To the Shareholders of Paragon Technologies:

Paragon's earnings per share in 2024 were $0.64 compared to $0.66 in 2023. The decrease in earnings in 2024 were primarily attributable to the conclusion and exit of our investment in Ocean Power. Conclusion was inevitable as our ability to effectuate change came to an end at Ocean Power's 2024 annual meeting. Exit of the equity investment, however, did not need to occur so rapidly. It was the desire of prior Paragon board members to immediately exit the Ocean Power position in early August, a decision made to win favor with shareholders as justification for the change in management at Paragon. Had we instead pursued a path of constant diligence and patience over that investment, a stance I advocated at the time, our patience would have paid off in short order: within four months [of the sale by prior management] our 2,378,320 shares in Ocean Power acquired at a cost basis of $1,074,495 were worth nearly $4 million. Instead of a potential realized gain exceeding $2 million, we recognized a loss of over $500,000. I reference this not to romanticize about what could have happened – in investing and life, looking at past decisions is always clearer than in real time when the future is unpredictable – but to indicate to shareholders how decisions made over the past few months were not made in Paragon's best interest. Still, despite this "miss," Paragon still entered 2025 as resilient as ever with $4 million in cash, $4 million in top-tier real estate assets, and a path ahead because of the shareholder-centric ethos that permeated throughout Paragon for the majority of 2024.

Yet in a mere six months starting 2025 – a period when Paragon's shareholder-centric culture was temporarily displaced by a management centric culture – our financial strength and liquidity was severely diminished. Paragon reported a loss of $1.8 million for the first six months of 2025, *greater than any annual loss* generated by Paragon since I joined the Board in 2010. It doesn't take long for the wrong incentives and intentions to erode intrinsic value. This loss was primarily a result of over $3.5 million spent by prior management and the prior board during the first six months of 2025 on an ill-fated entrenchment campaign. On June 30, a supermajority of Paragon shareholders voted to end this period of deception and arrogance and bring back the integrity and humility that our shareholders have come to expect from Paragon. We are hard at work to resume growing and building Paragon. The fix will not be quick, but our energy and focus are as unwavering as ever. Our eyes are on the windshield, not the rearview mirror.

Citing from last year's letter to shareholders:

> Since present management assumed control of Paragon over twelve years ago, Paragon's singular focus has been to operate our businesses in the best interest of our shareholders, whom we view as our owner/partners. We make business and capital allocation decisions carefully, strategically, and opportunistically. We abhor corporate waste. We are willing to be patient longer than others in exchange for long-term growth in intrinsic value. We operate and behave in this manner because we eat our own cooking – a lot of it. As CEO I now own approximately 31% of the outstanding shares in Paragon (up from 28.4% as of the last annual meeting), <u>virtually all acquired in the open market at prevailing market prices</u>. When outside shareholder interests are correctly and significantly aligned with those of insiders, we believe that alignment to be the strongest form of fiduciary stewardship.

The above encapsulates Paragon's culture and mission – to build a durable, diversified holding operation that eschews all forms of corporate waste, run for shareholders by shareholders. Paragon is a corporation, but we behave as a partnership. Our approach is simple, but the execution is not. In many ways, we are unconventional in today's business world. We assign little value to quarterly performance and focus solely on creating durable long-term results. Anyone can move fast. That's the trap. Speed is cheap and easy, but the ability to be fast without being reckless is difficult yet rewarding. Details, big and small, don't slow you down – they speed you up.

Paragon doesn't issue stock options or similar equity compensation plans that financially reward managers when the stock price increases but does not expose them to financial downside when the share price declines – a tempting environment for reckless risk taking. Our strategy is to operate business run by managers who bring a) energy and passion for the business, b) integrity, and c) an aversion to complacency, *particularly during the best of times*. This managerial mindset always ensures a commitment to operational excellence every day. Our strategic plan happens each day, each month, each year anchored on ensuring Paragon can endure the worst times so we can seize opportunities at any moment. Capitalism is set up to foster greater competition in growing industries, so complacency becomes a greater risk, not less, the more successful your business becomes.

Drawing further from last year's letter,

> We and our shareholders have directly seen value creation by combining our businesses with competent and caring management and implementing a prudent capital allocation strategy appropriate to that business. We followed that strategy with our automation business, our distribution operations, and our investments in real estate. We believe our results and track record have been satisfactory for all our stakeholders*, but we will never allow complacency to exist at Paragon. Every day is an opportunity to learn and improve.*

Our corporate and managerial philosophy has been borne out through results not rhetoric. Over the past decade, stockholders realized an 11% annualized return. In 2017, when I assumed oversight of SI Systems and capital allocation of all of Paragon, stockholders realized approximately 30% annualized return through August 2024.

