DT INDUSTRIES INC
Form 10-Q/A
March 12, 2004

FORM 10-Q/A
Amendment No. 1

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

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended December 28, 2003

Commission File Number: 0-23400

DT INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	44-0537828
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

907 West Fifth Street, Dayton, Ohio 45407

(Address of principal executive offices) (Zip Code)

(937) 586-5600

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 ____

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act.)

Yes ____ No X

The number of shares of Common Stock, $0.01 par value, of the registrant outstanding as of February 9, 2004 was 23,601,732.

EXPLANATORY NOTE

The Company is filing this Quarterly Report on Form 10-Q/A (Amendment No. 1) for the fiscal quarter ended December 28, 2003 to reflect an increase in the goodwill impairment charge recorded at its Packaging Systems segment. In the Company's Quarterly Report on Form 10-Q originally filed with the SEC on February 11, 2004, the Company did not separately test goodwill for impairment for the Packaging Systems segment that it classified as held for sale. Subsequent to the date the initial Form 10-Q was filed, the Company determined that Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" required this test. As a result of this process, the Company determined it was required to write-off the remainder of its Packaging Systems segment goodwill of $5.7 million. Therefore, as reflected and/or discussed in Items 1 and 2 of this Form 10-Q/A:

- the non-cash charge for goodwill impairment recorded in the period ended December 28, 2003 increased by $5.7 million to $11.6 million and is included in the "Loss from discontinued operations before benefit for income taxes - Packaging Systems" on the Company's Consolidated Statement of Operations;

- total assets related to discontinued operations has decreased from $30.7 million to $25.1 million as of December 28, 2003; and

- the loss from discontinued operations before benefit for income taxes has increased from $9.255 million to $14.936 million and from $9.245 million to $14.926 million for the three and six months ended December 28, 2003, respectively.

The above noted changes had no impact on previously reported results from the Company's continuing operations. Please note that, as described in Footnote 2 of Notes to Consolidated Financial Statements and in the General Overview section of Management's Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-Q/A, the Company completed the sale of substantially all of the assets of the Packaging Systems segment on March 8, 2004 and anticipates it will record a gain on disposal of discontinued operations (no taxes are required to be recorded) of $5.5 million in the fiscal quarter ending March 28, 2004 as a result of this transaction. In addition, see Item 4 of this Form 10-Q/A for a discussion of the Company's internal controls in light of the Company's above-described application of SFAS No. 142.

Please note that, except as described in Item 4 of this Form 10-Q/A and with respect to completion of the sale of the Packaging Systems segment as described in Footnote 2 of Notes to Consolidated Financial Statements and in the General Overview section of Management's Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-Q/A, this report continues to speak as of the date of the original filing, and the Company has not updated the disclosures in this report to speak as of a later date. You are urged to read the Company's Current Report on Form 8-K dated March 11, 2004 for a discussion of certain events that have taken place since the original filing date of this report.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
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	December 28, 2003 (Restated)
ASSETS	
Current assets:	
Cash and cash equivalents	$ 1,798
Accounts receivable, net	26,656
Costs and estimated earnings in excess of amounts billed on uncompleted Contracts	28,865
Inventories, net	10,160
Prepaid expenses and other	3,533
Assets of discontinued operations (Note 5)	25,065
Total current assets	96,077
Property, plant and equipment, net	26,434
Goodwill	63,656
Other assets, net	5,265
	$ 190,048
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Senior secured term and revolving credit facility (Note 6)	$ 47,422
Current portion of other long-term debt	74
Accounts payable	14,578
Customer advances	5,908
Billings in excess of costs and estimated earnings on uncompleted contracts	10,267
Accrued liabilities	23,266
Liabilities related to discontinued operations (Note 6)	13,606

Total current liabilities	115,092
Long-term debt	51
Other long-term liabilities	25,841
Total long-term obligations	25,872
Commitments and contingencies (Note 12)	
Company-obligated, mandatorily redeemable convertible preferred securities of subsidiary DT Capital Trust holding solely convertible junior subordinated debentures of the Company	37,807
Stockholders' equity:	
Preferred stock, $0.01 par value; 1,500,000 shares authorized; no shares issued and outstanding	--
Common stock, $0.01 par value; 100,000,000 shares authorized; 23,601,732 and 23,647,932 shares issued and outstanding at December 28, 2003 and June 29, 2003, respectively	246
Additional paid-in capital	188,060
Accumulated deficit	(133,500)
Accumulated other comprehensive (loss)	(20,845)
Unearned portion of restricted stock	(178)
Less - Treasury stock 1,029,688 and 983,488 shares at December 28, 2003 and June 29, 2003, respectively), at cost	(22,570)
Total stockholders' equity	11,277
	$ 190,048

See accompanying Notes to Consolidated Financial Statements.

DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF OPERATIONS
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
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	Three months ended		Six mon
	December 28, 2003	December 29, 2002	December 28, 2003
	(Restated)		(Restated)
Net sales	$ 40,218	$ 46,696	$ 75,409
Cost of sales	36,324	40,947	67,586
Gross profit	3,894	5,749	7,823
Selling, general and administrative expenses	8,733	8,928	17,269
Asset Impairment			423
Restructuring charges (Note 13)	610	1,700	1,630
Operating (loss)	(5,449)	(4,879)	(11,499)
Interest expense, net	1,548	1,204	2,879
Accrued dividends on Company-obligated, mandatorily redeemable convertible preferred securities of subsidiary DT Capital Trust holding solely convertible junior subordinated debentures of the Company	401	401	802
Loss from continuing operations before benefit for income taxes	(7,398)	(6,484)	(15,180)
Benefit for income taxes	--	--	--
Loss from continuing operations	(7,398)	(6,484)	(15,180)
Discontinued operations (Note 5):			
Loss from discontinued operations, before benefit for income taxes:			
Converting Technologies	(3,504)	(1,010)	(2,832)
Packaging Systems	(11,432)	(598)	(12,094)
Benefit for income taxes	--	--	--
Loss on discontinued operations	(14,936)	(1,608)	(14,926)

Net loss	$ (22,334)	$ (8,092)	$ (30,106)
Net loss per common share:			
Basic			
From continuing operations	$ (0.31)	$ (0.27)	$ (0.64)
From discontinued operations	(0.63)	(0.07)	(0.63)
Net loss	$ (0.94)	$ (0.34)	$ (1.27)
Diluted			
From continuing operations	$ (0.31)	$ (0.27)	$ (0.64)
From discontinued operations	(0.63)	(0.07)	(0.63)
Net loss	$ (0.94)	$ (0.34)	$ (1.27)
Weighted average common shares outstanding:			
Basic	23,626,239	23,647,932	23,639,659
Diluted	23,626,239	23,647,932	23,639,659

See accompanying Notes to Consolidated Financial Statements.

DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED DECEMBER 28, 2003
(DOLLARS IN THOUSANDS)
(UNAUDITED)
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	Common stock	Additional paid-in capital	Accumulated deficit	Accum ot compre l
			(Restated)	
Balance, June 29, 2003	$ 246	$ 188,060	$ (103,394)	$
Comprehensive loss:				

Net loss			(30,106)	
Deferred Hedging Gain (Loss)				
Foreign currency translation				
Total comprehensive loss				
Amortization of earned portion of restricted stock				
Repurchase of restricted shares				
Balance, December 28, 2003	$ 246	$ 188,060	$ (133,500)	$

	Unearned portion of restricted stock	Total
		(Restated)
Balance, June 29, 2003	$ (178)	$ 44,381
Comprehensive loss:		
Net loss		(30,106)
Deferred Hedging Gain (Loss)		(375)
Foreign currency translation		(2,634)
Total comprehensive loss		(33,115)
Amortization of earned portion of restricted stock	64	64
Repurchase of restricted shares		(53)
Balance, December 28, 2003	$ (114)	$ 11,277

See accompanying Notes to Consolidated Financial Statements.

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ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(UNAUDITED)
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CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss

Loss from discontinued operations

Loss from continuing operations

Adjustments to reconcile loss from continuing operations to net cash provided (used) by operating activities:

Depreciation

Amortization

Asset Impairment

Deferral of dividends on convertible trust preferred securities

Deferred taxes

(Increase) decrease in current assets, excluding the effect of discontinued operations:

Accounts receivable

Costs and earnings in excess of amounts billed on uncompleted contracts

Inventories

Prepaid expenses and other

Increase (decrease) in current liabilities, excluding the effect of discontinued operations:

Accounts payable

Customer advances

Billings in excess of costs and estimated earnings on uncompleted contracts

Accrued liabilities and other

Net cash provided (used) by operating activities of continuing operations

Net cash provided (used) by operating activities of discontinued operations

Net cash provided (used) by operating activities

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from the sale of assets

Capital expenditures

Net cash provided (used) by investing activities

CASH FLOWS FROM FINANCING ACTIVITIES:

Net borrowings (paydowns) on senior credit facility

Payments on other indebtedness

Financing costs paid

Repurchase of Restricted Shares

Net cash provided (used) by financing activities

Effect of exchange rate changes

Net increase (decrease) in cash

Cash and cash equivalents at beginning of period

Cash and cash equivalents at end of period

See accompanying Notes to Consolidated Financial Statements.

DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 28, 2003
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1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements of DT Industries, Inc. (DTI or the Company) have been prepared in accordance with the instructions for Form 10-Q and do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. However, in the opinion of management, the information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of operations for the periods

presented. Operating results for any quarter are not necessarily indicative of the results for any other quarter or for the full year. These statements should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2003.

2. RESTATEMENT

The Company is filing this Quarterly Report on Form 10-Q/A (Amendment No. 1) for the fiscal quarter ended December 28, 2003 to reflect an increase in the goodwill impairment charge recorded at its Packaging Systems segment. In the Company's Quarterly Report on Form 10-Q originally filed with the SEC on February 11, 2004, the Company did not separately test goodwill for impairment for the Packaging Systems segment that it classified as held for sale. Subsequent to the date the initial Form 10-Q was filed, the Company determined that Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" required this test. As a result of this process, the Company determined it was required to write-off the remainder of its Packaging Systems segment goodwill of $5.7 million, as reflected by:

- the non-cash charge for goodwill impairment recorded in the period ended December 28, 2003 increased by $5.7 million to $11.6 million and is included in the "Loss from discontinued operations before benefit for income taxes - Packaging Systems" on the Company's Consolidated Statement of Operations;

- total assets related to discontinued operations has decreased from $30.7 million to $25.1 million as of December 28, 2003; and

- the loss from discontinued operations before benefit for income taxes has increased from $9.255 million to $14.936 million and from $9.245 million to $14.926 million for the three and six months ended December 28, 2003, respectively.

The above noted changes had no impact on previously reported results from the Company's continuing operations.

On March 8, 2004, the Company completed the sale of its Packaging Systems segment. The net proceeds (after expenses) of $10,460 received by the Company were used to repay its senior bank indebtedness. The Company anticipates it will record a gain on disposal of discontinued operations (no taxes are required to be recorded) of $5,500 in the period ending March 28, 2004 as a result of this transaction.

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3. LIQUIDITY AND CAPITAL RESOURCES

The Company has experienced operating losses in the past several years, has an accumulated deficit of $133,500 and its operating performance continues to be adversely impacted by depressed levels of capital spending in the markets it serves. In addition, the Company is currently in default on its senior credit facility due to its failure to make principal payments of approximately $2.7 million due on December 31, 2003 and violation of a minimum net worth covenant. The Company has requested a forebearance agreement from its bank group, but the bank group had neither waived the defaults nor issued forebearance from accelerating payment. The Company's current senior credit facility matures on July 2, 2004 and, to date, the bank group has not indicated its willingness to extend the facility beyond that date. These circumstances raise substantial doubt about the Company's ability to continue as a going concern. The Company's lines of credit are currently overdrawn, it is not able to access any availability under the senior credit facility and it is operating through the management of its cash, including efforts to collect customer payments and delaying payment to vendors, where feasible, to meet its liquidity needs. The Company's ability to meet its short-term liquidity needs and debt obligations would be materially adversely affected if the Company obtains a significant amount of new orders which are not accompanied by advance payments from the customers.

The Company will be required to replace its existing credit facility on July 2, 2004 unless its current bank group elects to extend the facility beyond the maturity date. The Company has had continuing discussions with other potential lenders who could replace the current bank group. In addition, in order to generate cash to reduce its level of indebtedness, the Company has sold the assets of its Converting Technologies operations (see Note 5) and has signed a letter of intent to sell the assets of its Packaging Systems segment. While the Company believes it will be able to identify a new lending source to replace the current bank group, it may not be able to find new financing on terms acceptable to the Company or at a level which would provide acceptable repayment terms to the current bank group, in either case on a timely basis. If the current bank group is not willing to extend the credit facility, new financing at acceptable terms is not available or the Company is not able to generate sufficient cash by selling assets, the Company will not be able to make the lump sum payment that is due on July 2, 2004. If sufficient funds to satisfy obligations under the senior credit facility are not available, the Company will not be able to continue its operations as currently anticipated and may need to initiate bankruptcy proceedings in order to continue its operations with minimal disruption and preserve the value of its assets.

The Company's senior credit facility (see Note 6) matures on July 2, 2004 and borrowings thereunder of $47,422 are presented as current debt in the accompanying December 28, 2003 consolidated balance sheet.

The Company is required to begin paying quarterly distributions of $626 under its 7.16% convertible preferred securities ("TIDES") on September 30, 2004. The Company may elect to defer future quarterly distribution through the maturity date of the TIDES, May 31, 2008, provided it makes the initial distribution on September 30, 2004.

DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR PERIOD ENDED DECEMBER 28, 2003
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4. ACCOUNTING POLICIES

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

The accounts of the Company's foreign subsidiaries are maintained in their respective local currencies. The accompanying consolidated financial statements have been translated and adjusted to reflect U.S. dollars in accordance with accounting principles generally accepted in the United States.

STOCK COMPENSATION PLANS

The Company accounts for employee stock options in accordance with Accounting Principles Board No. 25, "Accounting for Stock Issued to Employees" (APB 25). Under APB 25, the Company applies the intrinsic value method of accounting. For employee stock options accounted for using the intrinsic value method, no compensation expense is recognized because the options are granted with an exercise price equal to the market value of the stock on the date of grant. Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123) prescribes the recognition of compensation expense based on the fair value of options or stock awards determined on the date of grant. However, SFAS 123 allows companies to continue to apply the valuation methods set forth in APB 25. For companies that continue to apply the valuation methods set forth in APB 25, SFAS 123 mandates certain pro forma disclosures, as amended by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure", as if the fair value method had been utilized.

Had compensation costs for the Company's stock incentive plans been determined based on the fair value of the options on the grant dates consistent with the methodology prescribed by SFAS 123, the Company's net loss and net loss per basic and diluted share would have been increased to the pro forma amounts indicated below. Because future stock based compensation may be awarded, the pro forma impacts shown below are not necessarily indicative of the impact in future years.

	For the Three Months Ended		For
	December 28, 2003	December 29, 2002	Decemb 28, 20
	(Restated)		(Restat

Net loss - as reported	$ (22,334)	$ (8,092)	$ (3
Add: Total stock-based compensation expense included in net loss - as reported	32	81	
Deduct: Total stock-based compensation expense determined under fair value method for all awards	(76)	(164)	
Net loss - pro forma	$ (22,378)	$ (8,175)	$ (3
Loss per basic and diluted share - as reported	$ (0.94)	$ (0.34)	$
Loss per basic and diluted share - pro forma	$ (0.95)	$ (0.35)	$

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ITEM 1. FINANCIAL STATEMENTS
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GOODWILL

The changes in the carrying amount of goodwill for the six months ended December 28, 2003 were as follows:

	Material Processing segment	Assembly & Test segment	To
Balance as of June 29, 2003	$ 30,946	$ 32,871	$
Goodwill impairment charge	--	(423)	
Foreign currency translation	--	(32)	
Balance as of September 28, 2003	30,946	32,416	
Foreign currency translation	--	294	
Balance as of December 28, 2003	$ 30,946	$ 32,710	$

5. DISCONTINUED OPERATIONS

On December 16, 2003, the Company entered into an agreement for the sale of substantially all of the assets of its Converting Technologies

division (included in the Material Processing segment). The Company also had entered into a non-binding letter of intent to dispose of substantially all of the assets of its Packaging Systems business segment. The Company has presented the assets sold or to be sold, the liabilities assumed or to be assumed by the buyers and the operating results of these businesses as discontinued operations in these financial statements.

The sale of the Converting Technologies assets was completed on January 16, 2004. The Company received net proceeds of $6,000 from the sale, which were used to reduce the Company's indebtedness to its senior lenders. Under the Converting Technologies asset purchase agreement, the Company is responsible for any product liability claims made on equipment sold prior to the asset sale date. The estimated liability for such claims is recorded in the Company's balance sheet accruals at December 28, 2003. The Company expected to sell the assets of the Packaging Systems segment prior to the end of March 2004. See Note 2 for an update regarding completion of this sale.

The assets and liabilities of these business units have been separately identified in the Company's balance sheets as of December 28, 2003 and June 29, 2003. The major classes of assets and liabilities of the discontinued entities are as follows:

	December 28, 2003	June 29, 2003
Assets: (Restated)		
Accounts receivable (net)	$ 6,983	$ 8,468
Inventory (net)	14,388	18,585
Property, Plant and Equipment (net)	2,548	2,845
Goodwill	--	11,500
Other	1,146	2,252
Assets of Discontinued Operations	$ 25,065	$ 43,650

December 28, 2003	June 29, 2003

Liabilities:		
Accounts Payable	$ 3,585	$ 3,74
Customer Advances	5,043	8,24
Accrued Liabilities	3,211	3,39
Long-Term Debt - Leases	1,519	1,44
Other Liabilities	248	23
Liabilities of Discontinued Operations	$ 13,606	$ 17,05

Summary operating results of the discontinued operations are as follows:

	Three Months Ended		Six
	December 28, 2003	December 29, 2002	December 28, 2003
	(Restated)		(Restated)
Net Sales	$ 12,471	$ 15,572	$ 24,09
Gross Profit	3,424	3,428	6,45
Selling, General & Administrative Expense	2,129	4,696	4,81
Interest Expense	350	340	69
(Charge) to record Assets at Fair Market Value	(15,881)		(15,88
(Loss) before Benefit for Income Taxes	(14,936)	(1,608)	(14,92

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ITEM 1. FINANCIAL STATEMENTS
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During December 2003, the Company recorded a charge of $15,881, for goodwill impairment and lower of cost or market adjustments related to inventory and other assets, to adjust the carrying basis of the assets of the Converting Technologies division and Packaging Systems segment

to their estimated fair market value, based on indicative offers received from purchasers or potential purchasers of those assets. Included in the charge of $15,881 was $3,100 related to the write-down of inventories at Converting Technologies and $11,600 related to the impairment of goodwill and $1,200 related to establishing additional inventory reserves and write-down of other assets at Packaging Systems. As discussed under Note 2, the goodwill impairment charge at Packaging Systems was determined under SFAS No. 142 by comparing the implied fair value of goodwill to the carrying amount of goodwill at the measurement date. In January 2004, the assets of Converting Technologies were sold, with the proceeds from the sale approximating the adjusted carrying basis of the assets.

