paragon

# NEW HORIZONS
ANNUAL REPORT 2024

# Key figures paragon Group[1]

| €'000 or according to information | Jan. 1 to Dec. 31, 2024 | Jan. 1 to Dec. 31, 2023[1] | Change |
|---|---|---|---|
| Sales | 135,744 | 161,647 | –16.0% |
| EBITDA | 17,793 | 17,672 | 0.7% |
| EBITDA margin in % | 13 .1% | 10.9% | 1 9.9% |
| EBITDA paragon semvox GmbH | n.a. | 7,562 | n.a. |
| EBITDA[1] continuing and discontinued operations | n.a. | 25,234 | n.a. |
| EBIT | 786 | 1,052 | 25.3% |
| EBIT margin in % | 0.6% | 0.7% | –11.1% |
| Result from continuing operations | –6,105 | –10,571 | 42.2% |
| Result from discontinued operations | n.a. | 6,759 | n.a. |
| Group result | –6,105 | –3,812 | –60.1% |
| Earnings per share in € (basic and diluted) from continuing operations | –1.35 | –2.34 | 42.2% |
| Earnings per share in € (basic and diluted) from discontinued operations | n.a. | 1.49 | n.a. |
| Earnings per share in € (basic and diluted) from continuing operations and discontinued operations | n.a. | –0.84 | n.a. |
| Capital expenditure (CAPEX)[2] | 10,765 | 7,595 | 41.7% |
| Operating cash flow | 15,962 | –6,163 | 358.9% |
| Free cash flow[3] | 5,197 | –13,758 | 137.8% |
| **€'000 or according to information** | **Dec. 31, 2024** | **Dec. 31, 2023** | **Change** |
| Balance sheet total | 98,317 | 108,520 | –9.4% |
| Equity | –9,953 | –4,084 | –143.7% |
| Equity ratio in % | –10.1% | –3.8% | –169.0% |
| Cash and cash equivalents | 4,391 | 3,209 | 36.8% |
| Bank and bond liabilities less cash and cash equivalents | 54,827 | 57,650 | –4.9% |
| EBITDA last 12 months | 17,793 | 25,234 | –29.5% |
| Net gearing ratio[4] | 3.08 | 2.28 | 34.9% |
| Employees[5] | 685 | 740 | –7.4% |

1 paragon GmbH & Co. KGaA sold its shares in paragon semvox GmbH to CARIAD SE by notarized agreement dated December 1, 2022. The closing took place on May 12, 2023. As a result of the sale, paragon GmbH & Co. KGaA lost control over the subsidiary. For this reason, paragon semvox GmbH is recognized as a discontinued operation in accordance with IFRS 5 in the comparative period.
2 CAPEX = investments in property, plant and equipment + investments in intangible assets
3 Free cash flow = operating cash flow – investments (CAPEX)
4 As defined in section 3 of the bond terms and conditions WKN A2GSB8 (loans plus bonds less cash and cash equivalents divided by EBITDA)
5 Plus 6 temporary employees (December 31, 2023: 39)

# Share

| | Dec. 31, 2024 | Dec. 31, 2023 | Change |
|---|---|---|---|
| Closing price Xetra in € | 1.94 | 3.84 | –49.5% |
| Number of shares issued | 4,526,266 | 4,526,266 | 0.0% |
| Market capitalization in million € | 8.8 | 17.4 | –8.6 |

## Highlights in the 2024 financial year

- Sales revenue in 2024 at 135.7 million € at the lower end of the adjusted forecast due to lower customer call-offs and the sale of the starter battery business
- Thanks to extensive improvement measures, operating EBITDA of 19.0 million € was nevertheless achieved within expectations
- New plant opened in Kunshan (China)
- paragon Kunshan receives largest order in the company's history
- New US sales office opened in Detroit
- License agreement for the TELEFUNKEN brand promises significant sales with the new Consumer division for 2025ff.
- Cost savings and optimizations will have a year-round effect in 2025
- Forecast for 2025: 140 to 145 million € sales with EBITDA of 20 to 22 million €

### Key operating figures (excluding special effects from the past)

| €'000 or as stated | Jan. 1 to Dec. 31, 2024 | Jan. 1 to Dec. 31, 2023 | Change |
|---|---|---|---|
| Turnover | 135,744 | 161,647 | -16.0% |
| Operating EBITDA | 19,043 | 17,672 | 7,8% |
| Operating EBITDA margin in % | 14.0 | 10.9 | -28.4% |
| Operating EBIT | 5,786 | 1,052 | 450.0% |
| Operating EBIT margin in % | 4.3 | 0.7 | 554.9% |
| Operating consolidated net income | -1,105 | -3,812 | 71.0% |

# Content

# Foreword by the management

## Dear shareholders
## Dear customers and business partners, dear employees,

2023, we have focused our efforts; in CARIAD SE, we have found the ideal new owner of our subsidiary paragon semvox GmbH (formerly the Digital Assistance division), which, as part of a DAX-listed company, can exploit the enormous growth potential in AI better and, above all, faster than we can. And we have agreed with Clarios, the world's leading supplier of starter batteries, to transfer part of our Power division together with further cooperation and supply agreements. This allows us to focus on electronics for battery management and lithium-ion drive batteries based on innovative FSD technology in the Power business unit.

In 2023, we also successfully completed the phase of the multi-year "horse cure" to accelerate the reduction of net debt. We are convinced that the level achieved is appropriate for the size of our company.

This clears the way for NEW HORIZONS.

To this end, we took important steps in 2024 that should lead to three goals:

**1. New products**

Our development and sales teams at are working on an unprecedented record number of development projects, inquiries, paid pre-developments (so-called "proofs of concept") and orders, which make us very optimistic about the future of all four divisions.

**2. Internationalization**

We have been operating in China since 2012, with our own plant in Kunshan, around 2 ½ hours northwest of Shanghai, from 2015. We were able to open our new plant there in 2024, creating the conditions for further growth in the Chinese market. We have hired additional developers to develop more market-oriented products. We have strengthened our purchasing department in order to localize procurement almost 100%. And we have expanded the product portfolio, which is already showing initial success with the largest order that paragon Kunshan has ever received. This is for our folding tables, which are increasingly being sold worldwide.

We have taken the first steps towards offering our product portfolio to the Indian market at. The first promising customer visits have already taken place. Together with a cooperation partner, we want to produce customized products for the local market locally in the future.

From 2001 to 2009, paragon operated its own electronics plant in Grand Rapids (Michigan). Our former USA involvement began with a sales office in Detroit in 2000. The plant was sold in the wake of the financial crisis. Apart from sales with GM – after all, we received their "Supplier Quality Excellence Award" for exceptional performance in 2020 – America remained the "blank spot" in our sales activities, as we initially wanted to concentrate on building up our business in China.

Last spring, we took the first steps towards returning to the American market. We have re-established our own US subsidiary, paragon Automotive LLC., and in Detroit we are once again operating a sales office with currently two employees, as we did in the early days at the turn of the millennium. Fortunately, we are already processing the first major inquiries, which will materialize in 2025. Orders that we are working on will then be produced in a plant in the USA from 2027/2028; the search for a location is already underway. So history is repeating itself, only this time with sustainability and substance. We are here to stay.

### 3. Consumer Products

As you can see from the above projects, in the automotive business, the phase leading up to the start of production takes years, and this production phase then also lasts for a very long time. For end-customer products, whether for retrofitting vehicle accessories or in the non-automotive sector, the speed of implementation is much faster, and we want to leverage this in the future. Step by step, such products from the Interior, Sensors, and Kinematics divisions will be offered to the market.

Last year, we started with the Interior division. Our "ETON" brand, which has a great reputation in the home hi-fi market, offers the opportunity to significantly expand the level of sales for our speakers and sound systems achieved to date through this sales channel. To this end, we have opened our first web store and found additional sales channels.

An extremely important step for the coming years was the licensing of the "TELEFUNKEN" brand from the US license holder. From 2025, we will sell acoustic products such as loudspeakers, sound systems, headphones and the like under this brand, some of which will be manufactured externally as merchandise according to our specifications. We will also gradually market products manufactured in-house via this sales channel, which have their origins in the automotive sector. Overall, we expect to generate significant sales as early as 2025.

In 2025, we will then also sell kinematics products under a world-renowned license brand, whereby we will primarily target the automotive after-sales market.

This market is also the target of the corresponding efforts of the Sensors division. However, we are also working on applications for building technology, possibly also under the TELEFUNKEN brand.

So there's a lot going on at paragon. "As usual", one is tempted to say. Our future prospects have nothing, absolutely nothing, to do with what you can read in the media almost every day. "Transformation" is a foreign word for us. Neither do our products have anything to do with the type of drive, the current reluctance to buy electric vehicles does not affect us, as our product portfolio is needed for the interior or to improve aerodynamics regardless of what drives the car. Our production is by no means energy-intensive, we spent in 2024 on thisjust 0.8% of our turnover. And autonomous driving or the software-defined car are topics that do not directly affect us either. However, autonomous driving promotes the desire of vehicle occupants to make their journey as pleasant as possible – and this is exactly what most of our products do.

It is currently impossible to estimate whether and to what extent the "tariff chaos" triggered by US presidents will affect our customers' sales and thus our business outlook for 2025. However, we are well prepared and can respond quickly and flexibly to fluctuations in orders.

The reason for our proven resilience is the deliberate diversification of risk over many years through a very broad portfolio of customers and products, as illustrated by a few figures. We supply over 30 OEMs and 60 other customers worldwide with 60 product groups, representing well over

300 products that are used in more than 220 vehicle platforms. We currently have around 900 orders that are being processed in parallel.

However, if our customers sell fewer cars than planned, as in 2024, this will affect us, as we were unable to realize the sales announced by the OEMs. We have also lost revenue with the sale of our starter battery business. Nevertheless, our measures to increase performance and resilience have also worked very well here, enabling us to achieve operating EBITDA of 19.0 million € despite lower revenue of 135.7 million € which we are very proud of. Operating EBIT amounted to 6.0 million €, which we are very proud of. , which we are very proud of. Operating EBITDA was thus in line with the forecast of 18 to 20 million €, despite the decline in revenue. Operating EBIT of 6.0 million €, an operating result of -1.0 million €, and positive operating cash flow of 16.0 million € in a challenging environment. This creates a very good starting position for 2025 thanks to the economies of scale – many measures will have a full-year impact in 2025ff.

It should be emphasized that these special effects will neither have an impact on the operating results of the reporting year nor will they have any subsequent effects in the future. The development results from the cooperation with the now liquidated partner are available to us without restriction. As a result, we are ideally positioned for lucrative follow-up orders in the Power division, which are currently being initiated.

The overall result would not have been possible without the above-average commitment of our employees, whom we would like to take this opportunity to thank in particular. We would also like to thank our business partners and customers for their trust

"Andiamo!" is what they would say in Italy – loosely translated as "Let's go" – to new horizons.

Delbrück, April 2025

Klaus Dieter Frers
Chairman of the Board, CEO

# Investor Relations

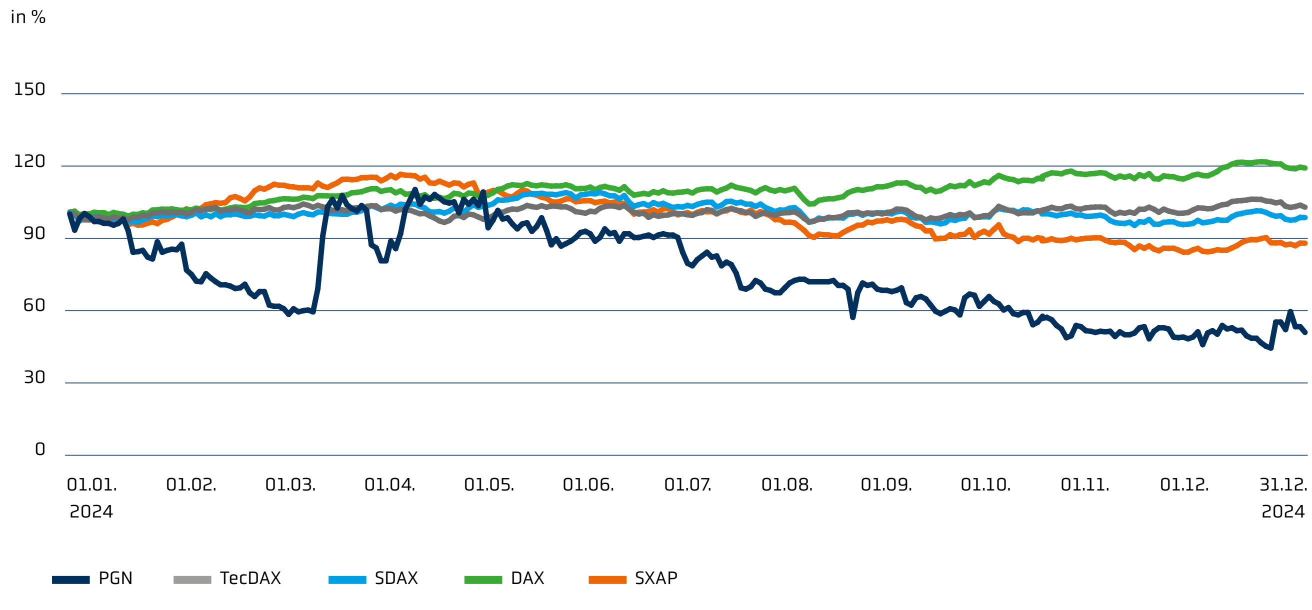
## Performance of the paragon share

The paragon share opened the 2024 stock market year at a price of 4.00 €. After a subdued start to the year, the share price rose sharply in mid-March and performed dynamically and significantly better than the benchmark indices until the end of April. Over the course of March 18, 2024 (4.39 €) and April 22, 2024 (4.38 €), paragon shares reached their highest levels in the 2024 financial year. Over the remainder of the year, the share price fell overall, reaching 1.64 € on December 16, 2024. The paragon share ended the 2024 stock market year at a price of 1.94 €. This corresponds to a drop of 49.5% compared to the 2023 year-end price (3.84 €). The market capitalization of paragon shares, based on the unchanged number of shares of 4,526,266 compared to the previous year, amounted to 8.78 million € as at December 30, 2024 (2023: 17.38 million €).

## Corporate bond 2017/27

The corporate bond placed in June 2017 (ISIN DE000A2GSB86; WKN A2GSB8) with an original total volume (framework nominal) of 50 million € is listed on the Open Market of the Frankfurt Stock Exchange in the Scale segment for corporate bonds of Deutsche Börse AG.

In March 2022, a bondholders' meeting resolved to amend the terms and conditions of the bond. In addition to a now semi-annual interest payment and a higher interest coupon, the final maturity date was postponed by 5 years to July 5, 2027. In addition, partial repayments have been agreed in the years 2023 to 2025 or in the event of the sale of business divisions or subsidiaries. The latter has become relevant due to the sale of paragon semvox GmbH in 2023, which changes the obligations set out in the bond conditions for partial repayments.



paragon has fully complied with the current bond conditions in 2023 by repurchasing bonds in the amount of 4.8 million € and through the stock exchange buyback program started on November 6, 2023 for a total nominal amount of up to 20.2 million €, as confirmed independently by two legal opinions. The buyback program will initially run until 5 July 2025. The buyback will be carried out by an independent securities service provider. With regard to the purchase price and purchase volume, the service provider must comply with the ban on market abuse (so-called "safe harbor rules"). As a result, no more than 25% of the average daily turnover (20-day average) in the bonds may be purchased on the stock exchange on any one day. The bond buyback is carried out via the regional stock exchanges in Stuttgart, Frankfurt and Tradegate Exchange. By December 31, 2024, bonds with a total nominal value of 1 million € had been repurchased

If it is not possible to buy back a total nominal amount of 20.2 million € by 5 July 2025 in compliance with the applicable bond conditions, the program can either be extended or a second buyback program can be launched. There are no further obligations in this regard until the bond is redeemed on July 5, 2027.

At the end of the 2024 reporting period, the bond closed at a price of 41.51%.

The interest rate on the bond depends on the paragon Group's net gearing ratio. The interest rate in the 2024 financial year was 7.5%. Due to the net debt ratio determined as at December 31, 2024, the interest rate on the bond will be 8.75% in the 2025 financial year.

## Financial communication

With its investor relations activities, paragon pursues the goal of informing all capital market participants comprehensively, promptly and transparently about its strategic objectives and current market and business developments. To this end, paragon maintains an intensive dialog with existing shareholders, bondholders, potential investors and analysts. The company regularly provides information on current topics, figures and events via webcasts.

Continuous reporting included the annual report for the 2023 financial year (publication on 25April, 2024), the interim report as of March 31, 2024 – 1st quarter (publication on May 7, 2024), the interim report as of June 30, 2024 – 1st half-year (publication on August 21, 2024) and the interim report as of September 30, 2024 – 9 months (publication on November 12, 2024). In parallel to these dates, paragon GmbH & Co. KGaA published corresponding financial reports, which also included the management's assessment of future business development, and organized webcasts with investors, which generated lively interest.

The sales and earnings forecast for 2024 was communicated at the end of 2023 with sales of between 160 and 165 million € and EBITDA of between 18 and 20 million €. This sales and earnings forecast by the management for the 2025 financial year was explained in the published Group management report for the 2024 financial year, including the key assumptions on which the forecasts are based.

In November 2024, the sales and earnings forecast was adjusted due to the reduction in customer call-offs and the disposal of the battery business starterin that the expected sales revenue for the 2024 financial year was reduced to between 135 and 140 million €. The EBITDA forecast remained at 18 to 20 million € with the indication that EBITDA is expected to be at the upper end of the range.

In the past financial year, the company further intensified its ongoing communication with institutional and private investors, including through presentations and 1-on-1s at various capital market conferences. The company understands effective financial communication to mean the targeted reduction of information asymmetry between management and shareholders regarding the current economic situation and the specific future potential of paragon GmbH & Co. KGaA. Accordingly, great importance is attached to ongoing dialog with professional capital market participants. Furthermore, the company endeavors to provide the general public with current and relevant information on an ongoing basis via various media channels and to be available as a personal contact for private investors.

# Report of the Supervisory Board

## Monitoring and consulting in continuous dialog with the management

Prof. Dr. Iris Gräßler

Dear Shareholders,

Below we inform you about the work of the Supervisory Board in the 2024 financial year.

The Management Board and Supervisory Board of paragon GmbH & Co. KGaA are committed to the obligation set out in the German Corporate Governance Code ("Code") to ensure the continued existence of the company and its sustainable value creation in accordance with the principles of the social market economy (corporate interest). There were no conflicts of interest between individual members of the Management Board and Supervisory Board in the 2024 financial year. A list of all mandates held by Supervisory Board members can be found in the notes to the consolidated financial statements.

In the 2024 financial year, the Supervisory Board of paragon GmbH & Co. KGaA performed the advisory and supervisory duties incumbent upon it in accordance with the law, the Articles of Association, the Corporate Governance Code and the rules of procedure with great care. In doing so, the Supervisory Board supervised the Management Board on an ongoing basis and satisfied itself of the legality, regularity, expediency and economic efficiency of the company's management. In addition, the Supervisory Board assisted the Management Board in an advisory capacity throughout and was involved in discussions and decision-making on issues of fundamental importance. Thanks to the good cooperation between the members of the Supervisory Board, it was also possible to make decisions directly at short notice.

In spring 2025, the Management Board and Supervisory Board issued an updated declaration of conformity in accordance with Section 161 AktG and made it permanently available in the Investor Relations section of the paragon GmbH & Co. KGaA website. The deviations from the recommendations of the Code and additional information on corporate governance at paragon GmbH & Co. KGaA are also explained there

The Management Board provided the Supervisory Board with comprehensive information in written and verbal form at the Supervisory Board meetings on all significant events, general business developments and the current situation of the company. The Supervisory Board focused in particular on topics relating to strategy, planning, business development, financial planning, the risk situation and risk management. In addition, the members of the Supervisory Board intensively reviewed the reports of the Management Board and discussed them within the Board. In addition to the Supervisory Board meetings held in person and as video conferences between the Management Board and the Supervisory Board, the Chairwoman of the Supervisory Board and the Management Board discussed important topics as required. The Supervisory Board was kept fully informed of any extraordinary events that were significant for the assessment of the annual results.

There were no changes to the Supervisory Board in the 2024 financial year.

## Meetings of the Supervisory Board

In the 2024 financial year, the Supervisory Board held four ordinary meetings and five extraordinary meetings. One meeting was held in the form of a conference call, while all other meetings were held in person. The four ordinary meetings of the Supervisory Board took place in the presence of the Management Board. The extraordinary meetings were held exclusively between the three members of the Supervisory Board. The Supervisory Board was fully represented at all meetings in 2024.

**Meeting on February 14, 2024**

The purpose of the extraordinary meeting of the Supervisory Board was to vote on the text of the report of the Supervisory Board, the text of the declaration of compliance in accordance with the German Corporate Governance Code and the vote on the necessary regular information of the Supervisory Board.

**Meeting on March 27, 2024**

At this extraordinary meeting, the Supervisory Board discussed the management's intention to sell the property at Ohmstrasse 8 in Landsberg am Lech. The management's plan was unanimously approved.

**Meeting on April 18, 2024**

The extraordinary meeting of the Supervisory Board on April 18, 2024 was exclusively for the purpose of the Supervisory Board's self-organization and self-assessment.

**Meeting on April 24, 2024**

At the first ordinary Supervisory Board meeting of 2024 in Delbrück, the Supervisory Board was informed about the audit of the annual financial statements as at December 31, 2023. The auditors from Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft provided a detailed report on this.

The Management Board also explained the current business performance in the first months of 2024.

The agenda for the Annual General Meeting on June 12, 2024 was discussed and approved by the Supervisory Board

**Meeting on May 08, 2024**

At this extraordinary meeting, the Supervisory Board discussed the management's intention to sell the property at Konrad-Zuse-Str. 19 in Kirkel-Limbach. The management's plan was unanimously approved.

**Meeting on June 11, 2024**

At its second ordinary meeting on June 11, 2024 in Delbrück, the Supervisory Board was informed about business development in the first quarter of 2024. Another topic was the financial structure of the paragon Group, the development of the euro bond and liquidity.

**Meeting on September 12, 2024**

The third ordinary Supervisory Board meeting on September 12, 2024 took place on the premises of paragon movasys GmbH in Landsberg am Lech. Here, the Supervisory Board gained an insight into the production and products of paragon movasys GmbH. The Management Board informed the Supervisory Board about business developments in the first half of 2024 and the current liquidity situation. Another topic was the status of negotiations regarding the intended property sales.

**Meeting on December 3, 2024**

At the fourth ordinary Supervisory Board meeting on December 3, 2024 (at the offices of Supervisory Board member Walter Schäfers in Paderborn), the Supervisory Board discussed the business performance in the first nine months of 2024, the current business outlook and, in particular, the planning for the 2025 financial year presented by the Management Board.

**Meeting on December 19, 2024**

This extraordinary meeting of the Supervisory Board was held by telephone. At the request of the Executive Board, the Supervisory Board approved the commissioning of non-audit services from Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft as part of loan negotiations.

## Formation of committees

As in the past, the company's three-member Supervisory Board refrained from forming committees in the 2024 financial year and dealt with all upcoming issues as a whole.

## Audit of the annual and consolidated financial statements for the 2024 financial year

Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, Bielefeld, was appointed as auditor and Group auditor for the financial year from January 1 to December 31, 2024 by resolution of the Annual General Meeting on June 12, 2024 and commissioned accordingly by the Chairwoman of the Supervisory Board. The Supervisory Board has received a declaration of independence from the auditor.

The subject matter of the audit was the annual financial statements of paragon GmbH & Co. KGaA for the fiscal year from January 1, 2024 to December 31, 2024, prepared by the management in accordance with the provisions of the German Commercial Code (HGB), the consolidated financial statements for the fiscal year from January 1, 2024 to December 31, 2024, prepared by the management in accordance with section 315a HGB on the basis of the International Financial Reporting Standards (IFRS), and the combined management report of the paragon Group and paragon GmbH & Co.

At the conclusion of the audit, Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, Bielefeld, issued an unqualified audit opinion on the annual financial statements, the consolidated financial statements and the combined management report of the paragon Group and paragon GmbH & Co.

The auditor also determined that the information and monitoring system set up by the management is suitable for fulfilling the legal requirements and identifying developments that could jeopardize the company's continued existence at an early stage.

Each member of the Supervisory Board was provided by the auditor with the documents to be audited relating to the annual financial statements, the consolidated financial statements, the combined management report of the paragon Group and paragon GmbH & Co. KGaA and the report on the audit of the financial statements. The audit was reported on and discussed at the Supervisory Board meeting on April 29, 2025. The auditors took part in the discussion of the annual financial statements and the consolidated financial statements. They reported on the key findings of the audit and were available to the Supervisory Board to answer additional questions and provide information. Following the final result of its audit, the Supervisory Board approved the annual financial statements and the consolidated financial statements.

The Supervisory Board would like to express its thanks and appreciation to the Management Board and the employees of all Group companies for their high level of personal commitment, their achievements and their ongoing dedication to paragon GmbH & Co. KGaA and the work performed in 2024.

Delbrück, April 2025
For the Supervisory Board

Prof. Dr. Iris Gräßler
Chairwoman of the Supervisory Board

# Combined management report for the paragon Group and paragon GmbH & Co. KGaA

## for the period from January 1 to December 31, 2024

The combined management report summarizes the Group management report and the management report of paragon GmbH & Co.

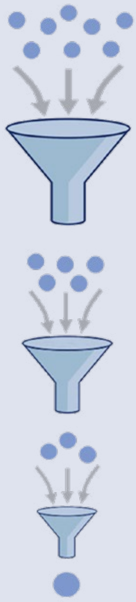
To clarify which information relates to the parent company and which relates to the Group, we use “paragon GmbH & Co. KGaA”, “Company”, “Gesellschaft” or “paragon” for the parent company in the following. For information relating to the paragon Group, we use “paragon Group” or “paragon Konzern”.

## Foundations of the Group

**Business model of the paragon Group**

Since the company was founded, the paragon Group’s business model has focused on innovation. Based on an innovation system that has been tried and tested over many years, product innovations are developed independently at the company’s own expense, thereby continuously improving and expanding the current product portfolio and keeping it at a very high level of innovation. The efficiency of the company is continuously improved through process innovations, which consequently leads to a constant increase in productivity in the production plants of the paragon Group, but also in the business processes of the business and central divisions.

## Product innovation process paragon



Brainstorming — Regular collection of ideas in all business areas of the paragon Group

↓

Refinement/selection — Development of detailed product concepts for the two best ideas

↓

Pre-development — Development of functional prototypes (A samples) following a selection process

↓

Marketing — Start of marketing after patent application has been filed

... ensures the success of new products on the market !

Actively changing the traditional business model is also part of agile paragon innovation (business model innovation). Particularly in times of increasing digitalization and globalization, but also fears of isolationism in trade wars, paragon continuously analyses its business model, expands or modifies it as necessary and thus ensures that it can react quickly to emerging trends, seize new opportunities and continue to set itself apart from the competition.

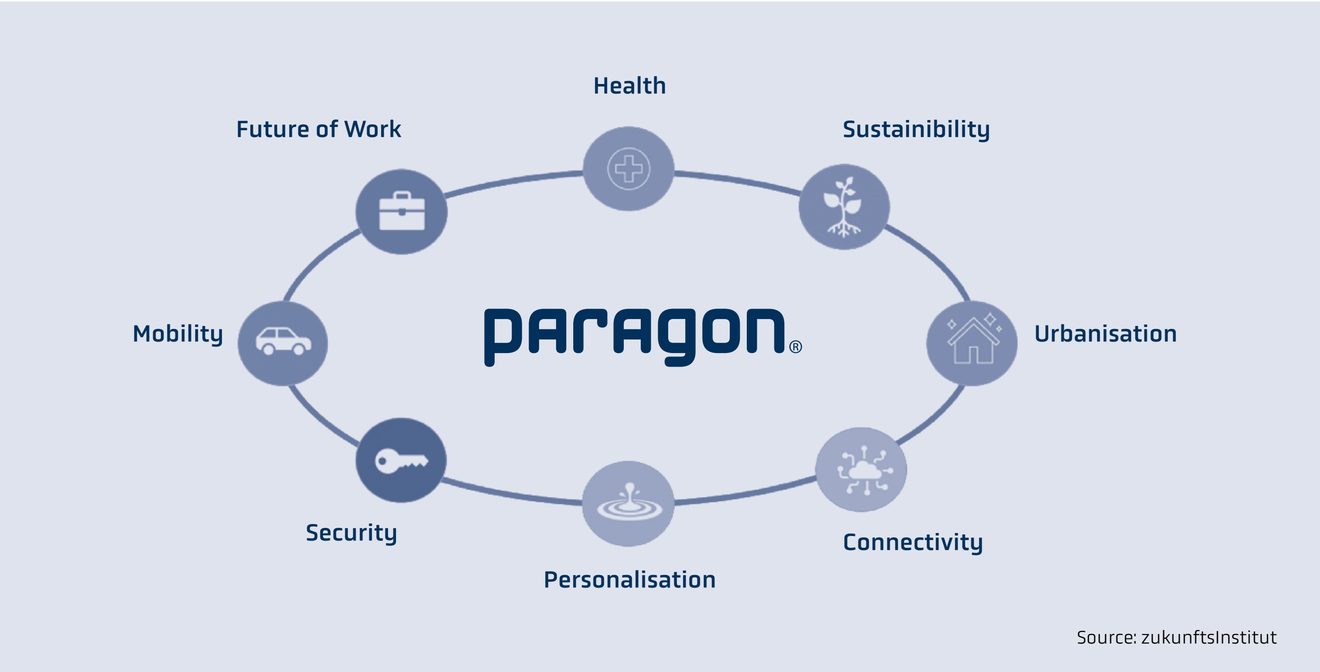
The overall vehicle expertise that the paragon Group has continuously acquired over the last three decades is based on a deep understanding of the entire automotive engineering process, which has a significant influence on the development and creation of prototypes. Interactions between different vehicle components are understood, the seamless integration of different components and systems in the vehicle is made possible, potential problems are identified at an early stage and adjustments can be made flexibly and quickly. This not only gives paragon a clear competitive advantage in a highly competitive market, but above all leads to an increase in customer satisfaction.

This in-depth understanding of processes, combined with proven agility and flexibility, also forms the basis for the confidence that the technologies learned can also be used in sectors other than the automotive industry. paragon sees itself as a technology company that is on the way to addressing new customer groups through additional sales channels directly to the end user with products based on automotive know-how.

The product innovation process in the paragon Group is inspired by the central idea of improving safety, comfort and health of individuals. When developing new products, the focus is always on end customer benefits.

The product innovation process roughly describes the steps that the paragon Group takes to develop innovative products.

The product innovation process is a crucial component of the paragon Group's business model innovation. Products are developed systematically, marketability and acceptance




are ensured and economic profitability through efficient use of resources is key. Competitive advantages are created by adapting quickly to market trends and customer needs.

Megatrends offer both opportunities and challenges and require companies to adapt and develop innovative solutions.

The paragon Group derives the fields of innovation relevant to the automotive value chain from global megatrends such as climate change, digitalization and urbanization in the context of constantly increasing comfort and health protection for vehicle occupants and the technological consequences of efforts to reduce CO2 emissions and the transformation towards locally emission-free mobility. This is made possible by cross-divisional synergies and by anticipating the wishes of end customers for modern features and characteristics in future vehicle models.

The market launch is the decisive step in the life cycle of a product. Essentially, it is about successfully establishing the product on the market and reaching the target group. The market launch of product innovations at paragon is based on the so-called push principle. Only when functional prototypes (so-called A-samples) and corresponding applications for industrial property rights have been submitted will the actual marketing to car manufacturers as direct customers begin. This gives the paragon Group a head start over the competition, even with short innovation cycles.

With a high degree of vertical integration in production, the paragon Group has also established itself as a reliable partner for car manufacturers. The majority of production stages are covered by paragon itself. In addition to cost savings, the advantages include better control over quality and production processes, flexibility in terms of adapting to market and customer requirements, continuous development of technical knowledge and skills, and significantly reduced dependence on suppliers and supply chain risks.

The know-how acquired over many years in a challenging industry, in which the company has been able to hold its own against tough competition from much larger competitors, provides a perfect basis for the company's ambition to conquer other sectors of the economy in the future.

The series production of paragon's many product variants represents an independent field of innovation.

The degree of automation in series production is being continuously increased in the plants. This enables faster


Insights into our production in Suhl

and continuous production without breaks, thus increasing overall production capacity and leading to consistent product quality. Resources (including raw materials, energy, personnel, etc.) can also be used efficiently, resulting in more sustainable production. Easy scalability ensures that production can react quickly to corresponding market demands (increase/reduction). Automation systems also enable production data to be recorded and analyzed in real time, which leads to better decision-making and continuous improvements. Over the life cycle of the individual product series, this results in a significantly improved cost structure.

### Group structure

paragon GmbH & Co. KGaA is the parent company of the paragon Group. In addition to its headquarters in 33129 Delbrück, Bösendamm 11, (North Rhine-Westphalia), paragon GmbH & Co. KGaA and its subsidiaries have branches in Suhl (Thuringia), St. Georgen (Baden-Württemberg), Limbach (Saarland), Nuremberg (Bavaria) and Oroslavje (Croatia). The joint venture Hepa GmbH is based in Münster. Landsberg am Lech is the headquarters of the subsidiary paragon movasys GmbH, Kunshan (China) is the headquarters of paragon Automotive Kunshan Co., Ltd. and Bangalore (India) is the headquarters of P aravox Automotive Ltd.

In addition to the parent company, the scope of consolidation of the paragon Group includes the domestic subsidiaries paragon movasys GmbH, paragon electronic GmbH, ETON Soundsysteme GmbH, paragon electrodrive GmbH, Nordhagen Immobilien GmbH and Hepa GmbH. paragon semvox GmbH was sold in May 2023 and deconsolidated in 2023. Accordingly, it was recognized as a discontinued operation in the 2023 consolidated financial statements in accordance with IFRS 5. The foreign subsidiaries Paravox Automotive Ltd (Bangalore), paragon Automotive Kunshan Co., Ltd, and paragon Automotive Technology (Shanghai) Co., Ltd. are also included in the scope of consolidation of the paragon Group. In the USA, paragon Automotive LLC was founded in order to bundle and strengthen sales activities in America from spring 2024.

