

paragon®

GROUP INTERIM REPORT 1.1. - 9.30.2015

THE FIRST NINE MONTHS AT A GLANCE

Highlights in first nine months of 2015

- Nine-month revenue rises year-on-year by 20.4% to € 67.4 million
- EBIT surges by 127.9% to € 4.6 million
- EBIT margin at 6.8%, up from 3.6% in prior year's period
- Operating cash flow improves sharply to € 6.6 million (prior year: € -0.3 million)
- Revenue in 3rd quarter even 24.9% higher than in prior year's quarter
- Production plant in China opened

Key Indicators

| in € thousands | Jan. 1, 2015 – September 30, 2015 | Jan. 1, 2014 – September 30, 2014 | Change in % |
|-------------------------------|--------------------------------------|--------------------------------------|----------------|
| Revenue | 67,363 | 55,971 | 20.4 |
| EBITDA | 9,117 | 5,355 | 70.3 |
| EBITDA margin in % | 13.5 | 9.6 | |
| Adjusted EBITDA** | 12,398 | 7,909 | 56.8 |
| Adjusted EBITDA margin** in % | 18.4 | 4.1 | |
| EBIT | 4,580 | 2,010 | 127.9 |
| EBIT margin in % | 6.8 | 3.6 | |
| Adjusted EBIT** | 7,861 | 4,564 | 72.2 |
| Adjusted EBIT margin** in % | 11.7 | 8.2 | |
| Annual net income | 1,845 | 157 | 1,075.2 |
| Earnings per share in € | 0.45 | 0.04 | 1,075.2 |
| Total assets | 86,376 | 56,069 | 54.1 |
| Equity | 17,897 | 14,991 | 19.4 |
| Equity ratio in % | 20.7 | 26.7 | |
| Unrestricted cash | 10,040 | 15,961 | -37.1 |
| Interest-bearing liabilities | 44,580 | 27,853 | 60.1 |
| Net debt* | 34,540 | 11,892 | 190.4 |
| Operating cash flow | 6,617 | -324 | |

* Net debt = interest-bearing liabilities minus unrestricted cash

** Adjusted for additional expenses in connection with the development of new future-oriented business areas of € 3.3 million compared to the previous year's nine-month report

Macroeconomic framework

Following the consistent weakening in the rate of global gross domestic product (GDP) growth to an already moderate level in the first half of 2015, the Kiel Institute for the World Economy (IfW)¹ expects the third quarter to witness a further slowdown in growth. The main factor driving this is the weak performance of emerging economies. The marked reduction in dynamism in the Chinese economy in particular is tangibly impacting on other economies. Having said this, developments are also being held back by unresolved structural problems and low commodity prices given that many emerging economies are commodities exporters. By contrast, factors such as the low oil price and persistently expansive monetary policies are boosting economic momentum in most major industrialized countries. For the paragon Group as an automotive supplier, the overall macroeconomic climate is relevant to the extent that it might positively or negatively affect global automobile sales and thus demand for the Group's products. Despite prolonged sales crises in Russia, Brazil, and Japan, demand remains stable at a high level.

Developments in the automobile industry

The three most important country markets, namely Western Europe (+8.7%), the US (+5.1%), and China (+4.7%) generated further growth in the first nine months of 2015 according to the German Association of the Automotive Industry (VDA)². Overall, sales growth in these markets corresponded to more than two million

vehicles. The Indian market also maintained its recovery and grew by 5.6%. By contrast, marked downturns continued to be reported for the crisis-hit markets of Russia (-33.0%), Brazil (-21.7%), and Japan (-10.7%). In these three markets alone, the reduction in sales amounted to more than 1.5 million vehicles. Overall, automobile sales in the country markets referred to above grew by just over 0.7 million vehicles, or almost 1.6%, in the first nine months of 2015.

The dynamic performance of major German premium manufacturers, who are among the paragon Group's most important customers, continued in the first nine months of 2015. Based on manufacturer disclosures, Audi, BMW, Mercedes and Porsche reported growth of 8.7% to 4.29 million vehicles (prior year: 3.95 million).

Overall, the paragon Group was thus able to continue operating in a positive economic climate in the first nine months of 2015.

Group business performance and situation

Revenue at the paragon Group rose year-on-year by 20.4% in the first nine months of 2015 and now amounts to € 67.4 million, as against € 56.0 million in the prior year's period. The Group's growth gained yet further momentum in the third quarter of 2015. At € 22.7 million, consolidated revenue exceeded the

Breakdown of revenue by business divisions

| | 9M/2015 in € thousands | in % | 9M/2014 in € thousands | in % |
|-----------------------------------|---------------------------|-------|---------------------------|-------|
| Sensors business division | 25,059 | 37.2 | 22,542 | 40.3 |
| Acoustics business division | 11,902 | 17.7 | 10,855 | 19.4 |
| Cockpit business division | 24,000 | 35.6 | 20,243 | 36.2 |
| Body Kinematics business division | 2,915 | 4.3 | 2,048 | 3.6 |
| Voltabox Deutschland GmbH* | 677 | 1.0 | 183 | 0.3 |
| Voltabox of Texas, Inc.* | 2,809 | 4.2 | 99 | 0.2 |
| Total | 67,363 | 100.0 | 55,971 | 100.0 |

* Electromobility business division

¹ Kiel Institute for the World Economy (IfW): "Business Cycle Forecast of Autumn 2015", dated September 9, 2015

² VDA press release dated October 16, 2015: "Western European auto sales increase across a broad front in September"

figure for the prior year's period (Q3/2014: € 18.2 million) by 24.9%. As in the prior year already, paragon has invested strategically in the development of its Body Kinematics and Electromobility business divisions. In this year, there were also additional investments in real estate, both at the company's headquarters in Delbrück and in Texas (USA), laying the foundation for further growth in the Electromobility business division. All in all, the additional investments incurred to develop the two new business divisions (Electromobility € 2.2 million, Body Kinematics € 0.9 million) and the Acoustics business division (€ 0.2 million) came to € 3.3 million compared with the first nine months of the prior year. Excluding these implications of the company's internationalization and its investment offensive aimed at broadening its product base, EBIT would have amounted to € 7.9 million and the EBIT margin would have come to 11.7%. Direct comparison with the adjusted EBIT margin for the prior year (8.2%) shows the substantial improvement in the company's earnings performance. The operating business thus continues to perform very well. Unadjusted EBIT also rose sharply, more than doubling from € 2.0 million to € 4.6 million – and that although the company had to manage the integration of SphereDesign GmbH. At the same time, paragon launched a project offensive in all business divisions in 2015. This is also reflected, among other aspects, in the extensive product presentations at the IAA motor show.

