

To the Stockholders:

Presented below are the comparative operating figures for the Company for the periods ended in December 2020 and December 2019.

Our Company continued the upward trajectory established in our first quarter and finished our second quarter and first six months more profitable than the prior year, as we continue to benefit from our restructuring activities.

Sales in the quarter were \$54.1 million, down \$2.8 million or 5% below the pre-pandemic levels of the prior year. However, this was negatively affected by foreign currency translation loss, primarily in Brazil, to the tune of \$5.2 million. If you eliminate the effect of this translation loss, sales increased 4.2% in the December quarter compared to the prior year, driven by a strong performance at our Brazilian operations.

Operating income was \$6.2 million in the period ending December 31, 2020, an increase of \$3.4 million, most of this attributable to a gain of \$3.2 million from the sale of our Mount Airy, North Carolina facility in December 2020, offset by \$0.4 million in restructuring costs. Eliminating the one-time benefit on the sale of the building and the restructuring costs, income from operations increased \$0.6 million or 21% in this quarter compared to the prior period.

Net income in the period increased \$2.6 million to \$3.9 million or \$0.54 per share in the quarter ended December 31, 2020 compared to net income of \$1.3 million or \$0.18 per basic share in the quarter ended December 31, 2019.

We expect that the improving trends experienced in the first six months of our fiscal year should continue, provided COVID-19 vaccines are effective immunizing global populations to help facilitate a return to pre-pandemic economic activity.

D. A. Starrett

SUMMARY OF CONSOLIDATED RESULTS

(in thousands of dollars except share data)

	Three Months Ended December		Six Months Ended December	
	Fiscal 2021	Fiscal 2020	Fiscal 2021	Fiscal 2020
Net sales	\$ 54,054	\$ 56,864	\$ 103,464	\$ 108,978
Cost of goods sold	36,449	38,228	70,287	72,639
Gross margin	17,605	18,636	33,177	36,339
Restructuring charges	384	-	730	-
Gain on sale of building	(3,204)	-	(3,204)	-
Selling, general and administrative expenses	14,224	15,874	27,615	32,132
Operating income	6,201	2,762	8,036	4,207
Other (expense), net	(426)	(887)	(427)	(1,056)
Income before income taxes	5,775	1,875	7,609	3,151
Income tax expense (benefit)	1,918	615	(364)	1,113
Net income	\$ 3,857	\$ 1,260	\$ 7,973	\$ 2,038
Basic income per share	\$ 0.54	\$ 0.18	\$ 1.13	\$ 0.29
Diluted income per share	\$ 0.53	\$ 0.18	\$ 1.10	\$ 0.29

The above figures are in part estimates and are subject to audit and year-end adjustments. Except for historical information contained herein, the matters discussed may involve forward-looking statements subject to risks and uncertainties that could cause actual results to differ materially, including statements concerning future financial performance, economic and political conditions, currency fluctuations and foreign operations.