February 7, 2022

To the Stockholders:

Presented below are the comparative operating figures for the Company for the periods ended in December 2021 and December 2020.

Strong customer demand fueled a 13% increase in net sales to $61.3 million in our second quarter. At our halfway mark, year to date sales revenue was $122.8 million, an increase of 19% compared to $103.4 million last year at this time. Incoming orders are 16% ahead year to date, as demand continues to strain our capacity as we wrestle with cost and wage inflation driven by supply chain challenges and labor shortages. Because of these inflationary headwinds, our gross margin declined 1.7% in the quarter. To help offset the exponential rise in costs, the Company increased prices in the U.S. and Brazil in the first quarter and will initiate surcharges and further price increases during our third quarter.

Operating income in the quarter ended December 31, 2021 was $4.2 million or 6.9% of sales. This was a decline of $2.0 million when compared to the quarter ending December 31, 2020, which included a $3.2 million gain on the sale of the Mt. Airy, North Carolina building and $0.4 million of restructuring charges. Eliminating the restructuring cost and the one-time gain on the building from the prior corresponding period, our non-GAAP adjusted operating income increased 24% to $4.2 million or 6.9% of sales versus $3.4 million or 6.3% of sales for the three-month period ending December 31, 2020.

Net income in this December quarter was $2.5 million or $0.34 per share as compared to $3.9 million or $0.53 per share in December last year. This relative decline in net income is because the prior year included the aforementioned gain on the sale of the Company's Mt. Airy, North Carolina facility restructuring expense. When removing these items from the prior year, the comparative net income was $1.0 million for the quarter ended December 31, 2020.

In the short-term, our strong backlog will insulate us from revenue risks, but inflation will continue to put pressure on all cost inputs. The inflationary climate warrants rate hikes from the Fed, which is long overdue, but will come with its own challenges in the markets and with the economy.

D. A. Starrett
President and CEO

SUMMARY OF CONSOLIDATED RESULTS

(in thousands of dollars except share data)

	Three Months Ended December		Six Months Ended December	
	Fiscal 2022	Fiscal 2021	**Fiscal 2022**	Fiscal 2021
Net sales	**$ 61,318**	$ 54,054	**$ 122,832**	$ 103,464
Cost of goods sold	**42,368**	36,449	**83,737**	70,287
Gross margin	**18,950**	17,605	**39,095**	33,177
Restructuring charges	**0**	384	**0**	730
Gain on sale of building	**0**	(3,204)	**0**	(3,204)
Selling, general and administrative expenses	**14,749**	14,224	**30,762**	27,615
Operating income	**4,201**	6,201	**8,333**	8,036
Other (expense), net	**(662)**	(426)	**(436)**	(427)
Income before income taxes	**3,539**	5,775	**7,897**	7,609
Income tax expense (benefit)	**1,011**	1,918	**2,137**	(364)
Net income	**$ 2,528**	$ 3,857	**$ 5,760**	$ 7,973
Basic income per share	**$ 0.35**	$ 0.54	**$ 0.80**	$ 1.13
Diluted income per share	**$ 0.34**	$ 0.53	**$ 0.77**	$ 1.10

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.