paragon®

GROUP INTERIM REPORT

AS OF JUNE 30, 2017
FIRST SIX MONTHS

Highlights in First Six Months of 2017

- **Group sales up 13.3% to € 55.3 million (prior year: € 48.8 million)**
- **EBITDA rises 17.7% to € 8.0 million (prior year: € 6.8 million)**
- **EBIT increases 5.3% to € 3.7 million (prior year: € 3.5 million)**
- **Revenue and earnings forecast for the current fiscal year confirmed**

Group Key Figures (IFRS)

In € thousands / as indicated	Jan. 1, 2017 to Jun. 30, 2017	Jan. 1, 2016 to Jun. 30, 2016	Change in %	Apr. 1, 2017 to Jun. 30, 2017	Apr. 1, 2016 to Jun. 30, 2016	Change. in %
Revenue	55,291	48,822	13.3	29,421	25,668	14.6
Segment Electronics[1]	45,166	42,638	5.9	22,656	22,235	1.9
Segment Electromobility[1]	8,030	4,509	78.1	5,467	2,747	99.0
Segment Mechanics[1]	2,095	1,675	25.1	1,298	686	89.2
EBITDA	8,000	6,798	17.7	4,642	3,764	23.3
EBITDA margin in %	*14.5*	*13.9*	*n/a*	*15.8*	*14.7*	*n/a*
EBIT	3,710	3,524	5.3	2,362	2,165	9.1
EBIT margin in %	*6.7*	*7.2*	*n/a*	*8.0*	*8.4*	*n/a*
Group result	1,597	669	138.7	1,525	578	163.8
Earnings per share in €	0.35	0.16	117.0	0.34	0.14	139.9
Investments	9,550	10,913	-12.5	4,450	5,955	-25.3
Operating cash flow	1,702	4,714	-63.9	3,768	3,180	18.5

in € thousands / as indicated	Jun. 30, 2017	Dec. 31, 2016	Change in %	Jun. 30, 2017	Jun. 30, 2016	Change in %
BTotal assets	119,713	115,553	3.6	119,713	97,076	23.3
Equity	34,688	34,674	0.0	34,688	19,081	81.8
Equity ratio in %	*29.0*	*30.0*	*n/a*	*29.0*	*19.7*	*n/a*
Available liquidity	14,160	17,324	-18.3	14,160	8,854	59.9
Interest-bearing liabilities	52,302	49,181	6.3	52,302	54,361	-3.8
Net debt[2]	38,142	31,857	19.7	38,142	45,507	-16.2
Employees[3]	539	519	3.9	539	486	10.9

Share

	Jun. 30, 2017	Dec. 31, 2016	Change	Jun. 30, 2017	Jun. 30, 2016	Change
Xetra closing price in €	66.00	41.53	58.9%	66.00	28.52	131.4 %
Number of shares outstanding	4,526,266	4,526,266	0%	4,526,266	4,114,788	10 %
Market capitalization in € million	298.7	188.0	110.7	298.7	117.3	181.4

1 Segment revenue with third parties.
2 Net debt = Interest-bearing liabilities – available liquidity
3 Plus 109 temporary employees (December 31, 2016: 107; June 30, 2016: 94)

paragon Investor Relations

The first half of the year was characterized by a positive economic environment in both quarters. As a result of the strong economic growth in the first quarter, the utilization of overall economic capacities continued to increase – thanks in particular to the industrial sector and exports. Once again, China played a prominent role. The political risks prevailing at the beginning of the second quarter with regard to the French presidential election and the uncertainties associated with the announced US tax reform initially led to a lot of skepticism on the capital markets. Nonetheless, foreign investors significantly increased their European stockholding, which led to the largest shift away from American stocks since 1999. This process ultimately led to new record levels for the DAX. After a correction in May, however, the market then performed unevenly.

