



PARAGON
TECHNOLOGIES

DIRECTIONS
to
Pepper Hamilton LLP
400 Berwyn Park
899 Cassatt Road
Suite 300
Berwyn, PA 19312
610-640-7800 (Phone) • 610-640-7835 (Fax)

The entrance to the parking lot for 400 Berwyn Park is on Cassatt Road,
just off of Route 252. Pepper Hamilton's office is on the third floor.

From Lancaster Pike (Route 30)

At the intersection of Routes 30 and 252 in Paoli, go North on Route 252. At the fourth light (Cassatt Road) turn right. Take immediate left into parking lot.

From Philadelphia and Points East

Take I-76 (Schuylkill Expressway) West. As you approach the Valley Forge/King of Prussia area, which is the end of the Expressway, take Exit 328/Route 202 South. Follow directions from Route 202 South, below.

From Route 202 South (From Points North)

Travel on Route 202 South past exit for Devon/Route 252 North. Exit at Paoli/Route 252 South. Get in left lane. Go to first traffic light and turn left onto Cassatt Road. Take immediate left into parking lot.

From Pennsylvania Turnpike

Take Pennsylvania Turnpike to Exit 326/Valley Forge. Take Route 202 South. Follow directions from Route 202 South, above.

From I-476 (Blue Route) North

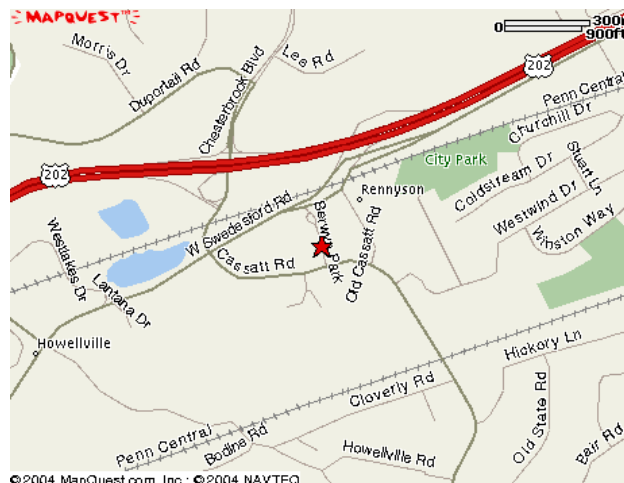
Take I-476 (Blue Route) North to Exit 16-B/I-76 (Schuylkill Expressway) West. Follow directions from Philadelphia and Points East, above.

From Route 202 North (From Points South)

Follow Route 202 North. Take Chesterbrook Boulevard exit. At the end of the ramp, turn right onto Chesterbrook Boulevard. Continue through traffic light (crossing Route 252) onto Cassatt Road. Take immediate left into parking lot.

From Route 422 (Oaks)

Take Route 422 East to Route 202 South (West Chester exit). Follow directions from Route 202 South, above.



LETTER TO STOCKHOLDERS

Dear Stockholders:

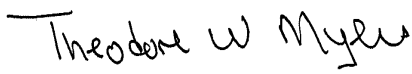
Despite a tough economy, which has resulted in tightening the market for capital goods and related services, the Company has strengthened its financial position with a return to profitability in 2011.

The traditional markets for the Company's products continue to be significantly impacted as we are experiencing delayed project launches by potential customers and a general sense of uncertainty in the marketplace. While we are concerned about economic volatility and its direct and indirect effects on our business, we believe the result will be a shifting of business to 2012 and beyond. Order Fulfillment activity in the health and beauty aids and entertainment sectors is experiencing longer sell cycles, while Production and Assembly activity is showing increased quoting in the vehicle assembly and automotive markets.

We are optimistic that the general economic climate can begin to show positive trends as we closely track the Federal Reserve's Capacity Utilization rate. Both management and the Board of Directors remain focused on the material handling needs of our customers and believe these efforts will result in growth in the rate of new orders as the economic environment improves. With this in mind, we continue to aggressively pursue all new order potential, while striving to maintain a strong balance sheet.

The Company is proud of its world-class customer base, brand equity, and knowledgeable, professional employees who understand the material handling industry. We appreciate your continued support and trust and look forward to the coming year.

Sincerely,


Theodore W. Myers
Chairman of the Board


Leonard S. Yurkovic
Acting CEO



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FINANCIAL HIGHLIGHTS

	Fiscal Year Ended				
	12/31/10	12/31/09	12/31/08	12/31/07	12/31/06
<i>(Dollars in thousands, except share and per share data)</i>					
Statement of Operations:					
Net sales	\$ 8,036	9,243	16,700	21,448	17,788
Operating loss	\$ (1,242)	(1,138)	(573)	(561)	(239)
Operating margin	-15.5%	-12.3%	-3.4%	-2.6%	-1.3%
Net income (loss)	\$ (1,054)	(531)	(687)	341	468
Income tax expense (benefit)	\$ (151)	(491)	453	(433)	(19)
Income (loss) before income taxes	\$ (1,205)	(1,022)	(234)	(92)	449
Interest expense	\$ 1	-	1	1	1
EBIT	\$ (1,204)	(1,022)	(233)	(91)	450
Depreciation expense	\$ 76	93	129	109	104
EBITDA	\$ (1,128)	(929)	(104)	18	554
Basic earnings (loss) per share	\$ (0.68)	(0.33)	(0.28)	0.12	0.14
Diluted earnings (loss) per share	\$ (0.68)	(0.33)	(0.28)	0.12	0.14
Balance Sheet:					
Current assets	\$ 7,443	8,216	10,331	17,842	16,370
Current liabilities	\$ 2,704	2,269	3,356	5,802	4,296
Working capital	\$ 4,739	5,947	6,975	12,040	12,074
Current ratio	2.75	3.62	3.08	3.08	3.81
Total assets	\$ 7,587	8,413	10,618	18,316	16,752
Total long-term debt	\$ -	-	-	-	-
Total stockholders' equity	\$ 4,883	5,959	7,005	12,253	12,428
Total capitalization	\$ 4,883	5,959	7,005	12,253	12,428
Average return on equity	-19.4%	-8.2%	-7.1%	2.8%	3.2%
Average return on investment	-19.4%	-8.2%	-7.1%	2.8%	3.2%
Other Information:					
Book value per share	\$ 3.14	3.81	3.92	4.42	4.32
Shares of common stock outstanding	1,554,310	1,564,310	1,786,229	2,769,192	2,873,891
Basic - weighted average shares outstanding	1,555,079	1,617,535	2,466,378	2,791,945	3,307,382
Diluted - weighted average shares outstanding	1,555,079	1,617,535	2,466,378	2,791,945	3,311,755
Orders	\$ 7,630	8,205	13,712	23,450	16,802
Backlog of orders	\$ 3,502	3,908	4,946	7,934	5,932



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Paragon Technologies, Inc.

600 Kuebler Road
Easton, PA 18040-9201

Phone: 610-252-3205

Fax: 610-252-3102

www.ptgamex.com