paragon®

GROUP INTERIM REPORT
AS OF SEPTEMBER 30, 2023
NINE MONTHS

Key Figures for the paragon Group [1]

€ '000 / as indicated	Jan. 1 to Sep. 30, 2023	Jan. 1 to Sep. 30, 2022	Change	Jul. 1 to Sep. 30, 2023	Jul. 1 to Sep. 30, 2022	Change
Revenue (continued operations)	122,011	118,618	2.9 %	35,374	37,877	-6.6 %
EBITDA [2] (continued operations)	16,269	8,524	90.9 %	8,179	2,105	288.5 %
EBITDA margin in %	13.3 %	7.2 %	85.6 %	23.1%	5.6%	316.0 %
EBITDA for paragon semvox GmbH (discontinued operations)	7,569	3,505	115.9 %	n.a.	1,034	-100.0 %
EBITDA (continued and discontinued operations)	23,838	12,029	98.2 %	8,179	3,139	160.6 %
EBIT (continued operations)	5,483	-1,164	571.1 %	4,304	-1,245	445.7 %
EBIT margin in %	4.5 %	-1.0 %	558.0 %	12.2%	-3.3%	470.2 %
Earnings from continued operations	-2,625	-5,569	52.9 %	2,991	-1,893	258.0 %
Earnings from discontinued operations	6,999	1,036	575.6 %	n.a.	87	-100.0 %
Consolidated net income	4,374	-4,533	196.5 %	2,992	-1,806	265.7 %
Earnings per share in € (basic and diluted) from continued operations	-0.58	-1.23	52.8 %	0.66	-0.42	257.4 %
Earnings per share in € (basic and diluted) from discontinued operations	1.55	0.23	572.3 %	0.00	0.02	-100.0 %
Earnings per share in € (basic and diluted) from continued and discontinued operations	0.97	-1.00	196.6 %	0.66	-0.40	265.2 %
Investments (CAPEX) [3] (continued operations)	2,151	6,068	-64.6 %	1,665	2,587	-35.6 %
Operating cash flow (continued operations)	-5,568	11,840	-147.0 %	-140	1,643	-108.5 %
Free cash flow [4] (continued operations)	-7,719	5,772	-233.7 %	-1,805	-944	-91.2 %

€ '000 / as indicated	Sep. 30, 2023	Dec. 31, 2022	Change	Sep. 30, 2023	Sep. 30, 2022	Change
Total assets	122,585	172,542	-29.0 %	122,585	159,288	-23.0 %
Equity	4,937	661	647.1 %	4,937	-1,264	490.6 %
Equity ratio in %	4.0 %	0.4 %	951.5 %	4.0 %	-0.8%	607.5 %
Cash and cash equivalents	7,960	18,106	-56.0 %	7,960	530	1,401.8 %
Interest-bearing liabilities [5]	72,668	120,128	-39.5 %	72,668	102,872	-29.4 %
Net debt [6]	64,708	102,022	-36.6 %	64,708	102,342	-36.8 %
Bank and bond liabilities less cash and cash equivalents	48,958	86,041	-43.1 %	48,958	89,623	-45.4 %
Net leverage ratio [7]	1.74	5.28	-67.0 %	1.74	5.26	-66.9 %
Employees [8]	778	729	6.7 %	778	871	-10.7 %

The First Nine Months of 2023 at a Glance

- In the first nine months of the year, revenue in continued operations increased to € 122.0 million (prior year: € 118.6 million)
- Cooperation and supply agreement concluded with Clarios, the world-leading supplier of low-voltage batteries
- Asset deal as part of the partnership with Clarios leads to positive earnings contribution in the mid-single-digit million range
- The deal also served to increase EBITDA from continued operations to € 16.3 million for the first nine months of the year (prior year: € 8.5 million)
- Cash inflow from asset deal reduces net debt (bank and bond liabilities less cash and cash equivalents) to € 49.0 million (end of 2019: € 121.3 million)
- EBITDA: increase in continued and discontinued operations, taking into account the deconsolidation effect of the Digital Assistance operating segment, to € 23.8 million (prior year: € 12.0 million)
- Positive net income after nine months of € 4.4 million leads to earnings per share of € 0.97
- Expectations for 2023 updated: EBITDA now between € 25 and 27 million, revenue at € 160 to 170 million

Share

	Sep. 30, 2023	Dec. 31, 2022	Change	Sep. 30, 2023	Sep. 30, 2022	Change
Closing price on Xetra in €	4.95	4.31	14.8 %	4.95	3.79	30.6 %
Number of shares issued	4,526,266	4,526,266	0	4,526,266	4,526,266	0
Market capitalization in € millions	22.4	19.5	2.9	22.4	17.2	5.25

