DT INDUSTRIES INC
Form 10-Q
November 12, 2003

FORM 10-Q

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 September 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 November 5, 2003 was 23,667,932.

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Consolidated Balance Sheets at September 28, 2003 and June 29, 2003

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DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
(UNAUDITED)
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	SEPTEMBER 28, 2003	JUNE 20
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,841	$ 4
Accounts receivable, net	30,657	28
Costs and estimated earnings in excess of amounts billed on uncompleted contracts	28,174	29
Inventories, net	26,718	28
Prepaid expenses and other	5,987	5
Total current assets	96,377	97
Property, plant and equipment, net	29,231	30
Goodwill	74,803	75
Other assets, net	5,036	5
	$ 205,447	$ 209
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Senior secured term and revolving credit facility	$ 46,929	$ 39
Current portion of other long-term debt	107	
Accounts payable	15,053	16
Customer advances	11,267	15
Billings in excess of costs and estimated earnings on uncompleted contracts	7,116	5
Accrued liabilities	25,704	26
Total current liabilities	106,176	102
Long-term debt	1,473	1
Other long-term liabilities	24,754	24
Total non-current liabilities	26,227	25
Commitments and contingencies (Note 9)		
Company-obligated, mandatorily redeemable convertible preferred securities of subsidiary DT Capital Trust holding solely convertible junior subordinated debentures of the Company	37,406	37
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; 23,667,932 shares outstanding at September 28, 2003 and June 29, 2003	246	
Additional paid-in capital	188,060	188
Accumulated deficit	(111,167)	(103
Accumulated other comprehensive loss	(18,838)	(18
Unearned portion of restricted stock	(146)	
Less -		

Treasury stock (968,488 shares at September 28, 2003 and June 29, 2003), at cost	(22,517)	(22
Total stockholders' equity	35,638	43
	$ 205,447	$ 209

See accompanying Notes to Consolidated Financial Statements.

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ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF OPERATIONS
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
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	T
	SEPTEMBE 2003
Net sales	$ 46
Cost of sales	39
Gross profit	6
Selling, general and administrative expenses	11
Asset impairment	
Restructuring charges	1
Operating income (loss)	(5
Interest expense, net	1
Dividends on Company-obligated, mandatorily redeemable convertible preferred securities of subsidiary DT Capital Trust holding solely convertible junior subordinated debentures of the Company	
Loss before income taxes	(7
Provision (benefit) for income taxes	
Net loss	$ (7
Net loss per common share:	
Basic	$ (
Diluted	$ (
Weighted average common shares outstanding:	
Basic	23,652
Diluted	23,652

See accompanying Notes to Consolidated Financial Statements.

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ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 28, 2003
(DOLLARS IN THOUSANDS)
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	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	T
BALANCE, JUNE 29, 2003	$246	$188,060	$(103,394)	$(18,479)	$
Comprehensive income:					
Net loss			(7,773)		
Deferred hedging loss				3	
Foreign currency translation				(362)	
Total comprehensive income					
Amortization of earned portion of restricted stock					
BALANCE, SEPTEMBER 28, 2003	$246	$188,060	$(111,167)	$(18,838)	$

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS
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	SEPTEMBER 28, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$ (7,773)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation	955
Amortization	589
Asset impairment	423
Other	(5)
Deferral of dividends on convertible trust preferred securities	401
(Increase) decrease in current assets, excluding the effect of dispositions:	
Accounts receivable	(1,506)
Costs and estimated earnings in excess of amounts billed on uncompleted contracts	1,050
Inventories	2,214
Prepaid expenses and other	661
Increase (decrease) in current liabilities, excluding the effect of dispositions:	
Accounts payable	(1,195)
Customer advances	(4,490)
Billings in excess of costs and estimated earnings on uncompleted contracts	2,074
Accrued liabilities and others	(554)
Net cash used by operating activities	(7,156)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	(108)
Net cash used by investing activities	(108)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net borrowings (paydowns) on revolving loans	7,500
Payments on borrowings	(292)
Financing costs	(100)
Net cash provided (used) by financing activities	7,108
Effect of exchange rate changes	85
Net decrease in cash	(71)
Cash and cash equivalents at beginning of period	4,912
Cash and cash equivalents at end of period	$ 4,841

See accompanying Notes to Consolidated Financial Statements.

DT INDUSTRIES, INC.

