



Interim Report
January 1 to June 30, 2012

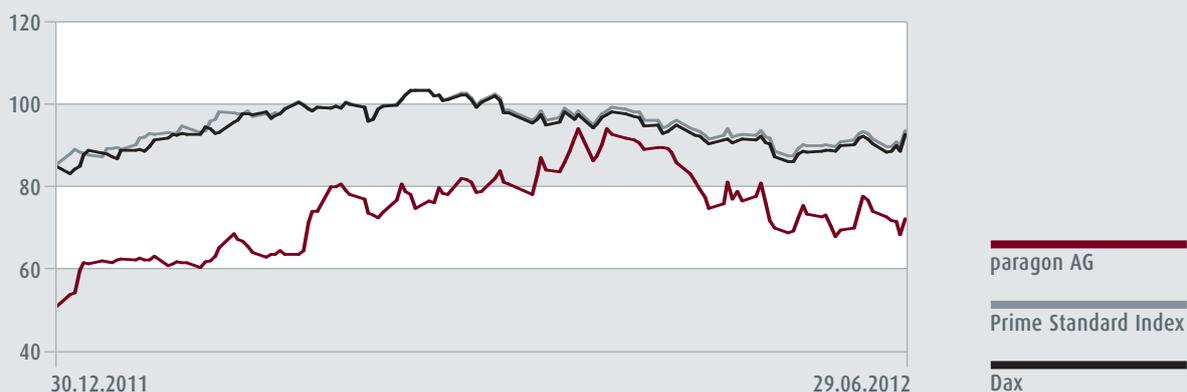
Highlights of the First Half of 2012

- Sharp rise in sales by 12.8%
- Earnings margins on track
- Targeted investments in the future
- Sustained reduction in debt levels

Key Figures of the First Half of 2012

in EUR thousands	01.01.2012 to 30.06.2012	01.01.2011 to 30.06.2011	Change in %
Revenue	37,635	33,359	12.8
EBITDA	7,242	7,010	3.3
EBITDA margin in %	19.2	21.0	
EBIT	4,952	4,885	1.4
EBIT margin in %	13.2	14.6	
Net income	3,641	3,583	1.6
Earnings per share in EUR	0.88	0.87	1.6
Total assets	42,836	44,178	- 3.0
Total equity	13,439	8,046	67.0
Equity-to-assets ratio in %	31.4	18.2	
Free cash flow	10,822	7,653	41.4
Interest-bearing liabilities	13,356	18,246	- 26.8
Net debt	5,676	8,293	- 31.6
Operating cash flow	4,067	4,326	- 6.0

Share Price Developments (Indexed)



Overall Economic Conditions

The global economy finds itself once again in a phase of restrained economic expansion in mid-2012. The brightening outlook that became apparent toward the end of 2011 and in the first months of the current year was short-lived according to the Institut für Weltwirtschaft, Kiel (ifw – Kiel Institute for the World Economy). The renewed deterioration of the debt crisis in the euro zone is currently having an impact in particular. The perceptible drop in oil prices, on the other hand, has had more positive effects, providing stimuli for economic development.

After a spirited start at the beginning of the year, the economy in Germany also lost some of its dynamism. Exports to Europe have been depressed by the smoldering debt crisis. Extremely low interest rates, however, persisted to ensure that the domestic economy remained buoyant. Due to the fall in energy prices, the price climate has recently become more tranquil; in May 2012 the rate of inflation fell to 1.9% compared to the previous year.

The German automotive industry maintained its high performance in an ever more difficult environment. Corporate growth, however, is taking place outside of Western Europe. Especially the US market, with double-digit growth rates, and China are acting as economic drivers. Mexico, India, Japan and Russia are also on a growth track. German manufacturers continue to expand their presence and shares in these markets.



Business Developments at paragon AG

paragon's business continued to develop well in the second quarter of 2012. With a significant increase in sales, high EBIT and EBITDA margins at the previous year's level, considerable increases in equity and much lower liabilities, the Company has confirmed the forecast of the Managing Board in the first half of the year.

