

An aerial, high-angle photograph of the Golden Gate Bridge. The bridge's deck is filled with traffic, including cars and a truck. The bridge's iconic orange-red suspension cables and towers are visible. Below the bridge, the ocean is turbulent with white-capped waves crashing against a rocky, cliffside shore. The sky is a deep, dark blue, suggesting dusk or dawn.

paragon®

GROUP INTERIM REPORT 1.1. – 6.30.2015

THE FIRST SIX MONTHS AT A GLANCE

Highlights in first half of 2015

- Half-year revenue rises year-on-year by 18% to € 44.6 million
- EBIT margin more than doubles to 8.6%
- Substantial increase in operating cash flow to € 8.0 million (prior year: € 0.1 million)
- Large-scale serial order worth € 72 million acquired for starter batteries
- Impressive confirmation of revenue and earnings forecast for 2015

Key Indicators

| in € thousands | Jan. 1, 2015 – June 30, 2015 | Jan. 1, 2015 – June 30, 2015 | Change in % |
|------------------------------|---------------------------------|---------------------------------|----------------|
| Revenue | 44,615 | 37,753 | 18.2 |
| EBITDA | 6,714 | 3,767 | 78.2 |
| EBITDA margin in % | 15.0 | 10.0 | |
| EBIT | 3,843 | 1,503 | 155.7 |
| EBIT margin in % | 8.6 | 4.0 | |
| Annual net income | 1,895 | 363 | 422.0 |
| Earnings per share in € | 0.46 | 0.09 | |
| Total assets | 78,337 | 54,558 | 43.6 |
| Equity | 17,912 | 15,228 | 17.6 |
| Equity ratio in % | 22.9 | 27.9 | |
| Unrestricted cash | 9,156 | 13,819 | - 33.7 |
| Interest-bearing liabilities | 36,561 | 26,861 | 36.1 |
| Net debt* | 27,405 | 13,042 | 110.1 |
| Operating cash flow | 7,946 | 82 | 9,590.2 |

* Net debt = interest-bearing liabilities minus unrestricted cash

Macroeconomic framework

Following a weak start to 2015, in which quarterly growth in global gross domestic product (GDP) slowed to 0.6%, the Kiel Institute for the World Economy (IfW)¹ expects to see a slight improvement for the second quarter. Overall, developments nevertheless remain relatively subdued. Key sources of concern relate in particular to emerging economies, where growth is being held back by structural problems and the fall in commodities prices. Underlying conditions for the advanced economies, by contrast, are assessed positively – not least on account of persistently expansive monetary policies. For the paragon Group as an automotive supplier, the overall macroeconomic climate is relevant to the extent that it might positively or negatively affect global automobile sales and thus demand for the company's products. Despite prolonged sales crises in Russia, Brazil, and Japan, demand remains stable at a high level.

Developments in the automobile industry

Benefiting from positive developments in Western Europe (+8.2%), China (+6.9%), and the US (4.4%), automobile sales in the most important country markets rose further in the first half of 2015 according to the German Association of the Automotive Industry (VDA)². With growth of 5.3%, the Indian market also recovered. At the same time, the total number of vehicles sold in the crisis-hit markets of Russia (-36.4%), Brazil (-19.7%), and Japan (-12.3%) was almost 1.1 million down on the prior year. Overall, the global market therefore grew by 0.5 million vehicles, or 1.7%.

Breakdown of revenue by business divisions

| | H1/2015 in € thousands | in % | H1/2014 in € thousands | in % |
|-----------------------------------|---------------------------|-------|---------------------------|-------|
| Sensors business division | 16,831 | 37.7 | 14,694 | 38.9 |
| Acoustics business division | 7,619 | 17.1 | 7,377 | 19.6 |
| Cockpit business division | 16,167 | 36.2 | 14,428 | 38.2 |
| Body Kinematics business division | 2,653 | 5.9 | 1,028 | 2.7 |
| Voltabox Deutschland GmbH* | 64 | 0.1 | 132 | 0.3 |
| Voltabox of Texas, Inc.* | 1,281 | 2.9 | 95 | 0.3 |
| Total | 44,615 | 100.0 | 37,753 | 100.0 |

* Electromobility business division

Major German premium manufacturers, who are among paragon Group's most important customers, also upheld their dynamic performance. Based on manufacturer disclosures, Audi, BMW, Mercedes, and Porsche thus reported growth of 8.4% to 2.85 million vehicles (prior year: 2.63 million). The German manufacturers are well represented in major international markets in particular. Their market share³ in the car segment amounts to more than 12% in the US and to more than 21% in China.

Overall, paragon Group was operating in a positive economic climate in the first half of 2015.

Group business performance and situation

In the first half of 2015, paragon Group's total revenue rose year-on-year by 18.2% and now amounts to € 44.6 million, as against € 37.8 million in the prior year's period. The Group's growth gained further momentum in the second quarter of 2015. At € 23.5 million, consolidated revenue exceeded the figure for the prior year's period (Q2/2014: € 18.8 million) by 25.1%. As of June 30, 2015, paragon had already received customer orders for more than 97% of the total revenue of up to € 100 million planned for the current fiscal year. The operating business thus continues to perform very well. This is also reflected in EBIT, which more than doubled from € 1.5 million to € 3.8 million.

