



Interim Report
January 1 to September 30, 2012

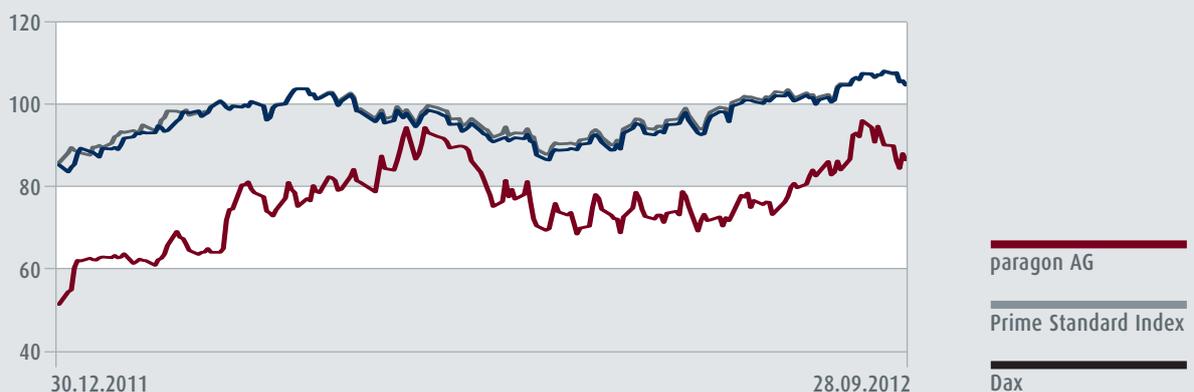
Highlights of the first nine months of 2012

- Positive performance continues
- Sales rise by 6.9% to € 54.5 million
- EBIT margin at 13.5% surpasses industry average by far
- Equity-to-assets ratio climbs significantly to 32.7%

Key Figures of the first nine months of 2012

in EUR thousands	01.01.2012 to 30.09.2012	01.01.2011 to 30.09.2011	Change in %
Revenue	54,486	50,954	6.9
EBITDA	10,276	10,621	- 3.2
EBITDA margin in %	18.9	20.8	
EBIT	7,331	7,462	- 1.8
EBIT margin in %	13.5	14.6	
Net income	4,670	4,639	0.7
Earnings per share in EUR	1.13	1.13	0.0
Total assets	44,244	44,495	- 0.6
Total equity	14,468	9,102	59.0
Equity-to-assets ratio in %	32.7	20.5	
Free cash flow	10,086	12,013	- 16.0
Interest-bearing liabilities	13,751	16,647	- 17.4
Net debt	5,873	7,200	- 18.4
Operating cash flow	4,507	11,119	- 59.5

Share Price Developments (Indexed)

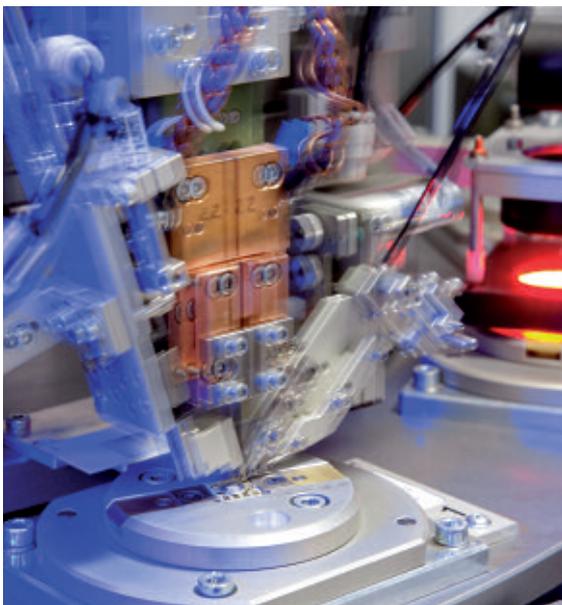


Overall Economic Conditions

Following an increase in global economic activity at the beginning of 2012, the Institut für Weltwirtschaft, Kiel (ifw – Kiel Institute for the World Economy) detected a slowdown in economic development in September 2012. In addition to the debt crisis in the eurozone, which continued to contribute to nervousness in the financial markets, the experts observed reduced momentum in the emerging nations.

The vague financial policy in the euro area also made itself felt in the German economy. The ongoing uncertainty was evident in particular with regard to corporate capital expenditure, while private consumer spending saw a renewed pick-up due to increased purchasing power.

