



Interim report  
January 1 to March 31, 2013

2012,04	2194,71	▲	35,51	11,6%	0,00	CHE	2950,21	626,71	25%
17,82	6298,47	▲	50,37	5,8%	0,00	HAMA	13802,11	626,71	25%
0,94	3610,30	▼	12,03	10,9%	0,00	VSA	9817,06	3610,30	25%
98,32	9486,12	▲	9,51	9,3%	0,00	LFZ	40371,07	9486,12	25%
104,84	4551,45	▼	140,74	19,4%	0,00	SMM	8540,64	4551,45	25%
4,76	1902,02	▶	2,54	7,7%	0,00	VSA	14072,53	1902,02	25%
75,03	7031,94	▲	82,50	2,0%	0,00	ROS	35319,27	75,03	25%
28,90	5098,01	▲	18,58	16,1%					
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256,07	9376,51	▶	531,35	6,1%					
93,86	7091,48	▼	85,22	9,8%					
388,21	9178,72	▼	683,76	8,5%					
173,98	8043,12	▼	290,33	7,2%					
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14,32	4217,03	▲	17,26	4,3%					
2,55	1003,74	▲	4,17	0,5%					
18,20	2491,17	▼	20,21	11,2%					
49,04	3169,31	▶	44,09	16,4%					
0,71	1428,78	▼	2,56	1,2%					
23,54	2093,10	▲	14,71	4,4%					
7,22	7581,09	▼	3,90	0,2%					
10,45	3467,17	▼	63,75	13,4%					
33,09	2012,94	▼	16,38	7,8%					
29,44	2194,71	▲	33,51	11,6%					
17,82	6298,47	▶	50,37	5,8%					
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### Highlights of the First Quarter of 2013

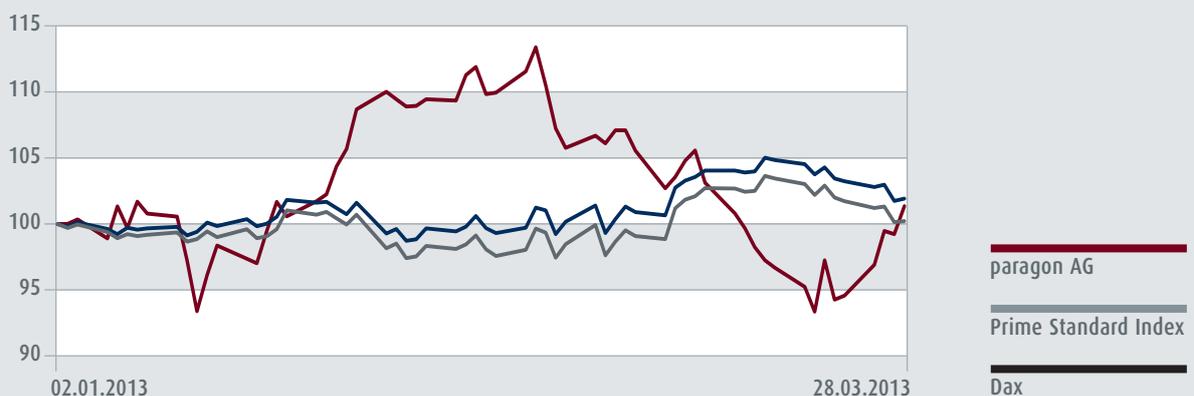
- Start into the year in line with expectations
- Revenue as planned, EBIT exceeds target
- Equity-to-assets ratio climbs to 31.0 %
- Managing Board confirms forecast for 2013

### Key Figures

in EUR thousands	01.01.2013 to 31.03.2013	01.01.2012 to 31.03.2012	Change in %
Revenue	16,489	18,933	- 12.9
EBITDA	1,980	3,668	- 46.0
EBITDA margin in %	12.0	19.4	
EBIT	895	2,502	- 64.2
EBIT margin in %	5.4	13.2	
Net income	458	1,908	- 76.0
Earnings per share in EUR	0.11	0.46	- 76.0
Total assets	43,533	42,520	2.4
Total equity	13,486	11,706	15.2
Equity-to-assets ratio in %	31.0	27.5	
Free cash flow	7,182	11,819	- 39.2
Interest-bearing liabilities	14,294	14,649	- 2.4
Net debt*	7,112	2,830	151.3
Operating cash flow	- 1,127	1,928	n. a.

