AMERICAN TECHNICAL CERAMICS CORP
Form 10-K
September 27, 2002

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)
(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM
_____TO_____

COMMISSION FILE NUMBER 1-9125

AMERICAN TECHNICAL CERAMICS CORP.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	11-2113382
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
17 STEPAR PLACE, HUNTINGTON STATION, NY	11746
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (631) 622-4700
SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, PAR VALUE $.01	AMERICAN STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.

YES X NO
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INDICATE BY CHECK MARK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO THE BEST OF THE REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K. [X]

ON SEPTEMBER 10, 2002, THE AGGREGATE MARKET VALUE OF THE REGISTRANT'S COMMON STOCK (BASED UPON THE CLOSING SALES PRICE OF THE REGISTRANT'S COMMON

STOCK ON THE AMERICAN STOCK EXCHANGE ON SUCH DATE) HELD BY NONAFFILIATES OF THE REGISTRANT WAS APPROXIMATELY $12,041,589. (FOR PURPOSES OF THIS REPORT, ALL OFFICERS AND DIRECTORS HAVE BEEN CLASSIFIED AS AFFILIATES, WHICH CLASSIFICATION SHALL NOT BE CONSTRUED AS AN ADMISSION OF THE AFFILIATE STATUS OF ANY SUCH PERSON.)

ON SEPTEMBER 10, 2002, THE REGISTRANT HAD OUTSTANDING 8,074,118 SHARES OF COMMON STOCK.

DOCUMENTS INCORPORATED BY REFERENCE: PORTIONS OF THE REGISTRANT'S PROXY STATEMENT RELATING TO ITS ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON NOVEMBER 21, 2002 ARE INCORPORATED INTO PART III OF THIS REPORT BY REFERENCE.

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PART I

ITEM 1. BUSINESS

GENERAL

The Registrant was incorporated in New York in 1966 as Phase Industries, Inc., and changed its name to American Technical Ceramics Corp. in June 1984. The Registrant was merged into a Delaware corporation in 1985 in order to change its jurisdiction of incorporation. Unless the context indicates otherwise, references to the Registrant herein include American Technical Ceramics Corp., a Delaware corporation, and its subsidiaries, all of which are wholly-owned.

The Registrant designs, develops, manufactures and markets RF/Microwave/Millimeter-Wave ceramic capacitors, thin film products, and other passive components. The Registrant's products are focused primarily in the high reliability market for ultra-high frequency ("UHF") and microwave applications, including wireless electronics, medical electronics, semiconductor equipment, satellite equipment and fiber optics. Capacitors function within electronic circuits by storing and discharging precise amounts of electrical power. The Registrant believes that it is a leading manufacturer of multilayer capacitors ("MLCs") for UHF and microwave applications. Selling prices for the Registrant's MLCs typically range from $.15 to $7.50 or higher, whereas selling prices for commodity-type MLC units typically range from $.005 to $.10. Thin film products are ceramic substrates on which circuit patterns are printed by means of thin film processes, and are used by customers as building blocks in electronic circuits. Management believes the Registrant operates in only one industry segment - the electronic components industry.

Beginning in fiscal year ended June 30, 2001, and continuing into the fiscal year ended June 30, 2002, the electronic components industry experienced a significant slowdown in the demand for its products, principally in the telecommunications, semiconductor manufacturing and fiber optic markets. This slow-down resulted in the cancellation of certain existing orders and a substantially reduced rate of incoming orders. The Registrant responded to this situation by reducing costs, including through significant reductions in the number of employees. See "Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS".

PRODUCTS

The Registrant's traditional line of MLCs are available in predominantly four physical sizes designated "A" (.055 inch cube), "B" (.110 inch cube), "C" (.250 inch cube) and "E" (.380 inch cube); in three types of dielectrics: low-loss porcelain (the 100 series), zero temperature coefficient (the 700 series) and high dielectric constant (the 200 series); and in a variety of

capacitance values. The 100 series, the Registrant's basic product line, is widely used in microwave equipment. The 700 series has a slightly higher dissipation factor (i.e., is slightly less energy-efficient) than the 100 series. Because of its lower temperature coefficient, it is used in certain UHF/Microwave and lower frequency applications. The 200 series has high packaging density and is used in microcircuits where high capacitance value is needed in a small space. The Registrant's traditional line of MLC's is one of two product lines that accounts for more than 10% of the Registrant's consolidated revenue, accounting for approximately 70%, 59% and 67%, of the Registrant's revenues in fiscal years 2002, 2001 and 2000, respectively.

The Registrant's MLCs are generally designed for critical performance applications, and are characterized by a high degree of reliability, low power dissipation and ruggedness. The MLCs can be broadly classified as either commercial or "hi-rel", based primarily upon the amount of testing involved. All are subject to precise measurement of capacitance, dissipation factor and insulation resistance. The Registrant's products are used in commercial and military applications, including wireless cellular and personal communications systems (PCS), medical imaging (i.e., magnetic resonance imaging), radio frequency power sources for semiconductor manufacturing, satellite communications, numerous aerospace systems, including radar and electronic warfare, and certain high-speed digital processing equipment.

Approximately 88%, 93% and 92% of the Registrant's sales in fiscal years 2002, 2001 and 2000, respectively, were to commercial (i.e., applications other than hi-rel) customers. For the fiscal years ended June 30, 2002, 2001 and 2000, the Registrant estimates that approximately 12%, 7% and 8% of the Registrant's sales, respectively, were sales of hi-rel products. See "Item 1. BUSINESS -- CUSTOMERS AND MARKETING -- FOREIGN SALES" and Note 9 of Notes to Consolidated Financial Statements.

