

THE L. S. STARRETT COMPANY
Athol, Massachusetts

May 13, 2021

To the Stockholders:

Presented below are the comparative operating figures for the Company for the periods ended in March 2021 and March 2020.

The Company turned in strong third quarter results buoyed by a resurgent North America and continued strength in semiconductor and international markets. Net sales in this quarter were \$55.0 million, up \$5.0 million, or 10.0%, compared to \$50.0 million in the March quarter last year. We continue to experience foreign currency headwinds, primarily in Brazil, which negatively impacted sales by \$2.6 million in this quarter. On a foreign currency neutral basis, sales in the quarter increased 15.0%, and fiscal year to date through nine months sales have increased \$12.8 million or 7.7%.

Operating income was \$3.8 million in the quarter ending March 31, 2021, or 7.0% of sales, compared to breakeven in last year's third quarter. Operating income was \$11.9 million in the nine-month period ending March 31, 2021 relative to \$4.3 million in the comparative quarter last year. On an adjusted basis, eliminating the impact of \$1.5 million in restructuring charges and the \$3.2 million gain on the sale of our North Carolina facility in December, 2020, operating income was \$10.2 million or 6.4% of sales versus \$4.3 million or 2.7% of sales in the same nine-month period ending in March, 2020.

Net income in this quarter increased \$2.4 million to \$3.0 million or \$0.42 per share compared to \$0.6 million or \$0.09 per share in the quarter ended March 31, 2020. Fiscal year to date through nine months, net income has increased \$8.3 million to \$11.0 million compared to \$2.6 million to the same period ending March 31, 2020.

As we head into the homestretch, we continue to benefit from our restructuring initiatives, enjoy a healthy level of incoming orders and backlog, which provide the backdrop for a strong finish to our fiscal year.

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 2021 | Fiscal 2020 | Fiscal 2021 | Fiscal 2020 |
| Net sales | \$ 54,944 | \$ 49,998 | \$ 158,408 | \$ 158,976 |
| Cost of goods sold | 36,795 | 35,154 | 107,082 | 107,793 |
| Gross margin | 18,149 | 14,844 | 51,326 | 51,183 |
| Restructuring charges | 788 | - | 1,518 | - |
| Gain on sale of building | - | - | (3,204) | - |
| Selling, general and administrative expenses | 13,511 | 14,780 | 41,126 | 46,912 |
| Operating income | 3,850 | 64 | 11,886 | 4,271 |
| Other income (expense), net | 663 | 223 | 236 | (833) |
| Income before income taxes | 4,513 | 287 | 12,122 | 3,438 |
| Income tax expense (benefit) | 1,496 | (326) | 1,132 | 787 |
| Net income | <u>\$ 3,017</u> | <u>\$ 613</u> | <u>\$ 10,990</u> | <u>\$ 2,651</u> |
| Basic income per share | \$ 0.42 | \$ 0.09 | \$ 1.56 | \$ 0.38 |
| Diluted income per share | \$ 0.41 | \$ 0.09 | \$ 1.50 | \$ 0.38 |

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.