\* Net debt = interest bearing liabilities / free cash flow

### Price developments (indexed)



### Overall Economic Conditions

A noticeable softening of the global economy throughout 2012 was followed in spring 2013 by increasing signs of a pick-up in production, even in the advanced economies. The Institut für Weltwirtschaft, Kiel (ifw – Kiel Institute for the World Economy) detected indicators of a definite improvement in global economic activity in the first quarter of 2013.

On the other hand, the economy in the eurozone, which is strained by the sovereign debt and banking crisis, is recovering with great difficulty. According to the ifw, the German economy as well will return to an expansion path with great hesitation; it should however, gradually strengthen later in the year.

The difficult economic situation in Europe had a negative impact on the situation of the automotive industry in the first quarter. From January to March, new car registrations in the Western European passenger car market fell by almost 10% to 2.9 million vehicles compared to the previous year. In contrast, sales in the U.S. increased by over 6% to 3.7 million new vehicles, and in China by more than 25% to 3.9 million units.

### Business Development and Significant Events

As early as the last quarter of 2012, customers of paragon AG showed restraint in placing orders for the purpose of



reducing inventories. The extended plant holiday of the automotive manufacturers at the turn of the year had an impact on paragon's revenue both in December 2012 and in January 2013. The Managing Board therefore assumed that the first quarter of 2013 would be very restrained, which turned out to be as budgeted and announced. Revenue was in line with planning, while the EBIT margin even exceeded the cautious expectations.

It was encouraging that revenue was significantly increased compared to the previous quarter, while it is difficult to make a direct comparison with the first quarter of 2012. In the first three months of the prior year, a number of one-off items existed, due in particular to a deferral of booked orders from the fourth quarter of 2011 to the first quarter of 2012, which also had a positive impact on revenue and earnings in the second quarter of 2012. The volume effect as well as additional investments had an impact on EBIT in the first quarter of 2013. Although EBIT decreased year-on-year, it already picked up again compared to the previous quarter. The order situation continues to be very satisfactory, in particular due to the high volume of orders placed by existing customers for proven products.

### Revenue distribution by business segments

Q1 2013	in € millions	in %
Sensors business segment	6,557	39.8 %
Acoustics business segment	2,804	17.0 %
Cockpit business segment	6,665	40.4 %
Electromobility business segment	20	0.1 %
Body Works Kinematics business segment	443	2.7 %
<b>Total</b>	<b>16,489</b>	<b>100.0 %</b>

By constructing new production facilities at the company's headquarters in Delbrück, paragon has created the operating preconditions to enable the new fields of activity Kinematics and Electromobility to provide significant contributions to revenue before the end of the current year. A first prototype series of spoiler systems was produced in the first quarter; series production will begin in the autumn. Moreover, paragon has received a significant major order for battery packs, which will start at roughly the same time. Due to the information blackout imposed by the customer, paragon will not be able to report concerning this breakthrough in the business segment of Electromobility until the end of May 2013.

The construction of the sales office in the promising Chinese market, which is based in Shanghai, was largely completed in the first quarter of 2013.

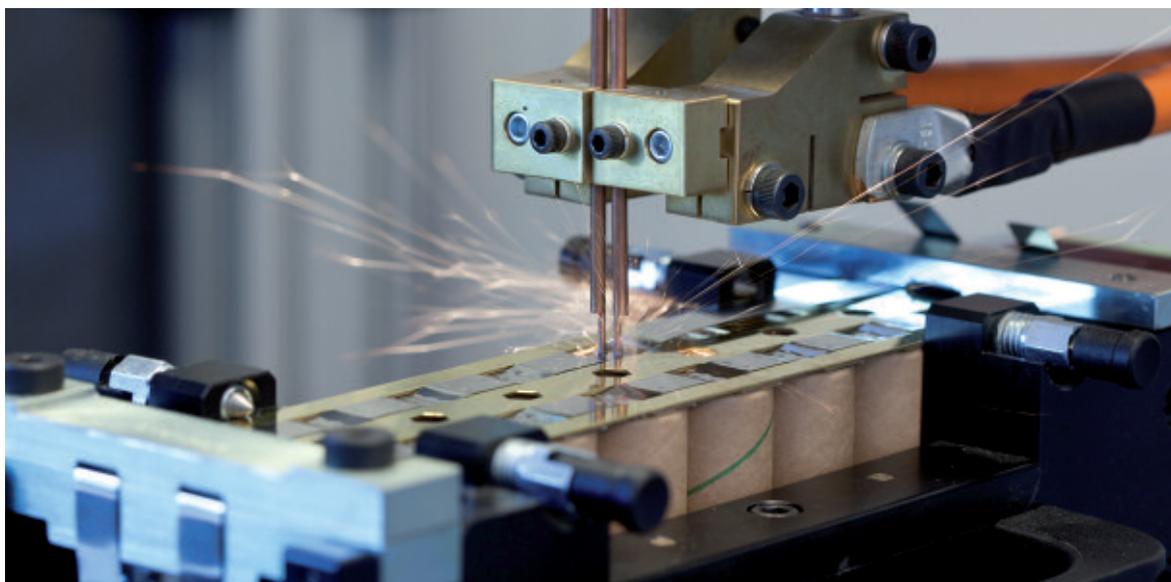
paragon has already received more than 96% of booked orders from customers for the planned total revenue in the current fiscal year.