Except for Western Europe, the major automotive markets continued to be in good shape. Thus, passenger car sales in China rose in the first nine months by 8% to 9.6 million units. The rates of increase were even higher in India (+10%) and Russia (+14%). Moreover, the German manufacturers recorded a 16% increase in sales of light vehicles in the USA. The German Automotive Industry Association (VDA) drew a positive conclusion after the 64th annual IAA Commercial Vehicles held in Hanover in September 2012.



Business Developments at paragon AG

In the first nine months of 2012, paragon AG recorded a 6.9% increase in sales year-on-year. The Company's performance has thus met the expectations of the Managing Board. Despite above-average results in the first six months, the Managing Board continued to give a conservative forecast and stood by its prediction of single-digit revenue growth for the year as a whole. While one-off items led to an exceptionally high increase in sales in the second quarter, the plant holidays of the major customers had the expected impact in the third quarter of 2012.

Despite considerable investments in the future, paragon sustained the high earnings level of the prior year. In line with its planning, the Company used a further build-up of equity and a significant repayment of liabilities to optimize its financial situation in 2012 on a sustained basis.

In the third quarter of 2012, paragon also sent out strong signals with regard to content. At the IAA, the Company presented intelligent solutions for the electromobility of commercial vehicles. With the individually configurable module "Zero Emissions System" and products for optimizing driver assistance, paragon is making the electric car into an economically efficient vehicle.

Another big step was the acquisition of all the assets of the insolvent company Artega Automobil GmbH & Co. KG as of October 1, 2012, which paragon announced on September 26, 2012. At the corporate headquarters in Delbrück, the Company will construct an ultramodern technology center and double its development staff in the medium term to 40 employees.

Financial Position and Net Assets

At €44.2 million as of September 30, 2012, total assets were nearly at the level of September 30, 2011 (€44.5 million).

Non-current assets increased from €16.6 million to €18.1 million due to the extensive investments in the future. Current assets were reduced by €1.8 million to €26.1 million (September 30, 2011: €27.9 million). The primary reason for this was the increase in trade receivables to €3.1 million (prior year: €0.6 million) and the associated decrease in cash and cash equivalents to €14.1 million (prior year: €18.6 million).



Primarily due to the reduction in non-current borrowings from €12.7 million to €11.8 million, the non-current provisions and liabilities declined to €16.3 million (prior year: €17.7 million). In particular due to the repayment of loans (from €3.6 million to €1.6 million), paragon was also able to reduce the current provisions and liabilities by €4.2 million to €13.5 million.

In particular due to increased trade receivables in 2012 (€2.5 million), higher tax payments in 2012 (€0.9 million) and the one-time effect from the factoring involvement in 2011 (€2.2 million), the operating cash flow dropped to €4.5 million (prior year: €11.1 million). Future-oriented new investments caused the cash flow from investment activity to rise from €1.7 million to €4.3 million.

Results of Operations

Even in the fraught atmosphere of the euro financial crisis and a partial downturn among several automotive manufacturers, which are not included among paragon's major customers, the Company was able to perpetuate its high earnings figures. After nine months, the EBIT margin in relation to revenue was 13.5% and thus slightly exceeded the Managing Board's forecast of 13.2%. The EBITDA margin in relation to revenue was also pleasing at 18.9%, so that paragon continued to be one of the most profitable automotive suppliers.

The earnings margins are all the more noteworthy if the data concerning investments in future product innovations and personnel are taken into account. However, the increase in expenditures for employees to €14.2 million (prior year: €12.7 million), for example, represents a key investment which will benefit paragon in the next few years. The cost of materials rose from €25.2 million to €28.1 million, which is primarily attributed to the increased sales in 2012. The absolute earnings figures declined slightly: EBIT by 1.8% (from €7.5 million to €7.3 million) and EBITDA by 3.2% (from €10.6 million to €10.3 million).

As of September 30, 2012 paragon posted net income for the year according to IFRS of €4.7 million (prior year: €4.6 million). This resulted in earnings per share of €1.13 (prior year: €1.13).