Hi-rel MLCs are principally utilized in applications such as satellites (including commercial communications satellites), high performance military aircraft, spacecraft and missiles, and other defense applications such as radar and electronic countermeasures. The Registrant produces its hi-rel MLCs to precise customer specifications and subjects each hi-rel MLC to a battery of performance and environmental tests. Such performance tests measure capacitance, dissipation factor, insulation resistance and dielectric withstanding voltage. The environmental tests are either designated by customers or specified by the military and include temperature shock tests, humidity tests and tests of life expectancy at elevated temperature and voltage levels.

For commercial applications, the Registrant produces MLCs to precise performance specifications similar to hi-rel MLCs, individually tests them for certain electrical performance characteristics and conducts additional tests on samples from production lots. However, the Registrant does not subject all such commercial MLCs to environmental tests.

The Registrant has historically pursued the high-performance MLC market in which its products are typically applied in the manufacture of high-value capital equipment and which has commanded higher unit selling prices. The MLCs required for many of these applications constitute a small part of the circuit cost and, because performance requirements are stringent and the cost of component failure high, customers have been willing to pay the price premium associated with higher performance products such as those the Registrant makes. In recent years, the Registrant has automated its manufacturing processes to enable it to produce certain of its existing MLCs for the medium - priced niche market driven by wireless base-station infrastructure applications.

Recently, the Registrant began marketing new capacitor products targeted toward higher volume markets. The first of these new products is the 600S which is targeted toward the high-performance, lower-priced segment of the wireless industry. The 600S capacitor is smaller (.06" x .03" rectangle) and lower-priced (approximately two-thirds the price of the lowest-priced comparable part) than the Registrant's traditional MLC's, and uses a new ATC-developed ceramic formulation to optimize performance for cellular and PCS operating frequencies. Sales from this product line, which was formally launched on June 16, 2000, amounted to approximately 4% of the Registrant's revenues in fiscal year 2002 and 2001, and less than 1% in the fiscal year ended June 30, 2000.

The Registrant also offers specialized capacitors designed to perform at frequencies higher than the useful range of typical microwave MLCs. The Registrant's Microcap(R), a single layer ceramic capacitor, was developed to meet certain applications where small size is critical and which operate at frequencies extending higher than those for which MLCs are typically chosen. Manufactured and sold in both hi-rel and commercial versions, these products are used in wideband wireless data communications, satellite communications, military systems and other microwave and millimeter-wave applications. Another product tailored to the same market, the 500S Broadband Microwave Capacitor (BMC), was introduced in June 1998. This product is based on a patented construction designed to be compatible with customers' high-volume surface-mount assembly technologies. Sales of these two product types combined amounted to approximately 3%, 6% and 5% of the Registrant's revenues in the fiscal years ended June 30, 2002, 2001 and 2000, respectively.

The Registrant has diversified its product line in recent years through the development of custom product capability based on thin film technologies. The Registrant produces metallized circuits and passive components on high-quality ceramic substrates to customers' drawings and specifications. Thin film layers deposited on the ceramic substrate may consist of a variety of materials with specific conductive, resistive, capacitive, and other properties enabling the build-up of the desired circuit pattern. As with a typical circuit board, the customer may then attach discrete components and chips to complete the circuit. Thin film products are used by the Registrant's customers in a broad range of applications, including microwave components, fiber optic repeaters and high-density packaging of devices, typically where requirements for high reliability, small size and dimensional precision are paramount. In the fiscal years ended June 30, 2002, 2001 and 2000, thin film sales represented approximately 17%, 24% and 24% of the Registrant's revenues, respectively.

In June 2000, the Registrant introduced a line of high power, passive resistive products. In fiscal year 2002, the Registrant added thin film resistor manufacturing capability to its resistive products line. Typically, thin film resistors offer a higher degree of reliability and are better able to handle power than their thick film counterparts. The Registrant's products, including standard resistors, terminations, attenuators and other customized products, consist of resistive and conductive layers deposited on a substrate of aluminum nitride, a base material chosen for its high thermal conductivity and its non-toxic properties. High power resistive products are used in many of the same types of equipment as the Registrant's capacitor products. Other applications for these products, which reflect an expansion of the Registrant's customer base, include RF and microwave products, including power amplifiers, up and down converters, and high power combiner/dividers. The markets for these products include the wireless and telecommunication markets, including base station and satellite communications, and a broad range of medical, military and other commercial applications. Resistive product sales represented less than 1% of the Registrant's revenues in fiscal years 2002, 2001 and 2000.

In fiscal year 2002, the Registrant offered on a limited basis certain products based upon a new high-density electronic packaging technology for radio frequency (RF) and microwave frequency broadband applications. This technology, commonly referred to as Low Temperature Co-fired Ceramic (LTCC), is based on high performance dielectric ceramic materials, some manufactured by the Registrant and others purchased from leading electronic materials manufacturers. Traditional RF and microwave circuits have been limited in size and performance by the use of only two dimensions to incorporate all RF elements and passive components, such as inductors, capacitors and resistors. LTCC technology enables the user to design circuits in the third dimension with the integration of the RF elements and passive components in the body of the electronic circuit. LTCC technology also provides the ability to design circuits with integrated RF components such as couplers, power dividers/combiners, filters and impedance transformers, and passive devices. In the fiscal year ended June 30, 2002, LTCC sales accounted for less than 1% of the Registrant's revenues. See "Item 1. BUSINESS -- MANUFACTURING and -- RESEARCH AND DEVELOPMENT."