The Sensors business division acquired several new orders in the course of the year and further boosted its revenue compared with the prior year. The orders received include the first serial order for the development of a CO₂ sensor – a world novelty by paragon – an order for the second generation of its AQI air quality improvement system, an air quality sensor (AQS) for commercial vehicles, and advance development orders for a filter system and particle sensor – this too a paragon world novelty.

The Cockpit business division acquired advance development orders from a foreign premium manufacturer for a new display instrument and new kinematic electronics. Not only that, the division received an increasing number of inquiries for high-quality truck interior comfort electronics. The highlight of the third quarter

was nevertheless the International Motor Show (IAA) in Frankfurt, at which the division presented a veritable fireworks of new products. Among others, the novelties included the "MirrorPilot" head unit, high-quality decorated plastic surfaces in PVD and 3D laser varnish technology, RGB-based ambient lighting installed as light curtains, TFT-based display systems for cars and motorcycles/quads, a new touch control element for multi-function steering wheels, an OLED central display, curved onto a motor-driven kinematics carrier and multifunction control elements for headlights, cruise control, air conditioning and heating use. These products met with great interest, especially from specialist visitors, and led to numerous contacts that are now due to be further intensified.

The Acoustics business division witnessed ongoing high demand for microphones. Following the successful launch of serial production with a high-quality, novel hands-free microphone, order volumes for the coming year have been corrected upwards, and that to an extraordinarily marked extent. The basis technology for this microphone, which is manufactured on a fully automated basis by robots, makes it suitable for use across different vehicles and models. The belt-mic[®] system has been accepted into a further model by a German premium manufacturer, leading production totals to rise significantly. The production system has been correspondingly expanded. What's more, the first prototype of the bus-based, scalable surround sound system was presented at the IAA. This convinced the experts, especially those attending the specialist visitor days, with its brilliant sound.

In the third quarter of 2015, the Body Kinematics business division acquired a serial order for a rear spoiler system from a German sports car manufacturer and further advance development orders for construction design investigations into overall vehicle aerodynamics (additional spoiler systems across the whole vehicle). Furthermore, production was launched for a rear spoiler system; one serial product in the field of soft top peripheries was delivered as a pre-series model. Given the pleasing business performance, capacities in the field of trunk lid buttons were increased. This can also be extended to cover additional vehicle models. At the IAA, the sports car manufacturer Artega presented its

Artega Scalo – a new electric sports car. The Body Kinematics business division contributed to this with a rear spoiler system with gurneys, extendable flaps and – in cooperation with the Cockpit business division – a kinematic OLED touchscreen.

The Electromobility business division continued to perform positively. As well as launching the serial delivery of NMC modules, this division also supplied customized prototypes for intra-logistics applications. Furthermore, there were also several follow-up orders from existing customers, for example in the electric bus business. At the IAA, this business division was offered a very warm reception for its presentation of various additions to the Voltabox portfolio for automobile applications (electric motors, power electronics and further starter batteries).

The highlights in this division were the receipt of a major order for starter batteries and the grand opening of the Voltabox location in Texas. paragon's Voltabox subsidiary received a major serial order from a well-known German carmaker for starter batteries in conventionally powered vehicles and thus reached a major milestone. Production for this order, which has a six-year term and a revenue volume of around € 72 million, is due to begin in mid-2016. This order documents the enormous range of potential uses for Voltabox technology and the benefits of its modular construction system.

Furthermore, Voltabox opened its new production and administration location in Austin/Texas. On around 2,000 square meters, Voltabox is now operating its first fully automated assembly line for battery packs. This way, paragon and Voltabox have consistently implemented a further component of the Group's internationalization strategy.

Earnings performance

paragon AG generated consolidated revenue of € 67.4 million in the first nine months of 2015 and thus exceeded the prior year's figure of € 56.0 million by 20.4%. Driven by dynamic growth in nearly all business divisions, revenue in the third quarter of 2015 grew from € 18.2 million to € 22.7 million (+24.9%).

Cost of material rose year-on-year by 22.4% from € 30.7 million to € 37.6 million in the first nine months of 2015 and was thus consistent with the revenue performance. As a percentage of revenue, the materials quota came to 55.9% and was thus virtually stable compared with the prior year's figure of 54.9%.

Due above all to staff newly hired in the new business divisions, personnel expenses rose by 20.0% from € 16.3 million to € 19.5 million in the first nine months of 2015. At 29.0%, the personnel expense quota was slightly lower than the prior year's figure of 29.1%. Overall, earnings before interest, taxes, depreciation and amortization (EBITDA) surged by 70.3% from € 5.4 million to € 9.1 million in the first nine months of 2015. Adjusted EBITDA even amounted to € 12.4 million (prior year: € 7.9 million). The adjusted EBITDA margin came to 18.4% (prior year: 14.1%).