ITEM 1. FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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. LIQUIDITY AND CAPITAL RESOURCES

The Company has experienced operating losses in the past several years, has an accumulated deficit of $111,167 and its operating performance continues to be adversely impacted by depressed levels of capital spending in the markets it serves. These circumstances raise substantial doubt about the Company's ability to continue as a going concern. In light of the availability under the credit facility, the Company will need to effectively manage its cash to meet its liquidity needs and debt reduction obligations through July 2, 2004, the maturity date of the facility. The Company's ability to meet its short-term liquidity needs and debt obligations could be materially adversely affected if the Company incurs significant manufacturing costs for projects that do not involve prepayments or if orders increase materially. The Company has initiated discussions with several lenders and is actively engaged in negotiations to sell certain assets for purposes of refinancing borrowings under its credit facility, and expects to complete such refinancing prior to July 2, 2004. While the Company believes it will be able to replace the facility, the Company may not be able to find new financing on terms acceptable to the Company or the current bank group. If that is the case, the current bank group may not be willing to further extend the credit facility. If the current bank group is not willing to extend the credit facility, new financing at acceptable terms is not available and 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 will otherwise be 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, described in Note 4, matures on July 2, 2004 and borrowings thereunder of approximately $46,929 are presented as current debt in the accompanying September 28, 2003 consolidated balance sheet.

3. 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 Standard 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 option awards may be granted, the pro forma impacts shown below are not necessarily indicative of the impact in future years.

	For the Three Months Ended	
	September 28, 2003	September 29, 2002
Net loss - as reported	$(7,773)	$(1,162)
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	$(7,817)	$(1,245)
Loss per basic and diluted share - as reported	$ (0.33)	$ (0.05)
Loss per basic and diluted share - pro forma	$ (0.33)	$ (0.05)

GOODWILL

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

	Material Processing segment	Packaging Systems segment	Assembly & Test segment
Balance as of June 29, 2003	$ 31,100	$ 11,500	$ 32,716
Goodwill impairment charge	--	--	(423)
Foreign currency translation	--	(58)	(32)
Balance as of September 28, 2003	$ 31,100	$ 11,442	$ 32,261

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ITEM 1. FINANCIAL STATEMENTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
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4. FINANCING

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

	SEPTEMBER 28, 2003	J
Term and revolving loans under senior secured credit facility:		
Term loan	$ 5,747	$
Revolving loans	41,182	
Other debt	1,580	
	48,509	
Less - current portion of senior secured credit	46,929	

facility		
Less - current portions of other debt	107	-
Long-term debt	$ 1,473	$

As a result of covenant defaults in the fourth quarter of fiscal 2003 and the first quarter of fiscal 2004, the Company completed an amendment to its senior credit facility on October 21, 2003 that provided a permanent waiver of the covenant defaults and established new covenants through the term of the facility, which is currently set to mature on July 2, 2004. In conjunction with the amendment and in accordance with previous amendments to the senior credit facility, the Company made a term loan payment of $263 and the revolving credit line was reduced by $2,217. The amended senior credit facility (as of October 21, 2003), consisted of a $5,464 term loan and a $42,783 revolving loan ($783 represented a restricted line of credit requiring lender consent to utilize).

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 will increase 1/2 percentage point on January 31, 2004 if the Company does not reduce the outstanding revolving loans to $18,000 or less. At September 28, 2003, interest rates on outstanding indebtedness were 8.0% on domestic borrowings and 7.95% on Sterling Pound 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. 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 or if the Company has sold assets of not less than $22,000 prior to January 31, 2004.

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

Total borrowing availability under the credit facility, as of September 28, 2003, was $507 (after using availability for outstanding letters of credit of $973). The Company had cash on hand of $4,841 as of September 28, 2003.

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5. 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 ($37,406 at September 28, 2003).

6. 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 will remain in Illinois to serve Precision Assembly's customers. Beginning with this Form 10-Q for the first quarter of fiscal 2004, 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 three business segments.