<u>Built for Stockholders by Stockholders</u>

During my time running SI Systems beginning in 2017, both SI Systems and Paragon have been radically transformed. SI Systems went from unprofitable and leveraged, to a debt-free, cash-generating business that earned a total of $5.7 million in profit before tax during my leadership, as compared to a total loss of $224,000 over the prior six years. From that singular operation,

a) Paragon acquired SED International de Colombia (SEDC) for $4.5 million (consisting of a $3.1 million equity investment in SED International Holdings in 2014 subsequently followed by the $1.4 million acquisition of SEDC in 2017), which has delivered over $11 million in aggregate profits for Paragon's 80% stake in SEDC.

b) Paragon assembled a portfolio of durable real estate assets, cash-flow positive from day one and worth significantly more today than when acquired.

c) A $4 million cash and U.S. Treasury portfolio, earning meaningful interest income.

d) A $1.5 million marketable securities portfolio.

What we are most proud of, however, is that all the above was achieved without raising outside capital and with minimal stockholder dilution over a near seven-year period—a hallmark of prudent, shareholder-centric, and disciplined capital allocation. That is not to say that we won't borrow or seek additional capital to take advantage of an attractive acquisition opportunity – we will do so if and only if the structure is best for all stockholders. Built for shareholders by shareholders.

Today half of our real estate assets have been liquidated, our securities portfolio has been liquidated, and our Treasury portfolio was used to fund the expenses of the past year. Paragon is not the same as it was a year ago, and we have some runoff liabilities that must be addressed, which will adversely impact the Company's intrinsic value. We are working proactively and efficiently to settle those remaining obligations in a manner that enables Paragon to effectively run its operations despite the significant financial expenses that Paragon was subject to in first half of year, particularly the months leading up to the annual meeting. Since this letter is arriving later than usual, we will highlight the relevant 2024 results and add more detail to the current state of our operations in next year's letter.

Paragon's revenues were $126 million in 2024, relatively unchanged from $125 million in 2023. Net income attributable to Paragon Technologies shareholders in 2024 was $1.1 million, unchanged from 2023 net income of $1.1 million. While the top and bottom-line numbers for 2024 and 2023 were similar, the similarity ends there. In 2024 our gross profit declined by 3% and other expenses reflected an increase in realized loss on marketable securities of $675,000 compared to 2023 due to the untimely sale of Ocean Power. Yet in 2024, where current management was in charge for the first 11 months, we reduced operating expenses by nearly 8% and earned nearly $236,000 in interest income, up over 200% from two years prior. Details matter and our keen awareness of them coupled with our significant equity exposure allowed us to make the appropriate decisions to deliver an acceptable result in 2024.

Contrast this with the first half of 2025 where Paragon's revenues for the first six months ended June 30, 2025, of $69 million, an increase of approximately 15% over the same period in 2024. Gross profit from sales was similar in both periods. Yet, operating expenses – the line item where management begins to have significant oversight and accountability – increased by 100% to $7.2 million up from $3.6 million in 2024. You don't need to be an analyst of any quality to surmise the financial impact: a significant loss for the first six months of 2025 as well as impacting future financial results as we readjust.

As a reminder, accounting rules now require companies holding equities, as Paragon does, to report any unrealized gains or losses from those equities on our income statement. The daily volatility in equity price movements mean very little to us, but at the end of each reporting period, Paragon must now report both realized and unrealized investment gains as other income or expense. We view the reporting of unrealized gains or losses during any given quarter to be of little utility in evaluating the overall operating performance of Paragon. We encourage shareholders to recognize that market fluctuations will always lead to volatility in reporting unrealized investment results, and to evaluate our operating performance accordingly.

Distribution

Our distribution operation SEDC is shaping up to deliver a favorable year in 2025 in large part due to our exceptional management team who were able to control the day-to-day operations during the year. Sales for the first six months of 2025 of $66 million represent an increase of 13% in dollar terms over the comparable 2014 period. We expect this trend to continue for the remainder of 2025 subject to any impact due to increased inflationary expense and currency adjustments.

We will discuss these results in more detail in next year's letter, but our view of our international business remains unwavering: we continue to believe SEDC is one of the most respected and efficient distributors in Latin America, an extraordinary accomplishment nurtured and guarded zealously by SEDC's President, Ronell Rivera.