The paragon Group comprises two segments. The "Electronics" segment comprises the development and sale of sensors, loudspeakers, microphones, batteries and display instruments, primarily for the automotive industry. The companies paragon GmbH & Co. KGaA, paragon electronic GmbH, ETON Soundsysteme GmbH, Hepa GmbH, paragon Automotive Technology Co. Ltd, paragon Automotive Kunshan Co. Ltd. and Nordhagen Immobilien GmbH are allocated to the Electronics segment. The "Mechanics" segment comprises the development and sale of electromechanical components for the automotive industry and the mechanical production of paragon Group products by paragon movasys GmbH with its Landsberg am Lech site and its subsidiary paragon movasys d.o.o. in Oroslavje (Croatia).

### Corporate strategy

The corporate strategy of the paragon Group pursues the goal of sustainable growth in order to ensure the long-term success of the company. The strategy is developed in a revolving process at management level.

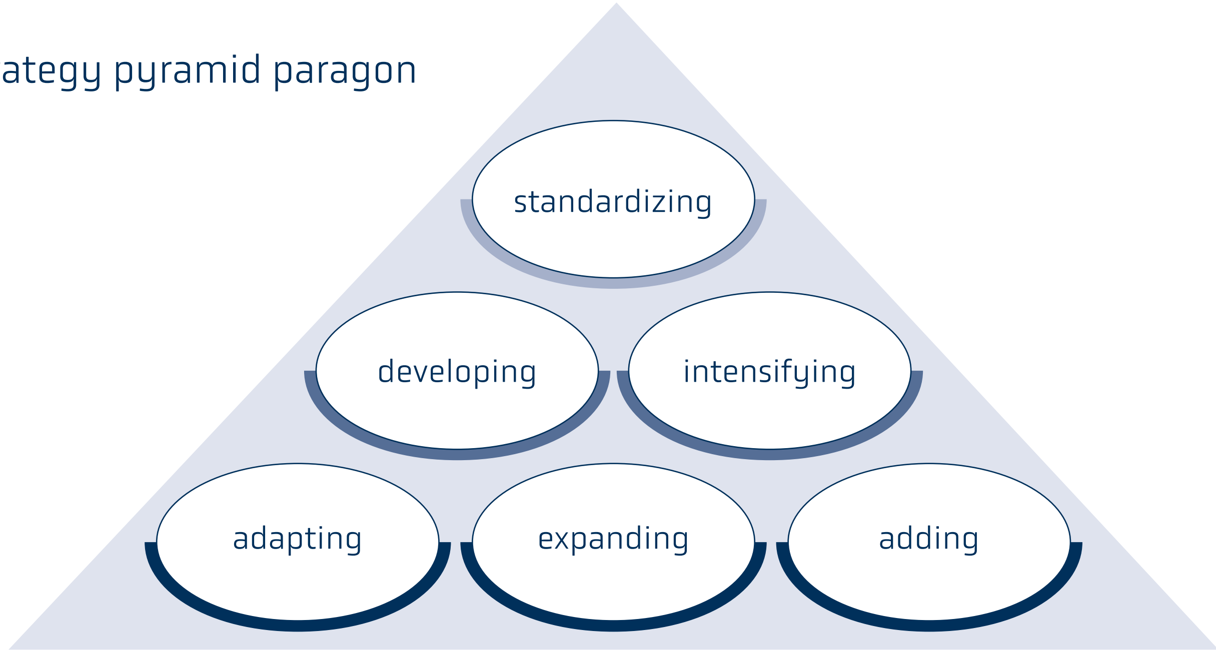
From a technical perspective, paragon's strategy is to independently develop product innovations for the automotive industry that sustainably improve the individual driving experience of the occupants of modern passenger cars as end customers. The basis for this includes the relevant fields of innovation of increasing comfort and protecting the health of passengers, as well as the technological consequences of the targeted CO2 reduction. paragon does not develop or produce any products that depend on the combustion engine and therefore has no negative impact due to the transformation towards locally emission-free mobility.

The growth pyramid developed by the management consists of six key elements that are firmly anchored in the paragon organization.

a. **Expanding – opening up new sales areas (market development)**

A central element of the growth strategy is the continuation of short and medium-term internationalization. In contrast to most of its market competitors, paragon still has many previously untapped opportunities, so-called "white spots", particularly in the international arena. In addition to the domestic German market and the central automotive countries in Europe, the short-term focus is therefore on the high-growth markets in Asia and America.

## Strategy pyramid paragon




... ensures sustainable and stable growth!

China is by far the largest automotive market in the world and is therefore very important for the global automotive industry. Sales of new passenger cars in China rose by five percent to 22.9 million vehicles in 2024.[1] This makes the Chinese automotive industry one of the world's major growth drivers in the sector and it now also stands for the rapid spread of resource-saving technologies. Thanks to paragon's local presence in Kunshan, there is therefore potential for a further increase in sales on the Chinese automotive market. The focus is on rolling out the entire European product portfolio in the Chinese market, adapted to local market conditions. To this end, we have expanded the local development team. At the same time, we are reducing the need to deliver components from Germany to our Chinese plant, thereby completing the "local-for-local" strategy that we have been pursuing for some time. Purchasing in Kunshan now largely relies on Chinese sources.

India is becoming increasingly important for German companies, as the South Asian country's economy is experiencing rapid growth. This trend is driven by low labor costs, political stability and the availability of skilled workers. Car manufacturing in India is one of the four largest in the world and also offers other vehicle manufacturers an attractive market. Thanks to a rapidly growing working population and a middle class with increasingly higher incomes, more and more Indians can afford a car. India is expected to become the third largest automotive market in the world by 2030. India continues to be an interesting production location for international automotive companies. The sector is regarded as a global leader in electric vehicles.

Reason enough for paragon to offer its entire European product portfolio to the Indian market with the support of a local partner. Products that paragon Kunshan has already adapted to the market conditions in China and produces there are particularly suitable for this purpose. In order to meet the price expectations of Indian customers, there are no plans to supply them from Germany, for example. Instead, the local partner is to take over the production of products for the Indian market, and in the termmedium then develop and industrialize its own products in India on the basis of paragon technologies. It is possible that some of these products will then find their way back to Europe and China.

In addition to the Asian region, the American region is of particular interest to paragon and is therefore an important part of the company's strategic focus. Following the successful establishment in China and the initiative already launched in India, the sales expansion to conquer the US market in the medium term is the central task for the coming years.

1 Automobilwoche.de – "Chinas Automarkt im Fokus", from January 23, 2025, with reference to "China Passsenger Car Association"

The United States of America is one of the most important production locations and one of the most important markets in the global automotive industry. From paragon's point of view, the USA is more of a "white spot" that needs to be reoccupied after paragon withdrew from this market in 2009 as part of the global financial crisis. Ford Motor Company and General Motors are two long-established and two of the world's largest manufacturers from the USA. There have been supply relationships with GM for many years; in 2020, paragon received the "Supplier Quality Excellence Award" from GM. Tesla and the US brands of Stellantis are also in focus alongside the local activities of the German car manufacturers. With a "local-to-local" strategy, paragon is planning to re-establish local production in the USA in 2027/2028, as it did previously in China following the successful acquisition of the first product orders, which already existed from 2001 to 2009. This is primarily due to logistical advantages, but the consequences of the political change in the USA could also result in locational advantages. The first steps have already been taken by establishing a sales nucleus in the heart of the automotive industry in Michigan. The search for a location for the production plant has begun. planned for the medium term

paragon expects to be able to report its first business successes in the USA as early as 2025 but initially outside of the "local-to-local" strategy.

b. **Adapting** – acquiring new automobile manufacturers as customers (market penetration)

The second important foundation of paragon's growth strategy is market penetration based on the products that are already very successfully positioned on the market. paragon currently occupies the premium segments of a large number of customers with its innovative product range, which is impressively demonstrated by the single source ratio of almost ninety percent of revenue in 2024. A key component of the market penetration strategy is therefore the expansion of the existing customer base. paragon still sees considerable potential to further increase the volume of business with various premium manufacturers. However, the company is also aiming for horizontal and vertical market penetration. This means penetrating products from the premium segment into higher-volume platforms with the existing customer base, as well as targeting other vehicle types such as motorcycles, buses, trucks and motorhomes. This is to be supported by corresponding sales activities.

Vehicle functions and equipment that are currently still predominantly available in the premium automotive segment of European manufacturers are becoming increasingly popular in the Asian market, particularly in China. Here, paragon has already succeeded in penetrating the high-volume models of Chinese manufacturers with its first products.

c. **Adding** – gaining new target markets beyond the core business (diversification)

The third basic foundation – in addition to the function as a direct supplier (so-called Tier 1) in the series automotive business – is the development of an additional sales channel for the sale of consumer products. This includes products from the automotive after-sales market as well as non-automotive solutions. Based on comprehensive market and technology expertise and a good understanding of neighboring growth markets, diversification potentials have been developed and their implementation has already begun. paragon has a large number of innovative basic technologies which, although developed for the automotive sector, can also be used specifically for non-automotive products. As a result, development and market entry cycles can be significantly shortened and risks relating to investment and marketing costs minimized. The spectrum ranges from purchasing from the market with the necessary adaptations, the external production of in-house developments through to a combination of the aforementioned options. Instead of using the "paragon" brand, a central component of the strategy for the sale of consumer products is the use of brands from the company's own portfolio such as "ETON" as well as licensed brands such as "TELEFUNKEN". We are working on licensing further brands in order to be able to target different customer and product groups.

d. **Developing | Intensifying | Standardizing** – Ongoing development of product innovations (product development)

The "proactive development of innovative solutions" and the "constant striving for market leadership" have been part of paragon's DNA since the company was founded in 1988.

paragon-DNA

**We proactively develop innovative solutions**

**... in line with global megatrends**

**... to meet the needs and wishes of end customers**

**... to address issues that premium car manufacturers may not yet have considered**

We always strive for market leadership!

In order to be able to occupy lucrative submarkets at an early stage, particularly in the premium segment of the automotive sector, paragon develops technological innovations as part of a tried and tested permanent process. From this, fields of action for the automotive industry are derived, which are the subject of future development activities.

The special focus here is on **megatrends**. Megatrends name and describe complex dynamics of change and are a model for the transformation of the world, but also a method of making the diverse dynamics of change in society in the 21st century understandable and tangible. They have a global, complex, comprehensive and long-term impact. Working with megatrends is therefore an indispensable tool for management and strategic planning at paragon, as it helps to better anticipate the future and align decisions accordingly.

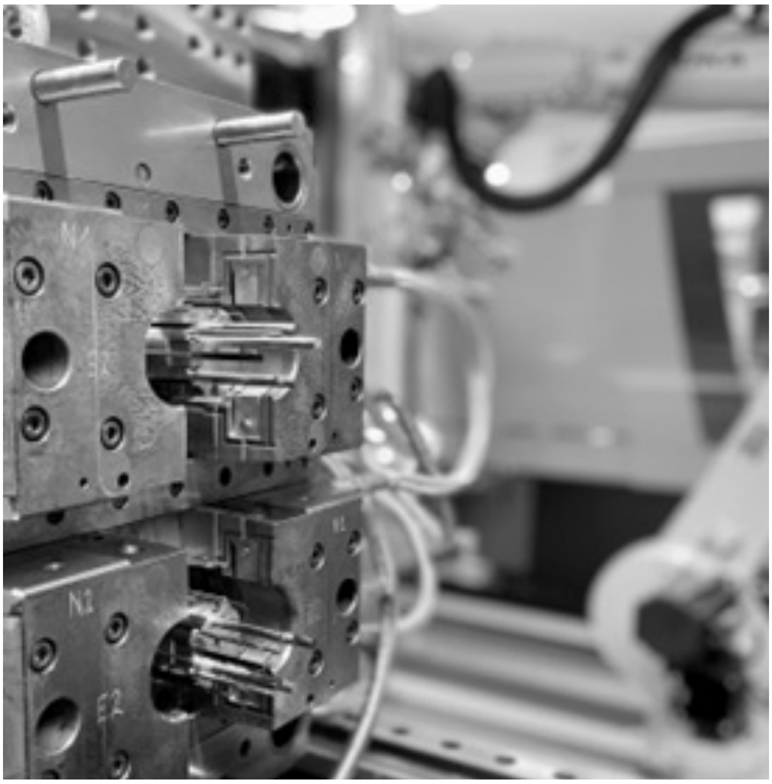
In addition to the segmentation into "Electronics" and "Mechanics", the paragon Group has positioned its sales and development activities in the Sensors, Interior, Kinematics and Power divisions. These divisions have a complementary product portfolio and have developed various basic technologies over the years. An important key to the growth strategy is the **intensification of cooperation** between the divisions. By combining the basic technologies and (sub) products from the various divisions, new, innovative solutions are created for the automotive and non-automotive markets that not only meet the needs and wishes of end customers, but also give paragon additional competitive advantages.

Not to be forgotten is the industry-independent development of standardized componentsanother key component of paragon's growth strategy – an important step in the diversification strategy, but also to reduce product and development costs.

## Control system

In addition to a multiple award-winning high innovation rate (e.g. by the magazines "CHIP" and "Stern"), flat hierarchies with short decision-making paths and continuously optimized processes are part of paragon's organizational DNA. The Group combines the character of a medium-sized, family-run company with a long-term perspective with the professional management and integration power of a listed company. Controlling is the center of the management systems. Thanks to this special organizational focus, the management believes it is in a position to compete successfully with much larger groups and to further expand the market



Impressions from our production

position it has achieved over decades as a direct supplier to renowned automotive manufacturers.

The management continuously compares the strategy with regard to business development in the paragon Group on a target/actual basis. The resulting follow-up activities are determined at management level and optimizing measures or – if necessary – fundamental changes in direction are initiated.

The company's domestic electronics production at the Suhl, St. Georgen and Limbach plants is managed uniformly by the wholly owned subsidiary paragon electronic GmbH. The aim of this joint management is to harmonize and standardize processes and procedures in order to increase efficiency – also by further increasing the degree of automation – in production. The aim is always to ensure a consistent, stable level of quality while at the same time reducing quality costs. Other production sites are Landsberg am Lech (paragon movasys GmbH, also a wholly owned subsidiary of paragon GmbH & Co. KGaA) and Oroslavje (Croatia, paragon movasys d.o.o., a wholly owned subsidiary of paragon movasys GmbH), where adaptive spoilers and other kinematic components are manufactured. In addition, there is the Chinese production facility in Kunshan (paragon Automotive Kunshan Co., Ltd.), which manufactures products mainly from its own local development and material procurement, which are allocated to the Sensors, Interior and Kinematics divisions.

Another important management tool is the regular meetings of managers, with whom regular cross-divisional and division-specific project status meetings and performance reviews are held at close intervals. Current business developments in the individual divisions and an outlook for the medium and long term are discussed on a monthly basis.

### Financial performance indicators

The management regularly uses key performance indicators to measure the economic success of the operational implementation of its corporate strategy. The management system takes into account the type and/or amount of one-off or extraordinary effects on the performance indicators. The internal targets are generally defined as ranges for measuring and managing operating performance, depending on the respective planning horizon. On the basis of rolling medium-term planning, the paragon Group considers the development of the key performance indicators revenue and EBITDA within a corridor, taking into account experience curve effects.

For the individual company paragon GmbH & Co. KGaA, revenue and EBITDA are also considered financial performance indicators. Against the backdrop of the growth strategy pursued, forward-looking corporate management is thus taken into account in terms of both risk-oriented and opportunity-oriented corporate management. The forecast for the paragon Group and for paragon GmbH & Co. KGaA can be found in the forecast report.

#### Group sales

As a rule, revenue in the paragon Group is generated through the sale of products manufactured in-house in the Electronics and Mechanics segments directly to automobile manufacturers.

In this respect, Group sales are subject to various influences, some of which are taken into account in the forecast reporting by specifying a target corridor as a range.

#### EBITDA

As part of corporate management, EBITDA is managed by the management in terms of the development of operating profitability in such a way that the strategically defined growth path can be implemented with appropriate profitability. In addition to measuring operating profitability, EBITDA is also used as an approximate value for operating cash flow as part of the management of the segments and divisions.

EBITDA is calculated by adjusting the annual result to exclude the following influences:

- Income taxes
- Financial result
- Scheduled depreciation and amortization
- Impairment losses and reversals of impairment losses on current assets
- Impairment losses and reversals of impairment losses on property, plant and equipment and intangible assets and
- Impairment of goodwill.

Gains and losses from the disposal of fixed assets as well as (unrealized) exchange rate gains and/or losses are therefore included in the EBITDA figure.

EBITDA is not a performance indicator defined in IFRS standards. The Group's definition of EBITDA may not be comparable with similarly designated performance indicators and disclosures by other companies.

In reporting on the forecast, EBITDA is stated in a range where applicable. This means that the dynamic effects that may arise over time for the relevant income and expense items are also taken into account as part of the rolling medium-term planning.

### Non-financial performance indicators

Against the backdrop of the strategic positioning as an innovative provider of technologically sophisticated and high-quality products and systems based on current megatrends, the management also uses non-financial performance indicators as part of its corporate management. The non-financial performance indicators are not material for the management of the paragon Group.

#### Employees

The successful recruitment, development and retention of qualified employees (the term is used to refer uniformly to female, male and diverse employees) are of particular importance for the implementation of the sustainable growth strategy, taking into account paragon's specific business model. Personnel development is seen as a central building block for the company's success.

## Development of employees in the paragon Group (continued operations):

| | Dec. 31, 2024 | Dec. 31, 2023 | Change in % |
|---|---|---|---|
| **Number of employees** | **685** | **740** | **–7.4%** |
| of which employed in development | 90 | 104 | –13.5% |
| **Number of temporary workers** | **6** | **39** | **–84.6%** |
| of which employed in development | 0 | 0 | 0.0% |

The decline in the number of developers is due to the sale of the starter battery business to Clarios. The proportion of female employees in the Group fell to 38.4% (previous year: 38.9%). At 21.8%, the proportion of university graduates increased (previous year: 21.2%). The proportion of severely disabled employees was 3.2% (previous year: 2.8%). The average age changed slightly to 45.3 years (previous year: 44.9 years) and the average length of service increased to 6.7 years (previous year: 6.1 years).

## Distribution of permanent employees across the Group locations:

| | **Dec. 31, 2024** | Dec. 31, 2023 | Change in % |
|---|---|---|---|
| Delbrück (Group headquarters, North Rhine-Westphalia) | 121 | 140 | –13.6% |
| Landsberg am Lech (Bavaria) | 155 | 163 | –4.9% |
| Nuremberg (Bavaria) | 5 | 3 | 66.7% |
| Limbach (Saarland) | 48 | 67 | –28.4% |
| St. Georgen (Baden-Württemberg) | 40 | 35 | 14.3% |
| Suhl (Thuringia) | 240 | 253 | –5.1% |
| **Germany total** | **609** | **661** | **–7.9%** |
| Kunshan (China) | 57 | 60 | –5.0% |
| Oroslavje (Croatia) | 17 | 17 | 0% |
| Bangalore (India) | 0 | 2 | –100.0% |
| USA | 2 | 0 | n.a. |
| **Total abroad** | **76** | **79** | **–3,8%** |
| **Group total** | **685** | **740** | **–7.4%** |

### Quality and environment

With its integrated management system (IMS for short), paragon GmbH & Co. KGaA has set itself the goal of developing, producing and supplying products with high quality standards. This takes place in compliance with standards and specifications, the optimization of production processes and continuous process improvement. In doing so, the paragon Group operates according to a “zero-defect strategy”, which is permanently pursued in production along the entire value chain.

The IMS helps to implement environmentally friendly practices and ensure compliance with environmental regulations. paragon pursues the concept of sustainability through the use of state-of-the-art production technologies and the careful use of raw materials and energy resources.

The IMS also ensures safe working conditions and compliance with occupational health and safety regulations. Both environmental protection and occupational health and safety are an integral part of paragon's corporate mission statement.

By integrating different management systems (e.g. quality, environmental and occupational health and safety management) into a uniform structure, processes are made more efficient and duplication of work is avoided. Ultimately, the integrated management system enables clear documentation and traceability of all processes and decisions, which is particularly important in the automotive industry with its complex supply chains.

The requirements of ISO 9001:2015, IATF 16969, DIN EN ISO 14001, ISO 45001:2018 and TISAX® apply to all processes and products of paragon GmbH & Co, KGaA and its subsidiaries. Its effectiveness is confirmed in regular internal and external audits.

### Other performance indicators

The key performance indicators listed above are essential for the management of the paragon Group. There are also other performance indicators for the Group. These other performance indicators are of secondary importance compared to the performance indicators. The management uses research and development activities in particular as indicators for management and as a yardstick for further development.

### Research and development

As paragon's business model is based on the early occupation of lucrative market segments with self-developed product innovations, special skills and sufficient capacities in the area of research and development (R&D) are further control parameters.

Responsibility for the development of new products is decentralized at divisional level. The decentralized organization means that new ideas can be implemented quickly thanks to direct integration with the customer teams responsible for sales. Research and development activities are predominantly internal and application-oriented.

In the 2024 financial year, paragon spent a total of 12.5 million € (previous year: 12.8 million €) on R&D activities. This corresponds to 9, 2% of sales (previous year: 7.9%). The ratio of capitalized development costs to total research and development costs was around 64.0% (previous year: 30.4%); the high increase reflects the wide range of development projects that were launched following the end of the consolidation phase in recent years. In line with the strategy, developments were also made in the reporting year that will occupy further business areas within the automotive industry as well as in other sectors of the economy. Developments for future business outside the automotive industry already amounted to 1.2 million € in 2024 (previous year: 0.0 million €) and thus accounted for 9.6% of R&D activities in 2024. In the reporting period, paragon recognized amortization and impairment losses on capitalized development costs in the amount of 5.8 million € (previous year: 6.7 million €).

The investments made in the development of innovative products in recent years resulted in further series production launches in the automotive industry in the reporting year. Accordingly, the management is convinced that the significant expenditure on development services in recent years as part of the market and product strategy is very much in line with the needs of manufacturers who are currently aligning themselves more and more consistently with the fields of innovation. Due to the many years of experience and the paragon-specific approach within development, the management also assumes that the company will be just as successful in other economic sectors besides the automotive industry.

### Dividend policy

As part of the extension of the EUR bond, it was agreed with the bondholders in March 2022 that paragon GmbH & Co. KGaA will not distribute any dividends until the final repayment of the EUR bond in 2027. In the reporting year, an amount of 18.1 million € (previous year: 5.1 million €) is subject to the distribution block.

In the past, the management had already pursued a dividend policy in line with the strategic corporate objective of profitable growth and therefore retained most of the company's profits.

The Management Board and the Supervisory Board of paragon GmbH & Co. KGaA will therefore propose to the Annual General Meeting that no dividend be paid for the 2024 financial year (previous year: no dividend payment) in accordance with the terms and conditions of the bond.

# Economic report

### General economic conditions

The Kiel Economic Report by the Kiel Institute for the World Economy (IfW) states that the global economy was experiencing subdued growth at the end of 2024, accompanied by increased economic policy uncertainty. The announcements made by the new US government contributed significantly to this uncertainty, although the actual measures were still unclear at the time. Despite these challenges, global production growth of around 3.1% was achieved.[1] However, the economic recovery in China remained subdued despite the economic measures announced.

The eurozone showed a moderate economic recovery in 2024 despite ongoing uncertainties. Economic activity was supported by improved demand in the service sectors and a slight recovery in industrial production. However, growth remained subdued as high energy prices and geopolitical tensions continued to weigh on the economy. The cost of living in the EU rose moderately, with inflation falling to around 2.6%. The key interest rates of the European Central Bank (ECB) were adjusted several times over the course of the year and stood at around 3.5% at the end of the year. These interest rate cuts were intended to stimulate lending and support economic activity. The combination of falling inflation and lower key interest rates contributed to a gradual economic recovery in the eurozone. Despite challenges such as high energy prices and geopolitical uncertainties, the eurozone recorded moderate growth of around 1.2% in 2024.[2]

As a supplier to the automotive industry, paragon generated the majority of the Group's revenue in the 2024 financial year with automobile manufacturers in the premium segment based in Germany and the European Union. These in turn sell the vehicles they produce worldwide. Overall economic development is therefore important for paragon insofar as it affects the sales opportunities of the automotive manufacturers it supplies and therefore also indirectly affects the development of demand from private consumers for paragon's products.

The extent to which the tariffs and possible counter-tariffs imposed by the US President will have an impact on the further course of business in 2025 cannot be predicted due to the moratorium in place at the time of printing, at least for the US/Europe relationship.

### Sector-related market development 2024

In 2024, the international automotive market recorded a significantly lower increase in new registrations than in 2023. While almost 12% more cars were registered worldwide in 2023 compared to the previous year, this figure was only just under 3% in 2024 compared to the previous year.

The business environment was and continues to be characterized by a variety of challenges. Stricter environmental regulations and emission standards (including the introduction of the Euro 7 standard) require manufacturers to adapt their vehicle fleets and invest in more environmentally friendly technologies. In addition, the transition to electromobility and autonomous driving will require considerable investment in the conversion of production. In the premium segment, Chinese brands have been able to gain further market share, thereby reducing the market share of European and American car manufacturers. However, market changes such as increasing protectionism and trade barriers also made international trade more difficult (which particularly affected export-dependent manufacturers such as Germany). Although the European passenger car market achieved a further increase in new registrations of 13.3% to around 14.5 million new vehicles in 2024, the level before the pandemic-related slump with 15.8 million registered vehicles in 2019 could not be reached again. The US light vehicle market recorded a significant increase of around 11% to 17.2 million vehicles in 2024. This put the light vehicle market back at the pre-Covid-19 level for the first time in 2024. Many US manufacturers benefited from sales promotions at the end of the year. General Motors (GM) led the sales fig-

1 Kieler Konjunkturberichte Weltwirtschaft, Ausgabe 121, March 2025
2 European Central Bank, Federal Ministry for Economic and Climate Protection, European Commission, tradingeconomics.com

ures and achieved a market share of 16.8% with 2.69 million units. The Chinese market recorded further growth of 4.7% to 27.0 million cars in 2024. Competition on the market has intensified, leading to low profit margins. Many brands have already left the market. Exports of vehicles manufactured in China have risen significantly, while domestic sales have fallen slightly. Sales of new energy vehicles (NEV), including battery electric vehicles (BEV), plug-in hybrid electric vehicles (PHEV) and fuel cell electric vehicles (FCEV) increased by more than 30%. These developments show that the Chinese automotive market continues to move strongly towards electrification while facing challenges such as intense competition and pressure on profitability.[1]

New registrations/sales of passenger cars therefore developed as follows in the most important sales markets[2]:

| In million units | **2024** | 2023 | Change |
|---|---|---|---|
| USA | 17.2 | 15.5 | 11.0% |
| Europe | 14.5 | 12.8 | 13.3% |
| China | 27.0 | 25.8 | 4.7% |

As a result, paragon operated in an economic sector environment in the past financial year that is still below the pre-Covid-19 level in Europe in 2019.

# Business performance of the Group

### Forecast reported in the previous period

The paragon Group published the following forecast for the 2024 financial year at the beginning of December 2023

- 160 to 165 million € Sales revenue,
- 18 to 20 million € EBITDA

Due to lower call-off orders from OEMs than announced by them, the revenue and earnings forecast was adjusted as part of the reporting on the 9-month figures in that the expected revenue for the 2024 financial year was reduced to between 135 and 140 million €. The upturn in the automotive industry expected by the management did not materialize, meaning that the loss of sales from the sale of the starter battery business could not be compensated for. At the same time, the EBITDA target was specified at the upper end of previous expectations – despite lower sales – due to the positive findings of the countermeasures introduced

### Key factors influencing the course of business

The 2024 reporting year is characterized by special business transactions. These special effects relate in detail to

- Total sales in 2024 decreased by 25.9 million € or 16% compared to the previous year; the decline in sales with TOP5-OEM customers was slightly lower at -11.0 million € or -9.4% and, with a share of 79%, is mainly due to the very significant sales weakness with regard to the Mercedes luxury class (AMG, S-Class) in China and the USA, which particularly reduced the sales of paragon movasys GmbH. The remaining decline among TOP5 OEM customers was due to the sale of the starter battery business, scheduled product phase-outs and delays in the launch of new platforms. The other declines of around 12.8 million € were due to a variety of reasons. These include the scheduled discontinuation of products at OEMs that are not among the TOP5, which could not yet be compensated for due to delayed new launches (e.g. due to EU cybersecurity requirements). Another cause is the termination of production of a non-automotive product that resulted from an earlier

1, 2 VDA – International automobile markets, January 2025 company acquisition. Sales with Chinese OEMs increased by 3.5% to 11.1 million € in the reporting period.

- The Kunshan (China) site is also increasingly taking on development work for products adapted to the Chinese market. In addition, there are development projects, where the growing development team in Kunshan has taken over the central development for products that Chinese customers also require for vehicles built in Europe. Due to the development at the site now being classified as material, the capitalization of internally generated intangible assets was implemented in 2024.
- After years of consolidation, paragon has significantly increased its development services back to pre-coronavirus levels. Great progress was made in the Power division in its efforts to make up for the declines in paragon's existing business
- The earnings figures for 2024 include non-recurring effects in the Power division from the impairment of an asset due to the insolvency proceedings of the customer, with whom there was also a development partnership, with an impact on EBIT of 3.8 million €. However, it should be emphasized that these special effects will not have any consequences in the future. The development results from the cooperation with the now liquidated partner are available to us without restriction. As a result, we are ideally positioned for lucrative follow-up orders in the Power division, which are currently being initiated.
- In the 2024 financial year, paragon once again confirmed its crisis resilience, which has now been proven over many years, and responded with countermeasures on the cost side as well. The considerable successes have made it possible to continue positive trend of the 3rd quarter, if one disregards the aforementioned special effect. As a result, EBITDA improved once again in the 4th quarter. Excluding the special effects from previous years, operating EBITDA in Q4/2024 amounted to 6.14 million € (corresponding to an operating EBITDA margin of 20.8%), which represents an increase of over 25% compared to the same quarter of the previous year (4.9 million € or 16.6% EBITDA margin).

### Sales revenue:

paragon generated revenue of 135.7 million € in the 2024 financial year (previous year: 161.6 million €). This means that revenue in 2024 is significantly lower than in the 2023 financial year, but within the range of 135 million € to 140 million € last forecast on November 12, 2024. The original sales forecast from April 25, 2024 had to be adjusted due to lower call-off orders from automotive customers; the increase in sales expected from car manufacturers in the final months of the financial year did not materialize. Sales also fell due to the sale of the starter battery division to Clarios. The breakdown of total sales between the four divisions is as follows:

| **Sales distribution** €'000 | **2024** | Share in % | **2023** | Share in % | **Change in%** |
|---|---|---|---|---|---|
| Sensors | 34,173 | 25.2% | 41,336 | 25.6% | -17.3% |
| Interior | 44,460 | 32.9% | 53,327 | 33.0% | -16.6% |
| Power | 8,465 | 6.2% | 9,347 | 5.8% | -9.6% |
| Kinematics | 48,646 | 35.8% | 57,636 | 35.7% | -15.6% |
| **Total** | **135,744** | **100.0%** | **161,646** | **100.0%** | **-16.0%** |

In the Sensors division, sales revenue fell by 17.3% compared to the previous year to 34.1 million € (previous year: 41.3 million €). The main reason for this is the scheduled discontinuation of the Dustdetect product due to the current model change of the Mercedes-Benz E-Class in summer 2023 and the sluggish sales of the S-Class, particularly in China. Planned product launches have been delayed due to delays on the OEM side in the launch of new platforms.

With a reduction of 16.6%, the Interior division still achieved sales of 44.5 million €. The delayed ramp-up of new products (e.g. PPE microphone, Ineos compass, various watches) was not yet able to fully compensate for the planned discontinuation of various older products (textile tensioners, belt mic, shift paddles and smart additional instruments).

Due to the sale of the starter battery product group to the company Clarios in 2023, sales in the Power division fell by 9.6% in 2024 as planned. The product range now includes battery management systems for starter batteries.

The 15.6% decline in sales in the Kinematics division to 48.6 million € is to the weak sales of Mercedes-Benz luxury class vehicles in China and the USA as well as a model change at the customer Porsche.

A breakdown of revenue by region has been omitted, as paragon's automotive customers are active worldwide. The geographical unloading point for paragon (customers' production plant) cannot be used to infer the actual geographical distribution of customer sales.

**EBITDA:**

In order to compensate for the externally caused decline in sales in particular, paragon took the necessary measures at all levels to ensure that the planned annual result was nevertheless achieved.

The greatest leverage on the cost side was used to improve material costs through re-engineering and re-sourcing. In addition, the intensified controlling of margin compliance over the past few years had a positive effect, also due to the "phasing out" of products with a lower contribution margin. The cost reduction and efficiency enhancement program launched at that time along the entire value chain was further intensified in the financial year and delivered the necessary results in time for the crisis affecting German OEMs. The cost of materials ratio in 2024 is 53.5% (previous year: 56.6%).

The savings in all other cost items should also be emphasized. This also applies to personnel costs. If the personnel costs of the development departments, which are mainly used to secure future sales, are deducted, the adjusted personnel ratio is 21. 8% (previous year: 21.8%), which was spent on ongoing business operations. Given the fall in sales, the confirmation of the personnel ratio previous year's is impressive. As in the previous year, paragon's management paid particular attention to working capital in the 2024 financial year in order to ensure the Group's profitability.

In the 2024 financial year, paragon spent a total of 12.5 million € (previous year: 12.8 million €) on R&D activities. The ratio of capitalized development costs to total research and development costs was around 64.0% (previous year: 30.4%). This increase in the capitalization ratio also had an increasing effect on the EBITDA performance indicator compared to the previous year.

In the financial year, paragon generated EBITDA of 17.8 million €. As last forecast on November 11, 2024, this figure is slightly below the original expectations of 18 to 20 million € despite the weaker revenue.