1 IfW: "Business Cycle Forecast of Summer 2015", dated June 16, 2015

2 VDA press release dated July 16, 2015: "Western Europe continues upswing in first half-year"

3 VDA press release dated July 2, 2015: "Wissmann: Global market continues to grow"

The Sensors business division acquired several new orders in the first half of 2015, including its first serial order for the development of a CO₂ sensor – a world novelty by paragon – an order for the second generation of its AQI air quality improvement system, an air quality sensor (AQS) for commercial vehicles, and advance development orders for a filter system and a particle sensor – this too a paragon world novelty.

The Cockpit business division acquired strategically important new orders, for example in its wireless charging product segment. Significant interest has also been seen in the commercial vehicle business. Furthermore, this segment has been sustainably boosted by the takeover of SphereDesign GmbH in Bexbach in February 2015. With 26 employees, SphereDesign generated revenues of around € 4 million in 2014. Its innovative display and control elements are an ideal supplement for the Cockpit business division. Following the takeover of SphereDesign GmbH by paragon AG with retrospective effect as of January 1, 2015, notable synergies have already been realised by drawing on shared resources. The integration is progressing rapidly. With a view to the IAA, this business division is working hard on its new connectivity platform, new steering wheel control elements, and interior components.

In the Acoustics business division, the innovative belt microphone system “belt-mic” is now being included in the basic version of a further vehicle model at a German automobile manufacturer. Detailed talks are also underway with other OEMs concerning specific microphone queries. Looking ahead to the IAA, rapid progress is also being made with the advance development and construction of the new modular sound system.

The Body Kinematics business division acquired further serial orders for linkage outlet flaps and two seamlessly adjustable spoiler drive systems for German sports car manufacturers and a drive motor for group-wide use in kinematics systems. This segment has also received an advance development order for a spoiler module from a renowned sports car manufacturer and an air brake system for a well-known automobile manufacturer. Further enquiries have been received from prestigious OEMs, as the topic of movable body components is playing an ever more important role when it comes to enhancing overall vehicle aerodynamics and thus reducing CO₂ emissions.

Having deliberately focused on market niches and specialist applications, the Electromobility business division operating under the Voltabox brand has now reached a stage in its business development in which specific inquiries, projects and orders can be implemented in large-scale serial production. Voltabox has thus witnessed a substantial increase in the number of specific inquiries for high-performance battery systems from well-known vehicle OEMs and system integrators. Moreover, a large-scale order for starter batteries has been received from a well-known German automobile manufacturer. This order initially has a six-year term and will account for revenues of around € 72 million. A further US order has been received for intralogistics vehicles with battery packs. This was supplemented in the second quarter by further orders for battery packs in the fields of driverless transport vehicles, all-terrain supply vehicles and electric buses. In the first quarter of 2015, Voltabox Deutschland GmbH also engaged in a far-reaching strategic partnership with Triathlon Batterien GmbH, a leading provider of drive batteries for logistics applications. At core, this exclusive agreement, which is expected to generate revenues in a double-digit million euro range over the next five years, involves supplying lithium ion batteries for use in internal logistics, such as electric forklift trucks, driverless transport systems etc. Alongside its strategic partnership for electric buses with Vossloh-Kiepe, Voltabox has thus accessed a second major market segment.

Earnings performance

paragon AG generated consolidated revenue of € 44.6 million in the first half of 2015 and thus exceeded the prior year's figure of € 37.8 million by 18.2%. Driven by dynamic growth in nearly all business divisions, revenue in the second quarter of 2015 grew from € 18.8 million to € 23.5 million (+25.1%).

Cost of materials rose by 18.4% from € 20.8 million to € 24.7 million in the first half of 2015 and was thus consistent with the revenue performance. As a percentage of revenue, the materials ratio amounted to 55.3% and remained stable compared with the prior year's figure of 55.2%.

Due above all to staff newly hired in the new business divisions, personnel expenses rose by 19.2% from € 10.8 million to € 12.9 million in the first half of 2015. As a result, the personnel expense ratio came to 28.8%, as against 28.6% in the prior year. Overall, earnings before interest, taxes, depreciation and amortization (EBITDA) surged by 78.2% from € 3.8 million to € 6.7 million in the first half of 2015.

Net of depreciation and amortization of € 2.9 million (prior year: € 2.3 million), earnings before interest and taxes (EBIT) for the first half of 2015 more than doubled to € 3.8 million (prior year: € 1.5 million). The EBIT margin improved correspondingly from 4.0% to 8.6%. Overall, paragon Group generated net income (IFRS) of € 1.9 million in the first half of 2015 – five times higher than the prior year's figure (€ 0.4 million). This corresponds to earnings per share of € 0.46 (prior year: € 0.09).

Financial position and net assets

Driven mainly by the acquisition of SphereDesign GmbH and extensive investments in property, plant and equipment, total assets grew to € 78.3 million as of June 30, 2015, as against € 54.6 million at the comparative reporting date on June 30, 2014.

Non-current assets more than doubled to € 43.2 million (June 30, 2014: € 20.9 million). This increase resulted from the investments made in property, plant and equipment (€ 10.8 million) in connection with the development of the new business divisions, capitalized development services throughout the Group, and the takeover of tangible and intangible assets at SphereDesign GmbH. Investments in property, plant and equipment mainly related to the construction of the production building in the US (€ 4.6 million), the takeover of property, plant and equipment due to the acquisition of SphereDesign GmbH, the major investment in two fully-automated production lines in the Electromobility business division (€ 2.2 million), and various replacement and new investments in other business divisions (€ 4.0 million). The marked rise in capitalized development services compared with the prior year (€ 6.6 million) resulted from numerous new projects in individual business divisions accompanied by a marked increase in development personnel capacity

and the takeover of capitalized development work at SphereDesign GmbH (€ 1.3 million).

