



**Automation  
Tooling  
Systems Inc.**

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**February 5, 2003**

**Dear Shareholder:**

**Re: Fiscal 2003 – Third Quarter Report**

For the nine months ended December 31, 2002, ATS Automation Tooling Systems Inc. reported a 24% increase in revenue driven by growth in automation systems, precision components and solar operations.

We feel our revenue performance in the third quarter was solid and although it's early, we appear to be following that up with a good number of automation orders to start the fourth quarter. We believe winning new customers and growing sales in this poor economic environment demonstrates the power and value of our recent new standard automation product introductions and our ongoing strategic marketing efforts.

ATS generated net earnings of \$0.4 million (1 cent per share basic and diluted) compared to \$1.1 million (2 cents basic and diluted) in the same quarter of fiscal 2002. While net earnings were lower, ATS remained profitable and continued to build its capabilities, industry leadership and market share, which position the Company for a strong future.

**Third Quarter Fiscal 2003 Highlights**

- Consolidated revenue was \$153.8 million, up 24% from \$123.9 million in the third quarter a year ago.
- At \$93.4 million, new automation systems bookings were more diversified than in the comparable period a year ago when two large automotive orders boosted new order bookings to \$110.5 million. New order bookings increased \$8.8 million sequentially compared to the second quarter.
- Quarter end automation systems backlog was \$151.8 million, down from \$168.2 million at the end of the third quarter a year ago.

## **Subsequent Events**

The following events were reported by ATS subsequent to December 31, 2002:

- ATS reported it has received approximately \$50 million in new automation order bookings since December 31, 2002, demonstrating the Company continues to make excellent headway in strategically marketing its capabilities and industry-leading standard automation. These orders are diverse in terms of industries and customers.
- ATS announced strong progress with its Spherical Solar Power initiative. Construction has now begun on the first 20 megawatt factory, and the first of six planned prototype SSP products, a flexible solar panel, has now been created and is ready for marketing. Equally important, SSP is close to completing the manufacture of its first 150x600 mm SSP solar cell using its now operational pilot line in Cambridge. When complete, this will be the largest multicrystalline solar cell in the world. Further details are expected shortly.
- On February 3, 2003, ATS announced the acquisition of a small, fast growing and profitable precision plastic injection moulding and tooling company in an \$8.6 million transaction. Micro Precision Plastics produces annual revenue of approximately \$10 million and will complement the profitable growth of the Precision Components Group.

## **Management's Discussion and Analysis**

The following Management's Discussion and Analysis of the financial position of ATS Automation Tooling Systems Inc. at December 31, 2002 and the results of its operations and its cash flows for the three months and nine months ended on that date and the notes there to, should be read in conjunction with the Management's Discussion and Analysis and Consolidated Financial Statements included in the Annual Report for the year ended March 31, 2002 and with the Consolidated Financial Statements and Management's Discussion and Analysis for the quarters ended June 30, 2002 and September 30, 2002.

## **Revenue**

ATS continued to capitalize on its broad customer base and expanding global market reach. Segmented revenue shows:

- Automation Systems Group revenue was \$106.5 million, 25% higher than \$85.4 million in the third quarter a year ago, reflecting backlog entering the period and strong growth in computer-electronics and healthcare revenue. Computer-electronics revenue grew 87% over fiscal 2002's third quarter and healthcare

- expanded 28%. The automotive market, which has been the least affected by this downturn, remained stable in the quarter and has grown solidly on a nine month basis.
- Precision Components operations, excluding solar, achieved revenue of \$31.7 million versus \$27.4 million in the third quarter of fiscal 2002. This 16% increase was primarily the result of strong growth in automotive revenue.
  - Photowatt International solar revenue increased 34% to \$18.8 million compared to \$14.1 million in the same period a year ago, reflecting appreciation in the value of the Euro compared to the Canadian dollar and increased module shipments which offset lower selling prices. Solar revenue grew 70% sequentially, compared to the second quarter of this fiscal year reflecting the traditional month long summer plant shutdown that occurred last quarter and strong module shipments into Germany as customers accelerated purchases in advance of a 5% reduction in a German government subsidy program in 2003.