The interest expense included above is interest on debt that has been or is expected to be repaid as a result of the disposal transactions, calculated at the average rate of interest the Company paid on its revolving bank loans during the applicable periods.

6. FINANCING

As of December 28, 2003 and June 29, 2003, current and long-term debt consisted of the following:

	DECEMBER 28, 2003	
Term and revolving loans under senior secured credit facility:		
Term loan	$ 5,464	$
Revolving loans	41,958	
Other debt	76	
	47,498	
Less - current portion of senior secured credit facility	47,422	
Less - current portions of other debt	45	
Long-term debt	$ 31	$

The Company is currently in default on its senior credit facility due to its failure to make principal payments of approximately $2.7 million due on December 31, 2003 and violation of a minimum net worth covenant. The Company has requested a forebearance agreement from its bank group, but the bank group had neither waived the defaults nor issued forebearance from accelerating payment. The amended senior credit facility consists of a $5,464 term loan and a $42,783 revolving loan ($783 represents a restricted line of credit requiring lender consent to utilize) of which $2,066 is reserved for outstanding letters of credit. After renewal of a British Pound Sterling bank borrowing on December 30, 2003, the total of the amount borrowed under the line of credit ($41,910) plus letters of credit outstanding ($2,066) exceeded the revolving credit line at that date. As a result, the Company does

not presently have any availability under the senior credit facility while in default of its credit agreement. In January 2004, the Company repaid $5.7 million of the amount outstanding under the loan using proceeds from the sale of Converting Technologies. However, the Company remains in default of the credit agreement despite this payment.

Significant terms of the senior credit agreement as amended through the date hereof are:

- $1,500 quarterly scheduled commitment reductions prorated between the term and revolving loan commitments through June 2004;

- Interest rates for amounts borrowed under the credit facility are based on Prime Rate plus 4.0% or Eurodollar Rate plus 4.5%. The interest rates increased 1/2 percentage point on January 31, 2004 as the Company did not reduce the outstanding revolving loans to $18,000 or less, as required under the latest amendment to the credit facility. At December 28, 2003, interest rates on outstanding indebtedness were 8.0% on domestic borrowings and 8.34% on Pound Sterling borrowings.

- Commitment fees of 0.50% per annum payable quarterly on any unused portion of the revolving credit facility, an annual agency fee of $150 and a 1% annual facility fee. An additional fee of $765,000 is due if the credit facility is not repaid in full on or before July 2, 2004.

- Borrowings under the credit facility are collateralized by substantially all of the assets of DTI and its domestic subsidiaries.

The Company has a $4,094 credit facility available from a foreign financial institution, secured by certain of its foreign assets. The facility may be used only to issue bank guarantees, with $3,617 of such guarantees outstanding at December 28, 2003.

7. COMPANY-OBLIGATED, MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED SECURITIES OF SUBSIDIARY DT CAPITAL TRUST HOLDING SOLELY CONVERTIBLE JUNIOR SUBORDINATED DEBENTURES OF THE COMPANY (CONVERTIBLE PREFERRED SECURITIES OR TIDES)

The conversion price of the $35,000 outstanding TIDES (and the Junior Debentures of the Company held by the DT Capital Trust) is $14.00 per share, distributions on the TIDES payable are not required to be paid from April 1, 2002 until July 2, 2004, and the maturity date of the

TIDES is May 31, 2008. Distributions are payable on the TIDES at 7.16% beginning September 2004 through their maturity date of May 31, 2008. However, annual dividend expense of $1,604 on the TIDES is being recorded, reflecting an approximate effective yield of 4.6% over the life of the TIDES. Distributions accrued during the period through July 2, 2004 are added to the amount outstanding ($37,807 at December 28, 2003).

8. BUSINESS SEGMENTS

In July 2003, the Company announced the closure of its Precision Assembly segment manufacturing facility in Buffalo Grove, Illinois and the transfer of its manufacturing operation to the Material Processing segment's Lebanon, Missouri facilities. An engineering, sales and service office remains in Illinois to serve Precision Assembly's customers. Accordingly, the Precision Assembly segment has been consolidated into the Material Processing segment for financial reporting purposes and the financial information presented for fiscal 2003 has been reclassified to reflect that the Company currently has two continuing business segments.

During the quarter ended December 28, 2003, the Company identified its Packaging Systems segment as discontinued operations and accordingly eliminated this segment from the following disclosure. In addition, data of the Converting Technologies business, also identified as a discontinued operation, has been eliminated from the Material Processing segment.

Net sales for the Company's reportable segments for its continuing operations consisted of the following:

	Three months ended		Six months
	December 28, 2003	December 29, 2002	December 28, 2003
Material Processing	$ 10,873	$ 26,663	$ 25,272
Assembly & Test	29,345	20,033	50,137
Consolidated total	$ 40,218	$ 46,696	$ 75,409

The reconciliation of segment operating income (loss) to consolidated loss from continuing operations before income taxes consisted of the following:

	Three months ended		Six m
	December 28, 2003	December 29, 2002	December 28, 2003
Material Processing	$ (3,084)	$ (1,002)	$ (6,50
Assembly & Test	918	(2,072)	58
Operating income (loss) for continuing operations reportable segments	(2,166)	(3,074)	(5,91
Corporate/Other	(3,283)	(1,805)	(5,58
Interest expense, net	(1,548)	(1,204)	(2,87
Dividends on Company- obligated, mandatorily redeemable convertible preferred securities of subsidiary DT Capital Trust holding solely convertible junior subordinated debentures of the Company	(401)	(401)	(80
Loss from continuing operations before benefit for income taxes	$ (7,398)	$ (6,484)	$ (15,18

Total assets for the Company's reportable segments and corporate entity and assets of the discontinued operations are as follows:

	December 28, 2003 (Restated)	June 29, 2003
Material Processing	$ 63,875	$ 71,881
Assembly & Test	90,136	83,324
Corporate	10,972	11,034
Assets of Discontinued Operations	25,065	43,650

Consolidated total	$ 190,048	$ 209,889

DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR PERIOD ENDED DECEMBER 28, 2003
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
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9. SUPPLEMENTAL BALANCE SHEET INFORMATION

	DECEMBE 200
Accounts receivable	
Trade receivables	$
Less - allowance for doubtful accounts	
	$
Costs and estimated earnings in excess of amounts billed on uncompleted contracts	
Costs incurred on uncompleted contracts	$ 1
Estimated earnings	
	1
Less - Billings to date	(1
	$
Included in the accompanying balance sheets:	
Costs and estimated earnings in excess of amounts billed	$
Billings in excess of costs and estimated earnings	(

	$
Inventories, net	
Raw materials	$
Work in process	
Less - inventory reserves	
	$
Accrued liabilities	
Accrued employee compensation and benefits	$
Accrued warranty	
Restructuring accrual	
Income tax refund accrual	
Other	
	$

The Company routinely incurs warranty costs after projects are installed and completed. The Company reserves for such warranty costs based on its historical warranty experience and consideration of any known warranty issues. A summary of the warranty reserves for the three and six months is as follows:

	For the Three Months Ended		For the Six Months Ended	
	December 28, 2003	December 29, 2002	December 28, 2003	December 29, 2002
Beginning	$ 1,790	$ 2,346	$ 1,712	$ 2,720
Expenses	412	330	865	464
Charges	(628)	(724)	(1,003)	(1,232)
Ending	$ 1,574	$ 1,952	$ 1,574	$ 1,952

DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
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10. CONTRACT COSTS

Included in Costs and Estimated Earnings in Excess of Amounts Billed on Uncompleted Contract (CIE) and in Raw Materials Inventory is $5.9 million of costs incurred to manufacture equipment to produce biodegradable food packaging products. Netted against the costs in CIE is a payment of $3.3 million from a customer under a contract to purchase this equipment, which contract was subsequently cancelled by the customer (see Note 11). The Company has filed a claim for in excess of $6.4 million of cancellation charges on this contract.

Subsequent to the above contract cancellation, the Company signed an agreement with another customer to manufacture equipment to produce a product similar to that noted above. The Company expects to use a significant portion of the CIE and inventory noted above to manufacture this equipment. The current customer contract requires the equipment to satisfy certain production specifications before the customer will take delivery of the equipment and further production specifications before the customer will pay for the equipment. In addition, the equipment must produce commercially saleable product for the customer, which includes products at a rate, quality and cost allowing the customer to sell the products into its marketplace. If the equipment does not meet all of these criteria, the customer may reject the equipment and cancel the contract with no obligation to the Company. The Company has not yet met these criteria and does not anticipate being able to achieve these criteria within the timeframe required under the current customer contract. However, the Company has requested an extension of time from the customer to achieve the specified production criteria and is optimistic that the customer will grant such an extension. The Company believes that it will be able to attain the production criteria under the present contract.