The Company decided to deliberately forego some of the margins that could have been attained; expenses to safeguard the future amounted to EUR 1.3 million. As a result the full effect of higher-than-planned sales was not felt in earnings. In addition to a selective increase in personnel, paragon invested especially in new patents, in maintenance and conversion of the building at the St. Georgen site, in various production start-ups, as well as the expansion of in-house development capacity and the associated decrease in external services. Adjusted for positive one-off items totaling EUR 0.8 million in the first half of 2011,

paragon's earnings power becomes more evident: paragon closed the first half of 2012 operationally at the high level of the same period of the previous year, despite considerable investment.

The announcements of the Managing Board at the Annual General Meeting of May 9, 2012, have been fully implemented by paragon. In addition to a strong rise in free liquidity, the Company was also able to continue to raise its equity-to-assets ratio. At 31.4%, paragon is significantly higher than the average of German companies in terms of equity. The Institut für Mittelstandsforschung (Institute for SME Research) in Bonn arrived at a rate of 20.0% for small and medium enterprises and 27.9% for large companies in a current study. The DAX corporations have an average equity-to-assets ratio of 36.4% according to the calculations of the Centrum für Bilanzierung und Prüfung (CBP – Center for Accounting and Auditing), a percentage that paragon, too, is striving for. The Company could achieve a similar figure by the end of 2012. paragon is creating additional sales and

earnings potential by expanding the new business segments of Electromobility and Body Works Kinematics.

Financial Position and Net Assets

As at June 30, 2012, paragon AG's total assets decreased from EUR 44.2 million to EUR 42.8 million compared to the previous year's balance sheet date.

Non-current assets rose from EUR 16.9 million to EUR 17.4 million due to significant investment in property, plant and equipment and new product development. Current assets on the other hand declined by EUR 1.8 million to EUR 25.4 million (prior year: EUR 27.3 million). The decrease in trade receivables as at the balance sheet date to EUR 2.0 million (prior year: EUR 4.8 million) is the primary contributing factor, in connection with factoring management. Cash and cash equivalents rose by EUR 0.7 million to EUR 14.9 million (prior year: EUR 14.2 million).



On the liabilities side the consistent reduction in debt had a positive effect. Non-current provisions and liabilities, in particular, dropped considerably as the result of the continued decrease in long-term loans from EUR 18.3 million to EUR 16.3 million. paragon was even able to significantly reduce current provisions and liabilities, relating to current loans by means of special payments, to an amount of EUR 13.1 million (prior year: EUR 17.8 million). The interest-bearing liabilities are now only EUR 13.4 million (prior year: EUR 18.2 million); net debt declined to EUR 5.7 million (prior year: EUR 8.3 million), resulting in a gearing ratio of 42.2% (prior year: 103.1%).

The cash flow of EUR 4.1 million generated by operating activities (prior year: EUR 4.3 million) reflected the timing of one-off items at the reporting date (e.g. the increase in development services invoiced to customers). Without these one-time effects paragon would have clearly surpassed the previous year's level. The much higher cash flow from investment activity (EUR 2.7 million; prior year: EUR 0.9 million) relates to the future-oriented expenditures on production facilities (approximately EUR 1.0 million), new development projects (approximately EUR 0.5 million) and a more efficient IT environment (around EUR 0.2 million). The cash flow from financing activity at EUR 1.9 million (prior year EUR 3.0 million) attests to sustained debt repayments.

Results of Operations

Notwithstanding these targeted investments in the future, paragon is on track with regards to earnings figures. Both the EBIT margin (13.2%) and the EBITDA margin (19.2%) attained the level of the previous year during the first quarter of 2012 and thus confirm the forecasts made by the Managing Board applicable to the entire year.

The Company's personnel expenses rose to EUR 9.6 million according to plan (prior year: EUR 8.4 million), while the personnel expense ratio at 25.5% stayed at roughly the same level as the previous year (25.2%). These expenditures represent important investments in the future of the Company,

especially given the limited availability of qualified personnel in the job market. Cost of materials rose by EUR 2.0 million from EUR 17.4 million to EUR 19.4 million, so that the cost of materials ratio was reduced from 52.3% to 51.5%. EBIT rose to EUR 5.0 million (prior year: EUR 4.9 million), while EBITDA was up from EUR 7.0 million to EUR 7.2 million.

