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DT INDUSTRIES INC
Form 8-K
December 05, 2002

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

FORM 8-K

CURRENT REPORT

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): DECEMBER 5, 2002

DT INDUSTRIES, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	0-23400	44-0537828
-----	-----	-----
(STATE OR OTHER JURISDICTION OF INCORPORATION)	(COMMISSION FILE NUMBER)	(IRS EMPLOYER IDENTIFICATION NO.)

907 W. FIFTH STREET, DAYTON, OH	45407
-----	-----
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (937) 586-5600

ITEM 5. OTHER EVENTS AND REQUIRED FD DISCLOSURE.

As previously announced, the Company has reorganized its operations from two business segments into four new business segments. The Company began reporting financial results for its four new business segments in its Form 10-Q for the fiscal quarter ended September 29, 2002. As required by Statement of

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Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," consolidated financial statements issued by the Company in the future will reflect modifications to its reportable segments resulting from this organizational change, including reclassification of all comparable prior period segment information. Accordingly, the Company's audited consolidated financial statements for the fiscal years ended June 25, 2000, June 24, 2001 and June 30, 2002 and as of June 24, 2001 and June 30, 2002 included in this Form 8-K reflect in Notes 10 and 15 the required reclassification resulting from the new basis of segment reporting.

The information included in this Form 8-K impacts only disclosures related to segment results, and does not in any way restate or revise the financial position, results of operations or cash flows in any of the Company's previously reported consolidated financial statements.

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DT INDUSTRIES, INC. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of DT Industries, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in stockholders' equity and cash flows, after the restatement described in Notes 1 and 16, present fairly, in all material respects, the financial position of DT Industries, Inc. and its subsidiaries at June 30, 2002 and June 24, 2001, and the results of their operations and their cash flows for each of the three fiscal years in the period ended June 30, 2002 in conformity with accounting principles generally accepted

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in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," effective June 25, 2001.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
St. Louis, Missouri

August 22, 2002, except for Notes 10 and 15
which are as of December 4, 2002

CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2002	JUNE 24, 2001 AS RESTATED (NOTES 1 AND 16)
(IN THOUSANDS, EXCEPT SHARE DATA)		
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 18,847	\$ 5,505
Accounts receivable, net.....	54,936	70,774
Costs and estimated earnings in excess of amounts billed on uncompleted contracts.....	29,288	85,805
Inventories, net.....	26,777	40,865
Prepaid expenses and other.....	8,809	14,665
	-----	-----
Total current assets.....	138,657	217,614
Property, plant and equipment, net.....	37,329	62,463
Goodwill, net.....	125,538	123,767
Other assets, net.....	6,886	6,830
	-----	-----
	\$308,410	\$410,674
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of other long-term debt.....	\$ 5,140	\$ 651
Senior secured term and revolving credit facility.....	6,000	35,500
Accounts payable.....	21,049	40,917
Customer advances.....	13,124	16,809
Billings in excess of costs and estimated earnings on		

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uncompleted contracts.....	12,020	8,842
Accrued liabilities.....	29,595	37,143
	-----	-----
Total current liabilities.....	86,928	139,862
	-----	-----
Long-term debt.....	45,381	96,571
Other long-term liabilities.....	3,285	3,778
	-----	-----
	48,666	100,349
	-----	-----
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.....	35,401	80,652
	-----	-----
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; 23,647,932 and 10,337,274 shares outstanding at June 30, 2002 and June 24, 2001, respectively.....	246	113
Additional paid-in capital.....	188,546	127,853
Accumulated deficit.....	(25,922)	(10,992)
Accumulated other comprehensive loss.....	(1,918)	(2,058)
Unearned portion of restricted stock.....	(470)	(661)
Less --		
Treasury stock (988,488 and 1,038,488 shares at June 30, 2002 and June 24, 2001, respectively), at cost...	(23,067)	(24,444)
	-----	-----
Total stockholders' equity.....	137,415	89,811
	-----	-----
	\$308,410	\$410,674
	=====	=====

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF OPERATIONS

	FISCAL YEAR ENDED		
	JUNE 30, 2002	JUNE 24, 2001	JUNE 25, 2000
		AS RESTATED (NOTES 1 AND 16)	AS RESTATED (NOTES 1 AND 16)
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)		
Net sales.....	\$ 326,276	\$ 511,102	\$ 464,285
Cost of sales.....	261,011	437,017	375,418
	-----	-----	-----
Gross profit.....	65,265	74,085	88,867
Selling, general and administrative expenses.....	55,603	90,494	79,852
Goodwill impairment (Note 10).....	--	38,219	--
Restructuring charge (Note 14).....	10,332	3,694	--

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Net loss on disposal of assets (Note 3).....	1,128	8,473	--
Operating income (loss).....	(1,798)	(66,795)	9,015
Interest expense, net.....	12,198	14,891	10,305
Dividends on Company-obligated, mandatorily redeemable convertible preferred securities of subsidiary DT Capital Trust holding solely convertible junior subordinated debentures of the Company.....	4,834	5,506	5,146
Loss before benefit for income taxes.....	(18,830)	(87,192)	(6,436)
Benefit for income taxes.....	(3,900)	(14,120)	(983)
Net loss.....	\$ (14,930)	\$ (73,072)	\$ (5,453)
Gain on conversion of trust preferred securities, net of tax.....	16,587	--	--
Income (loss) available to common stockholders...	\$ 1,657	\$ (73,072)	\$ (5,453)
Income (loss) available to common stockholders per common share:			
Basic.....	\$ 0.15	\$ (7.18)	\$ (0.54)
Diluted.....	\$ 0.15	\$ (7.18)	\$ (0.54)
Weighted average common shares outstanding:			
Basic.....	10,733,249	10,172,811	10,107,274
Diluted.....	10,750,743	10,172,811	10,107,274

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	RETAINED EARNINGS/ (ACCUMULATED DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE LOSS	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK	P R
	-----	-----	-----	-----	-----	-----
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)					
BALANCE, JUNE 27, 1999 -- AS RESTATED (NOTES 1 AND 16)...	\$ 67,533	\$ (1,375)	\$113	\$133,348	\$ (30,778)	
Comprehensive loss:						
Net loss.....	(5,453)					
Foreign currency translation.....		(603)				
Total comprehensive loss.....						
BALANCE, JUNE 25, 2000 -- AS RESTATED (NOTES 1 AND 16)...	62,080	(1,978)	113	133,348	(30,778)	
Comprehensive loss:						
Net loss.....	(73,072)					
Foreign currency translation.....		(80)				
Total comprehensive						