### Results of Operations

In the first quarter, the Company generated revenue of EUR 16.5 million (prior year: EUR 18.9 million), reflecting a decline of 12.9% compared to the first quarter of 2012, which benefited from one-off items. Sales have picked up again compared to the fourth quarter of 2012 (EUR 15.6 million).

As expected, paragon was unable to achieve the exceptionally good earnings figures of the prior-year quarter. EBIT declined year-on-year from EUR 2.5 million to EUR 0.9 million. Compared to the previous quarter (EUR 0.5 million), it already showed an increase. The EBIT margin of 5.4% (prior year: 13.2%) and the EBITDA margin of 12.0% (prior year: 19.4%) exceeded the Company's target figures.

The Company achieved positive results both in cost of material (- 12.6%) and in personnel expense (- 6.6%). In the first quarter of 2013, the absolute cost of materials came to EUR 8.7 million (prior year: EUR 9.9 million), the cost of materials ratio in relation to revenue ratio stood at 52.6% at the level of 2012 (prior year: 52.4%). paragon achieved savings in personnel expenses as well by reducing costs to EUR 4.5 million (prior year: EUR 4.9 million). This results in a personnel expense ratio to revenue of 27.5% (prior year: 25.7%). As of March 31, 2013 paragon AG recorded net income according to IFRS of EUR 0.5 million (prior year: EUR 1.9 million). This resulted in earnings per share of EUR 0.11 (prior year: EUR 0.46).



## Financial Position and Net Assets

Total assets as of March 31, 2013 increased to EUR 43.5 million compared to EUR 42.5 million as of March 31, 2012.

Non-current assets rose by EUR 2.1 million to EUR 19.0 million (prior year: EUR 16.9 million). Current assets were reduced from EUR 25.6 million to EUR 24.6 million, primarily reflecting the decline in cash and cash equivalents.

Non-current provisions and liabilities remained nearly constant at EUR 16.8 million (prior year: EUR 16.6 million). In contrast, current provisions and liabilities were reduced by EUR 0.9 million to EUR 13.3 million (prior year EUR 14.2 million). This decrease resulted primarily from the reduction in other current liabilities (EUR 0.3 million) and the repayment of current loans (EUR 0.4 million).

The further increase of the equity-to-assets ratio to 31.0% (prior year: 27.5%) was pleasing.

The cited effects also had an impact on cash flow generated by operating activities, in which paragon recorded a value of EUR - 1.1 million in the first quarter (prior year: EUR 1.9 million). Significantly higher income taxes of EUR 1.0 million (prior year: EUR 0.5 million) contributed to this.

## Research & Development

In the area of research & development, paragon again focused on business activities in the first quarter of 2013. In all five fields of activity, significant progress was made in future-oriented projects, which were able to improve the Company's market position. In detail, the focus was on the following development activities, among others: the prototype of a self-adjusting head rest and customer-specific adjustments of the air improvement system AQI (Sensors business segment), a new microphone concept with adaptive wind adjustment and a single user solution for the belt microphone belt-mic (Acoustics business segment), the extension of the universal phone tray for mobile phones Universal Phone Tray to include near field communication technology for secure wireless exchange over short distances (Cockpit business segment), the further development of the

battery system module to three module sizes and the design of energy storage for stationary applications (Electromobility business segment) as well final development work on a spoiler drive, a rear spoiler drive mechanism and a trunk lid button (Body Works Kinematics business segment). paragon invested a total amount of approximately EUR 1.6 million (prior year: EUR 1.5 million) in research & development from January 1 to March 31, 2013. This increased the R&D ratio in relation to revenue from 7.9% to 9.7%.

