GROUP INTERIM REPORT

AS OF JUNE 30, 2019
FIRST SIX MONTHS

Highlights from First Six Months 2019

- Group revenue up 22.2 % to € 96.0 million (prior year: € 78.6 million)
- EBITDA decreases 49.8 % to € 5.5 million (prior year: € 11.0 million)
- EBIT decreases to € -5.4 million (prior year: € 4.8 million)
- Forecast for the current fiscal year adjusted at € 200 million to € 210 million in revenue, with an EBIT margin -1 to -2 %

Group Key Figures (IFRS)

€ '000 / as indicated	Jan. 1 to Jun. 30, 2019	Jan. 1 to Jun. 30, 2018	Change in %	Apr. 1 to Jun. 30, 2019	Apr. 1 to Jun. 30, 2018	Change in %
Revenue	96,035	78,590	22.2	53,080	44,346	19.7
EBITDA	5,542	11,037	-49.8	-2,027	6,237	n. a.
EBITDA margin in %	5.8	14.0	n. a.	-3.8	14.1	n. a.
EBIT	-5,401	4,801	n. a.	-7,437	3,189	n. a.
EBIT margin in %	-5.6	6.1	n. a.	-14.0	7.2	n. a.
Group result	-7,922	724	n. a.	-9,636	974	n. a.
Earnings per share in €	-1.51	0.20	n. a.	-1.82	0.21	n. a.
Investments (CAPEX)[1]	24,117	15,878	51.9	11,857	7,567	56.7
Operating cash flow	-26,806	-27,593	2.9	-18,280	-19,492	6.2
Free cash flow[2]	-50,923	-43,470	-17.1	-30,137	-27,059	-1.7
€ '000 / as indicated	Jun. 30, 2019	Dec. 31, 2018	Change in %	Jun. 30, 2019	Jun. 30, 2018	Change in %
Total assets	380,794	362,293	5.1	380,794	316,643	20.3
Equity	168,422	177,799	-5.3	168,422	176,963	-4.8
Equity ratio in %	44.2	49.1	n. a.	44.2	55.9	n. a.
Free liquidity	31,466	48,926	-35.7	31,466	120,593	-73.9
Interest bearing liabilities	142,033	110,636	28.4	142,033	86,494	64.2
Net debt[3]	110,567	61,710	79.2	110,567	-34,099	n. a.
Employees[4]	1,067	1,032	3.4	1,067	725	47.2

Share

	Jun. 30, 2019	Dec. 31, 2018	Change in %	Jun. 30, 2019	Jun. 30, 2018	Change in %
Closing price in Xetra in €	20.85	17.48	19.3	20.85	50.50	-58.7
Number of shares issued	4,526,266	4,526,266	0.0	4,526,266	4,526,266	0.0
Market capitalization in € millions	94.4	79.1	15.3	94.4	228.6	-134.2

1 CAPEX = Investments in property, plant and equipment + Investments in intangible assets
2 Free cash flow = Operating cash flow – Investments (CAPEX)
3 Net debt = Interest bearing liabilities – liquid funds
4 Plus 97 temporary employees (December 31, 2018: 107; June 30, 2018: 133)

Dear shareholders, customers, business partners and employees,

The first half of the year proved challenging for the entire economy, and particularly so for the automotive industry. According to the German Association of the Automotive Industry (VDA), global passenger car markets showed negative performance in the first six months of the year. The five largest automotive customers had mixed experiences. While sales at Volkswagen, Daimler and Audi declined, Porsche and BMW were able to increase their sales. These developments must also take into account the effects of model changes (life cycle effects). Overall, the premium segment occupied by paragon proved comparatively robust.

In this generally weak market environment, we notably outperformed the market in terms of revenue, growing by 22.2% to € 96.0 million thanks to our forward-looking positioning. In the Electronics operating segment, the new Digital Assistance unit contributed to revenue for the first time in the first half of the year. Over the course of the second quarter, it became clear that business performance in the Sensors business unit and Acoustics division was falling short of our original plans, which is mainly attributable to the further decline in the market share of a very important OEM customer for us. However, this development has been substantially compensated for by better business performance than expected in the Cockpit division within the Interieur business unit and in the Body Kinematics business unit – paragon movasys GmbH – of the Mechanics operating segment. The renewed significant growth in the Mechanics segment was attributable to the ongoing series production of software controlled rear spoiler drive technology.

The economic environment will remain very challenging for paragon in the second half of the year as well. In July, the International Monetary Fund (IMF) slightly reduced its global growth expectations to 3.2% for 2019 and 3.5% for the year 2020. The economic mood of German market participants also continued to worsen at the beginning of the second half of the year. The Ifo Business Climate Index correspondingly fell to its lowest level since April 2013 in July. The VDA now anticipates a decline in global passenger car sales by 2% to just 83 million units in the current year.

