start-up based in Thuringia, we are bringing this groundbreaking sensor technology – which can prevent accidents caused by heat stroke – to market maturity. This innovative system concept, which is not comparable with any other sensor system available to date, will allow modern cars to provide the best protection possible to ensure that children or pets are not accidentally left behind. The team supporting Ilmsens Managing Director Hans-Christian Fritsch and paragon unit heads Ralf Mönkemöller and Sebastian Schrader was able to attract interest from numerous OEMs in our joint solution. According to the Euro NCAP Road Map, starting in 2024, automobile manufacturers will be rewarded for integrating a function in their vehicles that detects the presence of children.

Our confidence stems from the stabilizing automobile markets. The VDA has determined that the number of

new registrations in Western Europe is barely declining, while sales increased for the third consecutive month in the Chinese market. In July, vehicle sales in China were 9% higher than in the prior year. For paragon, the development of premium manufacturers is naturally of particular interest. We are pleased with the development of one of our most important customers: Audi is registering very high demand from end customers, especially for plug-in hybrids. Our electronics and interior products are naturally incorporated in both these vehicles and the corresponding versions with combustion engines.

Overall, our confidence has increased in recent weeks. The upturn in China in particular is contributing to our rapid recovery from the “coronavirus dip,” since an estimated 40 percent of our revenue is directly or indirectly related to the Chinese market. Accordingly, we now expect to be able to report revenue of € 110 to 120 million by the end of the fiscal year. At the EBITDA level, we continue to aim for a margin of between 8 and 12 percent.

Our thanks go to all employees of the paragon Group for their dedication and commitment to our path through the coronavirus crisis. We would also like to thank our business partners, customers and shareholders for their support and trust.



Klaus Dieter Frers  
CEO

Dr. Matthias Schöllmann  
Managing Director Automotive

## paragon in the Capital Market

The German stock market continued seamlessly onward from its dynamic year-end spurt in 2019 and built up gradually to a new all-time high in January of this year. This development was fueled by various economic and trade policy signals. At the same time, the news surrounding the spread of the novel coronavirus built up a powerful counterweight that increasingly depressed the mood of market participants in the course of the first quarter. According to the Deutsche Börse Sentiment Index, the bearish camp of institutional investors increased by 20 percentage points in the first half of February, reaching 39 percent. As the spread of the disease reached pandemic proportions, German and U.S. stock markets ultimately responded with dramatic fluctuations. Governments and central banks were compelled to react to the strongly pessimistic mood by announcing extensive countermeasures, which led to a significant recovery in share prices.

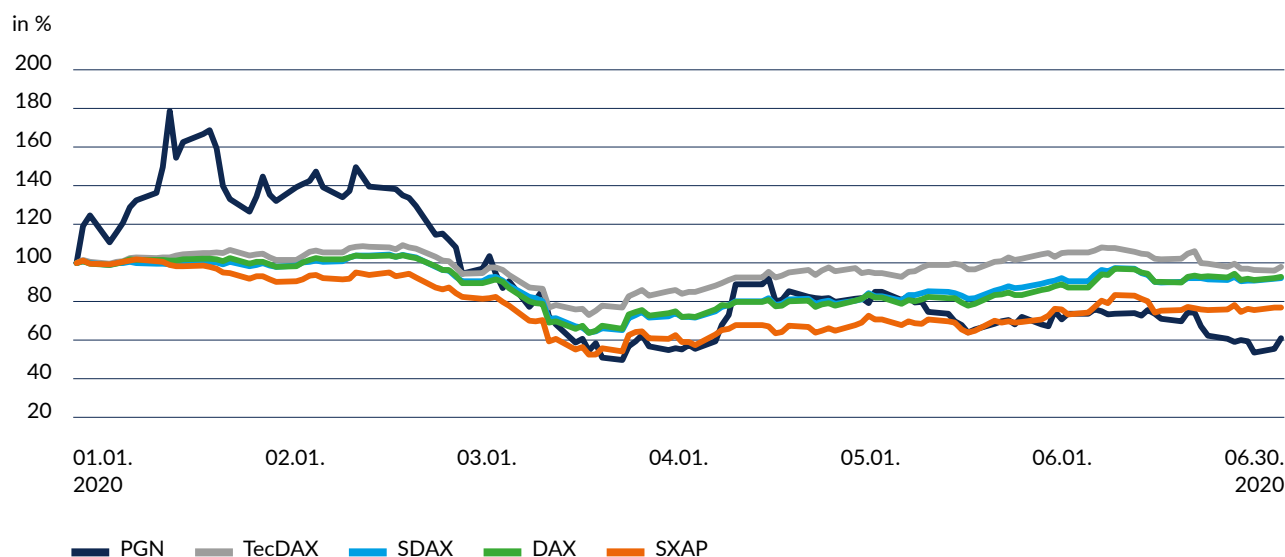
In mid-April, however, the sentiment index ultimately fell to -40 points, its lowest level since it was first collected in 2002. The behavior of market participants was determined primarily by the negative outlook for the global

