



Manufacturer of Flexible Metal Hose Products

Dear Fellow Shareholders:

To paraphrase Charles Dickens, it was the best of times, *followed by* the worst of times. I am referring to the domestic economy, particularly the residential construction industry from 2002 to 2009. During that time, we saw a peak construction activity of 2 million housing units in 2006, as reported by the National Association of Home Builders. From that peak, the decline was slow at first but then accelerated dramatically – overall the residential construction market decreased by approximately 70% from its peak in 2006 to 2009. Because our TracPipe<sup>®</sup> flexible gas piping is installed primarily in new residential construction, we were a small storm-tossed boat in the midst of a perfect storm. We took actions to mitigate the drop in sales, by increasing market share, reducing inventory levels, and instituting salary freezes. Due in part to these actions, we have survived and maintained profitability during these tumultuous times while maintaining our skilled workforce. Now we are hopeful that the winds have abated, and that the first glimmer of fair weather is on the horizon. As we take stock of the damage wreaked by the storm, we must also chart our next course.

For our TracPipe product line, we may not again see the kind of activity that propelled the residential construction industry to new production records. However, the country's population continues to grow, and as excess housing inventory is absorbed into the market, we expect that construction activity will increase from current levels. We are also hopeful that commercial construction will continue to offer new and expanding markets.

However, recent events dramatically illustrated the need to diversify our product offerings, and we started those efforts prior to 2006. We have commercialized new product lines which are assisting to broaden our sales offerings, and increase consolidated net sales. Our newest product line – DoubleTrac<sup>®</sup> double containment piping – was first test marketed in 2008. Primarily designed for gasoline filling stations, DoubleTrac offers similar advantages to our TracPipe<sup>®</sup> product line – flexibility and long continuous lengths lead to ease of use and quicker installations, thus saving contractor labor time and money. DoubleTrac also offers enhanced performance over competitive products by using a stainless steel containment layer that eliminates permeation by gasoline and petroleum products through the sidewall of the tubing, in combination with a sturdy polymer containment layer that captures unanticipated leaks and channels any leaks to a collection point. Since 2008, customers and end-users have found other applications for our DoubleTrac double containment piping, opening up exciting new markets and uses.

To conclude, we continue to build upon our current product offerings and expand our new products toward the goal of a strong and diversified company. We thank our employees and our shareholders for their loyalty to the Company during these difficult times.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. R. Hoben'.

Kevin R. Hoben,  
President and Chief Executive Officer

*Certain statements in this letter reflect our current expectations concerning future results and events and constitute "forward-looking statements". The words "believes," "expects," "intends," "plans," "anticipates," "intend," "estimate," "potential," "continue," "hopes," "likely," "will," and similar expressions, or the negative of these terms, identify such forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements of Omega Flex, or industry results, to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements.*