At December 28, 2003, the Company was carrying $2.6 million of net CIE and Inventory in its accounts. If the Company is unable to meet all of the aforementioned production criteria/specifications under the current customer contract, it will likely have to take impairment against a portion of all of the carrying costs of the equipment.

11. ACCOUNTING PRONOUNCEMENTS

In December 2003, the FASB issued a revision to FASB Statement No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" that revises employers' disclosures about pension plans and other postretirement benefit plans. It does not change the measurement or recognition of those plans required by FASB Statements No. 87, Employers' Accounting for Pensions, No. 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, and No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. This Statement retains the disclosure requirements contained in FASB Statement No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits, which it

replaces. It requires additional disclosures to those in the original FAS 132 about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The required information should be provided separately for pension plans and for other postretirement benefit plans. The provisions of FAS 132 remain in effect until the provisions of this Statement are adopted. This Statement is effective for financial statements with fiscal years ending after December 15, 2003, except that disclosure of information about foreign plans required by this Statement is effective for fiscal years ending after June 15, 2004. The interim-period disclosures required by this Statement are effective for interim periods beginning after December 15, 2003.

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities," which addresses the reporting and consolidation of variable interest entities as they relate to a business enterprise. This interpretation incorporates and supersedes the guidance set forth in ARB No. 51, "Consolidated Financial Statements." It requires the consolidation of variable interests into the financial statements of a business enterprise if that enterprise holds a controlling financial interest via other means than the traditional voting majority. The provisions of FIN 46 are effective immediately for variable interest entities created after January 31, 2003 and thereafter. In December 2003, the FASB issued FIN46R, a revision to the previously issued FIN46, which defers the implementation date. The effective date for FIN46R is the end of the first interim or annual period subsequent to March 15, 2004, which is the third quarter of fiscal 2004 for the Company. Pursuant to FIN 46R, the Company's wholly-owned consolidated subsidiary trust (the "Trust") will be required to be deconsolidated. The Company, would, however maintain a liability to the Trust relative to the debentures of the Company held by the Trust. The Company has not created any new variable interest entities since January 31, 2003.

In May 2003, the FASB issued FASB Statement No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity and requires that an issuer classify a financial instrument that is within its scope as a liability. Certain provisions of this statement that are applicable to the Company have been indefinitely deferred.

12. COMMITMENTS AND CONTINGENCIES

The staff of the Securities and Exchange Commission (the "Commission")

is conducting an investigation of the accounting practices at the Company's Kalish and Sencorp subsidiaries that led to the restatements of its consolidated financial statements for fiscal years 1997, 1998 and 1999 and the first three quarters of fiscal 2000, as well as the issues at the Company's AMI subsidiary that led to the accounting adjustments to the Company's previously reported audited consolidated financial results for the fiscal years ended June 24, 2001, June 25, 2000 and June 27, 1999, and to the Company's previously reported unaudited consolidated financial results for the first three fiscal quarters of 2002. The Company is cooperating fully with the Commission in connection with its investigation.

In November 1998, pursuant to the agreement by which the Company acquired Kalish, Mr. Graham L. Lewis, a former executive officer and director of DTI, received an additional payment based on Kalish's earnings for each of the three years after the closing. As a result of the prior restatement due to accounting practices at Kalish, the Company believes that the additional payment should not have been made. During fiscal 2001, we commenced legal action against Mr. Lewis in Superior Court, Civil Division in Montreal, Quebec to recover this payment and certain bonuses paid to Mr. Lewis. Mr. Lewis has counter-sued for wrongful termination and is seeking to recover monetary damages, including severance, loss of future income, emotional distress and harm to reputation, equal to $2.8 million Canadian dollars. There has been little discovery in these actions to date. Management believes that the Company's suit against Mr. Lewis has merit. Management further believes that Mr. Lewis' counter-suit is without merit. The Company intends to pursue vigorously its claims against Mr. Lewis and defend against his counter-suit.

In July 2003, Green Packaging SDN BHD and Green Earth Packaging Corp. (collectively, "Green Packaging") filed a complaint against Detroit Tool & Engineering Company ("DTE"), a wholly-owned subsidiary of DTI, in the Superior Court of the State of California, County of Santa Barbara. As causes of action, the complaint alleges breach of contract, misappropriation of trade secrets, breach of confidence, unfair business practices, conversion and similar claims arising out of a purchase order pursuant to which DTE was to manufacture for Green Packaging four lines of equipment for the purpose of producing biodegradable food packaging using technology and processes licensed by Green Packaging from Earthshell Corporation. In its complaint, Green Packaging seeks damages "believed to be in excess of $3.3 million," punitive damages and injunctive relief. Prior to the filing of the complaint, Green Packaging had notified DTE that it was canceling its purchase order for the equipment, and DTE had invoiced Green Packaging for cancellation charges in excess of $6.4 million, which has not been

paid, nor has it been recognized in the Company's financial statements. DTE filed a motion to quash service of the summons and complaint for lack of personal jurisdiction. Rather than responding to the motion, on September 29, 2003, Green Packaging amended its complaint and added DTI as a defendant in that action. The causes of action in the amended complaint are the same as those asserted in the original complaint, with additional claims made for breach of guarantee and breach of an additional agreement. The Company and DTE have filed a motion to quash service of the summons and amended complaint for lack of personal jurisdiction. The motion is noticed to be heard on April 22, 2004. In addition, the Company intends to vigorously defend Green Packaging's action and to vigorously pursue its claim again Green Packaging for the above-referenced cancellation charges.

Product liability claims are asserted against the Company from time to time for various injuries alleged to have resulted from defects in the manufacture and/or design of its products. At December 28, 2003, there were seven such claims either pending or that may be asserted against the Company. The Company does not believe that the resolution of these claims, either individually or in the aggregate, will have a material adverse effect on its financial condition, results of operations or cash flow. Product liability claims are covered by the Company's comprehensive general liability insurance policies, subject to certain deductible amounts. The Company has established reserves for these deductible amounts, which it believes to be adequate based on its previous claims experience. However, there can be no assurance that resolution of product liability claims in the future will not have a material adverse effect on the Company's financial condition, results of operations or cash flow.

The Company is from time to time subject to claims and suits arising in the ordinary course of business. Although the ultimate disposition of such proceedings is not presently determinable, management does not believe that the ultimate resolution of these matters will have a material adverse effect on the Company's financial condition, results of operations or cash flows. The Company maintains comprehensive general liability insurance that it believes to be adequate its business.

13. RESTRUCTURING

As outlined in its Annual Report on Form 10-K for the fiscal year ended June 29, 2003, during fiscal 2003, 2002 and 2001, the Company took several actions in connection with a plan to restructure its business operations.

In July 2003, the Company announced the decision to transfer its manufacturing operations in Buffalo Grove, Illinois of the Precision Assembly segment to its Lebanon, Missouri manufacturing facilities as part of the Material Processing segment. Accordingly, the Precision Assembly segment has been consolidated into the Material Processing segment for financial reporting purposes. Due to the transfer of these operations, the Company recorded a restructuring charge of $1,230 in the first six months of fiscal 2004 ($210 in the three months ended December 28, 2003), including severance costs of $1,173 for the termination of 69 employees.

The restructuring reserve at June 29, 2003 pertains to two vacant facilities and one facility sublet at approximately 75% of the current lease rates. The reserve represents lease payments on the vacant facilities through June 2004 and the partial lease payments on the sublet facility through the life of the sublease (2013). The Company's Packaging Systems segment leases a now vacant manufacturing facility, the liability for which the Company does not expect to be assumed by a buyer of the business. Although the Company continues to actively seek a tenant for the facility, it has not, to date, been able to locate such a tenant. Therefore, the Company provided an additional $400 in its reserve for future lease costs on closed facilities in December 2003. The $400 reserve represents the discounted value of the excess of the Company's rental payments for the remaining lease term over current market rental payments for a similar property.

A summary of the restructuring reserve for the six months and three months ended December 28, 2003 is as follows:

	FOR THE SIX MONT	
	JUNE 29, 2003	CHARGED TO EXPENSE
Severance costs	$ --	$ 1,173
Future lease costs on closed facilities	1,004	400
Other	--	57
	$ 1,004	$ 1,630

	FOR THE THREE MO	
	SEPTEMBER 28, 2003	CHARGED TO EXPENSE
Severance costs	$ 669	$ 178
Future lease costs on closed facilities	772	400
Other	--	32

$ 1,441	$ 610

DT INDUSTRIES, INC.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
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Certain information contained in this Quarterly Report, including, without limitation, the information appearing under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources," includes forward-looking statements made pursuant to the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended. These statements comprising all statements herein which are not historical reflect our current expectations and projections about our future results, performance, liquidity, financial condition, prospects and opportunities and are based upon information currently available to us and our interpretation of what we believe to be significant factors affecting our businesses, including many assumptions regarding future events. References to the words "opportunities", "growth potential", "objectives", "goals", "will", "anticipate", "believe", "intend", "estimate", "expect", "should", and similar expressions used herein indicate such forward-looking statements. Our actual results, performance, liquidity, financial condition, prospects and opportunities could differ materially from those expressed in, or implied by, these forward-looking statements as a result of various risks, uncertainties and other factors, including the amount and availability of, and our ability to comply with restrictions and covenants relating to, our indebtedness under our senior credit facility, our ability to effectively manage our cash to meet our liquidity needs and debt reduction obligations through July 2, 2004, continued restrained capital spending in industries or markets served, delays or cancellations of customer orders, the loss of a key customer, our ability to refinance or further extend our senior credit facility in order to meet our liquidity needs and continue as a going concern after July 2, 2004, our ability to achieve anticipated cost savings from our corporate restructuring and cost reduction initiatives, our ability to consummate the sale of our Packaging Systems business segment on a timely basis, our ability to continue upgrading and modifying our financial, information and management systems and controls to manage our operations on an integrated basis and report our results, delays in shipping dates of products, significant cost overruns on projects, customer demand for new products and applications, significant pre-tax charges, including for goodwill impairment, the write-down of assets, warranty-related expenses and restructuring charges, foreign currency exchange rate fluctuations, changes in interest rates, increased inflation and collectibility of past due customer receivables. See "Business - Risks Related to Our Business" in the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2003 for a description of these and other risks, uncertainties and factors.