## Sales and EBITDA in the Electronics and Mechanics segments:

Sales and EBITDA in the Electronics and Mechanics[1] segments developed as follows compared to the previous year:

| **Business segment**<br>€'000 or as stated | **Electronics 2024** | **Electronics 2023** | Δ in % | **Mechanics 2024** | **Mechanics 2023** | Δ in % |
|---|---|---|---|---|---|---|
| Revenues with third parties | 87,098 | 104,011 | -16.3% | 48,646 | 57,636 | -15.6% |
| Intersegment sales | 2,407 | 1,236 | 94.7% | 906 | 1,357 | -33.2% |
| **Turnover** | **89,505** | **105,246** | **-15.0%** | **49,552** | **58,994** | **-16.0%** |
| EBITDA | 12,672 | 15,861 | -20.1% | 5,121 | 1,811 | 182,8% |
| EBITDA margin | 14.2% | 15.1% | 0.9% | 10.3% | 3.1% | -7.2% |

| **Business segment**<br>€'000 or as stated | **Eliminations 2024** | **Eliminations 2023** | Δ in % | **Group 2024** | **Group[2] 2023** | Δ in % |
|---|---|---|---|---|---|---|
| Revenues with third parties | 0 | 0 | 0.0% | 135,744 | 161,647 | -16.0% |
| Intersegment sales | -3,313 | -2,593 | 27.8% | 0 | 0 | 0.0% |
| **Turnover** | **-3,313** | **-2,593** | **27.8%** | **135,744** | **161,647** | **-16.0%** |
| EBITDA | 0 | 0 | 0% | 17,793 | 17,672 | 0.7% |
| EBITDA margin | 0.0% | 0.0% | 0% | 113.1% | 10.9% | 19.9% |

1 Illustrated by the Kinematics division..
2 The Digital Assistance division, which was deconsolidated in the 2023 financial year, is presented as a discontinued operation in accordance with IFRS 5. The earnings contribution of the Digital Assistance division is not included in the overview.

The largest segment, Electronics (consisting of the Sensors, Interior and Power divisions), continued to dominate Group activities with segment sales of 89.5 million € (previous year: 105.2 million €). Of this, 87.1 million € (previous year: 104.0 million €) was attributable to sales with third parties in the Sensors, Interiors and Power divisions. The segment recorded a reduction in sales of 15.0%. EBITDA in the Electronics segment amounted to 12.7 million € (previous year: 15.9 million €). The EBITDA margin accordingly amounted to 14.2% (previous year: 15.1%).

Segment sales in the Mechanics segment amounted to 49.6 million € (previous year: 57.6 million €). This is a decline in sales of 16.0% compared to the 2023 financial yearSegment EBITDA amounted to 5.1 million € (previous year: 1.8 million €), which corresponds to an EBITDA margin of 10, 3% (previous year: 3.1%).

# Net assets, financial position and results of operations

## Financial position of the paragon Group

Total assets decreased by 10.2 million € as at December 31, 2024 to 98.3 million € (December 31, 2023: 108.5 million €). Non-current assets decreased to 63.1 million € (December 31, 2023: 68.3.0 million €). This effect is in particular to impairment losses on intangible assets in the amount of due 4.6 million €. The goodwill of 5.7 million € reported in the 2024 reporting year is unchanged from the previous year. The reduction in property, plant and equipment to 25.4 million € (previous year: 26.7 million €) is mainly the result of scheduled depreciation.

Current assets decreased to 35.2 million € (December 31, 2023: 40.2 million €). This is mainly due to a reduction in inventories by 4.1 million € to 16.6 million €. This is the result of a number of measures to reduce the capital tied up in inventories. Trade receivables fell from 6.6 million € in the previous year to 5.4 million € in the reporting year. Other non-financial assets decreased from 3.1 million € in the previous year to 2.7 million € in the reporting year. Contract assets increased from 1.5 million € in the previous year to 3, 1 million € in the reporting year. The increase is partly due to advance payments received in the amount of 0.9 million €, which were offset against inventories in the previous year and 0.6 million € from the higher contract asset values compared to the previous year in accordance with IFRS 15, which, however, almost completely corrects the inventories and therefore only has a minor effect on earnings. A plot of land in southern Germany, which is currently not being used and will not be needed in the future, is planned for sale. This is reported under non-current assets held for sale in accordance with IFRS 5 in the amount of 0.3 million €.

Cash and cash equivalents increased as at the reporting date from 3.2 million € in the previous year to 4.4 million € in the reporting year.

Equity decreased to -10.0 million € (December 31, 2023: -4.1 million €), mainly due to the consolidated result of -6.1 million €; this was offset by the actuarial gains in other comprehensive income and the reserves from currency differences. Accordingly, the equity ratio amounted to -10.1% as at the reporting date (December 31, 2023: -3.8%).

Non-current provisions and liabilities decreased slightly in the reporting year to 41.1 million € (December 31, 2023: 43.9 million €)

Deferred taxes in the amount of 0.1 million € (December 31, 2023: 0.3 million €) have fallen from their low level by 79.1% compared to the previous year. Explanations on the change in the tax item are presented in the notes.

Current provisions and liabilities fell slightly from 68.7 million € in 2023, to 67.2 million €. As in the previous year, the nominal value of the bond amounted to 45.2 million € in the financial year. However, the company's own bond portfolio was increased from 0.1 million € to 1.0 million €, which led to a reduction in the short-term bond by 1.2 million € to 20.9 million €. Trade payables were increased slightly despite declining sales. Other current non-financial liabilities remained constant at 7.6 million € (December 31, 2023: 7.6 million €).

## Financial position of the paragon Group

### Debt financing

The paragon Group further reduced its debt in 2024. The proportion of bonds in the Group's own portfolio, the EUR bond issued in 2017, was increased by 0.9 million €

The EUR bond is the main element of debt financing. The interest rate was 5.0% (plus a PIK component of 2.5%) in 2024. For 2025, the interest rate will rise to 8.75%. Since November 2023, paragon has been carrying out an exchange-based buyback program in accordance with the provisions of the Market Abuse Regulation. The net leverage ratio calculated for the interest on the EUR bond was 3.1 as at the reporting date.

In addition, there are two real estate loans totaling 6.1 million € (December 31, 2023: 6.7 million €) to finance the company's own properties in Landsberg am Lech and Limbach.

### Equity financing

Due to the negative Group equity, the paragon Group is currently not financed by equity.

### Liquidity

Cash flow from operating activities increased to 16.0 million € in the reporting period (previous year: –6.2 million €). The starting point for the cash flow from operating activities was the negative result after income taxes, which fell from –3.8 million € in the previous year to –6.1 million € in the reporting year, but also includes the correction in 2024 for previous years with an effect of 5.0 million € for previous years. In particular, the result from the disposal of property, plant and equipment changed from –6.1 million € (profit) in the previous year to 0.2 million € (loss) in the reporting year. This was mainly due to the effects of the previous year – the sale of fixed assets to the battery manufacturer Clarios and the earnings contribution from the sale of the Digital Assistance division in the comparative period. In 2024, interest paid decreased from –11.9 million € to –6.8 million €. This change is mainly due to the interest payment of 3.5 million € for the interim financing to secure the scheduled repayment of the CHF bond in April 2023. Different results can be seen from working capital management for the corresponding items. Trade receivables and other assets by 2.6 million € compared to the previous year decreased (previous year: decrease of 0.5 million €). In terms of inventory reduction, the Group achieved even a repeated improvement on the previous year's result of 4.0 million € (previous year: 3.4 million €) and a reduction in trade payables. In 2023, these were reduced by 8.4 million €; in 2024, trade payables decreased by –0.7 million €.

Cash flow from financing activities increased from –46.9 million € in the previous year to –4.4 million € in the reporting year. This was due in particular to special effects in the previous year, such as the repayment of interim financing in May 2023, which was received in December 2022 in the amount of 21.5 million €. This was earmarked to finance the repayment of the bond liabilities due in April 2023 (final maturity of the CHF bond and partial repayment of the EUR bond). In addition, payments of around 19.9 million € were made in the previous year for the repayment of bonds (CHF bond and EUR bond). The planned repayments of financial loans and leases were only offset by a small amount of new borrowings in the reporting year, which were purely for operational purposes. The payment from the hedging transaction resulted in connection with the already repaid CHF bond from the repayment of Swiss franc forwards with a settlement date in April 2024, which was of a one-off nature for paragon.

Cash flow from investing activities decreased from 38.1 million € in the previous year to –10.4 million € in the reporting period. The main reason for the change is the cash inflow of 37.5 million € due to the sale of the Digital Assistance division in May 2023. In addition, cash inflows from the disposal of property, plant and equipment and intangible assets amounting to 8.2 million € were generated in 2023. The main reason for these proceeds in 2023 was the sale of the low-voltage battery business to Clarios. Investments in intangible assets in the financial year relate to own work capitalized in the amount of 8.0 million €. Investments in property, plant and equipment amounting to 2.9 million € (previous year: 1.7 million €) mainly relate to debt-financed technical equipment and machinery as well as leasehold improvements the land and buildings group at the new plant in Kunshan. The 66.8% year-on-year increase in investments in property, plant and equipment of 1.1 million € (previous year: 0.8 million €) is evidence that paragon is making steady progress and continues to recognize and exploit future opportunities despite the existing negative mood in the industry and economy.

Cash flow from operating activities less payments for investments in property, plant and equipment and less payments for investments in intangible assets amounted to 5.2 million € (previous year: –13.8 million €).

Cash and cash equivalents increased accordingly by 1.2 million € to 4.4 million € (previous year: 3.2 million €) as at the balance sheet date.

The company's liquidity situation improved somewhat in the 2024 financial year, but has not yet normalized. In the course of the 2024 financial year, the willingness of lenders and equity providers to provide the company with additional funds remained limited. However, deferral agreements and extended payment terms were successfully agreed with suppliers. In this context, reference is also made to the further explanations in the section "Going concern risks".

### Earnings position of the paragon Group

In the 2024 financial year, the paragon Group generated revenue from continuing operations of 135.7 million € (previous year: 161.6 million €). Overall, Group revenue decreased by 16.0% compared to the 2023 financial year. Please refer to the relevant passages in the "Group business performance" section.

Other operating income decreased to 3.3 million € (previous year: 12.1 million €). This reduction is mainly due to the one-off book profit of 6.6 million € in 2023 from the sale of production facilities and intangible assets in connection with a cooperation with Clarios, the world's leading supplier of starter batteries

The amount of own work capitalized (2024: 8.0 million €; previous year: 3.9 million €) has increased significantly compared to the previous year. This was an expected effect, as paragon has since returned to a more expansive strategy and developed a large number of new products for the automotive and non-automotive market following the successful phase of hard deleveraging and consolidation from 2020 to 2023. The development work capitalized in 2024 is again roughly in line with the average of own work capitalized in the years 2016 to 2019 (8.3 million €), if the own work capitalized of the companies Voltabox AG and paragon semvox GmbH, which have left the Group, is not taken into account. This ensures appropriate comparability with the current structure of paragon GmbH & Co.

The cost of materials fell to 72.6 million € (previous year: 91.5 million €). The cost of materials ratio fell from 56.6% in the previous year to 53,in the reporting year. In addition to the reduction in material costs and the switch to more cost-effective raw materials, a product mix was also the reason for the positive development of the cost of materials in every respect.

Personnel expenses fell by 12.4% to 38.7 million € in the reporting year (previous year: 44.2 million €). With reduced sales revenue, the personnel expenses ratio thus rose to 28. 5% (previous year: 27.4%). This is due to the following effects: In the last quarter of 2023, 43 employees were taken over from Clarios, z at the same time, paragon greatly reduced the costs for temporary workers by reducing or transferring them to the permanent workforce and not replacing employees who left where possible.

Other operating expenses were reduced by 33.0% to 15.2 million € (previous year: 22.7 million €). In particular, expenses for damages and value adjustments were significantly reduced. Waste analyses typical of the industry were carried out and successfully implemented. By continuing the programs, further successes should be recorded in 2025 and in the coming years.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased to 17.8 million € (previous year for continuing operations: 17.7 million €), which corresponds to an EBITDA margin of 13.1% (previous year for continuing operations: 10.9%). This improvement can be attributed to very successful cost management and a return to the previous level of development activity, which resulted in an increased ratio of capitalized development costs.

Depreciation and amortization of property, plant and equipment and intangible assets decreased to 12.4 million € compared to the previous year (16.4 million €). Impairment losses on fixed assets (previous year: 0.2 million €) amounted to 4.6 million € in the reporting year. Impairment losses increased in particular due to special effects from impairment losses of 3.8 million €.

The financial result amounted to -6.5 million € (previous year: -12.5 million €) and decreased in particular due to the elimination of the costs for interim financing in the previous year in the amount of 3.5 million € to secure the repayment of the CHF bond in April 2023. The reduced debt ratio compared to December 31, 2023 also led to a lower interest rate, which will not be repeatable in 2025.

Taking into account income taxes of -0.4 million € (previous year income: 0.9 million €), consolidated net income amounted to -6.1 million € (previous year: -3.8 million €), which in the 2024 financial year was significantly negatively impacted by the impairment of a supply right (see section "Significant factors influencing business performance"), whereas the previous year's result was positively impacted by a deconsolidation gain of 5.7 million €. The overall result in the financial year 2024 – amounted to 5.9 million € (previous year: -3.9 million €).

**Overall statement on the net assets, financial position and results of operations of the paragon Group**

The net assets, financial position and results of operations of the paragon Group in the past financial year were mainly characterized by

- On the assets side, this was mainly due to the reduction in intangible assets and working capital management successes;
- a slight reduction in bank and bond liabilities, which were carried out as planned
- sales were lower than in the previous year;
- positive operating cash flow, which remains positive even after investing activities and the further slight reduction in financing;
- a negative equity at Group level, which will turn positive again in the coming years as a result of the turnaround completed in 2024.

The management estimates business development in the reporting year

- for the Electronics segment is ambivalent. Following the sale of the starter battery division to Clarios, it was not possible to replace the starter battery sales elsewhere, as the expected upturn in orders from automotive customers did not materialize. Thanks to the continuation of consistent cost-cutting measures and capacity adjustments, the EBITDA margin in this segment was maintained at a high level to our complete satisfaction

- for the Mechanics segment, the weak sales of a key customer had a significant impact on revenue. At the same time, EBITDA increased significantly and is now almost at the same high level as the Electronics segment in terms of margin. This means that the turnaround in earnings in the Mechanics segment has been achieved through a large number of measures, resulting in a very satisfactory overall assessment.

- for the Group as a whole is just satisfactory due to the EBITDA achieved, but the corresponding economies of scale are expected to be fully satisfied with a future increase in sales.

# Opportunity and risk report

Unless stated otherwise, the information in the opportunity and risk report applies equally to the paragon Group and to paragon GmbH & Co. KGaA as the parent company.

Risks and opportunities are defined as possible future developments or events that could lead to a negative or positive deviation from the Group's forecasts or targets.

paragon has established and continuously developed a comprehensive risk management system to identify opportunities and risks.

The company management and the Supervisory Board are informed about the probability of occurrence and potential extent of damage of risks in regularly prepared risk reports from all areas of the company. The risk reports contain an assessment of the risks and proposals for appropriate countermeasures. Please refer to the disclosures in the notes to the consolidated financial statements for information on the risk management objectives and methods relating to the use of financial instruments.

## Opportunities report

### Opportunities

The market research institute S&P Global (IHS) expected global sales of passenger cars and light commercial vehicles to increase by 1.7% in 2025 compared to 2024.[1] The IHS forecast assumed that the market would continue to recover slowly but would still face various challenges. However, the forecast was published before the tariffs imposed by the US president, so it is questionable to what extent the slight market recovery expected by IHS will be influenced by this. Although IHS has following published a further forecast the US tariff decree, it contains few concrete statements for 2025. At present, it is not possible to predict the impact on paragon's business performance. paragon is, however, in a position to react flexibly and quickly to changes in the market.

In light of the specific positioning of the paragon product portfolio in the premium segment, which is accompanied by a correspondingly high share of these vehicles in the model penetration of paragon products, opportunities will continue to arise for paragon in the Electronics and Mechanics business segments in 2025. The management has been pursuing the goal of increasing the share of revenue per vehicle for years, for example by increasing the equipment rates for existing customers, acquiring new customers internationally for existing products and developing innovative products and systems with a higher share of the automotive value chain.

The marketing of numerous new product developments in the four continuing operations will continue in 2025. Due to its strategic positioning, paragon will be able to benefit in future from changes in the automotive landscape triggered by the megatrends of increased comfort and health protection for passengers, as well as the technological consequences of the targeted reduction in CO2 emissions. paragon does not develop and manufacture products that are dependent on the combustion engine, but even participates in the transformation towards locally emission-free mobility. paragon sees particular opportunities in the development of traction batteries for light commercial vehicles, where the advantages of FSD technology – including lower weight – are particularly significant.

We are also making ourselves less dependent on the original car manufacturers by opening a second sales channel directly to end customers. In 2024, a contract was concluded with the rights holder of the well-known TELEFUNKEN brand, initially for acoustic products and limited to countries in the EU, UK, Norway, Switzerland and Liechtenstein. This involves headphones and loudspeakers, some of which we develop ourselves or have manufactured externally according to our specifications. The first products have been available at since spring 2025 via various resellers and online platforms. The portfolio will later be expanded to include products from the Sensors division; regional expansion is also being examined. At the same time, speakers will be offered to end customers under the ETON brand. In the course of the 2025 financial year, products from the Kinematics division will also be launched on the market under a world-renowned brand.

1 S&P Global, 2025 Auto Sales Forecast, December 20, 2024

The marketing of end customer products, which we manage internally under the name "Consumer Products", has the advantage of faster implementation ("time-to-market") compared to products for car manufacturers, which remain paragon's core task, and can thus compensate for fluctuations in demand in the automotive industry or reduce their impact.

paragon considers the following opportunities to be significant:

- The business model of independent development of product innovations can result in competitive advantages for paragon in the Electronics and Mechanics segments due to the dynamic technological change surrounding the megatrends.
- The focus in the development of product innovations is increasingly shifting from the component level to the system level in the Electronics and Mechanics business segments. This gives paragon the opportunity to increase the proportion of value added per vehicle.
- The company is working on traction batteries for light commercial vehicles based on "Flow Shape Design" ("FSD") technology, which are offered to various manufacturers of such vehicles. For this segment in particular, FSD has the decisive advantage of low weight at lower costs. In, the cooperation with Clarios, the global market leader for starter batteries, offers great potential for large orders.
- Through paragon Automotive Kunshan Co., Ltd., paragon is represented in China with its own local production facility. The Chinese government's current five-year plan (2021 – 2026) is based on strong growth in economic output in the coming years. At the same time, the issue of particulate emissions will remain a challenge in China's densely populated regions and therefore for the country as a whole. For paragon, there is therefore particularly high sales potential in the Chinese automotive market in the medium term if Chinese car manufacturers can be won as new customers for the DUSTPROTECT particulate filter system with high equipment rates and sales figures. There are also further opportunities for the Kinematics division, as adaptive spoiler systems are gaining increasing recognition in China as a means of increasing the range of electric vehicles. Significant orders have already been won in this area. Further orders in this area are expected.

paragon's increased efforts in recent years to establish itself in the Chinese market are now showing clear success. This can be seen in particular in the acquisition of new customers and the resulting series start-ups. Opportunities are also arising for paragon from the increased efforts to establish partnerships with other Chinese automotive suppliers. In the future, this could result in projects to jointly develop the market. paragon believes it is well positioned for this.

- The next phase of paragon's business will benefit from the fact that, following the launch of activities in the Chinese market in 2015, business is now to be expanded to the American continent. The first steps were taken at the end of 2022 with a cooperation with an established sales company in Detroit (USA). An independent company, paragon Automotive LLC, has now been founded in the United States, which at the time of reporting employed a local sales representative in addition to an employee sent from Germany. In the meantime, discussions with customers have been so promising that paragon is already planning the second step, the establishment of a production facility, in order to realize the much demanded "Local for Local" in the medium term, which is also advantageous for paragon.
- The growing product portfolio of the Kinematics division makes a significant contribution to the safety and energy efficiency of vehicles. Opportunities also arise from successful development and application experience with kinematics products for vehicle interiors (e.g. rear seat folding table). As a result of the trend towards increasing comfort within vehicles, which is being promoted in particular by the increasing shift of the driver's tasks to electric assistance systems and is thus steadily leading to the further development of forms of autonomous driving, paragon's experience in the interaction of mechanics and actuators may be in greater demand in the future.
- As mentioned above, paragon expects significant revenue contributions with attractive margins from the consumer products that are and will be successively available from spring 2025.

### Overall assessment of the opportunities

Through the regular and structured tracking of opportunities in the paragon Group and in the relevant sales markets as well as internal barrier-free communication at the various management levels, the company's management is able to identify opportunities for the Group. At the end of the 2024 financial year, both external and internal opportunities were identified or confirmed that have a positive impact on the financial performance indicators forecast for the 2025 financial year. The use of the various "white spots" that paragon has not yet or only partially exploited plays a particularly important role here. The associated growth opportunity sets paragon apart from other market participants. Uncertainties remain due to the confusing global situation prevailing at the time of reporting (tariffs, trade war, military conflicts).

## Risk report

### Risk management

As part of risk-oriented corporate management, paragon uses a comprehensive risk management system.

In the paragon Group, risks are defined not only as activities, events and developments that jeopardize the existence of the company, but also as those that influence the success of the business. Particular consideration is given to risk concentrations, e.g. dependencies on individual customers, suppliers, products or countries. In the case of material risks, mutual dependencies and influences are taken into account, as individual risks can reinforce each other or there may be offsetting effects between them. We understand business success to mean measurable parameters such as sales and EBITDA. In the reports of the respective process owners, the risks are therefore presented in these dimensions. The risk assessment is always based on the earnings risk. A risk is also the possibility that a threat could cause damage to an asset or the loss of an asset by exploiting a vulnerability and thus cause direct or indirect damage. The aim is to recognize and evaluate these risks in order to be able to select suitable and appropriate security measures on this basis.

### Strategic corporate management and risk management

The objective of risk management is to ensure the continued existence of the company, i.e. its future development and profitability, and to reduce the risks that result in a breach of the confidentiality, integrity and availability of the information and data used or contained in the course of carrying out activities. It is also the task of risk management to indicate deviations from the company's objectives and thus any departure from the defined framework at an early stage in order to enable timely countermeasures to be taken. The risk policy guidelines for this are defined in the risk manual.

Group-wide responsibility for risk management lies with the Management Board. Risk management at the respective locations is adequately covered and ensured through regular (video) meetings with the respective senior managers. The Management Board is thus kept directly informed and the relevant risks are continuously monitored and managed by the Management Board. Work is also carried out to identify risk factors in risk areas where quantification is not possible or expedient.

### Central risk management

Central risk management plays an important role in the risk management and control process. As part of its responsibility for the company's risk situation, the Management Board delegates the task of carrying out ongoing risk management activities to Central Risk Management. Responsibility for central risk management lies with the Head of Controlling. Central risk management at paragon has the task of coordinating all risk management functions of decentralized risk management, evaluating risk analyses and consolidating them into risk reporting as well as further developing the risk management system. Central risk management determines the reporting cycles and, together with the Management Board, defines the threshold values for the risks above which a risk controlling report must be prepared outside of the mandatory reporting obligations. Both the thresholds and the reporting cycles are based on the relevance of the risks.

Central risk management supports the decentralized risk managers in preparing the risk analyses and checks their feedback and plausibility. It summarizes the individual risk reports in a joint document. This allows interactions between risks to be analyzed and the overall risk situation of the paragon Group to be recorded, evaluated and commented on. This summary is referred to as risk reporting. Particular importance is attached to this task, as the objective of an integrated risk management system is to provide a holistic view of a company's risk situation. Risk reporting serves as the basic information for the statements on the risk situation of the paragon Group in the management report.

Together with the decentralized risk managers, new risk management measures are developed or existing ones adapted.

### Decentralized risk management

Decentralized risk management in the paragon Group is located in the departments and locations. As decentralized risk managers, the division and process managers are responsible for risk management in their respective areas of work. Decentralized risk management reports on the development of risks in these areas as part of risk controlling. The decentralized risk managers must prepare an analysis of the risks for which they are responsible at each quarterly reporting cycle date. The focus here is on describing the expected development of the risks. Depending on this, measures for future risk management or the improvement of existing management measures must be developed and included in the controlling report as a proposal for implementation. The decision on implementation is the responsibility of the Management Board. In addition, the Management Board must be informed immediately throughout the year of any risks that occur (ad hoc risk reporting). For reasons of efficiency, regular meetings with the participation of all decentralized risk managers are no longer held at. Instead, individual meetings are held with the decentralized risk managers.

### Risk monitoring

Risk monitoring is the task of decentralized and central risk management. For this purpose, early warning indicators are defined by the decentralized risk manager for the critical success factors. The task of central risk management is to monitor the defined early warning indicators. As soon as the defined thresholds are reached, risk reporting is prepared by the decentralized risk manager, i.e. a forecast of the expected impact of the occurrence of a risk for paragon. These forecasts are to be supplemented by scenario analyses that take different data constellations into account. Risk monitoring thus serves as a kind of knowledge amplifier for management decisions, as it attempts to reduce uncertainty regarding the future development of the company and the risk situation.

Based on this information and the measures proposed by the decentralized risk managers and central risk management, the management decides whether and to what extent risk management measures should be taken or whether an adjustment to the company's objectives is necessary. Decentralized risk management is responsible for tracking the early warning indicators, monitoring the associated threshold values and carrying out scenario analyses.

### Risk reporting

The separate quarterly risk report to the Management Board contains all new risks included in the reporting period as well as those risks whose changes in the normal monthly reporting compared to the previous month were greater than or equal to 50%.

For risks that show a change of 100% or more compared to the previous reporting period, there is an ad hoc reporting obligation to the Management Board by Central Risk Management and a reporting obligation of the Management Board to the Supervisory Board within 24 hours of becoming aware of the risk.

The risks analyzed by paragon on an ongoing basis as part of risk monitoring can be assigned to the following risk groups, each of which is subdivided into individual risks:

- Going concern risks
- Strategic and political risks
- Market risks
- Operational risks
- Financial risks
- Personnel risks

### Dimensions of the risk assessment

The relevance classes remained unchanged in the financial year. The classification of risks is based on the potential loss.

| | **Relevance classes**<br>€'000 | **Classification in €** |
|---|---|---|
| 1 | Insignificant risk – which cannot have a noticeable impact on either the annual result or the company value | up to € 100,000 |
| 2 | Intermediary risk – which can have a noticeable negative impact on the annual result | up to € 500,000 |
| 3 | Significant risk – which can strongly influence the annual result or lead to a noticeable reduction in the company value | up to € 1,000,000 |
| 4 | Serious risk – which can have a significant impact on the annual result and considerably reduce the value of the company | up to € 5,000,000 |
| 5 | Going-concern risk – which may jeopardize the continued existence of the company with a significant probability | over € 5,000,000 |

In the current reporting year, the company believes that one financial risk poses a threat to the company as a going concern, both at individual financial statement level and at Group level. This risk relates to the liquidity situation. For further details, please refer to the separate section "Going concern risks".

## Risks

### Going concern risks

Since November 2023, the company has been carrying out an on-exchange buyback program in accordance with the provisions of the Market Abuse Regulation. The company sees no risk from this. A risk is seen if the semi-annual interest payments could not be made on time, as this could result in the bond being called in full. Early repayment of the euro bond as a whole would jeopardize the company's continued existence.

The company's liquidity situation improved in the 2024 financial year, but has not yet fully normalized. In the course of the 2024 financial year, there was still a limited willingness on the part of lenders and equity providers to provide the company with additional funds. However, deferral agreements and extended payment terms were successfully reached with suppliers and service providers.

The company assumes that, taking into account the planned revenue and the forecast operating profitability, a return to the original payment agreements with suppliers and service providers will take place in the course of the 2025 financial year and that deferred liabilities will be repaid. To support this, the company is aiming to create additional liquidity in the mid-single-digit million range, which an acceleration will lead to of the return to the original conditions. Further measures to support liquidity were initiated. If the planned sales level and profitability are not achieved, or no suitable financing structure can be concluded, a return to the original payment agreements would not be possible. There would then be a risk that suppliers and service providers would no longer accept extended payment terms and deferrals. The solvency of paragon would be jeopardized.

At the same time, the company is working on optimizing inventories at all production plants.

Overall, the management is convinced that the financing of the operating business, the return to payment terms customary in the industry and the repayment of deferred liabilities to suppliers and service providers can be presented as planned and that the short and medium-term solvency of the company and the Group is therefore fully secured. The risk that the improvement in the liquidity situation cannot be realized as planned represents a material uncertainty with regard to solvency, which may cast significant doubt on the company's ability to continue as a going concern and therefore represents a risk to the company's ability to continue as a going concern. This statement applies equally to the paragon Group and to paragon GmbH & Co. KGaA as the parent company.

### Strategic and political risks

Macroeconomic developments are monitored as part of the risk management system due to their potential influence on the demand behavior of consumers as end customers of the automotive industry. This could result in fundamental changes in supply and demand behavior on the procurement and sales markets for paragon. For example, a longer-term economic downturn, possibly triggered by economic policy measures (tariffs) in individual submarkets such as the USA or China, could have a negative impact on the company's net assets, financial position and results of operations. In particular, a politically motivated departure from the rules-based international trading system or its disruption through individual protectionist measures could lead to distortions in the global automotive value chain. The paragon Group's presence with its own production sites in China and its specific customer/product structure could reduce this risk.

The situation for paragon's European customers, but also for the international equity and bond markets, could deteriorate dramatically if no quick and, above all, sustainable agreement is reached on tariffs between the USA and the world. For logistical reasons, paragon is already planning to open a production plant in the USA by 2027/2028, which would limit the risk. However, distortions regarding exports from European customers to the USA would inevitably be reflected in paragon's production volumes. The planned marketing of consumer products in European countries can help to balance the risk.

Russia's invasion of Ukraine over three years ago represents a further risk that still cannot be conclusively quantified at present. It is still unclear how the war will progress and what impact it will have on both German industry and the European automotive industry. It is also not possible to say what influence the tense conditions in the Middle East or China's claim to Taiwan will have.

Although we cannot conclusively assess the impact of these strategic and political risks on paragon, it cannot be ruled out that they may represent a serious risk in their entirety.

### Market risks

For years, paragon has enjoyed a strong market position as an established and innovative direct supplier to German premium manufacturers in the automotive industry. For the 2025 financial year, the market research institute S&P Global (IHS) expects global production of passenger cars and light commercial vehicles to increase by 1.7%.[1] As already highlighted in the chapter on opportunities, it is questionable whether this forecast is still valid in view of the tariff policy pursued by the US government, the effects of which cannot be estimated at the present time.

#### Supply chains

The dynamics of the automotive market for challenges in the supply chain have become clear in recent years. The shortage of semiconductors required for the production of vehicles has had consequences for OEMs. Russia's war of aggression against Ukraine has put considerable strain on the supply chains for other necessary components. This production risk for our customers is exacerbated by just-in-time and just-in-sequence deliveries – sometimes coupled with a single source strategy. In the event of production stoppages or cutbacks, suppliers such as paragon could also be confronted with a reduction in call-off orders from customers, which could have an impact on sales and earnings. However, the management is convinced that the consequences for paragon can be mitigated, as the company is in close consultation with customers and suppliers regarding changes in call-off planning and/or stockpiling, among other things, in order to ensure the best possible protection. We classify this risk as a serious risk.

#### Customer concentration

Close ties to German premium manufacturers and a focus on specific market niches characterize paragon's strategic positioning. Sales opportunities and risks are assessed using a comprehensive operational sales controlling system. Fixed components of this system are the analysis of market and competitive data, rolling planning for the short and medium term and regular coordination meetings between sales, production and development. The comparatively broad portfolio of different products for a variety of

1 S&P Global, 2025 Auto Sales Forecast, December 20, 2024

vehicle platforms from a large number of customers documents the high degree of independence from individual product groups and customers. The three largest customer groups generated 59.9% of paragon's revenue in the 2024 financial year with, 16. with 8%and 9.5% with. The loss of a major customer could have an impact on the net assets, financial position and results of operations in the medium term. However, due to the multi-year contract terms for the individual vehicle series (and the heterogeneous organization of customers into legally independent brands), the loss of a key customer would be announced at an early stage. paragon counters this risk through comprehensive development work on product innovations and detailed ongoing order backlog analyses as part of early risk identification. We classify this risk as a serious risk.

### Capitalized development costs

paragon's innovation process is characterized by independent product development that takes into account the interests and wishes of vehicle occupants as end customers. This means that, unlike many automotive suppliers, paragon does not simply wait for requests and corresponding specifications from car manufacturers, but develops its own innovative solutions, which are implemented together with pilot customers and then offered to a broader customer base. Because a large proportion of automotive innovations are increasingly being made in the field of electronics, there are a wide range of market opportunities for paragon in this business segment. In addition, paragon is activating development services in the non-automotive market for the first time. It cannot be completely ruled out that a product development will not achieve the expected number of units or will not find a market, or that commercial success will be lower or later than originally planned. In view of the high proportion of capitalized development costs in the balance sheet due to IFRS accounting standards, a corresponding impairment of intangible assets could have a negative impact on the company's net assets, financial position and results of operations. We classify this risk as a significant risk.

### Goodwill

No impairment of goodwill was necessary in the current financial year. In particular, a renewed deterioration in the business prospects of the subsidiary paragon movasys GmbH could lead to an impairment requirement. We classify this risk as a significant risk.

## Operational risks

### Technological development

The market for automotive electrics, electronics and mechatronics is subject to increasingly dynamic technological change. The future economic success of paragon will therefore depend on its ability to develop new, innovative products for and together with customers in good time and to launch them successfully on the market. The prerequisite for this is that new technological developments and trends are recognized in good time and that we respond to them and implement solutions together with our customers. If paragon is unable to identify and implement new trends, customer requirements or technological developments in good time or at all in the future and develop new products and further develop or adapt existing products in accordance with business principles, this may have a negative impact on the company's net assets, financial position and results of operations. In close cooperation with the development departments of key customers, paragon contributes to automotive product innovations with a wide range of development projects and innovative solutions. Significant deviations from project targets in terms of time and money can result in cost and legal risks (e.g. contractual penalties). This risk is taken into account by the early risk detection system in sales. Ongoing development and project controlling is intended to limit the associated risks. We classify this risk as a serious risk.