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

	THREE MONTHS ENDED	
	SEPTEMBER 28, 2003	SEPTEMBER 29, 2002
Net sales		
Material Processing	$20,880	$41,940
Packaging Systems	5,141	5,851

Assembly & Test	20,792	21,651
Consolidated total	$46,813	$69,442

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

	THREE MONTHS E
	SEPTEMBER 28, 2003
Material Processing	$(2,921)
Packaging Systems	53
Assembly & Test	(451)
Operating income (loss) for reportable segments	(3,319)
Corporate	(2,381)
Interest expense, net	(1,672)
Dividends on Company-obligated, mandatorily redeemable convertible preferred securities of subsidiary DT Capital Trust holding solely convertible junior subordinated debentures of the Company	(401)
Consolidated loss before income taxes	$(7,773)

Total assets for the Company's reportable segments consisted of the following:

	AS OF SEPTEMBER 28, 2003	AS OF JUNE 29, 2003
Total assets		
Material Processing	$ 82,567	$ 86,137
Packaging Systems	28,720	30,199
Assembly & Test	84,393	83,321

Corporate	9,767	9,588
Consolidated total	$205,447	$209,245

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ITEM 1. FINANCIAL STATEMENTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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7. SUPPLEMENTAL BALANCE SHEET INFORMATION

	SEPTEMBER 28, 2003
Accounts receivable	
Trade receivables	$ 32,493
Less - allowance for doubtful accounts	(1,836)
	$ 30,657
Costs and estimated earnings in excess of amounts billed on uncompleted contracts	
Costs incurred on uncompleted contracts	$ 136,195
Estimated earnings	12,575
	148,770
Less - Billings to date	(127,712)
	$ 21,058
Included in the accompanying balance sheets:	
Costs and estimated earnings in excess of amounts billed	$ 28,174
Billings in excess of costs and estimated earnings	(7,116)
	$ 21,058
Inventories, net	
Raw materials	$ 15,160
Work in process	13,662
Finished goods	3,234
Less - inventory reserves	(5,338)
	$ 26,718
Accrued liabilities	
Accrued employee compensation and benefits	$ 6,383
Accrued warranty	2,781
Restructuring accrual	1,441
Income tax refund accrual	8,285

Other	6,814
	$ 25,704

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 and rollforward of the warranty reserves for the three months ended September 28, 2003 were as follows:

	Beginning Balance	Expense	Charges	End
Warranty reserves for the three months ended September 28, 2003	$2,619	$416	$(254)	

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8. ACCOUNTING PRONOUNCEMENTS

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 October 2003, the FASB decided to defer the implementation date of FIN 46. The new effective date for FIN 46 is the end of the first interim or annual period subsequent to December 15, 2003, which is the second quarter of fiscal 2004 for the Company. The Company's wholly-owned consolidated subsidiary trust (the "Trust") is the issuer of the Trust Preferred Securities. Pursuant to FIN 46, it could be determined that (i) the Trust is a variable interest entity and (ii) the Company is not the primary beneficiary of the Trust. If such determinations are made, the Company will be required to de-consolidate the Trust, effective for the reporting period ended December 28, 2003. The Company would, however, maintain a liability to the Trust relative to the debentures of the Company held by DT Capital Trust. The Company has not created any new variable interest entities since January 31, 2003 and is currently assessing the overall impact of adopting FIN 46.

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 have been indefinitely deferred. The Company is currently considering the impact this standard will have, in conjunction with FIN 46, with respect to its TIDES securities.

9. 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 and cannot currently predict the duration or outcome of the 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. 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 Earth 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 the addition of a breach of guarantee and breach of an additional agreement claims. The Company intends to file a motion to quash service of the summons and complaint for lack of personal jurisdiction. 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.

Regarding the Green Packaging project, the Company has incurred approximately $8,500 in costs, received approximately $3,300 from the customer and established a reserve of approximately $1,700. The Company has since contracted to sell a majority of the inventory to another customer and expects to recover the approximate $3,000 of net value on its balance sheet at September 28, 2003. The contract with this other customer includes a number of conditions and contingencies, some of which are outside the control of the Company. Because of the contractual risks associated with these contingencies, the Company will not recognize any revenues or profits on this project until such time that the customer fully accepts installed machinery.

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 September 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 for the continued operation of its business.