You should not place undue reliance on any forward-looking statements. Except as expressly required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

The Company is filing this Quarterly Report on Form 10-Q/A (Amendment No. 1) for the fiscal quarter ended December 28, 2003 to reflect an increase in the

goodwill impairment charge recorded at its Packaging Systems segment. In the Company's Quarterly Report on Form 10-Q originally filed with the SEC on February 11, 2004, the Company did not separately test goodwill for impairment for the Packaging Systems segment that it classified as held for sale. Subsequent to the date the initial Form 10-Q was filed, the Company determined that Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" required this test. As a result of this process, the Company determined it was required to write-off the remainder of its Packaging Systems segment goodwill of $5.7 million. Therefore, as reflected and/or discussed in Items 1 and 2 of this Form 10-Q/A:

- the non-cash charge for goodwill impairment recorded in the period ended December 28, 2003 increased by $5.7 million to $11.6 million and is included in the "Loss from discontinued operations before benefit for income taxes - Packaging Systems" on the Company's Consolidated Statement of Operations;

- total assets related to discontinued operations has decreased from $30.7 million to $25.1 million as of December 28, 2003; and

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- the loss from discontinued operations before benefit for income taxes has increased from $9.255 million to $14.936 million and from $9.245 million to $14.926 million for the three and six months ended December 28, 2003, respectively.

The above noted changes had no impact on previously reported results from the Company's continuing operations.

GENERAL OVERVIEW

The following discussion summarizes the significant factors affecting the consolidated operating results and financial condition of DT Industries, Inc. (DTI or the Company) for the three months and six months ended December 28, 2003 compared to the three months and six months ended December 29, 2002. This discussion should be read in conjunction with the consolidated financial statements and notes to the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2003 and the unaudited consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q/A.

The Company has experienced operating losses in the past several years, have an accumulated deficit of $133.5 million and our operating performance continues to be impacted by depressed levels of capital spending in the markets we serve. The Company is currently in default on its senior credit facility due to its failure to make principal payments of approximately $2.7 million due on December 31, 2003 and violation of a minimum net worth covenant. While the Company has requested a forebearance agreement from its bank group, the bank group had neither waived the defaults nor issued forebearance from accelerating payment. As discussed below under "Liquidity and Capital Resources", these circumstances

raise substantial doubt about the Company's ability to continue as a going concern.

Almost all of our net sales are derived from the sale and installation of equipment and systems primarily under fixed-price contracts. We also derive net sales from the sale of spare and replacement parts and servicing installed equipment and systems. We recognize revenue under the percentage of completion method or upon delivery and acceptance in accordance with SEC Staff Accounting Bulletin 104 (SAB 104).

We principally utilize the percentage of completion method of accounting to recognize revenues and related costs for the sale and installation of equipment and systems pursuant to customer contracts. These contracts are typically engineering-driven design and build contracts of automated production equipment and systems used to manufacture, test or package a variety of industrial and consumer products. These contracts are generally for large dollar amounts and require a significant amount of labor hours with durations ranging from three months to over a year. Under the percentage of completion method, revenues and related costs are measured based on the ratio of engineering and manufacturing labor hours incurred to date compared to total estimated engineering and manufacturing labor hours. Any revisions in the estimated total costs of the contracts during the course of the work are reflected when the facts that require the revisions become known.

For those contracts accounted for in accordance with SAB 104, we recognize revenue upon shipment (FOB shipping point). We utilize this method of revenue recognition for products produced in a standard manufacturing operation whereby the product is built according to pre-existing bills of materials, with some customization occurring. These contracts are typically of shorter duration (one to three months) and have smaller contract values. The revenue recognition for these products follows the terms of the contracts, which call for transfer of title at time of shipment after factory acceptance tests with the customer. If installation of the product is included in the contracts, revenue for the installation portion of the contract is recognized when installation is complete.

Costs and related expenses to manufacture products, primarily labor, materials and overhead, are recorded as costs of sales when the related revenue is recognized. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Selling, general and administrative expenses primarily consist of salary and wages for employees, research and development costs, sales commissions, marketing and professional expenses.

In July 2003, we announced the closure of our Precision Assembly segment manufacturing facility in Buffalo Grove, Illinois and the transfer of our manufacturing operation to the Material Processing segment's Lebanon, Missouri facilities. An engineering, sales and service office remains in Illinois to

serve Precision Assembly's customers. Accordingly, the Precision Assembly segment has been consolidated into the Material Processing segment for financial reporting purposes and the financial information presented for fiscal 2003 has been restated.

On December 16, 2003, the Company entered into an agreement for the sale of substantially all of the assets of its Converting Technologies division (included in the Material Processing segment). The Company also had entered into a non-binding letter of intent to dispose of substantially all of the assets of its Packaging Systems business segment. The Company has presented the assets sold or to be sold, the liabilities assumed or to be assumed by the buyers and the operating results of these businesses as discontinued operations in its financial statements.

The sale of the Converting Technologies assets was completed on January 16, 2004. The Company received net proceeds of $5.7 million from the sale, which were used to reduce the Company's indebtedness to its senior lenders. Under the Converting Technologies asset purchase agreement, the Company is responsible for any product liability claims made on equipment sold prior to the asset sale date. The estimate liability for such claims is recorded in the Company's balance sheet accruals at December 28, 2003. On March 8, 2004, the Company completed the sale of its Packaging Systems segment. The net proceeds (after expenses) of $10,460 received by the Company were used to repay its senior bank indebtedness. The Company anticipates it will record a gain on disposal of discontinued operations (no taxes are required to be recorded) of $5,500 in the period ending March 28, 2004 as a result of this transaction.

Both the Packaging Systems segment and the Converting Technologies business, previously included in the Material Processing segment, have been eliminated from the following disclosure since they are being treated as discontinued operations in the Company's financial statements.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the percentage of consolidated net sales represented by certain items reflected in the Company's consolidated statement of operations. The data presented below was derived from our unaudited consolidated financial statements included in this Quarterly Report.

	Three months ended		Six mo
	December 28, 2003	December 29, 2002	December 28, 2003
Net sales	100.0%	100.0%	100.0%
Cost of sales	90.3	87.7	89.6
Gross profit	9.7	12.3	10.4
Selling, general and administrative expenses	21.7	19.1	23.5
Restructuring charge	1.5	3.6	2.1
Operating (loss)	(13.5)%	(10.4)%	(15.2)

THREE MONTHS ENDED DECEMBER 28, 2003
COMPARED TO THREE MONTHS ENDED DECEMBER 29, 2002

Consolidated net sales for the three months ended December 28, 2003 were $40.2 million, a decrease of $6.5 million, or 13.9%, from $46.7 million for the three months ended December 29, 2002. Net sales by continuing operations business segment were as follows (in millions):

	Three Months Ended		
	December 28, 2003	December 29, 2002	Increase (Decrease)
Material Processing	$ 10.9	$ 26.7	$ (15.8)
Assembly & Test	29.3	20.0	9.3
	$ 40.2	$ 46.7	$ (6.5)

Material Processing segment net sales decreased $15.8 million, or 59.2%, to $10.9 million for the three months ended December 28, 2003 from $26.7 million for the three months ended December 29, 2002. The decrease was primarily due to the decrease in sales to our key electronics customer. Sales to this customer for the three months ended December 28, 2003 were $3.5 million, down $9.9 million or 73.9%, from the comparable three months of fiscal 2003. The decrease in sales can be attributed to the completion of several capital spending programs with this customer being recognized in fiscal 2003 and not being replaced by other orders from this customer or other customers. In July 2003, we announced the decision to transfer the manufacturing operations in Buffalo Grove, Illinois to Lebanon, Missouri as part of the Material Processing segment. As a result of this consolidation, we have consolidated the Precision Assembly segment into the Material Processing segment for financial reporting purposes beginning in fiscal 2003. The decision to transfer manufacturing operations in Buffalo Grove was based on the outlook for future electronics projects and excess capacity issues. We expect to see continued softness in our core electronics market throughout fiscal 2004. The segment's other markets also remain depressed. For example, sales to the appliance industry were down approximately $4.1 million, or 88.8%, for the three months ended December 28, 2003. We are currently working on the process and equipment development for Earthshell's biodegradable foam laminate packaging equipment, with expectations of delivering the first machine during the fourth quarter of fiscal 2004. We are not recognizing revenue on this project until we receive customer acceptance of the equipment. The initial orders for this equipment were cancelled by Green Packaging during fiscal 2003 and we have since contracted to sell a majority of the Green Packaging inventory to another customer and expect to recover the $2.6

million of net value on our balance sheet at December 28, 2003. See, however, Note 9 to the consolidated financial statements for a description of issues related to this customer contract.