As at June 30, 2012, paragon posted net income for the year according to IFRS of EUR 3.6 million (prior year: EUR 3.6 million). Earnings per share rose slightly to EUR 0.88 (prior year: EUR 0.87).

Research & Development

paragon continued to develop existing products and innovative solutions during the first half of 2012 with great intensity. The two development locations of Delbrück and Nuremberg achieved valuable results in the area of the man-machine interface. In Delbrück developments included a suspension unit with innovative level sensors and the prototype of a gearshift level with integrated driver recognition. A focus in Nuremberg was the ongoing development of the cTablet Docking Station for integrating a tablet PC into the car taking into account the requirements of fleet customers. Furthermore, the hands-free algorithm of the most recent generation was used in this product. paragon introduced a prototype of the universal phone tray for wireless Qi standard charging as a novel item during the course of a meeting of the working group Consumer Electronics for Automotive CE4A of the Automotive Industry Association (VDA) in Bad Boll. The new business segment of Electromobility continued to focus on the development of a building kit with several components which can be used in commercial vehicles and passenger cars, as well as the installation of in-house production at the company headquarters in Delbrück for battery packs. At the same time, the new business segment of Body Works Kinematics initiated development work especially for a standard spoiler system. Over the period from January 1 to June 30, 2012, paragon invested EUR 3.1 million (prior year: EUR 2.4 million) in the Research and Development area.

Employees

As at June 30, 2012, paragon AG employed 378 of its own workers and 60 temporary staff members, all of whom worked in Germany. The increase in staff compared to the previous year (June 30, 2011: 333 employees and 58 temporary workers) was largely attributable to the revenue growth. The recruitment of qualified specialist and management staff also enables the Company to establish new business lines segments and to an extent has replaced previous services rendered by external consultants. The higher number of employees is an important building block for the future viability of the Company and at the same time is key to achieving the Company's goals. Compared to the previous quarter (March 31, 2012: 369 employees and 52 temporaries) there has been a modest increase. As at June 30, 2012, the following employee numbers apply to the individual sites (employees/temporary workers): Delbrück (71/1), Suhl (212/56), Nuremberg (35/3) and St. Georgen (60/0).

Investor Relations

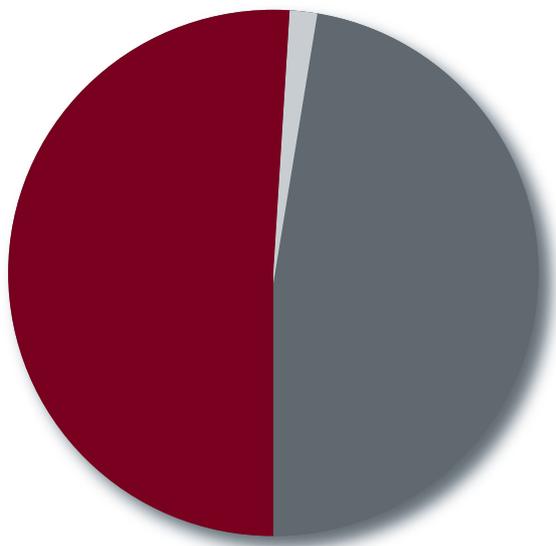
The DAX (German Stock Index) level of approximately 7,000 points at March 30, 2012 could not be maintained during the course of the second quarter. Uncertainties regarding the euro crisis and a perceptible nervousness in the capital markets initially led to sharp ups and downs in April and May. At the beginning of June the DAX even fell below the 6,000 mark. The German index recovered by the end of the quarter compared to the beginning of the quarter, closing at 6,416 points on June 29, 2012, but was still down significantly. The DAX is still up, however, compared to the beginning of 2012 at approximately 6,000.

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 June 29, 2012:	8.84 Euro
Market capitalization on March 31, 2012:	EUR 36.4 million
Average trading volume (52 weeks) as at June 29, 2012:	10,270 shares a day



Working toward the better car!

