2012 Annual Summary

SIMSERV-PITKA ENTERPRISES
JANUARY 2013

Corporate Overview

The consumer products industry has seen dramatic change in the last decade, due to increasing costs in manufacturing, need for innovative products, and decrease in brand loyalty. These changes have created the need to modify previous tactics to continue operating in this competitive industry.

Acquisition of Pitka Industries

In November, Simserv completed the process for acquiring Pitka Industries to form Simserv-Pitka Enterprises. The combined resources provide a stronger, more versatile organization to create innovative products and compete during the next decade. Here is a breakdown of the combined organization's divisions, their locations, and number of employees:

Simserv Headquarters	Cleveland	1,355
Pitka Division	Seattle	1,235
Product Development	Cincinnati	350
West Coast Distribution	Fresno	123

2011 Operating Results

Despite the Pitka acquisition, significant progress in restructuring the Company, and reducing debt in 2011, our progress was not reflected in our 2011 earnings performance. In fact, while our actions are expected to provide substantial future returns through lower operating and debt service costs, the up-front costs to implement our plan reduced our 2011 earnings.

For 2012, Simserv-Pitka recorded earnings from continuing operations of $9.3 million as compared to $15.5 million in 2011. Income from continuing operations available to common stock was a loss of $2.25 million, or 3 cents per common share, as compared to income of $7.5 million, or 7.5 cents per common share in 2011.

2012 Management Changes

On January 1, 2012, *Dewey A. Larson* was named Chairman of the Board and Chief Executive Officer by the Company's Board of Directors, replacing Jeff K. Andrews, who retired this year after 25 years of service. Mr. Larson first joined Simserv in January 1992 and over a period of nineteen years, has held a variety of senior executive positions.

In March 2012, *Jerri Reed* joined Simserv as its Chief Financial Officer. Ms. Reed has an impressive record in the industry over the past 20 years, which includes a position as CFO in a British company worth $50,000,000. She adds strength to our management team, particularly as the Company faces the important challenge of improving the financial and operating performance. Ms. Reed has stated:

> In 2013, we take the bull by the horns. Everyone at Simserv-Pitka must pull together and work toward our mutual success. I'm counting on every employee to focus on our common goals to improve the financial status of the Company.

2012 Capital Expenditures

Simserv-Pitka's capital expenditures for 2012 totaled $173.7 million, compared to $148.6 million from continuing operations in 2011. Expenditures by our Research and Development group increased by approximately $30 million due to projects aimed at increasing our competitiveness and efficiency in production. The expansion into Texas cost an estimated $95 million.

Goals for 2013

Fully implementing our strategic action plan will take several years to complete and 2013 will be no less critical than 2012. In pursuing the second year of our plan, we have established several key goals for 2013:

➢ Pursue innovative marketing techniques.

➢ Increase usage of existing computer systems by hiring in-house training personnel and establishing a continuing schedule of training classes.

➢ Implement an electronic project management program in all business units and corporate headquarters.

➢ Reduce the travel expenditures for the Company by closely evaluating each request for viability.

With the changes occurring in the Company, we need to make sure that we continue to assess the interaction and activities among the merged divisions. Therefore, it is imperative to continually set and review goals using the following steps:

1. Assess the situation.
2. Set measurable goals.
3. Communicate goals to all employees.
4. Implement programs to strive to meet goals.
5. Evaluate programs in relation to goals.
6. Continue or adjust programs as needed.