economy. This sentiment was supported by Bank of America's "Bull & Bear" Index, which showed a value of 0.0 on a scale of 0 to 10 – in short: extreme pessimism. In the meantime, however, the U.S. Federal Reserve bank had announced its new bond purchase program in the amount of an additional USD 2.3 trillion, thus providing an economic stimulus. The gradual relaxation of restrictions due to the COVID-19 pandemic subsequently served to reassure the markets, and the DAX rallied towards recovery in April and May. The fragility of this trend was shown by the dramatic counter-reaction in mid-June following concerns of a repeated flare-up of the COVID-19 pandemic against the backdrop of increasing infection rates, which led to a temporary 10 percent drop in the index.

Although the sentiment index for both private and institutional investors stood in negative terrain at the end of June, the ostensibly pessimistic mood was moderated when assessed in regard to three- and six-month time horizons. This was particularly the case for institutional investors, whose sentiment index actually registered significantly higher than the three-month average.

The second quarter thus ended as the market's best since 2003, with gains of nearly 30 percent. Accordingly, more than three quarters of the losses suffered by the

## Performance of the paragon share



DAX in the first quarter of this year were offset. On the whole, Germany's most important stock indices developed negatively in the first half of the year (DAX -7.1%, SDAX -7.8%, TecDAX -2.0%). The STOXX Europe 600 Automobiles & Parts (SXAP) index, which lists the most important European automotive industry stocks, posted a significant loss of -22.8%.

During the same period, the paragon share substantially underperformed the market with a decline in value of -39.0%. Starting from an initial price of € 14.50, the paragon share saw positive development in the first few trading days of the year and rose rapidly to its high of € 25.95 in mid-January. In the weeks that followed, the share was able to maintain this high level in relation to the previous quarter until, from the second half of February onwards, the increasing spread of the coronavirus caused nervousness on the markets. The paragon share could not escape this development; it came under additional pressure following announcements by automobile manufacturers that they would temporarily suspend production, resulting in paragon plant closures. The share reached its low of € 7.20 on March 23, 2020. In line with the general mood on the stock markets, paragon shares regained momentum in the first half of April. Subsequently, the share recorded sideways movement. Shortly before the balance sheet date, the share came under renewed pressure, closing at € 8.85 on June 30, 2020. Accordingly, the market value of paragon at this time came to € 40.1 million, which corresponds to a drop in value in the first half of the year of € 25.5 million.

The corporate bond 2017/22, tradable since June 28, 2017, averaged 54.38% in the first half of the year.

The CHF bond 2019/24, tradable since April 23, 2019, averaged 54.34% in the first six months of the year.

## Business development

Business development in the first six months of the 2020 fiscal year was marked by a six-week production standstill starting in the second half of March. Despite the temporary close of production plants for the protection of our employees' health during the spread of the coronavirus, following the successful restart, revenue in the Automotive unit declined by only 21.8% the first six months of the year. Contrary to the general trend, the new Digital Assistance business unit was able to achieve significant growth on the previously low revenue level of around 30 percent. The Kinematics unit was relatively unaffected by effects in the first half of the year, with a drop in revenue of only 12.5 percent.

Unless otherwise stated, the following key figures and explanations cover the operating activities of the Electronics and Mechanics operating segments. Assets and liabilities as well as the profit after tax of the discontinued Electromobility segment are reported separately in the balance sheet and income statement in accordance with IFRS 5. The prior year's figures have been adjusted where necessary for purposes of comparison.

