

**THE L. S. STARRETT COMPANY**  
Athol, Massachusetts

May 4, 2020

To the Stockholders:

The Coronavirus pandemic (COVID-19) has had a profound effect on the health of our personnel and our business. The negative impact was felt as early as January at our operations in Suzhou, China and rapidly spread through Asia, Europe and the US.

The first order of business was the protection of our 1,600 global teammates. Our management teams were given autonomy to institute local safety protocols given the uncertainty of each situation, which could change hourly by country. Their response has been outstanding.

Globally, Starrett is deemed an “essential business,” as our measuring and saw products are critical to essential manufacturing and the supply chain, including the defense, aerospace, transportation, food supply and medical industries. The Company meets the criteria outlined in the Cybersecurity and Infrastructure Security Agency (“CISA”) guidance, Department of Homeland Security as an “essential business.” As such, the Company has remained globally operational, with a few exceptions, during the COVID-19 pandemic.

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

Global sales have declined precipitously as a result of COVID-19, starting in January, and most significantly in March 2020 in North America and in the UK. We took immediate actions globally to protect the Company and preserve cash. These measures included wage and salary reductions, headcount reductions, furloughs, staggered and reduced workweeks and managing variable operational spending to help mitigate the shortfall. This is an on-going process across operating, selling and general administrative cost inputs. While we are not eligible for the “Paycheck Protection Program” under the Cares Act, we are working with our global management teams to ensure we access any government money available through unemployment work-share programs, stay-employed rebates and other tools to maximize cash and minimize negative impacts on our workforce.

In our fourth quarter ending in June, our revenues will be below our March quarter because of the pandemic and we expect to incur a net loss in the June quarter. Brazil, our second largest operating unit, is just now beginning to feel the effects of COVID-19. This, in conjunction with many unknown pandemic-related variables, is affecting our fiscal 2021 outlook. Currently, we expect the September quarter revenues, in fiscal 2021, will decline compared to the June quarter of fiscal 2020, with a slow recovery in the automotive and oil-related sectors.

It remains very difficult for management to predict when this crisis will reach its peak and when revenues and order intake will begin to resume their normal course. At present, it is indeterminate what the new normal will look like; however, the Company is prepared to take any and all necessary steps to preserve the long-term financial health of the Company.

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 2020	Fiscal 2019	Fiscal 2020	Fiscal 2019
Net sales	\$ 49,998	\$ 58,498	\$ 158,976	\$ 166,931
Cost of goods sold	35,154	39,343	107,793	112,569
Gross margin	14,844	19,155	51,183	54,362
Selling, general and administrative expenses	14,780	15,687	46,912	46,510
Operating income	64	3,468	4,271	7,852
Other income (expense)	223	(423)	(833)	(874)
Income before income taxes	287	3,045	3,438	6,978
Income tax expense (benefit)	(326)	957	787	2,380
Net income	<u>\$ 613</u>	<u>\$ 2,088</u>	<u>\$ 2,651</u>	<u>\$ 4,598</u>
Basic income per share	\$ 0.09	\$ 0.30	\$ 0.38	\$ 0.66
Diluted income per share	\$ 0.09	\$ 0.30	\$ 0.38	\$ 0.65

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.