### Consolidated Revenue by Region

	(\$ millions)			
	13 weeks ended		39 weeks ended	
	12/31/2002	12/31/2001	12/31/2002	12/31/2001
U.S. & Mexico	\$ 82.6	\$ 72.8	\$ 254.9	\$ 263.0
Europe	42.1	29.6	91.4	84.6
Canada	18.4	13.0	56.5	36.2
Asia-Pacific and other	10.7	8.5	42.3	35.3
<b>Total</b>	<b>\$ 153.8</b>	<b>\$ 123.9</b>	<b>\$ 445.1</b>	<b>\$ 419.1</b>

### Revenue by Industry

	(\$ millions)			
	13 weeks ended		39 weeks ended	
	12/31/2002	12/31/2001	12/31/2002	12/31/2001
<b>Automation Systems:</b>				
Automotive	\$ 45.1	\$ 45.3	\$ 132.6	\$ 118.0
Computer-electronics	37.6	20.1	120.2	115.8
Healthcare	17.6	13.8	51.5	54.8
Other	6.2	6.2	20.0	18.4
Subtotal	106.5	85.4	324.3	307.0
<b>Precision Components:</b>				
Automotive	27.8	23.6	83.0	74.5
Computer-electronics	1.6	1.1	2.9	2.7
Solar	18.8	14.1	38.6	35.6
Other	2.3	2.7	5.8	5.4
Subtotal	50.5	41.5	130.3	118.2
<b>Intersegment Elimination</b>	<b>(3.2)</b>	<b>(3.0)</b>	<b>(9.5)</b>	<b>(6.1)</b>
<b>Total Consolidated Revenue</b>	<b>\$ 153.8</b>	<b>\$ 123.9</b>	<b>\$ 445.1</b>	<b>\$ 419.1</b>

### **Third Quarter Operating Results**

Consolidated operating earnings were \$0.6 million (0.4% operating margin) compared to \$1.7 million (1.3% operating margin) in the third quarter of fiscal 2002, primarily reflecting the factors discussed below.

Automation Systems Group operating earnings were \$2.4 million versus \$4.0 million in the third quarter a year ago. The third quarter results this year reflected a \$1.1 million write-off on incomplete projects for two fiber optics customers that went bankrupt in the period, a significantly higher number of projects for first-time customers and applications, an intentional increase in selling, marketing and product development, and higher third party content at 47% versus 41% a year ago.

The Company acquired Magnet GmbH of Munich, Germany for approximately \$3 million late in the quarter but this had no significant affect on revenue or earnings. ATS also acquired the remaining 49% interest in ATS Test Systems Inc., a profitable, rapidly-growing business that provides important capabilities to ATS. The Company made its initial investment in ATS Test Systems in July 1996.

Precision Components had an operating loss of \$0.2 million, an improvement over the operating loss of \$0.5 million in the third quarter of fiscal 2002 due to improved earnings in non-solar operations. Start up costs related to the launch of new thermal products production partially offset these improved results.

Thermal product sales increased 129% compared to the second quarter of this year, reflecting increased shipments under new customer orders. However, these shipments were lower than anticipated due to weaker demand for higher-speed processors. Weak market conditions have caused the Group to revise its revenue estimates for thermal to \$6 million for fiscal 2003 from the \$12 million originally forecast. However, ATS did receive a 30% allocation of volumes from its primary thermal products customer rather than the 25% originally forecast, underscoring the fact that the Group's thermal management solutions are gaining market acceptance.

As expected, Photowatt was profitable in the quarter on significantly higher module sales, but its operating margin was lower than a year earlier due to a decline in market pricing for conventional solar technology, higher spending on research and development and expense provisions established for slow-moving accounts receivable. Photowatt remains one of the few profitable companies in the industry due to improvements in operations and the advantages gained from its strategic use of ATS automation.

## Nine Month Highlights

ATS generated consolidated revenue for the nine months ended December 31, 2002 of \$445.1 million, a 6% increase over revenue of \$419.1 million in the same period a year ago. Net earnings were \$7.0 million (12 cents basic, 11 cents diluted) compared to net earnings of \$12.4 million (21 cents per share basic, 20 cents diluted) a year ago. Modest revenue growth and the reduction in earnings reflect the prolonged downturn in capital equipment spending globally.

## Cash Flow and Financial Resources

Cash flow from operations of \$10.6 million was generated in the third quarter, a \$1.0 million increase compared to the same period in fiscal 2002.