Research & Development

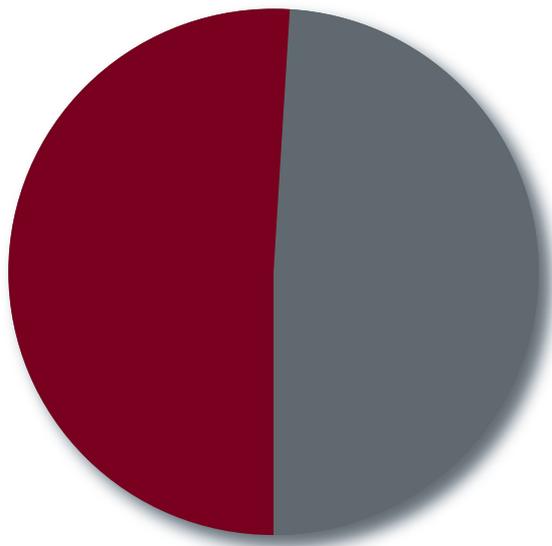
Intense activities in research and development are evidence that paragon is continuing to develop its existing products and is setting new market trends with further innovations. All five divisions achieved valuable results in this key field of activity of the Company in the third quarter. The important development projects included a new chassis sensor (Sensors Division), a separate microphone module (Acoustics Division), an instrument cluster for a light electric commercial vehicle (Cockpit Division), lithium ion battery systems with various voltage levels and storage capacities (Electromobility Division) as well as a spoiler drive mechanism and several spoiler modules (Kinematics Division). In the period from January 1 to September 30, 2012, the expenses for research and development totaled €4.8 million (prior year: €3.9 million).

Employees

As of September 30, 2012, paragon AG employed 382 of its own workers and 48 temporary staff members. This increased the number of employees from 400 on September 30, 2011 to 430. One year before, the Company employed 343 of its own workers and 57 temporary staff members. In addition to the increased sales volume, the growth in the number of employees is associated with the establishment of the new divisions; they thus represent a key investment in the Company's future. The locations accounted for the following figures (own workers/temporary staff members) as of September 30, 2012: Delbrück (74/1), Suhl (213/43), Nuremberg (38/4) and St. Georgen (57/0).

Investor Relations

Despite the inconsistent news with respect to the overall economic development, the DAX (German Stock Index) moved upward again in the third quarter of 2012. After giving up nearly 500 points in the prior quarter, the DAX rose in the months July to September from 6,496 points (July 2) to 7,216 points (September 28). The index reached its third quarter high of 7,452 points on September 21. Compared to its level of 5,502 points on September 30, 2011, the DAX thus achieved a huge gain.



ISIN:	DE 000 555 8696
WKN:	555869
Ticker symbol:	PGN
Market segment:	Prime Standard
Sector:	Technology
Stock exchange:	Frankfurt/Main (Xetra)
Number of shares:	4,114,788
Share price on September 28, 2012:	9.58 Euro
Market capitalization on Sept. 28, 2012:	EUR 39.40 million
Average trading volume (52 weeks) as at September 28, 2012:	14,652 shares a day

■ Klaus Dieter Frers: 51.32%
 ■ Free Float: 48.68%

The paragon share impressively continued on its path to recovery in the third quarter. On the first day of trading (July 2), the share showed a value of €8.34 and then slid for a short time below the €8 mark. The good figures for the first six months, which the company published on August 22,

Working toward the better car!



boosted the share price. After peaking at €10.69 on September 14, the paragon share closed the quarter at €9.58. As a comparison: The share's value was €7.00 on September 30, 2011 at the close of the first nine months of that year.

The Investor Relations work was focused on two events in the third quarter of 2012. During the DTM weekend at the Nürburgring, the Company welcomed numerous investors and capital market representatives to the race track on August 18/19. One month later during an IR lunch held on September 20 at the IAA Commercial Vehicles in Hanover, the Managing Board provided information about paragon's newest developments and future plans. In addition, two analyst reports on the Company's share appeared in the period under review: In its Research Update of September 28, Dr. Kalliwoda Research GmbH, Frankfurt am Main raised the share's fair value to €20.48. On September 4, Close Brothers Seydler Research AG set the current price at €19.00.

Risk Report

paragon AG's Managing Board assesses risks associated with the development of the Company in close coordination with the Supervisory Board. A close examination of the automotive market shows that paragon continues to have outstanding opportunities for further development. This assessment is supported by the fact that the key customers are showing robust sales figures and pleasing perspectives. The fact that paragon has been successful in strengthening equity on a sustained basis and significantly reducing debt clearly reduces the overall risk. Thus, at the time of publication of this report, no additional risks have been identified that might jeopardize the Company's continued existence.

Outlook

In its most recent economic forecast, the Institut für Weltwirtschaft, Kiel (ifw - Kiel Institute for the World Economy) assumes that the strains in the financial markets in connection with the sovereign debt crisis in the eurozone will gradually diminish. The growth in global production might level off at 3.3% in the current year. For 2013, the Institute expects the global economy to recover quite slowly. The experts' expectations are for an increase of 3.6%.