MANUFACTURING

The manufacturing process for MLCs involves four primary stages. The first, or "white room" stage, includes tape casting, multi-layer lamination, dicing and firing of ceramic chips. In this phase, layers of electrically conducting material are printed onto ceramic tape in patterns, which eventually form the electrodes of the capacitor. The screen-printing technology used for the printing of such layers is referred to as "thick film". In the second, or "termination" stage, the ceramic chips are coated with silver. In the third, or "finishing" stage, the parts are then customized to specific order requirements for commercial applications. This stage includes, but is not limited to, chip plating, soldering of leads, laser marking and chip packaging. The chips are tested electrically and inspected throughout the entire process. If the customer's specifications call for a higher level of performance assurance, the parts are put through a fourth stage, the hi-rel stage, where additional testing is performed.

The Registrant currently manufactures MLCs at its facilities in Huntington Station, New York and Jacksonville, Florida. Its primary MLC manufacturing site is Huntington Station, consisting of three facilities which aggregate approximately 54,000 square feet. Two of these facilities house the Registrant's state-of-the-art chip fabrication operations. These facilities are designed to provide optimum control of the Registrant's manufacturing processes and product quality, while substantially increasing its output capability.

During fiscal year 2000, the Registrant completed capacity expansion projects which increased chip unit throughput approximately threefold. Additional capacity expansion projects completed prior to the third quarter of fiscal year 2001 increased chip volume production capability by another 50% over production levels possible at the end of fiscal year 2000. In addition, in August of fiscal year 2001, the Registrant purchased another building next to its existing facilities in New York which will add a minimum of 22,000 additional square feet of production space to the New York facility complex when such space is required to support capacity expansion.

The Registrant also manufactures capacitors at its facility in Jacksonville, Florida. During fiscal years 2002 and 2001, the Registrant manufactured the 500S and 600S series capacitors at its Jacksonville facility. The Jacksonville facility is also the site of manufacture for the Registrant's thin film, Microcap(R) SLC, resistor and LTCC (Low Temperature Co-fired Ceramics) product lines, and serves as the Registrant's new product technology center. During fiscal year 2002, the Registrant brought on line 38,000 square

feet of additional manufacturing space. The expansion included a 22,000 square foot facility for thin film and 16,000 square feet for other purposes, including commercial manufacture of the Registrant's new resistive product line.

Portions of the Jacksonville facility have been redesigned over the last few years in order to accommodate what the Registrant refers to as its "Factory of the Future". Utilizing recently developed and acquired materials, processes and equipment, the Registrant can manufacture MLC products at this facility at higher degrees of precision and control and at a substantially lower cost with accompanying high output. Moreover, the manufacturing operations at this facility are flexible, enabling the Registrant to produce ceramic structures of a wide variety of sizes, shapes and internal configurations.

As differentiated from the "thick film" technology used in MLC manufacture, the manufacture of thin film circuits involves a method for the deposition of layers of conducting and other materials using "sputtering" technology. Also key to the manufacture of these products is the use of laser machining of ceramic substrates. Unlike the manufacture of capacitors, where all products flow through the same manufacturing sequences, manufacturing processes for custom thin film products vary significantly in accordance with each customer's specifications.

Microcap(R) SLCs, resistive products, LTCC, and BMCs all utilize various combinations of the production methods described in the preceding discussions. The manufacture of each of these product lines involves dedicated equipment in addition to sharing equipment used in connection with the manufacture of the product lines previously discussed. During fiscal year 2001, the Registrant expanded its production capabilities for the Microcap(R) SLCs and established an initial production line for resistive products.

In order to realize the potential of its expanding and diversifying product lines and to more fully integrate all facets of its operations, the Registrant is in the process of replacing its existing information system with a modern Enterprise Resource Planning System. Utilizing modern, commercially available information technology, the new system is intended to provide improved functionality and efficiency for better planning, control and responsiveness. During fiscal year 2002, the Registrant implemented the first phase of this system, and is currently planning the implementation of the second phase.

The Registrant utilizes a wide variety of specialized equipment for the fabrication, handling and testing of its products, including equipment that it has designed and constructed. The Registrant considers its capability to create its own unique equipment solutions tailored to the particular needs of its product lines and technologies to be a competitive advantage.

Before full market introduction of a new product, the Registrant generally establishes a production line for the product and manufactures substantial quantities to evaluate and verify its ability to consistently meet quality and performance standards. Such efforts involve the dedication of equipment, materials and labor, and, to the extent that these efforts do not result in saleable product, all costs are expensed. During fiscal years 2001 and 2002, the Registrant's resistive product line was in this phase of development. During fiscal year 2002, the Registrant's LTCC product line was in this phase. In light of current economic conditions and the complexity of the technology upon which the LTCC product line is based, the Registrant has scaled back it efforts with respect to the development of this product line. See "Item 1. BUSINESS -- RESEARCH AND DEVELOPMENT."

In fiscal year 2001, the Registrant completed the qualification of the 600S

product line, and established a complete inventory staged for 24 hour delivery. In addition, the Registrant added to its resistor product line a thin film manufacturing method to better produce high power resistors. The Registrant also extended its offering of resistor products to include terminations and attenuators, products which complement the Registrant's overall product offering.