Over the past months, shareholders have been exposed to numerous statements about the risk that SEDC poses to Paragon. All businesses are exposed to general risks while each business has unique risks. We've never denied the unique risks inherent in SEDC and have discussed those key risk factors – currency, political – regularly in these shareholder letters. Ronell and I discuss SEDC and its threats and opportunities constantly. In fact, I enjoy challenging him with examples of all types of risky scenarios to keep him on his A-game. The difference between our view on SEDC and the superficial commentary over the past months about the risk SEDC exposes Paragon to is that we actually understand our distribution business. We are comfortable with these potential risks. Paragon has owned SEDC for almost nine years, a period which has seen Colombia elect three presidents, including its first ever left leaning president in recent history. The Colombian peso, our functional currency, was trading at 3,000 pesos to the dollar in 2016 when we acquired SEDC. By 2022 the rate had moved to nearly 5,000 pesos and today sits at nearly 4,000 pesos to the dollar. During Paragon's ownership of SEDC Colombia witnessed a landmark peace agreement, oil price shocks, a pandemic and its subsequent inflationary pressures, national strikes over tax reform, two extreme changes in political power, budget shortfalls, and a global recession. The financial results of SEDC since Paragon's acquisition are below:

	2017	2018	2019	2020	2021	2022	2023	2024	Total
Sales ($M)	$64.4	$76.9	$105	$97	$134	$125	$117	$118.9	$841,592,437
Net Income	$420k	$630k	$1.3M	$1.4M	$3.7M	$2.9M	$2.1M	$2.0M	$15,708,187

During an eight-year period that encapsulated numerous uncertainties to the economy of Colombia and the world, SEDC was profitable in every single year, our revenues have doubled, and our profits have quintupled. As we've noted in various forms over the years, we spend little time trying to engage in hedging activities as we believe that the long-term net results of hedging currencies are generally negative. Nor does it make any sense to run our business based on what political party may come to power, or when the next economic catastrophe may be. What we do know is that at some point, risks to the economic system do occur and if we manage and conduct our business affairs with prudence, we maximize our odds of navigating all storms without permanent damage. Our business can be summed up in one sentence: Focus first on being the best not the biggest, and growth will follow.

Automation

Our automation business will face a very difficult 2025 in terms of revenue and more importantly, backlog. We expect 2025 annual revenues to approximate $4 million, the lowest annual revenue figure since I became involved with Paragon in 2010. Backlog, the most important barometer of the performance of our automation business, is approximately $2.5 million, down from nearly $6 million a year ago. Adding additional pressure, gross margins in 2025 will be the lowest they have been in a decade due to significant overhead expense added over the past six months. The turnaround will not be quick or easy: all it takes is a few months of managerial incompetence and overconfidence to create more lasting consequences.

Overconfidence comes a close second to complacency in terms of the deadliest sins that a CEO can expose a business to. And SI was exposed to a dose of both in recent months. SI is a good business *if you understand its limitations, advantages, and where the opportunities are.*

SI today is a very specialized provider of high-speed order fulfillment automation and heavy-manufacturing automation. Specialization, however, comes with a cost – a reduced opportunity set, at least for SI because over the past ten years, the rate of technological advancement in automation products and software has grown exponentially. And larger players have gobbled up thousands of small niche automation providers to enhance their offerings. The result is an industry dominated by large standalone automation providers as well as hundreds of small niche providers that are owned by large corporations. Many of these nice automation companies today are owned by companies like Toyota and Caterpillar. So, in effect, you have specialized automation companies with dozens of different specializations spread across all categories of automation.

SI's current high-speed order fulfillment specialty is born about from one key product, our A-Frame dispensing system, which can fulfill nearly 4,000 orders per hour at nearly 100% accuracy. Introduced over

30 years ago, the A-Frame is a resilient piece of technology where, as one client noted, it's "innovation is it's simple and effective." We also have a mobile version that serves smaller needs at a lower price point. Our larger competitors, however, will have many different order fulfillment technologies and capabilities. When a potential client has the right inventory profile for our A Frame – hundreds or thousands of orders per hour, the right products that fit into our machines, an appropriately sized warehouse, and the requisite budget – there is no competition to our A-Frame. What has happened over the years – based on my keen observation of our business as well as the lack of market size data on the A-Frame – is that the A-Frame market has declined. At the same time the suppliers of A-Frames has also declined to what I estimate to be five direct suppliers, with SI being the only such supplier based in the United States (to clarify, the other can and do sell in the United States).

Another interesting observation I learned is that despite the A-Frame's existence for over 30 years, the technology is still as useful as it was back then, albeit with a smaller opportunity set. I recently visited a client who has had our A-Frame for over 28 years. During those years of significant technological change in automation, the A-Frame remains in their operation because, as he elegantly stated, "it works." And the A-Frame versatility requires minimal capital investment.