1 The paragon Group comprises the Electronics and Mechanics segments. Due to the sale of paragon semvox GmbH in the first half of 2023, the Digital Assistance operating segment is presented as a discontinued operation as of September 30, 2023. The prior-year figures have been adjusted accordingly.
2 For information on the calculation of the EBITDA indicator, please refer to the explanations in the combined management report in the Annual Report.
3 CAPEX = investments in property, plant and equipment + investments in intangible assets
4 Free cash flow = operating cash flow – investments (CAPEX)
5 Interest-bearing liabilities = liabilities from lease contracts plus loans plus bonds
6 Net debt = interest-bearing liabilities – cash and cash equivalents
7 According to the definition in Section 3 bond term WKN A2GSB8 (loans plus bonds less cash and cash equivalents divided by EBITDA)
8 Plus 61 temporary workers (December 31, 2022: 110)

Foreword by the Management Board

Dear shareholders, customers, business partners and employees,

In the first nine months of 2023, we were able to increase revenues in continued operations, excluding the former Digital Assistance operating segment, to € 122.0 million (prior year € 118.6 million). The increase in sales is slightly lower than in the same quarters of the prior year due to the scheduled discontinuation of a sensor technology product in the summer of 2023, and due to extended plant holiday periods on the part of our customers, i.e., automotive manufacturers.

In July 2023, we successfully concluded the sale of paragon semvox GmbH (Digital Assistance operating segment) to CARIAD SE, the software company of the Volkswagen Group. The earnings contribution of paragon semvox GmbH, including the effect of deconsolidation, is reported on the income statement under "Earnings from discontinued operations" and amounts to € 7.0 million. We extend our best wishes for success to our long-time colleagues at semvox.

In August 2023, we successfully implemented the next step in the plan to enhance our core business and expedite the global scaling of our technology. With Clarios, the global leader in starter batteries, we successfully completed the transfer of a portion of our Power operating segment while establishing broader collaboration and supply agreements. The transaction allows Clarios to incorporate our lithium-ion battery technology and bring on board a team of engineers to accelerate the progress of developing innovative low-voltage architectures for vehicles. Our commitment to the lithium-ion battery market remains unwavering; we will continue to provide battery management electronics for Clarios' existing and potential ventures. As a result, we will continue to be actively involved in Clarios' future achievements. However, we will continue to offer battery management systems and traction batteries based on FSD technology to third parties.

We used the proceeds from the sale of the asset deal with Clarios, and the proceeds from the sale of the Digital Assistance operating segment, to further reduce the debt of the paragon Group. As a result, the CHF bond issued in 2019 was repaid on schedule and in full. The EUR bond extended in 2022 was reduced to € 45.2 million. This means that total bank liabilities and bond liabilities (less cash and cash equivalents) were only € 49.0 million as of the balance sheet date. Immediately before the outbreak of the COVID-19 pandemic in December 2019, this figure was still more than two and a half times that size, at € 121.3 million. We are proud of this reduction in what is certainly a difficult market environment.

In the first nine months of 2023, paragon generated EBITDA from continued operations (taking into account the earnings contribution in the mid-single-digit million range from the sale of production facilities to Clarios) of € 16.3 million. This is an increase of 90.9 % compared to the prior-year period (€ 8.5 million). Since EBITDA from discontinued operations (including the effect from the deconsolidation of paragon semvox GmbH) is € 7.6 million, the total EBITDA for the paragon Group after nine months amounts to € 23.8 million (prior-year period: € 12.0 million).

For fiscal year 2023, we communicated a revenue forecast of approx. € 170 million and EBITDA of between € 20 and 25 million. In the short term, our sales revenues are impacted by the extended plant holidays of car manufacturers in the summer compared to prior years, but also during the upcoming turn-of-the-year period. Taking into account the significant increase in profitability and existing customer orders, we adjusted the outlook for the full year 2023 in October as follows:

- EBITDA is expected to be between € 25 and 27 million in 2023, higher than previously communicated (€ 20 to 25 million)
- Sales this year are expected to be between € 160 and 170 million (previously communicated: approx. € 170 million)

The need to reduce debt has certainly been a dominant theme in recent quarters. We have reported regularly on progress in this direction. We consider the level of net debt we have now achieved to be appropriate for paragon and would now like to emphasize other aspects of our work once again in our communications with stakeholders. Our activities are now increasingly focused on raising our profitability, expanding our sales activities in China, the USA and South Korea and undertaking development work on new products for the automotive industry as well as other sectors. We will provide you with comprehensive information on these exciting topics in a timely manner.

We would like to thank the employees of paragon for their commitment and their contribution to the success of the company as well as our customers, business partners and shareholders for their trust.

Delbrück, November 2023

Klaus Dieter Frers
Chief Executive Officer

Dr. Martin Esser
Chief Financial Officer

paragon in the Capital Market

The paragon share gained in value during the first nine months of 2023. Having been priced at € 4.31 at the end of 2022, the share reached € 5.20 at the end of the first quarter. At the end of the first half of the year, the share price was € 5.90. At the end of the third quarter, the share price stood at € 4.95. Paragon's stock market value thus increased from € 19.5 million to € 22.4 million.

Corporate Bond 2017/27

The corporate bond placed in June 2017 (ISIN DE000A2GSB86; WKN A2GSB8) with a total volume of € 50 million is listed on the open market (free trade) of the Frankfurt Stock Exchange in Deutsche Börse AG's Scale segment for corporate bonds.