To complement its own manufacturing efforts and to provide a wide variety of product offerings to its customers, the Registrant has from time to time entered into arrangements with other manufacturers to produce certain products to the Registrant's specifications. These products accounted for approximately 5% of the Registrant's consolidated revenues in fiscal years 2002 and 2001, respectively, and 2% of its consolidated revenues in fiscal year 2000.

The historical pattern of industry price declines has largely prevented MLC producers, including the Registrant, from increasing prices and has forced the Registrant and competitors to rely on advances in productivity and efficiency in order to improve profit margins. Accordingly, the Registrant continuously looks to improve the production yields and efficiency of its manufacturing processes. The Registrant conducts continuous improvement programs targeted at streamlining manufacturing processes and increasing yields, and has established statistical process control techniques for maintaining key process steps within specified bounds and providing data to support continuous improvement. For additional information with respect to yields and efficiencies, see "Item 1. BUSINESS -- RESEARCH AND DEVELOPMENT".

During fiscal year 2002, the Registrant's manufacturing facilities were operated under ISO-9002 registration.

CUSTOMERS AND MARKETING

The Registrant markets its products primarily to customers in the wireless base-station infrastructure, fiber optic telecommunications, military, medical, semiconductor manufacturing and aerospace industries. The customers included within these industries are manufacturers of microwave, high frequency and fiber optic systems, subsystems and equipment, including original equipment manufacturers (OEMs) and suppliers thereto, and government contractors and subcontractors. Most of the Registrant's products are used in the manufacture of capital equipment.

The Registrant promotes its products through specialized trade shows, industry trade journal advertisements, a site on the Internet's World Wide Web and catalog direct mail programs. In fiscal year 2000, the Registrant started taking orders, on a limited basis, via its web site.

The Registrant shipped to over 1,800 customers in fiscal year 2002 as compared to approximately 1,900 and 1,800 customers in fiscal years 2001 and 2000, respectively. The top ten customers combined accounted for approximately 29% of net sales in fiscal years 2002, 2001, and 35% of net sales in fiscal year 2000. Sales to General Electric Company, a major medical electronics OEM, accounted for approximately 10% of the Registrant's net sales in fiscal year 2002. No customer accounted for more than 10% of the Registrant's net sales in fiscal year 2001. Sales to Tyco International LTD., a major telecommunications OEM, accounted for approximately 15% of the Registrant's net sales in fiscal year 2000.

The Registrant is a qualified producer of capacitors with the Defense Logistics Agency of the United States Department of Defense. This qualified status covers several varieties and types of capacitors. Maintenance of its

qualified producer status is critical in order for the Registrant to continue to sell its hi-rel military product line. To date, the Registrant has not encountered any difficulty in maintaining its status as a qualified producer, and the Registrant believes it is presently the only supplier with such qualification for some of these product types.

The Registrant typically sells its products through a combination of logistics arrangements and a large number of individual purchase orders. The individual purchase orders are often subject to pricing agreements. Neither pricing agreements nor logistics arrangements are firm purchase orders, but each still requires that the Registrant commit to produce semi-finished or finished goods inventory in anticipation of receiving a purchase order for immediate shipment. The supply shortage for electronic components that had begun during fiscal year 2000 continued into the first half of fiscal year 2001. The shortage, which was exacerbated by historically high capital expenditure spending as a percentage of revenue by telecommunications service providers, caused customers to alter their buying behaviors in an attempt to ensure a source of supply. As the shortage eased in the second half of fiscal year 2001, customers began to utilize their inventories of parts resulting in a decline in orders. In fiscal year 2002, customers reverted to their preferred method of ordering under very short lead times using pricing agreements and logistics arrangements. See "Item 1. BUSINESS -- SALES BACKLOG" and "Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS".

Customers are invoiced simultaneously with merchandise shipments, and invoices are generally payable on a 30-day basis. Customers may also charge their purchases through the use of a credit/debit card. Sales returns are authorized and accepted by the Registrant in the normal course of business. An evaluation of the returned product is performed and typically results in either a credit or a shipment of replacement product to customers. The Registrant believes that it has provided an adequate reserve for returns in the accompanying consolidated financial statements.

In the United States, the Registrant principally sells its products through independent sales representatives who are compensated on a commission basis. In foreign countries, the Registrant historically has utilized both resellers, who purchase products from the Registrant for resale, and sales representatives. In fiscal year 2000, the Registrant established a wholly-owned subsidiary in Stockholm, Sweden. During fiscal year 2002, the Registrant elected to dissolve its subsidiary in the United Kingdom and expanded the scope of the Swedish subsidiary's activities to serving most of the Registrant's customers in Europe, thereby reducing the Registrant's reliance on resellers and sales representatives in this area. The Registrant continues to rely primarily on local, independently-owned resellers and independent sales representatives in all other foreign markets.

During fiscal year 2002, the Registrant established a wholly-owned subsidiary in the United States which will in turn establish a representative's office in the People's Republic of China. This representative's office is intended to service the growing market in China.

At June 30, 2002, the Registrant utilized approximately 16 sales representative organizations in the United States and approximately 16 sales representative and reseller organizations in foreign countries, principally Europe, Canada and the Far East. The Registrant's sales representatives and resellers generally have substantial engineering expertise, which enables them to assist the Registrant in providing a high level of service to assist customers in generating product specifications and in providing applications assistance and maintaining contact with key customers. The Registrant employs regional sales managers to supervise its sales representatives and resellers and a staff of sales and applications specialists to provide direct contact with and support to customers. See "Item 1. BUSINESS -- FOREIGN SALES" and Note 9. of

Notes to Consolidated Financial Statements.