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loss.....					
Issuance of 230,000 shares of restricted stock to executive management.....				(5,567)	6,334
Amortization of earned portion of restricted stock.....					
Payment on stock subscriptions receivable.....				72	
	-----	-----	----	-----	-----
BALANCE, JUNE 24, 2001 -- AS RESTATED (NOTES 1 AND 16)...	(10,992)	(2,058)	113	127,853	(24,444)
	-----	-----	----	-----	-----
Comprehensive loss:					
Net loss.....	(14,930)				
Foreign currency translation.....		140			
Total comprehensive loss.....					
Gain on conversion of trust preferred securities, net of tax.....				16,587	
Issuance of 50,000 shares of restricted stock to executive management.....				(1,064)	1,377
Amortization of earned portion of restricted stock.....					
Issuance of 7,000,000 shares of common stock at \$3.20 per share in offering, net of transaction fees.....			70	21,128	
Issuance of 6,260,658 shares of common stock in exchange for trust preferred securities and distributions thereon, net of transaction fees.....			63	24,007	
Payments on stock subscriptions receivable....				35	
	-----	-----	----	-----	-----
BALANCE, JUNE 30, 2002.....	\$ (25,922)	\$ (1,918)	\$246	\$188,546	\$ (23,067)
	=====	=====	=====	=====	=====

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

	FISCAL YEAR ENDED		
	JUNE 30, 2002	JUNE 24, 2001 AS RESTATED (NOTES 1 AND 16)	JUNE AS (NOTE
	-----	-----	-----
	(IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss.....	\$ (14,930)	\$ (73,072)	\$

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Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation.....	6,466	9,240
Amortization.....	3,339	7,163
Deferred income tax provision.....	(579)	(14,045)
Goodwill impairment (Note 10).....	--	38,219
Net loss on disposal of assets (Note 3).....	1,128	8,473
Other asset write-downs.....	2,940	1,457
Deferral of dividends on convertible trust preferred securities.....	4,834	5,506
(Increase) decrease in current assets, excluding the effect of acquisitions/dispositions:		
Accounts receivable.....	10,431	13,391
Costs and estimated earnings in excess of amounts billed on uncompleted contracts.....	57,116	(20,274)
Inventories.....	8,167	10,310
Prepaid expenses and other.....	1,684	7,549
Increase (decrease) in current liabilities, excluding the effect of acquisitions/dispositions:		
Accounts payable.....	(15,990)	(6,272)
Customer advances.....	(3,606)	2,836
Billings in excess of costs and estimated earnings on uncompleted contracts.....	2,579	1,309
Accrued liabilities and other.....	(8,155)	(403)
Net cash provided by (used in) operating activities.....	55,424	(8,613)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures.....	(2,923)	(3,178)
Acquisition of C.E. King net assets.....	--	--
Proceeds from the disposal of assets (Note 3).....	24,465	2,049
Other.....	--	(7)
Net cash provided by (used in) investing activities.....	21,542	(1,136)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings from (repayments of) revolving loans.....	(75,257)	10,494
Payments on borrowings.....	(4,403)	(1,661)
Financing costs.....	(5,932)	(1,547)
Net proceeds from equity transactions.....	21,233	72
Net cash provided by (used in) financing activities.....	(64,359)	7,358
Effect of exchange rate changes.....	735	(809)
Net increase (decrease) in cash.....	13,342	(3,200)
Cash and cash equivalents at beginning of period.....	5,505	8,705
Cash and cash equivalents at end of period.....	\$ 18,847	\$ 5,505
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest.....	\$ 8,981	\$ 12,515
Income taxes.....	\$ (2,430)	\$ (1,737)
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
The Company purchased C. E. King in fiscal 2000.		

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	FISCAL YEAR ENDED		
	JUNE 30, 2002	JUNE 24, 2001	
Fair value of assets acquired.....	--	--	\$
Fair value assigned to goodwill.....	--	--	
Cash paid.....	--	--	
Liabilities assumed.....	--	--	\$

See Note 1 for discussion of the financial recapitalization transaction that occurred in June 2002 wherein certain of the outstanding TIDES and all accrued and unpaid distributions were exchanged for common shares of the Company.

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 1 -- BUSINESS

DT Industries, Inc. (DTI or the Company) is an engineering-driven designer, manufacturer and integrator of automated production equipment and systems used to manufacture, test or package a variety of industrial and consumer products. Through fiscal 2002, the Company marketed its products through two primary segments: Automation and Packaging. The Company's operations are located in North America and Europe, but its products are sold throughout the world.

Recent Restatement of Historical Financial Results

As publicly announced on August 6, 2002 (prior to the public announcement of our consolidated financial results for the fiscal year ended June 30, 2002), we discovered that we were required to make accounting adjustments to our previously reported audited consolidated financial results for the fiscal years ended June 24, 2001, June 25, 2000 and June 27, 1999, as well as our previously reported unaudited consolidated financial results for the first three fiscal quarters of 2002, due to an overstatement of the balance sheet account entitled costs and estimated earnings in excess of amounts billed on uncompleted contracts ("CIE"). The CIE balance is comprised of estimated gross margins recognized to date plus actual work-in-process costs incurred to date less billings/deposits to date. The overstatement of CIE occurred at our Assembly Machines, Inc. ("AMI") subsidiary, a small facility located in Erie, Pennsylvania that has historically been part of our Automation segment. This CIE overstatement resulted in a corresponding understatement of cost of sales because CIE represents project costs that have been expended, but are still available to be billed; therefore, the overstatement in CIE included available to bill amounts that should have been expensed to cost of sales in prior periods. The cumulative amount of the accounting adjustments increased the aggregate pre-tax loss reported during the impacted periods by \$6.5 million and increased the aggregate net loss after taxes reported during the impacted periods by \$4.2 million. Our restated audited consolidated financial statements as of, and for the fiscal year ended, June 24, 2001 and our restated audited consolidated statement of operations, changes in stockholders' equity and cash

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flows for the year ended June 25, 2000 are included on pages F-3 through F-6 and Note 16 to the audited consolidated financial statements included herein. Restated selected consolidated financial data for those two fiscal years, as well as the fiscal year ended June 27, 1999, is included under "Item 6. Selected Financial Data." Restated unaudited consolidated quarterly financial data for the fiscal years ended June 30, 2002 and June 24, 2001 is included in Note 17 to the audited consolidated financial statements included herein.

The Company discovered the accounting adjustments while beginning the transfer of the sales and accounting functions at AMI to our DT Precision Assembly segment headquarters in Buffalo Grove, Illinois in connection with the reorganization of the Company's operations described in Note 15. The Board of Directors authorized the Audit and Finance Committee to conduct an independent investigation, with the assistance of special counsel retained by the Committee, to identify the causes of these accounting adjustments. The Committee retained Katten Muchin Zavis Rosenman ("KMZR") as special counsel, and KMZR engaged an independent accounting firm to assist in the investigation. In addition, the Company investigated whether similar issues existed at any other subsidiaries. As a result of the investigations, the Company believes that the accounting issues were confined to AMI and determined that the misstatement of the CIE account at AMI was primarily the result of the former controller of AMI, without instruction from, or the knowledge of, Company management, (1) failing to properly account for manufacturing variances, (2) adding inappropriate costs to work-in-process amounts, (3) understating amounts billed and/or customer deposits and (4) failing to recognize certain losses, in each case on various projects during the relevant time period. Using these miscalculations of CIE, the former AMI controller made incorrect journal entries that were recorded in the books and records of AMI.