In March 2022, a decision was reached at a creditors' meeting to adjust the bond conditions. In addition to a now semi-annual interest payment and a higher interest coupon, the final maturity was postponed by five years to July 5, 2027. Furthermore, partial repayments of € 25 million were arranged for 2023 to 2025 or upon the sale of operating segments or subsidiaries, with interim repayments considered. In the first half of 2023, the nominal value of the bond was reduced from € 50.0 million to € 45.2 million.

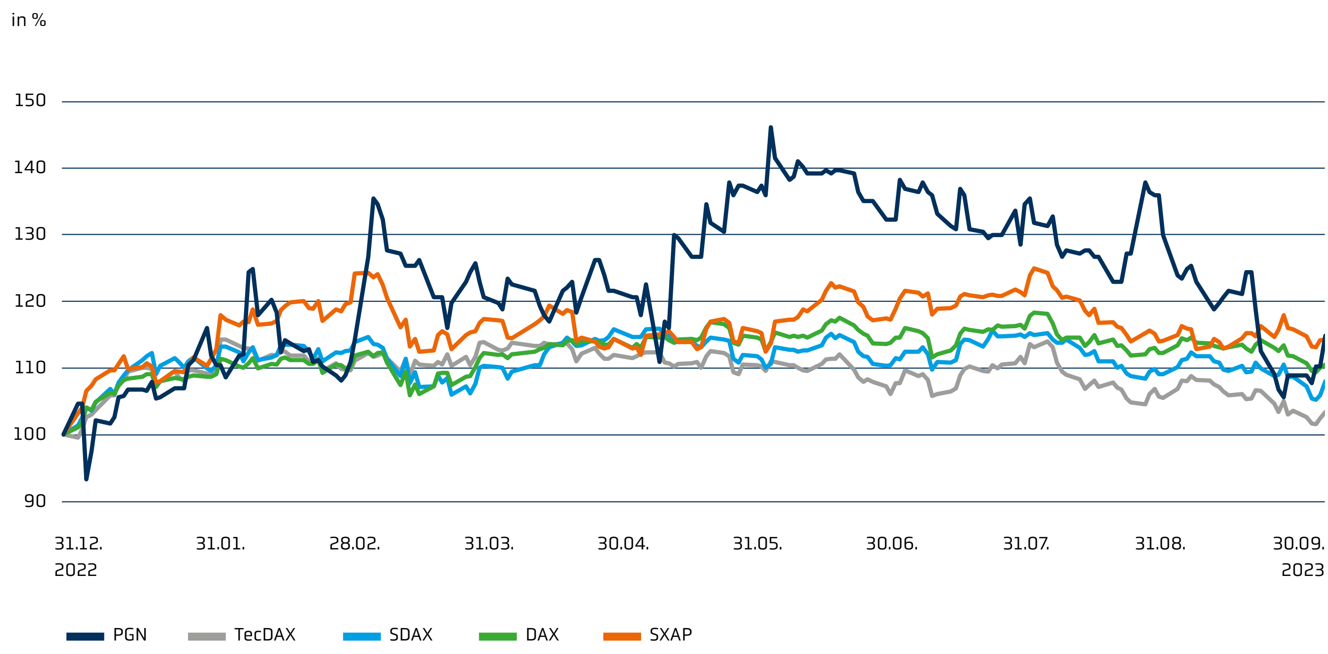
The interest on the bond depends on the net debt-equity ratio of the paragon Group. The interest rate is currently 9.25 %. Based on the reduced leverage ratio forecast as of December 31, 2023, paragon expects an interest rate on the bond of 7.5 % in fiscal year 2024.

At the end of the reporting period, the bond closed at 64.7 %. With regard to the stock market buyback program launched after the balance sheet date, we refer to the comments in the corresponding section.

Corporate Bond 2019/23

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 five years in the first instance. The bond has been listed on the SIX Swiss Exchange under ISIN CH0419041105 since April 23, 2019, and has been interest-bearing since that date, first payable on April 23, 2020.

Performance of the paragon Share



On April 7, 2021, the maturity of the bond was shortened to four years. An early redemption of CHF 5.25 million on August 3, 2021, and CHF 8.75 million on April 23, 2022, was arranged. The outstanding nominal volume as of December 31, 2022, was thus still CHF 21.00 million.

After completion of a public buyback program in the first quarter of 2023, the outstanding nominal volume was reduced to CHF 12.6 million. This remaining amount was repaid at the end of April 2023. The CHF bond has thus been repaid in full.

Investment in paragon semvox GmbH

paragon GmbH & Co. KGaA sold all its shares in paragon semvox GmbH to CARIAD SE, a wholly owned subsidiary of the VW Group, by notarized agreement dated December 1, 2022. The transaction was closed on May 12, 2023. As a result of the sale, paragon GmbH & Co. KGaA lost control of the subsidiary paragon semvox GmbH. For this reason, paragon semvox GmbH is recognized as a "discontinued operation" in accordance with IFRS 5 and was deconsolidated in the current fiscal year. Taking account of the transaction costs incurred, the proceeds from the sale amounted to € 37.5 million. paragon semvox GmbH represented the Digital Assistance operating segment within the paragon Group.