### Cost risks production and material costs

Maintaining production at all locations is essential to ensure delivery capability for customers. For this reason, paragon pursues a comprehensive inspection and maintenance management system. Nevertheless, there is a possibility of unforeseeable machine and system failures, which can lead to downtime and additional costs. We classify this risk as a significant risk.

### Information technology

The increasing penetration of information technology (IT) and its networking of the Group's entire value chain harbours a multitude of opportunities as well as risks, such as system failures or unauthorized external access (cyber attacks) to the company's data and information. In cooperation with specialized service partners, paragon has implemented established security solutions to avert potential threats to the IT infrastructure and mission-critical data. We classify this risk as a significant risk.

### Financial risks

In the group of financial risks, paragon monitors interest rate, currency and liquidity risks as well as risks from bad debts, balance sheet risks and tax risks.

#### Exchange rate fluctuations

In procurement, paragon takes advantage of global price competition on all relevant markets and secures a significant portion of procurement prices through framework agreements, annual agreements and long-term supplier relationships. The Group continues to source the majority of its purchasing value from European contractual partners, with the remainder being purchased directly in Asia and the USA. The euro is the predominant purchasing currency, with only a small proportion invoiced in US dollars in the reporting year. Currency risks arise primarily for purchases in US dollars that are destined for the European currency area. These risks are minimized through price escalation clauses and other suitable measures. The company monitors potential currency risks on the procurement and sales side using continuously reviewed exchange rate expectations. paragon does not currently use any financial instruments to hedge currency risks on the procurement and sales side. The company continues to classify the risk as a medium risk.

#### Liquidity

The company ensures its solvency through comprehensive liquidity planning and control. These plans are prepared on a short, medium and long-term basis. In addition, paragon has a consistent accounts receivable management system to ensure a prompt inflow of funds. A significant proportion of receivables is also covered by trade credit insurance.

The company's liquidity situation improved in the 2024 financial year, but has not yet fully normalized. In the course of the 2024 financial year, there was still limited willingness on the part of lenders and equity providers to provide additional funds for the company's further growth. However, extended payment terms and deferral agreements were successfully reached with suppliers and service providers. The company expects to return to originally existing payment agreements with suppliers and service providers and repay deferred liabilities in the course of the 2025 financial year, taking into account the planned revenue and forecast operating profitability.

We also refer to the comments in the separate section "Going concern risks".

### Personnel risks

The company is fundamentally dependent on the recruitment and long-term retention of qualified personnel and individuals in key positions. The future economic success of paragon depends to a considerable extent on the continued involvement of its managers, executives and employees in key positions. This applies in particular to its founder and CEO Klaus Dieter Frers, who is the driving force behind the company and an important source of ideas. In addition, paragon is also dependent on qualified employees in the areas of management, research and development and sales. The company cannot guarantee that it will be able to retain its managers, executives and employees in key positions in the future or that it will be able to recruit new managers and employees with the appropriate qualifications. There is increasing competition for such qualified employees and the personnel market, particularly in regions outside German conurbations, is comparatively small, meaning that individual experts would be difficult or impossible to replace. If paragon does not have sufficient qualified personnel available in the future, the company's strategic and economic objectives may not be achieved or may only be achieved at a later date, which could have a negative impact on the company's net assets, financial position and results of operations. paragon classifies personnel risk as a serious risk.

### Force majeure risks

The paragon sites are not located in areas that have previously been affected by natural disasters. Nevertheless, especially in view of global warming, natural events can no longer be ruled out anywhere. In addition, there is always the possibility of being the victim of vandalism. We classify the risk of force majeure as a serious risk.

### Overall assessment of the risk situation

The company's risk management was further adapted to the dynamic development of the paragon Group in the past year. The management currently assumes that the ongoing Group-wide monitoring of operating risks will become increasingly important as business activities expand.

Against the backdrop of the ambitious growth strategy, paragon's overall economic development remains largely linked to the economic development of the automotive industry and, in particular, its key customers. A differentiated look at the development of the automotive industry shows that the company is positioned in forward-looking market segments and submarkets, maintains promising customer relationships and has a number of products, some of which are only offered on the market by paragon. 90% of revenue in the 2024 financial year was generated as a single source, i.e. paragon was the sole supplier for the corresponding product.

paragon will continue to hedge against general market risks in the automotive industry in the future. Market risk represents a serious individual risk for paragon. In the reporting year, paragon continued to realize a high proportion of revenue with the three most important customers in accordance with IFRS 8.34. The strategic positioning as a direct supplier to German premium manufacturers with long-standing, successful business relationships with these companies should further mitigate the risk. However, it can be assumed that car manufacturers will pass on the continuously increasing cost pressure resulting from the transformation process in terms of technologies and business models to suppliers. However, the existing customer contacts contain considerable opportunities to place new product innovations. The increasing diversification of the Group's product portfolio should help to further reduce market risks. This also includes the development of a second sales channel for so-called consumer products, which follow different economic cycles than those of the automotive industry and are characterized by a significantly shorter realization time (time- to -market).

With regard to the supply chains – in particular semiconductors and other primary materials – there may still be restrictions in our customers' automotive production. The potential further impact of the war in Ukraine on energy prices and the availability of materials cannot be meaningfully assessed at present.

Overall, the management is convinced that the company's financing can be provided as planned and that the short and medium-term solvency of the company and the Group is therefore fully secured. If this cannot be realized as planned, the continued existence of the company would be at risk. We refer to the further explanations in the section "Risks threatening the existence of the company".

There are inherent limitations to the effectiveness of any internal control and risk management system. No system can guarantee that all actual risks have been identified at an early stage and that all violations or errors in the internal processes have been ruled out, even if the system has been assessed as appropriate and effective. In this sense, paragon's internal control and risk management system described above cannot offer absolute certainty.

## Description of the main features of the internal control and risk management system with regard to the Group accounting process (Section 315 (4) HGB)

The paragon Group is characterized by a clear and manageable corporate structure. In addition to paragon GmbH & Co. KGaA, the scope of consolidation comprises only a small number of companies, which are essentially included in the consolidated financial statements in accordance with the rules of full consolidation. As the internal control and risk management system is not defined by law, paragon follows the definition of the Institut der Wirtschaftsprüfer in Deutschland e.V., Düsseldorf, on the accounting-related internal control system (IDW PS 261 n.F.

An internal control system is understood to be the principles, procedures and measures introduced by management in the company that are aimed at the organizational implementation of management decisions. The following objectives are pursued:

a) Ensuring the effectiveness and efficiency of business activities (incl. protection of assets, including the prevention and detection of asset misappropriation),
b) the regularity and reliability of internal and external accounting, and
c) Compliance with the legal and statutory regulations applicable to the company.

The Group's risk management system comprises the entirety of all organizational regulations and measures for identifying risks and dealing with the risks of entrepreneurial activity.

The Management Board of paragon GmbH & Co. KGaA also bears overall responsibility for the internal control and risk management system with regard to the accounting process. The principles, procedural instructions, the structural and procedural organization and the processes of the accounting-related internal control and risk management system are laid down in organizational instructions, which are adapted to current external and internal developments at regular intervals. In view of the size and complexity of the accounting process, management has determined the scope and design of the control activities and implemented them in this process. In addition, process-independent controls have been established. The control activities address those control risks which, in terms of their probability of occurrence and their impact, could have a significant influence on the accounting and the overall statement of the consolidated financial statements, including the combined management report. The main principles, procedures, measures and control activities include

- Identification of material control risks relevant to the Group accounting process
- Process-independent controls for monitoring the Group accounting process and its results at the management level of paragon GmbH & Co. KGaA

Control activities in the finance department of paragon GmbH & Co. KGaA that provide key information for the preparation of the consolidated financial statements, including the combined management report

## Risk reporting in relation to the use of financial instruments (Section 315 (2) no. 1 HGB)

The paragon Group is exposed to the following risks from the use of financial instruments:

Interest rate risks are virtually insignificant for paragon, as fixed interest rates are currently agreed for the majority of non-current liabilities.

The company ensures its solvency through comprehensive liquidity planning and control. These plans are prepared on a short, medium and long-term basis. In addition, paragon has a consistent accounts receivable management system to ensure a prompt inflow of funds. A significant proportion of receivables is also covered by trade credit insurance. An additional option for short-term financing exists in the form of factoring agreements.

The company monitors potential currency risks on the procurement and sales side using continuously reviewed exchange rate expectations. The individual risks are explained in the risk report "Financial risks".

# Forecast report

The expected development of the paragon Group is described in the following sections. Risks and opportunities that could result in a deviation from the forecast developments are presented in the opportunity and risk report.

**Market development 2025**

The International Monetary Fund (IMF) expects global economic output to continue to grow by 3. in 2025 and by the same amount in 2026. However, the forecast for 2025 – 2026 is still below the historical (2000 – 2019) average of 3.8%. The global economy is currently still resilient, but inflationary pressure remains. The global inflation rate is expected to fall further in 2025 compared to previous years, although the outlook varies greatly by region and is subject to considerable uncertainty (particularly in view of geopolitical tensions and the trade conflicts that have been triggered). The US economy has been robust so far and is still being supported by strong consumer demand and a resilient labor market. However, an excessively loose fiscal policy could stimulate growth in the short term but jeopardize debt sustainability in the long term. Europe is struggling with weak consumer demand, a recession in the manufacturing sector and a weakening labor market. The European economy's heavy dependence on exports makes it particularly vulnerable to trade conflicts. China's economy is recording the lowest GDP growth in a decade. The challenge is to mobilize the high savings of private households and at the same time push ahead with structural reforms.[1]

In terms of risk factors, there is a strong focus on trade conflicts. In particular, the new US government's announcement that it will introduce high tariffs on imports from Europe and corresponding counter-tariffs could lead to a further weakening of the subdued growth prospects.

In addition, there are still geopolitical uncertainties that could lead to supply bottlenecks and reinforce inflationary tendencies. These include a possible conflict between China and Taiwan, further attacks on container ships in the Red Sea, as well as the US government's annexation plans.

With regard to the automotive industry, we expect the global passenger car market to grow only slightly at best in 2025.

The following assumptions are considered material for the derivation of the paragon Group's forecast:

- Stable production figures within the global automotive industry, particularly for paragon's core markets (Europe and China)
- Continued robustness of the premium segment in the face of economic influences on the automotive industry.
- No significant restrictions on the availability of primary products and semiconductors.
- Ramp-up of consumer products as planned

**paragon Group**

The Group's corporate planning is based on detailed sales and revenue planning and is broken down to product level on a customer-specific basis. The main cost components are planned for a period of several years using individual planning models and then extrapolated in line with sales development.

Significant parameters such as price changes in purchasing or sales as well as possible cost increases in the area of personnel or changes to the tax base are integrated into the planning. The continuously updated risk management system allows the company to identify risks at an early stage and, if necessary, take appropriate countermeasures.

The management's forecast is based on the solid order situation for 2025 and the known sales expectations of automotive customers according to S&P Global (IHS) and their existing call-off orders for paragon products for the first half of 2025. In addition, there are the sales and earnings plans for the new consumer products. Accordingly, paragon's management expects the Group to generate revenue of 140 to 145 million € with EBITDA of between 20 and 22 million € for the 2025 financial year.

1 InvestmentWeek, IWF-Prognose: Anzeichen wirtschaftlicher Unsicherheiten auf globaler Ebene, April 23, 2025 // World Economic Outlook Update, January 2025: Global Growth: Divergent and Uncertain, January 17, 2025

The strong demand for air quality and particulate matter sensors as well as ionizers in the Sensors division and display instruments in the Interior division will be a key component of sales. These products are being installed in more and more model series by various car manufacturers. Due to the intense social debate about particulate matter levels in city centers, air quality sensors have also recently received increased attention from manufacturers. Personalization and comfort, paired with aesthetics and design, are key drivers of the growing demand for digital, analogue and hybrid instruments in vehicle interiors.

The company continues to see the ongoing expansion of activities in the Sensors, Interiors and Kinematics divisions in the Chinese market as a further driver. In the 2025 financial year, sales revenue in China will also continue to rise due to the start of further series orders.

## Development of the key performance indicators:

| €'000 or as stated | 2024 | 2023 | Change in % | Forecast 2025 |
|---|---|---|---|---|
| **Financial performance indicators** | | | | |
| Sales | 135,744 | 161,647 | -16.0% | 140 to 145 million € |
| EBITDA | 17,793 | 17,672 | 0.7% | 20 to 22 million € |

This combined management report contains disclosures and forecasts relating to the future development of the companies in the paragon Group. These forecasts represent estimates that the management has made on the basis of the information at the present time. If the assumptions on which the forecasts are based prove to be correct or risks, such as those in the risk report, materialize, actual results may deviate from current expectations. The management assumes no obligation to update the statements contained in this combined management report outside of the statutory publication requirements.

## Takeover-related disclosures in accordance with Sections 289a (1) and 315a (1) HGB

### Composition of the subscribed capital

The subscribed capital (share capital) of paragon GmbH & Co. KGaA amounts to 4,526,266.00€ and is divided into 4,526,266 ordinary bearer shares with no par value (no-par value shares), each with a pro rata amount of the share capital of 1.00 €. All shares are entitled to a share in profits. Each share entitles the holder to one vote at the Annual General Meeting.

### Share voting or transfer restrictions

The management is not aware of any restrictions relating to voting rights or the transfer of shares.

### Shareholdings exceeding 10% of the voting rights

- In a voting rights notification dated 28.12.2023, the company was informed that Frers Family Office GmbH holds 50% + 1 share of the voting rights. Mr. Klaus Dieter Frers controls Frers Family Office GmbH. This has not changed since then.

### Shares with special rights that confer powers of control

There are no shares with special rights that confer powers of control.

### Type of voting right control if employees hold an interest in the capital

Insofar as employees participate in the limited partnership capital (share capital) as shareholders, they cannot derive any special rights from this.

### Appointment and dismissal of members of the Management Board and amendment of the Articles of Association

The management of paragon GmbH & Co. KGaA is the responsibility of paragon GmbH as the general partner. With this capitalist structure of the KGaA, the management bodies of the general partner thus effectively manage the business of the KGaA. The relevant provisions of the German Stock Corporation Act for the Management Board apply mutatis mutandis to the management.

Unlike the Management Board of an AG, however, the personally liable partner is a “born” management body, i.e. he is authorized to manage the business and represent the company on a permanent basis and not for a specific period of time. He is not appointed by the Supervisory Board or the Annual General Meeting, but by the articles of association. For this reason, it cannot be dismissed by the Supervisory Board or the Annual General Meeting.

With regard to the regulations on amending the Articles of Association, reference is made to Section 278 para. 3 AktG in conjunction with Section 179 para. § Section 179 para. 2 sentence 2 AktG.

### Powers of the management to issue shares

By resolution of the Annual General Meeting on 31 August 2021, the general partner is authorized, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions up to and including 30 August 2026 by up to a total of 2,263,133.00 € in return for cash and/or non-cash contributions by issuing up to 2,263,133 new no-par value ordinary bearer shares (Authorized Capital 2021/I).

Shareholders must generally be granted subscription rights. The statutory subscription right can also be granted in such a way that the new shares are taken over by a banking syndicate with the obligation to offer them indirectly to the shareholders for subscription in accordance with Section 186 (5) AktG. However, the general partner is authorized, with the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights in defined cases.

By resolution of the Annual General Meeting on August 31, 2021, the general partner is authorized, with the approval of the Supervisory Board, to issue bearer or registered convertible bonds or bonds with warrants or a combination of these instruments on one or more occasions up to and including August 30, 2026 with a total nominal amount of 150.000,000.00€ with a maximum term of ten years and to grant the holders or creditors of convertible bonds or bonds with warrants conversion or option rights to up to 2,263,133 new ordinary bearer shares in the company (Contingent Capital 2021/I).

The bonds can be issued against cash contributions, but also against contributions in kind, in particular investments in other companies. In the case of bonds with warrants, they may also be issued against non-cash contributions if the terms and conditions of the warrants provide for the option price per share in the company to be paid in full in cash upon exercise.

### Change of control and compensation agreements

In accordance with Article 6 No. 3 of the company's Articles of Association in the version dated June 30, 2023, additional general partners with or without management and/or representation powers may be admitted to the company. The admission requires the consent of the general partner and the approval of the Annual General Meeting. The provisions of the company's Articles of Association regarding the general partner apply accordingly to newly admitted general partners.

Pursuant to Section 6 No. 4 of the company's Articles of Association in the version dated June 30, 2023, the general partner shall withdraw from the company if someone other than Brigitte Frers or a person related to Klaus Dieter Frers in a direct line (Section 1589 (1) sentence 1 BGB) becomes the legal or beneficial owner of the majority of voting rights in the general partner and no takeover or mandatory offer is made within three months of the acquisition taking effect in accordance with the provisions of the German Securities Acquisition and Takeover Act. 1 BGB) becomes the legal or beneficial owner of the majority of voting rights in the general partner and does not submit a takeover or mandatory offer to the company's shareholders in accordance with the provisions of the German Securities Acquisition and Takeover Act (WpÜG) within three months of the acquisition taking effect.

If the general partner withdraws from the company without a new general partner being admitted at the same time, the company shall be continued by the limited liability shareholders alone on a transitional basis in accordance with Section 6 No. 5 of the company's Articles of Association. In this case, the Supervisory Board must immediately apply for the appointment of an emergency representative to represent the company until a new general partner is admitted.

# Annual financial statements of paragon GmbH & Co. KGaA

### Business performance of paragon GmbH & Co. KGaA

For the individual company paragon GmbH & Co. KGaA, revenue and EBITDA are also considered financial performance indicators.

**paragon GmbH & Co. KGaA had published the following forecast for the 2024 financial year:**

- 90 million € Sales revenue,
- 7 million € EBITDA

The business performance of paragon GmbH & Co. KGaA (HGB annual financial statements) in the 2024 reporting year was characterized by the sale of the starter battery business to Clarios and lower call-off orders from automotive customers than announced by them. Overall, sales revenue of 93,6 million € was generated (previous year: 110,6 million €). The sales forecast was therefore slightly exceeded. EBITDA of 7.8 million € was achieved in the 2024 financial year (previous year: 25.7 million €). The previous year's result was heavily influenced by the sale of paragon semvox GmbH. The EBITDA forecast was therefore exceeded. In addition to an increased capitalization rate of internally generated intangible assets as a result of the increased development efforts following the consolidation phase, cost-saving measures were taken which were implemented immediately and therefore had a direct positive impact on earnings and will continue to do so.

### Financial position of paragon GmbH & Co. KGaA

At 103.9 million €, paragon GmbH & Co. KGaA's total assets in the HGB single-entity financial statements were slightly lower than in the previous year (previous year: 105.2 million €).

Fixed assets decreased by 0.7 million € to 61.8 million € (previous year: 62.5 million €). The main reason for this reduction is the impairment of a supply right in the amount of 3.8 million € (previous year: 1.3 million €). This was offset higher additions by to internally generated intangible assets.

Receivables and other assets increased to 40.2 million € (previous year: 39.8 million €)

Cash and cash equivalents amounted to 1.5 million € as at the balance sheet date (previous year: 2.1 million €).

Equity fell from 8.4 million € to 6.4 million € due to the net loss in the reporting year.

The provisions of paragon GmbH & Co. KGaA amounted to 6.7 million € (previous year: 7.3 million €) as at the reporting date. Liabilities increased to 90.8 million€ (previous year: 89.5 million €). This is mainly due to an increase in liabilities to affiliated companies from 11.5 million € in the previous year to 17.7 million € in the reporting year. was offset by the reduction in bond liabilities under commercial law from 47.2 million € in the previous year to 45.9 million €. This is mainly due to the higher level of own bonds of 1 million € (previous year: 0,1 million €). Furthermore, trade payables of 13.4 million € (previous year: 17.0 million €) were reduced compared to the previous year.

### Financial position of paragon GmbH & Co. KGaA

The development of the annual result of -2.1 million € in the reporting year compared to 4.2 million € in the previous year is mainly due to special effects in the reporting year and the previous year. In the reporting year, impairment losses of 3.8 million € were recognized on a supply right (see section "Significant factors influencing the course of business"). The previous year's effects were the sale of the investment in paragon semvox GmbH and the partial sale of the Power division. Without these special effects, earnings would have improved significantly.

The scheduled repayment of bank loans led to a negative cash flow from financing activities.

Cash and cash equivalents decreased to 1.5 million € as at the balance sheet date (previous year: 2.1 million €).

### Earnings position of paragon GmbH & Co. KGaA

The sales revenue of paragon GmbH & Co. KGaA amounted to 93.6 million € in the reporting year, down by 17.0 million € compared to the previous year (previous year: 110.6 million €). This was mainly due to the sale of the starter battery business to Clarios; the resulting lack of sales could not be compensated for by the OEMs' weaker call-off behavior.

In the financial year, internally generated intangible assets were capitalized via own work capitalized in the amount of 6.5 million € (previous year: 2.9 million €). This increase is due to the fact that, following the years of consolidation for the purpose of debt reduction, is once again increasingly developing new products that should lead to growing sales and profits in the future.

Other operating income in the reporting year mainly includes income from the settlement of CHF forwards in the amount of 925 thousand €. These were purchased to hedge the CHF bond, with a settlement date in April 2024. Income was also generated from the repurchase of own bonds, as well as income from the reversal of value adjustments and from the use of vehicles by employees. In the previous year, other operating income was characterized by the capital gain from the sale of the subsidiary paragon semvox GmbH in the amount 16.0 million € and the book profit from the sale of a part of the Power division in the amount of 6.6 million €.

At 74.7% (previous year: 76.0%), the cost of materials ratio fell in comparison to the previous year due to cost reduction programs. Personnel expenses fell to 14.0 million € (previous year: 15.3 million €). The reduction in personnel expenses is mainly due to the takeover of 43 employees through Clarios in the fourth quarter of 2023 and the partial non-employment of departing employees. An opposite effect resulted from the hiring of temporary workers.

Other operating expenses amounted to 11.5 million € in the reporting year (previous year: 14.9 million €). The main expenses in the reporting year are operating insurance, maintenance, damages, IT expenses and the remuneration of the general partner.

The profit transfer results from the profit transferred from paragon electronic GmbH in the amount of 3.6 million € (previous year: 2.8 million €).

Taking into account income taxes and other taxes, paragon GmbH & Co. KGaA therefore reported a net loss of the reporting year of -2.1 million € (previous year: 4.2 million €). EBITDA (earnings before interest, taxes, depreciation, amortization and write-ups and earnings from profit and loss transfer agreements) for paragon GmbH & Co. KGaA amounted to 7.8 million € in the reporting year (previous year: 25.7 million €). The EBITDA margin amounted to 8.3% in the reporting year (previous year: 23.2%). This change can be explained by the special effects described above.

### Overall statement on the net assets, financial position and results of operations of paragon GmbH & Co.

The development of the net assets, financial position and results of operations of paragon GmbH & Co. KGaA in the past financial year was mainly characterized by

- a decline in sales due to lower demand from OEMs and the sale of the starter battery business to Clarios in 2023.
- The savings made in all cost items as a result of the cost-saving measures should be emphasized. As a result, expenses were significantly reduced, so that the result even improved considerably compared to the previous year and without the previous year's special effects.
- In the 2024 financial year, paragon spent a total of 7.8 million € (previous year: 8.5 million €) on R&D activities. The ratio of capitalized development costs was approximately 91.0% (previous year: 30.9%) to total research and development costs. This increase in the capitalization ratio also has an increasing effect on the EBITDA performance indicator compared to the previous year.

The management estimates business development in the 2024 reporting year

- KGaA is ambivalent. Following the sale of the starter battery division to Clarios, it was not possible to replace the starter battery share of revenue elsewhere because the expected upturn in orders from automotive customers did not materialize. By continuing the consistent cost-cutting measures and capacity adjustments, the EBITDA margin at paragon GmbH & Co. KGaA could be improved.

### Development of the key performance indicators

In the current financial year, the management expects a decline in revenue for paragon GmbH & Co. KGaA in the HGB annual financial statements in 2025 due to the weak sales of German and European automobile manufacturers. Due to the measures already initiated in 2024 and continued in 2025, the management expects a further improvement in the operating result.

| €'000 or as stated | 2024 | 2023 | Change in % | Forecast 2025 |
|---|---|---|---|---|
| **Financial performance indicators** | | | | |
| Turnover | 93,555 | 110,588 | -15.4% | 80 to 85 million € |
| EBITDA | 7,806 | 25,706 | -69.6% | 10 to 12 million € |

# Declaration on Corporate Governance pursuant to Section 315d in conjunction with Section 289f (1) HGB and Declaration of Conformity of paragon GmbH & Co. KGaA with the German Corporate Governance Code

The Management Board and Supervisory Board of the company are committed to the principles of transparent and responsible corporate management and control. They attach great importance to the standards of good corporate governance.

The corporate governance declaration in accordance with Section 315d in conjunction with Section 289f (1) HGB can be viewed permanently on the paragon website at https://ir.paragon.ag. It includes the declaration of compliance with the German Corporate Governance Code in accordance with Section 161 AktG, relevant information on corporate governance practices and a description of the working methods of the Management Board and Supervisory Board and their composition, the targets set in accordance with Section 76 (4) and Section 111 (5) AktG and information on their achievement as well as the company's measures in connection with increasing diversity.

The details of the remuneration of the members of the Executive Board and Supervisory Board are presented in the remuneration report in accordance with Section 162 AktG, which the Supervisory Board will discuss and pass a resolution on at its meeting on April 29, 2025. This report will subsequently be published on the paragon website at https://ir.paragon.ag

Delbrück, April 29, 2025
paragon GmbH & Co. KGaA

The management of the personally liable shareholder, paragon GmbH

Klaus Dieter Frers
Vorsitzender der
Geschäftsführung, CEO

# Consolidated Income Statement

| €'000 | Appendix | Jan. 1– Dec. 31, 2024 | Jan. 1– Dec. 31, 2023 |
|---|---|---|---|
| **Sales revenue** | 10 | **135,744** | **161,647** |
| Other operating income | 11 | 3,289 | 12,064 |
| Increase or decrease in inventories of finished and work in progress | | –2,630 | –1,492 |
| Other own work capitalised | 12 | 7,971 | 3,883 |
| **Overall performance** | | **144,375** | **176,102** |
| Cost of materials | 13 | –72,613 | –91,529 |
| **Gross profit** | | **71,762** | **84,571** |
| Personnel expenses | 14 | –38,732 | –44,231 |
| Depreciation and amortisation of property, plant and equipment and intangible assets | 15 | –12,359 | –16,432 |
| Impairment of property, plant and equipment and intangible assets | 15 | –4,648 | –187 |
| Other operating expenses | 16 | –15,237 | –22,669 |
| **Earnings before interest and taxes (EBIT)** | | **786** | **1,050** |
| Financial income | 17 | 30 | 142 |
| Financing expenses | 17 | –6,518 | –12,654 |
| **Financial result** | | **–6,488** | **–12,513** |
| **Earnings before taxes (EBT)** | | **–5,702** | **–11,463** |
| Income taxes | 18 | –403 | 890 |
| **Result from continuing operations** | | **–6,105** | **–10,571** |
| **Result from discontinued operations** [1] | 19 | **n.a.** | **6,759** |
| **Group result** | | **–6,105** | **–3,812** |
| Earnings per share in € (basic and diluted) from continuing operations | 20 | –1,35 | –2,34 |
| Earnings per share in € (basic and diluted) from discontinued operations [1] | | n.a. | 1,49 |
| Earnings per share in € (basic and diluted) from continuing and discontinued operations | | n.a. | –0,84 |
| Average number of shares in circulation (basic and diluted) | | **4,526,266** | **4,526,266** |

1 paragon GmbH & Co. KGaA sold its shares in paragon semvox GmbH by notarized agreement dated December 1, 2022 with closing on May 12, 2023 and thus lost control over the subsidiary. For this reason, paragon semvox GmbH is recognized in the comparative column as a "discontinued operation" in accordance with IFRS 5.

# Consolidated Statement of Comprehensive Income

| €'000 | Appendix | Jan. 1– Dec. 31, 2024 | Jan. 1– Dec. 31, 2023 |
|---|---|---|---|
| **Consolidated net income** | | **–6,105** | **–3,812** |
| Actuarial gains and losses from continuing operations | 29 | 112 | 43 |
| Currency translation reserve from continuing operations | | 124 | –149 |
| **Overall result** | | **–5,869** | **–3,918** |

Hinweis: Aus rechnerischen Gründen können in Tabellen Rundungsdifferenzen in Höhe von +/– einer Einheit (TEUR) auftreten.

# Consolidated balance sheet

| €'000 | Appendix | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|---|
| ASSETS | | | |
| **Non-current assets** | | | |
| Intangible assets | 21 | 29,903 | 33,711 |
| Goodwill | 22 | 5,745 | 5,745 |
| Property, plant and equipment | 23 | 25,359 | 26,719 |
| Investments accounted for using the equity method | | 1,522 | 1,522 |
| Shareholdings | | 120 | 120 |
| Other non-current financial assets | | 418 | 456 |
| | | **63,069** | **68,274** |
| **Current assets** | | | |
| Inventories | 24 | 16,554 | 20,641 |
| Receivables from goods and services | 25 | 5,398 | 6,646 |
| Other current financial assets | 26 | 2,862 | 5,193 |
| Other current non-financial assets | 26 | 2,690 | 3,094 |
| Contract assets | 27 | 3,055 | 1,461 |
| Income tax assets | | 19 | 0 |
| Cash and cash equivalents | 28 | 4,391 | 3,209 |
| Assets classified as held for sale | 8 | 281 | 0 |
| | | **35,249** | **40,245** |
| **Total assets** | | **98,317** | **108.520** |

| €'000 | Appendix | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|---|
| PASSIVA | | | |
| **Equity capital** | | | |
| Subscribed capital | 29 | 4,526 | 4,526 |
| Capital reserve | 29 | 15,485 | 15,485 |
| Revaluation reserve | 29 | 175 | 64 |
| Loss carryforward | 29 | -24,290 | -20,478 |
| Consolidated net income | 29 | -6,105 | -3,812 |
| Reserves from currency differences | 29 | 256 | 132 |
| | | **-9,953** | **-4,084** |
| **Non-current provisions and liabilities** | | | |
| Non-current lease liabilities | 30 | 7,392 | 8,687 |
| Long-term loans | 31 | 5,777 | 6,001 |
| Long-term bonds | 32 | 24,825 | 24,825 |
| Deferred taxes | 18 | 61 | 292 |
| Provisions for pensions | 33 | 1,924 | 1,921 |
| Other non-current financial liabilities | 36 | 1,125 | 2,205 |
| | | **41,105** | **43,930** |
| **Current provisions and liabilities** | | | |
| Current lease liabilities | 30 | 2,742 | 2,958 |
| Short-term loans and current portion of long-term loans | 31 | 7,701 | 7,872 |
| Liabilities from deliveries and services | | 24,594 | 24,374 |
| Short-term bond | 32 | 20,915 | 22,162 |
| Other provisions | 34 | 0 | 488 |
| Income tax liabilities | 35 | 1,193 | 614 |
| Other current financial liabilities | 36 | 2,394 | 2,632 |
| Other current non-financial liabilities | 37 | 7,628 | 7,574 |
| | | **67,166** | **68,673** |
| **Total liabilities** | | **98.317** | **108,520** |

# Consolidated cash flow statement

| €'000 | Appendix | Jan. 1– Dec. 31, 2024 | Jan. 1– Dec. 31, 2023 |
|---|---|---|---|
| **Consolidated net income** | | **–6,105** | **–3,812** |
| Result from discontinued operations | | n.a. | –6,759 |
| Depreciation and amortisation of fixed assets | | 17,007 | 16,432 |
| Financial result | | 6,488 | 12,513 |
| Profit (–), loss (+) from disposal of property, plant and equipment and financial assets | | 195 | –6,140 |
| Increase (+), decrease (–) in other provisions and pension provisions | | –485 | –1,031 |
| Other non-cash expenses and income | | –296 | –979 |
| Increase (–), decrease (+) in trade receivables, other receivables and other assets | | 2,575 | 537 |
| Increase (–), decrease (+) in inventories | | 4,087 | 3,367 |
| Increase (+), decrease (–) in trade payables and other liabilities | | –693 | –8,369 |
| Interest paid | | –6,811 | –11,921 |
| **Cash flow from operating activities** | 43 | **15,962** | **–6,163** |
| Proceeds from the disposal of property, plant and equipment (+) | | 338 | 4,100 |
| Payments for investments in property, plant and equipment (–) | | –2,864 | –1,717 |
| Payments for investments in intangible assets (–) | | –7,901 | –5,878 |
| Proceeds from the sale of consolidated companies and other business units (+) | | 0 | 37,538 |
| Proceeds from the sale of intangible assets | | 0 | 4,100 |
| **Cash flow from investing activities** | 43 | **–10,428** | **38,143** |
| Payments for the repayment of financial loans (–) | | –2,580 | –24,783 |
| Proceeds from the raising of financial loans (+) | | 872 | 2,340 |
| Payments for the repayment of bonds (–) | | –475 | –19,949 |
| Payment for the repayment of liabilities from leases (–) | | –3,329 | –4,379 |
| Proceeds from hedging transactions (+) | | 925 | 0 |
| Change in OCI | | 235 | –106 |
| **Cash flow from financing activities** | 43 | **–4,353** | **–46,878** |
| Cash-effective change in cash and cash equivalents | | 1,182 | –14,897 |
| Cash and cash equivalents at the beginning of the period | | 3,209 | 18,106 |
| Cash and cash equivalents at the end of the period | 28 | 4,391 | 3,209 |

# Statement of changes in equity

| €'000 | Subscribed capital | Capital reserve | Revaluation reserve | Currency translation reserve | Loss carryforward | Group result | Total |
|---|---|---|---|---|---|---|---|
| **Jan. 1, 2024** | 4,526 | 15,485 | 64 | 132 | –20,478 | –3,812 | –4,084 |
| Appropriation of earnings | 0 | 0 | 0 | 0 | –3,812 | 3,812 | 0 |
| Consolidated net income | 0 | 0 | 0 | 0 | 0 | –6,105 | –6,105 |
| Actuarial gains and losses | 0 | 0 | 112 | 0 | 0 | 0 | 112 |
| Currency conversion | 0 | 0 | 0 | 124 | 0 | 0 | 124 |
| **Total other comprehensive income** | **0** | **0** | **112** | **124** | **0** | **0** | **236** |
| Overall result | 0 | 0 | 112 | 124 | –3,812 | –2,293 | –5,869 |
| **Dec. 31, 2024** | 4,526 | 15,485 | 175 | 256 | –24,290 | –6,105 | –9,953 |

| €'000 | Subscribed capital | Capital reserve | Revaluation reserve | Currency translation reserve | Loss carryforward | Group result | Total |
|---|---|---|---|---|---|---|---|
| **Jan. 1, 2023** | 4,526 | 15,485 | 21 | 281 | –16,284 | –4,194 | –166 |
| Appropriation of earnings | 0 | 0 | 0 | 0 | –4,194 | 4,194 | 0 |
| Consolidated net income | 0 | 0 | 0 | 0 | 0 | –3,812 | –3,812 |
| Actuarial gains and losses | 0 | 0 | 43 | 0 | 0 | 0 | 43 |
| Currency conversion | 0 | 0 | 0 | –149 | 0 | 0 | –149 |
| **Total other comprehensive income** | **0** | **0** | **43** | **–149** | **0** | **0** | **–106** |
| Overall result | 0 | 0 | 43 | –149 | –4,194 | 382 | –3,918 |
| **Dec. 31, 2023** | 4,526 | 15,485 | 64 | 132 | –20,478 | –3,812 | –4,084 |

# Notes to the consolidated financial statements 2024

## (1) General information

paragon GmbH & Co. KGaA, with its registered office at Bösendamm 11, 33129 Delbrück, Germany, is a partnership limited by shares established under German law. The shares of paragon GmbH & Co. KGaA have been traded on the regulated Prime Standard segment of the Frankfurt Stock Exchange since 2000. paragon GmbH & Co. KGaA is entered in the commercial register of Paderborn Local Court (HRB 13491). The purpose of paragon GmbH & Co. KGaA (hereinafter also referred to as "paragon", the "Company" or the "Company") is research and development in the field of microelectronics, the manufacture and sale of electronic devices, associated peripherals and corresponding assemblies as well as the administration of patents, licences and utility models.