Nevertheless, we expect our Automotive business to generate revenue of around € 130 million in the current year, tending toward the upper end of the previously planned range of € 115 million to € 135 million. paragon, unlike many other competitors, therefore has no difficulties in generating revenue in its Automotive business at the moment. However, the changed product mix will lead to weaker profitability. In total, the EBIT of the paragon Group amounted to € -5.4 million in the first half-year after € 4.8 million in the prior year. This development is primarily attributable to HS Genion, now part of paragon movasys GmbH, where we currently record considerable additional costs for personnel and material due to the launch of new products.

paragon movasys GmbH has already taken targeted measures to further reduce its costs. Among other things, functions were combined that had previously been assigned to the sites at Landsberg am Lech and Delbrück. The measures should be completed by the middle of next year, enabling the subsidiary to achieve an EBIT margin of 3 to 4 %.

In addition, we expect the one-off costs for the consolidation and integration of new subsidiaries to further burden EBIT by € 3.5 million in the current year. These measures primarily involve the current consolidation of sites for development and production. For example, the development location in Nuremberg and production lines in Neu-Ulm will be integrated into the Limbach site.

Overall, one-time effects in the Automotive segment are expected to amount to around € 7 million in 2019, which will depress unadjusted EBIT to an order of magnitude of plus € 3.5 million. The EBIT margin of this Group area will thus be around 3%. EBIT adjusted for one-time effects will be around € 10 million.

In accordance with expectations, the Electromobility operating segment was the largest growth driver with revenue growth of 77%. In the first half of the year, battery systems for use in forklifts ensured that our business developed according to plan. In addition, we successfully ramped up series production of battery systems for use in agricultural vehicles during this period. Battery packs for pedelecs and e-bikes also contributed to revenue for the first time in the current fiscal year.

Furthermore, our publicly traded subsidiary Voltabox has reduced its revenue and earnings forecast for the year as a whole. This is mainly due to the partial postponement of a major order for the American subsidiary Voltabox of Texas, Inc., to 2020 and the conversion of an important cell supplier to the latest technology. Starting this year, there have been three alternative cells on the market, which are currently still in the approval process. As a result, the assurance against these kinds of delivery failures will increase significantly in the future.

Trade receivables from Triathlon will be almost completely reduced by the end of the year by Voltabox. However, net working capital of Voltabox will continue to be impacted by increased inventories, which will be affected in the second half of the year by materials that can no longer be cancelled. This level of inventories will, however, help us to significantly improve our earnings in fiscal year 2020.

Due to the aforementioned effects, we revised our forecast for the revenue and earnings of paragon GmbH & Co. KGaA for the current fiscal year on August 12. We now expect consolidated revenue of between € 200 million and € 210 million (previously € 230 million to € 240 million). As a result of the consolidation of the Voltabox subsidiary, an EBIT margin of -1 to -2% (previously around 8%) is forecast at Group level. Voltabox is expected to contribute around € 70 million to € 80 million (previously between € 105 million and € 115 million), with an EBIT margin of between -8 and -9% (previously between 8 and 9%).

We expect to generate a significantly improved operating cash flow for the year as a whole. However, as this cash flow will be lower than originally expected due to the developments in mid-year, the – compared with 2018 – significantly improved free cash flow for 2019 as a whole will be in a negative mid double-digit range.

The cumulative order backlog for the next five years at the end of the first half of the year was still at about the same level as at the end of 2018, i.e., around € 2.1 billion. Voltabox accounts for around € 1.1 billion of this.

A highlight ahead of us is the presentation of our latest innovations at this year's IAA at New Mobility World from September 10–15. We will be presenting numerous developments and product solutions from our business units that are geared to the megatrends of Comfort Dynamics, Digital Assistance, Urban Mobility and Electromobility. We have chosen the New Mobility World because it is a place where, since 2015, thought leaders, entrepreneurs and decision-makers from all industries have been regularly exchanging and discussing ideas on the mobility of the future. We cordially invite you to visit us at our booth B08 in hall 5.0.

In April, we issued a bond for CHF 35 million with a nominal interest rate of 4.0% exclusively in Switzerland in order to strengthen our liquidity for further growth.

We would like to take this opportunity to thank all our employees for their outstanding work in overcoming the current challenges and our business partners, customers and shareholders for confirming their trust.