## Employees

As of the reporting date, paragon AG employed 382 of its own workers and 43 temporary staff members in Germany. Compared to the prior-year reporting date, the total number of employees thus remained nearly constant (March 31, 2012: 421 including 52 temporary staff members). Compared to December 31, 2012 (389 of its own workers and 45 temporary staff members), paragon recorded a slight decline in headcount. The individual locations accounted for the following figures (own workers/temporary staff members) as of March 31, 2013: Delbrück (86/0), Suhl (246/41), Nuremberg (36/2), and St. Georgen (57/0).

## Investor Relations

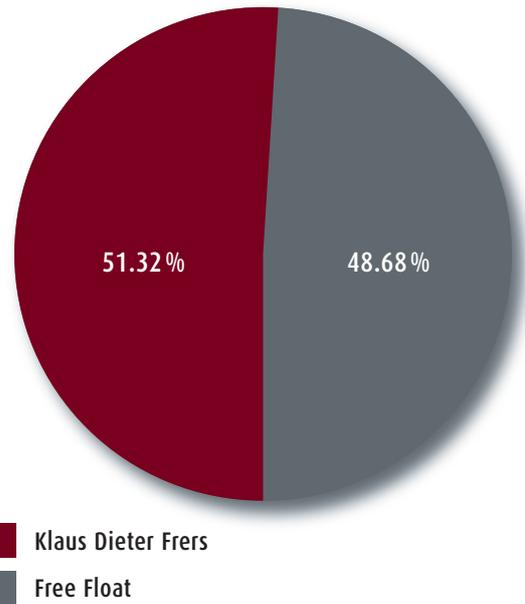
The DAX (German Stock Index) moved sideways in the first quarter of 2013. On the first day of trading (January 2, 2013), the index started the new year at 7,779 points, reached its high for the quarter of 8,058 on March 14, and then dropped back to 7,795 points by the last day of trading (March 28).

The price of paragon stock took a similar course; however, it approached its former high earlier. From EUR 9.15 (January 2), the price reached EUR 10.05 on February 14 and climbed to EUR 10.35 on February 19. However, the stock was unable to maintain this price in the ensuing weeks and closed at EUR 9.27 on March 28.

The special dividend of EUR 1.0 million for the 2011 fiscal year, which was resolved at the Shareholders' Meeting on May 9, 2012, was paid to shareholders on schedule on January 3, 2013.

The highlight of the Investor Relations work was the financial statements press conference which was held in the Company's Delbrück headquarters on March 21, 2013. CEO Klaus Dieter Frers explained the figures for fiscal 2012 and the planning and forecasts for 2013 for the media representatives in attendance.

Based on the presented figures and planning, a number of analysts updated their research regarding the paragon stock. Both Close Brothers Seydler Research AG, Frankfurt /Main



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 March 28, 2013:	9.27 Euro
Market capitalization on March 28, 2013:	EUR 38.1 million
Average trading volume (52 weeks) as at March 28, 2013:	12,687 shares a day

(March 26; price target: EUR 17.00) and Dr. Kalliwoda Research GmbH, Frankfurt/Main (March 27; price target: EUR 20.48) reaffirmed the positive future outlook by confirming their most recent price targets.

**paragon**

**Premium für's Auto**

Word cloud background includes: Kreativität, Überraschung, Entschlossenheit, Höchstleistung, Phantasie, Konsequenz, Energie, Blutzucker, Siegeswille, Begeisterung.

## Risk Report

Although the general economic and currency crisis in Europe also had a noticeable impact on the automotive industry in the first quarter, at the time of publication of this report, no risks have been identified that might jeopardize the Company's continued existence.

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, 2012. The statements contained therein with respect to the overall risk continue to be applicable.

## Outlook

According to the Institut für Weltwirtschaft, Kiel (ifw – Kiel Institute for the World Economy), indicators give rise to the expectation that the pace of global economic expansion will increase again during the year 2013. However, future prospects continue to depend chiefly on the development of the crisis in the eurozone and the resulting influence on demand and on the financial markets. In sum, the ifw experts assume that global production will rise by 3.4%.