For 2012, the economic experts predict that gross domestic product in Germany will rise by 0.8%. The rise in consumer prices is estimated to be 2%. The ifw forecasts growth in the coming year to be rather weak at 1.0%. In particular, an economic upswing is not expected before 2014. Until then, normal utilization of macroeconomic production capacity may generally be expected.

The German Automotive Industry Association (VDA) expects continued growth in the global passenger car market. Since roughly one million more vehicles were sold in the USA and in Japan alone in the first six months of 2012 than in the comparable period of 2011 and the Chinese market grew by roughly 500,000 units, this year's decline in Western Europe could be compensated. The global perspective is of benefit to the German manufacturers.

paragon's largest customers, first and foremost the Volkswagen Group with its brands VW and Audi, have confirmed their budget plans for 2012 and are headed for a record year. Other vehicle manufacturers, which currently face sales problems, contribute only a small amount to paragon sales in any case. However, it is already apparent that all auto manufacturers have included in their planning a definite plant holiday extending through the turn of the year 2012/13 and extending into January, repeating what they did in the summer.

Therefore, the Managing Board confirms its previous forecast for 2012 (single-digit increase in sales compared to 2011, EBIT margin roughly the same as in 2011). As of December 31, 2012, the equity-to-assets ratio will be roughly 35 %; this will make paragon one of the companies with the highest equity in Germany.

Despite the volatile market and an expected rather reserved first quarter of 2013, paragon expects that sales will grow modestly overall in 2013 with a double-digit EBIT margin. In the medium term, paragon predicts that the rate of growth will pick up.

paragon is supporting the further development of the Company by establishing a technology center at its corporate headquarters in Delbrück. As a result of acquiring all the

assets of the insolvent company Artega Automobil GmbH & Co. KG, paragon gained additional staff and extra space. This will enable the company to expand prototype construction, the pilot workshops, and the test rigs as well as setting up a bespoke application service for customers. In addition, paragon will soon be manufacturing products on a larger scale again in Delbrück – including manufacturing for the new divisions Electromobility and Kinematics.

paragon's new divisions have notched up their first successes faster than expected. In the Electromobility division, battery packs manufactured in-house and end-to-end solutions are generating strong demand. The Kinematics division has secured a high-profile order and, from 2013, will manufacture the rear-spoiler drive mechanism for a sports supercar in Delbrück.

Balance Sheet of paragon AG, Delbrück, as of September 30, 2012

in EUR thousands	30.09.2012	30.09.2011
Assets		
Non-current assets		
Intangible assets	4,211	3,079
Property, plant and equipment	13,285	12,839
Financial assets	400	0
Other assets	161	152
Deferred taxes	48	533
Total non-current assets	18,105	16,603
Current assets		
Inventories	7,392	7,578
Trade receivables	3,078	580
Income tax assets	196	247
Other assets	1,330	916
Cash and cash equivalents	14,143	18,571
Total current assets	26,139	27,892
Total assets	44,244	44,495

in EUR thousands	30.09.2012	30.09.2011
Equity and liabilities		
Equity		
Subscribed capital	5,143	4,115
Capital reserve	2,450	7,753
Profit/loss carried forward	2,205	- 7,405
Net income/comprehensive income	4,670	4,639
Total equity	14,468	9,102
Non-current provisions and liabilities		
Non-current finance lease obligation	103	100
Non-current borrowings	11,817	12,655
Special item for investment grants	2,239	2,891
Pension provisions	2,114	2,041
Total non-current provisions and liabilities	16,273	17,687
Current provisions and liabilities		
Current portion of finance lease obligations	196	280
Current borrowings and current portion of non-current borrowings	1,635	3,612
Trade payables	3,654	5,194
Other provisions	320	1,926
Income tax liabilities	679	1,268
Other current liabilities	7,019	5,426
Total current provisions and liabilities	13,503	17,706
Total equity and liabilities	44,244	44,495

