

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

November 15, 2022

To the Stockholders:

Presented below are the comparative operating figures for the Company for the periods ended in September 2022 and September 2021.

I am pleased that our teams continue to achieve stable operating results in an increasingly volatile environment with both inflationary and geo-political headwinds. We experienced softness in our international markets as anticipated; however, North America continues to exceed expectations in terms of order intake and operating results.

Net sales in our first quarter were \$60.5 million, a decline of 1.7% compared to the first quarter of the prior year. The sales increase of \$2.7 million in North America was more than offset by the decline of \$3.7 million in sales in our international markets. On a currency neutral basis, net sales of \$61.4 million were essentially flat to the first quarter of fiscal 2022, reflecting strength of the U.S. Dollar in the relative periods.

Operating income in this quarter was \$3.7 million, a decline of \$0.4 million compared to operating income of \$4.1 million in the September 30, 2021 quarter as a result of increased selling and general expenses related to investment in sales and marketing initiatives that had been on hold during the pandemic.

Net income in this September quarter was \$2.0 million compared to \$3.2 million in the September quarter of fiscal 2021, resulting in a decline of \$0.17 in Earnings per Share (EPS) or \$0.27 per share compared to \$0.44 per share in the same period last year. This significant decline is related to non-operational issues, which include non-cash expenses reflecting unrealized foreign exchange losses and increased pension costs, which together make up 70% of the decline.

Given the election results in the U.S. and Brazil, I expect that we will continue to see volatility in the coming months with the hope that we will see more stability as we usher in the new year. We are cognizant that business conditions could soon become more challenging, and our teams remain poised to address those challenges.

D. A. Starrett  
President and CEO

**SUMMARY OF CONSOLIDATED RESULTS**

(in thousands of dollars except share data)

	Three Months Ended September	
	Fiscal 2023	Fiscal 2022
Net sales	\$ 60,461	\$ 61,514
Cost of goods sold	40,261	41,369
Gross margin	20,200	20,145
Restructuring charges	190	-
Selling, general and administrative expenses	16,294	16,012
Operating income	3,716	4,133
Other (expense) income	(676)	226
Income before income taxes	3,040	4,359
Income tax expense	984	1,127
Net income	\$ 2,056	\$ 3,232
Basic income per share	\$ 0.28	\$ 0.45
Diluted income per share	\$ 0.27	\$ 0.44

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.