Business Performance

In the first three quarters of 2023, the international automotive markets experienced significant positive growth compared to the prior year. However, it should be noted that the market volume in the same period of the prior year was at a low level due to shortages of semiconductors and Russia's war of aggression on Ukraine. The cumulative growth rates are still expected to decline somewhat by the end of the year. In the first nine months of 2023, new registrations were up 17 % in Europe and 14 % in the United States. Growth on the Chinese market was 7 % compared with the same period of the prior year.

In the first nine months of fiscal year 2023, paragon's business performance was characterized by an overall increase in sales volumes, particularly in the Mechanics operating segment. Revenue increased by 2.9 %, from € 118.6 million in the first nine months of 2022 to € 122.0 million in the first nine months of 2023.

The revenue trend for paragon's two operating segments was as follows:

Operating segment	Electronics [1]			Mechanics [2]			Eliminations			paragon Automotive		
€ '000 / as indicated	9M/ 2023	9M/ 2022	Δ in %	9M/ 2023	9M/ 2022	Δ in %	9M/ 2023	9M/ 2022	Δ in %	9M/ 2023	9M/ 2022	Δ in %
Revenue with third parties	78,308	79,602	-1.6	43,703	39,016	12.0	0	0	N/A	122,011	118,618	2.9
Intersegment revenue	757	768	-1.4	1,277	209	511.0	-2,034	-977	108.2	0	0	N/A
Revenue	**79,065**	**80,370**	**-1.6**	**44,980**	**39,225**	**14.7**	**-2,034**	**-977**	**108.2**	**122,011**	**118,618**	**2.9**
EBITDA	**13,923**	**7,214**	**93.0**	**2,346**	**1,310**	**79.1**	**0**	**0**	**N/A**	**16,269**	**8,524**	**90.9**
EBITDA margin	**17.6 %**	**9.0 %**	**96.2**	**5.2 %**	**3.3 %**	**56.2**	**N/A**	**N/A**	**N/A**	**13.3 %**	**7.2 %**	**85.6**

1 Sensors, Interior and Power operating segments
2 Kinematics operating segment (paragon movasys GmbH)

As expected, the largest operating segment, Electronics, dominated Group activities with revenue of € 79.1 million (prior year: € 80.4 million). Of this amount, € 78.3 million (prior year: € 79.6 million) was attributable to third-party revenue in the Sensors, Interior and Power operating segments, which corresponds to 64.2 % of Group revenue (prior year: 67.1 %). EBITDA for this operating segment amounted to approximately € 13.9 million (prior year: € 7.2 million).

Of the Mechanics segment revenue in the amount of € 45.0 million (prior year: € 39.2 million), € 43.7 million was attributable to third-party revenue (prior year: € 39.0 million). This increase was primarily due to the significant increase in sales of adaptive rear spoilers for German and Chinese sports car manufacturers. Segment revenue with third parties, which is recognized under paragon movasys GmbH in the Kinematics operating segment, accounted for 35.8 % of Group revenue in the first nine months of 2023 (prior year: 32.9 %). EBITDA for this operating segment amounted to € 2.3 million (prior year: € 1.3 million).

Revenue development for the individual operating segments was as follows:

The Power operating segment was able to increase its revenue from € 1.2 million in the first nine months of 2022 to € 6.3 million in the reporting period. This was due to increased volumes of a lithium-ion battery for an OEM, the new start-up of another battery in the second quarter of 2023 and invoiced development costs.

In the Kinematics operating segment, revenue increased by 12.0 % to € 43.7 million (prior year: € 39.0 million). This makes the Kinematics operating segment the largest segment of the paragon Group for the first time.

Financial Performance

In the first nine months of the current fiscal year, paragon generated revenue of roughly € 122.0 million (prior year: € 118.6 million). With inventory changes of € 0.6 million (prior year: € 2.4 million) and capitalized development costs of € 1.7 million (prior year: € 4.5 million), total operating performance amounted to € 134.0 million (prior year: € 128.0 million).

Breakdown of revenue € '000 / as indicated	**9M/ 2023**	**Share in %**	**9M/ 2022**	**Share in %**	**Change in %**
Sensors	32,062	26.3	37,248	31.4	-13.9
Interior	39,897	32.7	41,123	34.7	-3.0
Power	6,349	5.2	1,231	1.0	401.4
Mechanics[1]	43,703	35.8	39,016	32.9	12.0
paragon Automotive	**112,011**	**100.0**	**118,618**	**100.0**	**2.9**

1 Represented by the Kinematics operating segment

As a result of the discontinuation of a vehicle series, revenue in the Sensors operating segment amounted to € 32.1 million in the third quarter of 2023, down from the prior year's level of € 37.2 million.