Net of depreciation and amortization of € 4.5 million (prior year: € 3.3 million), earnings before interest and taxes (EBIT) for the first nine months of 2015 increased by 127.9% to € 4.6 million (prior year: € 2.0 million). The EBIT margin improved correspondingly from 3.6% to 6.8%. Adjusted to exclude the additional expenses referred to above, EBIT came to € 7.9 million (prior year: € 4.6 million) and thus grew by 72.2%. The adjusted EBIT margin amounted to 11.7% (prior year: 8.2%). The paragon Group thus generated net income (IFRS) of € 1.8 million in the first nine months of 2015 – more than ten times the figure for the prior year's period (€ 0.2 million). This resulted in earnings per share of € 0.45 (prior year: € 0.04).

Financial position and net assets

Driven mainly by the acquisition of SphereDesign GmbH and extensive investments in property, plant and equipment, total assets grew to € 86.4 million as of September 30, 2015, as against € 56.1 million at the comparative reporting date on September 30, 2014.

Non-current assets rose to € 53.3 million (September 30, 2014: € 24.1 million). This increase resulted from the investments made in property, plant and equipment

(€ 16.7 million) in connection with the development of new business divisions, capitalized development services throughout the Group, and the takeover of tangible and intangible assets at SphereDesign GmbH. Investments in property, plant and equipment mainly related to the purchase of the building in Artegastrasse in Delbrück (€ 7.1 million), the construction of the production building in the US (€ 5.7 million), the takeover of property, plant and equipment due to the acquisition of SphereDesign GmbH (€ 0.6 million), and the major investment in two automatic production lines in the Electromobility business division (€ 2.2 million). The marked rise in capitalized development services compared with the prior year (€ 8.6 million) resulted from numerous new projects in individual business divisions accompanied by a substantial increase in development personnel capacity and the takeover of capitalized development work at SphereDesign GmbH (€ 1.3 million).

Current assets, by contrast, rose only slightly from € 31.9 million to € 33.0 million. This development is consistent with the positive business performance and is largely due to higher inventories accompanied by an investment-related reduction in cash and cash equivalents.

Non-current provisions and liabilities increased by € 8.2 million to € 36.6 million, up from € 28.4 million as of September 30, 2014. Due to the Group's growth, current provisions and liabilities rose very sharply from € 12.7 million to € 31.9 million. This increase was mainly attributable to the rise in current financial liabilities to € 13.7 million due to advance financing of the production building in the US and the operative development of the new business divisions. Following completion, the US building will be financed on a long-term basis in the US and the short-term financing repaid. A binding financing commitment has been obtained. The increase in trade payables to € 10.6 million results from changes in the product portfolio accompanied by a € 5.6 million rise in inventories on the asset side. Chiefly as a result of the acquisition of SphereDesign GmbH and the development of subsidiaries, other current liabilities rose by € 2.0 million. Debt capital therefore increased from € 39.8 million (prior year) to € 66.1 million. Interest-bearing liabilities account for a share of € 44.6 million (prior year: € 27.9 million). Net debt rose correspondingly to € 34.5 million (prior year: € 11.9 million).

Total equity of the paragon Group grew from € 15.0 million in the prior year to € 17.9 million as of September 30, 2015. Given the substantial rise in total assets, this results in an equity ratio of 20.7%, as against 26.7% as of September 30, 2014.

The cash flow from operating activities showed a marked improvement to € 6.6 million in the first nine months of 2015, up from € -0.3 million in the prior year. This key figure benefited from the strong earnings position, receivables management and the non-recurrence of the charge resulting from outsourcing pension obligations in the prior year. Furthermore, the rise in inventories was almost offset by the increase in trade payables and other liabilities.

Cash and cash equivalents amounted to € 6.6 million as of September 30, 2015, as against € 11.8 million at the end of the first nine months of 2014.

Research and development

Research and development is an area to which paragon traditionally accords great strategic significance. In light of its current product offensive, the Group has further stepped up its activities in this area in 2015. In the first nine months of 2015, all five business divisions made significant progress with development projects intended to substantially enhance the company's market position and sales opportunities. This is also reflected in the R&D quota which – despite the substantial growth in revenue – rose from 10.5% in the prior year to 13.4%. paragon expended a total of around € 9.0 million on research and development in the first nine months of 2015 (prior year: € 5.9 million). The number of employees working in this area rose sharply, especially in electromobility, and increased from 73 to 102.

In the third quarter of 2015, the Sensors business division managed to complete the advance development of the PM2.5 laser particular sensors developed by paragon for use in automobiles and began work on industrializing these for large-scale serial deployment. These sensors have met with very great interest from OEMs. In the Acoustics business division, the sound system presented at the IAA motor show is now being tested in various concept studies by well-known car-

makers. Given the large number of benefits it offers compared with conventional systems, the chances of receiving corresponding orders are very good. The Cockpit business division has further expanded its strategic partnership with suppliers and also massively extended its development activities for new product platforms. This was also reflected in the numerous innovations presented at the IAA. The main focuses in the Body Kinematics business division were on the second generation of the universal drive, the serial development of several rear spoiler systems, advance development orders for underbody spoilers and a further rear spoiler system, and expanding R&D capacities for construction design, testing, laboratory and prototype construction. The Electromobility business division has already delivered the first assembly prototypes for starter batteries for application and validation in vehicles. Not only that, the new Voltabox LTO module series is being transitioned to serial production.

Employees

The paragon Group had a total of 472 permanent and 84 temporary employees at the reporting date on September 30, 2015. The total number of employees thus rose by 18.6% compared with the prior year's reporting date (September 30, 2014: 420 permanent, 49 temporary). Due to the office in Shanghai (6) and the US subsidiary Voltabox of Texas, Inc. (13), paragon had a total of 19 employees abroad (prior year: 15). The Group had the following (permanent/temporary) employee totals at its individual locations in Germany as of September 30, 2015: Delbrück (156/7), Suhl (210/65), Nuremberg (24/8), St. Georgen (45/0), and Bexbach (18/4).