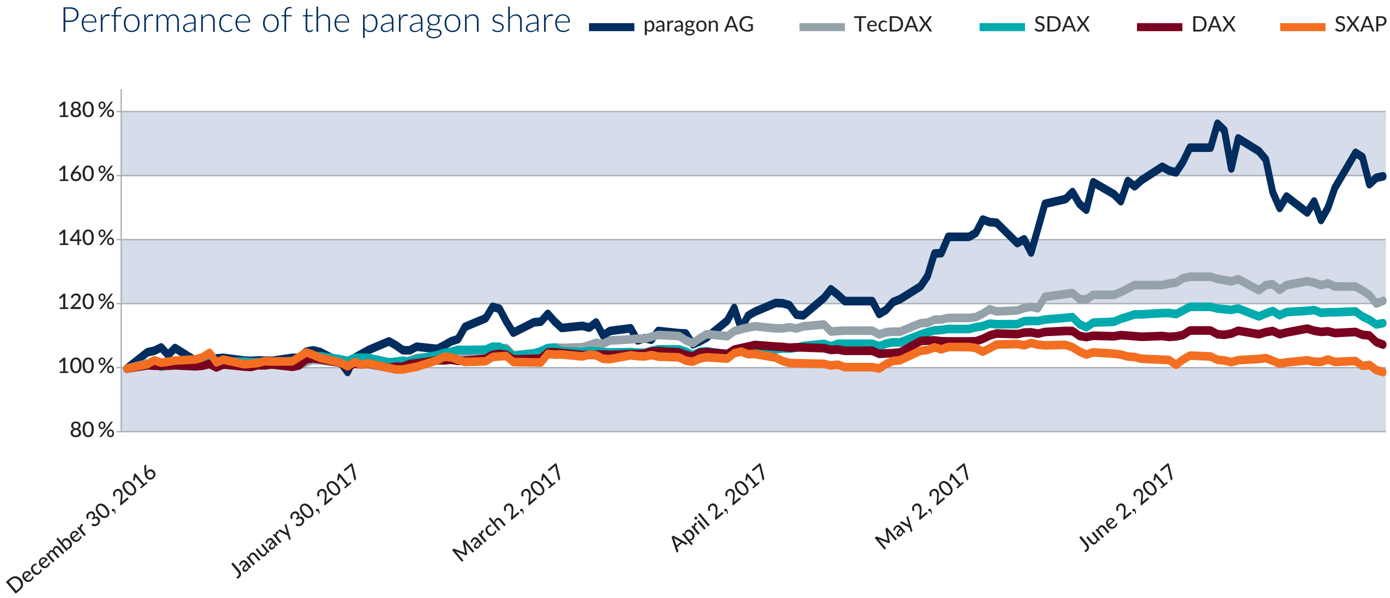
On the whole, Germany's most important stock indices concluded the quarter with gains (DAX 7.4%, SDAX 13.9%, TecDAX 20.8%). By contrast, the STOXX Europe 600 Automobiles & Parts (SXAP) index, which lists the most important European automotive industry stocks, posted a minor quarterly loss of 1.1%.

In this market environment, the paragon stock again outperformed the market in the first half of the year – achieving a 59% increase in its share price. Starting from an initial price of € 43.61, which was near the low of € 41.10 from January, the share price reached its high of € 72.70 at the start of June. After profit-taking in June, the share price ended the half year at € 66.00. This corresponds to a stock market value of approximately € 298.7 million for paragon AG as of the end of the reporting period and represents an increase of around € 110.7 million in the company's market capitalization for the first half of 2017.

The paragon AG corporate bond 2013/18 remained very stable in the first half of the year, with an average price of around € 105.36. On June 28, the listing newly issued corporate bond 2017/22 with a total volume of € 50 million and a fixed annual interest rate of 4.5% (both from July 5) was concluded at a closing rate of 101.84% in Frankfurt.

HANSAINVEST Hanseatische Investment-GmbH informed us that its share of voting rights in paragon AG exceeded the threshold of 3% of the share capital of the company on June 21, and amounted to 3.04% on that day.

Performance of the paragon share



Dear shareholders, customers, business partners and employees,

We continued to lay the foundation for further future growth in various ways throughout the second quarter of the current fiscal year. The megatrends we have long been addressing – climate change (CO_2 reductions), urbanization (shared mobility), digitalization (autonomous driving) and electrification (e-mobility) – are increasingly transforming conventional value chains. And our foresight in these areas is now paying off. Interest from automotive manufacturers in our innovative products is at an all-time high.

As a result of global climate change, car owners are showing an increasing awareness for sustainability and health. Here, we are well positioned thanks to the particle sensor we've developed. The sensor can measure the concentration of particulate matter with a diameter of 2.5 micrometers (2.5 µm) or even less. This further solidifies our position as a global market leader for innovative air-quality management in vehicle interiors. With this, we can significantly increase our market penetration in new vehicle models.

Furthermore, we help cut down on CO_2 emissions via weight reductions and improved aerodynamics with our latest product generation of actively adjustable spoilers. Another good example of our innovative strength is our new 3D+ sound system that we presented in May at the High End trade fair in Munich – the world's leading trade fair for audio systems. The software-controlled audio system was developed in cooperation with Audionet. It offers the perfect sound experience for every seat in the car. With our system, the central amplifier and star-shaped cable harness are made superfluous. This benefits automotive manufacturers with much lower heat buildup and considerable weight savings.