Assembly & Test segment net sales increased $9.3 million, or 46.5%, to $29.3 million for the three months ended December 28, 2003 from $20.0 million for the three months ended December 29, 2002. Our Assembly & Test segment primarily serves the automotive market. The increase in the segment's sales was across the North American and European operations and can be attributed to the timing of project revenue recognition on a few large projects.

Gross profit decreased $1.9 million, or 32.2%, to $3.9 million for the three months ended December 28, 2003 from $5.8 million for the three months ended December 29, 2002. The decrease in gross profit reflects the effect of the $6.5 million decrease in net sales. Our gross margin decreased to 9.7% in fiscal 2004 from 12.3% in fiscal 2003. The lower gross margins resulted from higher than planned costs incurred on projects and fixed manufacturing costs being allocated over a lower revenue base.

Selling, general and administrative (SG&A) expenses were $8.7 million for the three months ended December 28, 2003, a decrease of $0.2 million, or 2.2%, from the $8.9 million for the three months ended December 29, 2002. The decrease is primarily attributable to the cost reduction program that we implemented in fiscal 2003, which has achieved savings of $0.7 million a month beginning in April 2003. The program included the discontinuance of 401-K matching and discretionary contributions and salary

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and wage reductions of 5% to 10% across several divisions and our corporate office. These savings were substantially offset by the $1.5 million increase in corporate expenses, primarily pertaining to increased directors and officers insurance and legal and professional fees associated with the senior credit facility.

A restructuring charge of $0.6 million was recorded during the three months ended December 29, 2003. The charge related primarily to severance costs associated with the transfer of manufacturing in Buffalo Grove, Illinois to Lebanon, Missouri and a reserve recorded for future lease costs on a now vacant facility in England. (See Note 12.)

Our operating loss increased $0.5 million to a loss of $5.4 million for the three months ended December 28, 2003 compared to a loss of $4.9 million for the three months ended December 29, 2002.

Material Processing segment operating loss increased $2.1 million to a loss of $3.1 million for the three months ended December 28, 2003 from a loss of $1.0 million for the three months ended December 29, 2002. Operating margin for the Material Processing segment was a loss of 28.4% in the second quarter of fiscal 2004 versus a loss of 3.8% in the second quarter of fiscal 2003. As noted above, the drop in sales resulted from the segment's core electronics market where the

segment has historically achieved better profit performance. The segment incurred approximately $0.2 million in costs related to closing the Buffalo Grove, Illinois manufacturing facility and relocating equipment. The remainder of the decrease in operating margin can be attributed to project cost overruns and lower absorption of manufacturing overhead costs.

The Assembly & Test segment achieved operating income of $0.9 million for the three months ended December 28, 2003 compared to a loss of $2.1 million for the three months December 29, 2002. Operating margin for the Assembly & Test segment was 3.1% in the second quarter of fiscal 2004 versus a loss of 10.3% in the second quarter of fiscal 2003. The improvement in operating performance is a combination of better project performance, the improved absorption of manufacturing overhead costs from the increased revenues and cost reductions.

Corporate head office operating costs were $3.3 million for the three months ended December 28, 2003 versus $1.8 million for the three months ended December 29, 2002. The increase was primarily a result of increased directors and officer's insurance premiums and legal and professional fees associated with our senior credit facility, partially offset by the cost cutting programs we implemented.

Interest expense attributed to continuing operations increased $0.3 million, or 28.5%, to $1.5 million for the three months ended December 28, 2003 from $1.2 million for the three months ended December 29, 2002. The increase reflects the 1/2 point increase in interest rates charged on the senior credit facility, increased supplemental bank fees pertaining to bank amendments and an increase in the amortization of deferred financing fees. Dividends on our trust preferred securities were $0.4 million for the three months in fiscal 2004 and fiscal 2003. Annual dividend expense of $1.6 million on the TIDES is being recorded, reflecting an approximate effective yield of 4.6% over the life of the TIDES.

No income tax benefit has been recorded for the three months ended December 28, 2003, or for the prior quarter despite book losses. Based on the uncertainty of future taxable income, we have not recorded any tax benefit for book losses. Also, we have established valuation allowances against all of our United States and United Kingdom deferred tax assets.

Included in discontinued operations for the three months ended December 28, 2003 is a $3.5 million loss from operations of the Converting Technologies division and a $11.4 million loss from operations of the Packaging Systems segment. The losses include write-downs of the net assets to fair market value of $3.1 million on the Converting Technologies division and of $12.8 million on the Packaging Systems segment.

SIX MONTHS ENDED DECEMBER 28, 2003
COMPARED TO SIX MONTHS ENDED DECEMBER 29, 2002

Consolidated net sales for the six months ended December 28, 2003 were $75.4 million, a decrease of $27.0 million, or 26.4%, from $102.4 million for the six

months ended December 29, 2002.

Net sales by segment were as follows (in millions):

	Six Months Ended		
	December 28, 2003	December 29, 2002	Increase (Decrease)
Material Processing	$ 25.3	$ 60.7	$ (35.4)
Assembly & Test	50.1	41.7	8.4
Total	$ 75.4	$ 102.4	$ (27.0)

The decrease in Material Processing segment sales primarily reflects a $28.8 million decrease in sales to our key electronics customer and a $6.2 million decrease in sales to the appliance market. The Material Processing segment was not able to replace sales to these customers with new or repeat customers.

The Assembly & Test segment, which primarily serves the automotive, truck and heavy equipment market, has experienced market softness over an extended period. Results for the current year include revenue recognition on several large automotive projects for which we are currently uncertain that these revenue levels will be achieved in future quarters. Our automotive markets remain very competitive and price sensitive.

Gross profit decreased by $8.5 million, or 52.0%, to $7.8 million for the six months ended December 28, 2003 versus $16.3 million for the six months ended December 29, 2002. The gross margin decreased to 10.4% for the six months of fiscal 2004 from 15.9% for the six months of fiscal 2003, primarily reflecting issues within the Material Processing segment, including project cost overruns on several projects and the impact of reduced volumes and under-absorption of overhead costs. The decrease in gross margin for the Material Processing segment was also due to process and equipment development costs for Earthshell's biodegradable foam laminate packaging equipment and the negative impact on profitability from announcing the shutdown of manufacturing in Buffalo Grove, Illinois.

Selling, general and administrative (SG&A) expenses were $17.3 million for the six months ended December 28, 2003, a decrease of $1.5 million, or 8.0%, compared to $18.8 million for the six months ended December 29, 2002. The decrease is primarily attributable to the cost reduction program that we implemented in fiscal 2003, which achieved savings of $1.0 million a month beginning in April 2003. The program included the discontinuance of 401-K matching and discretionary contributions and salary and wage reductions of 5% to 10% across several divisions and our corporate office. These decreases were offset by increases in directors and officers insurance and lender's legal and professional fees. SG&A expenses as a percentage of consolidated net sales increased to 23.5% for the six months of fiscal 2004 from 18.3% for the prior year period, reflecting the above items and the lower sales volume.

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A restructuring charge of $1.6 million was recorded during the six months ended December 28, 2003. The charge related primarily to severance costs associated with the transfer of manufacturing in Buffalo Grove, Illinois to Lebanon, Missouri and to a reserve recorded for future lease costs on a now vacant facility in England. Included in the operating results for the six months ended December 29, 2002 was a $1.7 million restructuring charge related to the closure of the Company's Erie, Pennsylvania facility, part of the Company's Material Processing segment.

Research and development spending, part of SG&A, was $0.6 million for the first six months of fiscal 2004, down from $1.4 million in the comparable prior year period. The decrease resulted from the introduction of four new products in the prior year period and the reduction in all discretionary spending in the current fiscal year to conserve cash.

An operating loss of $11.5 million was incurred for the six months ended December 28, 2003 versus an operating loss of $4.2 million for the six months ended December 29, 2002. Operating margin decreased to a loss of 15.2% in the current year versus 4.1% in the prior year. The following discusses the operating income/loss variances from the prior year comparable period.

Material Processing segment operating income decreased $9.0 million to a loss of $6.5 million for the six months ended December 28, 2003 compared to operating income of $2.5 million generated in the prior period. Operating margin decreased to a loss of 25.7% in the current period compared to income of 4.1% in the prior year. The segment's operating income and margins were impacted by the 58.4% drop in revenues, primarily revenues with customers providing better profitability. The change in product mix away from repeat customers and duplicate systems and the impact of lower volumes on the absorption of manufacturing overhead costs has primarily driven the lower operating margins. The segment is currently working on a few low margin and loss projects. Also, the segment continues to incur costs on developing Earthshell's biodegradable foam laminate packaging equipment, although not recognizing any profitability on this project. The segment incurred approximately $1.2 million in costs related to closing the Buffalo Grove, Illinois manufacturing facility and relocating equipment.