Current assets, by contrast, rose only slightly from € 33.6 million to € 35.2 million. This development is consistent with the positive business performance and is largely due to higher inventories accompanied by an investment-related reduction in cash and cash equivalents.

Non-current provisions and liabilities increased by € 3.7 million to € 31.5 million, as against € 27.7 million as of June 30, 2014. Due to the Group's growth, current provisions and liabilities more than doubled from € 11.6 million to € 29.0 million. This increase was mainly attributable to the rise in current financial liabilities (€ 7.9 million) due to the advance financing of the production building in the US and the operative support provided to the new business divisions. Following completion, the US building will be financed on a long-term basis and the short-term financing repaid. The increase in trade payables (€ 4.9 million) results from changes in the product portfolio accompanied by a € 5.2 million rise in inventories on the asset side. Chiefly as a result of the acquisition of SphereDesign GmbH and the development of subsidiaries, other current liabilities rose by € 4.1 million. Debt capital therefore increased from € 38.0 million (prior year) to € 59.2 million. Interest-bearing liabilities account for a share of € 36.6 million (prior year: € 26.9 million). Net debt rose correspondingly to € 27.4 million (prior year: € 13.0 million).

paragon Group's total equity grew from € 15.2 million in the prior year to € 17.9 million as of June 30, 2015. Given the substantial rise in total assets, this results in an equity ratio of 22.9%, as against 27.9% as of June 30, 2014.

The cash flow from operating activities showed a marked improvement to € 8.0 million in the first half of 2015, compared with € 0.1 million in the prior year. The cash flow benefited from the strong earnings position, receivables management and the non-recurrence of the charge resulting from outsourcing pension obligations in the prior year. Furthermore, the rise in inventories was more than offset by the increase in trade payables and other liabilities.

Cash and cash equivalents amounted to € 11.2 million as of June 30, 2015, as against € 15.8 million at the end of the first half of 2014.

Research and development

Research and development is an area to which paragon traditionally accords high strategic significance. In the first half of 2015 as well, all five business divisions made significant progress with development projects intended to substantially enhance the company's market position and sales opportunities. This is also reflected in the R&D quota which – despite the increase in revenue – rose from 10.3% in the prior year to 11.7%. paragon expended a total of around € 5.2 million on research and development in the first half of 2015 (prior year: € 3.9 million). The number of employees working in this area, and in electromobility in particular, rose sharply from 67 to 91.

The Sensors business division chiefly focused on bringing the next generation of the AQI and CO₂ sensors to serial production maturity. Alongside this, it also pressed ahead with projects including the further development of the particle sensor, the development of a switching intention recognition system for one customer and the equipping of various drives with all-gear sensors. Fragrance systems also remain a key focus of talks with customers. Activities in the Acoustics business division concentrated above all on the further development of the new scalable sound system, concept studies for a compact microphone for the global market, the introduction of the latest measurement and inspection standards, and the development of a technology carrier enabling paragon to vividly present its innovations. The Cockpit business division worked at full speed on expanding its TFT-based display system product group and already presented impressive development results at customer roadshows. As part of a platform strategy for future products, strategic partnerships have been extended with various suppliers, particularly in the field of microcontrollers, where paragon is to be a first-level support customer. Moreover, another key focus is on making greater application of new technologies and production methods, particularly for look-and-feel components. Given its pleasing order and acquisition situation, the Body Kinematics business divi-

sion has further expanded its development capacities and prototype construction. Laboratory and testing possibilities have been extended to include a new climate chamber for spoiler systems and a new control technology for validation test rigs, including data recording for all parameters. Universal drives for spoilers are currently in development, as are aerodynamics packages such as tail spoilers for seamlessly scalable regulation and concepts for front airflow routing. In the Electromobility business, both battery system modular kits have been consistently expanded and developed further. Furthermore, high-efficiency lightweight starter batteries for combustion powered vehicles have been developed further for serial production as a logical extension of the Voltabox modular philosophy.

Employees

At the reporting date on June 30, 2015, paragon Group had a total of 456 permanent and 71 temporary employees. The total number of employees thus rose by 15% compared with the prior year's reporting date (June 30, 2014: 403 permanent, 54 temporary). Due to the office in Shanghai (4) and the US subsidiary Voltabox of Texas, Inc. (13), paragon had a total of 17 employees abroad (prior year: 8). The Group had the following (permanent/temporary) employee totals at its individual locations in Germany as of June 30, 2015: Delbrück (144/2), Suhl (205/65), Nuremberg (25/1), St. Georgen (47/0) and Bexbach (18/3).

Investments

paragon invested around € 13.6 million in total in the period from January 1 to June 30, 2015 (prior year: € 4.5 million). Of this total, € 7.8 million related to investments in property, plant and equipment (prior year: € 3.3 million), € 5.8 million to investments in intangible assets and the takeover of SphereDesign GmbH (prior year: € 1.2 million). Key focuses of investment in property, plant and equipment involved the construction of the production building in the US, the takeover of property, plant and equipment upon the acquisition of SphereDesign GmbH, and further replacement and new investments in machinery. The Managing Board expects the level of investment activity in 2016 to return to the lev-

els seen prior to 2015. The period of intense investment in the new business divisions is now coming to an end and has already begun to pay off.