The globally growing trend towards urbanization has led to a fundamental change in consumer behavior in terms of individual mobility and therefore to alternative mobility concepts, such as autonomous driving. Together with the increasingly connected lifestyle due to advancing digitalization, topics such as security, comfort and connectivity are playing an increasingly important role for car owners. With this in mind, we are developing an extensive package of new products and systems across all units.

We have received a pilot order for our highly scalable MirrorPilot, which will lead to revenue starting in the 2018 fiscal year. In conjunction with the wireless charging tray, this connectivity solution allows for the seamless integration of smartphones. This system can also replace the central head unit of a vehicle and thus provides, among other things, the technical prerequisite for the business models of many new urban mobility start-ups.

In the Electromobility operating segment, the strategic focus continues to be on applications for capital goods like local public transportation, intralogistics (forklifts and automated guided vehicles) and mining vehicles. Here, lead-acid batteries and diesel generators are being replaced with our modern lithium-ion battery systems. We are benefiting from substitution effects in these existing markets. These particular investment decisions are made on an economic basis. Our focus gives us a time advantage in the e-mobility market over competitors that have limited themselves exclusively to the highly competitive mass market of tomorrow – electric cars.

In the second quarter, our modular kit for prismatic lithium-nickel-manganese-cobalt oxide battery modules (NMC cells) for forklifts received UL safety certification for the USA. This allows us to actively tap into the North American market for intralogistics. Serial production of the 5Ah starter batteries for motorcycles will begin in the third quarter, once the vehicle manufacturer's validation process has been concluded.

The first pilot series of a battery system with lithium-iron-phosphate (LFP) round cell modules for mining applications was delivered to Komatsu as planned in the second quarter. The battery management system was designed by our Voltabox developers in such a way that the available energy is optimized for a full shift of work in the mines while maximizing the overall battery life. This represents a significant improvement over the lead-acid batteries currently in use. The first practical tests were successful; we continue to plan starting serial production during the next fiscal year. We also achieved significant progress in the development of the battery module with pouch cells in the second quarter. These cells do not have a rigid outer housing but are enclosed in a flexible outer film. As a result, the cells have very good heat dissipation properties and can meet many design-specific requirements. Initial prototypes for use in a further vehicle model from the Komatsu portfolio will be prepared for validation as early as the third quarter.

In the Electromobility operating segment, we also deal with applications in construction and agricultural machinery as well as vehicles for municipal services. With an eye to the global mass market for cars, we will soon address the segment for modern 48V lithium-ion battery systems for hybrid cars. At the newly established location in Aachen, we now have a development team of experienced experts focused on the area of drivetrain components, including power electronics. As a result, we will soon cover the entire technology range related to the electrification of vehicles.

Following a positive performance of the new car market in the first quarter, global sales dynamics slowed slightly in the second quarter, though the European and Chinese markets enjoyed positive developments in June. Globally uneven dynamics have prompted the German automotive industry association to adjust its growth forecast for the three major sales markets – USA, China and Europe, which represent about 70% of the global passenger car market. Accordingly, sales of light vehicles in the USA are expected to be at the previous year's level with around 17.5 million units sold. For China, the growth expectations, originally at 5%, have been reduced from to 2%, which corresponds to a volume of approximately 24.1 million units. For Europe (EU28 + EFTA) slight growth of 2%, or about a total of 15.4 million units, is currently expected.

Despite globally decreasing sales trends in the second quarter, we were able to increase Group sales 13.3% to € 55.3 million in the first half of 2017 with an EBIT margin of 6.7%. This performance was due to our specific product and customer portfolio. We once again achieved our strategic goal of growing significantly faster than the automotive market. The growth is primarily attributable to the excellent performance of the Electromobility and Electronics operating segments. The operating result of Voltabox AG was positive for the first time in June, so that Voltabox AG may also contribute a positive EBIT for FY 2017. Hence, we are on a good course for meeting our forecast for the full year. We are targeting revenue of between € 120 million and € 125 million and an EBIT margin between 9.0% and 9.5%.

At this year's Annual General Meeting on May 10, we outlined how we intend to break the € 300 million revenues mark as a Group at the beginning of the next decade. To achieve this, we will take advantage of our enormous potential in the e-mobility market. In this sector alone, we plan to generate revenue in the ballpark of € 100 million by 2019. That was the figure for our entire Group sales in 2016!