Klaus Dieter Frers
CEO

Dr. Matthias Schöllmann
Managing Director
Automotive

paragon in the Capital Market

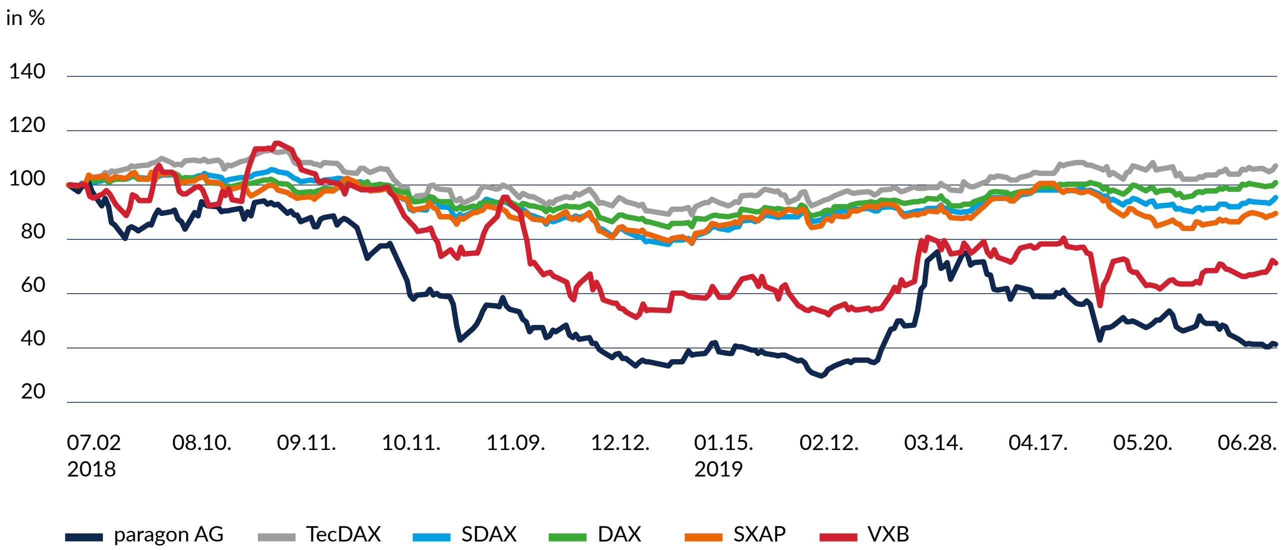
At the beginning of the year, market participants initially maintained a cautious attitude, with institutional investors showing greater risk aversion than private investors. Medium term-oriented investors also declined to use the price losses in the equity market at the beginning of February to enter into or conclude short positions. The generally skeptical mood ultimately continued over the course of the first quarter, even as prices increased. The second quarter was initially marked by profit-taking. According to a BofA Merrill Lynch survey in the first half of June, international fund managers were the most bearish they had been since the 2008 financial crisis. At the end of June, however, buyer interest picked up once again following the G20 summit, which led to increasing prices.

On the whole, most German stock indices concluded the first half of the year with gains (DAX 17.4 %, SDAX 19.7 %, TecDAX 17.4 %). The STOXX Europe 600 Automobiles & Parts (SXAP) index, which lists the most important European automotive industry stocks, also posted growth of 11.0 %. In the same period of time, the paragon share performed representatively in accordance with the market environment, posting a 19.3 % increase in its share price. Starting from an initial price of € 19.50 with an initially stable course, the lowest price of € 14.88 was posted in mid-February. With relatively high trading volumes, the share price subsequently increased, particularly during March, to reach a high of € 38.10. The stock showed weaker performance once again in May, however, likewise accompanied by above-average trading volume. With a closing price at the end of the first half of the year of € 20.85, the stock market value came to approximately € 94.4 million as of the reporting date. The stock market value increase in the first half of the year thus amounted to € 15.3 million.

The corporate bond 2017/22, tradable since June 28, 2017, remained comparatively stable in the first half of the year with an average of 98.87 %.

On April 4, 2019, paragon issued a bond under the leadership of Helvetische Bank AG for CHF 35 million with a coupon of 4.00 % and a fixed term of 5 years. The bond has been listed on the SIX Swiss Exchange under the ISIN CH0419041105 since April 23, 2019, and has been interest-bearing since that date, first payable on April 23, 2020. The smallest tradable unit is CHF 5,000. The bond remained comparatively stable in the second quarter with an average of 99.72 %.