Investor Relations

General stock market climate

The DAX, Germany's lead index, rose significantly at the beginning of the year and reached its year-to-date high (closing price basis) at 12,375 points on April 10, 2015. Its year-to-date low came at 9,469 points on January 6, 2015. As the second quarter progressed, developments on the stock market were then increasingly dominated by the Greek sovereign debt crisis. The uncertain progress made with negotiations left its mark on the markets in the form of increased nervousness and greater volatility. Against this backdrop, the DAX lost a large share of its gains and concluded the 1st half of 2015 at 10,945 points. This nevertheless still represents an increase of 11.6% compared with the prior year's close at 9,805 points.

paragon's share

paragon's share also posted a highly positive performance and most of the time even exceeded developments in the DAX. Having begun the year on a subdued note, also marking its year-to-date low at € 13.38 on January 28, 2015, from mid-February the share benefited from better than expected results for fiscal 2014 and the ongoing highly positive outlook for the current financial year. The share price then climbed to reach its year-to-date high at € 18.98 on March 10. Given the overall market developments in the second quarter, paragon's share was unable to defend its ground – and that despite the fresh momentum provided by strong quarterly results. At € 15.45, the share's closing price at the end of the 1st half of 2015 was thus significantly lower than the annual high. Compared with the prior year's closing price of € 14.10, however, this still represents strong value growth of 9.6%.

Based on the results and budget figures presented, which exceeded expectations, in an analysts' conference call Dr. Kalliwoda Research GmbH, Frankfurt/Main, renewed its "buy" recommendation and raised its target share price twice in the course of the first half (June 25: target € 27.35). Furthermore, Steubing AG also initiated its research coverage on May 11, 2015 with an extensive initial study and a "buy" recommendation (fair value: € 26). The research reports can be viewed on the company's website at www.paragon.ag under Investor Relations/Research Studies.

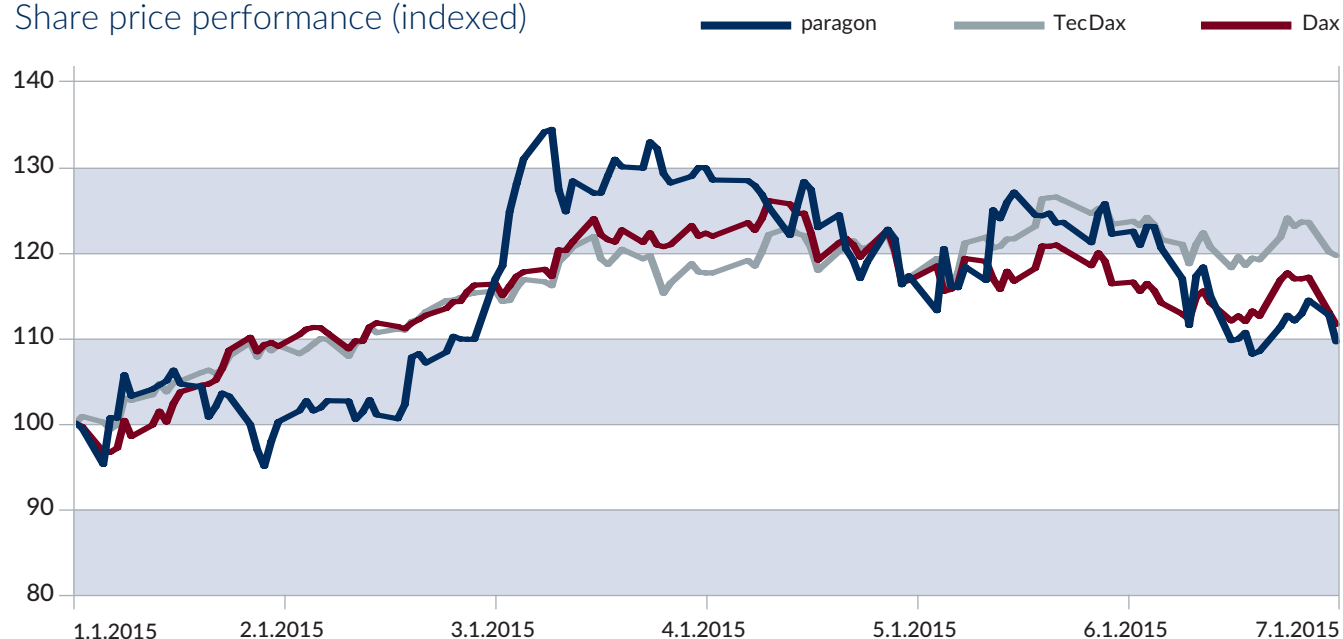
On May 29, 2015, Creditreform Rating AG published its annual follow-up rating. The assignment for this rating was provided on a voluntary basis. The company rating for paragon Group was set at BB+ (previously: BBB-) and thus at the same level as upon the bond issue. According to Creditreform, the financing of the growth course adopted by the company had on the one hand led key balance sheet ratios to deteriorate, while on the other hand the development of the Electromobility business was still in its infancy and therefore surrounded by uncertainty. The company does not share this assessment. Creditreform mainly works with historic key figures and thus neglects any necessary forward-looking assessment of paragon's capabilities. From the perspective of the Managing Board, the assessment is too short-sighted and does not account for the need to make investments to generate sustainable growth. There is no question that the measures initiated by the company have resulted in a temporary deterioration in specific key figures. In the opinion of the Managing Board, however, the very pleasing results for the first half of 2015 clearly show that the high volume of investments made is already beginning to pay off.