FOREIGN SALES

In fiscal years 2002, 2001 and 2000, sales to customers located outside the United States constituted 35%, 28% and 26% of net sales, respectively. The Registrant's foreign customers are located primarily in Europe, Canada and the Far East. See "Item 1. BUSINESS -- CUSTOMERS AND MARKETING" and Note 9. of Notes to Consolidated Financial Statements. Export sales were made through the Registrant's foreign sales corporation subsidiary until January 2002, at which time the subsidiary was liquidated. All foreign sales, except sales by the Registrant's wholly-owned subsidiary in Stockholm, Sweden (and, until its dissolution in fiscal year 2002, its subsidiary in Sussex, England), are denominated in United States dollars. In certain circumstances, the Registrant attempts to reduce the risk of doing business in foreign countries through the use of prepayment and by working closely with its foreign representatives and distributors in assessing business environments.

SALES BACKLOG

The Registrant's sales backlog was $9,310,000, $16,153,000 and $26,130,000 at June 30, 2002, 2001 and 2000, respectively. Backlog generally consists of a combination of the Registrant's standard products and custom manufactured parts that require a longer lead time to produce. Historically, the long-term trend in customer requirements for the Registrant's standard products was toward shorter lead times. However, during fiscal year 2000 and the first half of fiscal year 2001, a supply shortage in the electronics component marketplace caused customers to change their typical buying behavior to ensure an adequate source of supply. This buying pattern changed abruptly in the latter half of fiscal year 2001, primarily as a result of the slowdown in the wireless infrastructure, fiber optic and semiconductor manufacturing equipment sectors. The Registrant experienced order cancellations and decreased bookings from its customers in these industries as they attempted to rationalize their inventory levels to the demand for their products. In fiscal year 2002, customers returned to historical patterns of ordering with shorter lead times, and this trend is expected to continue for the foreseeable future. See "Item 1. BUSINESS -- CUSTOMERS AND MARKETING".

The Registrant offers its Quik-Pick 48 Hour System(R) program pursuant to which products are shipped within 48 hours from the time the order is placed. This program has consistently gained in popularity with its customers. In order to offer this program, the Registrant has to maintain higher inventory levels of certain products in proportion to total sales than it had in the past and higher than those maintained by some other capacitor manufacturers. The future contribution of the Quik-Pick program to the financial results of the Registrant depends critically on the Registrant's ability to accurately predict customer demand for the various products offered through the program.

RESEARCH AND DEVELOPMENT

The technology upon which the Registrant's products are based is subject to continued development of materials and processes to meet the demands of new applications and increased competition. The Registrant pursues a process-oriented strategy in which it conducts efforts aimed at developing integrated sets of materials and associated processes and equipment to provide the capability to create new or enhanced classes of products. Once a new set of technologies is established, the Registrant then seeks to develop and introduce various products using such technologies. The Registrant believes its future successes depend upon its ability to identify the requirements for future

products and product enhancements, and to define, implement and successfully employ the technologies needed to meet those requirements. Accordingly, the Registrant believes that its research and development efforts are critical to its continued success.

The Registrant conducts most of its research and development activities at its facility in Jacksonville, Florida. Activities are focused on the development of new products and improvement of existing products. Improvements in materials and process technology, and the development of specialized production equipment, are directed toward reducing product cost, as well as enhancing performance requirements that are identified through frequent customer contacts by the Registrant's sales and technical personnel. Products are introduced after extensive in-house testing and evaluations at selected customer sites. See "Item 1. BUSINESS -- MANUFACTURING".

The Registrant often pursues programs with individual customers whom it considers to be leaders in their respective industries to develop special products to meet their specific requirements. The Registrant typically conducts such programs when it believes such products have potential applications reaching well beyond the initial customer's requirements. The Registrant's expansion of the 600S product line arose from one such program conducted in past years.

In light of the downturn in the economy, during fiscal year 2002, the Registrant focused its research and development efforts on enhancements and extensions to its core product lines. For example, the Registrant continued its efforts on developing enhancements to its line of specialty higher frequency capacitors. The Registrant also continued development activities on its new resistive product line by adding thin film resistor manufacturing capability to its resistive products line. Typically thin film resistors offer a higher degree of reliability and are better able to handle power than their thick film counterparts. The thin film capability also allows for the development of finer line width and resolution, which is used in the manufacture of higher frequency termination and attenuators. See "Item 1. BUSINESS -- PRODUCTS".

The Registrant also continued the development of the technology underlying its LTCC initiative, albeit at a slower pace. While the Registrant continues to believe in the long-term prospects for this technology, LTCC is an extremely complicated project that will require the development and refinement of new processes before products using this technology can be commercialized.

Expenditures for research and development were approximately $3,652,000, $4,180,000 and $2,770,000 in fiscal years 2002, 2001 and 2000, respectively, representing approximately 7%, 5% and 4% of net sales, respectively. The Registrant anticipates that research and development expenditures in fiscal year 2003, expressed as a percentage of net sales, will decrease somewhat compared to fiscal year 2002.

RAW MATERIALS

The principal raw materials used by the Registrant include silver, palladium, gold, other precious metals and titanate, and other powders that are used in ceramic manufacture. Precious metals are available from many sources, although palladium is generally available only from a limited number of metal dealers who obtain their product requirements from the Republic of South Africa or the Russian Federation. The major consumers of palladium are the automotive and electronics industries.