Recapitalization

On June 20, 2002, the Company consummated a major financial recapitalization transaction comprised of an amendment to its senior credit facility (the "Bank Amendment"), a restructuring of its TIDES

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

securities (the "TIDES Exchange") and the sale of 7.0 million shares of its common stock for \$3.20 per share in a private placement (the "Private Placement"). Each component of the financial recapitalization is described below.

Bank Amendment

Pursuant to the Bank Amendment:

- the Company's lenders permanently waived previous financial covenant defaults resulting from its financial performance in fiscal 2002;
- the maturity date of the Company's senior credit facility was extended from July 2, 2002 to July 2, 2004;
- the total commitment under the facility was reduced to \$76.4 million, comprised of a \$70.0 million revolver and a \$6.4 million term loan;
- a monthly asset coverage test (65% of eligible accounts and 25% of eligible inventory) was established for all revolver advances in excess of \$53.0 million;

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- the interest rate was reset at the Eurodollar Rate plus 4% or the Prime Rate plus 3.5% for all revolver advances up to \$53.0 million and the Prime Rate plus 4% for all revolver advances in excess of \$53.0 million; and
- \$1,500 quarterly pro rata reductions of the revolving loan commitment and term loan are required during fiscal 2003.

See Note 4 for additional information on the Bank Amendment.

TIDES Exchange

As part of the financial recapitalization, the Company consummated the TIDES Exchange, whereby:

- the TIDES holders exchanged \$35.0 million of outstanding TIDES and \$15.1 million of accrued and unpaid distribution thereon into 6,260,658 shares of common stock of the Company at a price of \$8.00 per share;
- the maturity date of the remaining \$35.0 million of TIDES was shortened from May 31, 2012 to May 31, 2008;
- the conversion price of the remaining TIDES was reduced from \$38.75 per share to \$14.00 per share;
- the TIDES holders agreed to a "distribution holiday" pursuant to which distributions on the remaining TIDES will not accrue from April 1, 2002 through July 2, 2004; and
- provided that the Company make the first distribution payment following the "distribution holiday," it will have the right from time to time to defer distributions on the TIDES through their maturity in 2008.

See Note 5 for additional information on the TIDES Exchange.

Private Placement

On June 20, 2002, the Company consummated the Private Placement to several stockholders of 7.0 million shares of its common stock at \$3.20 per share. The Company used the proceeds of this offering to repay indebtedness of approximately \$18.5 million under the Company's senior credit facility and to pay transaction expenses of approximately \$3.9 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies utilized by the Company in the preparation of the financial statements conform to accounting principles generally accepted in the United States, and require that management make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Actual amounts could differ from these estimates.

During fiscal 2002, the Company changed its policy regarding the classification of unpaid progress billings on the balance sheet. Under the new policy, unpaid progress billings are now included in accounts receivable but were previously included in costs and estimated earnings in excess of amounts

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billed on uncompleted contracts on the balance sheet. As a result of this change in policy, a reclassification of \$25,859 was made to the June 24, 2001 balance sheet that increased accounts receivable and decreased costs and estimated earnings in excess of amounts billed on uncompleted contracts. Certain other reclassifications have been made to prior year financial statements for comparative purposes. These reclassifications had no effect on net losses.

The significant accounting policies followed by the Company are described below.

Revenue Recognition

Almost all of the Company's net sales are derived from the sale and installation of equipment and systems primarily under fixed-price contracts. The Company also derives net sales from the sale of spare and replacement parts and servicing installed equipment and systems. The Company recognizes revenue under the percentage of completion method or upon delivery and acceptance in accordance with SAB 101.

The Company principally utilizes 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 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, revenue is recognized upon shipment (FOB shipping point). The Company utilizes 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 customisation 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 products 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 cost 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

A summary of revenues by fiscal year recognized under the two methods of accounting is as follows:

FISCAL YEAR ENDED

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	JUNE 30, 2002 -----	JUNE 24, 2001 -----	JUNE 25, 2000 -----
Percentage of completion.....	\$223,650	\$374,167	\$306,716
Delivery and acceptance under SAB 101.....	102,626	136,935	157,569
	-----	-----	-----
Total.....	\$326,276 =====	\$511,102 =====	\$464,285 =====

Progress billings and cash deposits received from customers on contracts in process recognized under percentage of completion accounting method are reflected as costs and estimated earnings in excess of amounts billed on uncompleted contracts or billings in excess of costs and estimated earnings on uncompleted contracts in the consolidated balance sheet. Progress billings and cash deposits received from customers on contracts in process recognized upon delivery and acceptance are reflected as customer advances in the consolidated balance sheet. Costs and estimated earnings in excess of amounts billed on uncompleted contracts represent costs and earnings recognized in excess of customer advances billed or collected. Billings in excess of costs and estimated earnings on uncompleted contracts represent customer advances received in excess of costs incurred and earnings recognized. See Note 12 for additional information.

Capitalization of Certain Engineering Costs

The Company capitalizes the initial engineering costs on multiple systems orders and amortizes these costs to systems in backlog concurrent with recognition of revenue on such systems. The Company did not capitalize any engineering costs in fiscal 2002. During fiscal 2001, the Company capitalized approximately \$2,400 of initial engineering costs of which approximately \$1,300 remained unamortized as of June 24, 2001. The remaining \$1,300 was amortized during fiscal 2002.

Warranty Accrual

The Company routinely incurs warranty cost after projects are installed and closed. The Company records these costs as warranty charges and are included in cost of sales. Warranty costs are estimated at the time a project is closed based on the Company's historical warranty experience and consideration of any known warranty issues.

Principles of Consolidation

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

Foreign Currency Translation

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 on the basis presented below.

Assets and liabilities are translated into U.S. dollars at year-end exchange rates. Income and expense items are translated at average rates of exchange prevailing during the year. Adjustments resulting from the process of translating the consolidated amounts into U.S. dollars are accumulated in a separate translation adjustment account, included in stockholders' equity. Common stock and additional paid-in capital are translated at historical U.S. dollar equivalents in effect at the date of acquisition. Foreign currency

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transaction

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

gains and losses are included in earnings currently. Foreign currency transaction gains and losses were not material for all periods presented.

Cash and Cash Equivalents

All highly liquid debt instruments purchased with original maturities of three months or less are classified as cash equivalents. As of June 30, 2002, the Company had \$5,493 of cash received upon the sale of the Hyannis, Massachusetts facility that was restricted for the prepayment of the Sencorp Industrial Revenue Bonds that were paid in full in August 2002. See Note 4 for additional information.