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| ISIN: | DE0005558696 |
| WKN: | 555869 |
| Ticker symbol: | PGN |
| Market segment: | Regulated Market |
| Transparency level: | Prime Standard |
| Sector: | Technology |
| Industry: | Automobile supplier |
| Stock exchange: | Frankfurt (XETRA) |
| Also traded in: | Berlin, Düsseldorf, Hamburg, Munich, Stuttgart |
| Number of shares | 4,114,788 |
| Share price on June 30, 2015: | € 15.45 |
| Market capitalization on June 30, 2015: | € 63.6 million |
| Average trading volume (52 weeks) on June 30, 2015: | 11,639 shares per day |
| Designated Sponsor | ODDO SEYDLER Bank AG |

paragon bond

The bond issued in July 2013 also continued to perform very stably and was still listed well above its issue price of 100%. However, the turbulence surrounding the Greek debt crisis at the end of the reporting period left its mark here as well, as a result of which the bond price fell below 110% for the first time in 5 months and closed at 108.75% on June 30, 2015. The Entry Corporate Bond Index (price index) referred to for comparison still remained far below the 100% mark.

Share price performance (indexed)



| | |
|---|------------------------------------|
| ISIN: | DE000A1TND93 |
| WKN: | A1TND9 |
| Ticker symbol: | PGNA |
| Market segment: | Open Market |
| Transparency level: | Entry Standard for corporate bonds |
| Stock exchange: | Frankfurt |
| Also traded in: | Berlin, Hamburg, Hannover, Munich |
| Issue volume: | up to € 20 million |
| Placed volume: (December 31, 2014): | € 13 million |
| Coupon: | 7.25% p.a. (annual payment) |
| Issue date: | July 2, 2013 |
| Maturity: | July 2, 2018 |
| Company Rating: (May 22, 2015) | BB+ (Creditreform Rating AG) |
| Bond price on June 30, 2015: | 108.75% |
| Average trading volume (52 weeks) at June 30, 2015: | € 18,749 (nominal) per day |

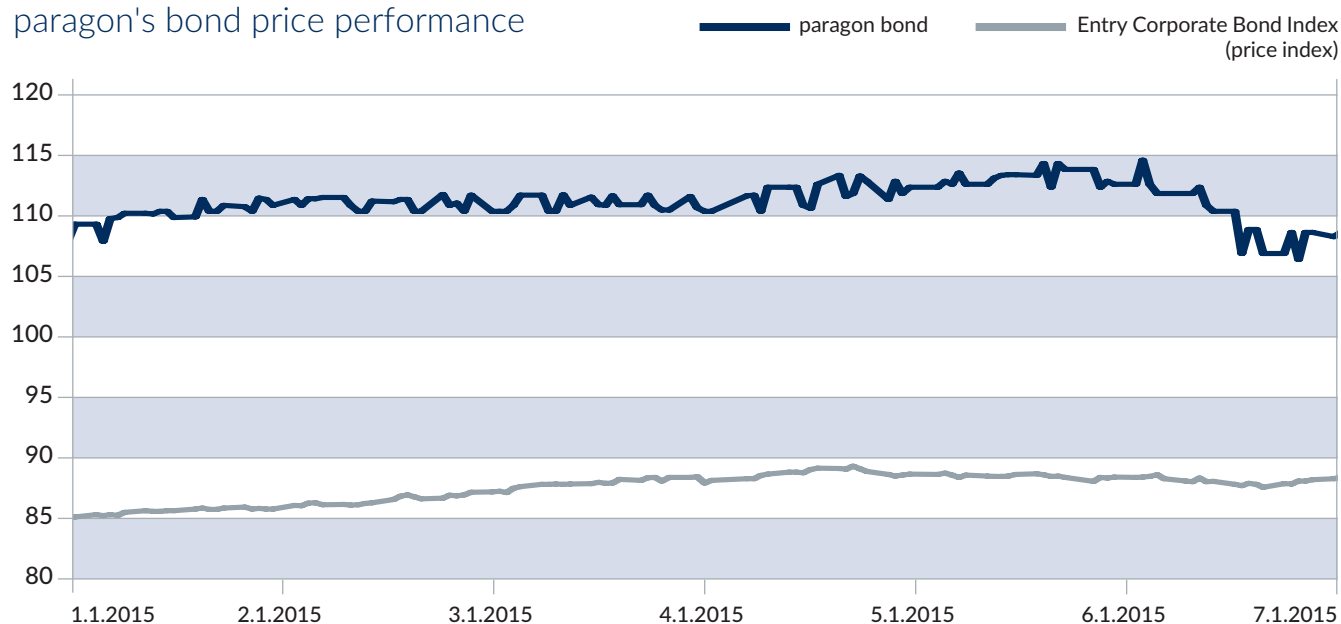
Financial market communications

Key events in the first half of 2015 were the Annual Results Press Conference held at paragon's headquarters in Delbrück on March 11, 2015 and the 14th Annual General Meeting of paragon AG held in Stadthalle Delbrück on May 12, 2015. All resolutions proposed were approved virtually unanimously by the shareholders present. At the 6th DVFA Spring Conference (May 4 - 6, 2015) in Frankfurt, CEO Klaus Dieter Frers presented the company to a wide audience of investors, analysts and business journalists and also held numerous one-to-one meetings.