Our share price also reached new record levels in the second quarter. Hitting a new all-time high at the beginning of June, the company was valued by the market at € 329 million – higher than ever before. At the end of

June, we successfully placed a new bond with a volume of € 50 million and a coupon of 4.5%. Due to the high oversubscription rate, we ended the public offer prematurely on the first day. This is further confirmation for us that our growth strategy is gaining recognition on the capital market. It is also further incentive for the entire paragon team to keep adding to our own unique growth story one day at a time.

We would like to take this opportunity to thank all our employees for their outstanding work and our business partners, customers and shareholders for their trust.

Klaus Dieter Frers
Chief Executive Officer

Dr. Stefan Schwehr
Chief Technology Officer

Business Performance

The excellent operative performance in the Electronics and Electromobility operating segments was a key factor in the company's growth in the first half of 2017.

Operating Segment in € thousands/as indicated	Electronics H1/2017	Electronics Share in %	Electromobility H1/2017	Electromobility Share in %	Mechanics H1/2017	Mechanics Share in %	Eliminations H1/2017	Group H1/2017
Revenue with 3rd parties	45,166	81.7	8,030	14.5	2,095	3.8	0	55,291
Revenue intersegment	616	n/a	2,532	n/a	28,448	n/a	-31,597	0
Segment revenue	**45,782**	**n/a**	**10,563**	**n/a**	**30,543**	**n/a**	**-31,597**	**55,291**
Segment EBIT	**7,344**	**n/a**	**-1,690**	**n/a**	**-1,090**	**n/a**	**-854**	**3,710**

The largest operating segment, Electronics, dominated Group activities as expected with revenue of € 45.8 million. Of this amount, € 45.2 million (prior year: € 42.6 million) were attributable to third-party revenue in the Sensors, Cockpit and Acoustics units, which corresponds to approximately 81.7% of Group sales (prior year: 87.3%).

Revenue in the Sensors unit decreased 5.8% to € 16.5 million (prior year: € 17.5 million). This is primarily due to life-cycle effects with simultaneously increasing take-rates in the current vehicle models with the latest sensor generation from paragon. In the Cockpit unit, revenue rose 6.2% to € 17.2 million (prior year: € 16.2 million), mainly due to the start in the first quarter of serial production for a new generation of cockpit instruments for a long-standing customer. The Acoustics unit recorded revenue growth of 28.5% to € 11.4 million (prior year: € 8.9 million) as a result of increased volumes of the current version of the premium hands-free microphones. EBIT for the operating segment amounted to about € 7.3 million.

Revenue in the Electromobility operating segment totaled € 10.6 million, of which € 8.0 million (prior year: € 4.5 million) is attributable to third-party revenue. The

Business unit in € thousands/as indicated	**First half 2017**	Share in %	First half 2016	Share in %	Change in %	**2nd quarter 2017**	Share in %	2nd quarter 2016	Share in %	Change in %
Sensors	16,477	29.8	17,495	35.8	-5.8	7,954	27.0	8,814	34.3	-9.8
Cockpit	17,248	31.2	16,242	33.3	6.2	8,886	30.2	8,868	34.6	0.2
Acoustics	11,441	20.7	8,901	18.2	28.5	5,816	19.8	4,553	17.7	27.7
Body kinematics	2,095	3.8	1,675	3.4	25.1	1,298	4.4	686	2.7	89.4
Electromobility	8,030	14.5	4,509	9.3	78.1	5,467	18.6	2,747	10.7	99.0
thereof: Voltabox AG	6,077	11.0	1,356	2.8	348.2	5,143	17.5	1,035	4.0	396.8
thereof: Voltabox of Texas, Inc.	1,953	3.5	3,153	6.5	-38.1	324	1.1	1,712	6.7	-81.1
Total	55,291	100.00	48,822	100.0	13.3	29,421	100.00	25,668	100.00	14.6

operating segment is represented by the subsidiary Voltabox AG, headquartered in Delbrück and also located in Aachen, and by its subsidiary Voltabox of Texas, Inc., in Austin, Texas, USA. The largest growth driver was the entry into the highly automated serial production of battery modules for intralogistics applications. During the period under review, the operating segment accounted for 14.5% of Group sales (prior year: 9.3%). EBIT for the operating segment amounted to € -1.7 million.

Revenue in the Mechanics operating segment totaled € 30.5 million. Of this figure, € 2.1 million were attributable to third-party revenue in the Body Kinematics unit (prior year: € 1.7 million). This corresponds to 3.8% of Group sales (prior year: 3.4%). The performance of sales with third parties in this operating segment is mainly attributable to the start of serial production for the latest generation of adaptively extendible rear spoilers in the second quarter. EBIT for the operating segment amounted to € -1.1 million.