For Germany, the Institute expects that gross domestic product will increase by 0.6% in 2013. While the unemployment rate should drop further to 6.7%, consumer prices may rise by 2%. In the coming year, the economic expansion should solidify as long as the crisis in the eurozone provides no additional negative factors. Production should then increase more robustly by 1.5%.

The German Automotive Industry Association (VDA) expects that 2013 will be a challenging year for the industry. No growth, but also no crash is expected in Germany in the entire year. The outlook for the international automobile markets appears significantly more positive. Due in particular to the growth in the U.S. and in China, the VDA expects that the global passenger car market will set 70 million vehicles as its target.

The Company had already considered the forecasts of manufacturers with regard to sales figures in the current fiscal

year in its annual planning; thus, the cautious statements from the automotive industry are no reason for adjusting the budget figures.

Based on the booked orders from the automotive manufacturers, the Company may firmly reckon with a solid increase in revenue for the second quarter of more than 15% compared to the first three months of 2013. This brightening of demand will also have a positive impact on the earnings position. From the present perspective, the EBIT margin will slightly exceed the targeted figure. Based on the mentioned one-off items in the first six months of 2012, it will, however, not be possible to exceed the revenue and earnings figures of that period in the first six months of the current year. Since new orders and products will increase revenue further starting in September after the plant holidays of the manufacturers, the Managing Board sees its previous forecast for the year as a whole to be confirmed. Overall, the Company's management continues to expect 5% growth in revenue as in the year before as well as a stable EBIT margin.

The Company continues to see its market position as very good. As one of the best-known suppliers, paragon intends to increase its share in the value creation chain in automotive manufacturing throughout 2013 and in the following years.

According to the Managing Board's plans, the development of new fields of activity will contribute to this. In the business segments Body Works Kinematics and Electromobility, paragon created the preconditions for additional revenue for the rest of the current year in the first quarter of 2013. In the established fields of activity as well, in particular in the divisions of Sensors and Acoustics, the Managing Board sees considerable potential for revenue. The Company is also systematically pursuing its involvement in China, including with respect to local in-house production.

paragon has access to sufficient funding to support its corporate development in the medium term. In order to potentially accelerate paragon's targeted growth, the Managing Board is also considering a number of financing alternatives in relation to outside capital, and is currently examining the associated opportunities and risks for paragon AG and its future growth.

## Balance Sheet of paragon AG, Delbrück, as of March 31, 2013

in EUR thousands	31.03.2013	31.03.2012
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	5,391	3,234
Property, plant and equipment	13,446	13,134
Other assets	127	160
Deferred taxes	0	397
<b>Total non-current assets</b>	<b>18,964</b>	<b>16,925</b>
<b>Current assets</b>		
Inventories	7,737	6,858
Trade receivables	2,663	994
Income tax assets	1,041	196
Other assets	1,939	1,635
Cash and cash equivalents	11,189	15,912
<b>Total current assets</b>	<b>24,569</b>	<b>25,595</b>
<b>Total assets</b>	<b>43,533</b>	<b>42,520</b>

in EUR thousands	31.03.2013	31.03.2012
<b>Equity and liabilities</b>		
<b>Equity</b>		
Subscribed capital	4,115	4,115
Capital reserve	2,450	3,478
Revaluation surplus	- 803	- 426
Profit/loss carried forward	7,266	2,631
Jahresüberschuss	458	1,908
<b>Summe Eigenkapital</b>	<b>13,486</b>	<b>11,706</b>
<b>Langfristige Rückstellungen und Verbindlichkeiten</b>		
Non-current lease obligation	179	44
Non-current borrowings	11,776	11,943
Special item for investment grants	1,942	2,548
Deferred taxes	102	0
Pension provisions	2,761	2,048
<b>Total non-current provisions and liabilities</b>	<b>16,760</b>	<b>16,583</b>
<b>Current provisions and liabilities</b>		
Current portion of finance lease obligations	240	180
Current borrowings and current portion of non-current borrowings	2,099	2,482
Trade payables	3,918	3,535
Other provisions	253	288
Income tax liabilities	74	700
Other current liabilities	6,703	7,046
<b>Total current provisions and liabilities</b>	<b>13,287</b>	<b>14,231</b>
<b>Total equity and liabilities</b>	<b>43,533</b>	<b>42,520</b>

