

OPERATING INCOME

Reported operating income was \$21.3 million in fiscal year 2003. This compared with an operating loss of \$(6.9) million in fiscal year 2002 after asset impairment and restructuring charges of \$(9.4) million.

NET INCOME

Net income for fiscal year 2003 was \$3.6 million or \$.22 per share, after including an after-tax goodwill impairment charge of \$(2.0) million, or \$(.13) per share, recorded in the first quarter of fiscal year 2003 associated with an accounting change. For fiscal year 2002, the Company reported a net loss of \$(26.8) million, or \$(1.81) per share.

LIQUIDITY AND CAPITAL RESOURCES

The new Credit and Security Agreement was completed in January, 2004. Amounts of borrowed funds at the end of fiscal year 2003 were classified in accordance with the terms of the new Credit Agreement. At October 31, 2003, the Company's capitalization was 57% debt, 43% equity. A year ago, debt represented 66% of capitalization. Cash flow from operations was \$71.1 million for fiscal year 2003 compared to \$48.5 million in fiscal year 2002.

The new Credit and Security Agreement provides the Company with borrowing capacity of \$185 million and consists of a three-year revolving credit facility and two five-year term loans. Interest rates are competitive and there are opportunities for interest rate reductions over the term of the loans once Shiloh achieves certain criteria.

THE COMING YEAR 2004

Considering the realities that exist in our industry, we believe that we will continue to face the same intense challenges in fiscal year 2004 as those we managed successfully in 2003. The outcome will be a direct result of the way we respond. Our business, operations and communications strategies are in place. Our leadership team is committed to continue our relentless pursuit for operational excellence, product

leadership and customer loyalty by "diving deeper" into every process with the coaching of our Six Sigma Optimization Team. Leveraging the improvements in our competitive ability and continuing the effective integration of our product and process technologies are the driving forces of our Company moving forward. With the improving economic environment, the stabilization and optimization of the programs launched in 2003 and our continuous focus on new program launch effectiveness, cash generation and debt reduction, we believe we will be able to accelerate the improvements made both in the operational and financial performance of the Company.

With a reinforced sense of confidence and a strong and committed team, we continue to move forward maintaining our sharp focus on product innovation, process characterization and optimization, customer satisfaction and profitable growth. The performance bar for 2004 and beyond has been set higher. All process owners at Shiloh understand their role and we are all committed to do our best to create a fair return on your investment. Thank you for your continuous support.

In closing, we would also like to express our appreciation to Mr. Ronald C. Houser and Mr. James A. Karman whose service on the Board of Directors will conclude as of our Annual Meeting on March 24, 2004.



Theodore K. Zampetis
President & CEO