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10. 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. Beginning with this Form 10-Q for the first quarter of fiscal 2004, the Precision Assembly segment has been consolidated into the Material Processing segment for financial reporting purposes. The Company recorded a restructuring charge of $1,057 in the first quarter of fiscal 2004, including severance costs of $1,032 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 following table summarizes the changes in the restructuring accruals during the first quarter of fiscal 2004:

	ACCRUED AS OF JUNE 29, 2003	INCREASES IN RESERVE	CASH CHARGES TO ACCRUAL	ACCRUED AS OF SEPTEMBER 28,
Severance costs	$ --	$ 1,032	$ (363)	$ 669
Future lease costs on closed facilities	1,004	--	(232)	772
Other	--	25	(25)	--
	$ 1,004	$ 1,057	$ (620)	$ 1,441

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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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 needs through July 2, 2004, 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 continue upgrading and modifying our financial, information and management systems and controls to manage our operations on an integrated basis and report our results, continued economic downturns in industries or markets served, delays or cancellations of customer orders, delays in shipping dates of products, significant cost overruns on projects, customer demand for new products and applications, the loss of a key customer, 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.

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 ended September 28, 2003 compared to the three months ended September 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.

We have experienced operating losses in the past several years, have an accumulated deficit of $111.1 million and our operating performance continues to be impacted by depressed levels of capital spending in the markets we serve. 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 101 (SAB 101).

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 101, 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 calls 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 and 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 will remain in Illinois to serve Precision Assembly's customers. Beginning with this quarterly report, 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 to reflect that the Company currently has three business segments.

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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	
	September 28, 2003 (Unaudited)	September 29, 2002 (Unaudited)
Net sales	100.0%	100.0%
Cost of sales	85.1	80.0
Gross profit	14.9	20.0
Selling, general and administrative expenses	23.9	19.0
Asset impairment	0.9	--
Restructuring charges	2.3	--
Operating income	(12.2)%	1.0%

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

Consolidated net sales for the three months ended September 28, 2003 were $46.8

million, a decrease of $22.6 million, or 32.6%, from $69.4 million for the three months ended September 29, 2002.

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

	Three Months Ended September 28, 2003	Three Months Ended September 29, 2002	Decrease
Material Processing	$20.9	$41.9	$(21.0)
Packaging Systems	5.1	5.9	(0.8)
Assembly & Test	20.8	21.6	(0.8)
	$46.8	$69.4	$(22.6)

Material Processing segment net sales decreased $21.0 million, or 50.2%, to $20.9 million for the three months ended September 28, 2003 from $41.9 million for the three months ended September 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 September 28, 2003 were $5.7 million, down $19.1 million or 77.0% 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 with the three months ended September 28, 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.

Packaging Systems segment net sales decreased $0.8 million, or 12.1%, to $5.1 million for the three months ended September 28, 2003 from $5.9 million for the three months ended September 29, 2002. This business segment primarily serves the pharmaceutical and nutritional markets. The lower sales can be attributed to the softness in capital spending by the large pharmaceutical companies.

Assembly & Test segment net sales decreased $.8 million, or 3.7%, to $20.8 million for the three months ended September 28, 2003 from $21.6 million for the three months ended September 29, 2002. Our Assembly & Test segment primarily serves the automotive market. This segment's sales were down primarily due to the European operations and the timing of diesel and gasoline fuel systems. Customer programs are currently being delayed or cancelled.

Gross profit decreased $6.9 million, or 49.8%, to $7.0 million for the three months ended September 28, 2003 from $13.9 million for the three months ended September 29, 2002. The decrease in our gross profits reflects the effect of the $22.6 million decrease in net sales. Our gross margin decreased to 14.9% in fiscal 2004 from 20.0% in fiscal 2003. The lower gross margins resulted from $.4 million of the process and equipment development costs for Earthshell's biodegradable foam laminate packaging equipment in the Material Processing segment, poor project performance in the Material Processing and Assembly & Test segments, $.4 million of additional non-cash pension costs and the impact on current profitability at the Buffalo Grove, Illinois facility as a result of the announcement of the transfer of all manufacturing to Lebanon, Missouri.

Selling, general and administrative (SG&A) expenses were $11.2 million for the three months ended September 28, 2003, a decrease of $2.0 million, or 15.6%, from the $13.2 million for the three months ended September 29, 2002. The decrease is primarily attributed 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.

A restructuring charge of $1.1 million was recorded during the three months ended September 29, 2003. The charge related primarily to severance costs associated with the transfer of manufacturing in Buffalo Grove, Illinois to Lebanon, Missouri.

Operating income decreased $6.4 million to a loss of $5.7 million for the three months ended September 28, 2003 from income of $0.7 million for the three months ended September 29, 2002.