Performance of paragon Share



Business Performance

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

€ '000 / as indicated	Electronics[1]			Mechanics[2]			Electromobility[3]		
	6M 2019	6M 2018	Δ in %	6M 2019	6M 2018	Δ in %	6M 2019	6M 2018	Δ in %
Revenue with third parties	45,139	45,021	0.3	18,829	15,441	21.9	32,067	18,128	76.9
Revenue intersegment	1,592	616	158.4	106	27,503	-99.6	46	-16	n. a.
Revenue	**46,730**	**47,111**	**-0.8**	**18,935**	**42,943**	**-55.9**	**32,113**	**18,112**	**77.3**
EBIT	**-1,398**	**4,063**	**n. a.**	**-3,371**	**-35**	**-9531.4**	**-3,637**	**115**	**n. a.**
EBIT margin	**-3.0 %**	**8.6 %**	**n. a.**	**-17.8 %**	**-0.1 %**	**n. a.**	**-11.3 %**	**0.6 %**	**n. a.**

€ '000 / as indicated	Eliminiations			Group		
	6M 2019	6M 2018	Δ in %	6M 2019	6M 2018	Δ in %
Revenue with third parties	0	0	0	96,035	78,590	22.2
Revenue intersegment	-1,744	-29,577	94.1	0	0	0
Revenue	**-1,744**	**-29,577**	**94.1**	**96,035**	**78,590**	**22.2**
EBIT	**3,004**	**657**	**357.2**	**-5,401**	**4,801**	**n. a.**
EBIT margin	**n. a.**	**n. a.**	**n. a.**	**-5.6 %**	**6.1 %**	**n. a.**

1 Sensors. Interior and Digital Assistance operating segments.
2 Body Kinematics unit (paragon movasys GmbH).
3 Voltabox subgroup.

Sales development in the individual units was as follows:

Distribution of revenues € '000	**6M 2019**	**Share** in %	**6M 2018**	**Share** in %	**Change** in %	**Q2 2019**	**Share** in %	**Q2 2018**	**Share** in %	**Change** in %
Sensors	16,672	17.4	17,633	22.4	-5.4	8,806	16.6	8,968	20.2	-1.8
Interior*	26,677	27.8	27,388	34.8	-2.6	13,525	25.5	14,399	32.4	-6.1
Digital Assistance	1,788	1.9	n. a.	n. a.	100.0	1,139	2.1	n. a.	n. a.	n. a.
Body Kinematics	18,829	19.6	15,441	19.7	21.9	10,126	19.1	7,911	17.9	28.0
Elektromobility	32,067	33.4	18,128	23.1	76.9	19,482	36.7	13,068	29.5	49.1
thereof: Deutschland	28,758	29.9	14,786	18.8	94.5	17,443	32.9	10,150	22.9	71.9
thereof: USA	3,308	3.4	3,342	4.3	-1.0	2,038	3.8	2,918	6.6	-30.2
Total	**96,034**	**100.0**	**78,590**	**100.0**	**n. a.**	**53,079**	**100.0**	**44,346**	**100.0**	**19.7**

* Previously Cockpit and Acoustics.

Financial Performance

In the first half of the current fiscal year, paragon GmbH & Co. KGaA generated Group revenue of € 96.0 million (prior year: € 78.6 million), which corresponds to an increase of 22.2 %. The higher level of other operating income of € 3.4 million (prior year: € 0.5 million) is primarily the result of foreign currency effects. With an increase in the inventory of finished and unfinished products of € 1.1 million (prior year: € 1.7 million) and higher planned capitalized development costs of € 10.7 million (prior year: € 9.0 million), an overall output of € 111.3 million (prior year: € 89.8 million) has been achieved.

The cost of materials increased by 37.4 % to € 61.1 million (prior year: € 44.5 million). This resulted in a material input ratio (calculated from the ratio of cost of materials to revenue and inventory changes) of 62.9 % (prior year: 55.5 %).

This results in a gross profit for the first half of the year of € 50.1 million (prior year: € 45.3 million), which constitutes a gross profit margin of 52.2 % (prior year: 57.6 %). Personnel expenses rose by 33.7 % to € 31.0 million (prior year: € 23.2 million), due to the increase in personnel over the course of 2018. The personnel expense ratio was accordingly higher at 32.3 % (prior year: 29.5 %).

In consideration of the 22.8 % increase in other operating expenses amounting to € 13.6 million (prior year: € 11.0 million), earnings before interest, taxes, depreciation and amortization (EBITDA) decreased about 49.8 %, which totaled € 5.5 million (prior year: € 11.0 million), corresponding to an EBITDA margin of 5.8 % (prior year: 14.0 %). After increased depreciation and amortization and impairments totaling € 10.9 million (prior year: € 6.2 million), earnings before interest and taxes (EBIT) decreased to € -5.4 million (prior year: € 4.8 million). As a result, the EBIT margin decreased to -5.6 % (prior year: 6.1 %).

