

THE L. S. STARRETT COMPANY
Athol, Massachusetts

November 12, 2021

To the Stockholders:

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

We came out the gate well in our first quarter of Fiscal 2022, with both the North American and International markets contributing to strong sales and earnings. Net sales were \$61.5 million, an increase of 25% compared to \$49.4 million in the September quarter last year. The upward trend in market demand was unabated during the quarter as incoming orders increased 35% during the quarter and continues to outstrip our capacity as a result of supply chain constraints and labor shortages. During the quarter, to mitigate the effect of the supply chain constraints, we have consumed cash to increase inventory to support sales growth.

Operating income in our first quarter was \$4.1 million, an increase of \$2.3 million or 125% compared to \$1.8 million in last year's first quarter. Net income in this September quarter was \$3.2 million or \$0.44 per share as compared to \$4.1 million or \$0.57 per share. This relative decline in net income is because we enjoyed a non-recurring income tax benefit of \$2.7 million in the first quarter of fiscal 2021, related to the impact of new U.S. tax legislation.

Looking forward, we see no near term weakening of demand. However, we are cognizant that real inflation tied to supply chain disruption, labor shortages and energy are here to stay, and will continue to present challenges for us in the months ahead.

D. A. Starrett
President and CEO

SUMMARY OF CONSOLIDATED RESULTS

(in thousands of dollars except share data)

| | Three Months Ended September | |
|--|------------------------------|-------------|
| | Fiscal 2022 | Fiscal 2021 |
| Net sales | \$ 61,514 | \$ 49,411 |
| Cost of goods sold | 41,369 | 33,839 |
| Gross margin | 20,145 | 15,572 |
| Restructuring charges | - | 346 |
| Selling, general and administrative expenses | 16,012 | 13,391 |
| Operating income | 4,133 | 1,835 |
| Other (expense) | 226 | (1) |
| Income before income taxes | 4,359 | 1,834 |
| Income tax expense (benefit) | 1,127 | (2,282) |
| Net income | \$ 3,232 | \$ 4,116 |
| Basic income per share | \$ 0.45 | \$ 0.59 |
| Diluted income per share | \$ 0.44 | \$ 0.57 |

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.

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First Quarter Report
September 30, 2021