The paragon share exhibited growth that almost paralleled the DAX in the three months from April to June of 2012. The Company's share started the quarter at EUR 8.84 and initially showed a steep rise to EUR 10.50, which was reached on April 20 and again on April 26. It fell to roughly EUR 8.50 by the middle of May, however. The paragon share even dropped to EUR 7.64 on June 14, but then regained ground. On the last trading day of the quarter (June 29, 2012) the share closed at a price of EUR 8.10. As a comparison: The paragon share has risen by approximately 30% since the start of 2012 when it was EUR 6.09.



Klaus Dieter Frers: 51.32%
 Free Float: 45.64%
 Axxion, S.A.: 3.04%

The 11th Annual General Meeting, which took place on May 9 in the town hall of Delbrück, was the center of the dialogue between the shareholders and the capital market during the second quarter of 2012. The Managing Board received great support from the shareholders during this event, with all recommendations for resolutions being approved by 100% of shareholders. During the Annual General Meeting, the Chairman of the Board, Klaus Dieter Frers, introduced a program for the continued development of the Company, which is to be characterized by the expansion of the product range and a corresponding adjustment of the Company's internal structure.

paragon reinforced its dialogue with players in the financial market by means of two investor and analyst events. On April 17, the Managing Board presented the Company and its plans at the Small Cap Forum of DFVA (German Association for Financial Analysis and Asset Management) in Frankfurt am Main. Furthermore, paragon conducted a road show with potential investors on June 11 in Hamburg.

During the quarter under review paragon published two research studies on the Company's share. First, Dr. Kalliwoda Research GmbH (Frankfurt am Main) presented an update coverage on April 10, in which a fair value of the share of EUR 20.48 was calculated. On May 29, the initial coverage of Close Brothers Seydler Research AG (Frankfurt am Main) followed, which showed a fair value of EUR 18.11.

Financial Calendar 2012

paragon will continue its work in the Investor Relations area with the following events and activities:

- August 18/19, 2012:** Investor meeting at DTM weekend at the Nuremberg ring
- September 20, 2012:** Investor Relations lunch at the IAA Commercial Vehicles
- November 21, 2012:** Interim report January 1, 2012, to September 30, 2012
- November 30, 2012:** Investor Relations road show in Vienna

Risk Report

paragon AG's Managing Board assesses risks in close coordination with the Supervisory Board. The Company perceives excellent opportunities for continued positive development due to the sustained robust state of the automotive industry. Promising new developments and low financial burdens con-

tribute to this assessment. At the time of publication of this report, no additional risks have been identified that might jeopardize the Company's continued existence.

Capital Structure, Managing Board and Change of Control

Pursuant to the provisions of section 289, paragraph 4, of the German Civil Code, paragon AG provides the following comments:

Capital

paragon AG's capital stock at the end of the period under review consisted of 4,114,788 shares with a par value of EUR 1.00. Subscribed capital amounted to EUR 4,114,788. All shares carry an entitlement to dividend payments. As far as the Managing Board is aware no restrictions on transfer and voting rights exist.

There are no shares with special rights that grant control authorities. Klaus Dieter Frers has direct holdings in paragon AG in excess of 10%. He holds around 52% of the shares.

Employees of paragon AG do not participate in such a way in the Company's capital that they are in a position to exercise control rights directly.

Managing Board

paragon AG's Managing Board consisted of one member appointed by the Supervisory Board as at June 30, 2012: Mr. Klaus Dieter Frers, at the same time Chairman of the Board. In other respects, the provisions of sections 84 and 85 of the German Stock Corporation Act apply.

Furthermore, no member of the Managing Board occupied a position on a Supervisory Board. The Managing Board contracts do not contain a change-of-control clause.

Outlook

The indicators for the global economy have recently dimmed in the opinion of the ifw institute in Kiel. Experts anticipate, therefore, that the pace of the global economy will lessen somewhat in the summer season. The economic recovery continues to lack sufficient basic dynamism to compensate for disruptions on the part of financial markets or an increase in commodities prices. Future prospects depend chiefly on the development of the debt crisis in the euro zone and the resulting influence on demand and on the financial markets. All in all, the ifw anticipates an increase in global production of 3.4% in 2012. A slight decrease in gross domestic product – by 0.4% – is expected for the euro zone. The institute forecasts higher figures for 2013.