With a virtually unchanged financial result of € -3.0 million (prior year: € -2.9 million) and positive income taxes of € 0.5 million (prior year: € -1.2 million), the paragon Group generated a consolidated net income of € -7.9 million (prior year: € 0.7 million) in the reporting period. This corresponds to earnings per share of € -1.51 (prior year: € 0.20). Minority interests accounted for € -1.1 million of consolidated income (prior year: € -0.2 million).

Net Assets

As of June 30, 2019, total assets had increased to € 380.8 million (December 31, 2018: € 362.3 million). This is attributable mainly to the € 19.6 million increase in noncurrent assets to € 196.2 million (December 31, 2018: € 176.7 million), while current assets remain virtually unchanged at € 184.6 million (December 31, 2018: € 185.6 million).

The increase in noncurrent assets is primarily the result of the € 15.0 million increase in property, plant and equipment to € 65.5 million (December 31, 2018: € 50.5 million) due to the first-time application of the new IFRS 16 accounting standards on leases effective as of January 1, 2019.

The development of current assets was primarily caused by two counteractive effects. While inventories increased by € 12.8 million, particularly as a result of the planned expansion of production in the Electromobility operating segment to € 71.7 million (December 31, 2018: € 58.9 million), liquid assets decreased by € 31.8 million to € 10.1 million (December 31, 2018: € 41.8 million) primarily as a consequence of the expansion of operational business activities and the reduction of short-term loans and trade payables. At the same time, trade receivables increased by € 12.8 million to € 83.5 million (December 31, 2018: € 70.7 million).

Equity had decreased by € 9.4 million to € 168.4 million as of the balance sheet date (December 31, 2018: € 177.8 million), particularly due to the negative consolidated net income together with a simultaneous increase in retained earnings to € 97.1 million (December 31, 2018: € 95.9 million). This caused the equity ratio to decrease to 44.2 % (December 31, 2018: 49.1 %).

Noncurrent provisions and liabilities increased by € 35.9 million to € 136.0 million (December 31, 2018: € 100.1 million), which was caused primarily by the increase in noncurrent bonds by € 32.0 million to € 81.9 million (December 31, 2018: € 49.9 million) due to the issue of the CHF bond in the second quarter, together with the increase in noncurrent liabilities from finance leases of € 5.8 million to € 6.7 million (December 31, 2018: € 0.9 million) resulting from the first-time application of the new IFRS 16 accounting standards on leases.

In contrast, current provisions and liabilities decreased by € 8.0 million to € 76.4 million (December 31, 2018: € 84.4 million). This can be attributed to a reduction of short-term loans by € 7.5 million to € 33.8 million (December 31, 2018: € 41.4 million) and a reduction of other current liabilities by € 3.6 million to € 9.1 million (December 31, 2018: € 12.7 million).

Financial Position

At € -26.8 million, cash flow from operating activities during the reporting period remained at essentially the same level as the same period of the prior year (prior year: € -27.6 million) despite negative earnings before taxes. While the depreciation and amortization of noncurrent assets increased by € 4.5 million to € 10.7 as expected, other provisions and pension provisions decreased by € 3.3 million (prior year: increase of € 0.2 million). In addition, non-cash income and expenses decreased by € 4.1 million to € 0.3 million. The increase in trade receivables decreased by € 7.9 million to € 18.5 million (prior year: € 26.4 million).

In contrast, the increase in inventories grew by € 3.7 million to € 12.8 million (prior year: € 9.1 million) following the expansion of business activities. Trade payables increased by € 5.1 million, after having increased by € 4.1 million in the prior year.

Cash flow from investment activity decreased in the period under review by € 8.2 million to € -24.1 million (prior year: € -15.9 million), which is mainly due to the € 7.0 million increase in payments for investments in property, plant and equipment, which totaled € 13.7 million (prior year: € 6.7 million).

Cash flow from financing activity increased during the period under review by € 21.4 million to € 19.1 million (prior year: € -2.3 million), particularly due to the net inflow of € 29.8 million from the issue of the CHF bond and the € 4.9 million increase in proceeds from loans. At the same time, financial loans amounting to € 14.1 million (previous year: EUR 1.7 million) were repaid.

Cash and cash equivalents totaled € 10.1 million as of the end of the reporting period (December 31, 2018: € 41.8 million).

Opportunity and Risk Report

In the first six months of 2019, there were no significant changes in the opportunities and risks described in detail under “Opportunity and Risk Report” in the 2018 Annual Report. The 2018 Annual Report can be accessed online at www.paragon.ag in the Investor Relations section.

Forecast

The Management’s original forecast for the current fiscal year and the underlying assumptions are explained in detail in the combined management report for the 2018 fiscal year. As stated in the forecast, the Management originally expected Group revenue of € 230 to 240 million and a Group EBIT margin of roughly 8 %.

