Our Mission
Supplying process automation systems that enable our customers around the world to ensure the quality, affordability, and safety of products for consumers.

Del Monte and Key:
Ensuring Quality in America’s Homes

For over 100 years, the Del Monte brand has been synonymous with superior quality. Their commitment to excellence is the reason The Del Monte Foods Company (NYSE: DEL) is the largest producer and distributor of premium quality, branded processed fruit, vegetable and tomato products in the United States.

The trust that consumers place in Del Monte’s products is no accident. It is the result of highly refined processes designed to help ensure that every piece of fruit and each vegetable meets Del Monte’s demanding quality standards. This is made possible by advanced technologies like the processing equipment made by Key Technology that identifies, separates and renews fruits and vegetables that are flawed so they will not reach our tables.

Mark Roedl, Sales Engineer, Key Technology with Roger Jacob, Operations Manager Green Beans, Del Monte

Making Key the Automatic Choice for Our Customers

Some things in life are simply automatic. We dial the phone number of a good friend without looking it up. We drive familiar routes without attention to the street names.

In that same effortless way, we want Key Technology to be the automatic choice when our customers need help solving problems. Whether they need to improve a routine process or they want a partner to help them solve the most difficult problem in their operation, we want them to rely on Key—without giving it a second thought.

We know that kind of relationship is an earned privilege. A position that comes from working diligently to instill confidence, eliminate variation, and consistently deliver value.

It’s a tall order, but it’s a commitment we’re willing to make. And we believe it will ultimately lead to one name becoming the automatic choice for process automation…Ours.
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Mother leaders in their industries, Key and Del Monte continue to work hand-in-hand to develop innovative solutions that advance the applications of processing technologies in Del Monte’s operations. Today, Del Monte has more than 70 Key Technology optical inspection systems installed, enabling them to deliver unparalleled quality products that are enjoyed in over 80% of American households.

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Dear Shareholders,

I am proud to be able to report to you that fiscal year 2003 was a remarkable year for Key Technology.

In 2003 we progressed on two very important fronts: growing the Company’s sales and strengthening our position with our customers. By focusing on execution and delivering value to our customers, we have been able to expand our business and grow our profitability notwithstanding a challenging capital investment climate.

Our Financial Results Were Outstanding

Key Technology’s financial performance in 2003 was very good on all fronts. Sales and cash generation each expanded significantly. Profitability notwithstanding a modest downturn in the tobacco industry throughout the region, experienced an increase in sales in Australia and New Zealand, and made inroads in the food industry in Thailand and China.

Our European operations responded nicely after a slow start in the fiscal year and recorded strong sales for process controls and for our parts and services offerings.

Continuing a trend, we dismantled our nontech market engineering to focus on execution and delivering value to our customers, we have been able to expand our business and grow our profitability notwithstanding a challenging capital investment climate.

Our Strategy for Growth is Clear

With a year of solid growth and profitability in our wake, we are focusing the Company’s attention and investment on three important fronts: growing the Company’s sales and strengthening our position with our customers; diversifying our markets in 2003 with sales gains from new products and geographic areas, and market segments; and a focus on execution and delivering value to our customers, we have been able to expand our business and grow our profitability notwithstanding a challenging capital investment climate.

Tom Madsen Retires

After 23 years with Key Technology, including the last 21 as CEO, Tom Madsen retired in August. Tom led Key through tremendous growth during his tenure and was the guiding force behind many of the innovations that are available to allow us to grow and expand. Tom will remain Chairman of the Board and in those that are new to us.

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Our Future is Bright

As I begin my tenure at the helm of Key Technology, I am very excited about the Company’s prospects. Key has already successfully weathered the challenges in the new millennium. Our performances in 2003 are a testament of the quality of our products and services, the dedication and ability of our employees, and the faith that our customers place in Key Technology. This winning combination will serve us well and I am confident that now opportunities are available to us to grow and expand.

Thank you for your continued support.

Sincerely,

Kirk Morton, President and CEO

Our Customers and Markets Continue to Grow

In 2003, our expansion continued in equipment orders from customers in the food industry after several years of depressed capital spending in North America and Western Europe.

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Key Technology’s financial performance in 2003 was very good on all fronts. Sales, earnings, and cash generation each expanded significantly.*

* Comments included in this document may include “forward-looking statements” within the meaning of the federal securities laws, which are based upon our current belief and expectations and involve risks and uncertainties that could cause actual results to differ materially from those projected.