Concentrations of Credit Risk and Allowance for Doubtful Accounts

The Company sells its production equipment and systems to a range of manufacturing companies. However, historically the Company's top five customers have accounted for at least 25% of the Company's consolidated net sales. The Company performs ongoing credit evaluations of its customers and generally does not require collateral, although many customers pay deposits to the Company prior to shipment of its products. The Company monitors its exposure at each balance sheet date and adjusts the allowance account for amounts estimated to be uncollectible. The Company maintains a specific policy for its allowance for doubtful accounts as it relates to significantly past due receivables and requires amounts to be reserved for unless certain indicators from the customer exist that indicate future payments will be made. At June 30, 2002, the Company had trade receivables from a significant Automation segment customer of \$19,262, most of which was collected subsequent to year-end.

Inventories

Inventories are stated at the lower of cost, which approximates the first-in, first out (FIFO) method, or market. Inventories include the cost of materials, direct labor and manufacturing overhead.

Obsolete or unsalable inventories are reflected at their estimated realizable values. Obsolescence is determined by analyzing historical and forecasted future usage and/or inventory aging. Inventory that has not had activity during the past year is fully reserved. The portion of the reserve related to excess inventory is determined by analyzing historical and forecasted usage against the amount of inventory on hand.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39.5 years.

Expenditures for repairs, maintenance and renewals are expensed as incurred. Expenditures that improve an asset or extend its estimated useful life are capitalized. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Goodwill and Intangible Assets

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In June 2001, the Financial Accounting Standards Board (FASB) approved Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 142 addresses the financial accounting and reporting for goodwill and other intangible assets subsequent to their initial recognition. Among the new requirements of SFAS 142 are:

- Goodwill and indefinite-lived intangible assets will no longer be amortized;
- Goodwill and indefinite-lived intangible assets will be tested for impairment at the reporting unit level annually;

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

- The amortization period of intangible assets that have finite lives will no longer be limited to 40 years; and
- Additional financial statement disclosures about goodwill and intangible assets will be required.

SFAS 142 is effective for fiscal years beginning after December 15, 2001, however, early adoption was permitted in certain instances. In the first quarter of fiscal 2002, the Company elected to early-adopt the provisions of SFAS 142. Discontinuance of goodwill amortization reduced pre-tax amortization expense by \$5,287 in fiscal 2002. The carrying value of goodwill will continue to be assessed for recoverability by management at least on an annual basis. See Note 10 for additional information.

Environmental Liabilities

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and that do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with completion of a feasibility study or the Company's commitment to a formal plan of action.

Research and Development

Research and development costs are expensed as incurred. These costs approximated \$3,445, \$2,785 and \$4,907 in fiscal 2002, 2001 and 2000, respectively, and are included as selling, general, and administrative expenses in the accompanying consolidated statement of operations.

Fair Value of Financial Instruments

For purposes of financial reporting, the Company has determined the fair value of financial instruments approximates book value at June 30, 2002, based on terms currently available to the Company in financial markets.

Income Taxes

The Company files a consolidated federal income tax return which includes its domestic subsidiaries. The Company has adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). Under SFAS 109, the current or deferred tax consequences of a transaction are measured by applying the provisions of enacted laws to determine the amount of taxes

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payable currently or in future years. Deferred income taxes are provided for temporary differences between the income tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes.

Earnings Per Share

Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS 128) requires the computation of basic (Basic EPS) and diluted (Diluted EPS) earnings per share. Basic EPS is based on the weighted average number of outstanding common shares during the period but does not consider dilution for potentially dilutive securities.

Employee Stock-Based Compensation

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

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 if the fair value method had been utilized. See Note 8 for additional information.

Comprehensive Income

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" requires the disclosure of the components of comprehensive income or loss in the financial statements. The components of comprehensive income (loss) included in the Company's financial statements are net loss and foreign currency translation, which are disclosed in the consolidated statement of changes in stockholders' equity.

Fiscal Year

The Company uses a 52-53 week fiscal year that ends on the last Sunday in June.

Accounting Pronouncements

Asset Retirement Obligations

In June 2001, the FASB approved Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143). SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset. This statement is effective for the Company in fiscal 2003. The Company does not expect this statement to have a material impact on its financial position or results of

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operation.

Impairment or Disposal of Long-Lived Assets

In August 2001, the FASB issued Statement of Financial Account Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supercedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The objective of FAS 144 is to establish one accounting model for long-lived assets to be disposed of by sale. The provisions of this statement are effective for the Company in fiscal 2003. The Company does not expect this statement to have a material impact on its financial position or results of operations.

Rescission of Prior Statements

In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statement No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections as of April 2002" (SFAS 145). SFAS 145 rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that statement, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." This statement also rescinds FASB Statement No. 44, "Accounting for Intangible Assets for Motor Carriers." This statement amends FASB Statement No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

similar to sale-leaseback transactions. The provisions of this statement are effective for the Company in fiscal 2003. The Company does not expect this statement to have a material impact on its financial position or result of operations.

Costs Associated with Exit or Disposal Activities

In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). SFAS 146 addresses financial accounting and reporting costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The principal difference between this statement and Issue 94-3 relates to its requirements for recognition of a liability for a cost associated with an exit or disposal activity. This statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under Issue 94-3, a liability for an exit cost as defined in Issue 94-3 was recognized at the date of an entity's commitment to an exit plan. A fundamental conclusion reached by the Board in this statement is that an entity's commitment to a plan, by itself, does not create a present obligation to others that meets the definition of a liability. Therefore, this statement eliminates the definition and requirements for recognition of exit costs in Issue 94-3. The provisions of this statement are effective for exit or disposal activities that are initiated

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after December 31, 2002, at which date the Company will adopt such provisions.

NOTE 3 -- ACQUISITIONS AND DISPOSITIONS

Acquisitions

In July 1999, the Company acquired C.E. King for a net cash purchase price of \$2,116. This acquisition was accounted for under the purchase method of accounting and financed primarily through bank borrowings, resulting in an increase in the Company's debt. Results of operations of C.E. King have been included in the Company's consolidated financial statements from the date of acquisition. The purchase price of the acquisition was allocated to the assets and liabilities acquired, based on their estimated fair value at the date of acquisition. The excess of purchase price over the estimated fair value of net assets acquired was recorded as goodwill.

Dispositions

The following table summarizes certain information regarding the Company's disposal of assets during the past three fiscal years:

DATE OF SALE	BUSINESS OR ASSET	NET CASH PROCEEDS	GAIN OR (LOSS) ON DISPOSAL
SALES OCCURRING DURING FISCAL YEAR ENDED JUNE 24, 2001			
January 2001...	Corporate airplane	\$ 1,465	\$ 640
March 2001.....	Vanguard Technical Solutions, Inc. (Vanguard)	523	(1,249)
SALES OCCURRING DURING FISCAL YEAR ENDED JUNE 30, 2002			
June 2001.....	Detroit Tool Metal Products Co. (DTMP)	\$14,250	\$(1,618)
July 2001.....	Scheu & Kniss (S&K)	3,939	(6,200)
October 2001...	Hansford Parts and Products (HPP)	622	--
June 2002.....	Hyannis, Massachusetts facility	5,524	(1,128)

The losses on the sale of DTMP and S&K are reflected in the net loss on disposal of assets line on the consolidated statement of operations for the fiscal year ended June 24, 2001. Included in current assets,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

property plant and equipment, and current liabilities as of June 24, 2001 were \$11,585, \$13,224 and \$6,596, respectively, of the amounts disposed of subsequent to fiscal 2001 year end related to the sale of DTMP and S&K.