Material Processing segment operating income decreased $6.3 million to a loss of $2.9 million for the three months ended September 28, 2003 from income of $3.4 million for the three months ended September 29, 2002. Operating margin for the Material Processing segment was a loss of 14.0% in the first quarter of fiscal 2004 versus income of 8.0% in the first 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 decrease in operating margin was also due to process and equipment development costs for Earthshell's biodegradable foam laminate packaging equipment, the impact on profitability from announcing the shut down of manufacturing in Buffalo Grove, Illinois and several loss projects. We have incurred a total of $8.5 million of process and equipment development costs for the biodegradable foam laminate packaging equipment and received $3.3 million from Green Packaging. 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 $3.0 million of net value on our balance sheet at September 28, 2003.

Packaging Systems segment operating income increased $0.2 million to $0.1 million for the three months ended September 28, 2003 compared to an operating loss of $0.1 million for the three months ended September 29, 2002. Operating margin for the Packaging Systems segment was income of 1.0% in the first quarter of fiscal 2004 versus a loss of 0.1% in the first quarter of fiscal 2003.

Assembly & Test segment operating loss decreased $0.2 million to a loss of $0.5 million for the three months ended September 28, 2003 from a loss $0.7 million for the three months ended September 29, 2002. Results for 2004 include $0.4 million of additional non-cash pension costs and a $0.4 million asset impairment charge. Operating margin for the Assembly & Test segment was a loss of (2.2%) in the first quarter of fiscal 2004 versus a loss of 3.1% in the first quarter of fiscal 2003.

Corporate head office operating costs were $2.4 million for the three months ended September 28, 2003 versus $2.0 million for the three months ended September 29, 2002. The increase was primarily a result of increased directors and officers insurance and lender's legal and professional fees partially offset by the cost cutting programs implemented.

Interest expense increased $0.3 million, or 16.3%, to $1.7 million for the three months ended September 28, 2003 from $1.4 million for the three months ended September 29, 2002. The increase reflects the 1/4 point increase in interest rates charged on the senior credit facility 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 September 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.

LIQUIDITY AND CAPITAL RESOURCES

The Company has experienced operating losses in the past several years, has an accumulated deficit of $111.1 million and its operating performance continues to be impacted by depressed levels of capital spending in the markets it serves. These circumstances raise substantial doubt about the Company's ability to continue as a going concern. The Company's amended credit facility reduced the revolving loan commitment from $45.0 million to approximately $42.0 million. In light of the reduced availability under the amended credit facility, the Company will need to effectively manage its cash to meet its liquidity needs and debt reduction obligation through July 2, 2004, the maturity date of the facility. The Company has initiated discussions with several lenders and, is actively engaged in negotiations to sell certain assets for purposes of refinancing borrowings under its credit facility, and expects to complete such refinancing prior to July 2, 2004. While the Company believes it will be able to replace the facility, the Company may not be able to find new financing on terms acceptable to the Company or the current bank group. If that is the case, the current bank group may not be willing to further extend the credit facility. If the current bank group is not willing to extend the credit facility, new financing at acceptable terms is not available and 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 will otherwise be 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 flow used by operations was $7.2 million for the three months ended

September 28, 2003, compared with $3.5 million for the three months ended September 29, 2002. For the three months ended September 28, 2003, an increase in working capital used $0.9 million of operating cash flow as compared to $4.8 million for the three months ended September 29, 2002.

The increase in working capital of $1.7 million in the first quarter of fiscal 2004 can be primarily attributed to the reduction in net sales of $22.9 million, or 33.0%, from the first quarter of fiscal 2003. Note 8 to the unaudited consolidated financial statements included herein provides a breakdown of the components of costs and estimated earnings in excess of amounts billed on uncompleted contracts (CIE) and billings in excess of costs and estimated earnings (BIE). As shown in Note 8, costs incurred on uncompleted contracts increased $17.1 million from June 29, 2003 to September 28, 2003 reflecting our higher level of project activity at September 28, 2003, although net CIE/BIE has actually decreased, reflecting lower estimated earnings on projects and a higher level of billings on projects.

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 three months ended September 28, 2003 were $0.1 million, reflecting the Company's conservation of cash. Management anticipates capital expenditures for fiscal 2004 to be approximately $2.0 million, consisting of recurring replacement or refurbishment of machinery and equipment. Funding for capital expenditures is expected to be provided through the Company's senior credit facility.