The best and most accurate way you can learn about any business, in my view, comes from listening to customers and observing your best competitors. From 2010 to 2017, I observed SI's path under its various CEO's. A key strategy at that point was to push the sales of A-Frames through the major automation companies that are evaluating numerous automation systems that require multiple hardware components and software systems – a sensible approach. If any of these projects required our technology, those large system integrators would come to us because the only other A-Frame providers were also large system integrators with their own A-Frame technology often competing with our partners. That strategy did not prove successful. Despite providing proposals for dozens of opportunities each year, in the end none materialized. Many of these projects ultimately did not need our technology. Some were lost based on price as the other system integrators would price their order fulfillment systems at cost because as integrators, they could make the margin up on the other parts of the project. I learned that the market size had indeed declined yet good opportunities still existed, and that we were better than most at really explaining the advantages and cost savings of our technology better than anyone. We needed to go direct and co-partner with the right integrators where we could ensure we could articulate the investment advantages of our solutions.

So, we pivoted in 2017. We also corrected our pricing structure. The transition was slow, but in the end, SI succeeded: we took a smaller opportunity set, became more efficient and generated nearly $6 million in profits over the 7 years. During the six years prior to that, SI net aggregate result was a net loss. I wish I could say the profitability that began in 2017 came alongside consistent revenue growth, but that was not the case. We had a fantastic revenue year after the pandemic, but because we really understood our opportunities and limitations, we operated under an operating model that made SI a cash generator.

The setback created over the last six months will take time to correct. Our expectation is that 2026 will be another difficult year for SI but we will manage it accordingly. If we can obtain new key projects, they could have meaningful impact over time. New projects generally create recurring revenues from our software support businesses and maintenance services.

Real Estate

Our real estate holdings now consist of two luxury units after the quick sale of two units by prior management. The sale of these was part of no strategy but rather liquidating assets to fund expenses.

Paragon's real estate strategy has been articulated consistently in these letters: our real estate investments were acquired for income and capital appreciation purposes. We will seek to monetize our real estate holdings at favorable market prices to enable us *to deploy the capital elsewhere where we find opportunity for greater long-term return on capital invested.*

The real estate assets did exactly what they were designed to do: generate an annual cap rate of approximately 4% alongside a quality annual appreciation in value. Most importantly, these assets were a stable source of value that were available to be monetized at any time at a significant profit because we acquired them at attractive prices. No further proof is needed than when you compare what happened to our marketable securities when they were liquidated to *immediately* fund ballooning expenses. High quality securities were sold during a period of temporary market volatility leading to significant capital loss.

Charlie Munger – a shrewd capital allocator who was also a successful real estate investor often referenced the quote, "to the man with a hammer, every problem looks like a nail." Indeed, to the man who invests only in stocks, every asset should look and behave like an equity. That's a fallacy. A better businessman is one that is an investor, and a better investor is one that is a businessman.

As a result of our initial acquisition of the initial two real estate assets, our growing familiarity and presence in the market, , we were able to acquire two more units that were financed at a fixed rate of zero percent for three years *during a period of rising interest rates* that were immediately cash flow positive and acquired at incredibly attractive prices.

And over the past few months, I have had discussions with a small but growing industrial business that holds some incredibly lucrative service contracts in Las Vegas. This company was started by an individual who has built a growing and profitable small business client by client by following a simple approach: give your customers more than they expect. He's not ready to sell yet but if he does, he knows that Paragon is there and that our values are aligned. We are actively evaluating numerous potential acquisitions throughout the US.

Never underestimate the qualitative – and ultimately quantitative – value being in the right place at the right time.

Our real estate portfolio rental rates remain healthy and our real estate assets are luxury assets which have demonstrated more resiliency in all economic cycles than non-luxury assets. Current market prices of our assets based on comparable sales are still trading at a comfortable premium to our acquisition prices.

Marketable securities

Most of our portfolio of marketable securities was liquidated during the second quarter by prior management to fund expenses. The following chart lists Paragon's positions, as of September 18, 2025:

Security	Cost Basis	Market Value
Common Stock		
10 sh. Berkshire Hathaway Cl. B	$2,765	$4,905
1,000 sh. Citigroup	$49,874	$102,410
300 sh. Chipotle Mexican Grill	$11,808	$11,943
1,000 sh. Capri Holdings	$40,010	$21,520
150 sh. Alphabet (Google)	$26,298	$37,850
1,000 sh. JBS	$15,006	$15,520
1,000 Kingstone Co.	$13,410	$13,730
3,000 sh. Manchester United PLC	$50,340	$45,960
500 sh. Noble Energy	$15,750	$14,995
2,000 sh. Occidental Petroleum	$129,260	$94,720
1,000 sh. Sirius Satellite Radio	$22,750	$23,000

As referenced earlier in this letter our marketable securities portfolio was significantly reduced over the past year from $1.5 million to approximately $400,000 today. The new positions – Alphabet, Noble Energy, JBS, and Kingstone, and Chipotle, made during the past year that were not on last years letter were made by yours truly.