The growing world automotive market should enable the German auto industry to expand further. The Automotive Industry Association (VDA) is assuming growth in global passenger car sales by 4% to 68 million units in 2012. German manufacturers will produce over 13.5 million passenger cars this year, showing a rise of the same amount. The VDA expects that passenger car production in international locations will rise by 8% to roughly 8 million units. So, more and more, increasing internationalization will become a success factor. The industry hopes to see additional stimuli especially in the area of commercial vehicles from the 64th IAA Commercial Vehicles that starts in Hanover on September 20.

Despite the surprisingly good sales growth of the first half of 2012, the Managing Board is sticking to its conservative forecast for the year as a whole, predicting single-digit percentage revenue growth and earnings (EBIT margin) in line with 2011 levels. paragon continues to expect its customers in particular and the automotive industry in general to continue to perform well going forward. The Company is equipping itself for the future with its investment in qualified personnel, expansion of production capacities, build-up of addi-

tional business segments and diverse development projects, all of which have already taken place to an extent. These activities have two goals above all: Quick processing of higher order volumes and a widening of the radius of activities. This will allow paragon to become an even more significant supplier and systems partner to the automotive industry. First orders have already been received in the new business segments of Electromobility and Body Works Kinematics. In parallel, paragon is working on a market entry strategy for China, which will be ready by the end of the third quarter of 2012.

At the most important industry meeting during the current year, the IAA Commercial Vehicles, from September 20 to September 27 in Hanover, paragon will present its product range at its own stand in Hall 13. Solutions in the area of electro mobility, to be demonstrated in three commercial vehicles, are to be the focus. The Company will also show a connection with its own portfolio in the area of the man-machine interface.

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

in EUR thousands	30.06.2012	30.06.2011
Assets		
Non-current assets		
Intangible assets	3,456	3,023
Property, plant and equipment	13,292	13,087
Financial assets	200	0
Other assets	160	152
Deferred taxes	299	608
Total non-current assets	17,407	16,870
Current assets		
Inventories	6,962	7,487
Trade receivables	2,003	4,834
Income tax assets	196	196
Other assets	1,387	577
Cash and cash equivalents	14,881	14,214
Total current assets	25,429	27,308
Total assets	42,836	44,178

in EUR thousands	30.06.2012	30.06.2011
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	3,641	3,583
Total equity	13,439	8,046
Non-current provisions and liabilities		
Non-current finance lease obligation	203	157
Non-current borrowings	11,589	13,071
Special item for investment grants	2,389	3,074
Deferred taxes	0	0
Pension provisions	2,081	2,041
Total non-current provisions and liabilities	16,262	18,343
Current provisions and liabilities		
Current portion of finance lease obligations	150	334
Current borrowings and current portion of non-current borrowings	1,414	4,684
Trade payables	3,854	5,159
Other provisions	280	2,766
Income tax liabilities	700	333
Other current liabilities	6,737	4,513
Total current provisions and liabilities	13,135	17,789
Total equity and liabilities	42,836	44,178