For the nine months ended December 31, 2002, cash flow from operations was \$35.0 million compared to \$37.0 for the same period a year ago. The decrease of \$2.0 million was mainly a result of lower earnings in the first quarter of the current year compared to the same period a year ago.

ATS finished the quarter with a very strong balance sheet. Cash on hand, net of bank indebtedness, totaled \$76.8 million at December 31, 2002 compared to \$93.3 million at September 30, 2002 and \$81.9 million at December 31, 2001. Period end debt to equity remained a healthy 0.1:1, unchanged from September 30, 2002 and March 31, 2002.

## Outlook

At December 31, 2002, automation systems order backlog was \$151.8 million versus \$168.2 million a year ago and \$163.0 million at September 30, 2002. Backlog was well diversified by industry at period end.

### Automation Systems Backlog by Industry

(\$ millions)

	12/31/2002	12/31/2001
Computer/Electronics	\$ 41.1	\$ 31.2
Automotive	67.0	91.1
Healthcare	30.4	34.0
Other	13.3	11.9
Total	\$ 151.8	\$ 168.2

New automation systems order bookings in the third quarter were \$93.4 million, 10% higher than bookings in the second quarter of this fiscal year but off from \$110.5 million in the third quarter a year ago. Bookings a year ago included \$27

million for two very large automotive orders booked at the end of that period. By comparison, booking activity this quarter was quite diverse. Project cancellations and scope reductions this quarter amounted to \$2.3 million compared to \$15.6 million a year ago and \$3.0 million for the second quarter of this fiscal year. Order activity remained broadly based by customer and market.

In today's volatile political and economic climate, it's simply not possible to get a fix on when more robust capital spending will occur, however, we remain cautiously optimistic of prospects for our fourth quarter and we think activity will improve as 2003 progresses. We believe our customers are operationally ready to commit to orders, but financially remain conservative. After approximately two years of holding the line on capital spending, we believe the pressure is building on them to introduce new products, achieve better efficiencies and abandon their wait and see attitude. From our prospective it's not a question of if but rather when this pressure will be unleashed. When it is, we believe ATS is better positioned than ever to answer their requirements.

We believe that ATS has used this downturn to preserve and develop its chief asset - our skilled workforce - and expand its capabilities through internal innovation and acquisition. Our strategy in this regard is certainly contrary to that of our competitors who have reduced their capabilities and market presence, but we believe ATS is stronger as a result and more able to grow efficiently and quickly in the future.

ATS is encouraging customers to place orders in advance of a market turnaround and to take full advantage of ATS's rapid deployment of cost-saving, productivity-enhancing solutions. We believe ATS is gaining considerable momentum with our expanded capabilities in new areas and the fact that we offer true 21<sup>st</sup> century automation is helping ATS to overpower the cautious investing attitude of our customers.

ATS is optimistic about our long-term future and we continue to invest where we believe we will get the most value for our shareholders and customers. While it's frustrating knowing that there is a pent up demand for our capabilities within our customer base that has continued to build because of this prolonged downturn, it's also rewarding to know ATS continues to make solid inroads in all markets. We are impatient for a more stable business climate to emerge so we can demonstrate the power of our industry leadership to all our stakeholders.

Yours sincerely,

Klaus D. Woerner  
President and Chief Executive Officer

Lawrence G. Tapp  
Non-executive Chairman of the Board

## Corporate Description

ATS Automation Tooling Systems Inc. ([www.atsautomation.com](http://www.atsautomation.com)) is the industry's leading designer and producer of turn-key automated manufacturing and test systems, which are used primarily by multinational corporations operating in a variety of industries including: automotive, computer/electronics, healthcare, and consumer products. The Company also makes precision components and sub-assemblies using its own custom-built manufacturing systems, process knowledge and automation technology. Through Photowatt International S.A., and Spheral Solar Power Inc., ATS is an emerging leader in the rapidly growing market for solar energy cells and modules. ATS employs approximately 3,400 people at 28 facilities in Canada, the United States, Europe and Asia-Pacific. The Company's shares are traded on The Toronto Stock Exchange under the symbol ATA.

