

Declaration of Compliance

Declaration by paragon AG regarding the German Corporate Governance Code

In accordance with Section 161 of the German Stock Corporation Act (AktG), paragon AG submits the following declaration of compliance with the recommendations of the Government Commission on the German Corporate Governance Code: The Managing Board and Supervisory Board of paragon AG welcome the suggestions and recommendations of the German Corporate Governance Code. They are committed to transparent and responsible company management and control geared to value creation. They commit themselves to transparent, responsible corporate management and control that is oriented to creating value. paragon AG has conformed and conforms to the recommendations of the German Corporate Governance Code in the version dated July 2, 2010, with the following exceptions:

- The Managing Board is not comprised of several individuals (item 4.2.1).
- The Supervisory Board has not agreed a cap for extraordinary unforeseen developments, since the current Managing Board agreement was entered into prior to the relevant adoption of the code on June 18, 2009 (item 4.2.3).
- No agreement on a limitation of severance pay (severance cap) has been entered into with the Managing Board (item 4.2.3).
- According to the resolution of the Annual General Meeting in 2006, information on the remuneration of the members of the Managing Board is not shown individually (item 4.2.4).
- No remuneration report is prepared as a part of the Corporate Governance report (item 4.2.5 and 7.1.3).
- The Supervisory Board did not form any committees (items 5.3.1 to 5.3.3).
- No age limit has been set for Supervisory Board and Managing Board members (items 5.1.2 and 5.4.1).
- Disclosures on the remuneration of the members of the Managing Board are not itemized. In the invitation to the Annual General Meeting on September 30, 2010, however, remuneration was listed on an itemized basis, so this item is indirectly being complied with (item 5.4.6).
- The Company fulfils its obligation to publish the purchase and sale of Company shares and options by members of the Managing and Supervisory Boards. However, separate disclosures on such directors' dealings are not made in the Corporate Governance report in the financial statements of the partial fiscal year as recommended under item 6.6.

Delbrück, March 10, 2010

paragon AG

The Managing Board

The Supervisory Board