** Directors of the Audit Committee of the Board of Directors
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Report of the Audit Committee of the Board of Directors

The Audit Committee of the Board of Directors has reviewed the audited financial statements for the fiscal year ended September 30, 2003, and has recommended that the Board include such financial statements and the accompanying management’s discussion and analysis in Key Technology’s Annual Report on Form 10-K for the fiscal year ended September 30, 2003.

The Committee has, in light of the existence of the Sarbanes-Oxley Act of 2002, increased its focus on the internal controls and processes that are necessary to ensure the accuracy and integrity of the financial statements. The Committee concluded that, after reviewing the financial statements and the financial reports of Key Technology, the financial statements were consistent with the financial data provided by Key Technology to the Secretary of the Company and presented in the Annual Report on Form 10-K for the fiscal year ended September 30, 2003.
Dear Shareholders,

I am proud to be able to report to you that the year 2003 was a remarkable year for Key Technology.

In 2003, we progressed on two very important fronts: growing the Company’s sales and strengthening our position with our customers. By focusing on execution and delivering value to our customers, we have been able to expand our business and grow our profitability notwithstanding a unstable capital investment climate.

Our Financial Results Were Outstanding

Key Technology’s financial performance in 2003 was very good on all fronts. Sales, earnings, and cash generation in 2003 were an all-time record for Key Technology. Our European operations responded nicely after a slow start in the fiscal year and recorded strong sales for process systems. We continued to invest in the technology industry throughout the region, experienced an increase in sales in Australia and New Zealand, and made inroads in the food industry in Thailand and China.

Our Strategy for Growth is Clear

Our Strategy for the Company rests on four Strategic Directions: Diversification of Markets, Geographies, and Applications; Protect, and Leverage, the Installed Base; Invest in a Process Control Future; and, Debt was reduced from over $12.0 million to $82.6 million from $70.2 million in 2002 to $14.5 million in 2003. Cash flow from operating activities doubled from our results in 2002. Debt was reduced from over $12.0 million at the end of 2002 to $82.6 million from $70.2 million in 2002 to $14.5 million in 2003.

Kirk Madsen Retires

After 23 years with Key Technology, including the last 21 as CEO, Tom Madsen retired in August. Tom led Key through tremendous growth during his tenure and is the guiding force behind our success today. As he passes Key’s executive chair to Kirk, Tom is powered by the knowledge that his successor is in capable hands.

As I begin my tenure at the helm of Key over the past three decades. Tom has exhibited in me and for the The company files an annual report with the Securities and Exchange Commission on Form 10-K, pursuant to the Securities Exchange Act of 1934. Additional copies of the Company’s Form 10-K may be obtained without charge by contacting the Investor Relations Department.

Thank you, Tom, for your outstanding development and customer matters. and will also consult with us on business leadership, vision and contribution to Key over the past three decades.

Our Future is Bright

As I step into my new role at the helm of Key Technology, I am very excited about the Company’s prospects. Key has already successfully weathered a number of challenges in the new millennium. Our performance in 2003 is indicative of the quality of our products and services, the dedication and ability of our employees, and the faith that our common place in Key Technology. The winning coordinations will serve us well and I am confident that new opportunities are available to us to grow and prosper.

Thank you for your continued support.

Sincerely,

Kirk Morton, President and CEO

Letter to Shareholders

Key Technology’s financial performance in 2003 was very good on all fronts. Sales, earnings, and cash generation each expanded significantly.

- Net earnings from continuing operations of $8.6 million, more than doubled from our results in 2002. Diluted earnings per share of $0.13 were an all-time record for Key Technology.
- Cash flow from operating activities grew more than 10% from a level of $12.6 million in 2002 to $24.7 million in 2003.
- Debt was reduced from $120.3 million at the end of 2002 to $82.6 million
- Key’s stock price increased 127% in the local year.
- Our Strategy for Growth is Clear
- With a view of solid growth and profitability in our wake, we are focusing on the Company’s ambitions and investment in growth potential.
- Our strategy for the Company remains on four Strategic Directions:
  - Diversification of Markets, Geographies, and Applications
  - Protect, and Leverage, the Installed Base
  - Invest in a Process Control Future
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