Investments

paragon invested around € 25.5 million in total between January 1 and September 30, 2015 (prior year: € 9.0 million) This figure clearly underlines the Group's continuing growth trajectory. Of this total, € 16.7 million related to investments in property, plant and equipment (prior year: € 7.3 million), and € 7.6 million to intangible assets (prior year: € 1.7 million) and the takeover of SphereDesign GmbH. Key focuses of investment in

property, plant and equipment involved the purchase of the building in Artegastrasse in Delbrück, the construction of the production building in the US, the takeover of property, plant and equipment upon the acquisition of SphereDesign GmbH, and further replacement and new investments in machinery. The Managing Board expects the level of investment activity in 2016 to return to the levels seen prior to 2015. The period of intense investment in the new business divisions is now coming to an end and is already clearly paying off.

Investor Relations

General stock market climate

The DAX, Germany's lead index, rose significantly at the beginning of the year and reached its year-to-date high (closing price basis) at 12,375 points on April 10, 2015. As the year progressed further, however, the level of uncertainty and nervousness on the markets increased sharply. As a result, by the end of the third quarter the DAX had once again ceded all of its gains this year, even reaching its year-to-date low at 9,427 points on September 24, 2015. The key factors here included the development in the Greek debt crisis, central bank monetary policy, the slowdown in the Chinese economy and associated concerns about the global economy, and the VW Diesel scandal in September. At 9,660 points at the end of the third quarter, the DAX fell 1.5% short of the prior year's figure of 9,805 points.

paragon's share

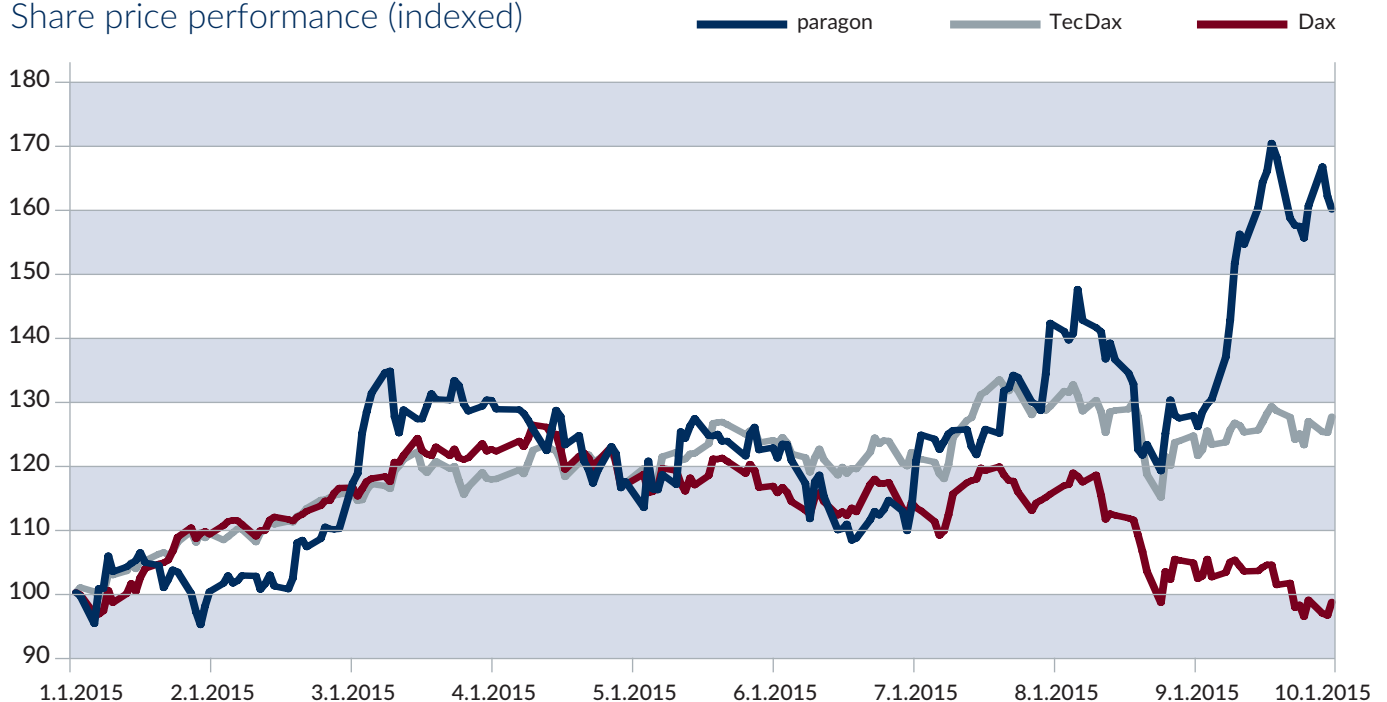
Given the company's consistently positive business performance, paragon's share decoupled from the DAX, especially in the third quarter of 2015, and clearly outperformed this index. Having begun the year on a subdued note, also marking its year-to-date low at € 13.38 on January 28, 2015, from mid-February the share benefited from better than expected results for fiscal 2014 and the ongoing highly positive outlook for the current fiscal year. The share price then rose to € 18.98 in March already. Consistent with developments in the

overall market, the share price nevertheless slipped back to € 15.45 at the end of the first half. In the third quarter, the company's consistently strong business results, further expansion steps, high-volume orders, and correspondingly positive reporting led investors to pay greater attention to the share and resulted in a substantial increase in the share price. The share thus reached its year-to-date high at € 24.01 on September 17, 2015 and closed the quarter only slightly lower at € 22.54. Compared with the prior year's closing price of € 14.10, this represents impressive value growth of 59.9%.