Risk report

Detailed information about the individual risks to which paragon AG is exposed was presented in the opportunities and risk section of the Annual Report for the fiscal year from January 1, 2014 to December 31, 2014. The statements made there in respect of the company's overall risk situation continue to apply. From the perspective of the Managing Board, no material changes or additions to the risks listed therein were identified in the first half of 2015.

paragon's bond price performance



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

Outlook

Macroeconomic and sector developments

Given the weak start to the year, the Kiel Institute for the World Economy (IfW) has issued a slight downward correction in its global economic growth forecast for 2015. In its summer forecast⁴, the IfW now only expects to see growth of 3.4% (spring forecast: 3.7%). The experts mainly see positive developments in the major advanced economies (+2.1%, as against +1.9% in the prior year). By contrast, emerging economies such as China (+6.6%, as against +7.4% in the prior year) are suffering from unresolved structural problems and the sharp fall in commodities prices. The euro area is set to benefit and is expected to achieve higher GDP growth of 1.5% (prior year: 0.9%).

The economic situation in Germany remains positive. For 2015, the IfW⁵ expects growth to accelerate slightly to 1.8% (prior year: 1.6%). Key factors driving this growth are private housing construction and consumer spending, which are benefiting from low inflation and a persistently robust labor market. Risks still apply in connection with the unresolved developments in Ukraine and Greece. Despite the weaker economic outlook, paragon's Managing Board currently does not expect the macroeconomic situation to have any material negative impact on the Group's business performance.

The German Association of the Automotive Industry (VDA)⁶ remains cautiously optimistic about the automotive year 2015. The major markets in Western Europe, the US, and China are still on a growth course, but overall growth momentum is beginning to slow down. The VDA now expects the global automotive market, driven above all by China, to grow by 1% to 76.6 million vehicles in 2015. The positive long-term outlook also remains intact. Here, the VDA expects the market to grow to 89 million vehicles by 2020. In view of this, paragon

Group continues to operate in an ongoing positive market climate in fiscal 2015.

Company performance

After a very positive first quarter, paragon also showed a strong performance in the second quarter. Against this backdrop, the Managing Board is convinced that the very good revenue development will continue in the second half of the fiscal year. The order situation and outlook for the individual business divisions remain positive and have exceeded the management's own expectations in some areas, a development to which the strategic partnership with Triathlon Batterien GmbH and the takeover of SphereDesign GmbH have also contributed. The Managing Board therefore reiterates its forecast for fiscal 2015 expecting consolidated revenue of up to € 100 million and an EBIT margin of around 10%.

Due to its strategic partnership in the internal logistics business, the Electromobility business division has already tapped significant revenue potential and will make a substantial contribution to revenue in the current fiscal year. The existing reference projects at Voltabox – with applications in local public transport, commercial vehicles, and industrial trucks – have resulted in the acquisition of major projects outside the core electromobility business. An initial order for starter batteries for conventionally powered vehicles is to enter large-scale serial production. This involves supplying lightweight starter batteries for conventionally powered vehicles to a well-known German automaker over a six-year period. In addition to substantial weight savings of around 60% compared with traditional lead-acid starter batteries, the lithium ion batteries offered by Voltabox are also characterized by better cold start behavior, significantly lower levels of self-discharge, and a considerably longer lifespan. Given the modular structure of the starter batteries, Voltabox can also manufacture these on its fully-automated production line and thus further raise its production capacity utilization rates. Further talks are already underway and Voltabox expects to receive additional orders from existing and new customers in this major market that harbors great revenue potential for the future. The other business divisions are

4 IfW, "Business Cycle Forecast of Summer 2015", dated June 16, 2015

5 IfW, "German Economy, Summer 2015", dated June 16, 2015

6 VDA press release dated July 2, 2015: "Wissmann: Global market continues to grow"

also set to maintain their superb performance and will benefit here in particular from rising sales volumes at vehicle manufacturers. This applies in equal measure to the microphone business in the Acoustics business division, the AQS air quality sensors and AQI air quality improvement systems in the Sensors business division, and the timepieces in the Cockpit business division. The presentation of the modular sound system at the IAA will additionally boost the visibility of the Acoustics business division among OEMs. Alongside ever greater interest in the AQI ionizer, which is now also in increasing demand in China, the Sensors business division has also witnessed a marked rise in inquiries for its particle sensors. Advance development work is progressing at full steam to enable the first pre-series samples to be delivered in August already. The fragrance unit is being expanded into a modular system for basic fragrance through to a full lifestyle product. As a result of the integration of SphereDesign, the Cockpit business division has further strengthened its customer relationships. Furthermore, various new products (steering wheel control, connectivity platform, display modules) are due to be presented at the IAA and thus receive great publicity. In the Body Kinematics business division, the trunk lid release switches and steering-wheel shift paddles are performing very positively, as a result of which these products are increasingly moving towards large-scale serial production as well. In the second half of the year, the key focus will be on attaining serial production maturity for the modular spoiler drive and related spoiler mechanisms.

Voltabox of Texas celebrated the official opening of its newly built production building in the US with a grand opening ceremony on July 20, 2015. The Electromobility business division can now really get started here. What has arisen is a state-of-the-art new building whose unusual architecture alone makes it stand out in Texas. Together with its partners Triathlon and the automation expert Aumann, paragon is creating a world-class development, production and sales center here. On around 2,000 square meters, Voltabox already operates its first fully-automated assembly line for battery packs here and further lines are set to follow. At a later point in time, paragon will also be extending its product range to offer other domestically manufactured products from its product portfolio to automobile manufacturers in North America and Mexico.

paragon is also pressing further ahead with its plans for the Chinese market. The sales subsidiary operating in Shanghai since 2012 is being expanded into a production company and is due to move to a new building offering ideal conditions – located in Kunshan not far from Shanghai – in September. The new plant will in future manufacture air quality sensors, air quality improvement systems and stepper motors for display instruments. In a second stage, it is planned to expand the product range.