On 12 August 2019, management announced an adjustment to its sales and earnings forecast for the 2019 financial year. The main reasons are the increasing market weakness in the automotive industry and the revised annual forecast of the listed subsidiary Voltabox. In the automotive business, the changed product mix had an unfavorable effect on profitability. At Voltabox, there are delays in sales in the US business and a temporary stoppage of production due to the conversion to the latest technology by an important cell supplier.

Since the listed subsidiary Voltabox has also reduced its sales and earnings forecast for the full year, the Management of paragon GmbH has adjusted its forecast for the current year with expected revenue of now € 200 million to € 210 million and an EBIT margin of -1 to -2 %. Of this, the Voltabox subgroup stands to contribute € 70 million to € 80 million (previously between € 105 million and € 115 million), with an EBIT margin of -8 to -9 % (previously between 8 and 9 %).

Development of Key Performance Indicators

€ '000 / as indicated	2018	Year-to-date / First six months 2019	Forecast 2019	
			As of March 7, 2019	NeW:
Financial performance indicators				
Group revenue	187,383	96,035	€ 230 million to € 240 million	€ 200 million to € 210 million
EBIT margin	7.9 %	-5.6 %	about 8 %	-1 to -2 %
Investments (CAPEX)*	48,805	24,117	about € 40 million	about € 40 million

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

Condensed Interim Consolidated Financial Statements

Consolidated Statement of Comprehensive Income for the period from January 1 to June 30, 2019 (IFRS)

€ '000	Jan. 1 to Jun. 30, 2019	Jan. 1 to Jun. 30, 2018	Apr. 1 to Jun. 30, 2019	Apr. 1 to Jun. 30, 2018
Group revenue	**96,035**	**78,590**	**53,080**	**44,346**
Other operating income	3,431	540	94	303
Increase or decrease in inventory of finished goods and work in progress	1,126	1,655	-1,014	122
Other own work capitalized	10,678	8,999	5,272	4,510
Total operating performance	**111,270**	**89,784**	**57,432**	**49,281**
Cost of materials	-61,145	- 44,503	-34,949	- 23,808
Gross profit	**50,125**	**45,281**	**22,483**	**25,473**
Personnel expenses	-31,021	- 23,204	-16,402	- 13,070
Depreciation of property, plant and equipment, and amortization of intangible assets	-10,646	- 6,168	-5,307	- 3,048
Impairment of property, plant and equipment and intangible assets	-297	- 68	-103	0
Other operating expenses	-13,562	- 11,040	-8,108	- 6,166
Earnings before interest and taxes (EBIT)	**-5,041**	**4,801**	**-7,437**	**3,189**
Financial income	9	1	4	1
Financial expenses	-3,013	- 2,866	-1,534	- 1,412
Financial result	**-3,004**	**- 2,865**	**-1,530**	**- 1,411**
Earnings before taxes (EBT)	**-8,405**	**1,936**	**-8,967**	**1,778**
Income taxes	483	- 1,212	-669	- 804
Group result	**-7,922**	**724**	**-9,636**	**974**
Earnings per share in € (basic)	-1.51	0.20	-1.82	0.18
Earnings per share in € (diluted)	-1.51	0.20	-1.82	0.18
Average number of outstanding shares (basic)	4,526,266	4,526,266	4,526,266	4,526,266
Average number of outstanding shares (diluted)	4,526,266	4,526,266	4,526,266	4,526,266
Other comprehensive income				
Actuarial gains and losses	0	0	0	0
Currency translation reserve	-370	307	308	919
Gesamtergebnis	**-8,292**	**1,031**	**-9,328**	**1.893**
Group result attributable to minority interests				
Shareholder paragon Group	-6,826	910	-8,207	799
Non-controlling interests	-1,096	- 186	-1,429	175
Total comprehensive income attributable to minority interests				
Shareholder paragon Group	-7,078	1,068	-7,900	1,499
Non-controlling interests	-1,214	-38	-1,428	395

Consolidated Balance Sheet as of June 30, 2019 (IFRS)

€ '000	Jun. 30, 2019	Dec. 31, 2018
ASSETS		
Noncurrent assets		
Intangible assets	95,528	91,688
Goodwill	30,411	30,395
Property, plant and equipment	65,539	50,527
Financial assets	326	326
Other assets	2,218	1,528
Deferred taxes	2,192	2,193
	196,214	**176,657**
Current assets		
Inventories	71,734	58,927
Trade receivables	83,522	70,713
Income tax receivables	91	91
Other assets	19,159	14,064
Liquid funds	10,074	41,841
	184,580	**185,636**
Total assets	**380,794**	**362,293**