The strong business performance of the paragon Group is also reflected in analysts' recommendations for the company's share. Dr. Kalliwoda Research GmbH, Frankfurt/Main, has upheld its "buy" recommendation (August 31, 2015; target: € 27.90). Furthermore, two other equity research players have taken up coverage of the company, namely Steubing AG (May 11, 2015; fair value: € 26) and Edison Investment Research (September 2, 2015; fair value: € 30.1). The research reports can be viewed on the company's website at www.paragon.ag under Investor Relations/Research Studies.

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| ISIN: | DE0005558696 |
| WKN: | 555869 |
| Ticker symbol: | PGN |
| Market segment: | Regulated Market |
| Transparency level: | Prime Standard |
| Sector: | Technology |
| Industry: | Automobile supplier |
| Stock exchange: | Frankfurt (XETRA) |
| Also traded in: | Berlin, Dusseldorf, Hamburg, Munich, Stuttgart |
| Number of shares: | 4,114,788 |
| Share price on September 30, 2015: | € 22.54 |
| Market capitalization on September 30, 2015: | € 92.7 million |
| Average trading volume (52 weeks) on September 30, 2015: | 12,912 shares per day |
| Designated Sponsor | ODDO SEYDLER Bank AG |

Share price performance (indexed)

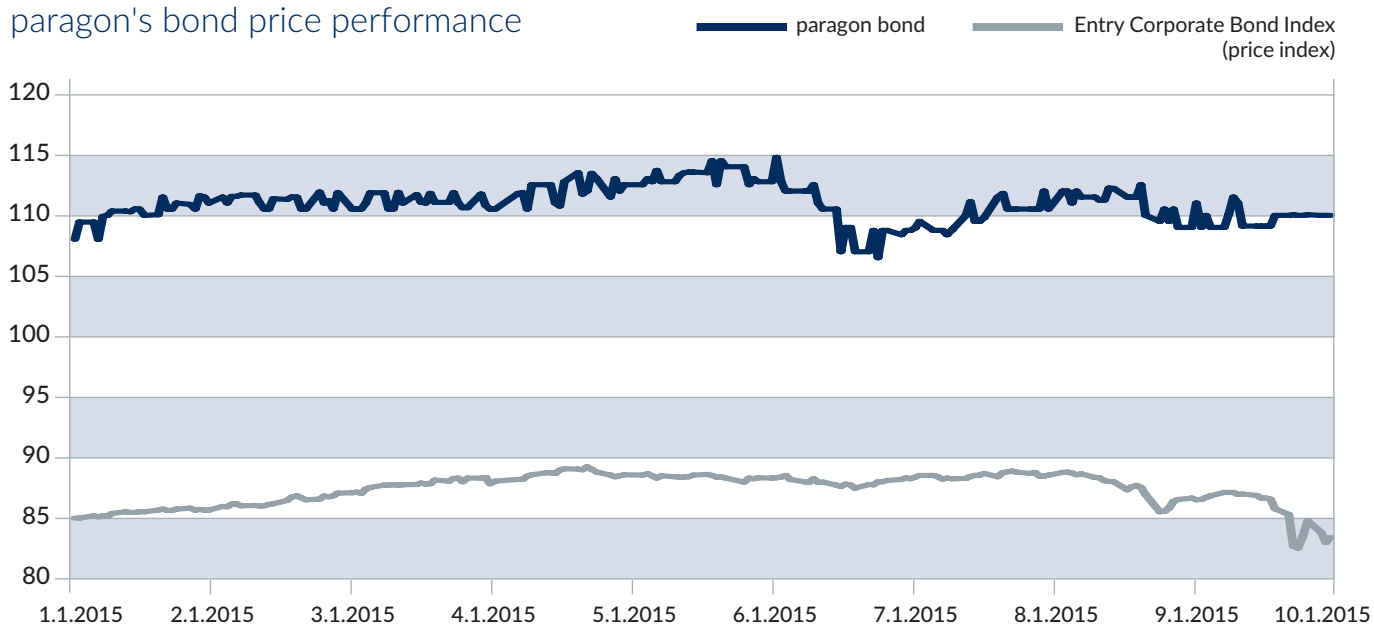


paragon's bond

The bond issued in July 2013 also continued to perform very stably in the first nine months of 2015 and was still listed well above its issue price of 100%. Following a brief period of weakness during the turbulence surrounding Greece at the end of the 1st half of the year, the bond price stabilized above the 110% mark once again in the third quarter and closed at 110.00% on September 30, 2015. The Entry Corporate Bond Index (price index) referred to for comparison still remained well below the 100% mark.

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|--|------------------------------------|
| ISIN: | DE000A1TND93 |
| WKN: | A1TND9 |
| Ticker symbol: | PGNA |
| Market segment: | Open Market |
| Transparency level: | Entry Standard for corporate bonds |
| Stock exchange: | Frankfurt |
| Also traded in: | Berlin, Hamburg, Hanover, Munich |
| Issue volume: | up to € 20 million |
| Placed volume (September 30, 2014): | € 13 million |
| Coupon: | 7.25% p.a. (annual payment) |
| Issue date: | 07.02.2013 |
| Maturity: | 07.02.2018 |
| Company rating (May 22, 2015): | BB+ (Creditreform Rating AG) |
| Bond price on September 30, 2015: | 110.00% |
| Average trading volume (52 weeks) on September 30, 2015: | € 16,240 (nominal) per day |

paragon's bond price performance



Financial market communications

Key events in the first nine months of 2015 were the Annual Results Press Conference held on paragon's own premises at its headquarters in Delbrück on March 11, 2015 and the 14th Annual General Meeting of paragon AG held in Stadthalle Delbrück on May 12, 2015. All resolutions proposed were approved virtually unanimously by the shareholders present. At the 6th DVFA Spring Conference (May 4 – 6, 2015) in Frankfurt and the 13th SCC Small Cap Conference (August 31 – September 1, 2015), CEO Klaus Dieter Frers presented the company to a wide audience of investors, analysts and business journalists and also held numerous one-to-one meetings. Furthermore, in November paragon will be presenting itself at the Germany Equity Forum organized by Deutsche Börse in Frankfurt in order to attract various classes of investor to the company.