*Certain forward looking statements are made in this letter, including statements reflecting the Company's expectations regarding possible future business, results and performance. These forward looking statements reflect the current views of the Company's management and are subject to various risks and uncertainties which could cause the Company's future growth, results and performance to differ materially from those expressed in or implied by these statements. Certain of these risks are described in our annual report for the last fiscal year and/or are described in ATS's periodic reports filed with Canadian regulatory authorities. ATS disclaims any intention or obligation to update or revise these forward-looking statements.*

## ATS AUTOMATION TOOLING SYSTEMS INC.

### Consolidated Statements of Earnings

(in thousands, except per share amounts - unaudited)

	Thirty-nine weeks ended		Thirteen weeks ended	
	December 31 2002	December 31 2001	December 31 2002	December 31 2001
<b>Revenue</b>	<b>\$ 445,088</b>	<b>\$ 419,121</b>	<b>\$ 153,824</b>	<b>\$ 123,900</b>
Operating costs and expenses:				
Cost of revenue	363,493	330,565	128,479	99,159
Depreciation and amortization	22,527	19,834	7,929	6,779
Selling and administrative	48,971	49,652	16,822	16,307
	<b>434,991</b>	<b>400,051</b>	<b>153,230</b>	<b>122,245</b>
<b>Earnings from operations</b>	<b>10,097</b>	<b>19,070</b>	<b>594</b>	<b>1,655</b>
Other expenses (income):				
Interest on long-term debt	924	1,836	295	392
Interest Income	(1,634)	(1,689)	(411)	(429)
	<b>(710)</b>	<b>147</b>	<b>(116)</b>	<b>(37)</b>
<b>Earnings before income taxes and non-controlling interest</b>	<b>10,807</b>	<b>18,923</b>	<b>710</b>	<b>1,692</b>
Provision for income taxes	3,503	6,329	229	548
Non-controlling interest in earnings of subsidiaries	337	193	72	62
<b>Net earnings</b>	<b>\$ 6,967</b>	<b>\$ 12,401</b>	<b>\$ 409</b>	<b>\$ 1,082</b>
<b>Net earnings per share:</b>				
Basic	\$ 0.12	\$ 0.21	\$ 0.01	\$ 0.02
Diluted	\$ 0.11	\$ 0.20	\$ 0.01	\$ 0.02
<b>Weighted average number of shares:</b>				
Basic	60,466	60,245	60,538	60,307
Diluted	60,981	61,033	60,866	60,918

See accompanying notes to interim consolidated financial statements

### Consolidated Statements of Retained Earnings

(in thousands of dollars - unaudited)

	Thirty-nine weeks ended		Thirteen weeks ended	
	December 31 2002	December 31 2001	December 31 2002	December 31 2001
Retained earnings, beginning of period as restated (note 2)	\$ 198,732	\$ 186,139	\$ 205,290	\$ 197,458
Net earnings	6,967	12,401	409	1,082
<b>Retained earnings, end of period</b>	<b>\$ 205,699</b>	<b>\$ 198,540</b>	<b>\$ 205,699</b>	<b>\$ 198,540</b>

See accompanying notes to interim consolidated financial statements



# ATS AUTOMATION TOOLING SYSTEMS INC.

## Consolidated Balance Sheets

(in thousands of dollars - unaudited)

	December 31 2002	March 31 2002
		(as restated, see note 2)
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and short-term investments	\$ 76,757	\$ 113,281
Accounts receivable	128,445	113,704
Income taxes recoverable	7,355	11,140
Costs and earnings in excess of billings on contracts in progress	133,237	104,320
Inventories	75,467	60,712
Other	3,689	3,114
	424,950	406,271
Fixed assets	222,304	212,009
Goodwill	61,889	57,974
Other intangibles	8,970	9,491
Other assets	32,991	27,447
	\$ 751,104	\$ 713,192
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Bank indebtedness	\$ -	\$ 3,108
Accounts payable and accrued liabilities	68,299	65,434
Billings in excess of costs and earnings on contracts in progress	30,217	12,481
Future income taxes	28,424	27,455
	126,940	108,478
Long-term debt	53,049	53,860
Future income taxes	5,185	2,196
Non-controlling interest	1,056	2,957
<b>Shareholders' equity:</b>		
Share capital	331,483	329,660
Retained earnings	205,699	198,732
Cumulative translation adjustment	27,692	17,309
	564,874	545,701
	\$ 751,104	\$ 713,192