€ '000	Jun. 30, 2019	Dec. 31, 2018
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	4,526	4,526
Capital reserve	15,165	15,165
Minority interests	60,614	61,900
Revaluation reserve	-802	-802
Profit/loss carried forward	97,086	95,883
Group result	-6,826	2,334
Currency translation differences	-1,341	-1,207
	168,422	**177,799**
Noncurrent provisions and liabilities		
Noncurrent liabilities from finance lease	6,713	937
Noncurrent loans	16,368	17,579
Noncurrent bonds	81,914	49,881
Special item for investment grants	874	917
Deferred taxes	23,288	24,059
Pension provisions	2,982	2,885
Other noncurrent liabilities	3,837	3,837
	135,976	**100,095**
Current provisions and liabilities		
Curent portion of liabilities from finance lease	3,197	861
Current loans and current portion of noncurrent loans	33,841	41,378
Trade payables	28,784	28,242
Other provisions	714	579
Income tax liabilities	739	618
Other current liabilities	9,121	12,721
	76,396	**84,399**
Total equity and liabilities	**380,794**	**362,293**

Consolidated Cash Flow Statement for the period from January 1 to June 30, 2019 (IFRS)

€ '000	Jan. 1 to Jun. 30, 2019	Jan. 1 to Jun. 30, 2018
Earnings before taxes (EBT)	**-8,405**	**1,936**
Depreciation/amortization of noncurrent fixed assets	10,646	6,168
Financial result	3,005	2,864
Gains (-), losses (+) from the disposal of property, plant and equipment and financial assets	0	4
Increase (+), decrease (-) in other provisions and pension provisions	-3,252	182
Income from the reversal of the special item for investment grants	-43	-44
Other non-cash income and expenses	-288	-4,440
Increase (-), decrease (+) in trade receivables, other receivables, and other assets	-18,520	-26,407
Impairment of intangible assets	297	68
Increase (-), decrease (+) in inventories	-12,807	-9,080
Increase (+), decrease (-) in trade payables and other liabilities	5,078	4,098
Interest paid	-3,013	-2,866
Income taxes	496	-76
Cash flow from operating activities	**-26,806**	**-27,593**
Cash receipts from the disposal of property, plant and equipment	0	0
Cash payments for investments in property, plant and equipment	-13,730	-6,691
Cash payments for investments in intangible assets	-10,387	-9,187
Cash payments for investments in financial assets	0	0
Interest received	9	1
Cashflow from investment activities	**-24,108**	**-15,877**
Dividends to shareholders	-1,131	-1,132
Loan repayments	-14,134	-1,675
Proceeds from loans	5,369	432
Repayments of liabilities from finance lease	-745	-537
Net proceeds from bond issue	29,788	0
Cashflow from financing activities	**19,147**	**-2,255**
Changes in cash and cash equivalents	-31,767	-45,725
Cash and cash equivalents at the beginning of the period	41,841	145,826
Cash and cash equivalents at the end of the period	10,074	100,101

Statement of changes in equity for the period of January 1 to June 30, 2019 (IFRS)

					Balance sheet profit			
€ '000	Subscribed capital	Capital reserve	Revaluation reserve	Currency translation reserve	Profit carried forward	Consoli-dated net income	Minority interests	Total
January 1, 2018	4,526	15,165	-915	-837	96,926	0	61,105	175,970
Consolidated net income	0	0	0	0	0	2,334	913	3,247
Actuarial gains and losses	0	0	113	0	0	0	0	113
Currency translation	0	0	0	-370	0	0	-117	-487
Other comprehen-sive income	0	0	113	-370	0	0	-117	-374
Total comprehen-sive income	0	0	113	-370	0	2,334	796	2,873
Initial adjustment effect IFRS 15	0	0	0	0	89	0	0	89
Dividend	0	0	0	0	-1,132	0	0	-1,132
December 31, 2018	4,526	15,165	-802	-1,207	95,883	2,334	61,901	177,800

					Balance sheet profit			
€ '000	Subscribed capital	Capital reserve	Revaluation reserve	Currency translation reserve	Profit carried forward	Consoli-dated net income	Minority interests	Total
January 1, 2019	4,526	15,165	-802	-1,207	98,217	0	61,901	177,800
Consolidated net income	0	0	0	0	0	-6,826	-1,097	-7,923
Actuarial gains and losses	0	0	0	0	0	0	0	0
Currency translation	0	0	0	-134	0	0	0	-134
Other comprehen-sive income	0	0	0	-134	0	0	0	-134
Total comprehen-sive income	0	0	0	-134	0	-6,826	-1,097	-8,057
Initial adjustment effect IFRS 15	0	0	0	0	0	0	0	0
Dividend	0	0	0	0	-1,131	0	-190	-1,321
June 30, 2019	4,526	15,165	-802	-1,341	97,086	-6,826	60,614	168,422

Notes

Accounting principles

The interim consolidated financial statements of paragon GmbH & Co. KGaA as of June 30, 2019 has been prepared in accordance with uniform accounting and valuation principles issued by the International Financial Reporting Standards (IFRS), which were also applied in the consolidated financial statements as of December 31, 2018. The Standards of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) valid as of the end of the reporting period shall apply.