The net sales and operating loss of HPP in fiscal 2002 were \$792 and \$129, respectively. The combined net sales and operating profit of Vanguard, DTMP, S&K and HPP in fiscal 2001 were \$46,335 and \$1,124, respectively.

In the fourth quarter of fiscal 2002, the Company entered into a sale/leaseback agreement for the Hyannis, Massachusetts facility and recorded a net loss on disposal of the assets of \$1,128. In conjunction with the agreement, the Company removed the facility, which had a carrying value of \$6,502 at June 30, 2002, from the accounting records and recorded the cash proceeds of approximately \$5,493. Using the cash proceeds, on August 1, 2002, the Company prepaid the Industrial Revenue Bonds of \$5,000 that were issued in 1998 to fund the expansion of the facility. See Note 4 for additional information. The

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Company will have lease expense, on a go-forward basis, of approximately \$800 annually.

NOTE 4 -- FINANCING

Long-term debt consisted of the following at the end of the last two fiscal years:

	JUNE 30, 2002	JUNE 24, 2001
	-----	-----
Term and revolving loans under senior credit facility:		
Term loan.....	\$ 6,441	\$ 9,888
Revolving loans.....	44,846	115,255
Foreign currency denominated revolving credit facilities....	--	1,459
Other long-term debt.....	5,234	6,120
	-----	-----
	56,521	132,722
Less -- current portion of senior credit facility.....	6,000	35,500
Less -- current portions of other long-term debt.....	5,140	651
	-----	-----
	\$45,381	\$ 96,571
	=====	=====

On June 20, 2002, the Company extended the senior credit facility, which was scheduled to mature on July 2, 2002, through an amendment to the term and revolving loan agreement. The amended agreement calls for periodic reductions in both its revolving credit facility and term commitments. Significant terms of the amended agreement are:

- Extended the maturity of the agreement to July 2, 2004;
- Waived certain existing defaults of covenants through the end of June 2002, and established new financial covenants through the end of June 2004;
- Requires \$1,500 quarterly scheduled commitment reductions beginning September 30, 2002, prorated between the term and revolving loan commitments through June 2004;
- The total commitment of the term loan remained at \$6,441 and the revolver was reduced to \$70,000 from \$83,700;
- Requires all advances under the revolver and letters of credit issued in excess of \$53,000 (priority advances) to be subject to a monthly asset coverage test comprised of 65% of eligible accounts receivable and 25% of eligible inventory. Eligible accounts receivable exclude amounts over 90 days past invoice date, progress billings, foreign receivables of domestic subsidiaries (unless covered by a letter of credit or the debtor maintains a credit rating of BBB+, determined by Standard & Poor's

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Rating Service or Baa2, determined by Moody's Investors Service),
receivables of foreign subsidiaries and receivables subject to any

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security interest. Eligible inventory excludes inventory not located in the United States, work-in-process, excess and obsolete inventory reserves, and inventory subject to any security interest. At June 30, 2002, the asset coverage was sufficient to have the full \$17,000 of priority advances available and there were no priority advances outstanding;

- Established floating interest rates for the credit facility based on Prime Rate plus 3.5% or Eurodollar rate plus 4.0% for all revolver advances up to \$53,000 and Prime Rate plus 4.0% for all priority advances in excess of \$53,000; and
- The credit facility allows for issuance of letters of credit subject to the overall commitment level and restricts payment of dividends.

At June 30, 2002, interest rates on outstanding indebtedness under the revolving credit facility ranged from 7.94% to 8.25%. Through December 31, 2001, borrowings were based on Prime Rate plus 3% for domestic borrowings or the Eurodollar rate plus 6% on foreign currency borrowings. After December 31, 2001 and through June 20, 2002, the Prime Rate increment increased to 3.5% and the Eurodollar rate increment increased to 6.5%. Subsequent to June 20, 2002, pursuant to the amended loan agreement, the interest rates were as stated above. The amended 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, a 1% amendment fee paid June 20, 2002, 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. Total borrowing availability under the credit facility, as of June 30, 2002, was \$22,800. Borrowings under the credit facility are secured by substantially all of the assets of DTI and its domestic subsidiaries.

On July 27, 1998, the Company's wholly-owned subsidiary, Sencorp Systems, Inc., participated in the issuance of \$7,000 of Massachusetts Industrial Finance Agency Multi-Mode Industrial Development Revenue Bonds 1998 Series A (Bonds) to fund the expansion of the Company's facility in Hyannis, Massachusetts. The Bonds were scheduled to mature July 1, 2023. On June 26, 2002, the Company completed a sale/leaseback of the facility in Hyannis and notified the bond trustee of its intent to prepay the outstanding balance of \$5,000 on August 1, 2002. On August 1, 2002, the Bonds were fully paid and retired.

NOTE 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)

On June 12, 1997, the Company completed a private placement to several institutional investors of 1,400,000 7.16% Convertible Preferred Securities (liquidation preference of \$50 per Convertible Preferred Security). The placement was made through the Company's wholly-owned subsidiary, DT Capital Trust (Trust), a Delaware business trust. The Convertible Preferred Securities represent undivided beneficial ownership interests in the Trust. The sole assets of the Trust are the 7.16% Convertible Junior Subordinated Deferrable Interest Debentures Due 2012 (Junior Debentures) issued by the Company that were acquired with the proceeds from the offering as well as the sale of common securities of the Trust to the Company. The Company's obligations under the Convertible Junior Subordinated Debentures, the Indenture pursuant to which they were issued, the Amended and Restated Declaration of Trust of the Trust and the Guarantee of DTI, taken together, constitute a full, irrevocable and unconditional guarantee by DTI of amounts due on the Convertible Preferred Securities. As originally structured, the Convertible Preferred Securities were convertible at the option of the holders at any time into the common stock of DTI at an effective conversion price of \$38.75 per share and were mandatorily redeemable in 2012.

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The Convertible Preferred Securities are redeemable at the Company's option after June 1, 2000.

On June 20, 2002, the Company completed a financial recapitalization transaction pursuant to which, among other things, in the TIDES Exchange the holders of the Convertible Preferred Securities agreed to

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

restructure the Convertible Preferred Securities (and the Junior Debentures of the Company held by the Trust) such that, among other things, \$35,000 of the outstanding Convertible Preferred Securities plus approximately \$15,085 in accrued and unpaid distributions on the Convertible Preferred Securities were exchanged for 6,260,658 shares of common stock. The conversion price of the remaining \$35,000 outstanding Convertible Preferred Securities (and the Junior Debentures of the Company held by the Trust) was lowered to \$14.00 per share, the distributions on the Convertible Preferred Securities do not accrue from April 1, 2002 until July 2, 2004, and the maturity date of the Convertible Preferred Securities was accelerated to May 31, 2008. Dividend expense of \$1,604 annually on the remaining Convertible Preferred Securities will be recorded reflecting an approximate effective yield of 4.6% over the life of the remaining Convertible Preferred Securities.