In fiscal year 2002, in an effort to align its inventory of palladium with

current and anticipated demand, the Registrant sold a substantial portion of its palladium inventory to one of its vendors in an arms-length transaction for approximately $3.3 million. The Registrant believes that it maintains adequate inventories of palladium and believes it will be able to purchase additional quantities of palladium in the ordinary course of business. In addition, the Registrant's newer products are being designed to minimize or eliminate the usage of palladium. See "Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS"

COMPETITION

Competition in the broad MLC industry continues to be intense and, in general, is based primarily on price. In the hi-rel and UHF/Microwave market segment, where price has historically been less important, competition has been based primarily on high performance product specifications, achieving consistent product reliability, fast deliveries and high levels of customer service. The Registrant believes any competitive advantage it may have results from its ability to achieve consistent quality and reliability, fast deliveries and high levels of customer service. Potential growth of some commercial market applications may in the future increase the competitive importance of price in this market. The Registrant believes it competes in the UHF/Microwave market with several other manufacturers, both domestically and abroad, including AVX Corporation, Dover Corporation, Tekelek, Spectrum Control, Murata Electronics North America and Taiyo Yuden, most of which are larger and have broader product lines and greater financial, marketing and technical resources than the Registrant. There are other large commodity-type MLC manufacturers who have attempted to develop products for the UHF/Microwave market segment. While the Registrant believes these efforts have not produced significant results to date, there can be no assurance that such efforts will not be successful in the future. New product developments may lead the Registrant into markets where there are existing competitors that may have significantly greater financial and technical resources and greater expertise in mass production techniques than the Registrant.

ENVIRONMENTAL COMPLIANCE

The Registrant produces hazardous waste in limited quantities in the production of its products. Accordingly, the Registrant's manufacturing operations are subject to various federal, state and local laws restricting the discharge of such waste into the environment. The Registrant recycles some of its hazardous wastes and disposes of the remainder through licensed carriers, which are required to deposit such waste at licensed waste sites. The Registrant believes that it is in material compliance with all applicable federal, state and local environmental laws and does not currently anticipate having to make material capital expenditures to remain in material compliance therewith.

PATENTS AND PROPRIETARY INFORMATION

Although the Registrant has manufacturing and design patents and pending patent applications, and although the Registrant will continue to seek the supplemental protection afforded by patents, the Registrant generally considers protection of its products, processes and materials to be more dependent upon proprietary knowledge and on rapid assimilation of innovations than on patent protection. The Registrant's porcelain and ceramic formulations are considered trade secrets, which are protected by internal non-disclosure safeguards and employee confidentiality agreements. There can be no assurance that the steps taken by the Registrant to protect its rights will be adequate to deter misappropriation, or that an independent third party will not develop functionally equivalent technology.

EMPLOYEES

At June 30, 2002, the Registrant employed 309 persons at its facilities in New York, of which five were employed on a part-time basis; 161 persons at its facilities in Florida, of which three were employed on a part-time basis; and nine persons in sales offices in Europe. Of the 479 persons employed by the Registrant, 386 were involved in manufacturing and testing activities and as support personnel, 69 were involved in selling, general and administrative activities, and 24 were involved in research and development activities. None of the Registrant's employees are covered by collective bargaining agreements. The Registrant considers its relations with its employees to be satisfactory.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

Statements in this Annual Report on Form 10-K under the captions "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", as well as statements made in press releases and oral statements that may be made by the Registrant or by officers, directors or employees of the Registrant acting on the Registrant's behalf that are not statements of historical fact, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Registrant to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. The cautionary statements set forth below identify certain factors that could cause such differences. In addition to statements which explicitly describe risks and uncertainties, readers are urged to consider statements labeled with terms such as "believes", "belief", "expects", "plans", "anticipates", or "intends" to be uncertain and forward-looking. All cautionary statements made in this Annual Report on Form 10-K should be read as being applicable to all related forward-looking statements wherever they appear. Any forward-looking statement represents the Registrant's expectations or forecasts only as of the date it was made and should not be relied upon as representing its expectations or forecasts as of any subsequent date. The Registrant undertakes no obligation to correct or update any forward-looking statements, whether as a result of new information, future events or otherwise, even if its expectations or forecasts change.

The Registrant's products are used in the production of a variety of highly complex electronic products manufactured for the military and for commercial use. Accordingly, demand for the Registrant's products is highly dependent upon demand for the products in which they are used. From time to time, including the present, the Registrant's results have been negatively impacted by a general decrease in demand for technology and electronic products in the United States and abroad. There can be no assurance that the demand for such products will increase or that, even if it does increase, the demand for the Registrant's products will increase. In addition, there can be no assurance that the Registrant will not receive order cancellations after orders are booked into backlog.

The Registrant produces and ships product based upon orders received from its customers. If these orders are cancelled prior to shipment it could affect the Registrant's profitability. See "Item 1. BUSINESS -- CUSTOMERS AND MARKETING."

The Registrant offers a broad variety of products to its customers. Gross margins can vary significantly from product to product and across product lines. Accordingly, a change in the mix of products sold by the Registrant during a

particular period could lead to distinctly different financial results for that period as compared to other periods.

The Registrant expects that international sales will continue to constitute a substantial portion of its total sales. These sales expose the Registrant to certain risks, including, without limitation, barriers to trade, fluctuations in foreign currency exchange rates (which may make the Registrant's products less price competitive), political and economic instability, changes in monetary policy, tariff regulations and other United States and foreign laws and regulations that may apply to the export of the Registrant's products, as well as the generally greater difficulties of doing business abroad.

