

THE L. S. STARRETT COMPANY
Athol, Massachusetts

May 9, 2019

To the Stockholders:

Presented below are the comparative operating results for the Company for the periods ended in March 2019 and March 2018.

The figures below reflect the positive trajectory that the Company has experienced this fiscal year. Both sales and earnings have increased buoyed by continued growth in our core businesses of precision measuring tools in North America and saw product lines in Brazil.

Demand for precision tools in North America remained strong. This coupled with the implementation of a new production planning system and improved staffing levels have increased throughput and reduced backorders 25%, resulting in a 10% increase in sales in the third quarter. In Brazil, sales increased 16% as the Company's saw consolidation initiatives and a more stable economic climate resulted in improved sales and earnings.

On a consolidated basis, net sales increased \$3.7 million or 7% from \$54.8 million in fiscal 2018 to \$58.5 million in fiscal 2019 with North America and International posting gains of \$2.0 million and \$1.7 million, respectively. Operating income in the period increased \$1.1 million or 50% from \$2.2 million in fiscal 2018 to \$3.3 million in fiscal 2019.

The Company recorded net income of \$2.1 million or \$0.30 per basic share in the third quarter of fiscal 2019 compared to net income of \$1.6 million or \$0.23 per basic share in fiscal 2018.

While it is clear that some international markets and North American sectors are beginning to slow, most of our customers are seeing more runway to this healthy economy, which should continue to benefit the Company's financial performance.

D. A. Starrett
President and CEO

SUMMARY OF CONSOLIDATED RESULTS

(in thousands of dollars except share data)

	Three Months Ended March		Nine Months Ended March	
	Fiscal 2019	Fiscal 2018	Fiscal 2019	Fiscal 2018
Net sales	\$ 58,498	\$ 54,834	\$ 166,931	\$ 158,776
Cost of goods sold	39,470	36,762	112,950	108,235
Gross margin	19,028	18,072	53,981	50,541
Selling, general and administrative expenses	15,728	\$ 15,859	46,633	\$ 47,435
Operating income	3,300	2,213	7,348	3,106
Other income (expense)	(255)	124	(370)	968
Income before income taxes	3,045	2,337	6,978	4,074
Income tax expense	957	700	2,380	8,532
Net income (loss)	<u>\$ 2,088</u>	<u>\$ 1,637</u>	<u>\$ 4,598</u>	<u>\$ (4,458)</u>
Basic income (loss) per share	\$ 0.30	\$ 0.23	\$ 0.66	\$ (0.64)
Diluted income (loss) per share	\$ 0.30	\$ 0.23	\$ 0.65	\$ (0.64)
Dividends per share	\$ -	\$ -	\$ -	\$ 0.20

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.

Third Quarter Report
March 31, 2019

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