Financial Performance

In the first half of the year, paragon AG generated Group sales of € 55.3 million (prior year: € 48.8 million), which constitutes an increase of 13.3%. The increase in inventories of finished goods and work in progress of € 1.4 million (prior year: € 0.1 million) is mainly due to the expansion of business activities in the Electromobility operating segment. Capitalized development costs increased 19.6% to € 7.5 million (prior year: € 6.3 million), a large portion of which is attributable to the Electronics (51%) and Electromobility (28%) operating segments. Due to the expansion of production in the newest units, the cost of materials developed disproportionally – with a 16.7% increase to € 31.0 million (prior year: € 26.5 million). The material input ratio increased accordingly to 56.0% (prior year: 54.3%). This resulted in a gross profit for the first half year of 2017 of € 33.7 million (prior year: € 29.1 million), which corresponds to a gross profit margin of 61.0% (prior year: 59.5%). Personnel costs increased mainly as a result of the new hires in connection with the operational growth in the new units – especially in the field of development – by 15.0% to € 16.7 million (prior year: € 14.6 million). The personnel expense ratio accordingly came to 30.3% (prior year: 29.8%).

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose 17.7% to € 8.0 million (prior year: € 6.8 million), which corresponds to an EBITDA margin of 14.5% (prior year: 13.9%). After increased depreciation and amortization of € 4.3 million (prior year: € 3.3 million), earnings before interest and taxes (EBIT) improved to € 3.7 million (prior year: € 3.5 million). Accounting for the increase in revenue, the EBIT margin decreased slightly to 6.7% (prior year: 7.2%). With a financial result on par with the prior year's figure of € -1.5 million and lower income taxes of € 0.6 million (prior year: € 1.3 million), the paragon Group generated a notably higher consolidated net income of € 1.6 million in the period under review (prior year: € 0.7 million). This corresponds to earnings per share of € 0.35 (prior year: € 0.16).

Net Assets and Financial Position

Total assets increased as of June 30, 2017, to € 119.7 million (December 31, 2016: € 115.6 million), which is mainly attributable to the further increase in intangible assets.

Noncurrent assets increased € 3.5 million to € 79.3 million (December 31, 2016: € 75.8 million). This gain is attributable to an increase in intangible assets, up € 5.4 million to € 42.6 million, resulting from the further capitalization of own work in connection with the development of new product generations and product innovations.

Current assets increased slightly to € 40.4 million (December 31, 2016: € 39.7 million). While inventories rose € 2.6 million to € 16.3 million and trade receivables increased € 3.7 million to € 12.1 million due to expanded business activities in the new units, cash and cash equivalents decreased € 5.6 million to € 8.7 million as a result of investments.

Noncurrent provisions and liabilities increased slightly to € 45.7 million (December 31, 2016: € 44.9 million), which is primarily due to higher deferred tax liabilities.

Current provisions and liabilities increased € 3.4 million to € 39.4 million (December 31, 2016: € 36.0 million). This is mainly attributable to an increase in short-term borrowings of € 3.2 million to € 15.6 million and an increase in other current liabilities of € 0.7 million to € 6.8 million, while trade payables decreased € 0.4 million to € 16.0 million.

paragon AG's equity remained unchanged at € 34.7 million. The equity ratio fell to 29.0% (December 31, 2016: 30.0%) as a result of the slightly higher balance sheet total as of the end of the reporting period.

The cash flow from operating activities decreased in the reporting period, despite the € 1.0 million higher depreciation on noncurrent assets, totaling € 1.7 million (prior year: € 4.7 million). This is mainly due to an increase in other provisions and provisions for pensions that has been reduced by € 1.1 million. In addition, trade receivables increased € 4.7 million in the reporting period, whereas a reduction of € 3.4 million was recorded in the prior year. At the same time, growth in inventories was reduced by € 1.3 million. Trade payables increased € 1.7 million, after having decreased € 1.0 million in the prior year. Finally, income taxes were up € 1.1 million after having decreased € 0.2 million in the prior year.

Cash flow from investing activities decreased € 1.8 million to € -9.1 million in the reporting period (prior year: € -10.9 million), which is mainly due to significantly lower investments in property, plant and equipment.

Cash and cash equivalents totaled € 8.7 million as of the end of the reporting period (prior year: € 5.7 million).