Risk report

Detailed information about the individual risks to which paragon AG is exposed was presented in the opportunities and risk section of the Annual Report for the fiscal year from January 1, 2014 to December 31, 2014. The statements made there in respect of the company's overall risk situation continue to apply. From the perspective of the Managing Board, no material changes or additions to the risks listed therein were identified in the first nine months of 2015.

Upon publication of this report, no risks were apparent that could threaten the continued existence of the company.

Outlook

Macroeconomic and sector developments

According to the Kiel Institute for the World Economy (IfW)³, growth prospects for the global economy deteriorated in the third quarter of 2015. While underlying

conditions remain positive in the major industrialized economies, the emerging economies in particular have been adversely affected by weaker economic developments in China and the sharp drop in commodities prices. As a result, the IfW now only expects global growth of 3.3% (summer forecast: 3.4%). The euro area, where growth is still expected to amount to 1.5%, should develop positively.

Despite difficult global economic conditions, the experts at the IfW⁴ see the economic situation in Germany as robust. For 2015, they still expect growth to accelerate slightly to 1.8%, with this growth being driven in particular by the domestic economy (consumer spending and capital investment). Current risks result from weaker growth in China and future monetary policies at central banks. Despite the weaker economic outlook, paragon's Managing Board does not expect the macroeconomic framework to have any material negative implications for the Group's business performance through to the end of the fiscal year.

In view of the economic weakness in China, the German Association of the Automotive Industry (VDA)⁵ has significantly scaled back its growth expectations for China and also no longer excludes the possibility of this market stagnating. Accordingly, the VDA now only expects the global market⁶ to grow slightly to just over 76 million car sales (July 2015: 76.6 million). Overall, the market nevertheless remains at a high level.

The second area of activity at the paragon Group is electromobility. According to a research report issued by Navigant Research⁷, the global market for lithium ion batteries for use in vehicles had a volume of US\$ 7.8 billion in 2015. By 2024, this market is set to grow to US\$ 30.6 billion, corresponding to average annual growth of more than 16%. A different report, in this case compiled by Technavio⁸, even expects lithium ion battery use in transport vehicles to show annual growth of more than 21% in the period from 2015 – 2019.

Company performance

Based on the very pleasing results for the first nine months of 2015 and assuming a normal course of business, paragon's Managing Board is convinced that the

3 IfW: "Business Cycle Forecast of Autumn 2015", dated September 9, 2015

4 IfW: "German Economy, Autumn 2015", dated September 9, 2015

5 FAZ newspaper on September 14, 2015: "VDA no longer excludes possibility of stagnation in Chinese auto market in 2015"

6 Interview with VDA President Wissmann for VDI news: "Networking, security and e-mobility are the big topics" dated September 12, 2015

7 Business Wire, August 25, 2015: "The Market for Lithium Ion Batteries for Vehicles is Expected to Reach \$30.6 Billion in 2024, According to Navigant Research"

8 Technavio: "Global Li-ion Battery Market for Transportation Sector 2015–2019"

revenue target set for the full year – namely consolidated revenue of up to € 100 million – will be achieved. Despite the substantial expenses incurred for the far-reaching development of the new business divisions, the full-year EBIT margin will be at around the prior year's level. Excluding the aforementioned additional expenses, however, it will clearly exceed the prior year's figure. The order situation and outlook in individual business divisions remain positive and are ahead of the prior year's figures, in some cases substantially so.

In the fourth quarter, the Body Kinematics business division expects to receive further serial orders for new rear spoiler systems from several sports car manufacturers and for an aerodynamic spoiler system on the vehicle underbody, as well as an advance development order for a further aerodynamic vehicle underbody system. Overall, this division will benefit from a widespread trend towards new vehicles with rear spoiler systems and from vehicle manufacturers' increasing focus on overall vehicle aerodynamics. In the Electromobility business division, Voltabox Deutschland succeeded as planned in the third quarter in recruiting further highly qualified staff and thus substantially boosted its expertise and effectiveness. This is particularly true for sales and marketing, which will now be adopting a sustainable and targeted approach to generate projects in the automobile sector. Following the successful market launch for internal logistics applications, it will now be about monitoring how quickly these high-performance batteries gain the upper hand over traditional lead-acid batteries.

As previously announced, planning work for the Chinese business and production site in Kunshan was implemented in the third quarter. The production plant was opened in the presence of customers, both potential and already acquired, and of business and political representatives at the beginning of November. This represents a substantial expansion in paragon's activities in China, where the company has already been present since 2012. In future, this plant will produce air quality sensors, air quality improvement systems and stepper motors for display instruments. From the beginning of 2016 onwards, paragon will also have proprietary lithium ion battery cells at its disposal for the first time. These will be produced by a specialist manufacturer in China exclusively for Voltabox and will be governed by

the company's extensive quality assurance requirements. The objective is furthermore to supply the Chinese market with battery packs for purely electric buses and utility vehicles, as well as with starter batteries for conventional cars and motorcycles. This represents a further major milestone in the expansion of our activities in the electromobility business.

Notwithstanding the recent loss of momentum in the global automobile market, the Managing Board expects the company's growth course to continue further in terms of revenue and to a qualified extent also on EBIT level in 2016. Based on the current planning status, this development will also be supported by the company's investment activity, which is set to reduce in 2016 to pre-2014 levels. From a current perspective, paragon expects to generate almost double-digit revenue growth in 2016, accompanied by a further improvement in earnings. The company will publish a precise forecast in December 2015 following approval of the planning by the Supervisory Board.