See accompanying notes to interim consolidated financial statements

## ATS AUTOMATION TOOLING SYSTEMS INC.

### Consolidated Statements of Cash Flows

(in thousands of dollars - unaudited)

	Thirty-nine weeks ended		Thirteen weeks ended	
	December 31 2002	December 31 2001	December 31 2002	December 31 2001
<b>Cash flows from operating activities:</b>				
Net earnings	\$ 6,967	\$ 12,401	\$ 409	\$ 1,082
Items not involving cash	28,036	24,633	10,197	8,560
Cash flow from operations	35,003	37,034	10,606	9,642
Change in non-cash operating working capital	(34,254)	13,598	(6,212)	33,895
	749	50,632	4,394	43,537
<b>Cash flows from investing activities:</b>				
Acquisition of interest in subsidiaries (note 3)	(6,123)	(5,317)	(6,123)	-
Acquisition of fixed assets	(22,097)	(20,964)	(12,737)	(4,027)
Investments and other	(7,146)	(9,510)	(2,149)	(3,890)
	(35,366)	(35,791)	(21,009)	(7,917)
<b>Cash flows from financing activities:</b>				
Bank Indebtedness	(3,108)	(5,572)	(3,047)	(3,525)
Issuance of common shares	823	689	-	15
Other	378	26	26	16
	(1,907)	(4,857)	(3,021)	(3,494)
<b>Increase (decrease) in cash and short-term investments</b>	<b>(36,524)</b>	<b>9,984</b>	<b>(19,636)</b>	<b>32,126</b>
<b>Cash and short-term investments, beginning of period</b>	<b>113,281</b>	<b>72,949</b>	<b>96,393</b>	<b>50,807</b>
<b>Cash and short-term investments, end of period</b>	<b>\$ 76,757</b>	<b>\$ 82,933</b>	<b>\$ 76,757</b>	<b>\$ 82,933</b>
<b>Supplementary information:</b>				
Cash income taxes paid	\$ 7,496	\$ 5,645	\$ 2,081	\$ 1,192
Cash interest paid	\$ 932	\$ 2,131	\$ 284	\$ 515

See accompanying notes to interim consolidated financial statements

# ATS AUTOMATION TOOLING SYSTEMS INC.

## Notes to Interim Consolidated Financial Statements

(tabular amounts in thousands, except per share amounts – unaudited)

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### 1. Significant accounting policies:

(a) The accompanying unaudited interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and the accounting policies are consistent with those described in the annual consolidated financial statements for the year ended March 31, 2002, except as described in note 2. The unaudited interim consolidated financial statements presented in this interim report do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements and should be read in conjunction with the audited consolidated financial statements in the Company's fiscal 2002 Annual Report.

(b) Contract revenue in the Automation Systems segment is recognized using the percentage of completion method. The degree of completion is determined based on costs incurred, excluding costs that are not representative of progress to completion, as a percentage of total costs anticipated for each contract. Incentive awards, claims or penalty provisions are recognized when such amounts can reasonably be determined. Complete provision is made for losses on contracts in progress when such losses first become known. Revisions in cost and profit estimates, which can be significant, are reflected in the accounting period in which the relevant facts become known.

### 2. Accounting policy changes:

(a) Effective April 1, 2002, the Company retroactively adopted the new Recommendations of the Canadian Institute of Chartered Accountants ("CICA") related to foreign currency translation. The new Recommendations require gains and losses on the translation of long-term monetary assets and liabilities to be included in income. Previously, such gains and losses were deferred and amortized over the life of the respective asset or liability. Retroactive adoption of this policy had no material impact on net earnings for the thirteen weeks ended December 31, 2001, the thirty-nine weeks ended December 31, 2001 or the year ended March 31, 2002 and as such have remained as previously reported. The retroactive changes to the consolidated balance sheet at March 31, 2002 and March 31, 2001 are as follows:

Decrease in other assets	\$ 4,177
Decrease in retained earnings	\$ 4,177

(b) Effective April 1, 2002, the Company prospectively adopted the new Recommendations of the CICA for Stock-based Compensation and Other Stock-based Payments. The new Recommendations establish standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments. The Company has elected to continue accounting for stock options as capital transactions, and to disclose pro forma net earnings and earnings per share information using the fair value based method which is disclosed in note 4. As a result, the adoption of the Recommendations had no effect on the Company's reported earnings for the thirteen weeks or the thirty-nine weeks ended December 31, 2002.