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

Consolidated Balance Sheet of paragon AG, Delbrück, as of June 30, 2015, in accordance with IFRS

| in € thousands | June 30, 2015 | June 30, 2014 |
|--|---------------|---------------|
| ASSETS | | |
| Non-current assets | | |
| Intangible assets | 16,206 | 5,969 |
| Property, plant and equipment | 25,616 | 14,771 |
| Financial assets | 376 | 120 |
| Other assets | 85 | 88 |
| Deferred taxes | 0 | 0 |
| Total non-current assets | 43,151 | 20,948 |
| Current assets | | |
| Inventories | 13,689 | 8,499 |
| Trade receivables | 6,717 | 6,170 |
| Income tax claims | 1,169 | 871 |
| Other assets | 2,375 | 2,237 |
| Cash and cash equivalents | 11,236 | 15,833 |
| Total current assets | 35,186 | 33,610 |
| Total assets | 78,337 | 54,558 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Subscribed capital | 4,115 | 4,115 |
| Capital reserve | 2,450 | 2,450 |
| Revaluation deficit | - 781 | - 446 |
| Profit carried forward | 10,492 | 8,746 |
| Net income | 1,895 | 363 |
| Currency translation differences | - 259 | 0 |
| Total equity | 17,912 | 15,228 |
| Non-current provisions and liabilities | | |
| Non-current lease obligations | 1,631 | 946 |
| Non-current borrowings | 10,529 | 10,765 |
| Non-current bonds | 13,419 | 12,333 |
| Investment grants | 1,224 | 1,319 |
| Deferred tax liabilities | 2,671 | 1,144 |
| Pension provisions | 1,995 | 1,224 |
| Total non-current provisions and liabilities | 31,469 | 27,731 |
| Current provisions and liabilities | | |
| Current portion of lease obligations | 546 | 346 |
| Current loans and current portion of non-current borrowings | 10,436 | 2,471 |
| Trade payables | 10,200 | 5,339 |
| Other provisions | 243 | 46 |
| Income tax liabilities | 88 | 57 |
| Other current liabilities | 7,443 | 3,340 |
| Total current provisions and liabilities | 28,956 | 11,599 |
| Total equity and liabilities | 78,337 | 54,558 |

Consolidated Statement of Comprehensive Income of paragon AG, Delbrück, for the period from January 1, 2015 to June 30, 2015, in accordance with IFRS

| in € thousands | H1 2015 | H1 2014 | Q2 2015 | Q2 2014 |
|---|------------------------|------------------------|------------------------|------------------------|
| | Jan. 1 – June 30, 2015 | Jan. 1 – June 30, 2014 | Apr. 1 – June 30, 2015 | Apr. 1 – June 30, 2014 |
| Sales revenue | 44,615 | 37,753 | 23,459 | 18,754 |
| Other operating income | 1,742 | 539 | 490 | 250 |
| Increase or decrease in inventory of finished goods and work in progress | 1,361 | 531 | 904 | 56 |
| Other own work capitalized | 3,541 | 1,499 | 2,206 | 1,082 |
| Total operating performance | 51,259 | 40,322 | 27,059 | 20,142 |
| Cost of materials | - 24,675 | - 20,838 | - 12,865 | - 10,136 |
| Gross profit | 26,584 | 19,484 | 14,194 | 10,006 |
| Personnel expenses | - 12,863 | - 10,795 | - 6,573 | - 5,389 |
| Depreciation of property, plant and equipment and amortization of intangible assets | - 2,857 | - 2,247 | - 1,460 | - 1,042 |
| Impairment of property, plant and equipment and intangible assets | - 14 | - 17 | - 4 | - 17 |
| Other operating expenses | - 7,007 | - 4,922 | - 3,709 | - 2,652 |
| Earnings before interest and taxes (EBIT) | 3,843 | 1,503 | 2,448 | 906 |
| Financial income | 158 | 8 | 4 | 4 |
| Finance costs | - 1,168 | - 942 | - 600 | - 485 |
| Financial result | - 1,010 | - 934 | - 596 | - 481 |
| Earnings before taxes (EBT) | 2,833 | 569 | 1,852 | 425 |
| Income taxes | - 938 | - 206 | - 726 | - 149 |
| Net income | 1,895 | 363 | 1,126 | 276 |
| Earnings per share (basic) | 0.46 | 0.09 | 0.27 | 0.07 |
| Earnings per share (diluted) | 0.46 | 0.09 | 0.27 | 0.07 |
| Average number of shares outstanding (basic) | 4,114,788 | 4,114,788 | 4,114,788 | 4,114,788 |
| Average number of shares outstanding (diluted) | 4,114,788 | 4,114,788 | 4,114,788 | 4,114,788 |
| Other comprehensive income | | | | |
| Actuarial gains and losses | 0 | 0 | 0 | 0 |
| Currency translation differences | - 152 | 0 | 0 | 0 |
| Total comprehensive income | 1,743 | 363 | 1,126 | 0 |

