

Declaration of compliance

Declaration of paragon AG on 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. paragon AG has in the past conformed and continues to conform to the recommendations of the German Corporate Governance Code 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).
- 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 being complied with indirectly (item 5.4.6).

- The Company fulfills its obligation to publish the purchase and sale of Company shares and options by members of the Managing and Supervisory Boards. Separate disclosures on such directors' dealings, however, are not made in the Corporate Governance report in the financial statements of the fiscal year as at December 31, 2011 (item 6.6).

It is not practical for paragon AG to comply completely with the aforementioned recommendations of the Corporate Governance Code due to its medium-sized corporate structure.

Delbrück, February 20, 2013

paragon AG

The Managing Board

The Supervisory Board