**Income Statement of paragon AG, Delbrück,  
for the Period from January 1 to March 31, 2013**

in EUR thousands	<b>Q1 2013</b> <b>01.01. – 31.03.2013</b>	Q1 2012 01.01. – 31.03.2012
Sales revenue	16,489	18,933
Other operating income	265	669
Increase or decrease in finished goods and work in process	- 18	249
Other own work capitalized	482	500
<b>Total operating performance</b>	<b>17,218</b>	<b>20,351</b>
Cost of materials	- 8,669	- 9,917
<b>Gross profit</b>	<b>8,549</b>	<b>10,434</b>
Staff costs	- 4,539	- 4,859
Depreciation and amortization of property, plant, equipment and intangible assets	- 1,024	- 858
Impairment of property, plant and equipment and intangible assets	- 61	- 308
Other operating expenses	- 2,030	- 1,907
<b>Earnings before interest and taxes (EBIT)</b>	<b>895</b>	<b>2,502</b>
Financial income	1	9
Finance costs	- 246	- 266
<b>Net financing costs</b>	<b>- 245</b>	<b>- 257</b>
<b>Earnings before taxes (EBT)</b>	<b>650</b>	<b>2,245</b>
Income taxes	- 192	- 337
<b>Net income</b>	<b>458</b>	<b>1,908</b>
Earnings per share (basic)	0.11	0.46
Earnings per share (diluted)	0.11	0.46
Average number of shares outstanding (basic)	4,114,788	4,114,788
Average number of shares outstanding (diluted)	4,114,788	4,114,788

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

in EUR thousands	01.01. – 31.03.2013		01.01. – 31.03.2012	
Earnings before income taxes	650		2,245	
Depreciation/amortization of non-current assets	1,024		858	
Financial result	245		257	
Increase (+), decrease (-) in other provisions and pension provisions	- 12		- 554	
Income from the reversal of the special item for investment grants	- 149		- 161	
Increase (-), decrease (+) in trade receivables, other receivables and other assets	- 1,098		- 1,079	
Impairment of intangible assets	61		308	
Increase (-), decrease (+) in inventories	- 424		- 127	
Increase (+), decrease (-) in trade payables and other liabilities	- 181		947	
Interest paid	- 247		- 266	
Income taxes paid	- 996		- 500	
<b>Cash flow from operating activities</b>		<b>- 1,127</b>		<b>1,928</b>
Cash payments to acquire property, plant and equipment	- 624		- 493	
Cash payments to acquire intangible assets	- 845		- 488	
Interest received	1		9	
<b>Cash flow from investment activities</b>		<b>- 1,468</b>		<b>- 972</b>
Cash repayments of borrowings	- 483		- 319	
Cash proceeds from issuing loans	264		0	
Cash repayments for liabilities from finance lease	- 80		- 55	
<b>Cash flow from financing activities</b>		<b>- 299</b>		<b>- 374</b>
<b>Cash-effective change in liquidity</b>	<b>- 2,894</b>		<b>582</b>	
Cash and cash equivalents at beginning of period	14,083		15,330	
Cash and cash equivalents at end of period	11,189		15,912	

## Statement of Changes in Equity of paragon AG, Delbrück

in EUR thousands	Subscribed capital	Capital reserve	Revaluation surplus	Accumulated profit		Total
				Profit carried forward	Net income	
January 1, 2012	4,115	3,478	- 426	2,631	0	9,798
Net income	0	0	0	0	4,635	4,635
Actuarial gains and losses	0	0	- 377	0	0	- 377
Other comprehensive income	0	0	- 377	0	0	- 377
Comprehensive income	0	0	- 377	0	4,635	4,258
Capital increase from capital reserve	1,028	-1,028	0	0	0	0
Dividend payout	- 1,028	0	0	0	0	- 1,028
December 31, 2012	4,115	2,450	- 803	2,631	4,635	13,028
in EUR thousands	Subscribed capital	Capital reserve	Revaluation surplus	Accumulated profit		Total
				Profit carried forward	Net income	
January 1, 2013	4,115	2,450	- 803	7,266	0	13,028
Net income	0	0	0	0	458	458
Other comprehensive income	0	0	0	0	0	0
Comprehensive income	0	0	0	0	458	458
March 31, 2013	4,115	2,450	- 803	7,266	458	13,486

## Additional Disclosures

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The report for the first three 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, 2012. 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 three 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.