As a result of the TIDES Exchange, the Company recorded a gain on conversion of the trust preferred securities of \$16,587, net of tax of \$8,787, in June 2002. The shares were valued for book and tax purposes based on the market price of the Company's common stock on the closing date of the TIDES Exchange. The gain on conversion of the trust preferred securities was recorded directly to equity and has been reflected on the consolidated statement of operations below net loss to arrive at income available to common stockholders in fiscal 2002.

NOTE 6 -- INCOME TAXES

Loss before benefit for income taxes was taxed under the following jurisdictions:

	FISCAL YEAR ENDED		
	JUNE 30, 2002	JUNE 24, 2001 AS RESTATED	JUNE 25, 2000 AS RESTATED
Domestic.....	\$ (8,146)	\$ (73,803)	\$ 89
Foreign.....	(10,684)	(13,389)	(6,525)
	-----	-----	-----
	\$ (18,830)	\$ (87,192)	\$ (6,436)
	=====	=====	=====

The benefit for income taxes charged to operations was as follows:

FISCAL YEAR ENDED

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	JUNE 30, 2002	JUNE 24, 2001 AS RESTATED	JUNE 25, 2000 AS RESTATED
Current			
U. S. Federal.....	\$ (10,380)	\$ (237)	\$ (2,632)
State.....	1,148	(296)	(436)
Foreign.....	--	(473)	(2,007)
Total current.....	(9,232)	(1,006)	(5,075)
Deferred			
U. S. Federal.....	5,050	(8,584)	3,687
State.....	282	(1,273)	311
Foreign.....	--	(3,257)	94
Total deferred.....	5,332	(13,114)	4,092
Total benefit.....	\$ (3,900)	\$ (14,120)	\$ (983)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Deferred tax assets (liabilities) are comprised of the following:

	JUNE 30, 2002	JUNE 24, 2001 AS RESTATED
DEFERRED TAX ASSETS		
Net operating loss (NOL) carryforwards.....	\$12,839	\$12,792
Project and inventory reserves.....	3,407	6,242
Bad debt reserves.....	824	2,967
Goodwill and intangibles amortization/impairment.....	--	2,183
Other accruals.....	5,461	5,428
Other.....	1,665	501
Total deferred tax assets.....	24,196	30,113
DEFERRED TAX LIABILITIES		
Depreciation.....	\$ (2,519)	\$ (5,181)
Earnings recognized under percentage of completion.....	(3,081)	(3,776)
Goodwill and intangibles amortization/impairment.....	(637)	--
Other.....	(2,257)	(583)
Total deferred tax liabilities.....	(8,494)	(9,540)
Deferred tax assets valuation allowance.....	(13,816)	(8,846)
Total net deferred tax assets.....	1,886	11,727
Current portion included in prepaid expenses and other.....	1,886	7,915
Long-term portion included in other assets, net and deferred income taxes, respectively.....	\$ --	\$ 3,812

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The deferred tax assets valuation allowance has been recorded to reflect the potential non-realization of primarily NOL carryforwards in Canada and deductible temporary differences in Canada. The remaining deferred tax assets relating to domestic companies are more likely than not to be realized.

At June 30, 2002 the Company had available domestic NOL carryforwards for income tax reporting purposes of approximately \$3,900, which will begin to expire in 2021. Additionally, at June 30, 2002 the Company had Canadian NOL carryforwards of approximately \$15,067.

Kalish, Inc., a wholly-owned Canadian subsidiary of the Company, agreed to an assessment by the Canadian Customs and Revenue Agency for its tax years 1996 through 2001. The additional taxable income agreed to in the assessment was offset by NOL carryforwards and credits that would have otherwise been included in the deferred tax asset valuation allowance. As the majority of the assessment relates to transfer pricing adjustments, the Company has submitted a Competent Authority request pursuant to the United States-Canada Income Tax Treaty to reflect the results of the Canadian audit in the Company's United States income tax returns for the same periods. While the final outcome of these proceedings cannot be predicted, the Company believes it is adequately reserved for this matter.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

The effective tax rates differ from the U.S. Federal income tax rate for the following reasons:

	FISCAL YEAR ENDED		
	JUNE 30, 2002	JUNE 24, 2001 AS RESTATED	JUNE 25, 2000 AS RESTATE
Benefit at the U.S. statutory rate.....	\$(6,591)	\$(30,517)	\$(2,253)
Deferred tax assets valuation allowance.....	4,970	7,848	--
Non-deductible goodwill amortization/impairment.....	--	9,881	1,098
State taxes.....	(700)	(1,100)	(82)
Canadian loss deduction.....	(1,645)	--	--
Foreign sales corporation.....	--	--	(296)
Other.....	66	(232)	550
	-----	-----	-----
Benefit for income taxes.....	\$(3,900)	\$(14,120)	\$ (983)
	=====	=====	=====

The above income tax disclosures exclude the effect of the gain on conversion of preferred securities as described in Note 5.

NOTE 7 -- RETIREMENT PLANS

The Company offers substantially all of its employees a retirement savings plan under Section 401(k) of the Internal Revenue Code. Each employee may elect to enter a written salary deferral agreement under which a maximum of 17% of their salary, subject to aggregate limits required under the Internal Revenue

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Code, may be contributed to the plan. The Company will match a percentage of the employee's contribution up to a specified maximum percentage of their salary. In addition, the Company generally is required to make a mandatory contribution and may make a discretionary contribution from profits. During the fiscal years ended June 30, 2002, June 24, 2001 and June 25, 2000, the Company made contributions of approximately \$3,549, \$4,557 and \$4,118, respectively.

During fiscal 1999, the Company created a non-qualified deferred compensation plan for certain executive employees. Each employee may elect to enter a written salary deferral agreement under which a maximum of 17% of their salary, less any amounts contributed under the 401(k) plan, may be contributed to the plan. The Company will match a percentage of the employee's contribution up to a specified maximum percentage of their salary. In addition, the Company generally is required to make a mandatory retirement contribution.

In connection with the acquisition of Assembly Technology and Test, Ltd. in fiscal 1998, the Company assumed defined benefit plans for the international divisions. The following sets forth reconciliations of the projected benefit obligations (PBO) of the defined benefit plans:

	FISCAL YEAR ENDED	
	JUNE 30, 2002	JUNE 24, 2001
Beginning balance.....	\$24,525	\$23,559
Service cost.....	1,186	1,175
Interest cost.....	1,720	1,525
Actuarial loss (gain).....	183	(28)
Other.....	602	(265)
Foreign currency translation.....	2,402	(1,441)
	-----	-----
Ending balance.....	\$30,618	\$24,525
	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Included in the Other line item above for fiscal year 2002 were \$1,614 of curtailments, (\$610) of settlements, (\$395) of benefits paid, \$228 of employee contributions and (\$235) of expenses.