During the Registrant's fiscal year ended June 30, 2002, the Registrant's ten largest customers accounted for approximately 29% of net sales. The Registrant expects that sales to a relatively small number of customers will continue to account for a significant portion of its net sales for the foreseeable future. A loss of one or more of such key customers could affect the Registrant's profitability. See "Item 1. BUSINESS -- CUSTOMERS AND MARKETING."

The technology upon which the Registrant's products are based is subject to continuous development of materials and processes. The Registrant's business is in large part contingent upon the continuous refinement of its technological and engineering expertise and the development of new or enhanced products and technologies to meet the rapidly developing demands of new applications and increased competition. There can be no assurance that the Registrant will continue to be successful in its efforts to develop new or refine existing

products, that such new products will meet with anticipated levels of market acceptance or that the Registrant will otherwise be able to timely identify and respond to technological improvements made by its competitors. Significant technological breakthroughs by others could also have a material adverse effect on the Registrant's business.

The Registrant's business may be adversely affected by difficulties in obtaining raw materials and other items needed for the production of its products, the effects of quality deviations in raw materials and fluctuations in prices of such materials. Palladium, a precious metal used in the production of the Registrant's capacitors, is currently available from a limited number of metal dealers who obtain product from the Republic of South Africa or the Russian Federation. Recently, the Registrant reduced the level of its inventories of palladium on hand. See "Item 1. BUSINESS -- RAW MATERIALS" and "Item 7. MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS". Accordingly, a prolonged cessation or reduction of exports of palladium by the Republic of South Africa or the Russian Federation, or a significant increase in the price of palladium, could have a material adverse effect on the Registrant's business.

Certain raw materials used by the Registrant may fluctuate in price. To the extent that the Registrant is unable to pass on increases in the costs of such materials to its customers, this may adversely affect the gross profit margins of those products using such materials.

Competition in the MLC industry is intense and, in general, is based primarily on price. In the hi-rel and UHF/Microwave market segments, where price has historically been less important, competition has been based primarily on high performance product specifications, achieving consistent product reliability, fast deliveries and high levels of customer service. The Registrant competes with a number of large MLC manufacturers who have broader product lines and greater financial, marketing and technical resources than the Registrant.

Growth of some commercial market applications has increased, and is expected to continue to increase, the competitive importance of price. There can be no assurance that the Registrant will be able to improve the productivity and efficiency of its manufacturing processes in order to respond to pricing pressures, or to successfully design new processes and products, and the failure to do so could have a material adverse effect on the Registrant's business.

The Registrant produces limited quantities of hazardous wastes in the production of its capacitors. Accordingly, the inherent risks of environmental liability and remediation costs associated with the Registrant's manufacturing operations may result in substantial unforeseen liabilities.

The Registrant has not received any claims that its products or the technologies upon which they are based infringe the intellectual property rights of others. Any such claims in the future may result in the Registrant being required to enter into royalty arrangements, cease manufacturing the infringing products or utilizing the infringing technologies, pay damages or defend litigation, any of which could have a material adverse effect on the Registrant's business.

The Registrant's business may also be adversely affected by matters and events affecting businesses generally, including, without limitation, political and economic events, labor unrest, acts of God, war and other events outside of the Registrant's control.

ITEM 2. PROPERTIES

The Registrant's primary production facilities are located in Huntington Station, New York and Jacksonville, Florida. The Registrant's principal executive office is located in Huntington Station, New York, and its principal research and development facility is located in Jacksonville, Florida. The following table sets forth the address of each facility, its primary function, the square footage occupied by the Registrant and whether the facility is leased or owned.

ADDRESS OF FACILITY	PRIMARY FUNCTION	SQUARE FOOTAGE OCCUPIED	TYPE OF
10 Stepar Place Huntington Station, New York	Production	10,900	Owned
11 - 13 Stepar Place Huntington Station, New York	Future production use	22,000	Owned
15 Stepar Place Huntington Station, New York	Production	35,000	Leased f Stockhol
One Norden Lane Huntington Station, New York	Production	8,400	Owned
17 Stepar Place Huntington Station, New York	Corporate, sales, administration	18,000	Owned
2201 Corporate Square Blvd. Jacksonville, Florida	Production, research and development	99,700	Leased f

			Stockhol
8810 Corporate Square Court Jacksonville, Florida	Production	7,500	Leased
Ellipsvaegen 5 SE-141 75 Kugens Kurva, Sweden	Sales and distribution office	2,400	Leased
Leihen Mansion 2307 No. 40 Fuming Road, Futian Dist. Shenzhen	Sales office	863	Leased

(1) See "Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" and Notes 4. and 7. of Notes to Consolidated Financial Statements.

In fiscal year 2001, the Registrant purchased a 22,000 square foot facility adjacent to its existing New York facilities. This new facility is currently idle, but is expected to be used for future production capacity.

In fiscal year 2002, the Registrant added approximately 38,000 square feet to its Jacksonville facilities for various purposes, including expansion of its thin film capacity and to accommodate commercial manufacture of its new resistive product line. See "Item 1. BUSINESS -- MANUFACTURING".

ITEM 3. LEGAL PROCEEDINGS

The Registrant is not currently a party to any material legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the quarter ended June 30, 2002.

EXECUTIVE OFFICERS

The executive officers of the Registrant are as follows:

Victor Insetta, age 62, co-founded the Registrant in 1966 and has served as President and Chief Executive Officer and a director of the Registrant since its organization.

Richard Monsorno, age 50, has been employed by the Registrant in various capacities since 1983. In August 1996, he was appointed Senior Vice President - Technology.