Assembly & Test segment operating income increased $3.3 million, or 121%, to $0.6 million for the six months ended December 29, 2003 compared to a loss of $2.7 million for the six months ended December 29, 2002. Operating margin increased to income of 1.2% in the current period compared to a loss of 6.6% in the prior year period. Assembly & Test segment sales were up 20.3% and operating expenses were down resulting in favorable leverage on costs in the current period. Operating margins also improved from better project performance, with the prior year period being low due to a few low margin and loss projects.

The corporate head office operating loss increased $1.7 million to a loss of $5.6 million for the six months ended December 28, 2003 from a loss of $3.9 million for the prior period. The increase was primarily a result of increased directors and officers insurance premiums and lender's legal and professional fees, partially offset by the cost cutting programs we implemented.

Interest expense increased $0.6 million to $3.6 million for the six months ended December 28, 2003 versus $3.0 million for the six months ended December 29,

2002. The increase reflects the 1/2 point increase in interest rates charged on the senior credit facility, increased supplemental bank fees pertaining to bank amendments and an increase in the amortization of deferred financing fees. Dividends on our trust preferred securities were $0.8 million for the six months in fiscal 2004 and fiscal 2003. Dividend expense of $1.6 million is recorded annually on the convertible trust preferred securities, reflecting an approximate effective yield of 4.6% over the life of the securities, after considering the period from April 1, 2002 until July 2, 2004 when distributions are not required to be paid.

Included in discontinued operations for the six months ended December 28, 2003 is an approximate $2.8 million loss from operations of the Converting Technologies division and an approximate $12.1 million loss from operations of the Packaging Systems division. The losses include the write-down of the net assets to fair market value of $3.1 million on the Converting Technologies division and $12.8 million on the Packaging Systems division.

LIQUIDITY AND CAPITAL RESOURCES

The Company has experienced operating losses in the past several years, has an accumulated deficit of $133.5 million and its operating performance continues to be adversely impacted by depressed levels of capital spending in the markets it serves. In addition, the Company is currently in default on its senior credit facility due to its failure to make principal payments of approximately $2.7 million due on December 31, 2003 and violation of a minimum net worth covenant. The Company has requested a forebearance agreement from its bank group, but the bank group had neither waived the defaults nor issued forebearance from accelerating payment. The Company's current senior credit facility matures on July 2, 2004 and, to date, the bank group has not indicated its willingness to extend the facility beyond that date. These circumstances raise substantial doubt about the Company's ability to continue as a going concern. The Company's lines of credit are currently overdrawn, it is not able to access any availability under the senior credit facility and it is operating through the management of its cash, including efforts to collect customer payments and delaying payment to vendors, where feasible, to meet its liquidity needs. The Company's ability to meet its short-term liquidity needs and debt obligations would be materially adversely affected if the Company obtains a significant amount of new orders which are not accompanied by advance payments from the customers.

The Company will be required to replace its existing credit facility on July 2, 2004 unless its current bank group elects to extend the facility beyond the maturity date. The Company has had continuing discussions with other potential lenders who could replace the current bank group. In addition, in order to generate cash to reduce its level of indebtedness, the Company has sold the assets of its Converting Technologies operations (see Note 5 to the financial statements) and has signed a non-binding letter of intent to sell the assets of its Packaging Systems segment. While the Company believes it will be able to identify a new lending source to replace the current bank group, it may not be

able to find new financing on terms acceptable to the Company or at a level which would provide acceptable repayment terms to the current bank group, in either case on a timely basis. If the current bank group is not willing to extend the credit facility, new financing at acceptable terms is not available or the Company is not able to generate sufficient cash by selling assets, the Company will not be able to make the lump sum payment that is due on July 2, 2004. If sufficient funds to satisfy obligations under the senior credit facility are not available, the Company will not be able to continue its operations as currently anticipated and may need to initiate bankruptcy proceedings in order to continue its operations with minimal disruption and preserve the value of its assets.

Cash Flow Activity

Net cash used by operating activities of continuing operations was $8.7 million for the six months ended December 28, 2003, compared with $5.8 million for the six months ended December 29, 2002. For the six months ended December 28, 2003, a decrease in working capital for the continuing operations provided $3.5 million of operating cash flow as compared to a use of cash of $1.0 million for the six months ended December 29, 2002. The discontinued operations of the Converting Technologies and Packaging Systems divisions used $0.4 million of cash for operating activities for the six months ended December 28, 2003 compared to a use of $1.6 million for the six months ended December 29, 2002.

The decrease in working capital of $3.5 million for the six months ended December 28, 2003 can be primarily attributed to the reduction in net sales of $27.0 million, or 26.4%, from the six months of fiscal 2003. Other factors contributing to lower working capital include higher billings to date on percentage of completion projects, resulting from our focus on cash management and obtaining better payment terms and also from the predominance of projects being at a later stage in the project life cycle. Because of the default on our credit facility, we have been managing cash by deferring payments to vendors. This has also contributed to the lower working capital.

Our working capital balances can fluctuate significantly between periods as a result of the significant costs incurred on individual contracts, the relatively large amounts invoiced and collected for a number of large contracts, and the amounts and timing of customer advances or progress payments associated with certain contracts.

Capital expenditures for the six months ended December 28, 2003 were $0.2 million, reflecting the Company's conservation of cash. Management anticipates capital expenditures for fiscal 2004 to be approximately $1.0 million, consisting of recurring replacement or refurbishment of machinery and equipment. However, until the Company is able to generate cash from its operations, or have availability under its lines of credit, capital expenditures will likely we limited to only those amounts which are essential to continue operations. In the next six months, the Company does not anticipate a critical need for capital expenditures.

During the six months ended December 28, 2003, we borrowed $5.4 million under our revolving line of credit to fund cash used by operating activities, capital expenditures and $0.2 million in financing costs.

Senior Credit Facility and Trust Preferred Securities

We use our borrowings under our senior credit facility to fund working capital requirements, capital expenditures and finance charges. Borrowings under our senior credit facility are secured by substantially all of our domestic assets. As of December 28, 2003, our senior credit facility consisted of a $42.8 million revolving credit facility (including a $0.8 million restricted line, which can be used only with approval of a majority of the lenders) and a $5.5 million term credit facility. As of December 28, 2003, under the revolving line of credit, $42.4 million was outstanding (including $2.1 million in outstanding letters of credit) and total borrowing availability was $0.4 million (restricted). We had approximately $1.8 million in cash as of December 28, 2003.

We were required to make a scheduled quarterly commitment reduction of $1.5 million on December 31, 2003 and lower our outstanding borrowings on December 30, 2003 upon the renewal of our Sterling pound note at a new exchange rate (approximately $1.6 million). We failed to make these mandatory principal payments as required and are currently in default under our senior credit facility. We have since sold substantially all of the assets of our Converting Technologies division and used the net proceeds to reduce term debt by $.7 million and revolving debt by $5.0 million (after payment of $.3 million of bank advisor fees.) Discussions are currently ongoing with our senior lenders to execute a forbearance agreement.

As a result of our net loss in the second quarter of fiscal 2004, we are in default of the minimum net worth covenants of our senior credit facility as of December 28, 2003.

At December 28, 2003, interest rates were 8.0% on outstanding domestic indebtedness and 8.44% on outstanding Sterling Pound indebtedness. Interest rates at December 28, 2003 were based on the prime rate plus 4.0% or the Eurodollar rate plus 4.5%. The facility requires commitment fees of 0.50% per annum payable quarterly on any unused portion of the revolving credit facility, an annual agency fee of $150,000 and a 1% annual facility fee. The annual facility fee will be forgiven if the debt is paid in full and the credit facility is cancelled before the annual due dates.

On June 12, 1997, we completed a private placement to several institutional investors of $70.0 million of 7.16% convertible preferred securities ("TIDES"). The TIDES offering was made by our wholly-owned subsidiary trust, DT Capital Trust (the "Trust"). The TIDES represent undivided beneficial ownership interests in the Trust, the sole assets of which are the related aggregate principal amount of junior subordinated debentures issued by us that the Trust acquired with the proceeds of the TIDES offering. As originally structured, the TIDES were convertible at the option of the holders at any time into shares of

our common stock at a conversion price of $38.75 per share. Furthermore, the TIDES holders were entitled to receive cash distributions at an annual rate of 7.16%, payable quarterly in arrears on the last day of each calendar quarter. In connection with the September 1999 amendment to our senior credit facility, we elected to defer distributions on the TIDES for up to five years.

In connection with our financial recapitalization transaction that we completed on June 20, 2002, we restructured our agreement with the TIDES holders and, among other things, exchanged half of the outstanding TIDES, plus the deferred quarterly distributions of $15.1 million on the TIDES, for 6,260,658 shares of our common stock. We have guaranteed the payment of distributions and payments on liquidation of the Trust or the redemption of the TIDES. Through this guarantee, our junior subordinated debentures, the debentures' indenture and the Trust's declaration of trust, taken together, we have fully, irrevocably and unconditionally guaranteed all of the Trust's obligations under the TIDES. Thus, while the TIDES are not included in our liabilities for financial reporting purposes and instead appear on our consolidated balance sheet between liabilities and stockholders' equity, they represent obligations of DTI.

The Company is required to begin paying quarterly distributions of $.6 million under its 7.16% convertible preferred securities ("TIDES") on September 30, 2004. The Company may elect to defer future quarterly distribution through the maturity date of the TIDES, May 31, 2008, provided it makes the initial distribution on September 30, 2004.