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

The existing scope of consolidation of paragon GmbH & Co. KGaA comprises the Voltabox subgroup (60%), paragon movasys GmbH, productronic GmbH, SphereDesign GmbH, paragon semvox GmbH (82%), paragon electroacoustic GmbH, ETON Soundsysteme GmbH, paragon Automotive Kunshan Co., Ltd., paragon Automotive Technology (Shanghai) Co., Ltd. and Nordhagen Immobilien GmbH. The Voltabox subgroup, in turn, consists of Voltabox AG, Voltabox of North America, Inc., Voltabox of Texas, Inc., Voltabox Kunshan Co., Ltd. and Concurrent Design, Inc. If not stated otherwise, these are 100% subsidiaries.

Statement of Comprehensive Income, Balance Sheet, Cash Flow Statement

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

Management Board and Supervisory Board

As of June 30, 2019, there have been changes in the composition of the management and supervisory bodies compared to December 31, 2018.

Events after the Balance Sheet Date

On 12 August 2019, management announced an adjustment to its sales and earnings forecast for the 2019 financial year. The main reasons are the increasing market weakness in the automotive industry and the revised annual forecast of the listed subsidiary Voltabox. In the automotive business, the changed product mix had an unfavorable effect on profitability. At Voltabox, there are delays in sales in the US business and a temporary stoppage of production due to the conversion to the latest technology by an important cell supplier. Earnings are burdened by various production launch problems for new products in the Body Kinematics unit, which are leading to additional costs totaling roughly € 3.3 million. In addition, the costs for the consolidation and integration of new subsidiaries in the current fiscal year amount to roughly € 3.5 million. These also include factors such as temporarily elevated location costs. We expect the impact for the year as a whole to amount to approximately € 1 million. The introduction of the new ERP system will additionally burden the result for the year as a whole by approximately € 1.5 million.

On the whole, the Management anticipates one-time effects in the automotive sector totaling roughly € 7 million that will reduce unadjusted EBIT to around € 3.5 million (approx. 3% EBIT margin). EBIT adjusted for these special effects will be around € 10 million.

Since the listed subsidiary Voltabox has also reduced its sales and earnings forecast for the full year due to the partial postponement of a major order to the American subsidiary Voltabox of Texas, Inc. in 2020 and a production stoppage due to the conversion of an important cell supplier to the latest technology, the Management of paragon GmbH has adjusted its forecast for the current year with expected revenue of now € 200 million to € 210 million and an EBIT margin of -1 to -2 %. Of this, the Voltabox subgroup stands to contribute € 70 million to € 80 million (previously between € 105 million and € 115 million), with an EBIT margin of -8 to -9 % (previously between 8 and 9 %).

Related Party Disclosures

As of June 30, 2019, there have been no changes in the composition of related parties compared to December 31, 2018.

Notes on the Preparation of the Consolidated Interim Financial Statements

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

Declaration by the Legal Representatives

Wir versichern nach bestem Gewissen, dass gemäß den anzuwendenden Rechnungslegungsgrundsätzen für die Zwischenberichterstattung der Konzernzwischenabschluss unter Beachtung der Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage des Konzerns vermittelt und im Konzernzwischenlagebericht der Geschäftsverlauf einschließlich des Geschäftsergebnisses und die Lage des Konzerns so dargestellt sind, dass ein den tatsächlichen Verhältnissen entsprechendes Bild vermittelt wird, sowie die wesentlichen Chancen und Risiken der voraussichtlichen Entwicklung des Konzerns im verbleibenden Geschäftsjahr beschrieben sind.

Delbrück, August 22, 2019

Klaus Dieter Frers
CEO

Dr. Matthias Schöllmann
Managing Director
Automotive

Financial Calendar 2019

September 27, 2019	Baader Small-Cap Day, Munich
November 14, 2019	Group Interim Report as of September 30, 2019 – 9 Months
November 25-27, 2019	Eigenkapitalforum, Frankfurt am Main

paragon GmbH & Co. KGaA
Artegastraße 1
33129 Delbrück / Germany
Phone: +49 (0) 5250 9762 – 0
Fax: +49 (0) 5250 9762 – 60
E-Mail: investor@paragon.ag
Twitter: @paragon_ir
www.paragon.ag