Consolidated Balance Sheet of paragon AG, Delbrück, as of September 30, 2015, in accordance with IFRS

| in € thousands | September 30, 2015 | September 30, 2014 |
|--|--------------------|--------------------|
| ASSETS | | |
| Non-current assets | | |
| Intangible assets | 18,717 | 6,246 |
| Goodwill | 868 | 0 |
| Property, plant and equipment | 33,291 | 17,684 |
| Financial assets | 376 | 120 |
| Other assets | 85 | 89 |
| Total non-current assets | 53,337 | 24,139 |
| Current assets | | |
| Inventories | 16,448 | 10,794 |
| Trade receivables | 6,021 | 6,572 |
| Income tax claims | 1,626 | 1,014 |
| Other assets | 2,366 | 1,767 |
| Cash and cash equivalents | 6,578 | 11,782 |
| Total current assets | 33,039 | 31,929 |
| Total assets | 86,376 | 56,068 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Subscribed capital | 4,115 | 4,115 |
| Capital reserve | 2,450 | 2,450 |
| Revaluation deficit | - 781 | - 446 |
| Profit / Loss carried forward | 10,492 | 8,746 |
| Net income | 1,845 | 156 |
| Currency translation differences | - 224 | - 30 |
| Total equity | 17,897 | 14,991 |
| Non-current provisions and liabilities | | |
| Non-current lease obligations | 1,714 | 861 |
| Non-current borrowings | 15,817 | 11,368 |
| Non-current bonds | 12,750 | 12,602 |
| Investment grants | 1,202 | 1,291 |
| Deferred tax liabilities | 3,036 | 1,055 |
| Pension provisions | 2,052 | 1,224 |
| Total non-current provisions and liabilities | 36,571 | 28,401 |
| Current provisions and liabilities | | |
| Current portion of lease obligations | 578 | 341 |
| Current loans and current portion of non-current borrowings | 13,721 | 2,681 |
| Trade payables | 10,569 | 4,852 |
| Other provisions | 241 | 46 |
| Income tax liabilities | 88 | 13 |
| Other current liabilities | 6,711 | 4,743 |
| Total current provisions and liabilities | 31,908 | 12,676 |
| Total equity and liabilities | 86,376 | 56,068 |

Consolidated Statement of Comprehensive Income of paragon AG, Delbrück, for the period from January 1, 2015 to September 30, 2015, in accordance with IFRS

| in € thousands | | | Q3 2015 | Q3 2014 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | Jan. 1 – Sept. 30, 2015 | Jan. 1 – Sept. 30, 2014 | July 1 – Sept. 30, 2015 | July 1 – Sept. 30, 2014 |
| Revenue | 67,363 | 55,971 | 22,748 | 18,218 |
| Other operating income | 1,952 | 634 | 210 | 95 |
| Increase or decrease in inventory of finished goods and work in progress | 2,029 | 1,103 | 668 | 572 |
| Other own work capitalized | 6,501 | 2,021 | 2,960 | 522 |
| Total operating performance | 77,845 | 59,729 | 26,586 | 19,407 |
| Cost of materials | - 37,630 | - 30,744 | - 12,955 | - 9,906 |
| Gross profit | 40,215 | 28,985 | 13,631 | 9,501 |
| Personnel expenses | - 19,543 | - 16,289 | - 6,680 | - 5,494 |
| Depreciation of property, plant and equipment and amortization of intangible assets | - 4,523 | - 3,329 | - 1,666 | - 1,082 |
| Impairment of property, plant and equipment and intangible assets | - 14 | - 16 | 0 | 1 |
| Other operating expenses | - 11,555 | - 7,341 | - 4,548 | - 2,419 |
| Earnings before interest and taxes (EBIT) | 4,580 | 2,010 | 737 | 507 |
| Financial income | 159 | 9 | 1 | 1 |
| Finance costs | - 1,850 | - 1,442 | - 682 | - 500 |
| Financial result | - 1,691 | - 1,433 | - 681 | - 499 |
| Earnings before taxes (EBT) | 2,889 | 577 | 56 | 8 |
| Income taxes | - 1,044 | - 421 | - 106 | - 215 |
| Net income / Loss income | 1,845 | 156 | - 50 | - 207 |
| Earnings per share (basic) | 0.45 | 0.04 | - 0.01 | - 0.05 |
| Earnings per share (diluted) | 0.45 | 0.04 | - 0.01 | - 0.05 |
| 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 |
| Other comprehensive income | | | | |
| Actuarial gains and losses | 0 | 0 | 0 | 0 |
| Currency translation differences | - 118 | 0 | 34 | 0 |
| Total comprehensive income | 1,727 | 156 | - 16 | 0 |

Consolidated Cash Flow Statement of paragon AG, Delbrück, for the period from January 1, 2015 to September 30, 2015, in accordance with IFRS