€ '000 / as indicated	Electronics <sup>8,9</sup>		Mechanics <sup>9,10</sup>		Eliminations <sup>9</sup>		Group <sup>9</sup>	
	6M/2020	6M/2019	6M/2020	6M/2019	6M/2020	6M/2019	6M/2020	6M/2019
Revenue with third parties	33,565	45,139	16,474	18,829	0	0	50,039	63,968
Revenue intersegment	1,935	1,592	412	106	-2,347	-1,744	0	0
<b>Revenue</b>	<b>35,500</b>	<b>46,730</b>	<b>16,886</b>	<b>18,935</b>	<b>-2,347</b>	<b>-1,744</b>	<b>50,039</b>	<b>63,968</b>
<b>EBIT</b>	<b>-3,299</b>	<b>-1,398</b>	<b>-1,706</b>	<b>-3,371</b>	<b>-600</b>	<b>3,004</b>	<b>-5,605</b>	<b>-1,765</b>
<b>EBIT margin</b>	<b>-9.3%</b>	<b>-3.0%</b>	<b>-10.1%</b>	<b>-17.8%</b>	<b>n. a.</b>	<b>n. a.</b>	<b>-11.2%</b>	<b>-2.8%</b>

<sup>8</sup> Sensors, Interior and Digital Assistance business units.

<sup>9</sup> For revenue and EBIT in the first quarter of 2020, Voltabox is reported as a third party.

<sup>10</sup> Kinematics unit (paragon movasys GmbH).

Sales development in the individual units was as follows:

Distribution of revenues € '000 / as indicated	6M 2020	Share in %	6M 2019	Share in %	Change in %
Sensors	13,156	26.3	16,672	26.1	-21.1
Interior	18,070	36.1	26,677	41.7	-32.3
Digital Assistance	2,339	4.7	1,788	2.8	30.8
Kinematics	16,474	32.9	18,829	29.4	-12.5
<b>Total</b>	<b>50,039</b>	<b>100.0</b>	<b>63,966</b>	<b>100.0</b>	<b>-21.8</b>

## Financial performance

In the first six months of the current fiscal year, paragon achieved revenue of around € 50.0 million (prior year: € 64.0 million). The decline in revenue of 21.8% is due to the coronavirus-related plant closures in the first and second quarters. The reduced other operating income of € 2.1 million (prior year: € 3.0 million) is primarily the result of foreign currency effects. As a result of an active working capital management approach, inventories of finished and unfinished goods decreased by € 1.9 million (prior year: reduction by € 0.2 million). Own work capitalized decreased to € 3.1 million (prior year: € 6.6 million) due to more conservative recognition rules. This results in an overall performance of € 53.4 million (prior year: € 73.4 million).

The cost of materials decreased due to the reduced revenue to € 26.5 million (prior year: € 38.5 million). This resulted in a material input ratio (calculated from the ratio of cost of materials to revenue and inventory changes) of 55.1% (prior year: 60.3%).

Gross profit for the first half of the year was € 26.9 million (prior year: € 34.9 million), which constitutes a gross profit margin of 53.6% (prior year: 54.6%). Personnel expenses fell to € 17.0 million (prior year: € 22.2 million). The personnel expense ratio was accordingly 33.9% (prior year: 34.7%).

Taking into account the 13.3% decrease of € 6.5 million (prior year: € 7.5 million) in other operating expenses, earnings before interest, taxes, depreciation and amor-

tization (EBITDA) totaled € 3.4 million (prior year: € 5.1 million). This corresponds to an EBITDA margin of 6.8% (prior year: 8.0%). After increased depreciation and amortization of € 8.9 million (prior year: € 6.9 million), earnings before interest and taxes (EBIT) decreased to € -5.6 million (prior year: € -1.8 million). The EBIT margin accordingly came to -11.2% (prior year: -2.8%).

Due to the bond issued in the first half year of 2019, the financial result for the first half of 2020 decreased to € -3.3 million (prior year: € -2.6 million). After positive income tax expenses of € 0.8 million (prior year: positive income taxes of € 0.3 million), the paragon Group generated a result from continuing operations of € -8.1 million (prior year: € -7.9 million) in the reporting period. This corresponds to earnings per share of € -1.80 (prior year: € -0.89).

