

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

November 18, 2020

To the Stockholders:

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

The Company delivered improved bottom line results in the first quarter of our fiscal year, despite COVID-19 headwinds and corresponding lower sales in comparison to last year's first quarter. Operating income increased 27% relative to the prior fiscal year period as a result of the Company's restructuring efforts. This improved performance was led by our international businesses, in particular Brazil, which offset a weaker recovery in North America, predominately in the U.S. measurement businesses.

Sales declined \$2.7 million or 5% from \$52.1 million in the first quarter last fiscal year compared to \$49.4 million in this fiscal year.

Operating income increased \$0.4 million from \$1.4 million to \$1.8 million due to a reduction in Selling, General and Administrative expenses of \$2.9 million, offset by a \$2.1 million decline in gross margins as a result of lower sales volume.

Net income in the period increased \$3.3 million from a net income of \$0.8 million or \$0.11 per share in fiscal 2019 to a net income of \$4.1 million or \$0.57 per share in fiscal 2020. This significant increase is the result of a one-time tax windfall related to new legislation, which reversed much of the negative impact of the GILTI provision in the Tax Cuts and Jobs Act of 2017.

Sales growth will remain a challenge in the second quarter, given the current surge in global COVID-19 infection rates and corresponding government action to mitigate the increasing spread of the virus. As such, the economic landscape will remain uncertain and our expectations are correspondingly cautious.

D. A. Starrett

**SUMMARY OF CONSOLIDATED RESULTS**

(in thousands of dollars except share data)

	Three Months Ended September	
	Fiscal 2021	Fiscal 2020
Net sales	\$ 49,411	\$ 52,114
Cost of goods sold	33,839	34,411
Gross margin	15,572	17,703
Restructuring charges	346	-
Selling, general and administrative expenses	13,391	16,258
Operating income	1,835	1,445
Other (expense)	(1)	(169)
Income before income taxes	1,834	1,276
Income tax (benefit) expense	(2,282)	498
Net income	\$ 4,116	\$ 778
Basic income per share	\$ 0.59	\$ 0.11
Diluted income per share	\$ 0.57	\$ 0.11

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.