Control System

The Management Board regularly uses key figures to measure the economic success of the operative implementation of its corporate strategy. The control system takes into account the type and/or amount of one-time or extraordinary effects on the performance indicators, particularly regarding the new operating segments Electromobility and Mechanics. Due to these specific influences, the internal targets are generally set as bandwidths for measuring and managing operative performance, depending on the respective planning horizon. The relative performance of the key figures of Group sales, EBIT margin and investments is observed using medium-term planning that accounts for experience curve effects within a given corridor. Given the dynamic growth strategy, this facilitates forward-looking management in terms of both risk- and opportunity-oriented corporate governance.

Opportunity and Risk Report

In the first six months of 2017, there have been no significant changes in the opportunities and risks described in detail under "Opportunity and Risk Report" in the 2016 Annual Report. The 2016 Annual Report can be accessed on the internet at www.paragon.ag/en/investors.

Forecast

The Management Board has explained in detail its forecast for the current year and the key assumptions for its derivation in the Group management report for the 2016 fiscal year. Based on its current competitive position and the extensive investments made in recent years, particularly in the development of production sites in Germany, the U.S. and, most recently, in China, paragon AG continues to expect to grow more quickly than the global automotive industry in fiscal year 2017.

Group sales are expected to grow from € 102.8 million to between € 120 and 125 million in the current fiscal year. An EBIT margin of around 9.0% to 9.5% is expected, which corresponds to an EBIT range between € 10.8 million and € 11.9 million.

The Electromobility operating segment is expected to account for roughly half of sales growth. Accordingly, this operating segment will contribute about € 25 million to Group sales in the current year.

The Mechanics operating segment is expected to record the highest relative sales growth. It should contribute about € 4 million to the growth of Group sales.

The remaining revenue growth is distributed among the units Sensors, Cockpit and Acoustics, which are part of the largest operating segment: Electronics.

In the current year, the Management Board is now expecting an investment volume of around € 21 million, as some of the originally planned investments have been shifted to the next year. The planned investment portfolio will consist of own work capitalized (€ 12 million), new buildings (€ 1 million) and new/replacement investments in machinery (€ 8 million).

The further significant expansion planned in the Electromobility operating segment is intended to make paragon more independent of macroeconomic factors in the automotive industry and broaden the customer structure.

The weighted, cumulative (lifetime) order backlog in the paragon Group grew to € 1.6 billion as of June 30 (March 31, 2017: € 1.4 billion). Approximately 73% of this is due to framework contracts, which are already signed. At the moment, € 0.8 billion (March 31, 2017: € 0.7 billion) is attributable to the Electromobility operating segment, of which around 86% is from existing framework contracts.

Development of Key Performance Indicators

In € thousands / as indicated	2016	Year-to-date/ first six months 2017	Forecast 2017
Financial performance indicators			
Group revenue	102,790	55,291	€ 120 million to € 125 million
EBIT margin	8.7 %	6.7 %	9.0 % to 9.5 %
Investments	23,262	9,550	Approx. € 21 million

Note for the condensed interim consolidated financial statements: rounding differences of +/- one unit (€ 000s) may occur in the tables.

Condensed Group interim financial statement: consolidated statement of comprehensive income of paragon AG, Delbrück, for the period of January 1 to June 30, 2017 (IFRS)

In € thousands	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2016	Apr. 1 - Jun. 30, 2017	Apr. 1 - Jun. 30, 2016
Revenue	**55,291**	**48,822**	**29,421**	**25,668**
Other operating income	498	434	345	170
Increase or decrease in inventory of finished goods and work in progress	1,382	52	-350	-388
Other own work capitalized	7,529	6,293	3,826	2,997
Total operating performance	**64,700**	**55,601**	**33,242**	**28,447**
Cost of materials	-30,960	-26,528	-15,186	-13,546
Gross profit	**33,740**	**29,073**	**18,056**	**14,901**
Personnel expenses	-16,732	-14,554	-8,635	-7,458
Depreciation of property, plant and equipment and amortization of intangible assets	-4,285	-3,274	-2,275	-1,599
Impairment of property, plant and equipment and intangible assets	-5	0	-5	0
Other operating expenses	-9,008	-7,721	-4,779	-3,679
Earnings before interest and taxes (EBIT)	**3,710**	**3,524**	**2,362**	**2,165**
Financial income	5	1	5	0
Financial expenses	-1,519	-1,554	-759	-805
Financial result	**-1,514**	**-1,553**	**-754**	**-805**
Earnings before taxes (EBT)	**2,196**	**1,971**	**1,608**	**1,360**
Income taxes	-599	-1,302	-83	-782
Group result	**1,597**	**669**	**1,525**	**578**
Earnings per share in € (basic)	0.35	0.16	0.34	0.14
Earnings per share in € (diluted)	0.35	0.16	0.34	0.14
Average number of shares outstanding (basic)	4,526,266	4,114,788	4,526,266	4,114,788
Average share of shares outstanding (diluted)	4,526,266	4,114,788	4,526,266	4.114.788
Other result				
Actuarial gains and losses	0	0	0	0
Currency translation reserve	-452	38	-552	-143
Total comprehensive income	**1,145**	**707**	**973**	**435**