The Electromobility operating segment is reported as a discontinued operation. The result from discontinued operations for the first half of the year is € -21.8 million (prior year: € -3.9 million). This result is structured as follows:

€ '000	
Revenue	9,343
Other operating income and expenses	-8,931
Financial result	-360
Earnings before taxes (EBT)	-21,141
Income taxes	-658
Earnings from discontinued operations	-21,799



## Net Assets

As of June 30, 2020, total assets had decreased to € 244.7 million (December 31, 2019: € 274.1 million).

Noncurrent assets decreased by € 39.4 million to € 127.5 million (December 31, 2019: € 166.9 million) as a result of reporting assets held for sale under current assets.

Current assets increased by € 10.1 million to € 117.3 million (December 31, 2019: € 107.2 million) despite the decrease in inventories from paragon and the reduction in trade receivables. This is also a result of the disclosure of assets held for sale.

Equity decreased by € -28.4 million to € 24.2 million as of the balance sheet date (December 31, 2019: € 52.6 million), particularly due to the negative total consolidated net income. This caused the equity ratio to decrease to 9.9% (December 31, 2019: 19.2%).

Noncurrent provisions and liabilities decreased by € 18.3 million to € 125.2 million (December 31, 2019: € 143.5 million), mainly due to the fact that liabilities held for sale are reported under current liabilities.

Current provisions and liabilities increased by 22.3% to € 95.3 million (December 31, 2019: € 78.0 million). This is mainly due to an increase in provisions at Voltabox AG, which is recognized under the "current liabilities held for sale" balance sheet item.

## Financial Position

Cash flow from operating activities improved in the period under review to € 4.1 million (prior year: € -11.7 million). The primary reasons for this were the decrease in inventories by € 2.8 million, the increase in other provisions and provisions for pensions by € 4.0 million and the decrease in liabilities by € 2.8 million. There was a cash flow of € 9.3 million from discontinued operations.

Cash flow from investing activities improved by € 11.9 million to € -3.3 million in the period under review (prior year: € -15.2 million). This is largely the result of our

temporarily conservative investment strategy due to the uncertainties surrounding the coronavirus pandemic. The discontinued operation accounted for a cash flow of € -8.7 million in investment activities.

The cash flow from financing activities decreased in the reporting period by € 21.2 million to € -2.1 million (prior year: € 19.1 million), especially as a result of lower loan repayments. The cash flow from the financing activities of the discontinued operation amounted to € -0.1 million.

Cash and cash equivalents totaled € 3.1 million as of the end of the reporting period (December 31, 2019: € 5.9 million).

## Opportunity and Risk Report

In the first half year of 2020, there were no significant changes in the opportunities and risks described in detail under „Opportunity and Risk Report“ in the 2019 Annual Report in which the implications of the COVID-19 pandemic are already fully taken into account. The 2019 Annual Report can be accessed on the internet at <https://ir.paragon.ag>.

## Forecast

The forecast for the current fiscal year and the underlying assumptions are explained in detail in the combined management report for the 2019 fiscal year. Based on the positive development of the existing customer call-offs and market analyses, the Management raised the revenue forecast for the Automotive business and now expects revenue of € 110 to 120 million and an EBITDA margin of 8 to 12%. The investment volume for this area should come to € 15 to 20 million.

## Development of Key Performance Indicators

€ '000 / as indicated	2019	Year-to-date 6M/2020 <sup>11</sup>	Forecast 2020
<b>Financial performance indicators</b>			
Revenue	139,541	50,039	€ 110 to 120 million
EBITDA margin	6.2%	6.8%	8 to 12%
Investments (CAPEX) <sup>12</sup>	25,839	3,313	€ 15 to 20 million

<sup>11</sup> Exclusively paragon Automotive; without consideration of the Electromobility operating segment (discontinued activity)

<sup>12</sup> CAPEX = investments in property, plant and equipment + investment in intangible assets

## **Condensed Group Interim Financial Statements**

Consolidated Statement of Comprehensive Income

Consolidated Balance Sheet

Consolidated Cash Flow Statement

Statement of changes in equity

## Condensed Group Interim Financial Statements

Consolidated Statement of Comprehensive Income  
for the period of January 1 to June 30, 2020 (IFRS)