| in € thousands | Jan. 1. – Sept. 30, 2015 | | Jan. 1. – Sept. 30, 2014 | |
|---|--------------------------|-----------------|--------------------------|----------------|
| Earnings before income taxes | 2,889 | | 578 | |
| Depreciation/amortization of non-current assets | 4,523 | | 3,329 | |
| Financial result | 1,691 | | 1,432 | |
| Gains (-), losses (+) from the disposal of property, plant and equipment and financial assets | - 1 | | 150 | |
| Increase (+), decrease (-) in other provisions and pension provisions | - 352 | | - 9 | |
| Income from the reversal of the special item for investment grants | - 66 | | - 204 | |
| Other non-cash income and expense | 35 | | - 27 | |
| Increase (-), decrease (+) in trade receivables, other receivables and other assets | 3,147 | | - 816 | |
| Partial transfer of pension provisions | 0 | | - 1,453 | |
| Impairment of intangible assets | 14 | | 16 | |
| Increase (-), decrease (+) in inventories | - 9,538 | | - 3,325 | |
| Increase (+), decrease (-) in trade payables and other liabilities | 7,118 | | 2,307 | |
| Interest paid | - 1,850 | | - 1,442 | |
| Income taxes | - 994 | | - 860 | |
| Cash flow from operating activities | | 6,616 | | - 324 |
| Cash receipts from disposals of property plant and equipment | 189 | | 134 | |
| Cash payments to acquire property, plant and equipment | - 16,676 | | - 7,252 | |
| Cash payments to acquire intangible assets | - 7,564 | | - 1,720 | |
| Cash payments to acquire consolidated companies and other business units | - 1,219 | | 0 | |
| Interest received | 6 | | 7 | |
| Cash flow from investing activities | | - 25,264 | | - 8,831 |
| Distributions to shareholders | - 1,029 | | - 1,029 | |
| Cash repayments of borrowings | - 4,612 | | - 3,184 | |
| Amounts paid on insolvency ratio | 607 | | 0 | |
| Cash proceeds from borrowings | 17,338 | | 4,869 | |
| Cash repayments for liabilities from finance leases | - 343 | | - 265 | |
| Net cash proceeds from the issuance of bonds | 0 | | 2,900 | |
| Cash flow from financing activities | | 11,961 | | 3,291 |
| Cash-effective change in liquidity | - 6,687 | | - 5,864 | |
| Cash and cash equivalents at beginning of period | 13,264 | | 17,647 | |
| Cash and cash equivalents at end of period | 6,578 | | 11,782 | |

Consolidated Statement of Changes in Equity of paragon AG, Delbrück, in accordance with IFRS

| in € thousands | Subscribed capital | Capital reserve | Revaluation deficit | Reserve from currency translation | ACCUMULATED PROFIT | | Total |
|----------------------------|--------------------|-----------------|---------------------|-----------------------------------|------------------------|------------|---------|
| | | | | | Profit carried forward | Net income | |
| January 1, 2014 | 4,115 | 2,450 | - 446 | - 1 | 9,775 | 0 | 15,893 |
| Net income | 0 | 0 | 0 | 0 | 0 | 156 | 156 |
| Actuarial gains and losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Currency translation | 0 | 0 | 0 | - 29 | 0 | 0 | - 29 |
| Other comprehensive income | 0 | 0 | 0 | - 1 | 0 | 0 | - 1 |
| Comprehensive income | 0 | 0 | 0 | - 30 | 0 | 156 | 126 |
| Dividend payout | 0 | 0 | 0 | 0 | - 1,029 | 0 | - 1,029 |
| September 30, 2014 | 4,115 | 2,450 | - 446 | - 31 | 8,746 | 363 | 14,990 |

| in € thousands | Subscribed capital | Capital reserve | Revaluation deficit | Reserve from currency translation | ACCUMULATED PROFIT | | Total |
|----------------------------|--------------------|-----------------|---------------------|-----------------------------------|------------------------|------------|---------|
| | | | | | Profit carried forward | Net income | |
| January 1, 2015 | 4,115 | 2,450 | - 781 | - 106 | 11,521 | 0 | 17,198 |
| Net income | 0 | 0 | 0 | 0 | 0 | 1,845 | 1,845 |
| Actuarial gains and losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Currency translation | 0 | 0 | 0 | - 118 | 0 | 0 | - 118 |
| Other comprehensive income | 0 | 0 | 0 | - 118 | 0 | 0 | - 118 |
| Comprehensive income | 0 | 0 | 0 | - 118 | 0 | 1,845 | 1,726 |
| Dividend payout | 0 | 0 | 0 | 0 | - 1,028 | 0 | - 1,028 |
| September 30, 2015 | 4,115 | 2,450 | - 781 | - 224 | 10,493 | 1,845 | 17,896 |

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Basis of accounting

The interim consolidated financial statements of paragon AG as of September 30, 2015 have been prepared in accordance with the uniform accounting policies set out in International Financial Reporting Standards (IFRS) also applied in the Annual Report for the period from January 1, 2014 to December 31, 2014. Application has been made of the standards issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) effective as of the balance sheet date.

The group interim report is consistent in terms of its form and contents with the reporting requirements of Deutsche Börse. The report represents an update of the Annual Report for the period under report. Its key focus is on the current reporting period and it should be read in conjunction with the Annual Report and the supplementary information about the company included therein. The aforementioned Annual Report is available online at www.paragon.ag.

SphereDesign GmbH, Bexbach, was fully consolidated for the first time in the first nine months of 2015. As a result, the existing scope of consolidation accounted for in the 2014 consolidated financial statements, comprising KarTec GmbH, paragon Automotive Technology (Shanghai) Co., Ltd., Voltabox of Texas, Inc., and Voltabox Deutschland GmbH, has been extended to include SphereDesign GmbH.

Income statement, balance sheet, cash flow statement

The sections headed “Financial position and net assets” and “Earnings performance” provide a detailed overview and include specific disclosures about the consolidated income statement, consolidated balance sheet, and consolidated cash flow statement of paragon AG.

Managing Board and Supervisory Board

There were no changes in the composition of the Managing Board or the Supervisory Board as of September 30, 2015 compared with December 31, 2014.

Events after the balance sheet date

The Managing Board is not aware of any events after the balance sheet date on September 30, 2015 that are of particular significance or that could materially influence the company's result of operations, financial position or net assets.

Information about the preparation of the interim financial statements

These interim financial statements have not been audited or subject to any audit review.

Forward-looking statements entail risks

These interim consolidated financial statements include statements that also concern the future performance of paragon AG. These statements are based on both assumptions and estimates. Although the Managing Board is convinced that the forward-looking statements are realistic, it cannot offer any guarantees in this respect. The assumptions involve risks and uncertainties that could lead actual results to deviate from expected results.

Delbrück, November 19, 2015

The Managing Board

paragon AG

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