Paragon's investment objective is to acquire stakes in businesses we determine, after careful analysis, to possess a higher future value than that currently prescribed by the market today. We view our investment holdings through the lens of being part-owners in businesses. If we are unable to buy entire businesses or sensibly reinvest in our existing ones, we take advantage of opportunities to invest partially in other businesses through the stock market.

Disadvantages Necessary for Success

This past year for Paragon has been deeply profound for me. To see what Paragon was back in 2014 and what it has become 10 years later and the value that our longtime shareholders have been rewarded with for their patience and confidence in us, is something I am very proud of. And then to for Paragon to go through the events of the past year, namely the exhaustion of significant financial resources to wage an untruthful proxy campaign, was not for the benefit of stockholders or the Company.

The truth is, however, that I had all the disadvantages necessary for success in life. And it was those experiences – the constant "chip on my shoulder" – that drive me to succeed and strive to make Paragon the best and most valuable company it can be every day. When I was ten years old, I read a book on careers and decided I was going to be an investment banker – what kid doesn't want to make $500,000 a year dealing and wheeling? That interest led me to Warren Buffett when I was 11, and my perspective and path was changed. As Buffett has humbly noted, he won the ovarian lottery. I did not win the ovarian lottery but was given the next best thing – an opportunity in a country that enables you to pursue your passions and be rewarded for it. When I graduated high school, my father sat me down and said if I wanted to go to college, he could afford to cover one semester of tuition, and the rest was up to me. So, for the next three years, I worked, paid for my tuition using those 0% limited term credit card offers. I would pay the balance off before the term expired, apply for another 0% offer, pay it down, and repeat. I graduated having paid fully for my education with no debt. When you grow up with very limited financial means, you learn the concept of value very quickly. You also grow up wanting to make a lot of money, but usually not for materialistic reasons, but for the reason that most with a similar experience desire: independence to control your own destiny. I have made some dumb mistakes along the way, and they have shaped me for the better. But I have never willingly misrepresented myself or who I am to obtain any benefit or advantage – ever.

As a result, my inner scorecard – personally and morally – is to make Paragon the best it can be for shareholders who have entrusted us with their capital *and to do so faithfully and carefully*. There have been stumbles and unsuccessful investments and there will likely be more in the future, but we will never make mistakes that we can't overcome. And that chip on my shoulder to succeed both as a person and a businessman is an asset I would not trade for any advantage. I believe my background will continue to serve shareholders well over time.

Shareholders may be surprised to hear that the past few months have, in many ways, been some of the most exhilarating for me. I got to know quite a few shareholders well and vice versa. Paragon has many shareholders that have been our partners for many years and to see their unwavering commitment to the Company despite this past year has been a deeply humbling experience for me. Perhaps as the greatest testament of what Paragon has become to mean to its shareholders is that almost all the shareholders who supported an alternative direction remain shareholders today. We have shareholders across the spectrum – college students, teachers, entrepreneurs, farmers, retirees – and they all share a common thread: they see Paragon as more than a share of stock but a business they are part owners of. And they want what is best for Paragon, period. They share their criticism as well as their compliments. We would not have it any other way.

The events of past year have reduced the intrinsic value of Paragon, and we have a challenge ahead of us. We are deeply grateful to our stockholders who entrust us every year to lead Paragon. Our leadership over Paragon is not an entitlement but a responsibility and we will continue to earn your trust.

Finally, I would be remiss not to conclude with an often-cited message in this letter. As the Company's Chief Executive, I am also the Chief Risk Officer. As the largest shareholder with almost all of my 30% ownership purchased directly in the open market, my alignment is alongside our shareholders, not at their expense. I believe this alignment of interests between management and shareholders to be a fundamental tenant of long-term business success.

As the year progresses, we will surely keep our shareholders updated with any key developments. Otherwise, we will be hard at work on your behalf. We look forward to seeing many of you at next year's annual meeting.

Sincerely,

Hesham "Sham" Gad,
Vice-Chairman & Chief Executive Officer
October 3, 2025