€ '000	Jan. 1 to Jun. 30, 2020	Jan. 1 to Jun. 30, 2019 <sup>13</sup>	Apr. 1 to Jun. 30, 2020	Apr. 1 to Jun. 30, 2019 <sup>13</sup>
<b>Revenue</b>	<b>50,039</b>	<b>63,968</b>	<b>20,587</b>	<b>33,598</b>
Other operating income	2,129	3,012	340	64
Increase or decrease in inventory of finished goods and work in progress	-1,913	-238	-342	-564
Other own work capitalized	3,113	6,614	1,257	2,895
<b>Total operating performance</b>	<b>53,368</b>	<b>73,356</b>	<b>21,842</b>	<b>35,993</b>
Cost of materials	-26,504	-38,460	-12,051	-20,125
<b>Gross profit</b>	<b>26,864</b>	<b>34,896</b>	<b>9,791</b>	<b>15,868</b>
Personnel expenses	-16,949	-22,228	-6,373	-11,736
Depreciation of property, plant and equipment and amortization of intangible assets	-8,930	-6,889	-4,544	-3,304
Impairment of property, plant and equipment and intangible assets	-56	0	-56	0
Other operating expenses	-6,534	-7,543	-2,054	-4,068
<b>Earnings before interest and taxes (EBIT)</b>	<b>-5,605</b>	<b>-1,764</b>	<b>-3,236</b>	<b>-3,240</b>
Financial income	20	2	1	1
Financial expenses	-3,308	-2,606	-1,655	-1,337
<b>Financial result</b>	<b>-3,288</b>	<b>-2,604</b>	<b>-1,654</b>	<b>-1,336</b>
<b>Earnings before taxes (EBT)</b>	<b>-8,893</b>	<b>-4,368</b>	<b>-4,890</b>	<b>-4,576</b>
Income taxes	763	333	392	-336
<b>Result from continued activities</b>	<b>-8,130</b>	<b>-4,035</b>	<b>-4,498</b>	<b>-4,912</b>
Result from discontinued activities	-21,799	-3,887	-5,564	-4,724
<b>Consolidated net income</b>	<b>-29,929</b>	<b>-7,922</b>	<b>-10,062</b>	<b>-9,636</b>

13 Comparative figures for the prior year have been adjusted accordingly due to the reporting of discontinued operations.

€ '000	Jan. 1 to Jun. 30, 2020	Jan. 1 to Jun. 30, 2019 <sup>14</sup>	Apr. 1 to Jun. 30, 2020	Apr. 1 to Jun. 30, 2019 <sup>14</sup>
Earnings per share in € (basic) – continued activities	-1.80	-0.89	-0.99	-1.09
Earnings per share in € (diluted) – continued activities	-1.80	-0.89	-0.99	-1.09
Earnings per share in € (basic) – continued and discontinued activities	-6.61	-1.75	-2.22	-2.13
Earnings per share in € (diluted) – continued and discontinued activities	-6.61	-1.75	-2.22	-2.13
Average number of outstanding shares (basic)	4,526,266	4,526,266	4,526,266	4,526,266
Average number of outstanding shares (diluted)	4,526,266	4,526,266	4,526,266	4,526,266
<b>Other comprehensive income</b>				
Actuarial gains and losses	0	0	0	0
Currency translation reserve	159	-370	559	308
<b>Total comprehensive income</b>	<b>-29,770</b>	<b>-8,292</b>	<b>-9,503</b>	<b>-9,328</b>

14 Comparative figures for the prior year have been adjusted accordingly due to the reporting of discontinued operations.

## Consolidated Balance Sheet as of June 30, 2020 (IFRS)

€ '000	Jun. 30, 2020	Dec. 31, 2019
<b>ASSETS</b>		
<b>Noncurrent assets</b>		
Intangible assets	58,842	71,284
Goodwill	22,375	22,375
Property, plant and equipment	45,663	69,307
Financial assets	121	1,521
Other assets	128	2,142
Deferred taxes	341	270
	<b>127,470</b>	<b>166,899</b>
<b>Current assets</b>		
Inventories	24,368	44,799
Trade receivables	12,352	45,027
Receivables from related parties	0	0
Income tax assets	69	84
Other assets	5,205	7,791
Cash and cash equivalents	3,135	9,456
Current assets held for sale	72,139	0
	<b>117,268</b>	<b>107,157</b>
<b>Total assets</b>	<b>244,738</b>	<b>274,056</b>