During the three months ended September 28, 2003, we borrowed $7.2 million under our revolving line of credit to fund cash used by operating activities, capital expenditures and $0.1 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 September 28, 2003, our senior credit facility consisted of a $45.0 million revolving credit facility (including a $3.0 million restricted line subject to majority lender approval) and a $5.7 million term credit facility. As of September 28, 2003, under the revolving line of credit, $41.5 million was outstanding (including $0.9 million in outstanding letters of credit) and total borrowing availability was $0.5 million. We had approximately $4.8 million in cash as of September 28, 2003. We are required to make a scheduled quarterly commitment reduction of $1.5 million on December 30, 2003.

As a result of our financial performance in fiscal 2003 and in July and August of fiscal 2004, we were in default of the minimum EBITDA, minimum EBITDA to interest expense and minimum net worth covenants of our senior credit facility as of September 28, 2003. In July 2003, we received permanent waivers of the covenant defaults in the first nine months of fiscal 2003. In conjunction with

the waiver of these covenant defaults, the revolving credit facility was temporarily reduced to $45.0 million, with revolver advances in excess of $42.0 million requiring majority lender approval. In October 2003, we received permanent waivers of the covenant defaults in the fourth quarter of fiscal 2003 and the first quarter of fiscal 2004 and established new covenants for the remainder of the term of the senior credit facility beginning in November 2003. The Company is subject to an increased interest rate on its outstanding indebtedness if it fails to reduce to $18.0 million the outstanding principal balance of the indebtedness and revolving loan commitment by January 31, 2004. In connection with the amended facility, the Company agreed to pay an amendment fee of 0.25% of the revolving loan commitment plus the outstanding term loan.

At September 28, 2003, interest rates were 8.0% on outstanding domestic indebtedness and 7.95% on outstanding Sterling Pound indebtedness. Interest rates at September 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.

BACKLOG

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

period are as follows:

	Backlog as of		Orders for the
	September 28, 2003	September 29, 2002	September 28, 2003
Material Processing	$ 32.2	$ 67.1	$ 18.7
Packaging Systems	8.8	16.0	6.6
Assembly and Test	48.4	45.4	22.4
	$ 89.4	$ 128.5	$ 47.7

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 September 28, 2003 will be recognized as sales during fiscal 2004.

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 September 2003 backlog.

In September, we booked a $3.1 million order at our Assembly & Test operation from a Chinese auto supplier.

We have been expanding our sales efforts in Asia and developing markets, where we expect significant capital equipment purchases to occur over the remainder of the decade.

NEW ACCOUNTING PRONOUNCEMENTS

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 October 2003, the FASB decided to defer the implementation date of FIN 46. The new effective date for FIN 46 is the end of the first interim or annual period subsequent to December 15, 2003, which is the second quarter of fiscal 2004 for the Company. The Trust, which is the issuer of the TIDES, is a wholly-owned consolidated subsidiary of the Company. Pursuant to FIN 46, it could be determined that (i) the Trust is a variable interest entity

and (ii) the Company is not the primary beneficiary of the Trust. If such determinations are made, the Company will be required to de-consolidate the Trust, effective for the reporting period ended December 28, 2003. The Company has not created any new variable interest entities since January 31, 2003 and is currently assessing the overall impact of adopting FIN 46.

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 have been indefinitely deferred. The Company is currently considering the impact this standard will have, in conjunction with FIN 46, with respect to its TIDES securities.

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. Our Canadian subsidiary was closed in August 2002. 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 September 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 three months ended September 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 first 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 first 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. However, we do note that 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. Other accounting personnel are currently fulfilling the responsibilities of these positions and we are actively searching for individuals to fill these two positions.

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. 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.

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. DEFAULTS 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 covenant defaults under the Company's bank credit facility. The defaults referenced therein were permanently waived subsequent to quarter end pursuant to the amendment to our credit facility, executed in October 2003.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

10 Fourteenth Amendment to Fourth Amended and Restated Credit Facilities Agreement, dated as of October 21, 2003, among Bank of America, N.A., as Administrative Agent, and Bank of America, N.A. and the other lenders listed therein and DT Industries, Inc. and other Borrowers listed therein.

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 September 5, 2003, the Company filed a Current Report on Form 8-K to report, pursuant to Items 7 and 9 thereof, a release of the Company's earnings for the fourth quarter of fiscal 2003, among other things.

DT INDUSTRIES, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DT INDUSTRIES, INC.

Date: November 12, 2003

/s/ John M. Casper

(Signature)
John M. Casper
Senior Vice President - Finance
and Chief Financial Officer