At € 39.9 million, revenue for the Interior operating segment in the first nine months of 2023 was slightly below the level of the same period of the prior year (€ 41.1 million), mainly due to slightly weaker demand in the display instruments product group (stopwatches, watches and compasses).

The increase in other operating income was mainly due to the book gain in the mid-single-digit million range from the sale of production facilities in connection with a cooperation agreement with Clarios, the world-leading supplier of starter batteries.

The lower level of own work capitalized in the first nine months of 2023 is attributable to increased customer reimbursements for development services.

The cost of materials was € 68.4 million (prior year: € 67.4 million). This resulted in a slightly elevated material input ratio (calculated from the ratio of cost of materials to revenue and inventory changes) of 55.8 % (prior year: 55.7 %).

This corresponds to a gross profit for the first nine months of 2023 of € 65.5 million (prior year: € 60.7 million), which constitutes a gross profit margin of 53.7 % (prior year: 51.1 %). Personnel expenses amounted to € 34.0 million (prior year: € 31.4 million), resulting in a personnel expense ratio of 27.9 % (prior year: 26.5 %). The higher personnel expenses in absolute terms are attributable both to wage and salary increases and to an increase in the number of employees.

Taking into account the other operating expenses of € 15.3 million (prior year € 20.7 million), earnings before interest, taxes, depreciation and amortization (EBITDA) for the continued operations totaled € 16.3 million (prior year: € 8.5 million). This corresponds to an EBITDA margin of 13.3 % (prior year: 7.2 %). After depreciation and amortization of € 10.8 million (prior year: € 9.6 million), earnings before interest and taxes (EBIT) of continued operations amounted to € 5.5 million (prior year € –1.2 million). The EBIT margin accordingly amounted to 4.5 % (prior year: –1.0 %).

With a financial result of € 9.3 million (prior year: € 4.8 million) and income from income taxes of € 1.2 million (prior year: € 0.4 million), the paragon Group generated a result from continued operations of € –2.6 million (prior year: € –5.6 million) in the reporting period. This corresponds to earnings per share of € –0.58 (prior year: € –1.23). The financial result in the reporting period was impacted by one-off costs of € 3.5 million for interim financing to ensure the punctual repayment of the CHF bond in April 2023.

Taking into account the result from discontinued operations (paragon semvox GmbH) of € 7.0 million (prior year: EUR 1.0 million), the consolidated income was € 4.4 million (prior year: € –4.5 million). This corresponds to earnings per share of € 0.97 (prior year: € –1.00).

The result from discontinued operations includes a deconsolidation gain of € 5.9 million. This is the difference between the sale proceeds of € 38.8 million and the net assets of the discontinued operation (paragon semvox GmbH) of € 31.6 million less transaction costs incurred of € 1.3 million.

Net Assets

As of September 30, 2023, total assets had decreased to € 122.6 million (December 31, 2022: € 172.5 million). This development is mainly due to the deconsolidation of paragon semvox GmbH and the use of proceeds from the sale to further reduce debt. Fixed assets have been reduced in particular by depreciation, amortization and write-downs. This was offset by an increase in trade and other receivables.

Equity increased to € 4.9 million as of the balance sheet date (December 31, 2022: € 0.7 million), in particular due to the positive overall Group result linked to the deconsolidation gain. This caused the equity ratio to decrease to 4.0 % (December 31, 2022: 0.4 %).

Noncurrent provisions and liabilities decreased to € 44.4 million (December 31, 2022: € 67.4 million). This was partly due to scheduled repayments of loans and lease liabilities and partly due to a change in the presentation of the EUR bond 2017/2027. Owing to the sale of paragon semvox GmbH to CARIAD SE, a partial amount of approximately € 20 million is now to be reported as a current bond liability.

Current provisions and liabilities decreased to € 73.2 million due to the repayment of bonds (December 31, 2022: € 104.5 million). Trade payables decreased slightly to € 24.0 million (prior year: € 25.0 million), while other liabilities decreased to € 15.1 million (prior year: € 16.3 million).

Financial Position

Cash flow from operating activities decreased in the period under review to € –5.6 million (prior year: € 11.8 million). This was mainly attributable to the gain on the asset deal in connection with the cooperation agreement with Clarios, as well as the charges of € 3.5 million resulting from the non-recurring financing costs of interim financing.

Cash flow from investment activity increased to € 44.4 million in the reporting period (prior year: € 2.1 million), mainly due to the proceeds from the sale of the Digital Assistance operating segment and the asset deal with Clarios.

Cash flow from financing activities decreased to € –49.0 million in the reporting period (prior year: € –14.5 million). This was due to the further repayment of the two bonds, the repayment of interim financing and the scheduled repayments of loans and lease liabilities.

Cash and cash equivalents totaled € 8.0 million at the end of the reporting period (December 31, 2022: € 18.1 million).

Opportunity and Risk Report

In the first nine months of 2023, there have been no significant changes in the opportunities and risks as described in detail under "Opportunity and Risk Report" in the 2022 Annual Report. The 2022 Annual Report is available on the internet at https://ir.paragon.ag.