The Management Board of paragon GmbH, the personally liable partner of paragon GmbH & Co. KGaA, has approved the consolidated financial statements as of December 31, 2024, and the combined management report for the reporting period from January 1 to December 31, 2024, for submission to the Supervisory Board on April 29, 2025.

The consolidated financial statements and the combined management report of paragon GmbH & Co. KGaA for the reporting period from January 1 to December 31, 2024, will be published in the electronic Federal Gazette and will be available as part of the annual report on the company's website (https://www.paragon.ag/).

## (2) Application of the International Financial Reporting Standards (IFRS)

The consolidated financial statements of paragon GmbH & Co. KGaA as at December 31, 2024 were prepared in accordance with Section 315 e (1) HGB (consolidated financial statements in accordance with international accounting standards), the provisions of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, applicable on the reporting date and adopted by the European Union, and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRSIC).

## (3) Facts jeopardising the existence of the company

The financial statements for the reporting period from January 1 to December 31, 2024 were prepared on a going concern basis. Accordingly, the carrying amounts of assets and liabilities were determined on the basis of going concern values.

The risk that the measures taken by the management to fully secure the solvency of the company and the Group will not be effective represents a material uncertainty at the time of preparation. If the company's liquidity situation is not yet sufficiently normalised, this may cast significant doubt on the company's ability to continue as a going concern. Details on this can be found in the risk report in the section "Going concern risks" in the summarised management report.

## (4) Events after the balance sheet date

The consolidated financial statements must be prepared on the basis of the circumstances prevailing on the balance sheet date. In accordance with IAS 10.7, the value elimination period ends when the consolidated financial statements are authorised for issue. The consolidated financial statements as at December 31, 2024 will be approved by the Management Board and passed on to the Supervisory Board for signature on April 29, 2025. Despite an admittedly volatile phase, there have been no significant events up to this date. At the present time, it is not possible to forecast the effects of the US government's tariff policy on the automotive industry and thus on paragon's business performance. paragon is, however, in a position to react flexibly and quickly to changes in the market.

## (5) New accounting principles due to new standards

The effects of new accounting standards whose scope of application is compatible with the activities of paragon GmbH & Co. KGaA are presented below. For reasons of materiality, paragon GmbH & Co. KGaA does not present changes in accounting that have no impact on the company. There were no significant changes to existing IFRS standards in the reporting period that are applicable to the activities of paragon GmbH & Co KGaA

In the 2024 financial year, paragon GmbH & Co. KGaA applied the following standards, interpretations and amendments to existing standards that were adopted for mandatory application for the first time:

**IAS 1 – (amended, effective from 1 January 2024**

Classification of liabilities as current or non-current. Non-current liabilities with covenants.

**IAS 7 and IFRS 1 – (amended, effective from 1 January 2024)**

Supplier financing agreements

**IFRS 16 – (amended, effective from 1 January 2024**

Lease liability in a sale and leaseback transaction.

The listed amendments and adjustments to the standards have no material impact on the consolidated financial statements.

The following amended standards are only applicable in the future and have not been applied early in the current consolidated financial statements.

**IAS 21 (effective from 1 January 2025)**

Lack of exchangeability

**IFRS 9 and IFRS 7 (effective from 1 January 2026)**

Changes to the classification and measurement of financial instruments

**IFRS 19 (in force from January 1, 2027)**

Subsidiaries without public accountability - disclosures

The amendments and adjustments to the standards are not expected to have any significant effects or impact on the consolidated financial statements of paragon GmbH & Co.

**IFRS 18 – (effective from 1 January 2027)**

Presentation and disclosures in the financial statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and is effective in financial years. The new standard introduces the following significant new requirements.

Entities will be required to classify all income and expenses in the income statement into five categories: the operating category, the investing category, the financing category, the income tax category and the discontinued operations category. Companies will also be required to present a newly defined subtotal "operating profit". Companies' net profit for the period will not change.

Certain company-specific performance measures (management-defined performance measures) will be disclosed in a separate note in the financial statements.

New guidelines for grouping information within the financial statements will be introduced.

In addition, all companies will be required to use operating profit as the starting point for the cash flow statement if they present cash flow from operating activities using the indirect method.

The quantitative and qualitative effects of the new standard, in particular with regard to the structure of the consolidated income statement, the cash flow statement and the additional disclosure requirements for key performance indicators on the consolidated financial statements of paragon GmbH & Co. KGaA will be evaluated in the near future. No reliable statement can be made at this time.

## (6) Scope of consolidation

In addition to the parent company paragon GmbH & Co. KGaA, Delbrück, all material subsidiaries are fully consolidated. The balance sheet date for all companies is 31 December 2024. The scope of consolidation and shareholdings are shown in the following table

| Name and registered office of the company | Shareholdings | Consolidation |
|---|---|---|
| **Deutschland** | | |
| paragon GmbH & Co. KGaA, Delbrück | n. a. | n. a. |
| paragon electronic GmbH, Delbrück | 100% | Fully consolidated subsidiary |
| Nordhagen Immobilien GmbH, Delbrück | 100% | Fully consolidated subsidiary |
| paragon movasys GmbH, Delbrück | 100% | Fully consolidated subsidiary |
| ETON Soundsysteme GmbH, Delbrück | 100% | Fully consolidated subsidiary |
| paragon electrodrive GmbH, Delbrück | 100% | Fully consolidated subsidiary |
| **India** | | |
| paravox Automotive Ltd., India (in liquidation) | 99% | Fully consolidated subsidiary |
| **China** | | |
| paragon Automotive Technology (Shanghai), Co., Ltd. | 100% | Fully consolidated subsidiary |
| paragon Automotive (Kunshan), Co. Ltd. | 100% | Fully consolidated subsidiary |
| **Participation** | | |
| Hepa GmbH | 50% | at equity consolidation |
| **The following companies are not consolidated:** | | |
| paragon Automotive LLC, Delaware | 100% | No inclusion, as immaterial |
| paragon movasys d.o.o.; Kroatien | 100% | No inclusion, as immaterial |

Due to the current significance of the companies paragon movasys d.o.o., Croatia and paragon Automotive LLC, USA, these companies were not consolidated in the 2024 financial year

| Company | Share | IFRS Turnover 2024 €'000 | IFRS Equity capital 2024 €'000 | IFRS Net profit/loss for the year 2024 €'000 |
|---|---|---|---|---|
| **Parent company** | | | | |
| paragon GmbH & Co. KGaA, Delbrück | n.a. | | | |
| **Consolidated subsidiaries** | | | | |
| Nordhagen Immobilien GmbH, Delbrück | 100.00% | 0 | –1,658 | –191 |
| paragon Automotive Co., Ltd., Kunshan | 100.00% | 12,174 | 4,118 | 589 |
| paragon Automotive Technology (Shanghai) Co. Ltd., China | 100.00% | 149 | 36 | –6 |
| ETON Soundsysteme GmbH, Delbrück (formerly: paragon electroacoustic GmbH) | 100.00% | 0 | –375 | 65 |
| paragon electrodrive GmbH, Delbrück | 100.00% | 0 | 62 | –152 |
| paragon electronic GmbH, Delbrück | 100.00% | 65,883 | 7,819 | 0 |
| paragon movasys GmbH, Landsberg am Lech | 100.00% | 46,602 | –16,943 | –41 |
| paravox Automotive Ltd., India | 99.00% | 0 | 0 | 0 |
| **The following companies are not consolidated:** | | | | |
| paragon movasys d.o.o., Croatia | 100.00% | 640 | 131 | 27 |
| paragon Auotomotive LLC, USA | 100.00% | 0 | 0 | 0 |
| **Shareholdings and joint ventures** | | | | |
| Hepa GmbH[1] | 50.00% | 24 | 3,020 | –5 |
| Bilster Berg Drive Resort GmbH & Co. KG[2] | 0.60% | 3,598 | 20,417 | 421 |

1 Proportionate consolidation in accordance with Section 310 HGB – preliminary figures as at December 31, 2024
2 Financial figures as at December 31, 2023

Hepa GmbH, based in Münster, is a joint venture between Hengst SE, Münster, and paragon GmbH & Co. KGaA. Both shareholders each hold 12,500 € of the subscribed capital of Hepa GmbH totalling 25,000 €. Hengst SE and paragon GmbH & Co. KGaA have combined their activities to develop and market an electric filter and a customised high-voltage source and particle charging unit. Hepa GmbH was founded in order to be flexibly positioned for various sales situations during the utilisation phase of the results and at the same time to allow both parties to participate in the sales success.

Hepa GmbH's capital reserves amount to € 3,000 thousand. Liabilities are insignificant. Hepa's main assets are intangible assets in the form of patents, utility models and copyrights totalling 3,000 thousand €. Hepa GmbH's sales revenues are still insignificant, as customer orders are still being initiated or are still before the start of production.

Hepa GmbH is recognised using the equity method. Significant financial obligations to Hepa GmbH will only arise in the future depending on realised sales revenue from jointly developed products in the form of annual licence payments.

The share of profit or loss of Hepa GmbH is not recognised separately in the income statement due to immateriality.

The carrying amount of the investment is unchanged from the previous year (Bilster Berg Drive Resort GmbH & Co. KG: 120 thousand €).

| **Company** | Share | IFRS Turnover 2023 €'000 | IFRS Equity capital 2023 €'000 | IFRS Net profit/loss for the year 2023 €'000 |
|---|---|---|---|---|
| **Parent company** | | | | |
| paragon GmbH & Co. KGaA, Delbrück | n.a. | | | |
| **Consolidated subsidiaries** | | | | |
| Nordhagen Immobilien GmbH, Delbrück | 100.00% | 0 | –1,467 | –151 |
| paragon Automotive Co., Ltd., Kunshan | 100.00% | 12,859 | 3,410 | 2,715 |
| paragon Automotive Technology (Shanghai) Co. Ltd., China | 100.00% | 139 | 41 | 2 |
| ETON Soundsysteme GmbH, Delbrück (formerly: paragon electroacoustic GmbH) | 100.00% | 112 | –440 | 617 |
| paragon electrodrive GmbH, Delbrück | 100.00% | 42 | –2,379 | –30 |
| paragon electronic GmbH, Delbrück | 100.00% | 75,715 | 7,819 | 0 |
| paragon movasys GmbH, Delbrück | 100.00% | 54,205 | –16,855 | –3,973 |
| paravox Automotive Ltd., India | 99.00% | 462 | 80 | –34 |
| **The following companies are not consolidated:** | | | | |
| paragon movasys d.o.o., Croatia | 100.00% | 704 | 104 | 30 |
| paragon Auotomotive LLC, USA | 100.00% | 0 | 0 | 0 |
| **Shareholdings and joint ventures** | | | | |
| Hepa GmbH[1] | 50.00% | 24 | 3,025 | 1 |
| Bilster Berg Drive Resort GmbH & Co. KG[2] | 0.60% | 4,770 | 20,006 | –292 |

1 Proportionate consolidation in accordance with Section 310 HGB – provisional figures as at 31 December 2023
2 Key financial figures as at 31 December 2022

## Consolidation methods

The consolidated financial statements are based on the annual financial statements of the companies included in the Group prepared in accordance with uniform rules applying IFRS as at 31 December 2024. The financial statements are included in the consolidated financial statements from the date on which control is obtained until the date on which control ends. The starting point for the IFRS adjustment entries for paragon GmbH & Co. KGaA was the audited annual financial statements of paragon GmbH & Co. KGaA under commercial law as at 31 December 2024.

The scope of consolidation is defined in accordance with IFRS 10. Capital consolidation is carried out using the purchase method in accordance with IFRS 3. The recognition of shares in affiliated companies at their carrying amount at the parent company is replaced by the assets and liabilities of the consolidated companies recognised at their fair value. The equity of the subsidiaries is thus compared with the carrying amount of the shares in the parent company. Any positive difference is recognised as goodwill under non-current assets and tested for impairment annually in accordance with IFRS 3 in conjunction with IAS 36. IAS 36, it is subjected to an annual impairment test.

In addition, a debt consolidation, an elimination of intercompany profits and a consolidation of income and expenses were carried out. The differences arising from the consolidation of income and expenses were recognised in profit or loss. Assets from intercompany deliveries included in fixed assets and inventories were adjusted for intercompany profits and losses.

The investment in Hepa GmbH was recognised using the equity method in accordance with IAS 28.

## (7) Currency conversion

In paragon's consolidated financial statements, foreign currency receivables and liabilities are measured on initial recognition at the transaction rate applicable at that time and adjusted to the exchange rate applicable on the balance sheet date. Exchange rate gains and losses are recognised in the income statement under other operating income or expenses. Financial statements in foreign currencies are translated in accordance with IAS 21.39 ff.

The currency differences resulting from the translation of financial statements prepared in foreign currencies and from consolidation were recognised directly in equity in accordance with IAS 21.

The consolidated statement of comprehensive income includes exchange losses and exchange gains from the operating business. These are shown under (16) other operating expenses and (11) other operating income.

The exchange rates of the currencies relevant to the paragon Group developed as follows:

| Foreign currency for 1 EUR | Balance sheet middle rate on Dec. 31, 2024 | P&L average rate 2024 | Balance sheet middle rate on Dec. 31, 2023 | P&L average rate 2023 |
|---|---|---|---|---|
| US dollar (USD) | 1.0389 | 1.0479 | 1.1037 | 1.0916 |
| Swiss franc (CHF) | 0.9412 | 0.9339 | 0.9288 | 0.9435 |
| Chinese renminbi yuan (RMB) | 7.5833 | 7.6297 | 7.8142 | 7.7731 |
| Indian rupee (INR) | 90.1713 | 91.6590 | 91.8142 | 90.8782 |

The functional currency of the Chinese subsidiaries is RMB, and INR for the Indian subsidiary, as the companies mainly generate and spend cash in this currency

# (8) Explanations of the accounting and valuation methods

The consolidated financial statements were prepared in euros (€). The reporting currency is the euro. Unless otherwise stated, all amounts are shown in thousands of euros (€ thousand). The reporting period for paragon in these financial statements covers the period from 1 January to 31 December 2024. Individual items in the balance sheet and the consolidated statement of comprehensive income have been combined to improve the clarity and transparency of the presentation. In this case, the items are explained separately in the notes. The consolidated statement of comprehensive income continues to be structured according to the nature of expense method. A distinction is made in the balance sheet between current and non-current assets and liabilities, which are classified in detail in the notes according to their maturity. Assets and liabilities are considered current if they are due within a period of twelve months.

The consolidated financial statements comprise the consolidated balance sheet, the consolidated statement of comprehensive income, the notes to the consolidated financial statements, the consolidated cash flow statement and the consolidated statement of changes in equity. A Group management report has also been prepared.

### Accounting for acquisitions

Goodwill is recognised in the Group's balance sheet as a result of acquisitions. When an acquisition is consolidated for the first time, all identifiable assets, liabilities and contingent liabilities are recognised at fair value on the acquisition date. One of the most important estimates relates to the determination of the fair value of these assets and liabilities on the acquisition date. Land, buildings and office equipment are generally valued on the basis of independent appraisals, while marketable securities are recognised at market price. If intangible assets are identified, the fair value is determined internally using an appropriate valuation technique, which is usually based on the forecast of total expected future cash flows. These valuations are closely linked to the assumptions made by management regarding the future value development of the respective assets and the assumed changes in the discount rate to be applied.

### Intangible assets

Purchased intangible assets are recognised at cost, taking into account incidental costs and purchase price reductions.

Research costs are recognised as an expense in the period in which they are incurred. Costs in connection with the development of patent and specific customer solutions are only capitalised as intangible assets at production cost if the clear allocation of expenses required by IAS 38 "Intangible Assets" is possible, technical feasibility and marketability/usability are ensured and the probable generation of future economic benefits has been demonstrated. Production costs include all costs directly and indirectly attributable to the development process as well as necessary parts of project-related overheads. If the capitalisation criteria are not met, the development costs are recognised immediately in profit or loss under other operating expenses in the year in which they are incurred. After initial recognition, development costs are recognised at cost less accumulated amortisation and accumulated impairment losses.

If intangible assets are subject to a finite useful life, they are generally amortised on a straight-line basis over their useful economic life. Amortisation begins as soon as the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Intangible assets with an indefinite useful life are tested annually for impairment. For this purpose, the carrying amounts of intangible assets are analysed on each balance sheet date to determine whether there are any indications of impairment. If there were any such indications, an impairment test was carried out in accordance with IAS 36 "Impairment of Assets". The residual values, useful lives and amortisation methods are reviewed at the end of each financial year and adjusted if necessary.

The useful lives for internal development costs correspond to the expected product life cycles and are generally 7 years for developments for the automotive industry and generally 5 years for business directly with end consumers. paragon GmbH & Co. KGaA assesses the useful life of products individually and reviews the useful life annually. The useful lives of licences, patents and software are between 3 and 12 years.

Goodwill is recognised at cost and tested for impairment annually and additionally if there are indications of possible impairment at other times. Impairment losses are recognised as a separate item in the income statement.

**Property, plant and equipment**

Additions to property, plant and equipment are recognised at acquisition cost plus incidental acquisition costs less any reductions in the acquisition price. If the acquisition or production costs of certain components of an item of property, plant and equipment are significant in relation to the total acquisition or production costs, these components are recognised and depreciated individually. Depreciation is generally recognised using the straight-line method. The depreciation period is 33 to 50 years for buildings, between 5 and 10 years for technical equipment and 3 to 10 years for other equipment, fixtures and fittings.

Fully depreciated fixed assets are recognised under acquisition and production costs and accumulated depreciation until the assets are decommissioned. Amortised cost and accumulated depreciation are deducted from the proceeds from the disposal of fixed assets. Earnings contributions from asset disposals (disposal proceeds less residual carrying amounts) are recognised in the consolidated statement of comprehensive income under other operating income or other operating expenses. All residual values, useful lives and depreciation methods are reviewed annually and adjusted if necessary.

At each balance sheet date, the carrying amounts of property, plant and equipment, which are depreciated over their useful lives, are reviewed to determine whether there are any indications of impairment. If such indications exist, an impairment test is carried out.

### Leases

At the beginning of each lease, paragon GmbH & Co. KGaA assesses whether the contract constitutes or contains a lease. This is the case if the contract entitles the lessee to control the use of an identified asset for a certain period of time in return for payment of a fee. If a contract is amended, paragon GmbH & Co. KGaA reassesses whether a contract constitutes a lease.

In accordance with the option in IFRS 16.5 to 16.8, the Group has decided not to recognise leases if the lease has a term of up to 12 months or the determined right of use does not exceed a value of€ 5,000. In these cases, the expense from the lease is recognised on a straight-line basis over its specific term and presented as other operating expenses.

The individual lease components and non-lease components are recognised separately. If a lease exists, this contract is allocated to the individual lease components on the basis of the contractually agreed consideration based on the contractually agreed relative stand-alone selling prices of the lease components and the aggregated stand-alone selling price of the non-lease components. In doing so, paragon GmbH & Co. KGaA determines the relative stand-alone selling price on the basis of the price that a lessor or a similar supplier of paragon GmbH & Co. KGaA would charge separately for these or comparable components. In the absence of an observable market, paragon GmbH & Co. KGaA uses estimates.

When determining the term of the lease, paragon GmbH & Co. KGaA uses the non-cancellable basic term and an optional extension period as a basis, provided that the company is reasonably certain to exercise this option. If there is a cancellation option, this is taken into account accordingly when determining the term, provided that the exercise of the option is sufficiently certain. paragon GmbH & Co. KGaA regularly reviews whether the exercise of an option is sufficiently certain.

On the provision date, paragon GmbH & Co. KGaA recognises a right-of-use asset and a lease liability. The right-of-use asset is measured at cost on the provision date. The acquisition costs include

- Present value of lease payments not yet made as at the provision date
- Lease payments made on or before provision
- Initial direct costs
- Estimated costs for dismantling and removal

The lease liability comprises the present value of the lease payments not yet made as at the provision date. Discounting is based on the underlying constant interest rate. If this is not available, paragon uses an incremental borrowing rate, which is used as the basis for comparable lease financing. Lease payments not made include

- all fixed payments less leasing incentives received,
- variable leasing payments,
- Amounts that will probably have to be paid at the end of the term as part of residual value guarantees,
- the exercise price of a call option, provided the exercise is reasonably certain, and
- Penalties for cancellation, provided that their exercise is reasonably certain.

The right-of-use asset is amortised on a straight-line basis over the shorter of the lease term or its useful life and adjusted for the remeasurement of the lease liability. Any impairment losses are measured in accordance with IAS 36.

The carrying amount of the lease liability is increased by the interest expense and reduced by payments made after provision as at the reporting date. A revaluation of the lease liability is recognised immediately.

Rights of use are not recognised as a separate balance sheet item in paragon's balance sheet. For this reason, they are recognised separately in the consolidated statement of changes in non-current assets. Lease liabilities are recognised as separate balance sheet items. In the case of sale and leaseback transactions, paragon GmbH & Co. KGaA assesses whether the transaction of the subsequently leased asset fulfils the criteria of a sale in accordance with IFRS 15. The Group bases this assessment on the transfer of control of the underlying asset. If the lessor can determine the use of the underlying asset as a result of the transaction and derive substantially all of the remaining economic benefits from it, this constitutes a sale in accordance with IFRS 15. In this case, paragon recognises the disposal of the underlying asset and realises the gain on sale to the extent that it relates to the right-of-use asset actually transferred to the lessor. A right-of-use asset is recognised for the remaining portion. If there is no sale in accordance with IFRS 15, the transaction is recognised as a loan.

### Impairment of non-financial assets

On each balance sheet date, it is determined whether there are any indications of impairment of non-financial assets (in particular intangible assets with finite useful lives). If there are indications of impairment, the recoverable amount of the asset in question is determined. In accordance with IAS 36.6 "Impairment of Assets", the recoverable amount corresponds to the higher of the fair value less costs to sell and the value in use of the asset or identifiable group of assets that generates cash from continuing use (cash-generating unit / CGU). If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is impaired and is written down to its recoverable amount.

Property, plant and equipment and intangible assets, with the exception of goodwill, are reviewed at each balance sheet date to determine whether there are any indications that a previously recognised impairment loss no longer exists or has decreased. If such indications exist, the recoverable amount of the asset or CGU is determined. A previously recognised impairment loss is only reversed if there has been a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognised. The reversal of impairment losses is limited to the extent that the carrying amount of an asset may not exceed its recoverable amount or the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised for the asset in prior years.

### Financial instruments

Financial instruments are contracts that give rise to a financial asset of one party and a financial liability or equity instrument of the other party. Primary financial instruments include, in particular, trade receivables, loans, cash and cash equivalents, financial liabilities and trade payables. Other financial assets and other financial liabilities also exclusively include financial instruments.

Equity instruments are measured at fair value. On initial recognition, there is an irrevocable option to present realised and unrealised changes in value in the statement of comprehensive income rather than in the income statement, provided the equity instrument is not held for trading purposes. Amounts recognised in profit or loss may not subsequently be reclassified to the income statement.

Primary financial instruments are recognised in the balance sheet on the settlement date in the case of standard market purchases or sales. Foreign currency receivables and liabilities are measured at the respective closing rates.

Financial assets and financial liabilities are recognised gross at paragon. They are only offset if there is an enforceable right to offset the amounts at the present time and the intention is to settle on a net basis.

For accounting and measurement purposes, financial assets are allocated to one of the following categories in accordance with IFRS 9:

- measured at amortised cost (AC),
- measured at fair value through profit or loss (FVTPL),
- at fair value through other comprehensive income (FVOCI).

For accounting and measurement purposes, financial liabilities are allocated to one of the following categories in accordance with the provisions of IFRS 9:

- measured at amortised cost (AC),
- measured at fair value through profit or loss (FVTPL).

paragon classifies financial assets and financial liabilities in these categories at the time of acquisition.

Financial assets are classified as measured at amortised cost (AC) if the business model provides for the financial asset to be held for the purpose of collecting the contractual cash flows and the contractual terms of the instrument give rise solely to cash flows that are solely payments of principal and interest. If the business model provides for the financial asset to be held and sold and the contractual terms of the instrument result solely in cash flows representing interest payments and principal repayments, the financial asset is recognised at fair value, with changes in value recognised in other comprehensive income (FVOCI).

Financial assets held exclusively for trading purposes are classified at fair value through profit or loss, with changes in value recognised in profit or loss (FVTPL). Derivatives belong to this category. It is also possible to measure financial instruments carried at amortised cost at fair value through profit or loss using the fair value option if this significantly reduces or prevents a measurement or recognition inconsistency. paragon GmbH & Co. KGaA does not utilise the fair value option

Non-current and current financial liabilities to banks, trade payables and other financial liabilities are classified as financial liabilities at amortised cost, with the exception of derivative financial instruments.

Financial liabilities are classified as at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near future. Directly attributable transaction costs are recognised in profit or loss as soon as they are incurred.

On initial recognition, financial instruments are measured at fair value, with the exception of trade receivables, which are recognised at their transaction price plus directly attributable transaction costs.

Financial liabilities are initially recognised at fair value less directly attributable transaction costs. Non-current liabilities are measured using the effective interest method less directly attributable transaction costs.

As part of subsequent measurement, financial assets measured at amortised cost are measured using the effective interest method. When applying the effective interest method, all directly attributable fees, fees paid or received, transaction costs and other premiums or discounts included in the calculation of the effective interest rate are amortised over the expected term of the financial instrument.

Interest income and expenses from the application of the effective interest method are recognised in the income statement under interest income or interest expense from financial instruments.

Non-interest-bearing and low-interest receivables with a term of more than twelve months are discounted at the interest rate appropriate to the term.

Financial assets, with the exception of financial assets recognised at fair value through profit or loss, are tested for possible impairment indicators at each reporting date. Financial assets are considered impaired if there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, there has been a negative change in the expected future cash flows of the financial instrument. Objective evidence of an impairment loss could be various facts such as delayed payment over a certain period of time, initiation of enforcement measures, imminent insolvency or over-indebtedness, application for or initiation of insolvency proceedings or failure of reorganisation measures.

Impairment losses on contract assets and other financial assets measured at amortised cost are recognised using a forward-looking model taking into account expected credit losses. The consolidated financial statements do not include financial assets in the FVOCI category, as receivables intended for sale to a factoring bank are assigned directly at the time they arise. For this reason, the difference between the purchase price and the nominal value of the receivable is recognised in profit or loss.

Allowances for trade receivables, contract assets and lease receivables are calculated using the simplified approach with the lifetime expected credit loss.

paragon derecognises a financial asset when the contractual rights to the cash flows from an asset expire or the rights to receive the cash flows are transferred in a transaction in which all significant risks and rewards of ownership of the financial asset are also transferred. Derecognition also takes place if paragon has transferred all significant risks and rewards of ownership and has not retained control of the transferred asset. Any interest in such transferred financial assets that arises or remains with paragon is recognised as a separate asset or liability.

Financial liabilities are derecognised when the contractual obligations have been fulfilled, cancelled or have expired.

### Fair value measurement

The measurement of assets and liabilities at fair value follows a three-level hierarchy and is based on the proximity of the valuation factors used to an active market. A market is described as "active" if prices quoted on this market are readily and regularly available and these prices are based on actual, regularly occurring market transactions "at arm's length".

Level 1: Prices quoted on active markets (unadjusted) for identical assets and liabilities.

Level 2: Input data that is either directly or indirectly observable for the asset or liability and does not represent quoted prices according to Level 1. The fair values of level 2 financial instruments are calculated on the basis of the conditions existing on the balance sheet date and using recognised models, e.g. discounted cash flow models.

Level 3: Input data used that is not based on observable market data for the measurement of the asset and liability (unobservable input data).

The fair values were determined on the market conditions available on the reporting date using actuarial valuation methods. They correspond to the prices that would be received between independent market participants for the sale of an asset or paid for the transfer of a liability.

Reclassifications between the levels of the fair value hierarchy are recognised as at the respective reporting dates. There were no reclassifications between Level 1, Level 2 or Level 3 in the 2024 and 2023 financial years.

### Income taxes

Income taxes include both direct taxes on income and earnings and deferred taxes.

Income tax payable for the current and prior periods is measured at the amount expected to be refunded or paid by the tax authorities. The calculation of the amount is based on the tax law status and thus the tax rates that apply or have been announced on the balance sheet date.

Deferred taxes are recognised in accordance with IAS 12 "Income Taxes" using the balance sheet liability method. If there are temporary differences arising from the different treatment of certain balance sheet items between the IFRS consolidated financial statements and the tax accounts, these lead to the recognition of deferred tax assets and liabilities ("temporary concept"). In addition, deferred taxes are recognised on future tax reduction claims.

Deferred tax assets on deductible temporary differences and tax reduction claims are capitalised to the extent that it can be expected that these can be used in future periods through sufficient available taxable income.

The calculation of current and deferred taxes is based on judgements and estimates. If actual events deviate from these estimates, this can have both positive and negative effects on the net assets, financial position and results of operations. The decisive factor for the recoverability of deferred tax assets is the assessment of the probability of the reversal of the valuation differences and the usability of loss carryforwards or tax benefits that have led to the recognition of deferred tax assets. This depends on the generation of future taxable profits during the periods in which tax loss carryforwards can be utilised. Deferred taxes are measured using the tax rates applicable at the time of realisation based on the current legal situation on the balance sheet date.

Current income tax assets and liabilities as well as deferred tax assets and liabilities were only netted if statutory offsetting is possible and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority and there is a legally enforceable right to offset current tax assets against current tax liabilities. Deferred taxes are recognised as non-current in accordance with IAS 1.70.

### Inventories

Inventories are measured at the lower of cost or net realisable value. In accordance with IAS 2 "Inventories", production costs include all expenses that are directly attributable to the products as well as all systematically attributable fixed and variable production overheads. In addition to production materials and production wages, they therefore include a proportionate share of material and production overheads. Administrative and social expenses are included to the extent that they are attributable to production. Financing costs are not recognised as part of acquisition or production costs, as the requirements for qualifying assets are not met. Inventory risks resulting from the storage period and reduced usability were taken into account by means of appropriate write-downs when determining the net realisable value. Lower values on the reporting date due to lower prices on the sales market were taken into account. Raw materials, consumables and supplies as well as merchandise are mainly valued using the moving average method.

### Trade receivables and other current assets

Where possible and intended by the management, trade receivables are assigned as part of factoring. As a result, trade receivables are held as part of a business model whose objective is to hold the receivables in order to collect the cash flows resulting from the receivables. Accordingly, these receivables are measured at amortised cost (AC). On the other hand, trade receivables are held as part of the "factoring" business model, which is characterised by the fact that these receivables are exclusively intended for sale. These receivables are measured accordingly at fair value through profit or loss (FVTPL). Receivables in the AC category are initially recognised at their transaction price plus directly attributable transaction costs less any necessary impairments. Receivables in the FVTPL category are measured at fair value at the time of initial recognition. As part of subsequent measurement, impairments for receivables in the AC category are determined in the form of specific valuation allowances using the simplified approach with lifetime expected credit losses and take sufficient account of the expected default risks. Specific defaults result in the receivables in question being derecognised. The calculation of allowances for doubtful receivables is essentially based on estimates and assessments of the creditworthiness and solvency of the respective customer. Subsequent measurement of receivables in the FVTPL category is recognised in profit or loss.

Other current assets are measured at amortised cost, taking into account necessary valuation allowances that adequately reflect the expected default risks. To the extent that receivables recognised under are asserted through legal action, paragon firmly expects the full enforceability of its recognised claims. If financial assets (financial instruments) are involved, they are allocated to the loans and receivables category.

### Cash and cash equivalents

Cash and cash equivalents include cash on hand and current account balances at banks and other financial institutions. These are only recognised in cash and cash equivalents if they can be converted into cash amounts that can be determined in advance at any time, are only subject to insignificant value fluctuation risks and have a residual term of no more than three months from the date of acquisition.

Cash and cash equivalents correspond to cash and cash equivalents (cash on hand and bank balances).

### Assets classified as held for sale

As at December 31, 2024, paragon reported € 281 thousand (December 31, 2023: € 0 thousand) in current assets in the consolidated statement of financial position as non-current assets held for sale in accordance with the provisions of IFRS 5.