**Income Statement of paragon AG, Delbrück,
for the period from January 1 to September 30, 2012**

in EUR thousands	01.01. - 30.09.2012	01.01. - 30.09.2011	Q3 2012 01.07. - 30.09.2012	Q3 2011 01.07. - 30.09.2011
Sales revenue	54,486	50,954	16,851	17,595
Other operating income	1,355	1,396	419	122
Increase or decrease in finished goods and work in process	532	512	221	- 196
Other own work capitalized	1,665	831	643	341
Total operating performance	58,038	53,693	18,134	17,862
Cost of materials	- 28,068	- 25,217	- 8,674	- 7,773
Gross profit	29,970	28,476	9,460	10,089
Staff costs	- 14,246	- 12,686	- 4,652	- 4,272
Depreciation and amortization of property, plant, equipment and intangible assets	- 2,875	- 3,114	- 1,006	- 994
Impairment of property, plant and equipment and intangible assets	- 70	- 45	351	- 40
Other operating expenses	- 5,448	- 5,169	- 1,774	- 2,206
Earnings before interest and taxes (EBIT)	7,331	7,462	2,379	2,577
Financial income	25	22	6	7
Finance costs	- 771	- 974	- 244	- 319
Net financing costs	- 746	- 952	- 238	- 312
Earnings before taxes	6,585	6,510	2,141	2,265
Income taxes	- 1,915	- 1,871	- 1,112	- 1,209
Net income	4,670	4,639	1,029	1,056
Earnings per share (basic)	1.13	1.13	0.25	0.26
Earnings per share (diluted)	1.13	1.13	0.25	0.26
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

Cash Flow Statement of paragon AG, Delbrück, in accordance with IFRS

in EUR thousands	01.01. – 30.09.2012	01.01. – 30.09.2011
Earnings before income taxes	6,585	6,510
Depreciation/amortization of non-current assets	2,875	3,114
Financial result	747	952
Gain (+), loss (-) from disposal of items of property, plant and equipment and non-current financial assets	0	1
Increase (+), decrease (-) in other provisions and pension provisions	- 457	- 684
Income from the reversal of the special item for investment grants	- 470	- 576
Other non-cash income and expenses	2	- 113
Increase (-), decrease (+) in trade receivables, other receivables and other assets	- 2,860	3,293
Impairment of intangible assets	70	45
Increase (-), decrease (+) in inventories	- 660	- 1,105
Increase (+), decrease (-) in trade payables and other liabilities	1,195	1,480
Interest paid	- 770	- 974
Income taxes paid	- 1,750	- 824
Cash flow from operating activities	4,507	11,119
Proceeds from disposal of property, plant and equipment	32	0
Cash payments to acquire property, plant and equipment	- 2,147	- 926
Cash payments to acquire intangible assets	- 1,772	- 823
Payments for investments in financial assets	- 400	0
Interest received	23	22
Cash flow from investing activities	- 4,264	- 1,727
Cash repayments of borrowings	- 2,141	- 4,882
Amounts paid on insolvency ratio	0	- 42
Cash proceeds from issuing loans	874	644
Cash repayments for liabilities from finance lease	- 163	- 331
Cash flow from financing activities	- 1,430	- 4,611
Cash-effective change in liquidity	- 1,188	4,781
Cash and cash equivalents at beginning of period	15,330	13,790
Cash and cash equivalents at end of period	14,143	18,571

Statement of Changes in Equity of paragon AG, Delbrück

in EUR thousands	Subscribed capital	Capital reserve	NET PROFIT FOR THE YEAR		Total
			Loss carried forward	Net income/ comprehensive income	
Balance as of January 1, 2011	4,115	7,753	- 7,405	0	4,463
Net income	0	0	0	4,639	4,639
Comprehensive income	0	0	0	4,639	4,639
Balance as of Sept. 30, 2011	4,115	7,753	- 7,405	4,639	9,102

in EUR thousands	Subscribed capital	Capital reserve	NET PROFIT FOR THE YEAR		Total
			Profit carried forward	Net income/ comprehensive income	
Balance as of January 1, 2012	4,115	3,478	2,205	0	9,798
Net income	0	0	0	4,670	4,670
Comprehensive income	0	0	0	4,670	4,670
Transfer from capital reserve	1,028	- 1,028	0	0	0
Balance as of Sept. 30, 2012	5,143	2,450	2,205	4,670	14,468

Supplementary Explanations

The report for the first nine months has been prepared according to the uniform accounting principles of the International Financial Reporting Standards (IFRS), which were also applied in the Annual Report for the fiscal year ending December 31, 2011. The standards of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) apply. The form and content of the interim report comply with the reporting requirements of the German stock exchange. The report for the first nine months represents an

update of the Annual Report. Its focus is on the current reporting period and should be read in conjunction with the Annual Report and the supplementary information concerning the Company contained therein.

Detailed information on paragon AG's individual risk situation was given in the opportunities and risk report of the Annual Report for the fiscal year ended on December 31, 2011. The statements contained therein with respect to the overall risk continue to be applicable.



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