Condensed Group interim financial statement: consolidated balance sheet of paragon AG, Delbrück, as of June 30, 2017 (IFRS)

In € thousands	Jun. 30, 2017	Dec. 31, 2016
ASSETS		
Noncurrent assets		
Intangible assets	42,583	37,188
Goodwill	843	843
Property, plant and equipment	35,481	37,378
Financial assets	326	326
Other assets	89	88
	79,322	**75,823**
Current assets		
Inventories	16,321	13,716
Trade receivables	12,110	8,377
Income tax assets	153	1,210
Other assets	3,099	2,149
Liquid funds	8,708	14,278
	40,391	**39,730**
Total assets	**119,713**	**115,553**

In € thousands	Jun. 30, 2017	Dec. 31, 2016
EQUITY AND LIABILITIES		
Equity		
Subscribed share capital	4,526	4,526
Capital reserve	15,165	15,165
Revaluation deficit	-908	-908
Profit/loss carried forward	15,297	12,867
Group result	1,597	3,561
Currency translation differences	-989	-537
	34,688	**34,674**
Noncurrent provisions and liabilities		
Noncurrent liabilities from Finance Lease	1,874	2,215
Noncurrent loans	20,244	20,369
Noncurrent bonds	13,745	13,186
Special item for investment grants	1,049	1,092
Deferred income tax liabilities	6,159	5,475
Pension provisions	2,582	2,516
	45,653	**44,853**
Current provisions and liabilities		
Current liabilities from Finance Lease	844	998
Current loans and current portion of noncurrent loans	15,595	12,413
Trade payables	15,955	16,383
Other provisions	193	18
Income tax liabilities	0	82
Other current liabilities	6,785	6,132
	39,372	**36,026**
Total equity and liabilities	**119,713**	**115,553**

Condensed Group interim financial statement: consolidated cash flow statement of paragon AG, Delbrück, for the period of January 1 to June 30, 2017 (IFRS)

In € thousands	Jan. 1. – Jun. 30, 2017J		Jan. 1. – Jun. 30, 2017	
Earnings before taxes	**2,196**		**1,971**	
Depreciation/amortization of noncurrent fixed assets	4,285		3,274	
Financial result	1,514		1,553	
Gains (-), losses (+) from the disposal of property, plant and equipment and financial assets	52		- 3	
Increase (+), decrease (-) in other provisions and pension provisions	75		1,248	
Income from the reversal of the special item for investment grants	-44		-44	
Other non-cash income and expenses	-373		29	
Increase (-), decrease (+) in trade receivables, other receivables, and other assets	-4,685		3,373	
Impairment of intangible assets	5		0	
Increase (-), decrease (+) in inventories	-2,605		-3,939	
Increase (+), decrease (-) in trade payables and other liabilities	1,740		-1,027	
Interest paid	-1,519		-1,554	
Income taxes	1,061		-167	
Cash flow from operating activities		**1,702**		**4,714**
Cash receipts from the disposal of property, plant and equipment	487		25	
Cash payments for investments in in property, plant and equipment	-918		-3,294	
Cash payments for investments in intangible assets	-7,846		-6,464	
Cash payments for the acquisition of consolidated companies and other business units	-786		-1,155	
Interest received	5		1	
Cash flow from investment activities		**-9,058**		**-10,887**
Distribution to shareholders	-1,132		-1,029	
Loan repayments	-2,816		-2,164	
Proceeds from loans	6,229		7,077	
Repayments of liabilities from Finance Lease	-495		-429	
Cash flow from financing activities		**1,786**		**3,455**
Changes in cash and cash equivalents	-5,570		-2,718	
Cash and cash equivalents at the beginning of the period	14,278		8,454	
Cash and cash equivalents at the end of the period	8,708		5,735	

Condensed Group interim financial statement: Schedule of changes in consolidated equity of paragon AG, Delbrück, for the period of January 1 to June 30, 2017 (IFRS)