€ '000	Jun. 30, 2020	Dec. 31, 2019
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Subscribed capital	4,526	4,526
Capital reserve	15,485	15,485
Minority interests	8,135	20,759
Revaluation reserve	-1,202	-1,202
Profit/loss carried forward	14,393	97,181
Consolidated net income	-17,305	-82,788
Currency translation differences	159	-1,354
	<b>24,191</b>	<b>52,607</b>
<b>Noncurrent provisions and liabilities</b>		
Noncurrent finance lease liabilities	6,345	19,433
Noncurrent loans	17,505	15,373
Noncurrent bonds	78,977	82,625
Special item for investment grants	786	829
Deferred taxes	15,504	18,623
Pension provisions	3,417	3,320
Other noncurrent liabilities	2,666	3,256
	<b>125,200</b>	<b>143,459</b>
<b>Current provisions and liabilities</b>		
Current portion of finance lease liabilities	98	2,685
Current loans and current portion of noncurrent loans	18,952	28,858
Current bonds	4,923	0
Trade payables	16,788	33,093
Other provisions	4,514	4,155
Income tax liabilities	716	716
Other current liabilities	7,145	8,483
Current liabilities held for sale	42,211	0
	<b>95,347</b>	<b>77,990</b>
<b>Total equity and liabilities</b>	<b>244,738</b>	<b>274,056</b>

## Consolidated Cash Flow Statement for the period from January 1 to June 30, 2020 (IFRS)

€ '000	Jan. 1 to Jun. 30, 2020	Jan. 1 to Jun. 30, 2019 <sup>15</sup>
<b>Earnings before income taxes</b>	<b>-8,893</b>	<b>-4,368</b>
Depreciation/amortization of noncurrent assets	8,930	6,890
<b>Financial result</b>	<b>3,114</b>	<b>2,605</b>
Gains (-)/losses (+) from the disposal of property, plant and equipment and financial assets	0	0
Increase (+)/decrease (-) in other provisions and pension provisions	3,954	-3,397
Income from the reversal of the special item for investment grants	-43	-43
Other non-cash income and expenses	-605	-663
Increase (-)/decrease (+) in trade receivables, other receivables, and other assets	748	-16,890
Impairment of intangible assets	0	0
Increase (-)/decrease (+) in inventories	2,819	-765
Increase (+)/decrease (-) in trade payables and other liabilities	-2,821	7,072
Interest paid	-3,125	-2,606
Income taxes	0	496
<b>Cash flow from operating activities - continued activities</b>	<b>4,078</b>	<b>-11,669</b>
<b>Cash flow from operating activities - discontinued activities</b>	<b>9,252</b>	<b>-15,137</b>
Cash payments for investments in property, plant and equipment	-200	-7,574
Cash payments for investments in intangible assets	-3,113	-7,618
Cash payments for investments in financial assets	0	0
Interest received	11	2
<b>Cash flow from investment activities - continued activities</b>	<b>-3,302</b>	<b>-15,190</b>
<b>Cash flow from investment activities - discontinued activities</b>	<b>-8,741</b>	<b>-8,918</b>
Dividend payouts to shareholders	0	-656
Loan repayments	-6,581	-13,910
Proceeds from loans	229	4,655
Cash payments for finance lease liabilities	4,291	-737
Net cash inflow from the issue of bonds	0	29,788
<b>Cash flow from financing activities - continued activities</b>	<b>-2,061</b>	<b>19,140</b>
<b>Cash flow from financing activities - discontinued activities</b>	<b>-74</b>	<b>7</b>

<sup>15</sup> Comparative figures for the prior year have been adjusted accordingly due to the reporting of discontinued operations.



€ '000	Jan. 1 to Jun. 30, 2020	Jan. 1 to Jun. 30, 2019 <sup>16</sup>
<b>Continued activities</b>		
Changes in cash and cash equivalents	-1,285	-7,719
Cash and cash equivalents at beginning of period	4,420	13,607
Cash and cash equivalents at end of period	3,135	5,888
<b>Discontinued activities</b>		
Changes in cash and cash equivalents	437	-24,048
Cash and cash equivalents at beginning of period	5,036	28,234
Cash and cash equivalents at end of period	5,473	4,186

16 Comparative figures for the prior year have been adjusted accordingly due to the reporting of discontinued operations.