Events After the Reporting Period

On November 6, 2023, paragon started to repurchase on the stock exchange its bonds 2017/2027 (ISIN: DE000A2GSB86; WKN: A2GSB8) in a total nominal amount of up to € 20,211,000. The stock repurchase program will continue until July 5, 2025, at the latest. An independent securities service provider will carry out the repurchase. With regard to the purchase price and acquisition volume, this entity is required to comply with the safe harbor rules, which prohibit market abuse. As a result, no more than 25% of the average daily revenue (20-day average) in the bonds may be purchased on the stock exchange on any one day. The bonds are to be repurchased through the regional exchanges in Stuttgart and Frankfurt as well as the Tradegate Exchange.

Forecast

The forecast for the current fiscal year and the underlying assumptions are explained in detail in the combined management report for the 2022 fiscal year. Accordingly, the Management Board expects revenue of approximately € 170 million, with an EBITDA of between € 20 and 25 million at Group level. In the short term, paragon's sales revenues will be impacted by the extended plant holidays of car manufacturers compared to prior years in the summer, and during the upcoming turn-of-the-year period. In October, taking into account the significant increase in profitability and existing customer orders, the Management Board adjusted the forecast for fiscal year 2023 as follows.

The Management expects revenue of between € 160 and 170 million, with an EBITDA of between € 25 and 27 million at Group level.

Development of key performance indicators

€ '000 / as indicated	2022	Since start of year 9M/2023	Adjusted 2023 forecast
Financial performance indicators			
Revenue from continued operations	€ 160.3 million	€ 122.0 million	€ 160 to 170 million
EBITDA of continued and discontinued operations	€ 16.3 million	€ 23.8 million	€ 25 to 27 million

Condensed Interim Consolidated Financial Statements

Consolidated Statement of Comprehensive Income for the Period from January 1 to September 30, 2023 (IFRS)

€ '000	Jan. 1 to Sept. 30, 2023	Jan. 1 to Sept. 30, 2022[1]	Jul. 1 to Sept. 30, 2023	Jul. 1 to Sept. 30, 2022[1]
Revenue	**122,011**	**118,618**	**35,374**	**37,877**
Other operating income	9,699	2,560	6,708	741
Increase or decrease in inventory of finished goods and work in progress	597	2,417	1,973	–378
Other own work capitalized	1,686	4,453	1,353	1,400
Total operating performance	**133,994**	**128,049**	**45,407**	**39,640**
Cost of materials	–68,445	–67,381	–21,545	–20,946
Gross profit	**65,549**	**60,668**	**23,861**	**18,694**
Personnel expenses	–34,008	–31,396	–11,176	–10,161
Depreciation of property, plant and equipment and amortization of intangible assets	–10,785	–9,644	–3.875	–3,338
Impairment of property, plant and equipment and intangible assets	0	–44	0	–13
Other operating expenses	–15,273	–20,746	–4,723	–6,426
Earnings before interest and taxes (EBIT)	5,483	–1,163	4,088	–1,244
Financial income	61	26	0	7
Financial expenses	–9,388	–4,822	–1,906	–1,804
Financial result	**–9,327**	**–4,796**	**–1,906**	**–1,797**
Earnings before taxes (EBT)	**–3,844**	**–5,960**	**2,182**	**–3,043**
Income taxes	1,220	391	593	1,149
Earnings from continued operations	–2,625	–5,569	2,775	–1,893
Earnings from discontinued operations	6,999	1,036	0	87
Consolidated net income	**4,374**	**–4,533**	**2,775**	**–1,806**
Earnings per share in € (basic and diluted) from continued operations	–0.58	–1.23	0.61	–0.42
Earnings per share in € (basic and diluted) from discontinued operations	1.55	0.23	0.00	0.02
Earnings per share in € (basic and diluted) from continued and discontinued operations	0.97	–1.00	0.61	–0.40
Average number of shares outstanding (basic and diluted)	4,526,266	4,526,266	4,526,266	4,526,266
Other comprehensive income				
Currency translation reserve from continued operations	–99	–31	67	–2
Total comprehensive income	**4,275**	**–4,564**	**2,842**	**–1,808**

1 Due to the sale of paragon semvox GmbH, the Digital Assistance operating segment is presented as a discontinued operation as of Sep. 30, 2023. The prior-year figures have been adjusted accordingly.