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

in EUR thousands	First Half of 2012 01.01. – 30.06.2012	First Half of 2011 01.01. – 30.06.2011	Q2 2012 04.01. – 30.06.2012	Q2 2011 04.01. – 30.06.2011
Sales revenue	37,635	33,359	18,702	16,425
Other operating income	936	1,274	267	618
Increase or decrease in finished goods and work in process	311	708	62	287
Other own work capitalized	1,022	490	522	223
Total operating performance	39,904	35,831	19,553	17,553
Cost of materials	- 19,394	- 17,444	- 9,477	- 8,391
Gross profit	20,510	18,387	10,076	9,162
Staff costs	- 9,594	- 8,414	- 4,735	- 4,097
Depreciation and amortization of property, plant, equipment and intangible assets	- 1,869	- 2,120	- 1,011	- 1,040
Impairment of property, plant and equipment and intangible assets	- 421	- 5	- 113	- 5
Other operating expenses	- 3,674	- 2,963	- 1,767	- 1,580
Earnings before interest and taxes (EBIT)	4,952	4,885	2,450	2,440
Financial income	19	15	10	14
Finance costs	- 527	- 655	- 261	- 316
Net financing costs	- 508	- 640	- 251	- 302
Earnings before taxes	4,444	4,245	1,199	2,138
Income taxes	- 803	- 662	- 466	- 348
Net income	3,641	3,583	1,733	1,790
Earnings per share (basic)	0.88	0.87	0.42	0.44
Earnings per share (diluted)	0.88	0.87	0.42	0.44
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. – 30.06.2012		01.01. – 30.06.2011	
Earnings before income taxes	4,444		4,245	
Depreciation/amortization of non-current assets	1,869		2,120	
Financial result	508		639	
Gain (+), loss (-) from disposal of items of property, plant and equipment and non-current financial assets	- 4		1	
Increase (+), decrease (-) in other provisions and pension provisions	- 529		157	
Income from the reversal of the special item for investment grants	- 320		- 394	
Other non-cash income and expense	2		- 113	
Increase (-), decrease (+) in trade receivables, other receivables and other assets	-1,841		- 570	
Impairment of intangible assets	421		5	
Increase (-), decrease (+) in inventories	- 230		- 1,015	
Increase (+), decrease (-) in trade payables and other liabilities	1,141		533	
Interest paid	- 527		- 655	
Income taxes paid	- 867		- 627	
Cash flow from operating activities		4,067		4,326
Proceeds from disposal of property, plant and equipment	30		0	
Cash payments to acquire property, plant and equipment	- 1,432		- 430	
Cash payments to acquire intangible assets	- 1,079		- 475	
Payments for investments in financial assets	- 200		0	
Interest received	17		15	
Cash flow from investment activities		- 2,664		- 890
Cash repayments of borrowings	- 1,743		- 3,388	
Amounts paid on insolvency ratio	0		- 42	
Cash proceeds from issuing loans	0		639	
Cash repayments for liabilities from finance lease	- 109		- 221	
Cash flow from financing activities		- 1,852		- 3,012
Cash-effective change in liquidity	- 449		424	
Cash and cash equivalents at beginning of period	15,330		13,790	
Cash and cash equivalents at end of period	14,881		14,214	

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	4,63
Net income	0	0	0	3,583	3,583
Comprehensive income	0	0	0	3,583	3,583
Balance as of June 30, 2011	4,115	7,753	- 7,405	3,583	8,046

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	3,641	3,641
Comprehensive income	0	0	0	3,641	3,641
Transfer from capital reserve	1,028	- 1,028	0	0	0
Balance as of June 30, 2012	5,143	2,450	2,205	3,641	13,439

Basis of Presentation

The interim financial statements of paragon AG as of June 30, 2012, have been prepared according to the uniform accounting principles of the International Financial Reporting Standards (IFRS). Furthermore, the standards of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) apply. The provisions of IAS 34 Interim Financial Reporting were also taken into account.

The form and content of the report on the first half of the year comply with the reporting requirements of the German stock exchange. The report, taking into consideration the reporting period, represents an update of the annual report of the fiscal year from January 1 to December 31, 2011, which should be referenced for explanation and additional information while reading this report. It can be found at www.paragon.ag.

Income Statement, Balance Sheet, Cash Flow Statement

The sections on net assets, financial position and results of operations provide a detailed overview and specific explanations regarding paragon AG's income statement, balance sheet and cash flow statement.

Events after the reporting period

There were no events that occurred after the balance sheet date of June 30, 2012, that would have an influence on the statements regarding the first half of 2012.

Notes on the Preparation of the Half-year Report

An audit or audit review of the interim financial statements was not performed.

Future-oriented statements entail risks. The present report on the first half of the year contains statements that relate to paragon AG's future development. These statements are based on assumptions and estimates. While the Managing Board is convinced that statements regarding the future are

realistic, there can be no guarantees in this respect. The assumptions harbor risks and uncertainties that may result in actual events diverging from expected events.

Responsibility Statement

To the best of my knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company, and the interim management report of the Company includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company for the remaining months of the fiscal year.

Delbrück, August 22, 2012

Klaus Dieter Frers



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