Consolidated Cash Flow Statement of paragon AG, Delbrück, for the period from January 1, 2015 to June 30, 2015, in accordance with IFRS

| in € thousands | Jan. 1. - June 30, 2015 | Jan. 1. - June 30, 2014 |
|---|-------------------------|-------------------------|
| Earnings before income taxes | 2,834 | 569 |
| Depreciation/amortization of non-current assets | 2,857 | 2,247 |
| Financial result | 1,010 | 934 |
| Gains (-), losses (+) from the disposal of property, plant and equipment and financial assets | - 13 | 58 |
| Increase (+), decrease (-) in other provisions and pension provisions | - 406 | - 9 |
| Income from the reversal of the special item for investment grants | - 44 | - 176 |
| Other non-cash income and expense | 0 | 5 |
| Increase (-), decrease (+) in trade receivables, other receivables and other assets | 2,438 | - 884 |
| Partial transfer of pension provisions | 0 | - 1,453 |
| Impairment of intangible assets | 14 | 17 |
| Increase (-), decrease (+) in inventories | - 6,778 | - 1,030 |
| Increase (+), decrease (-) in trade payables and other liabilities | 7,997 | 1,113 |
| Interest paid | - 1,168 | - 942 |
| Income taxes | - 795 | - 367 |
| Cash flow from operating activities | 7,946 | 82 |
| Cash receipts from disposals of property plant and equipment | 26 | 0 |
| Cash payments to acquire property, plant and equipment | - 7,762 | - 3,311 |
| Cash payments to acquire intangible assets | - 4,640 | - 1,155 |
| Cash payments to acquire consolidated companies and other business units | - 1,219 | 0 |
| Interest received | 5 | 6 |
| Cash flow from investing activities | - 13,590 | - 4,460 |
| Distributions to shareholders | - 1,029 | - 1,029 |
| Cash repayments of borrowings | - 3,019 | - 1,088 |
| Amounts paid on insolvency ratio | 607 | 0 |
| Cash proceeds from borrowings | 7,172 | 1,960 |
| Cash repayments for liabilities from finance leases | - 115 | - 177 |
| Net cash proceeds from the issuance of bonds | 0 | 2,900 |
| Cash flow from financing activities | 3,616 | 2,566 |
| Cash-effective change in liquidity | - 2,028 | - 1,813 |
| Cash and cash equivalents at beginning of period | 13,264 | 17,647 |
| Cash and cash equivalents at end of period | 11,236 | 15,833 |

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

| in € thousands | Subscribed capital | Capital reserve | Revaluation deficit | Reserve from currency translation | ACCUMULATED PROFIT | | Total |
|----------------------------|--------------------|-----------------|---------------------|-----------------------------------|------------------------|------------|---------|
| | | | | | Profit carried forward | Net income | |
| January 1, 2014 | 4,115 | 2,450 | - 446 | - 1 | 9,775 | 0 | 15,893 |
| Net income | 0 | 0 | 0 | 0 | 0 | 363 | 363 |
| Actuarial gains and losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Currency translation | 0 | 0 | 0 | 1 | 0 | 0 | 1 |
| Other comprehensive income | 0 | 0 | 0 | 1 | 0 | 0 | 1 |
| Comprehensive income | 0 | 0 | 0 | 1 | 0 | 363 | 364 |
| Dividend payout | 0 | 0 | 0 | 0 | - 1,029 | 0 | - 1,029 |
| June 30, 2014 | 4,115 | 2,450 | - 446 | 0 | 8,746 | 363 | 15,228 |

| in € thousands | Subscribed capital | Capital reserve | Revaluation deficit | Reserve from currency translation | ACCUMULATED PROFIT | | Total |
|----------------------------|--------------------|-----------------|---------------------|-----------------------------------|------------------------|------------|---------|
| | | | | | Profit carried forward | Net income | |
| January 1, 2015 | 4,115 | 2,450 | - 781 | - 106 | 11,521 | 0 | 17,198 |
| Net income | 0 | 0 | 0 | 0 | 0 | 1,895 | 1,895 |
| Actuarial gains and losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Currency translation | 0 | 0 | 0 | - 152 | 0 | 0 | - 152 |
| Other comprehensive income | 0 | 0 | 0 | - 152 | 0 | 0 | - 152 |
| Comprehensive income | 0 | 0 | 0 | - 152 | 0 | 1,895 | 1,743 |
| Dividend payout | 0 | 0 | 0 | 0 | - 1,029 | 0 | - 1,029 |
| June 30, 2015 | 4,115 | 2,450 | - 781 | - 258 | 10,492 | 1,895 | 17,912 |

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Basis of accounting and accounting policies

The interim consolidated financial statements of paragon AG as of June 30, 2015 have been prepared in accordance with the uniform accounting policies set out in International Financial Reporting Standards (IFRS) also applied in the Annual Report for the period from January 1, 2014 to December 31, 2014. Application has been made of the standards issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) effective as of the balance sheet date.

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

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

Income statement, balance sheet, cash flow statement

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

Managing Board and Supervisory Board

There were no changes in the composition of the Managing Board or the Supervisory Board as of June 30, 2015 compared with December 31, 2014.

Events after the half-year balance sheet date

The Managing Board is not aware of any events after the balance sheet date on June 30, 2015 that are of particular significance or that could materially influence the company’s result of operations, financial position or net assets.

Information about the preparation of the half-year report

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

Forward-looking statements entail risks

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

Responsibility statement

We hereby affirm that, to the best of our knowledge, the interim consolidated financial statements give a true and fair picture of the result of operations, financial position and net assets of the Group in accordance with the accounting principles applicable for interim reporting and the interim group management report provides a true and fair review of the development and performance of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the fiscal year.

Delbrück, August 20, 2015

The Managing Board

paragon AG

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