This relates to part of a plot of land in Landsberg. This property is unused and is no longer considered necessary for future operations. The disposal process is expected to be completed by the end of June 2025.

It will continue to be measured at carrying amount, as this is the lower of fair value less costs to sell and carrying amount.

### Pension provisions

Pension provisions are calculated using the projected unit credit method in accordance with IAS 19 (revised) "Employee Benefits". The projected unit credit method takes into account not only the pensions and acquired entitlements known on the balance sheet date, but also expected future increases in pensions and salaries based on an assessment of the relevant influencing factors. The calculation is based on actuarial reports taking into account biometric calculation principles. The amounts not yet recognised in the balance sheet result from actuarial gains and losses from changes in the portfolio and differences between the assumptions made and the actual development. Actuarial gains and losses that occur in the reporting period are recognised in full in other comprehensive income in equity. The service cost is recognised under personnel expenses. The interest expense included in pension expenses is recognised in net interest income.

The valuation as at 31 December 2024 was based on the expected long-term market interest rate trend with a discount rate of 3.4% (previous year: 3.2 to 3.5%). The valuation of pension provisions is based in principle on the "2018 G mortality tables" by Prof Dr Klaus Heubeck.

In addition, the actuarial calculations are based on salary growth of 0.0% since 2009, unchanged from the previous year, and, as in the previous year, pension growth of 2.0%.

### Other provisions

Other provisions are recognised in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" if there are legal or constructive obligations to third parties that are based on past transactions or events and are likely to lead to an outflow of resources. The amount of the provisions is determined by the best possible estimate of the expenses required to fulfil the obligation, without offsetting these against recourse claims. This means that the assessment of the probability that a pending case will be successful or the qualification of the possible amount of the payment obligations is based on the assessment of the respective situation. The most probable fulfilment amount was taken into account in each case. Non-current provisions were recognised at their discounted settlement amount as at the balance sheet date.

Due to the uncertainty associated with this assessment, the actual fulfilment obligations or the actual outflow of resources embodying economic benefits may differ from the original estimates and therefore from the provision amounts. In addition, estimates may change due to new information and may have a significant impact on future earnings.

### Government grants

Investment grants and subsidies granted by the government are recognised in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" and reported in the balance sheet under non-current liabilities. In accordance with IAS 20, these government grants are only recognised if there is reasonable assurance that the conditions attached to them will be met and the grants will be received. Government grants and subsidies are generally recognised in the form of a special item for investment grants and are released over the average useful life of the subsidised assets. They are released in accordance with the assumed useful life of the asset concerned in favour of other operating income.

### Realisation of income and expenses

Revenue is recognised when it is probable that the economic benefits will flow to paragon and the amount of revenue can be reliably measured (at a point in time). In addition, customer-specific orders are recognised over time. Revenue is recognised at the fair value of the consideration received. Value added tax or other levies are not taken into account. If a declaration of acceptance by the purchaser is required for transactions, the relevant revenue is only recognised once such a declaration has been made. If sales of products and services contain several delivery and service components (multi-component contracts), such as different compensation agreements in the form of advance payments, milestone and similar payments, an assessment is made as to whether several separate realisation dates for partial sales are to be taken into account. Contractually agreed advance payments and other one-off payments are deferred and recognised in profit or loss over the period in which the contractually agreed consideration is provided.

Revenue from the sale of products is recognised when the significant risks and rewards of ownership of the products sold have been transferred to the buyer. In accordance with the agreements concluded with customers, this generally occurs when the products are dispatched. Sales are recognised net of discounts, rebates and returns.

The interest expenses of the bonds are measured using the effective interest method. Operating expenses are recognised in profit or loss when the services are utilised or at the time they are incurred.

### Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred. They are capitalised if they meet the requirements of a qualifying asset within the meaning of IAS 23 “Borrowing Costs”. Borrowing costs are capitalised on the basis of a weighted average of the borrowing costs for such loans of the company.

## (9) Use of estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires assumptions and estimates to be made that affect the recognised assets and liabilities, the disclosure of contingent liabilities on the balance sheet date and the recognition of income and expenses during the reporting period. If actual events deviate from these estimates, this could have both positive and negative effects on the net assets, financial position and results of operations. For paragon GmbH & Co. KGaA, estimates and assumptions were made in particular in the impairment tests for capitalised development costs, goodwill, disclosed hidden reserves from capital consolidation and contractual assets in accordance with IFRS 15. Should these assumptions and estimates prove to be incorrect, this would have an impact on the net assets and results of operations.

In applying the accounting and valuation methods, the following estimates and assumptions were made which have a material effect on the amounts in the financial statements:

### Determination of the fair value of assets acquired and liabilities assumed in business combinations

The fair values and the allocation of the acquisition costs to the assets acquired and liabilities assumed were determined based on past experience and estimates of future cash inflows. The actual cash inflows may differ from the expected amounts.

### Goodwill

As described in the accounting principles, the Group tests goodwill for impairment annually and if there is any indication that it may be impaired. The recoverable amount of the cash-generating unit (CGU) is then estimated. This corresponds to the higher of the fair value less costs to sell and the value in use. Determining the value in use involves making adjustments and estimates relating to the forecast and discounting of future cash flows. Although the management assumes that the assumptions used to calculate the recoverable amount are appropriate, any unforeseeable changes to these assumptions could lead to an impairment loss that could adversely affect the net assets, financial position and results of operations.

### Capitalised development costs

In order to measure capitalised development costs, assumptions were made about the amount of the expected future cash inflows from assets, the discount rates to be applied and the period of the inflow of expected future cash that these assets will generate. The assumptions about the period and the amount of future cash inflows are based on expectations about the future development of the order backlog with those customers with whom these development projects are carried out. The period of normal use corresponds to the estimated economic useful life.

### Transfer of assets and leased assets

The question of when substantially all of the significant risks and rewards incidental to ownership of the financial assets and leased assets are transferred to other companies is regularly subject to judgement.

### Leasing relationships

paragon GmbH & Co. KGaA recognises individual lease components and non-lease components separately. If a lease exists, this contract is allocated to the individual lease components on the basis of the contractually agreed consideration based on the contractually agreed relative stand-alone selling prices of the lease components and the aggregated stand-alone selling prices of the non-lease components. In doing so, paragon GmbH & Co. KGaA determines the relative stand-alone selling price on the basis of the price that a lessor or similar supplier would charge paragon GmbH & Co. KGaA separately for these or comparable components. In the absence of an observable market, paragon GmbH & Co. KGaA uses estimates.

paragon GmbH & Co. KGaA makes assumptions about the amount of the incremental borrowing rate as part of the replacement approach for leases and uses a readily observable interest rate based on the same payment profile as the lease. Otherwise, discounting is based on the lessee's incremental borrowing rate, i.e. the interest rate that the lessee would have to pay if it had to borrow funds to acquire an asset of comparable value for a comparable term with comparable collateral under comparable conditions in a comparable economic environment. Where possible, the individual lessee's financing arrangements with third parties are used as a starting point. If necessary, these are adjusted to take account of changes in conditions since the financing was obtained. If there is no recent financing with third parties, the Group uses a risk-free interest rate as the starting point and adjusts this to the lessee's credit risk. Further adjustments also relate to the term of the lease, the economic environment, the currency of the lease and the collateralisation.

### Inventories

In individual cases, inventories are measured on the basis of the expected proceeds less the estimated costs up to completion and the estimated necessary distribution costs. The actual proceeds and the costs still to be incurred may differ from the expected amounts.

With regard to the valuation discounts, please refer to the comments on inventories in the previous note.

Estimates are required to recognise income from the provision of services according to the stage of completion on the balance sheet date. The key measurement parameter is the stage of completion, which is determined on the basis of a careful estimate of the total contract costs, the costs to be incurred until completion, the total contract revenue, the contract risks and other assumptions.

### Other assets and liabilities

Assumptions and estimates are generally required for allowances for doubtful receivables, contingent liabilities and other provisions, as well as when determining the fair value of long-lived property, plant and equipment and intangible assets.

In individual cases, the actual values may deviate from the assumptions and estimates made, meaning that the carrying amount of the assets or liabilities concerned must be adjusted.

### Deferred tax assets

Deferred tax assets are only recognised to the extent that a positive tax result is expected in future periods or corresponding deferred tax liabilities exist that can be offset and their realisation therefore appears reasonably certain. In addition, there are estimation uncertainties with regard to the reversal effects in accordance with IAS 12.29 a (ii). The actual taxable earnings situation in future periods may differ from the estimate at the time the deferred taxes are capitalised.

### Pension provisions

The expense from defined benefit plans is determined on the basis of actuarial calculations. The actuarial valuation is based on assumptions relating to discount rates, expected income from plan assets, future wage and salary increases, mortality and future pension increases. These estimates are subject to significant uncertainties due to the long-term nature of these plans.

### Other provisions

Other provisions are recognised and measured on the basis of an estimate of the probability of the future outflow of resources and on the basis of past experience and the circumstances known at the balance sheet date. The actual future outflow of resources may therefore differ from the other provisions recognised as at the balance sheet date.

### Contingent liabilities

The recognition of an identified contingent liability as part of a purchase price allocation is based on assumptions derived by the management on the information available at the time of acquisition.

### Legal risks

In principle, paragon Group companies may be parties to legal disputes. Management regularly analyses the latest information on these cases and, where necessary, creates provisions for probable obligations, including estimated legal costs. External lawyers are used for the assessment. When deciding whether a provision is necessary, the management takes into account the probability of an unfavourable outcome and the ability to estimate the amount of the obligation with sufficient reliability. The filing of a lawsuit, the formal assertion of a claim or the disclosure of a legal dispute in the notes do not automatically mean that a provision for the risk in question is appropriate.

### Sales revenue

Discretionary decisions are made by the management with regard to the allocation of the transaction price to the performance obligations. The transaction prices are allocated to the performance obligations on the basis of the relative stand-alone selling prices.

For sales with rights of return, the company estimates the probability that the customer will return the goods.

## (10) Sales revenue

Sales include sales of products and services, less sales deductions. Of the sales revenue of € 135,744 thousand in the reporting period (previous year:€ 161,647 thousand),€ 81,608 thousand (previous year: € 103,091 thousand) was generated in Germany and€ 54,136 thousand (previous year: € 58,556 thousand) abroad.

Revenue is broken down by operating segment and the period or date of realisation. paragon has the strategic segments Electronics and Mechanics.

**2024**

| €'000 | Electronics | Mechanics | Total |
|---|---|---|---|
| Time-related realization | 24,823 | 5,351 | 30,174 |
| Period-related realization | 62,275 | 43,295 | 105,570 |
| **Total segments** | **87,098** | **48,646** | **135,744** |

**2023**

| €'000 | Electronics | Mechanics | Total |
|---|---|---|---|
| Time-related realization | 62,095 | 6,801 | 68,896 |
| Period-related realization | 41,916 | 50,835 | 92,751 |
| **Total segments** | **104,011** | **57,636** | **161,647** |

In the Electronics segment, paragon realises revenue as a direct supplier to the automotive industry. The Electronics segment's portfolio includes innovative air quality management, modern display systems, connectivity solutions and high-end acoustic systems. Sales in this segment were realised at a point in time and over time in the financial year. Payment terms customary in the industry are utilised without significant financing components. Variable consideration is not regularly provided.

In the Mechanics segment, paragon also acts as a direct supplier to the automotive industry. paragon realises revenue from individually developed mechanics as part of long-term series supply contracts. Revenue in this segment was realised at a point in time and over time in the financial year. Payment terms customary in the industry are utilised without significant financing components. Variable consideration is not regularly provided.

As at 31 December 2024, there were trade receivables in the amount of € 5,398 thousand (31 December 2023: € 6,646 thousand).

In the reporting period, other revenue of € 7,036 thousand (previous year: € 8,570 thousand) was realised in connection with development services.

## (11) Other operating income

Other operating income is mainly attributable to the following items:

| €'000 | Jan. 1– Dec. 31, 2024 | Jan. 1– Dec. 31, 2023 |
|---|---|---|
| Reversal of provisions and valuation allowances | 854 | 1,567 |
| Income from bond redemption | 295 | 1,744 |
| Vehicle leasing to employees | 277 | 259 |
| Remission of tax liabilities | 0 | 470 |
| Income from the sale of fixed assets | 0 | 6,587 |
| Other | 1,863 | 1,437 |
| **Other operating income** | **3,289** | **12,064** |

## (12) Other own work capitalised

If development projects meet the requirements of IAS 38.21 and IAS 38.57 and are capitalised in the reporting period, project-related development costs are recognised under other own work capitalised. The capitalised amounts are reported under intangible assets. Own work capitalised also includes production costs for testing facilities.

| €'000 | Jan. 1– Dec. 31, 2024 | Jan. 1– Dec. 31, 2023 |
|---|---|---|
| Project-related development costs | 7,871 | 3,569 |
| Manufacturing costs of test systems | 100 | 314 |
| **Other own work capitalised** | **7,971** | **3,883** |

## (13) Cost of materials

| €'000 | Jan. 1– Dec. 31, 2024 | Jan. 1– Dec. 31, 2023 |
|---|---|---|
| Raw materials and supplies | 69,971 | 88,506 |
| Expenses for purchased services | 2,642 | 3,022 |
| **Cost of materials** | **72,613** | **91,529** |

## (14) Personnel expenses

Personnel expenses are broken down as follows:

| €'000 | Jan. 1– Dec. 31, 2024 | Jan. 1– Dec. 31, 2023 |
|---|---|---|
| Wages and salaries | 32,065 | 33,123 |
| Social security contributions / pension expenses | 6,584 | 6,519 |
| Personnel leasing | 84 | 4,589 |
| **Personnel expenses** | **38,732** | **44,231** |

The average number of employees in the continuing operations, including temporary employees, developed as follows compared to the previous year:

| | Jan. 1– Dec. 31, 2024 | Jan. 1– Dec. 31, 2023 |
|---|---|---|
| Employees | 377 | 400 |
| Commercial employees | 308 | 379 |
| **Headcount** | **685** | **779** |

## (15) Depreciation, amortization and impairment

A breakdown of amortisation, depreciation and impairment losses on intangible assets, property, plant and equipment and financial assets can be found in the statement of changes in non-current assets.

## (16) Other operating expenses

Other operating expenses are mainly attributable to the following items:

| €'000 | Jan. 1 – Dec. 31, 2024 | Jan. 1 – Dec. 31, 2023 |
|---|---|---|
| EDP and telephone | 1,934 | 2,396 |
| Compensation and valuation allowances | 1,653 | 4,135 |
| Legal, consulting and acquisition costs | 1,483 | 1,156 |
| Remuneration of the general partner | 1,325 | 1,548 |
| Energy and water costs | 1,321 | 1,409 |
| Maintenance and building costs | 1,275 | 1,440 |
| Freight and packaging costs | 1,085 | 1,206 |
| Vehicle and travelling expenses | 568 | 509 |
| Recruitment and other personnel costs | 540 | 215 |
| Currency losses | 482 | 636 |
| External services | 394 | 1,131 |
| Insurance | 389 | 677 |
| Losses on receivables | 98 | 834 |
| Other | 2,691 | 5,377 |
| **Other operating expenses** | **15,237** | **22,669** |

## (17) Financial result

| €'000 | Jan. 1– Dec. 31, 2024 | Jan. 1– Dec. 31, 2023 |
|---|---|---|
| **Financial income** | **30** | **142** |
| Interest income | 30 | 142 |
| **Financing expenses** | **–6,518** | **–12,654** |
| Other financial and interest expenses | –6,518 | –12,654 |
| **Financial result** | **–6,488** | **–12,513** |

Interest expenses to banks totalling € 852 thousand (previous year: € 676 thousand) are reported under other financial and interest expenses. Interest expenses for bond liabilities amount to € 3,349 thousand (previous year: € 4,488 thousand). Interest expenses for leases, interest expenses from the discounting of pension provisions and bank charges in connection with financial assets and liabilities are also recognised here.

The decrease in interest expenses in the 2024 financial year is primarily due to interest expenses in the previous year for the interim financing in the amount of € 3.5 million to ensure the punctual repayment of the CHF bond in April 2023. However, the low interest rate on the EUR bond also contributed to the low financing expenses.

The following overview summarises the net results from financial instruments broken down by measurement category. The carrying amounts of the measurement categories are shown in the separate note "Additional information on financial instruments"

| €'000 | Jan. 1– Dec. 31, 2024 | Jan. 1– Dec. 31, 2023 |
|---|---|---|
| **Financial assets** | | |
| Measured at amortised cost | 30 | 103 |
| Measured at fair value through profit or loss | 0 | 39 |
| | **30** | **142** |
| **Financial liabilities** | | |
| Measured at amortised cost | –6,518 | –12,654 |
| Measured at fair value through profit or loss | 0 | 0 |
| | **–6.518** | **–12.654** |

Interest expenses of € 481 thousand (previous year: € 1,214 thousand) were incurred for IFRS 16 leases in the reporting year. The net results from other financial instruments include the net income and expenses from interest, fair value measurements, currency translation, impairments and disposal effects.

## (18) Income taxes

Domestic deferred taxes were calculated as at 31 December 2024 using a combined income tax rate of 30.0% (previous year: 30.0%). This includes a corporation tax rate of 15% and a solidarity surcharge of 5.5%. On the other hand, this income tax rate includes trade tax, taking into account the allocation of the trade tax assessment amount to the municipalities in which the company's branches are located. A combined income tax rate of 34.6% (previous year: 34.6%) was applied in China.

Deferred taxes are recognized on the differences between the carrying amounts in the balance sheet in accordance with IFRS and the tax base, provided that these are expected to decrease in subsequent financial years. In addition, deferred tax assets are recognized on existing corporate income tax and trade tax loss carryforwards as well as on tax interest carryforwards within the meaning of Section 4h EStG in conjunction with Section 8a KStG. § Section 8a of the German Corporation Tax Act (KStG) to the extent that offsetting is expected within the next five years. Deferred tax assets and liabilities are netted.

| €'000 | Jan. 1– Dec. 31, 2024 | Jan. 1– Dec. 31, 2023 |
|---|---|---|
| **Current taxes** | **616** | **51** |
| Domestic current taxes | 616 | 51 |
| Current taxes abroad | 0 | 0 |
| **Deferred taxes** | **–213** | **–941** |
| Domestic deferred taxes | –228 | –1.051 |
| Deferred taxes abroad | 15 | 110 |
| **Income taxes (– income)** | **403** | **–890** |

Deferred tax assets and liabilities were recognised in connection with the following items and circumstances:

| | Dec. 31, 2024 | | Dec. 31, 2023 | |
|---|---|---|---|---|
| €'000 | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| Intangible assets | 0 | 6,913 | 0 | 6,446 |
| Property, plant and equipment and leasing | 1,077 | 0 | 698 | 0 |
| Receivables and other assets | 0 | 2 | 0 | 387 |
| Pension provisions | 193 | 0 | 222 | 0 |
| Bonds | 0 | 41 | 0 | 57 |
| Loss and interest carryforwards | 5,625 | 0 | 5,678 | 0 |
| **Deferred tax assets and liabilities before offsetting** | **6,895** | **6,956** | **6,598** | **6,890** |
| Balancing | –6,895 | –6,895 | –6,598 | –6,598 |
| **Deferred tax assets and liabilities after netting** | **0** | **61** | **0** | **292** |

Deferred tax assets totalled € 0 thousand in the reporting year (previous year: € 0 thousand). Deferred tax liabilities of € 61 thousand (previous year: € 292 thousand) at the end of the reporting period relate to Germany in the amount of € 0 thousand (previous year: € 182 thousand) and abroad in the amount of € 15 thousand (previous year: € 110 thousand).

In the financial year, deferred tax assets on interest carryforwards were recognized up to the amount of the deferred tax liabilities for paragon GmbH & Co. KGaA were recognized. Deferred tax assets on loss carryforwards, on the other hand, had to be derecognized following a tax audit of the parent company.

In the reporting period, deferred taxes from pension provisions in the amount of € 47 thousand (previous year: € 22 thousand) were recognised directly in equity (other comprehensive income) in the revaluation reserve. This also corresponds to the amount of deferred taxes recognised in connection with the component of other comprehensive income.

Future dividends to be paid in Germany by paragon GmbH & Co. KGaA have no influence on the tax burden of paragon GmbH & Co. KGaA.

In accordance with IAS 12.81 (c), the actual tax expense must be compared with the tax expense that would theoretically result from applying the tax rates to be recognised to the reported earnings before taxes. The following reconciliation shows the reconciliation of the calculated tax expense to the actual tax expense.

| €'000 | Jan. 1– Dec. 31, 2024 | Jan. 1– Dec. 31, 2023 |
|---|---|---|
| **Earnings before taxes** | **–5,702** | **–11,463** |
| Calculated tax income at a tax rate of 30.0% (previous year: 30.0%) | 1,711 | 3,439 |
| Effect from the utilisation or non-recognition of deferred tax assets | –2,114 | –2,250 |
| Current taxes relating to other periods | 0 | 0 |
| Miscellaneous | 0 | –298 |
| **Actual tax expense/income** | **–403** | **890** |

The tax income is calculated by multiplying the tax rate by the result determined for tax purposes. Deferred tax assets on loss and interest carryforwards were only recognised in order to offset existing deferred tax liabilities. No deferred tax assets were recognised on the domestic loss carryforwards existing at paragon movasys GmbH or on the interest carryforwards existing at paragon GmbH & Co. KGaA.

## (19) Result from discontinued operations in the comparative period

paragon GmbH & Co. KGaA sold its shares in paragon semvox GmbH to CARIAD SE by notarised agreement dated 1 December 2022. The closing took place on 12 May 2023. As a result of the sale, paragon GmbH & Co. KGaA lost control over the subsidiaries. For this reason, paragon semvox GmbH is recognised as a discontinued operation in accordance with IFRS 5. Within the paragon Group, paragon semvox GmbH represented the Digital Assistance division. The result from discontinued operations is reported in total in a separate line. It is not necessary to adjust the previous year's figures for 2022, as they were already recognised in accordance with IFRS 5 in 2022. The Digital Assistance division was allocated to the "Electronics" segment in accordance with IFRS 8.

The result of the Digital Assistance division (from 1 January 2023 to 12 May 2023) is made up as follows The profit from the discontinued operation is fully attributable to the owners of the parent company.

| €'000 | 2023 |
|---|---|
| **Sales revenue** | **3,077** |
| Other operating income | 86 |
| Increase in inventories of finished and work in progress | 2,152 |
| Other own work capitalised | 1,728 |
| Cost of materials | –96 |
| Personnel expenses | –4,816 |
| Depreciation, amortisation and impairment | 0 |
| Other operating expenses | –498 |
| Financial result | –59 |
| **Earnings before taxes (EBT)** | **1,575** |
| Income taxes | –510 |
| **Earnings from ongoing business activities of the discontinued operation** | **1,064** |
| Profit before taxes from the sale of the discontinued operation | 5,928 |
| Income taxes on the profit from the sale of the discontinued operation | –234 |
| **Profit from discontinued operations after taxes** | **6,759** |

paragon GmbH & Co. KGaA received a total of € 38,845 thousand from the seller in two purchase price instalments. Transaction costs of € 1,307 thousand were incurred. The gain on disposal is calculated as follows, taking into account the net assets and liabilities disposed of:

| €'000 | May 12, 2023 |
|---|---|
| Intangible assets | 15,488 |
| Goodwill | 16,130 |
| Property, plant and equipment | 134 |
| Financial assets | 1 |
| Inventories | 2,244 |
| Receivables from goods and services | 2,259 |
| Other assets | 578 |
| Cash and cash equivalents | 8 |
| **Net assets** | **36,841** |
| Long-term loans | -2,845 |
| Deferred taxes | -524 |
| Liabilities from deliveries and services | -204 |
| Other provisions | -952 |
| Income tax liabilities | -99 |
| Other current liabilities | -607 |
| **Net debt** | **-5,231** |
| Balance of net assets and liabilities | 31,610 |
| Consideration received in cash (less transaction costs) | 37,538 |
| **Profit before taxes from the sale of the discontinued operation** | 5,928 |
| Income taxes on the profit from the sale of the discontinued operation | -234 |
| **Profit after taxes from the sale of the discontinued operation** | 5,694 |

## (20) Earnings per share

Basic earnings per share are calculated by dividing the result for the reporting period by the weighted average number of shares issued. The weighted average number of shares issued in the reporting period was 4,526,266 (previous year: 4,526,266).

With earnings for the reporting period attributable to the owners of the paragon Group totalling€ -6,105 thousand (previous year: € -3,812 thousand), basic earnings per share (basic) amounted to € -1.35 (previous year continuing and discontinued operations: € -0.84). In the previous year, earnings per share for the continuing operations totalled € -2.34. This was calculated by dividing the result from continuing operations of € -10,571 thousand by the 4,526,266 shares in circulation. Earnings per share from discontinued operations totalled 1.49 in the comparative period.

For the calculation of diluted earnings per share, the weighted average number of shares issued is adjusted by the number of all potentially dilutive shares.

Share option plans generally lead to such a potential dilution of earnings per share. There were no option rights to subscribe to shares in paragon GmbH & Co. KGaA during the financial year from 1 January to 31 December 2024. There are therefore currently no dilutive effects.

## (21) Intangible assets

The development and breakdown of intangible assets, property, plant and equipment and financial assets is shown in the consolidated statement of changes in fixed assets in the section “Changes in consolidated fixed assets”. Amortisation of intangible assets is included in the income statement item “Depreciation of property, plant and equipment and amortisation of intangible assets”. Explanations on investments can be found in the management report.

### Capitalised development costs

Development costs of € 20,490 thousand (previous year: € 18,846 thousand) were capitalised under intangible assets. Total development expenses for the period amounted to € 12,476 thousand (previous year: € 12,788 thousand). Of this amount, internal development expenses of € 7,871 thousand (previous year: € 3,569 thousand) were capitalised as intangible assets in the reporting period.

Amortisation of these internal development expenses in the reporting period amounted to € 4,884 thousand (previous year: € 6,519 thousand). The amortisation period for development projects is generally 5 to 7 years from the date on which they are ready for use.

The capitalised development costs were subjected to an impairment test in accordance with IAS 36. The respective recoverable amount corresponds to the fair value of the development projects, which was determined on the basis of more recent findings on the saleability of the development projects. Impairment losses in accordance with IAS 36 totalled € 893 thousand in the reporting year (previous year: € 187 thousand).

The recoverable amount of internally generated intangible assets is determined on the basis of a value in use calculation using cash flow forecasts based on sales planning approved by the management. The sales planning includes a planning period of 5 years; growth is determined for each product according to the available market analyses. The risk-adjusted discount factor used for the cash flow forecasts is 9.39% (previous year: 9.39%).

## (22) Goodwill

Goodwill is made up as follows:

| €'000 | Dec. 31, 2024 | Dec. 31, 2023 | Impairment loss 2024 |
|---|---|---|---|
| SphereDesign GmbH (in 2022 merged with paragon GmbH & Co. KGaA) | 343 | 343 | 0 |
| paragon movasys GmbH | 5,067 | 5,067 | 0 |
| ETON Soundsysteme GmbH (formerly: paragon electroacoustic GmbH) | 335 | 335 | 0 |
| **Total** | **5,745** | **5,745** | **0** |

Goodwill and internally generated intangible assets whose production has not yet been completed are subject to regular impairment tests.

Goodwill and internally generated intangible assets whose production has not yet been completed are tested annually for possible impairment. If events or changes in circumstances occur that indicate a possible impairment, the impairment test must also be carried out more frequently.

As part of the impairment test, the paragon Group compares the residual carrying amounts of the individual cash-generating units (CGUs) with their respective recoverable amount, i.e. the higher of the fair value less costs to sell and its value in use. In cases where the carrying amount of the cash-generating unit is higher than its recoverable amount, the difference is recognised as an impairment loss. The recoverable amount is determined by calculating the value in use using the discounted cash flow method. The cash flows used to determine the value in use were calculated on the basis of the management's medium-term planning. These plans are based on past experience and expectations of future market developments, taking into account strategic and operational measures already initiated to manage the business segment. The period for the detailed planning horizon is generally 5 years.

The cost of capital is calculated as the weighted average cost of equity and debt (WACC = weighted average cost of capital). The cost of equity is derived from a peer group analysis of the relevant market and thus from available capital market information. In order to take account of the different risk/return profiles of the Group's main areas of activity, paragon calculates individual cost of capital rates for its companies (CGUs) depending on the main area of activity. The weighted average cost of capital (WACC before tax) used to discount the cash flows is generally 8.8% (previous year: 9.0%). The growth rate after the detailed planning period is 1.0% (previous year: 1.0%)

No need for impairment was identified during the impairment test. Even after carrying out various sensitivity analyses, there was no need to recognise impairment losses, meaning that the carrying amount remains recoverable.

In addition to the impairment test, three sensitivity analyses were carried out for each group of cash-generating units. In the first sensitivity analysis, the capitalization interest rate was increased by 2% for each group. In the second sensitivity analysis, a 1 percentage point lower growth rate was assumed. In the third sensitivity analysis, a flat-rate discount of 10.0% was applied to the EBITDA assumed in perpetuity. These changes would not result in an impairment for any of the groups of cash-generating units.

## (23) Property, plant and equipment

The development and breakdown of property, plant and equipment is shown in the consolidated statement of changes in fixed assets in the section “Changes in Group fixed assets”. Depreciation and amortisation in the reporting period (excluding right-of-use assets in accordance with IFRS 16) amounted to € 2,190 thousand (previous year: € 2,303 thousand). Land and buildings are encumbered by mortgages to secure long-term bank loans. Amortisation of right-of-use assets in accordance with IFRS 16 amounted to € 2,931 thousand (previous year: € 3,890 thousand). The carrying amount of the right-of-use assets is € 7,448 thousand (previous year: € 8,836 thousand).

Advance payments for machinery and equipment totalled € 1,699 thousand in the reporting year (previous year: € 2,585 thousand).

In the reporting year, expenses and income from the disposal of property, plant and equipment (disposal of acquisition/production costs less accumulated depreciation) totalled € 57 thousand in expenses (previous year: € 0 thousand) and € 0 thousand in income (previous year: € 6,587 thousand). A plot of land in Landsberg classified as held for sale was reclassified at cost to the item assets held for sale in accordance with IFRS 5.

## (24) Inventories

Inventories are made up as follows:

| €’000 | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---:|---:|
| Raw materials and supplies | 13,336 | 16,003 |
| Work in progress/finished goods and services and merchandise | 2,572 | 4,510 |
| Payments on account for inventories | 646 | 128 |
| **Inventories** | **16,554** | **20,641** |

Accumulated impairment losses on inventories, mainly in the blocked warehouse and spare parts warehouse, totalled € 3,657 thousand at the end of the reporting period (previous year: € 4,438 thousand). As in the previous year, no reversals of impairment losses were recognised in the reporting period.

## (25) Receivables from goods and services

The carrying amount of trade receivables is derived as follows:

| €'000 | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|
| Trade receivables Gross | 5,898 | 7,836 |
| less value adjustments | –500 | –1,190 |
| **Trade receivables** | **5,398** | **6,646** |

As at the reporting date, there are no receivables that will be assigned as part of factoring in the following reporting year. In the financial year, irrecoverable receivables amounting to € 98 thousand (previous year: € 834 thousand) were derecognised via other operating expenses.

The age structure of trade receivables as at the balance sheet date is as follows:

| €'000 | Book value | 0 – 30 days, | 30 – 60 days | 60 – 90 days | > 90 days |
|---|---|---|---|---|---|
| **Dec. 31, 2024** | | | | | |
| Gross trade receivables | **5,898** | 4,946 | 288 | 0 | 664 |
| Value adjustments | **–500** | –46 | –72 | 0 | –382 |
| **Receivables from goods and services** | 5,398 | | | | |

| €'000 | Book value | 0 – 30 days | 30 – 60 days | 60 – 90 days | > 90 days |
|---|---|---|---|---|---|
| **Dec. 31, 2023** | | | | | |
| Gross trade receivables | **7,836** | 5.829 | 862 | 122 | 1.023 |
| Value adjustments | **–1,190** | –58 | –216 | –66 | –850 |
| **Receivables from goods and services** | 6,646 | | | | |

With regard to receivables that were neither impaired nor overdue, there were no indications as at the balance sheet date that the debtors would not fulfil their payment obligations.

Expenses from value adjustments and derecognition of trade receivables are recognised under other operating expenses. Income from the receipt of derecognised receivables is reported under other operating income.

# (26) Other current assets

Other current financial assets include:

| Dec. 31, 2024 | | | | |
|---|---|---|---|---|
| €'000 | AC | FVPL | FVOCI | Total |
| **Other current financial assets** | | | | |
| Purchase price retention from factoring | 994 | 0 | 0 | 994 |
| Creditors with debit balances | 774 | 0 | 0 | 774 |
| Receivables from related parties | 1,094 | 0 | 0 | 1,094 |
| **Other current financial assets** | **2,862** | **0** | **0** | **2,862** |

| Dec. 31, 2023 | | | | |
|---|---|---|---|---|
| €'000 | AC | FVPL | FVOCI | Total |
| **Other current financial assets** | | | | |
| Purchase price retention from factoring | 1,600 | 0 | 0 | 1,600 |
| Creditors with debit balances | 973 | 0 | 0 | 973 |
| CHF trade date | 0 | 925 | 0 | 925 |
| Receivables from related parties | 1,195 | 0 | 0 | 1,195 |
| Purchase price receivables | 500 | 0 | 0 | 500 |
| **Other current financial assets** | **4,268** | **925** | **0** | **5,193** |

The overdue amounts of other current financial assets are as follows as at the balance sheet date:

| €'000 | Book value | of which neither impaired nor past due | of which overdue but not impaired as follows | | | |
|---|---|---|---|---|---|---|
| **Dec. 31, 2024** | | | 0 – 30 days | 30 – 60 days | 60 – 90 days | > 90 days |
| Other current financial assets | **2,862** | 2,862 | 0 | 0 | 0 | 0 |
| **Dec. 31, 2023** | | | 0 – 30 days | 30 – 60 days | 60 – 90 days | > 90 days |
| Other current financial assets | **5,193** | 5,193 | 0 | 0 | 0 | 0 |

Other current financial assets include a loan receivable of € 1,094 thousand (previous year: € 1,195 thousand) from Frers GmbH & Co KG (formerly: Frers Grundstücksverwaltungs GmbH & Co. KG) (related party). For further information, please refer to the section "Related party disclosures"

With regard to other current financial and non-financial assets, there were no indications as at 31 December 2024 that significant payment defaults will occur.