Kathleen M. Kelly, age 48, has been employed by the Registrant in various capacities since 1974. She has served as Vice President - Administration and as corporate Secretary since November 1989.

David P. Ott, age 60, joined the Registrant in June 1999 as Vice President - New York Manufacturing, and in December 2000, was appointed Senior Vice President, New York Manufacturing. From 1997 until his employment by the Registrant, he served as Chief Operating Officer of Great Lakes Industries, LLC, a manufacturer of metal and ceramic materials. In 1997, prior to joining Great Lakes, he was a Senior Management Consultant for Murak and Associates, LLC, an

executive consulting firm.

Judah Wolf, age 56, has been managing the Registrant's thin film operations in Jacksonville, Florida since 1993. In 1999, he was appointed Vice President - Thin Film Operations. In August 2001, he was appointed Senior Vice President, Thin Film Products.

Stephen Beyel, age 38, joined the Registrant as a RF Engineer in 1988. Since 1991, he has held various managerial positions within the Registrant's Sales Department. He was appointed Vice President, Sales in November 2000.

Andrew R. Perz, age 43, has been with the Registrant as Controller since 1998, and was appointed Vice President, Controller in November 2000. Prior to his employment by the Registrant, he held a financial management position at Lumex Inc. from July 1989 to January 1998.

Harrison Tarver, age 56, has been employed by the Registrant in various capacities since 1973, principally in positions relating to quality assurance. He was appointed Vice President, Quality Assurance in December 2000.

The officers serve at the discretion of the Board of Directors and there are no family relationships among the officers listed and any directors of the Registrant.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

The Registrant's common stock is traded on the American Stock Exchange ("AMEX") under the symbol "AMK". The table below sets forth the quarterly high and low sales prices for the common stock on the AMEX for the fiscal years ended June 30, 2002 and June 30, 2001.

	FISCAL 2002		FISCAL 2001	
Quarter Ended:	High	Low	High	Low
September	$10.85	$ 7.50	$35.88	$ 11.50
December	10.85	8.00	18.60	8.40
March	11.50	7.60	18.50	8.70
June	8.90	5.00	13.40	6.65

NUMBER OF STOCKHOLDERS

As of September 10, 2002, there were approximately 313 holders of record of the Registrant's common stock. The Registrant believes numerous shares are held of record by brokerage and other institutional firms for their customers.

DIVIDENDS

The Registrant has not paid any cash dividends on its common stock during the past two fiscal years. It is the present policy of the Registrant's Board of Directors to retain earnings to finance the expansion of the Registrant's operations and not to pay cash dividends on its common stock.

SALES OF UNREGISTERED SECURITIES

In July 2000, the Registrant issued an aggregate of 18,000 shares of common stock to seven officers and two other employees as stock bonuses.

In July 2000, the Registrant issued 2,000 shares of common stock to each of its five non-employee directors as a stock bonus.

In March 2001 and in June 2001, the Registrant issued an aggregate of 9,750 shares, of common stock to twelve employees as a stock bonus.

In June 2001 and again in July 2002, pursuant to the terms of employment agreements between the Registrant and three key employees, the Registrant issued 1,000 shares of common stock, in each month, to each of such employees.

In June 2001, the Registrant awarded 1,000 shares of common stock to each of its five non-employee directors and 1,000 shares of common stock to each of six officers as stock bonuses. The shares were issued in July 2001.

In June 2002, pursuant to the terms of employment agreement between the Registrant and a key employee, the Registrant issued 2,000 shares of common stock to such employee.

In June 2002, the Registrant awarded 1,000 shares of common stock to each of seven officers as stock bonuses.

None of the shares listed above were registered under the Securities Act of 1933 in reliance on the exemption provided by Section 4(2) thereunder or because they were issued in a transaction that did not constitute a sale requiring registration under the Securities Act of 1933.

ITEM 6. SELECTED FINANCIAL DATA

The following information should be read in conjunction with the Consolidated Financial Statements and Notes thereto and other information set forth following Item 14. of this report. The Consolidated Financial Statements include the operations of the Registrant and its wholly-owned subsidiaries, American Technical Ceramics (Florida), Inc., American Technical Ceramics Europe AB, Phase Components Ltd. and American Technical Ceramics China Ltd.

	FISCAL YEARS ENDED JUNE 30, (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
	2002	2001	2000	1999	1998
INCOME STATEMENT DATA:					
Net sales (1)	$49,585	$84,585	$66,692	$37,688	$40,516
Gross profit (1)	$ 9,528	$36,350	$29,946	$13,838	$16,941
(Loss)/income from operations	$(6,529)	$16,167	$14,065	$ 3,136	$ 6,499
Net (loss)/income	$(4,243)	$10,332	$ 9,071	$ 2,129	$ 4,202
Basic net (loss)/income per common share	$ (0.53)	$ 1.30	$ 1.18	$ 0.28	$ 0.54

Diluted net (loss)/income per common share . .	$ (0.53)	$ 1.24	$ 1.11	$ 0.28	$ 0.52
Cash dividends paid per common share	$ -	$ -	$ -	$ -	$ -
BALANCE SHEET DATA:					
Property, plant and equipment, ...	$29,740	$32,089	$22,902	$18,791	$17,703
Total assets	$66,574	$76,576	$59,787	$43,622	$42,329
Long-term debt, less current portion	$ 2,368	$ 7,211	$ 3,486	$ 3,691	$ 3,338
Working capital.	$28,375	$33,662	$27,087	$19,160	$18,119