Consolidated Balance Sheet as of September 30, 2023 (IFRS)

€ '000	Sep. 30, 2023	Dec. 31, 2022
ASSETS		
Noncurrent assets		
Intangible assets	30,618	37,360
Goodwill	5,745	5,745
Property, plant and equipment	27,332	30,830
Investments in associates and joint ventures	1,642	1,642
Other assets	456	468
	65,794	**76,046**
Current assets		
Inventories	25,297	25,188
Trade receivables	8,434	7,660
Income tax assets	148	217
Other assets	14,953	9,553
Cash and cash equivalents	7,960	18,106
Assets classified as held for sale	0	35,771
	56,791	**96,496**
Total assets	**122,585**	**172,542**

€ '000	Sep. 30, 2023	Dec. 31, 2022
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	4,526	4,526
Capital reserve	15,485	15,485
Revaluation reserve	21	21
Profit/loss carried forward	–19,651	–16,284
Consolidated net income	4,374	–3,367
Currency translation differences	182	281
	4,937	**661**
Noncurrent provisions and liabilities		
Noncurrent liabilities from lease contracts	10,874	11,085
Noncurrent loans	5,599	7,313
Noncurrent bonds	25,000	45,000
Deferred taxes	435	1,596
Pension provisions	2,529	2,383
	44,436	**67,378**
Current provisions and liabilities		
Current portion of liabilities from lease contracts	4,875	4,895
Current loans and current portion of noncurrent loans	6,329	30,550
Short-term bonds	19,990	21,284
Trade payables	24,032	24,950
Other provisions	2,583	1,057
Income tax liabilities	266	288
Other current liabilities	15,136	16,253
Liabilities directly associated with assets classified as held for sale	0	5,226
	73,212	**104,503**
Total equity and liabilities	**122,585**	**172,542**

Consolidated Cash Flow Statement for the Period from January 1 to September 30, 2023 (IFRS)

€ '000	Jan. 1 to Sept. 30, 2023	Jan. 1 to Sept. 30, 2022[1]
Earnings before taxes (EBT)	**–3,844**	**–7,135**
Depreciation/amortization of noncurrent assets	10,785	10,820
Financial result	9,328	4,837
Gains (–)/losses from the disposal of property, plant and equipment and financial assets	–6,547	2,221
Increase (+)/decrease (–) in other provisions and pension provisions	1,672	–1,920
Other noncash income and expenses	0	1,761
Increase (–)/decrease (+) in trade receivables, other receivables and other assets	–4,712	–7,608
Depreciation of noncurrent assets	0	44
Increase (–)/decrease (+) in inventories	–108	–2,492
Increase (+)/decrease (–) in trade payables and other liabilities	–2,034	15,864
Interest paid	–10,214	–4,406
Income taxes	107	–146
Cash flow from operating activities of continued operations	**–5,568**	**11,840**
Cash flow from operating activities from discontinued operations	**1,960**	**1,625**
Cash receipts from the disposal of property, plant and equipment	6,006	7,808
Cash payments for investments in property, plant and equipment	–771	–1,615
Cash payments for investments in intangible assets	–1,380	–4,453
Cash receipts from the sale of long-term securities	0	416
Cash receipts from the disposal of intangible assets	3,035	0
Cash receipts from the sale of consolidated companies and other operating segments	37,545	0
Cash flow from investing activities in continued operations	**44,434**	**2,156**
Cash flow from investing activities from discontinued operations	**–1,801**	**–2,670**
Loan repayments	–25,991	–5,101
Bond repayments	–20,352	–9,263
Repayments of lease liabilities	–2,571	–2,455
Proceeds from lease liabilities	0	2,300
Change in OCI	–99	0
Cash flow from financing activities in continued operations	**–49,012**	**–14,518**
Cash flow from financing activities from discontinued operations	**–155**	**643**
Changes in cash and cash equivalents (continued)	–10,146	–523
Cash and cash equivalents at beginning of period (continued)	18,106	980
Cash and cash equivalents at end of period (continued)	7,960	457

1 Due to the sale of paragon semvox GmbH, the Digital Assistance operating segment is presented as discontinued as of Sep. 30, 2023. The prior-year figures have been adjusted accordingly.

Statement of Changes in Equity for the Period from January 1 to September 30, 2023 (IFRS)

					Retained profit		
€ '000	Subscribed capital	Capital reserve	Revaluation reserve	Currency translation reserve	Loss carryforward	Consolidated net income	Total
January 1, 2023	4,526	15,485	21	281	-16,284	-3,367	661
Appropriation of net profit	0	0	0	0	-3,367	3,367	0
Net income for the year	0	0	0	0	0	4,374	4,374
Currency translation	0	0	0	-99	0	0	-99
Other comprehensive income	0	0	0	-99	0	0	-99
Total comprehensive income	**0**	**0**	**0**	**-99**	**-3,367**	**7,741**	**4,275**
September 30, 2023	4,526	15,485	21	182	-19,651	4,374	4,937

					Retained profit		
€ '000	Subscribed capital	Capital reserve	Revaluation reserve	Currency translation reserve	Loss carryforward	Consolidated net income	Total
January 1, 2022	4,526	15,485	-677	250	-10,323	-5,960	3,300
Appropriation of net profit	0	0	0	0	-5,960	5,960	0
Net income for the year	0	0	0	0	0	-4,532	-4,532
Currency translation	0	0	0	-31	0	0	-31
Other comprehensive income	0	0	0	-31	0	0	-31
Total comprehensive income	**0**	**0**	**0**	**-31**	**-5,960**	**1,428**	**-4,564**
September 30, 2022	4,526	15,485	-677	-219	-16,284	-4,533	-1,264

Notes

Accounting Principles

The consolidated interim financial statements of paragon GmbH & Co. KGaA as of September 30, 2023, have been prepared in accordance with the standardized 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, 2022. 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. A detailed description of the principles governing reporting and consolidation, as well as the accounting and measurement methods that were applied, is published in the notes tothe consolidated financial statements of the 2022 Annual Report.