The following sets forth the reconciliations of the fair value of plan assets of the defined benefit plans:

	FISCAL YEAR ENDED	
	JUNE 30, 2002	JUNE 24, 2001
Beginning balance.....	\$23,170	\$23,066
Return on plan assets.....	(2,508)	1,186
Employer contributions.....	901	648

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Other.....	(1,007)	(263)
Foreign currency translation.....	1,791	(1,467)
	-----	-----
Ending balance.....	\$22,347	\$23,170
	=====	=====

Included in the Other line item above for fiscal year 2002 were settlements of (\$610), benefits paid of (\$390), employee contributions of \$228 and expenses of (\$235).

The following sets forth the funded status of the defined benefit plans as of the end of the last two fiscal years:

	JUNE 30, 2002	JUNE 24, 2001
	-----	-----
Projected benefit obligation.....	\$30,618	\$24,525
Fair value of plan assets.....	22,347	23,170
	-----	-----
Excess of projected benefit obligation over plan assets.....	8,271	1,355
Unrecognized loss.....	(7,607)	(827)
	-----	-----
Net pension liability.....	\$ 664	\$ 528
	=====	=====

The following sets forth the defined benefit pension plans' net periodic pension cost:

	FISCAL YEAR ENDED		
	JUNE 30, 2002	JUNE 24, 2001	JUNE 25, 2000
	-----	-----	-----
Service cost.....	\$ 1,186	\$ 1,175	\$ 1,437
Interest cost.....	1,720	1,525	1,523
Expected return on plan assets.....	(2,031)	(2,167)	(2,071)
Other.....	2,184	--	--
	-----	-----	-----
Net periodic pension cost.....	\$ 3,059	\$ 533	\$ 889
	=====	=====	=====

Included in the Other line item above for fiscal year 2002 were \$1,614 of curtailments, \$195 of settlements and \$375 of unrecognized loss.

The weighted-average assumptions used to determine the PBO are as follows:

	FISCAL YEAR ENDED	
	JUNE 30, 2002	JUNE 24, 2001
	-----	-----

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Discount rate.....	6.0%	6.75%
Expected return on plan assets.....	8.5%	8.5%
Rate of compensation increase.....	3.5%	4.0%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
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Effective December 31, 2001, the Company cancelled all of its domestic post retirement medical and life insurance benefit plans. As a result of the cancellation, the Company reversed its post retirement benefit obligation resulting in income of \$1,325 in fiscal year 2002.

NOTE 8 -- STOCK COMPENSATION PLANS

The Company has three stock incentive plans: the 1994 Employee Stock Option Plan (Employee Plan), the 1994 Directors Non-Qualified Stock Option Plan (Directors Plan) and the 1996 Long-Term Incentive Plan (LTIP Plan).

The Employee Plan provides for the granting of options to the Company's executive officers and key employees to purchase shares of common stock at prices equal to the fair market value of the stock on the date of grant. Options to purchase up to 900,000 shares of common stock may be granted under the Employee Plan. Options outstanding at June 30, 2002 entitle the holders to purchase common stock at prices ranging between \$3.40 and \$31.25 per share. Options outstanding become exercisable over five years from the date of grant. The right to exercise the options expires ten years from the date of grant or earlier if an option holder ceases to be employed by the Company.

The Directors Plan provides for the granting of options to the Company's directors, who are not employees of the Company, to purchase shares of common stock at prices equal to the fair market value of the stock on the date of grant. Options to purchase up to 100,000 shares of common stock may be granted under the Directors Plan. Options outstanding at June 30, 2002 entitle the holders to purchase common stock at prices ranging between \$4.19 and \$30.25 per share. Options outstanding become exercisable with respect to one-fourth of the shares covered thereby on each anniversary of the date of grant, commencing on the second anniversary of such date. All options granted under the Directors Plan expire ten years from the date of grant or earlier if a director leaves the board of directors of the Company.

The LTIP Plan provides for the granting of the following four types of awards on a stand alone, combination, or a tandem basis: nonqualified stock options, incentive stock options, restricted shares and performance stock awards. The LTIP Plan provides for the granting of up to 600,000 shares of common stock. Grants to date consist of restricted shares and non-qualified stock options entitling the holders to purchase common stock at prices ranging between \$4.19 and \$37.50 per share. The exercise price of such non-qualified stock options is equal to the fair market value of the stock on the date of the grant. Options outstanding become exercisable over five years from the date of grant. The right to exercise the options expires ten years from the date of grant or earlier if an option holder ceases to be employed by the Company.

During fiscal 2002, the Company issued 50,000 shares of restricted common stock of the Company with four-year vesting periods under the LTIP Plan. Upon issuance of the restricted shares, unearned compensation expense equivalent to the market value at the date of grant was charged to Stockholders' Equity and will be amortized to expense over the vesting period. The lapsing of restrictions on these shares will be accelerated in certain circumstances, one

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of which is a change in control of the Company.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

A summary of the status of the Company's stock incentive plans as of June 30, 2002, June 24, 2001 and June 25, 2000, and changes during the years then ended are presented below:

	FISCAL 2002		FISCAL 2001		FISCAL 2000	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year.....	1,129,138	\$13.95	1,328,513	\$14.27	1,011,938	\$17.4
Granted.....	125,500	\$ 6.21	72,000	\$ 4.39	449,000	\$ 7.8
Exercised.....	--	--	--	--	--	--
Forfeited.....	(246,871)	\$13.61	(271,375)	\$12.49	(132,425)	\$16.5
Outstanding at end of year.....	1,007,767	\$13.14	1,129,138	\$13.95	1,328,513	\$14.2
Exercisable at end of year.....	697,617		706,450		538,384	

The following table summarizes certain information for options currently outstanding and exercisable at June 30, 2002:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
\$3-14.....	658,855	6	\$ 9.46	382,205	\$
\$15-19.....	271,212	4	\$16.92	242,712	\$
\$20-30.....	21,500	5	\$27.06	18,600	\$
\$31-38.....	56,200	5	\$32.36	54,100	\$
	1,007,767			697,617	

Pro Forma Disclosures

The Company applies APB 25 and related interpretations in accounting for its stock incentive plans. Accordingly, no compensation cost has been recognized for the stock options granted under these plans because the options were granted with an exercise price equal to the stock price on the date of grant. Had

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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 income (loss) available to common stockholders and income (loss) available to common stockholders per diluted share would have been 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.

		FISCAL 2002 -----	FISCAL 2001 AS RESTATED -----	FISCAL 2000 AS RESTATED -----
Income (loss) available to common stockholders...	As reported	\$1,657	\$ (73,072)	\$ (5,453)
	Pro forma	\$1,309	\$ (73,639)	\$ (6,219)
Income (loss) available to common stockholders per diluted share.....	As reported	\$ 0.15	\$ (7.18)	\$ (0.54)
	Pro forma	\$ 0.12	\$ (7.24)	\$ (0.62)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

The fair value of the options granted (which is amortized over the option vesting period in determining the pro forma impact) is estimated on the date of grant using the Black-Scholes multiple option-pricing model with the following weighted average assumptions:

	FISCAL 2002 -----	FISCAL 2001 -----	FISCAL 2000 -----
Expected life of options.....	5 years	5 years	5 years
Risk-free interest rate.....	4.37%	5.22%	6.21%
Expected volatility of stock.....	73%	69%	54%
Expected dividend yield.....	0.0%	0.0%	0.0%

The weighted average fair value of options granted during the years ended June 30, 2002, June 24, 2001 and June 25, 2000 was \$3.91, \$2.63 and \$4.24 per share, respectively.