BACKLOG

The Company's backlog is based upon customer purchase orders that the Company believes are firm. Backlog and orders by continuing segment for the current and prior year period are as follows:

	Backlog as of		Orders for the six months ended	
	December 28, 2003	December 29, 2002	December 28, 2003	December 29, 2002
Material Processing	$ 29.0	$ 58.3	$ 27.0	$ 46.7
Assembly & Test	39.5	46.9	43.2	40.4
	$ 68.5	$ 105.2	$ 70.2	$ 87.1

The level of backlog at any particular time is not necessarily indicative of our future operating performance for any particular reporting period because we may not be able to recognize as sales the orders in our backlog when expected or at all due to various contingencies, many of which are beyond our control. For example, many purchase orders are subject to cancellation by the customer upon notification. Certain orders are also subject to delays in completion and shipment at the request of the customer. However, our contracts normally provide for cancellation and/or delay charges that require the customer to reimburse us for costs actually incurred and a portion of the quoted profit margin on the project. We believe most of the orders in our backlog as of December 28, 2003 will be recognized as sales during fiscal 2004.

The Company believes that the level of orders and resulting backlog have been negatively impacted and may continue to be negatively impacted by the concerns customers have about the Company's financial condition, including the current bank covenant violation and payment default and the ability of the Company to continue its operations as currently anticipated.

Backlog was negatively impacted by the lower order level and by the previously announced fourth quarter fiscal 2003 contract termination by a customer purchasing the Company's Earthshell equipment. Although the cancelled order reduced year end backlog by $12.3 million, the Company received a $5.3 million purchase order for this equipment from a new customer in the first quarter of fiscal 2004, which is included in its December 28, 2003 backlog.

We have been expanding our sales efforts in Asia and developing markets because we expect significant capital equipment purchases to occur in general in these markets over the remainder of the decade. In September, we received a $3.1 million order at our Assembly & Test operation from a Chinese auto supplier.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2003, the FASB issued a revision to FASB Statement No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" that revises employers' disclosures about pension plans and other postretirement benefit plans. It does not change the measurement or recognition of those plans required by FASB Statements No. 87, Employers' Accounting for Pensions, No. 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, and No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. This Statement retains the disclosure requirements contained in FASB Statement No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits, which it replaces. It requires additional disclosures to those in the original FAS 132 about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The required information should be provided separately for pension plans and for other postretirement benefit plans. The provisions of FAS 132 remain in effect until the provisions of this Statement are adopted. This Statement is effective for financial statements with fiscal years ending after December 15, 2003, except that disclosure of information about foreign plans required by this Statement is effective for fiscal years ending after June 15, 2004. The interim-period disclosures required by this Statement are effective for interim periods beginning after December 15, 2003.

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities," which addresses the reporting and consolidation of variable interest entities as they relate to a business enterprise. This interpretation incorporates and supersedes the guidance set forth in ARB No. 51, "Consolidated Financial Statements." It requires the consolidation of variable interests into the financial statements of a business enterprise if that enterprise holds a controlling financial interest via other means than the traditional voting majority. The provisions of FIN 46 are

effective immediately for variable interest entities created after January 31, 2003 and thereafter. In December 2003, the FASB issued FIN46R, a revision to the previously issued FIN46, which defers the implementation date. The effective date for FIN46R is the end of the first interim or annual period subsequent to March 15, 2004, which is the third quarter of fiscal 2004 for the Company. Pursuant to FIN 46R, the Company's wholly-owned consolidated subsidiary trust (the "Trust") will be required to be deconsolidated. The Company, would, however maintain a liability to the Trust relative to the debentures of the Company held by the Trust. The Company has not created any new variable interest entities since January 31, 2003.

In May 2003, the FASB issued FASB Statement No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity and requires that an issuer classify a financial instrument that is within its scope as a liability. Certain provisions of this statement that are applicable to the Company have been indefinitely deferred.

SEASONALITY AND FLUCTUATIONS IN QUARTERLY RESULTS

In general, the Company's business is not subject to seasonal variations in demand for its products. However, because orders for certain of the Company's products can be several million dollars, a relatively limited number of orders can constitute a meaningful percentage of its revenue in any one quarterly period. As a result, a relatively small reduction or delay in the number of orders can have a material impact on the timing of recognition of the Company's revenues. Almost all of the Company's net sales are derived from fixed price contracts. Therefore, to the extent that original cost estimates prove to be inaccurate, profitability from a particular contract may be adversely affected. Gross margins may vary between comparable periods as a result of the variations in profitability of contracts for large orders of special machines as well as product mix between the various types of custom and proprietary equipment manufactured by the Company. Accordingly, the Company's results of operations for any particular quarter are not necessarily indicative of results that may be expected for any subsequent quarter or related fiscal year.

FOREIGN OPERATIONS

Our primary foreign operations are conducted through subsidiaries in the United Kingdom and Germany. The functional currencies of these subsidiaries are the currencies native to the specific country in which the subsidiary is located.

SUMMARY DISCLOSURE ABOUT CONTRACTUAL OBLIGATIONS

See the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2003. There were no significant updates to the disclosure as of December 28, 2003.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to DTI's exposures to market risk during the six months ended December 28, 2003 that would require an update to the disclosures provided in DTI's Form 10-K for the fiscal year ended June 29, 2003.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file or submit under the 1934 Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

We carried out an evaluation pursuant to Exchange Act Rule 13a-15, under the supervision and with the participation of our management, including our President and Chief Executive Officer along with our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the second quarter of fiscal 2004. Based upon the foregoing, our President and Chief Executive Officer, along with our Chief Financial Officer, concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be included in our Exchange Act reports. There has been no change in our internal control over financial reporting that occurred during the second quarter of fiscal 2004 identified in connection with the evaluation described above that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. During the first quarter of fiscal 2004, our director of internal audit and a staff internal auditor left the Company to pursue other job opportunities. In December 2003, the former controller of the Company's Precision Assembly segment was named director of internal audit.

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PricewaterhouseCoopers LLP, our independent auditors, after the initial filing of this Form 10-Q advised us that the combination of adjustments to reflect the proper application of SFAS No. 142 in calculating goodwill impairment for a business unit held for sale (as described in this Form 10-Q/A) and the adjustments made to historical financials statements in our fiscal year 2003 Form 10-K to properly account for our UK pension plan are internal control deficiencies that collectively constitute a material weakness (as defined by the American Institute of Certified Public Accountants). Our management and audit committee are assessing the technical expertise and resources in our accounting and internal audit areas to address complex accounting issues and will take such steps as are appropriate to address any deficiencies.

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PART II. OTHER INFORMATION
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ITEM 1. LEGAL PROCEEDINGS

The Company is involved in legal and regulatory proceedings, as described in "Part 1, Item 3. Legal Proceedings" of the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2003 and in "Note 11 - Commitments and Contingencies" to the financial statements included in this report. Since the disclosure in the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2003, there have been no material developments in previously reported legal proceedings other than on September 29, 2003, Green Packaging amended its complaint and added DTI as a defendant in that action. The causes of action in the amended complaint are the same as those asserted in the original complaint, with additional claims made for breach of guarantee and breach of an additional agreement. The Company and DTE have filed a motion to quash service of the summons and amended complaint for lack of personal jurisdiction. The motion is noticed to be heard on April 22, 2004.

In addition to the above-described items, the Company is from time to time subject to claims and suits arising in the ordinary course of business. Although the ultimate disposition of such proceedings is not presently determinable, management does not believe that the ultimate resolution of these matters will have a material adverse effect on the Company's financial condition, results of operations or cash flows. The Company maintains comprehensive general liability insurance that it believes to be adequate for the continued operation of its business.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" above for a discussion of payment and covenant defaults under the Company's bank credit facility. The Company has requested a forebearance agreement from its lenders in connection with such defaults but, as of the date of this Report on Form 10-Q, such forebearance has not been obtained.

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

On November 11, 2003, the Annual Meeting of the Stockholders of DTI was held, at which the election of directors and a proposal recommending that the Board consider rescinding the Company's Shareholders Rights Plan was voted upon.

With respect to the election of Directors, each of the following nominees for Directors received the number of votes set forth opposite his name:

		FOR
Class I	James J. Kerley	4,499,719
(term expires 2006)	Charles F. Pollnow	11,400,067

John F. Logan	11,198,837

With respect to the proposal recommending that the Board consider rescinding the Shareholder Rights Plan, the vote was 11,176,893 for, 1,646,189 against, and 13,009 abstentions.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

32 Certification Pursuant to 18 U.S.C. Section 1350 As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K:

On October 22, 2003, a Current Report on Form 8-K was filed, pursuant to items 5 and 7 thereof, announcing that the Company had reached an agreement with its lenders to amend its senior credit facility.

On November 12, 2003, a Current Report on Form 8-K was filed to report, pursuant to Items 5 and 7 thereof, the release of the Company's earnings for the three months ended September 28, 2003.

DT INDUSTRIES, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to be signed on its behalf by the

undersigned thereunto duly authorized.

DT INDUSTRIES, INC.

Date: March 11, 2004

/s/ John M. Casper

(Signature)
John M. Casper
Senior Vice President, Finance and Chief Financial Officer
(Principal Financial and Accounting Officer)