The form and content of the consolidated half-year report comply with the reporting requirements of the Deutsche Börse. The report is 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.

In addition to the parent company, the scope of consolidation of the paragon Group includes the domestic subsidiaries paragon movasys GmbH (including its Croatian subsidiary paragon movasys d.o.o.), paragon electronic GmbH, ETON Soundsysteme GmbH, paragon electrodrive GmbH and Nordhagen Immobilien GmbH. Furthermore, the Chinese subsidiaries paragon Automotive Kunshan Co., Ltd. and paragon Automotive Technology (Shanghai) Co., Ltd., and in India paravox Automotive Pvt Ltd. (99 %), are included in the scope of consolidation for the paragon Group. The investment in Hepa GmbH (50 %) was accounted for using the equity method in accordance with IAS 28. Unless otherwise stated, paragon holds 100 % of the shares in each company. paragon semvox GmbH is no longer included in paragon's consolidated group as of the reporting date and was deconsolidated in the reporting period.

Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flows

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 and Supervisory Board

As of September 30, 2023, there have been no changes in the composition of the Supervisory Board and the Management Board compared to December 31, 2022.

Events After the Reporting Period

On November 6, 2023, paragon started to repurchase on the stock exchange its bonds 2017/2027 (ISIN: DE000A2GSB86; WKN: A2GSB8) in a total nominal amount of up to € 20,211,000. The stock repurchase program will continue until July 5, 2025, at the latest. An independent securities service provider will carry out the repurchase. With regard to the purchase price and acquisition volume, this entity is required to comply with the safe harbor rules, which prohibit market abuse. As a result, no more than 25 % of the average daily revenue (20-day average) in the bonds may be purchased on the stock exchange on any one day. The bonds are to be repurchased through the regional exchanges in Stuttgart and Frankfurt as well as the Tradegate Exchange.

Additionally, no reportable events occurred after the reporting period.

Related Party Disclosures

Between November 2022 and September 2023, Electric-Brands AG held 29.94 % of the voting rights in paragon GmbH & Co. KGaA. During the business initiation, Electric-

Brands AG was paid a cumulative value of € 5.0 million as of the balance sheet date of September 30, 2023 (Dec. 31, 2022: cumulative value of € 2.7 million), which will be offset against future expected business. ElectricBrands AG has notified the company that it will no longer hold any shares in paragon GmbH & Co. KGaA as of September 29, 2023. As of the balance sheet date, therefore, ElectricBrands AG is no longer a related party.

Moreover, as of September 30, 2023, the nature and amount of the paragon Group's transactions with related parties had not changed significantly compared to December 31, 2022. For further information, please refer to paragon's consolidated financial statements of December 31, 2022, in the 2022 Annual Report.

Voting Right Notifications

The company received the following notifications pursuant to Section 33 (1) of the German Securities Trading Act (WpHG) that require disclosure in accordance with Section 160 (1) No. 8 of the German Stock Corporation Act (AktG):

- According to the voting rights notification dated October 5, 2023, the total voting rights share of Mr. Ralf Haller decreased from 29.94 % to 0.0 % (to be attributed as of September 29, 2023). This attribution was made on the basis of the indirect interest held in ElectricBrands AG pursuant to Section 34 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

- According to the voting rights notification of October 5, 2023, the total voting rights share of Mr. Klaus Dieter Frers increased from 20.06 % to 50.0 % as of September 29, 2023. Mr. Klaus Dieter Frers has further informed the company that, by notice dated October 11, 2023, the German Federal Financial Supervisory Authority (BaFin) has, upon his application, exempted him pursuant to Section 37 (1) Var. 4 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG) from the obligations to publish, pursuant to section 35 (1) sentence 1 WpÜG, the acquisition of control in paragon GmbH & Co. KGaA with registered office in Delbrück and to publish a mandatory offer pursuant to Section 35 (2) Sentence 1 in conjunction with Section 14 (2) sentence 1 WpÜG.

Directors' Dealings

During the reporting period, the company received the following reports on proprietary transactions by executives in accordance with Art. 19 of the EU regulation No. 596/2014 (MAR) on market abuse (market abuse regulation).

Mr. Klaus Dieter Frers (Managing Director of the personally liable partner) acquired a total of 1,355,000 limited partnership shares on September 29, 2023, for the price of € 4.53 per share. This results in a total purchase price of € 6,138,150.

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 that 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. We further declare that 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, November 13, 2023

Klaus Dieter Frers
Chief Executive Officer

Financial Calendar 2023

November 13, 2023	Group Interim Report as of September 30, 2023: Nine-Month
November 16, 2023	Earnings Call (Third Quarter)
November 27, 2023	Equity Forum (Deutsche Börse), Frankfurt a.M.

Imprint

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