					RETAINED EARNINGS		
In € thousands	Subscribed share capital	Capital reserve	Revaluation deficit	Reserve from currency translation	Profit carried forward	Group result	Total
January 1, 2016	4,115	2,450	-766	-292	13,896	0	19,402
Group result	0	0	0	0	0	669	669
Acutarial gains and losses	0	0	0	0	0	0	0
Currency translation	0	0	0	38	0	0	38
Other result	0	0	0	38	0	0	38
Total comprehensive income	0	0	0	38	0	669	707
Distribution to shareholders	0	0	0	0	-1,029	0	-1,029
June 30, 2016	4,115	2,450	-766	-254	12,867	669	19,081

					RETAINED EARNINGS		
In € thousands	Subscribed share capital	Capital reserve	Revaluation deficit	Reserve from currency translation	Profit carried forward	Group result	Total
January 1, 2017	4,526	15,165	-908	-537	16,428	0	34,674
Group result	0	0	0	0	0	1,597	1,597
Acutarial gains and losses	0	0	0	0	0	0	0
Currency translation	0	0	0	- 452	0	0	- 452
Other result	0	0	0	- 452	0	0	- 452
Total comprehensive income	0	0	0	-452	0	1,597	1,145
Distribution to shareholders	0	0	0	0	-1,132	0	-1,132
June 30, 2017	4,526	15,165	-908	-989	15,297	1,597	34,688

Condensed Notes to the Consolidated Interim Financial Statements as of June 30, 2017

Accounting Principles

The consolidated interim financial statements of paragon AG as of June 30, 2017, have been prepared in accordance with uniform accounting and valuation principles issued by the International Financial Reporting Standards (IFRS), which were also applied in the consolidated financial statements as of December 31, 2016. 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 consolidated group consists of KarTec GmbH; paragon Automotive Technology (Shanghai) Co., Ltd.; paragon Automotive (Kunshan) Co., Ltd.; Voltabox of Texas, Inc.; Voltabox AG; productronic GmbH; and SphereDesign GmbH.

Change in Estimates

paragon AG has loaned capital to Voltabox of Texas, Inc. since its foundation and the effects from the conversion of this loan are recorded in the statement of comprehensive income. The business operations of Voltabox of Texas, Inc. now necessitate a considerable extension of this loan, well beyond the time frame that was originally expected. The loan volume as of June 30, 2017, is € 9,406 thousand. There are currently no plans for a repayment in the near future. As a result, in accordance with IAS 21, this recent development will be recorded as a net investment in an overseas business. Losses due to unrealized currency movements will be recorded directly in equity under the “currency translation differences” item as of the Group Interim Report dated June 30, 2017.

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 balance sheet and the cash flow statement of paragon AG.

Management Board and Supervisory Board

As of June 30, 2017, there have been no changes in the composition of the managing and supervisory bodies compared to December 31, 2016.

Events After the Balance Sheet Date

paragon AG successfully placed its new corporate bond (ISIN DE000A2GSB86; WKN A2GSB8) with a total volume of € 50 million on the first day of the subscription period: June 27, 2017. Due to oversubscription of the offer, the subscription period was ended prematurely. The final annual interest rate has been set at 4.5% p.a. The first trading day for the bonds on the open market (free trade) of the Frankfurt Stock Exchange in Deutsche Börse AG’s Scale segment for corporate bonds was June 28, 2017. The issue date and the beginning of the interest term is July 5, 2017. The corporate bond matures on July 5, 2022.

Related Party Disclosures

As of June 30, 2017, there have been no changes in the composition of related parties compared to December 31, 2016.

Notes on the Preparation of the Consolidated Interim Financial Statements

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

Declaration by the Legal Representatives

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

Delbrück, August 15, 2017

The Management Board

Financial Calendar 2017

January 5/6, 2017	20. Oddo Forum, Lyon
February 15/16, 2017	11. German Corporate Conference, Frankfurt am Main
March 27, 2017	Annual report – consolidated financial statements FY 2016
May 10, 2017	Interim release as of March 31, 2017 – first 3 months
May 10, 2017	Annual General Meeting, Delbrück
June 1, 2017	quirin Champions 2017, Frankfurt am Main
August 15, 2017	Group interim report as of June 30, 2017 – first six months
September 5/6, 2017	15. SCC Small Cap Conference, Frankfurt am Main
November 14, 2017	Interim release as of September 30, 2017 – first nine months
November 27-29, 2017	Deutsches Eigenkapitalforum, Frankfurt am Main

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