## (27) Contract assets

The contract assets result from customised products already manufactured by paragon. Contract assets are reclassified to trade receivables if the claim to payment is unconditional. This is essentially the case when the company has delivered the products to the customer.

## (28) Cash and cash equivalents

Cash in hand and bank balances are recognised at their carrying amount. Cash and cash equivalents include cash on hand of € 4 thousand (previous year: € 5 thousand) and bank balances of € 4,387 thousand (previous year: € 3,204 thousand). The development of cash and cash equivalents is shown in the consolidated cash flow statement. There are no restrictions on disposal within the meaning of IAS 7.48.

# (29) Equity capital

The development of the individual components of equity for the financial year from 1 January to 31 December 2023 and for the reporting period from 1 January to 31 December 2024 is shown in the consolidated statement of changes in equity.

## Share capital

The share capital of paragon GmbH & Co. KGaA totalled € 4,526 thousand as at 31 December 2024 (previous year: € 4,526 thousand) and is divided into 4,526,266 no-par value bearer shares with a notional interest in the share capital of € 1.00 each. There is no change compared to the previous year. No treasury shares are held.

## Conditional capital

### Conditional capital 2021/I in accordance with the resolution of the Annual General Meeting on 31 August 2021

By resolution of the Annual General Meeting on 31 August 2021, the general partner was authorised, with the approval of the Supervisory Board, to issue bearer or registered bonds with warrants and/or convertible bonds or a combination of these instruments (hereinafter also referred to collectively as "bonds") on one or more occasions up to and including 30 August 2026 with a total nominal amount of up to € 150.000,000.00 with a maximum term of 10 years and to grant the holders or creditors (hereinafter collectively referred to as "holders") of convertible bonds or bonds with warrants conversion or option rights to up to a total of 2,263,133 new no-par value bearer shares in the company in accordance with the terms and conditions of the bonds. The bonds can be issued against cash contributions, but also against contributions in kind, in particular investments in other companies. In the case of bonds with warrants, they may also be issued against non-cash contributions if the terms and conditions of the warrants provide for the option price per share of the company to be paid in full in cash upon exercise. The respective terms and conditions of the bonds may also establish a conversion or option obligation for the holders at the end of the term or at another time or provide for the right of the company to grant the holders of the bonds shares in the company in whole or in part instead of payment of the cash amount due when the bonds associated with a conversion or option right mature (this also includes maturity due to cancellation).

In the reporting period, there was no increase in share capital due to the exercise of option rights from the company's share option plan.

## Authorised capital

### Authorised capital 2021/I in accordance with the resolution of the Annual General Meeting on 31 August 2021

By resolution of the Annual General Meeting on 31 August 2021, the general partner was authorised, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions up to and including 30 August 2026 by up to a total of € 2,263,133.00 by issuing up to 2,263,133 new no-par value ordinary bearer shares (Authorised Capital 2021/I) in return for cash and/or non-cash contributions. The shareholders must generally be granted subscription rights. The statutory subscription right can also be granted if the new shares are underwritten by a syndicate of banks with the obligation to offer them indirectly to shareholders for subscription within the meaning of Section 186 (5) AktG. However, the Executive Board or management is authorised, with the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights in defined cases.

### Capital reserve

As at 31 December 2024, the capital reserve remained unchanged at € 15,485 thousand (previous year: € 15,485 thousand).

In order to comply with the requirement to recognise actuarial gains and losses from pension provisions directly in equity in accordance with IAS 19 "Employee Benefits", the actuarial gains are reclassified to the revaluation reserve.

### Dividend

No dividend was distributed by paragon GmbH & Co. KGaA in the financial year. No dividend will be proposed to the Annual General Meeting for the reporting period ending 31 December 2024.

As part of the extension of the EUR bond, it was agreed with the bondholders in March 2022 that paragon GmbH & Co. KGaA will be waived.

Furthermore, the equity of paragon GmbH & Co. KGaA as an individual company is subject to the following restrictions: The amount of capitalized internally generated intangible assets less the deferred tax liabilities of € 8,863 thousand (previous year: € 5,040 thousand) of the parent company are subject to the restriction on distribution in accordance with section 268 (8) HGB. Deferred tax assets in the amount of € 3,799 thousand are subject to the payout block. The total amount subject to the payout block is € 12,679 thousand (previous year: € 5,062 thousand). The distribution block from the discounting of the provision for pension obligations of paragon GmbH & Co. KGaA amounts to € 15 thousand.

## (30) Leasing liabilities

The lease liability is recognised at the present value of the lease payments not yet made at the commencement date. They are discounted using the underlying constant interest rate. If this is not available, paragon GmbH & Co. KGaA uses an incremental borrowing rate, which is used as the basis for comparable lease financing. The range of interest rates is 4.9% to 8.9%. The interest expense from lease liabilities for the 2024 financial year amounts to € 481 thousand (previous year: € 1,214 thousand). The rental expenses from unrecognised low-value and short-term leases recognised in other expenses are insignificant.

The carrying amount of the lease liability is increased by the interest expense and reduced by payments made as at the reporting date. A revaluation of the lease liability is recognised immediately. In the reporting year, cash outflows for leases totalled€ 3,810 thousand (previous year: € 4,379 thousand).

| €'000 | Remaining term < 1 year | Remaining term between 1 and 5 years | Remaining term > 5 years | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|---|---|---|
| Minimum lease payments | 3,286 | 5,627 | 3,510 | 12,423 | 14,262 |
| of which future interest payments | -544 | -1,182 | -564 | -2,290 | -2,617 |
| **Liabilities from leases** (amortisation share) | **2,742** | **4,445** | **2,946** | **10,134** | **11,645** |
| of which recognised under non-current liabilities | | | | 7,392 | 8,687 |
| of which recognised under current liabilities | | | | 2,742 | 2,958 |

The development of right-of-use assets can be found in the section "Development of Group fixed assets"

## (31) Loans

Current and non-current liabilities to banks totalled € 13,478 thousand (previous year: € 13,873 thousand).

Liabilities to banks are collateralised by non-financial assets in the form of land charges for liabilities from loans of up to€ 8,500 thousand (previous year: € 8,500 thousand) and by the assignment of property, plant and equipment in the amount of € 300 thousand (previous year: € 573 thousand).

Liabilities to banks have a term of:

| €'000 | Remaining term < 1 year | Remaining term between 1 and 5 years | Remaining term > 5 years | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|---|---|---|
| **Liabilities to banks, etc.** | **7,701** | **1,730** | **4,047** | **13,478** | **13,873** |
| of which recognised under non-current liabilities | | | | 5,777 | 6,001 |
| of which recognised under current liabilities | | | | 7,701 | 7,872 |

There is no interest rate risk for the fixed loans (see section "Financial result").

The liabilities are allocated to the IFRS 9 measurement category AC.

## (32) Bonds

On 28 June 2017, the company issued an unsubordinated and unsecured bearer bond with a nominal volume of € 50,000 thousand. The bond is listed and traded on the OTC market of the Frankfurt Stock Exchange (WKN: A2GSB8). The bond has an interest coupon of 5.0% in 2024 (plus a PIK component of 2.5%) and a basic term until 5 July 2027. In 2023, the nominal amount of € 50,000 thousand was reduced by € 4,789 thousand to € 45,217 thousand. The outstanding nominal volume as at 31 December 2024 amounts to € 45,217 thousand.

The treasury stock at the end of the previous year amounted to € 0.1 million and was deducted when recognising the repayment amount. The same applies to the treasury portfolio in the amount of € 1.0 million as at 31 December 2024. The carrying amount of the bond as at the balance sheet date was € 45,740 thousand (previous year: € 46,987 thousand) including the accrued interest liability for the 2024 financial year of € 1,658 thousand (previous year: € 2,090 thousand and the bonds in the treasury portfolio in the amount of € 1.0 million.

The bonds are allocated to the IFRS 9 measurement category AC.

## (33) Provisions for pensions

In accordance with IAS 19 (revised) "Employee Benefits", paragon recognised a provision for a defined benefit plan. The paragon Group has pension commitments to 2 persons. The pension provisions exist for pension commitments to the management member Klaus Dieter Frers in the amount of € 1,731 thousand (previous year: € 1,832 thousand) and a further commitment to a former managing director of a subsidiary in the amount of € 513 thousand (previous year: € 525 thousand)

The commitment to Klaus Dieter Frers is, on the one hand, an individual fixed amount commitment based on the age of 65, which was defined in individual contracts. In addition to this existing pension agreement, a new commitment was made in the 2005 financial year. This is an individual contractual commitment based on the age of 65, which is orientated towards length of service and salary level. Based on a resolution passed by the Supervisory Board on 31 August 2009, pension obligations amounting to€ 794 thousand and the corresponding plan assets amounting to € 1,425 thousand were partially transferred to the HDI Gerling pension fund in the 2010 financial year. By resolution of the Supervisory Board on 10 December 2013, a further partial spin-off of pension obligations in the amount of€ 1,453 thousand was made to Allianz Pensionsfonds AG in the 2013 financial year. With these partial outsourcings, paragon's liability for the outsourced obligations expires.

The former managing director of a subsidiary received ongoing pension payments from a subsidiary of paragon in 2024. There was a reinsurance policy to secure the pension commitment. As at the balance sheet date, there is a claim totalling€ 436 thousand against a leading German insurance company corresponding to the amount of the insurance's maturity benefit. As in the previous year, this claim is recognised as plan assets in the amount of€ 436 thousand.

The actuarial calculations are based on the following assumptions:

| in% | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|
| Discount rates | 3.4 | 3.2–3.5 |
| Pension dynamics | 2.0 | 2.0 |

Increases or decreases in the present value of the defined benefit obligations may result in actuarial gains or losses that affect the amount of equity and whose causes may include changes in the calculation parameters and changes in estimates regarding the risk experience of the pension obligations. The net value of the provisions for pensions can be derived as follows:

Present value of the defined benefit obligation:

| €'000 | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|
| Present value of the benefit obligation at the beginning of the year | 2,357 | 2,385 |
| Interest expense | 75 | 78 |
| Payments | –32 | –32 |
| Actuarial gains (–), losses (+) | –155 | –73 |
| **Present value of the defined benefit obligation as at the reporting date** | **2,244** | **2,357** |

The actuarial gains incurred in the 2024 financial year were recognised directly in equity in the revaluation reserve in accordance with IAS 19. Changes in demographic assumptions did not affect the amount of actuarial gains or losses in the reporting year.

Net value of the recognised benefit obligation:

| €'000 | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|
| Present value of the defined benefit obligation | 2,244 | 2,357 |
| Less fair value of plan assets | –436 | –436 |
| **Unfunded benefit obligation as at the reporting date** | **1,808** | **1,921** |

The net value developed as follows:

| €'000 | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|
| Unfunded benefit obligation at the beginning of the year | 2,357 | 2,383 |
| Pension expense | 42 | 47 |
| Actuarial gains (–), losses (+) | –155 | **–73** |
| **Unfunded benefit obligation as at the reporting date** | **2,244** | **2,357** |

The following amounts were recognised in the consolidated statement of comprehensive income:

| €'000 | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|
| Interest expense | 75 | 79 |
| Losses from settlements | 10 | 14 |
| Actuarial gains (–), losses (+) | –155 | –73 |
| **Pension expense/income** | **–71** | **21** |

The actuarial gains and losses for the reporting year and previous years were recognised in full in other comprehensive income.

The pension obligations to the Managing Director Klaus Dieter Frers are still in the vesting phase. Significant changes in the value of pension provisions generally only result from changes in the interest rate.

Information on sensitivities and risks:

The sensitivity analysis for the pension provision by Klaus Dieter Frers provides the following values:

| €'000 | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|
| DBO as at 31 Dec. 2024 Interest rate 3.2% (previous year interest rate 2.9%) | 1,781 | 1,887 |
| DBO as at 31 Dec. 2024 Interest rate 3.7% (previous year interest rate 3.4%) | 1,684 | 1,780 |
| DBO as at 31 December 2024 Pension dynamics 1.8% (previous year: pension dynamics 1.8%) | 1,685 | 1,781 |
| DBO as at 31 December 2024 Pension dynamics 2.3% (previous year: pension dynamics 2.3%) | 1,779 | 1,886 |

The sensitivity analysis for the pension provision for the former managing director of a subsidiary provides the following values:

| €'000 | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|
| DBO as at 31 Dec. 2024 Interest rate 2.9% (previous year interest rate 3.0%) | 539 | 499 |
| DBO as at 31 Dec. 2024 Interest rate 3.9% (previous year interest rate 4.0%) | 488 | 533 |

Sensitivities to salary dynamics are not recognised as there have been no salary dynamics since the 2010 service year. There are no significant extraordinary or company-specific risks in relation to the pension provisions recognised.

## (34) Other provisions

Other provisions are only due within one year and developed as follows:

| €'000 | Jan. 01, 2024 | Utilization | Resolution | Feed | Dec. 31, 2024 |
|---|---|---|---|---|---|
| Guarantees, goodwill and warranty | 453 | 0 | 453 | 0 | 0 |
| Other remaining provisions | 35 | 0 | 35 | 0 | 0 |
| **Other provisions** | **488** | **0** | **488** | **0** | **0** |

The reversal is mainly the result of specific warranty cases which, contrary to the previous year's estimates, did not lead to an outflow of resources.

## (35) Income tax liabilities

This relates to trade tax and corporation tax for previous reporting periods in the amount of € 1,193 thousand (previous year: € 236 thousand) and trade tax and corporation tax for the current period in the amount of € 0 thousand (previous year: € 378 thousand).

## (36) Other financial liabilities

To improve the presentation of other liabilities, these were broken down into the items other financial liabilities and other non-financial liabilities in the reporting year.

Other financial liabilities developed as follows:

| €'000 | Remaining term < 1 year | Remaining term between 1 and 5 years | Remaining term > 5 years | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|---|---|---|
| **Other financial liabilities** | **2,394** | **1,125** | **0** | **3,519** | **4,837** |
| of which recognised under non-current liabilities | | | | 1,125 | 2,205 |
| of which recognised under current liabilities | | | | 2,394 | 2,632 |

These are essentially liabilities from sale and leaseback agreements. However, the transfer of the assets did not result in a sale in accordance with IFRS 15, so the liability is recognised in accordance with IFRS 9.

## (37) Other non-financial liabilities

To improve the presentation of other liabilities, these were broken down into the items other financial liabilities and other non-financial liabilities in the reporting year.

| €'000 | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|
| Liabilities to employees | 4,203 | 4,161 |
| Liabilities to social security organisations | 824 | 871 |
| Liabilities from other taxes | 290 | 382 |
| Other liabilities | 2,310 | 2,160 |
| **Other non-financial liabilities** | **7,628** | **7,575** |

The other non-financial liabilities are mainly current liabilities from taxes, holiday and provisions for bonus payments. In addition, includes other current liabilities to social security organisations. The other non-financial liabilities have a term of:

| €'000 | Remaining term < 1 year | Remaining term between 1 and 5 years | Remaining term > 5 years | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|---|---|---|
| **Other financial liabilities** | 7,628 | 0 | **0** | **7,628** | **7,575** |
| of which recognised under non-current liabilities | | | | 0 | 0 |
| of which recognised under current liabilities | | | | 7,628 | 7,575 |

### Partial retirement provision

As at the reporting date, there were partial retirement obligations to 2 employees of paragon GmbH & Co. KGaA in accordance with individual agreements on the basis of the German Partial Retirement Act (AltTZG) as a block model. An actuarial interest rate of 3.4% (previous year: 3.3%) was used for the calculation. Salary growth and staff turnover were assumed to be unchanged from the previous year at 0.0%. Pension growth was recognised at 2.5% (previous year: 2.5%). This results in a benefit obligation of € 583 thousand as at the reporting date (previous year :€ 604 thousand).

## (38) Additional information on financial instruments

This section provides a summarised overview of paragon's financial instruments.

The following overview summarises the carrying amounts of the financial instruments included in the consolidated financial statements according to the IFRS 9 measurement categories:

| €'000 | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|
| **Financial assets** | | |
| Measured at amortized cost | 13,069 | 14,580 |
| Measured at fair value through profit or loss | 0 | 925 |
| Measured at fair value through other comprehensive income | **0** | **0** |
| | **13,069** | **15,505** |
| **Financial liabilities** | | |
| Measured at amortized cost | 87,330 | 90,069 |
| Measured at fair value through profit or loss | 0 | 0 |
| | **87,330** | **90,069** |

paragon did not carry out any reclassifications between these categories in the 2024 financial year.

The carrying amounts and fair values of current and non-current financial assets and financial liabilities as at the reporting date were as follows:

| **Dec. 31, 2024** | AC | | FVPL | | FVOCI | |
|---|---|---|---|---|---|---|
| €'000 | BW | FV | BW | FV | BW | FV |
| **ASSETS** | | | | | | |
| Cash and cash equivalents | 4,391 | 4,391 | 0 | 0 | 0 | 0 |
| Receivables from goods and services | 5,398 | 5,398 | 0 | 0 | 0 | 0 |
| Other non-current financial assets | 418 | 418 | 0 | 0 | 0 | 0 |
| Other current financial assets | 2,862 | 2,862 | 0 | 0 | 0 | 0 |
| **Total assets** | **13,069** | **13.069** | **0** | **0** | **0** | **0** |
| **PASSIVA** | | | | | | |
| Loans | 13,478 | 13,478 | 0 | 0 | 0 | 0 |
| Bonds | 45,740 | 20,400 | 0 | 0 | 0 | 0 |
| Liabilities from deliveries and services | 24,594 | 24,594 | 0 | 0 | 0 | 0 |
| Other financial liabilities | 3,519 | 3,519 | 0 | 0 | 0 | 0 |
| **Total liabilities** | **87,330** | **61,991** | **0** | **0** | **0** | **0** |

| **Dec. 31, 2023** | AC | | FVPL | | FVOCI | |
|---|---|---|---|---|---|---|
| €'000 | BW | FV | BW | FV | BW | FV |
| **Assets** | | | | | | |
| Cash and cash equivalents | 3,209 | 3,209 | 0 | 0 | 0 | 0 |
| Receivables from goods and services | 6,646 | 6,646 | 0 | 0 | 0 | 0 |
| Other non-current financial assets | 456 | 456 | 0 | 0 | 0 | 0 |
| Other current financial assets (excluding derivatives) | 4,268 | 4,268 | 0 | 0 | 0 | 0 |
| Derivatives | 0 | 0 | 925 | 925 | 0 | 0 |
| **Total assets** | **14,580** | **14,580** | **925** | **925** | **0** | **0** |
| **PASSIVA** | | | | | | |
| Loans | 13,873 | 13,873 | 0 | 0 | 0 | 0 |
| Bonds | 46,987 | 33,370 | 0 | 0 | 0 | 0 |
| Liabilities from deliveries and services | 24,374 | 24,374 | 0 | 0 | 0 | 0 |
| Other financial liabilities | 4,836 | 4,836 | 0 | 0 | 0 | 0 |
| **Total liabilities** | **90,069** | **76,453** | **0** | **0** | **0** | **0** |

Cash and cash equivalents, trade receivables measured at amortised cost, purchase price retentions from factoring, creditors with debit balances, contract assets, purchase price receivables, trade payables and the remaining other financial assets and liabilities mainly have short residual terms. For these short-term financial instruments, the carrying amount represents a reasonable approximation of the fair value. The same applies to loans to banks. These are either short-term in nature or secured by first-ranking collateral (land charges). The level used to determine the fair value of these financial instruments is not disclosed separately.

The fair value of the derivatives and the bond is a level 2 fair value.

paragon does not hold any cash collateral. Credit balances and liabilities to banks are recognised gross in the consolidated balance sheet. Other account balances with banks can be offset against all existing balances and liabilities between the relevant counterparties in the event of insolvency. At present, paragon has neither a legal claim to offsetting nor does it intend to settle on a net basis.

There is no significant potential for offsetting by the parties involved in the event of insolvency.

paragon does not hold any collateral with regard to financial assets.

paragon distinguishes between recoverable and doubtful or non-performing and uncollectible financial assets. Recoverable financial assets are written down according to the expected 12-month credit loss. For doubtful or non-performing financial assets, impairment is recognised in the amount of the expected credit loss until final maturity. Irrecoverable receivables are recognised as disposals. A receivable is considered to be non-performing (definition of default) if there are significant reasons to believe that a debtor will not fulfil its payment obligations to paragon.

The following overview summarises the credit quality and the maximum default risk of the financial assets measured at amortised cost according to the aforementioned categories:

| **Dec. 31, 2024**<br>€'000 | Credit quality | Treatment | Gross carrying amount | Value adjustment | Net book value |
|---|---|---|---|---|---|
| Other financial | recoverable | 12-month ECL | 3,281 | 0 | 3,281 |
| | recoverable | Lifetime ECL | 0 | 0 | 0 |
| | distressed | Lifetime ECL | 0 | 0 | 0 |
| | | | **3,281** | **0** | **3,281** |
| Receivables from goods and services | Lifetime ECL | simplified approach | 4,946 | –46 | 4,900 |
| | Lifetime ECL | simplified approach[1] | 952 | –454 | 498 |
| | distressed | Lifetime ECL | 0 | 0 | 0 |
| | | | **5,898** | **–500** | **5,398** |
| Cash and cash equivalents | recoverable | 12-month ECL | 4,391 | 0 | 4,391 |
| | recoverable | Lifetime ECL | 0 | 0 | 0 |
| | distressed | Lifetime ECL | **0** | **0** | **0** |
| | | | **4,391** | **0** | **4,391** |

1 Category 2 requirements

| **Dec. 31, 2023**<br>€'000 | Credit quality | Treatment | Gross carrying amount | Value adjustment | Net book value |
|---|---|---|---|---|---|
| Other financial | recoverable | 12-month ECL | 5,649 | 0 | 5,649 |
| | recoverable | lifetime ECL | 0 | 0 | 0 |
| | distressed | lifetime ECL | 0 | 0 | 0 |
| | | | **5,649** | **0** | **5,649** |
| Receivables from goods and services | Lifetime ECL | simplified approach | 5,829 | –58 | 5,771 |
| | lifetime ECL | simplified approach[1] | 2,007 | –1,132 | 875 |
| | distressed | Lifetime ECL | 0 | 0 | 0 |
| | | | **7,836** | **–1,190** | **6,646** |
| Cash and cash equivalents | recoverable | 12-month ECL | 3,209 | 0 | 3,209 |
| | recoverable | Lifetime ECL | 0 | 0 | 0 |
| | distressed | Lifetime ECL | **0** | **0** | **0** |
| | | | **3,209** | **0** | **3,209** |

1 Category 2 requirements

paragon recognises valuation allowances on receivables taking into account past events and expectations regarding the future development of credit risk. The balance of the valuation allowances developed as follows:

| €'000 | | |
|---|---|---|
| Jan. 01, 2024 | | 1,190 |
| Adjustments due to changes in credit rating parameters | Increase from revaluation of receivables | 0 |
| | Reduction due to reversals of impairment losses | 0 |
| Adjustments due to changes in the gross amount of assets | Reduction due to derecognition of assets | –690 |
| | Increase due to capitalisation of assets | 0 |
| Dec. 31, 2024 | | 500 |

| in €'000 | | |
|---|---|---|
| Jan. 01, 2023 | | 2,620 |
| Adjustments due to changes in credit rating parameters | Increase from revaluation of receivables | 0 |
| | Reduction due to reversals of impairment losses | 165 |
| Adjustments due to changes in the gross amount of assets | Reduction due to derecognition of assets | –1,595 |
| | Increase due to capitalisation of assets | 0 |
| Dec. 31, 2023 | | 1,190 |

Cash and cash equivalents comprise cash in hand and bank balances. paragon only holds cash and cash equivalents at banks with the highest credit ratings and a probability of default close to zero. For reasons of materiality, no impairment was recognised. In the event of a significant increase in the probability of default, the Group companies are instructed to withdraw cash and cash equivalents immediately. For this reason, cash and cash equivalents are categorised as either collectible (12-month ECL) or uncollectible (lifetime ECL).

Impairment losses on trade receivables are recognised in accordance with the simplified approach under IFRS 9.5.5.15 at the expected credit loss until maturity, unless a case-by-case assessment is possible. When determining the value adjustment, the receivables are divided into risk categories and assigned different impairment rates. Receivables are written off if a debtor is in serious financial difficulties and there is no prospect of recovery. Impairment is recognised in three different categories. Category 1 comprises receivables that are not due and receivables with a maturity of 0 – 30 days. These receivables are generally impaired by 1%. Category 2 comprises receivables with a maturity of 31 – 60 days and these receivables are impaired by up to 25%. Receivables with a maturity of 61 – 90 days are impaired by up to 50%. Receivables with a maturity of more than 90 days are impaired by up to 75%. Category 3 comprises irrecoverable receivables, which are generally impaired by up to 100%.

Companies in the paragon Group determine the default risk according to individual approaches, taking into account country- and division-specific risks. In doing so, the companies draw on data from Schufa, historical default rates and customer-specific forward-looking credit risk analyses, among other things.

## (39) Management of risks from financial instruments

Market price fluctuations can lead to considerable cash flow and profit risks for paragon. Changes in exchange rates and interest rates affect both the operating business and investment and financing activities. In order to optimise the financial resources within the Group, the risks arising from the development of interest rates and exchange rates are continuously analysed and thus the ongoing business and financial market activities are managed and monitored.

Price fluctuations in currencies and interest rates can result in significant profit and cash flow risks. For this reason, paragon centralises these risks as far as possible and then manages them proactively, possibly also through the use of derivative financial instruments. As part of the overall risk management system, the management of these risks is a central task of the management of paragon GmbH & Co.

From various methods of risk analysis and risk management, paragon has implemented an internal system of sensitivity analysis. The sensitivity analysis enables the Group to identify risk positions in the business units. The sensitivity analysis quantifies the risk that can be realised within the given assumptions if certain parameters are changed to a defined extent. An assumption is made for this purpose:

- an appreciation of the euro against all foreign currencies by 10 percentage points
- a parallel shift of the yield curves by 100 basis points (1 percentage point)

The potential effects from the sensitivity analysis are estimates and are based on the assumption that the assumed negative market changes will materialise. The actual effects may differ significantly due to deviating market developments.

**Foreign currency risks**

paragon is exposed to foreign currency risks as part of its ongoing business activities. To limit foreign currency risks, the company can utilise derivative financial instruments in individual cases. Exchange rate fluctuations can lead to undesirable fluctuations in earnings and liquidity. For paragon, the currency risk arises from foreign currency positions and possible changes in the corresponding exchange rates. The uncertainty of future developments is referred to as exchange rate risk. paragon limits the risk by invoicing purchases and sales of goods and services primarily in the respective local currency.

paragon determines the sensitivity to fluctuations in foreign currencies by aggregating the net currency position of the operating business that is not recognised in the Group's functional currency. The sensitivity is calculated by simulating a 10% devaluation of the euro against the foreign currencies. If future purchases are not hedged against currency risks, a devaluation of the euro against other currencies would have a negative impact on the financial and earnings position, as the Group's foreign currency outflows exceed its foreign currency inflows.

The following table provides an overview of the net foreign currency risk on trade payables by the individual main currencies:

| | Dec. 31, 2024 | | Dec. 31, 2023 | |
|---|---|---|---|---|
| €'000 | USD | Other | USD | Other |
| **Transaction-related foreign currency risk** | | | | |
| Foreign currency risk from balance sheet items | 4,978 | 349 | 4,617 | 842 |
| Foreign currency risk from pending transactions | 0 | 0 | 0 | 0 |
| **Net exposure foreign currency positions** | **4,978** | **349** | **4,617** | **842** |
| Change in foreign currency positions due to 10% appreciation of the euro | 498 | 35 | 462 | 84 |

There were no derivative financial instruments as at December 31, 2024. As at December 31, 2023, the company had 4 derivative financial instruments (Swiss franc forwards) with a nominal volume of CHF 72,800 thousand. There was no hedge relationship with the bond; accordingly, the derivatives were measured at fair value (positive market value) through profit or loss in the total amount of EUR 925 thousand. Of these, 2 derivatives with a positive market value of EUR 6,705 thousand and 2 offsetting derivatives with a market value of EUR -5,781 thousand were measured. Derivatives with the same remaining term were reported on a net basis. However, the strict requirements for a hedging relationship in the sense of hedge accounting were not met. The positive balance of EUR 925 thousand was recognized in the 2024 financial year.

### Interest rate risks

Interest rate risk comprises any impact of a change in interest rates on earnings and equity. Interest rate risk mainly exists in connection with financial liabilities.

Interest-bearing financial liabilities are mainly liabilities for which a fixed interest rate has been agreed. Changes in the interest rate would only have an effect here if these financial instruments were recognised at fair value. As this is not the case, the financial instruments with fixed interest rates are not subject to interest rate risks within the meaning of IFRS 7.

For financial liabilities with variable interest rates, the interest rate risk is generally measured using cash flow sensitivity. At the end of the reporting period on 31 December 2024, the paragon Group held financial liabilities with variable interest rates of € 0 thousand (previous year: € 0 thousand). A sensitivity analysis is not necessary.

### Liquidity risks

The liquidity risk, i.e. the risk that paragon may not be able to fulfil its financial obligations, is limited by flexible cash management and continuous cash flow planning. The most important objective is to ensure a minimum level of liquidity in order to guarantee solvency at all times. As at 31 December 2024, cash and cash equivalents amounting to € 4,391 thousand (previous year: € 3,209 thousand) were available. Free overdraft facilities in the amount of € 85 thousand (previous year: € 146 thousand) were available as at 31 December 2024. In addition to the aforementioned instruments for securing liquidity, the Group continuously monitors developments on the financial markets in order to take advantage of any favourable financing opportunities that arise. Further measures to support liquidity were initiated.

The following table shows the maturity structure of the non-derivative financial liabilities recognised as at 31 December 2024

| €'000 | 2025 | 2026 – 2029 | 2030 and afterwards |
|---|---|---|---|
| **Non-derivative financial liabilities** | | | |
| Liabilities from bonds | 20,915 | 24,825 | 0 |
| Liabilities to banks | 7,701 | 1,730 | 4,047 |
| Liabilities from deliveries and services | 24,594 | 0 | 0 |
| Other financial liabilities | 2,394 | 1,125 | 0 |
| **Non-derivative financial liabilities** | **55,603** | **27,680** | **4,047** |

| €'000 | 2024 | 2025 – 2028 | 2029 and afterwards |
|---|---|---|---|
| **Non-derivative financial liabilities** | | | |
| Liabilities from bonds | 22,162 | 24,825 | 0 |
| Liabilities to banks | 7,872 | 2,863 | 3,138 |
| Liabilities from deliveries and services | 24,374 | 0 | 0 |
| Other financial liabilities | 2,632 | 2,205 | 0 |
| **Non-derivative financial liabilities** | **57,040** | **29,893** | **3,138** |

Net liquidity or net debt results from the sum of cash and cash equivalents less liabilities to banks and lease liabilities as recognised in the balance sheet.

| €'000 | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|
| Cash and cash equivalents | 4,391 | 3,209 |
| **Total liquidity** | **4,391** | **3,209** |
| Short-term and long-term bonds | 45,740 | 46,987 |
| Short-term and long-term loans | 13,478 | 13,873 |
| **Total financial liabilities** | **59,217** | **60,859** |
| **Net debt** | **54,827** | **57,650** |

This value is the numerator for the retrograde calculation of the net leverage ratio in accordance with Section 3 (a) ii) of the terms and conditions of the bearer bond in the version of the resolutions of the bondholders' meeting of 10 March 2022. The net leverage ratio is calculated from the sum of the issuer's interest-bearing liabilities to banks and bondholders plus the bond interest accrued as of the balance sheet date less cash and cash equivalents, the sum thus calculated divided by EBITDA.

### Credit risks

A credit risk is defined as a financial loss that arises if a contractual partner fails to fulfil its payment obligations. The maximum default risk is therefore equal to the carrying amount of the financial assets. The effective monitoring and management of credit risks is a key task of the risk management system. paragon carries out credit checks for all customers with credit requirements that exceed certain defined limits. The Group monitors the credit risk on an ongoing basis.

## (40) Capital management

The primary objective of capital management is to maintain an appropriate equity ratio. The capital structure is managed and adjusted in line with changes in the economic environment. No fundamental changes were made to the objectives, methods and processes of capital management in the financial year to 31 December 2024.

Capital management relates exclusively to the equity of paragon GmbH & Co. KGaA recognised in the balance sheet. Please refer to the statement of changes in equity for information on changes in equity.

As part of the financing provided by lending banks, paragon is not obliged to comply with financial covenants in the reporting period until 31 December 2024.

## (41) Contingent liabilities, contingent assets and liabilities and other financial obligations

As at December 31, 2024, there were no contingent liabilities or unrecognised contingent assets or contingent liabilities. Other financial obligations are as follows:

| €'000 | Remaining term < 1 year | Remaining term between 1 and 5 years | Remaining term > 5 years | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---|---|---|---|---|
| Order commitment | 63,436 | 240 | 0 | 63,676 | 68,615 |
| Obligations from tenancies | 230 | 38 | 0 | 268 | 1,502 |
| Other obligations | 533 | 0 | 0 | 533 | 508 |
| **Other financial obligations** | **64,199** | **278** | **0** | **64,477** | **70,626** |

Purchase commitments comprise purchase order items from fixed assets and inventories.