Statement of changes in equity  
for the period of January 1 to June 30, 2020 (IFRS)

€ '000	Balance sheet profit							
	Subscribed capital	Capital reserve	Currency translation reserve	Reserve from currency translation	Profit carried forward	Consolidated net income	Minority interests	Total
<b>January 1, 2019</b>	<b>4,526</b>	<b>15,165</b>	<b>-802</b>	<b>-1,207</b>	<b>98,217</b>	<b>0</b>	<b>61,901</b>	<b>177,800</b>
Consolidated net income	0	0	0	0	0	-6,826	-1,097	-7,923
Actuarial gains and losses	0	0	0	0	0	0	0	113
Currency translation	0	0	0	-134	0	0	0	-134
Other comprehensive income	0	0	0	-134	0	0	0	-134
Total comprehensive income	0	0	0	-134	0	-6,826	-1,097	-8,057
Effects from first-time adoption of IFRS 15 and IFRS 9	0	0	0	0	0	0	0	0
Dividend payout	0	0	0	0	-1,131	0	-190	-1,321
<b>June 30, 2019</b>	<b>4,526</b>	<b>15,165</b>	<b>-802</b>	<b>-1,341</b>	<b>97,086</b>	<b>-6,826</b>	<b>60,614</b>	<b>168,422</b>

€ '000	Balance sheet profit							
	Subscribed capital	Capital reserve	Currency translation reserve	Reserve from currency translation	Profit carried forward	Consolidated net income	Minority interests	Total
<b>January 1, 2020</b>	<b>4,526</b>	<b>15,485</b>	<b>-1,202</b>	<b>-1,354</b>	<b>14,393</b>	<b>0</b>	<b>20,759</b>	<b>52,607</b>
Consolidated net income	0	0	0	0	0	-17,305	-12,624	-29,929
Actuarial gains and losses	0	0	0	0	0	0	0	0
Currency translation	0	0	0	1,513	0	0	0	1,513
Other comprehensive income	0	0	0	1,513	0	0	0	1,513
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,513</b>	<b>0</b>	<b>-17,305</b>	<b>-12,624</b>	<b>-28,416</b>
Payments into equity	0	0	0	0	0	0	0	0
Dividend payout Voltabox	0	0	0	0	0	0	0	0
Dividend payout paragon	0	0	0	0	0	0	0	0
<b>June 30, 2020</b>	<b>4,526</b>	<b>15,485</b>	<b>-1,202</b>	<b>159</b>	<b>14,393</b>	<b>-17,305</b>	<b>8,135</b>	<b>24,191</b>

## Notes

### Accounting principles

The consolidated interim financial statements of paragon GmbH & Co. KGaA as of June 30, 2020, have been prepared in accordance with uniform accounting and valuation principles issued by the International Financial Reporting Standards (IFRS), which were also applied in the consolidated financial statements as of December 31, 2019. The Standards of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) valid as of the end of the reporting period shall apply.

The form and content of the consolidated half-year report comply with the reporting requirements of the Deutsche Börse. The report represents an update of the Annual Report, taking the period under review into consideration. It is concerned with the current period under review and should be read in conjunction with the Annual Report and the additional information about the company contained therein. The aforementioned Annual Report can be viewed on the internet at [www.paragon.ag](http://www.paragon.ag).

In addition to the parent company, the scope of consolidation for the paragon Group includes the domestic subsidiaries paragon movasys GmbH, paragon semvox GmbH (share: 82%), paragon electronic GmbH, Sphere-Design GmbH, paragon electroacoustic GmbH, ETON Soundsysteme GmbH, Nordhagen Immobilien GmbH and Voltabox AG (share: approximately 58%), which is also listed on the Frankfurt Stock Exchange in the Prime Standard segment, and the foreign subsidiaries Voltabox of North America, Inc., Voltabox of Texas, Inc. and Voltabox Kunshan Co., Ltd. The foreign subsidiaries paragon Automotive Kunshan Co., Ltd. and paragon Automotive Technology (Shanghai) Co., Ltd. are also included in the scope of consolidation for the paragon Group. Unless otherwise stated, paragon holds 100% of the shares in each company.