## ATS AUTOMATION TOOLING SYSTEMS INC.

### Notes to Interim Consolidated Financial Statements

(tabular amounts in thousands, except per share amounts – unaudited)

#### 3. Acquisitions:

During the quarter ended December 31, 2002, the Company acquired the remaining 49% of outstanding equity of ATS Test Systems Inc., an advanced test systems business; and acquired 100% of the common shares of Magnet GmbH, a German company that specializes in electrical controls.

These acquisitions have been accounted for using the purchase method as follows:

Assets, at assigned value	\$	4,085
Liabilities assumed		(1,144)
Goodwill		4,182
	\$	7,123
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Consideration:		
Cash	\$	6,123
Common shares (84,674 shares)		1,000
	\$	7,123

The consolidated interim statements of earnings include the results of these acquired Automation Systems businesses from the date of acquisition.

#### 4. Stock-Based Compensation:

The following pro forma disclosures present the compensation cost for the Company's stock option plan had compensation cost been determined and recorded in the statement of earnings based on the fair value at the grant date of the options awarded on or after April 1, 2002:

	Thirty-nine weeks ended December 31, 2002	Thirteen weeks ended December 31, 2002
Net earnings:		
as reported	\$ 6,967	\$ 409
pro forma	\$ 6,331	\$ 203
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Earnings per share:		
Basic - as reported	\$ 0.12	\$ 0.01
- pro forma	\$ 0.10	\$ 0.00
Diluted - as reported	\$ 0.11	\$ 0.01
- pro forma	\$ 0.10	\$ 0.00

In the pro forma results above, the fair values of the Company's stock option grants were estimated using the Black Scholes option pricing model with the following assumptions: risk free interest rate of 5.4%; dividend yield of 0%; expected lives of 6.0 years; and volatility of 42%, and the estimated compensation cost of the options granted is amortized over the

## ATS AUTOMATION TOOLING SYSTEMS INC.

### Notes to Interim Consolidated Financial Statements

(tabular amounts in thousands, except per share amounts – unaudited)

#### 4. Stock-Based Compensation (continued):

five year vesting period of the options. During the thirteen weeks ended December 31, 2002 no stock options were granted and 6,150 of the options which were granted in fiscal 2003 were cancelled. During the thirty-nine weeks ended December 31, 2002, 471,495 stock options were granted at an average exercise price of \$18.61, and 6,150 of the options which were granted in fiscal 2003 were cancelled.

#### 5. Segmented disclosure:

The Company evaluates performance based on two reportable segments: Automation Systems and Precision Components. The Automation Systems segment primarily produces custom-engineered turn-key automated manufacturing and test systems. The Precision Components segment is primarily a high volume manufacturer of photovoltaic products, plastic and metal components and sub-assemblies.

The Company accounts for inter-segment sales at current market rates, negotiated between the segments.

	Thirty-nine weeks ended		Thirteen weeks ended	
	December 31 2002	December 31 2001	December 31 2002	December 31 2001
<b>Revenue</b>				
Automation Systems	\$ 324,333	\$ 306,954	\$ 106,489	\$ 85,353
Precision Components	130,298	118,248	50,526	41,478
Elimination of inter-segment revenue	(9,543)	(6,081)	(3,191)	(2,931)
<b>Consolidated</b>	<b>\$ 445,088</b>	<b>\$ 419,121</b>	<b>\$ 153,824</b>	<b>\$ 123,900</b>
<b>Earnings from operations</b>				
Automation Systems	\$ 13,770	\$ 25,157	\$ 2,445	\$ 3,953
Precision Components	2,298	(230)	(202)	(518)
Inter-segment elimination and other corporate expenses	(5,971)	(5,857)	(1,649)	(1,780)
<b>Consolidated</b>	<b>\$ 10,097</b>	<b>\$ 19,070</b>	<b>\$ 594</b>	<b>\$ 1,655</b>

#### 6. Cyclical nature of the business:

Interim financial results are not necessarily indicative of annual or longer term results, because many of the individual markets served by the Company tend to be cyclical in nature. General economic trends, product life cycles and product changes may impact Automation Systems bookings, Precision Components volumes, and the Company's earnings in any of its markets.