# (42) Development of consolidated fixed assets

## Consolidated statement of changes in fixed assets as at December 31, 20244

| | Acquisition costs | | | | | |
|---|---|---|---|---|---|---|
| €'000 | Jan. 1, 2024 | Additions | Departures | Rebookings | Reclassifications IFRS 5 | Dec. 31, 2024 |
| **Intangible assets** | | | | | | |
| Licences, patents, software, customer list | 51,478 | 30 | 1,070 | –58 | 0 | 50,380 |
| Capitalised development expenses | 47,557 | 7,871 | 793 | 0 | 0 | 54,635 |
| Goodwill | 7,745 | 0 | 0 | 0 | 0 | 7,745 |
| Payments on account for intangible assets | 7 | 0 | 0 | 0 | 0 | 7 |
| **Total intangible assets** | **106,786** | **7,901** | **1,863** | **–58** | 0 | **112,767** |
| **Rights of use** | | | | | | |
| Land and buildings | 9,599 | 1,053 | 141 | 0 | 0 | 10,511 |
| Technical equipment and machinery | 8,121 | 240 | 3,492 | 0 | 0 | 4,870 |
| Other equipment, operating and office equipment | 803 | 258 | 289 | 0 | 0 | 771 |
| **Total rights of use** | **18,523** | **1,551** | **3,922** | **0** | **0** | **16,151** |
| **Property, plant and equipment** | | | | | | |
| Land and buildings | 13,961 | 996 | 100 | 96 | 281 | 14,672 |
| Technical equipment and machinery | 37,886 | 120 | 0 | 72 | 0 | 38,078 |
| Other equipment, operating and office equipment | 16,243 | 1,514 | 64 | 67 | 0 | 17,760 |
| Advance payments made | 3,306 | 234 | 942 | –177 | 0 | 2,421 |
| **Total property, plant and equipment** | **71,396** | **2,864** | **1,106** | **58** | **281** | **72,931** |
| **Financial assets** | | | | | | |
| Investments accounted for using the equity method | 1,522 | 0 | 0 | 0 | 0 | 1,522 |
| Shareholdings | 120 | 0 | 0 | 0 | 0 | 120 |
| **Total financial assets** | 1,642 | 0 | 0 | 0 | 0 | 1,642 |
| **Total amount** | **198,348** | **12,316** | **6,891** | **0** | **281** | **203,491** |

| Depreciation and amortisation | | | | | Book value | |
|---|---|---|---|---|---|---|
| Jan. 1, 2024 | Additions | Impairment | Departures | Dec. 31, 2024 | Dec. 31, 2024 | Dec. 31, 2023 |
| 36,299 | 2,354 | 3,750 | 979 | 41,424 | 8,957 | 15,179 |
| 29,031 | 4,884 | 898 | 1,119 | 33,695 | 20,940 | 18,526 |
| 2,000 | 0 | 0 | 0 | 2,000 | 5,745 | 5,745 |
| 0 | 0 | 0 | 0 | 0 | 7 | 7 |
| **67,330** | **7,238** | **4,648** | **2,098** | **77,118** | **35,649** | **39,457** |
| 3,473 | 1,424 | 0 | 133 | 4,764 | 5,746 | 6,126 |
| 5,810 | 1,262 | 0 | 3,492 | 3,581 | 1,289 | 2,311 |
| 404 | 244 | 0 | 289 | 359 | 412 | 399 |
| **9,688** | **2,931** | **0** | **3,915** | **8,704** | **7,448** | **8,836** |
| 2,289 | 540 | 0 | 47 | 2,781 | 11,891 | 11,672 |
| 36,052 | 873 | 0 | 453 | 36,472 | 1,606 | 1,834 |
| 14,451 | 777 | 0 | 183 | 15,045 | 2,715 | 1,793 |
| 721 | 0 | 0 | 0 | 721 | 1,699 | 2,585 |
| **53,512** | **2,190** | **0** | **683** | **55,019** | **17,912** | **17,883** |
| 0 | 0 | 0 | 0 | 0 | 1,522 | 1,522 |
| 0 | 0 | 0 | 0 | 0 | 120 | 120 |
| 0 | 0 | 0 | 0 | 0 | 1,642 | 1,642 |
| **130,530** | **12,359** | **4.648** | **6,696** | **140,841** | **62,650** | **67,818** |

## Consolidated statement of changes in fixed assets as at December 31, 2023

| | Acquisition costs | | | | |
|---|---|---|---|---|---|
| €'000 | Jan. 1, 2023 | Currency change | Additions | Departures | Dec. 31, 2023 |
| **Intangible assets** | | | | | |
| Licences, patents, software, customer list | 46,502 | 0 | 5,032 | 57 | 51,478 |
| Capitalised development expenses | 45,760 | 0 | 3,569 | 1,773 | 47,557 |
| Goodwill | 7,745 | 0 | 0 | 0 | 7,745 |
| Payments on account for intangible assets | 7 | 0 | 0 | 0 | 7 |
| **Total intangible assets** | **100,015** | **0** | **8,601** | **1,830** | **106,786** |
| **Rights of use** | | | | | |
| Land and buildings | 9,554 | 0 | 70 | 25 | 9,599 |
| Technical equipment and machinery | 8,645 | 0 | 607 | 1,131 | 8,121 |
| Other equipment, operating and office equipment | 852 | 0 | 278 | 327 | 803 |
| **Total rights of use** | **19,051** | **0** | **956** | **1,483** | **18,523** |
| **Property, plant and equipment** | | | | | |
| Land and buildings | 13,925 | 0 | 36 | 0 | 13,961 |
| Technical equipment and machinery | 37,742 | 0 | 469 | 325 | 37,886 |
| Other equipment, operating and office equipment | 16,154 | –83 | 291 | 119 | 16,243 |
| Advance payments made | 2,596 | 0 | 920 | 210 | 3,306 |
| **Total property, plant and equipment** | **70,417** | **–83** | **1,717** | **654** | **71,396** |
| **Financial assets** | | | | | |
| Investments accounted for using the equity method | 1,522 | 0 | 0 | 0 | 1,522 |
| Shareholdings | 120 | 0 | 0 | 0 | 120 |
| **Total financial assets** | 1,642 | 0 | 0 | 0 | 1,642 |
| **Total amount** | **191,126** | **–83** | **11,274** | **3,967** | **198,348** |

| Depreciation and amortisation | | | | | Book value | |
|---|---|---|---|---|---|---|
| Jan. 1, 2023 | Additions | Impairment | Departures | Dec. 31, 2023 | Dec. 31, 2023 | Dec. 31, 2022 |
| 32,585 | 3,719 | 0 | 6 | 36,299 | 15,179 | 13,917 |
| 22,324 | 6,519 | 187 | 0 | 29,031 | 18,526 | 23,436 |
| 2,000 | 0 | 0 | 0 | 2,000 | 5,745 | 5,745 |
| 0 | 0 | 0 | 0 | 0 | 7 | 7 |
| **56,910** | **10,238** | **187** | **6** | **67,330** | **39,457** | **43,105** |
| 1,873 | 1,627 | 0 | 25 | 3,473 | 6,126 | 7,682 |
| 4,946 | 1,997 | 0 | 1,131 | 5,810 | 2,311 | 3,699 |
| 462 | 266 | 0 | 323 | 404 | 399 | 390 |
| **7,281** | **3,890** | **0** | **1,480** | **9,688** | **8,836** | **11,771** |
| 1,937 | 352 | 0 | 0 | 2,289 | 11,672 | 11,988 |
| 34,960 | 1,232 | 0 | 140 | 36,052 | 1,834 | 2,782 |
| 13,742 | 720 | 0 | 11 | 14,451 | 1,793 | 2,412 |
| 721 | 0 | 0 | 0 | 721 | 2,585 | 1,875 |
| **51,360** | **2,303** | **0** | **149** | **53,512** | **17,883** | **19,057** |
| 0 | 0 | 0 | 0 | 0 | 1,522 | 1,522 |
| 0 | 0 | 0 | 0 | 0 | 120 | 120 |
| 0 | 0 | 0 | 0 | 0 | 1,642 | 1,642 |
| **115,551** | **16,432** | **187** | **1,635** | **130,530** | **67,818** | **75,577** |

## (43) Notes to the consolidated cash flow statement

In accordance with IAS 7 “Cash Flow Statements”, the cash flows of a financial year are recognised in the consolidated cash flow statement in order to present information on the movements of the company’s cash and cash equivalents. The consolidated cash flow statement was prepared using the indirect method in accordance with IAS 7.18b. The cash flows are broken down into operating, investing and financing activities.

The current cash inflows and outflows resulting from the factoring agreements concluded are allocated to cash flow from operating activities.

The cash and cash equivalents shown in the consolidated cash flow statement comprise all cash and cash equivalents recognised in the balance sheet, provided they are available at short notice.

| €’000 | Dec. 31, 2024 | Dec. 31, 2023 |
|---|---:|---:|
| Cash at banks | 4,387 | 3,204 |
| Cash in hand | 4 | 5 |
| **Cash and cash equivalents** | **4,391** | **3,209** |

For further details, please refer to the individual items in the cash flow statement.

## (44) Segment reporting

In accordance with IFRS 8, two segments are regularly formed and reported. The “Electronics” segment comprises the development and sale of sensors, loudspeakers, microphones, batteries and instruments, primarily for the automotive industry. The companies paragon GmbH & Co KGaA, paragon electronic GmbH, ETON GmbH, Hepa GmbH, paragon Automotive Technology Co Ltd, paragon Automotive Kunshan Co Ltd and Nordhagen Immobilien GmbH are allocated to the Electronics segment.

The “Mechanics” segment comprises the development and sale of electromechanical components for the automotive industry and the mechanical production of paragon Group products by paragon movasys GmbH.

Intercompany transactions exist between the various legally independent companies within the paragon Group; they are invoiced to each other as between external third parties with a corresponding mark-up. Intercompany sales arise primarily for paragon GmbH & Co. KGaA, where development and central functions are located. These include functions such as central purchasing, human resources and commercial administration, insofar as these functions are not directly available in the individual companies, as well as Group management. It also includes the leasing of land and buildings held by paragon GmbH & Co. KGaA as well as machinery and equipment to the subsidiaries. The allocation between the segments is based on economic utilisation. Segment assets and segment liabilities are recognised according to the same system.

The two segments are managed using the EBITDA indicator; depreciation, amortisation and impairment losses are reported separately. Interest income, interest expenses and income tax expenses are therefore not reported by segment.

| | 2024 | | | |
|---|---|---|---|---|
| €'000 | Electronics | Mechanics | Eliminations | Group |
| Revenues with third parties | 87,098 | 48,646 | 0 | 135,744 |
| Intersegment sales | 2,407 | 906 | –3,313 | 0 |
| **Segment sales revenue** | **89,505** | **49,552** | **–3,313** | **135,744** |
| Changes in inventories, other operating income & capitalised development costs | 7,504 | 1,414 | –287 | 8,631 |
| Expenses from intersegment clearing | –2,516 | –1,085 | 3,600 | 0 |
| Cost of materials, personnel expenses and other operating expenses | –81,822 | –44,760 | 0 | –126,582 |
| **Segment EBITDA** | **12,671** | **5,121** | **0** | **17,792** |
| | 14.2% | 10.3% | 0.0% | 13.1% |
| Depreciation and amortisation (incl. impairments) | –12,740 | –4,267 | 0 | –17,007 |
| of which amortisation | –8,956 | –3,403 | 0 | –12,359 |
| thereof impairment losses | –3,784 | –864 | 0 | –4,648 |
| **Segment EBIT** | **–69** | **854** | **0** | **785** |
| | –0.1% | 1.7% | 0.0% | –0.6% |
| Consolidated financial result | n. a. | n. a. | n. a. | –6,488 |
| **Consolidated earnings before taxes** | **n. a.** | **n. a.** | **n. a.** | **–5,702** |
| Assets | 142,583 | 13,067 | –57,287 | 98,318 |
| Investments (CAPEX) | 11,546 | 770 | 0 | 12,316 |
| Debts | –139,655 | –34,037 | 65,483 | –108,209 |

| €'000 | 2023 Electronics | Mechanics | Eliminations | Group |
|---|---|---|---|---|
| Revenues with third parties | 104,011 | 57,636 | 0 | 161,647 |
| Intersegment sales | 1,236 | 1,357 | –2,593 | 0 |
| **Segment sales revenue** | **105,246** | **58,994** | **–2,593** | **161,647** |
| Changes in inventories, other operating income & capitalized development costs | 13,735 | 1,209 | –489 | 14,455 |
| Expenses from intersegment allocation | –2,064 | –1,017 | 3,082 | 0 |
| Cost of materials, personnel expenses and other operating expenses | –101,056 | –57,374 | 0 | –158,430 |
| **Segment EBITDA** | **15,861** | **1,811** | **0** | **17,672** |
| | 15.1% | 3.1% | 0.0% | 10.9% |
| Depreciation and amortisation (incl. impairments) | –13,267 | –3,353 | 0 | –16,620 |
| of which amortisation | –12,017 | –3,165 | 0 | –15,182 |
| thereof impairment losses | –1,250 | –187 | 0 | –1,437 |
| **Segment EBIT** | **2,594** | **–1,542** | **0** | **1,052** |
| | 2.5% | –2.6% | 0.0% | 0.7% |
| Consolidated financial result | n. a. | n. a. | n. a. | –12,513 |
| **Consolidated earnings before taxes** | **n. a.** | **n. a.** | **n. a.** | **–11,463** |
| Assets | 142,548 | 15,410 | –48,188 | 109,770 |
| Investments (CAPEX) | 5,073 | 1,137 | 0 | 6,210 |
| Debts | –124,250 | –35,615 | 56,240 | –103,625 |

## Information about geographical areas

The following table contains information on sales revenue with external customers in the Group's geographical areas. The allocation of revenue from external customers to the individual geographical areas is based on the location of the external customer. The majority of assets are located in Germany. Only assets totalling € 17.1 million (previous year: € 12.2 million) are located in China.

| €'000 | Domestic | | EU | | Third country | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Jan. 1– Dec. 31, 2024 | Jan. 1– Dec. 31, 2023 | Jan. 1– Dec. 31, 2024 | Jan. 1– Dec. 31, 2023 | Jan. 1– Dec. 31, 2024 | Jan. 1– Dec. 31, 2023 | Jan. 1– Dec. 31, 2024 | Jan. 1– Dec. 31, 2023 |
| Sales revenue | 81,608 | 103,091 | 28,921 | 31,597 | 25,581 | 26,959 | 135,744 | 161,647 |

### Information on business transactions with important customers

In the 2024 financial year, two groups of companies exceeded the 10% threshold in terms of the share of sales in accordance with IFRS 8.34 for the Automotive sector. Of these, one group of companies that are to be regarded as a single customer due to their joint control accounted for 59.9% of sales (previous year: 55.0%). Another group of companies that are to be regarded as one customer due to their joint control accounted for 16.8% of sales (previous year: 14.5%).

## (45) Bodies of the company

The management of paragon GmbH & Co. KGaA has been irrevocably exercised by the general partner paragon GmbH, Delbrück, since 1 August 2018. paragon GmbH has share capital of € 100 thousand. The management of paragon GmbH and thus of paragon GmbH & Co. KGaA was exercised by one managing director in the financial year:

- Klaus Dieter Frers, Delbrück,

The Supervisory Board of the company consisted of the following persons:

| Name | Beruf | Mitgliedschaften in Aufsichtsräten und sonstigen Kontrollgremien |
|---|---|---|
| Prof. Dr. Iris Gräßler (Chairwoman) | Univ.-Prof. Dr Ing, Professor for product development at the faculty for Mechanical Engineering at the Heinz Nixdorf Institute of University of Paderborn | Further mandates:<br>• none |
| Hermann-Josef Börnemeier | Diplom Finanzwirt, and tax consultant, Managing Director of Börnemeier & Loh GmbH and HJB Grundstücks-verwaltungs GmbH | Further mandates:<br>• none |
| Walter Schäfers | Lawyer, Partner of the law firm Schäfers Rechtsanwälte und Notare | Further mandates:<br>• none |

## (46) Related party disclosures

Related parties within the meaning of IAS 24 “Related Party Disclosure” include the members of the Management Board and the Supervisory Board. Close family members of board members and persons with significant influence as well as affiliated companies are also considered related parties.

Treu-Union Treuhandgesellschaft mbH, Steuerberatungsgesellschaft, Paderborn, invoiced services totalling€ 37 thousand (previous year:€ 41 thousand) in the 2024 financial year under the existing contract. As at the balance sheet date, there were liabilities in the amount of € 59 thousand (previous year: € 34 thousand). The member of the Supervisory Board of paragon GmbH & Co, KGaA, Hermann-Josef Börnemeier, was Managing Director of the aforementioned company until January 2022.

Legal advice totalling € 3 thousand (previous year: € 19 thousand) was invoiced by the law firm Schäfers, Rechtsanwälte & Notare, Paderborn, in the 2024 financial year. As at the balance sheet date, there were still liabilities of € 8 thousand (previous year: € 16 thousand) The member of the Supervisory Board of paragon GmbH & Co. KGaA, Walter Schäfers, is also a partner in the aforementioned company.

Members of the Supervisory Board held 4,000 shares (previous year: 4,000 shares) out of a total of 4,526,266 shares on the balance sheet date.

Frers Family Office GmbH has held a total of 2,263,134 shares since 21 December 2023 and therefore holds plus one share of the company’s limited partnership capital. Mr Klaus Dieter Frers holds 98.6% of the shares in Frers Family Office GmbH. He is the ultimate controlling party of the parent company.

Klaus Dieter Frers is the sole owner of Frers GmbH & Co. KG. A loan granted to Frers GmbH & Co. KG, which is collateralised with land charges, amounted to € 1,094 thousand (previous year: € 1,195 thousand) as at the balance sheet date. It bears interest at an annual rate of 1.5%. As paragon has the option of cancelling the loan within 6 months, this receivable is reported as current.

In the 2024 reporting period, Frers GmbH & Co. KG leased space to paragon GmbH & Co, KGaA in three buildings used by paragon GmbH & Co. KGaA. This resulted in rental expenses of € 582 thousand (previous year: € 515 thousand). A rent adjustment in line with the consumer index was made for 1 contract as at 1 January 2024. For the other two contracts, adjustments can be made from 31 December 2025 at the earliest. Constant rents have been agreed prior to this

All contracts can be terminated with 6 months’ notice to the end of the year, whereby 1 contract can be terminated at the earliest on 31 December 2025 and another at the earliest on 31 December 2032. paragon GmbH & Co KGaA also has a unilateral extension option for a further 1 year for the contract terminable on “31 December 2025” and for a further 5 years for the contract terminable on “31 December 32”.

Mr Klaus Dieter Frers has received a pension commitment from the company. For further details, please refer to the section "Pension provisions".

Brigitte Frers (wife of Klaus Dieter Frers) is employed as Head of Communications. The annual remuneration amounts to € 202 thousand (previous year: € 162 thousand). Niklas Frers (son of Klaus Dieter Frers) was employed as an assistant to the Management Board as of 1 January 2024 and received € 79 thousand in the financial year (previous year: € 5 thousand). In the previous year, Niklas Frers was employed on a part-time basis.

In the financial year, paragon GmbH received payments of € 1,325 thousand (previous year: € 1,006 thousand) for taking over the management of the company; the expenses were recognised as other operating expenses.

## (47) Remuneration of the members of management and Supervisory Board

The following table shows the remuneration of the members of the Supervisory Board:

| €'000 | Prof. Dr.-Ing. Iris Gräßler Chairwoman of the Supervisory Board | | Hermann Börnemeier | | Walter Schäfers | |
|---|---|---|---|---|---|---|
| | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 |
| Fixed remuneration | 60 | 60 | 30 | 30 | 30 | 30 |
| **Total remuneration** | **60** | **60** | **30** | **30** | **30** | **30** |

The following table shows the benefits granted to members of the Management Board in the reporting year (expenses recognised in the financial year):

| Granted benefits | Klaus Dieter Frers<br>Chairman of the Management Board<br>Date of joining: April 11, 1988[1] | | | | Dr. Matthias Schöllmann<br>Managing Director<br>Entry date: September 1, 2018<br>Withdrawal date: May 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | | 2024 | | 2023 | | 2024 | | 2023 |
| | in € | in % | in € | in % | in € | in % | in € | in % |
| Fixed remuneration | 600,000.00 | 43.6% | 600,000.00 | 42.0% | 230,000.00 | 100.0% | 0.0 | 0.0 |
| Fringe benefits | 18,334.00 | 1.3% | 38,895.04 | 2.7% | 0.00 | 0.0% | 0.0 | 0.0 |
| **Total** | **618,334.00** | 45.0% | **638,895.04** | 44.7% | 230,000.00 | 100.0% | **0.0** | 0.0 |
| **Variable remuneration** | **757,020.00** | 55.0% | **789,078.51** | 55.3% | 0.00 | 0.0% | **0.0** | 0.0 |
| **Total remuneration** | **1,375,354.00** | 100.0% | **1,427,973.55** | 100.0% | 230,000.00 | 100.0% | **0.0** | 0.0 |

1 This is the date of entry into the activities of the paragon Group as a whole.
He only joined the management of paragon GmbH at a later date when this company was founded.

## (48) Share-based payments

The 2012 share option programme expired in 2017. There are currently no share-based payment agreements.

## (49) Auditor's fee

The total fee of the auditor Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft for the reporting period amounts to € 538 thousand (previous year: € 550 thousand). The fee is broken down into auditing services of € 413 thousand (previous year: € 540 thousand) for the reporting year and € 100 thousand (previous year: € 10 thousand) for auditing services for the previous year, as well as € 10 thousand (previous year: € 10 thousand) for other assurance services in connection with the remuneration report and € 15 thousand (previous year: € 0 thousand) for the audit of the non-financial statement.

## (50) Risk management

The company's risk management is explained in the summarised management report.

# (51) Application of the exemption provisions of Section 264 (3) HGB

The following fully consolidated domestic subsidiary makes use of parts of the exemption provision for the reporting year (disclosure and audit):

paragon electronic GmbH, Delbrück

# (52) Declaration pursuant to Section 160 (1) No. 8 AktG

### Voting rights notifications

In the reporting year, there were no disclosures pursuant to Section 33 (1) of the German Securities Trading Act (WpHG) that are reportable to the company in accordance with Section 160 (1) No. 8 of the German Stock Corporation Act (AktG)

### Directors' Dealings

In the reporting year, the company did not receive any notifications of managers' transactions in accordance with Article 19 of the Market Abuse Regulation (EU) No. 596/2014 (MAR):

### Declaration on the German Corporate Governance Code

The Declaration of Conformity with the German Corporate Governance Code (GCGC) required by Section 161 AktG was last issued on April 3, 2025 and has been made permanently available to shareholders on the company's website (https://www.paragon.ag/).

Delbrück, April 29, 2025
paragon GmbH & Co. KGaA

The management

Klaus Dieter Frers

# Independent Auditor's Report

To paragon GmbH & Co. KGaA, Delbrück

## Report on the Audit of the Consolidated Financial Statements and the Combined Management Report

### Audit assessments

We have audited the consolidated financial statements of paragon GmbH & Co. KGaA, Delbrück, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2024, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from January 1 to December 31, 2024, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of paragon GmbH & Co. KGaA, Delbrück, for the financial year from January 1 to December 31, 2024. In accordance with the German legal requirements, we have not audited the content of the components of the combined management report listed in the appendix.

In our opinion, based on the findings of our audit

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS Accounting Standards issued by the International Accounting Standards Board (hereinafter referred to as "IFRS Accounting Standards") as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2024 and of its financial performance for the financial year from January 1 to December 31, 2024, and
- the accompanying combined management report as a whole provides a suitable view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those parts of the combined management report listed in the appendix.

Pursuant to § 322 Abs. 3 Satz 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

### Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the Group companies in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

### Material uncertainty in connection with the continuation

**of business activities**

We refer to the disclosures in the "Going concern risks" section of the notes to the consolidated financial statements and in the "Going concern risks" section of the combined management report, in which the legal representative describes that the Group's liquidity situation has not normalized and the willingness of lenders and equity providers to provide the Group with additional funds is limited. There is also a risk that the paragon GmbH & Co. KGaA bond could be called in full if the semi-annual interest payments are delayed. As a result of the tight liquidity situation, deferral agreements have been concluded with suppliers and service providers, among others. Further measures to support liquidity have been initiated. The Group's legal representative assumes that a return to the original payment agreements with suppliers and service providers will take place in the course of the 2025 financial year, taking into account the planned sales and the forecast operating profitability, and that deferred liabilities will be repaid. If the planned sales level and profitability are not achieved or no suitable financing structure is concluded, a return to the original payment agreements would not be possible. Should suppliers and service providers no longer accept the extended payment terms and deferrals or the bond of paragon GmbH & Co. KGaA fall due at short notice , the Group's solvency would be jeopardized.

As explained in the aforementioned sections of the notes to the consolidated financial statements and the combined management report, these events and circumstances indicate that a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern and which constitutes a going concern risk within the meaning of Section 322 (2) sentence 3 HGB.

In accordance with Article 10 (2) (c) (ii) of the EU Audit Regulation, we summarize our response to this risk as follows:

As part of our audit, we identified the appropriateness of the going concern basis of accounting and the appropriate presentation of the material uncertainty associated with going concern as a key risk and performed the following key audit procedures: We examined the Group-wide corporate and financial planning, including the current short-term liquidity planning and, in particular, the planned and initiated responses to the liquidity situation underlying these plans. Our audit procedures also included assessing the other estimates made by the executive directors and the processes and controls established for Group-wide corporate and financial planning. In doing so, we considered the extent to which the Group has succeeded in recent years in implementing the deferral agreements necessary for liquidity management and other measures to secure liquidity. We held discussions with the legal representative regarding measures that the management has already initiated or implemented to return the liquidity situation to normal and inspected and critically assessed the relevant documents and agreements. We have examined whether the disclosures required to explain the material uncertainty in the notes to the consolidated financial statements and in the combined management report are appropriate and complete.

We have satisfied ourselves as to whether events or circumstances exist that indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Our audit opinions on the consolidated financial statements and the combined management report are not modified with regard to this matter.

**Key audit matters in the audit of the consolidated financial statements**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material uncertainty related to going concern" section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

### 1. Recoverability of internally generated intangible assets

#### Reasons for designation as a key audit matter

Internally generated intangible assets amounting to EUR 20.9 million (previous year: EUR 18.8 million) are reported in the consolidated financial statements of paragon GmbH & Co.

The recoverability of internally generated intangible assets is primarily based on estimates and assessments of future cash inflows in the sense of a discounted contribution margin calculation. The result of the valuation is highly dependent on the estimates and expectations of the legal representative with regard to future income, the discount rate used and other assumptions and is therefore subject to considerable uncertainty. There is a risk that impairment losses on internally generated intangible assets may not be recognized or may not be recognized in sufficient amounts. Deferred tax liabilities arise from the capitalization of internally generated intangible assets.

#### Our approach to the audit

As part of our audit, we examined the company's internal methods, procedures and control mechanisms for project identification and evaluation. Our audit procedures included, among other things, the review of the contractual basis or communication with potential customers, as well as the derivation of market potentials in the absence of concretization. Our audit procedures included, in particular, testing the completeness, mathematical accuracy and plausibility of the underlying planning assumptions for future sales and income and parameters as well as assessing the other estimates made by the executive directors, such as the underlying useful lives, and the processes and controls in place. We compared the procedure with the accounting policies applied by the Company.

#### Reference to related information

Please refer to the "Income taxes" and "Intangible assets" sections of the notes to the consolidated financial statements for information on the accounting policies applied and disclosures on internally generated intangible assets.

### 2. Revenue recognition

#### Reasons for designation as a key audit matter

Revenue is a significant item in the consolidated financial statements and is used as a key performance indicator (KPI) for corporate management. The main revenue streams in the consolidated financial statements of paragon GmbH & Co. KGaA arise from the sale of customer-specific products to automotive manufacturers. We consider the proper accounting of revenue to be an area with a significant risk of material misstatement due to fraud or error (including the potential risk of management override of controls) and therefore a key audit matter.

#### Our approach to the audit

As part of our audit of the financial statements, we examined the Company's internal methods, procedures and control mechanisms for recognizing revenue. In addition, we assessed the design and effectiveness of the accounting-related internal controls by tracing specific business transactions from their origin to their presentation in the consolidated financial statements and by testing controls. Our audit procedures included, among other things, a review of the contractual basis. As part of our assessment of the estimates made by the executive directors regarding revenue recognition, we evaluated, in particular based on our understanding of the business model and the contractual arrangements, whether the revenue recognition requirements were implemented correctly and on an accrual basis.

#### Reference to related information

Please refer to sections "10 Revenue" and "27 Contract assets" in the notes to the consolidated financial statements for information on the accounting policies applied and on revenue.

### Other information

The legal representative or the Supervisory Board is responsible for the other information. The other information comprises

- those parts of the combined management report listed in the appendix to the auditor's report that were not audited as to their content,
- the report of the Supervisory Board (section "Report of the Supervisory Board"),
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report,
- the assurance pursuant to Section 297 (2) sentence 4 HGB on the consolidated financial statements and the assurance pursuant to Section 315 (1) sentence 6 HGB on the combined management report.

The Supervisory Board is responsible for the report of the Supervisory Board. For the declaration in accordance with Section 161 AktG on the German Corporate Governance Code, which is part of the declaration of conformity in the section "Declaration on corporate governance in accordance with Section 315d in conjunction with Section 289f (1) HGB and

### Declaration of Conformity of paragon GmbH & Co. KGaA with the German Corporate

Governance Code" of the combined management report is the responsibility of the legal representative and the Supervisory Board. In all other respects, the legal representative is responsible for the other information.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information referred to above and, in doing so, consider whether the other information

- are materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- otherwise appear to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this context.

### Responsibilities of the legal representatives and the Supervisory Board for the consolidated financial statements and the combined management report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. Furthermore, the legal representatives are responsible for the internal controls that they have determined to be necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. accounting fraud or fraudulent misrepresentation) or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representative is responsible for such arrangements and measures (systems) as he has considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the combined management report.

### Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. In addition

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control or on the effectiveness of these arrangements and measures.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of accounting estimates and related disclosures made by the executive directors.
- Conclude on the appropriateness of the legal representative's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regard-

ing the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to address independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## Other statutory and other legal requirements

### Report on the Audit of the Electronic Reproduction of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes In Accordance with Section 317 (3a) HGB

#### Audit opinion

We have performed a reasonable assurance engagement in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance about whether the information contained in the provided file "pKGaA_KA_KLB_ESEF-2024-12-31-en.zip" (hash value: 862a3cafa0d48986d61441ae2ea3cb4e-8d306ac1d82a3b4c6e72bcba4754ddda) containing the audited ESEF documents and prepared for publication purposes (hereinafter also referred to as "ESEF documents") comply, in all material respects, with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore does not extend to the information contained in these reproductions or any other information contained in the above-mentioned file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned provided file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from January 1 to December 31, 2024 contained in the "Report on the audit of the consolidated financial statements and of the combined management report" above, we do not express any opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file.

**Basis for the audit opinion**

We conducted our audit of the reproduction of the consolidated financial statements and of the combined management report contained in the above-mentioned file provided in accordance with Section 317 (3a) HGB and in compliance with IDW Auditing Standard: Audit of the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)). Our responsibilities under those requirements are further described in the "Auditor's responsibilities for the audit of the ESEF documents" section. Our audit practice complies with the quality management system requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Auditing Practice (IDW QMS 1 (09.2022)) have been applied.

**Responsibility of the legal representative and the Supervisory Board for the ESEF documents**

The legal representative of the company is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with section 328 (1) sentence 4 no. 2 HGB.

Furthermore, the company's management is responsible for such internal control as it determines is necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

**Auditor's responsibility for the audit of the ESEF documents**

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material – intentional or unintentional – non-compliance with the requirements of Section 328 (1) HGB. During the audit, we exercise professional judgment and maintain professional skepticism. In addition

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documentation in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these controls.
- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date for the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined management report.
- we assess whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date provides an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

## Other Information pursuant to article 10 eu-aprvo

We were elected as auditor by the annual general meeting on June 12, 2024. We were engaged by the supervisory board on October 31, 2024. We have been the auditor of paragon GmbH & Co. KGaA, Delbrück, since the financial year 2023.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to Article 11 of the EU Audit Regulation (audit report).

## Other matters – use of the audit opinion

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited combined management report as well as the audited ESEF documents. The consolidated financial statements and the combined management report converted into the ESEF format – including the versions to be filed in the company register – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not replace them. In particular, the ESEF report and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

## Note on supplementary audit

We issue this auditor's report on the consolidated financial statements and the combined management report as well as on the electronic reproduction of the consolidated financial statements and the combined management report included in the provided file "pKGaA_KA_KLB_ESEF-2024-12-31-en.zip" and prepared for disclosure purposes based on our statutory audit completed on April 29, 2025 and our subsequent audit completed on May 28, 2025, which related to the ESEF documents submitted for the first time.

## Responsible auditor

The German Public Auditor responsible for the engagement is Florian Wiethe.

Bielefeld, April 29, 2025/ limited to the review of the ESEF documents mentioned in the note on the supplementary audit: May 28, 2025

Rödl & Partner GmbH
Auditing company

| | |
|---|---|
| Schumacher<br>Auditor | Wiethe<br>Auditor |

# Appendix to the auditor's report: Non-audited components of the combined management report

**We have not audited the content of the following components of the combined management report:**

- the declaration on corporate governance pursuant to section 289f and section 315d in conjunction with section 289f (1) HGB and the declaration of conformity of paragon GmbH & Co. KGaA with the German Corporate Governance Code contained in the section "Declaration on corporate governance pursuant to section 289f and section 315d HGB".

In addition, we have not audited the content of the following non-management report disclosures. Disclosures in the combined management report that are not part of the management report are disclosures that are not required pursuant to Sections 289, 289a or 289b to 289f HGB.

- the information contained in the "Quality and environment" section

- the information contained in the "Employees" section on the turnover rate, the rate of severely disabled employees and the average age of employees

# Declaration by the Legal Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Klaus Dieter Frers
Chairman

# Financial calendar

| | |
|---|---|
| 30 April 2025 | Annual Report 2024 |
| 7 May 2025 | Interim Group report as at 31 March 2025 – 1st quarter |
| 12–14 May 2025 | Equity Forum (spring conference), Frankfurt am Main |
| 12 June 2025 | Annual General Meeting, Delbrück |
| 19 August 2025 | Interim Group report as at 30 June 2025 – 1st half-year |
| 01–02 September 2025 | Equity Forum (autumn conference), Frankfurt am Main |
| 12 November 2025 | Interim Group report as at 30 September 2025 – Nine months |

Legal Notice

paragon GmbH & Co. KGaA
Bösendamm 11
33129 Delbrück / Germany
Telephone: +49 5250 9762-0
Fax: +49 5250 9762-60
E-mail: investor@paragon.ag
www.paragon.ag

www.paragon.ag