Paragon received grants in the first half of 2020 for the introduction of reduced working hours as a result of the

COVID-19 pandemic. This meets the requirements of IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance). Government grants are recognized when there is reasonable assurance that the Group will comply with the conditions attached to the grant.

### Application of IFRS 5 – Voltabox AG Subgroup

At the beginning of 2020, paragon GmbH & Co. KGaA adopted a plan to sell the Voltabox subgroup and actively started searching for buyers. The sale is expected to be completed within twelve months.

As a result of the sale, paragon GmbH & Co. KGaA will lose control over the subsidiaries Voltabox AG, Voltabox of Texas, Inc., Voltabox of North America, Inc. and Voltabox Kunshan Co., Ltd. For this reason, in financial statements prepared after January 1, 2020, the Voltabox subgroup is reported as a “discontinued operation” in accordance with IFRS 5. The assets and liabilities of the discontinued operation will be recognized as “held for sale” on the statement of financial position.

The Voltabox subgroup originated from a spin-off of the paragon Group. It represents the Electromobility operating segment in the paragon Group. The subgroup includes the companies listed and an investment in ForkOn GmbH.

As of the balance sheet date, paragon GmbH & Co. KGaA holds 58% of Voltabox AG and is therefore the parent company of the Voltabox subgroup. paragon GmbH & Co. KGaA plans to sell all its shares during fiscal year 2020. In this process, the shares will not be offered on the open stock market, but rather sold in their entirety in a bidding process involving only potentially suitable industrial companies.

paragon GmbH & Co. KGaA does not expect an impairment from accounting in accordance with IFRS 5 in future financial statements. Voltabox's share price was € 3.86 on June 30, 2020. paragon GmbH & Co. KGaA holds 9,150,000 shares. This results in a proportionate market value of € 35,319,000 as of the balance sheet date.

In the separate financial statements of paragon GmbH & Co. KGaA under German commercial law, the investment is shown with a carrying amount of € 10,350,489.11

### Statement of Comprehensive Income, Balance Sheet, Cash Flow Statement

The chapters “Financial Position and Net Assets” and “Financial Performance” provide a detailed overview and specific explanations regarding the consolidated statement of comprehensive income, the consolidated statement of financial position and the consolidated statement of cash flows of paragon GmbH & Co. KGaA.

### Management Board and Supervisory Board

As of June 30, 2020, there have been no changes in the composition of the management and supervisory bodies compared to December 31, 2019.

### Subsequent Report

On July 2, 2020, Management made the decision to shift the activities of affiliated companies paragon electro-acoustic GmbH, Neu Ulm, and ETON Soundsysteme GmbH, Neu Ulm, to other paragon Group locations in 2021. The companies will remain in their current legal form.

### Related Party Disclosures

As of June 30, 2020, the nature and amount of the paragon Group’s transactions with related parties have not changed significantly compared to December 31, 2019. For further information, please refer to paragon’s consolidated financial statements of December 31, 2019 in the 2019 annual report.

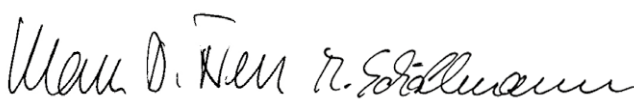
### Notes on the Preparation of the Consolidated Interim Financial Statements

An audit or review of these consolidated interim financial statements has been waived.

### Declaration by the Legal Representatives

We declare to the best of our knowledge and in accordance with the applicable accounting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, financial position, and earnings of the Group in Delbrück, 4. September 2020 accordance with German principles of proper accounting, and in the interim group management report, the development of business including the business results and the position of the Group, is portrayed in such a way that a true and fair view is conveyed and the significant opportunities and risks of the Group’s foreseeable development in the remainder of the fiscal year are described.

Delbrück, September 4, 2020



Klaus Dieter Frers  
CEO

Dr. Matthias Schöllmann  
Managing Director Automotive

## Financial Calendar 2020

September 4, 2020	Group Interim Report as of June 30, 2020 – First six months
September 15, 2020	Annual General Meeting, Delbrück (Virtual)
September 29, 2020	Family Office Day, Vienna
November 12, 2020	Group Interim Report as of September 30, 2020 – Nine months
November 16–18, 2020	Equity Forum (Virtual)

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