NOTE 9 -- COMMITMENTS AND CONTINGENCIES

The Company leases land, buildings, machinery, equipment and furniture under various noncancelable operating lease agreements. At June 30, 2002, future minimum lease payments under noncancelable operating leases were as follows:

FISCAL YEAR: -----

2003.....	\$ 6,726
2004.....	4,255
2005.....	2,720
2006.....	2,552

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2007.....	2,446
2008 and thereafter.....	9,378

	\$28,077
	=====

Total lease expense under noncancelable operating leases was approximately \$6,227, \$7,133 and \$7,247 for the years ended June 30, 2002, June 24, 2001 and June 25, 2000, respectively. Commitments under capital leases are not significant to the consolidated financial statements.

Following the Company's announcements in August and September 2000 of the restatements of previously reported financial statements, DTI, its Kalish subsidiary and certain of directors and officers were named as defendants in five complaints in putative class action lawsuits. During fiscal 2001, these actions were consolidated into a single class action styled In re DT Industries, Inc. Securities Litigation and an amended complaint was filed (the "Securities Action") adding the Company's Sencorp subsidiary and certain additional officers and directors as defendants. As of the end of fiscal 2002, the Securities Action was pending in the United States District Court for the Western District of Missouri (the "Court"). The Consolidated Amended Complaint asserted causes of action under Section 10(b), and Rule 10b-5 promulgated thereunder, and Section 20(a) of the Securities Exchange Act of 1934, and alleged, among other things, that the accounting adjustments caused our previously issued financial statements to be materially false and misleading. The Consolidated Amended Complaint also sought damages in an unspecified amount and was purported to be brought on behalf of purchasers of our common stock during various periods, all of which fall between September 29, 1997 and August 23, 2000.

On October 4, 2001, the Court granted our motion to dismiss the Securities Action, without prejudice. Pursuant to the Court's dismissal order, all defendants were dismissed, but the plaintiffs were granted the right to amend their complaint. The plaintiffs filed their Second Amended Consolidated Class Action Complaint on

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

January 25, 2002 (the "Second Complaint"), thereby reviving the Securities Action. On March 11, 2002, DTI and the other defendants filed a motion to dismiss the Second Complaint.

The Court granted our motion to dismiss the Second Complaint, with prejudice, on July 16, 2002. Pursuant to the Court's dismissal order, all defendants were dismissed and a judgment was entered in favor of the defendants. The plaintiffs did not appeal the Court's decision, so the Court's dismissal order is final and non-appealable, and the plaintiffs can neither further amend their complaint nor submit a new complaint in connection with the above-referenced restatements.

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 AMI 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, as well as its previously reported unaudited consolidated financial results for the first three fiscal quarters of 2002. The Company is cooperating

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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, the Company 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 no discovery in these actions. 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.

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 June 30, 2002, there are currently 10 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.

In addition to product liability claims, from time to time the Company is the subject of legal proceedings, including involving employee, commercial, general liability and similar claims, that are incidental to the ordinary course of its business. There are no such material claims currently pending. The Company maintains comprehensive general liability insurance that it believes to be adequate for the continued operation of our business.

NOTE 10 -- GOODWILL AND INTANGIBLE ASSETS

SFAS 142, as explained in Note 1, is effective for fiscal years beginning after December 15, 2001. However, early adoption was permitted in certain instances. In the first quarter of fiscal 2002, the Company elected to early-adopt the provisions of SFAS 142. Discontinuance of goodwill amortization reduced pre-tax

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

amortization expense by \$5,287 in fiscal 2002. The carrying value of goodwill will continue to be assessed for recoverability by management at least on an annual basis.

The changes in the carrying amount of goodwill for fiscal year 2002 were as follows:

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GOODWILL	MATERIAL PROCESSING SEGMENT	PRECISION ASSEMBLY SEGMENT	PACKAGING SYSTEMS SEGMENT	ASSEMBLY TES SEGMENT
Balance as of June 24, 2001	\$ 12,578	\$ 47,912	\$ 28,309	\$ 34,914
Foreign currency translation	--	--	1,314	4
Balance as of June 30, 2002	\$ 12,578	\$ 47,912	\$ 29,623	\$ 35,418

At June 30, 2002, the Company had one amortized intangible asset. This asset is unpatented technology and the gross carrying amount and accumulated amortization at June 30, 2002 were \$576 and \$308, respectively.

The amortization expense related to the intangible asset was \$116 for the fiscal year ended June 30, 2002 and June 24, 2001. Amortization expense is expected to be \$116 for each of the fiscal years through 2004 and \$44 for fiscal 2005. The gross carrying amount, accumulated amortization and amortization expense will vary depending on the prevailing foreign currency exchange rate.

Previous to the adoption of SFAS 142, the excess of the purchase price over the fair value of net assets acquired in business combinations (goodwill) was capitalized and amortized on a straight-line basis over periods ranging from 15 to 40 years. Goodwill amortization charged to income for the years ended June 24, 2001 and June 25, 2000 was approximately \$5,296 and \$5,230, respectively. Accumulated amortization at June 30, 2002 and June 24, 2001 was approximately \$28,372. A reconciliation of reported income (loss) available to common stockholders and income (loss) available to common stockholders per share to the amounts adjusted for the exclusion of goodwill amortization for the last three completed fiscal years is as follows:

	FISCAL YEAR ENDED		
	JUNE 30, 2002	JUNE 24, 2001 AS RESTATED	JUNE 25, 2000 AS RESTATED
Reported income (loss) available to common stockholders.....	\$1,657	\$ (73,072)	\$ (5,453)
Add back: Goodwill amortization (net of tax).....	--	4,701	4,731
Adjusted income (loss) available to common stockholders.....	\$1,657	\$ (68,371)	\$ (722)
DILUTED LOSS PER SHARE:			
Reported income (loss) available to common stockholders.....	\$ 0.15	\$ (7.18)	\$ (0.54)
Add back: Goodwill amortization (net of tax).....	--	0.46	0.47
Adjusted income (loss) available to common stockholders.....	\$ 0.15	\$ (6.72)	\$ (0.07)

The carrying value of goodwill is assessed for recoverability by management based on an analysis of future expected cash flows from the underlying operations of the Company's reporting units, according to SFAS 142. The Company's reporting units represent the various components of the Company's segments for which discrete financial information is available and management regularly reviews the results. All goodwill has been assigned to reporting

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units. Each year the Company generates operating forecasts at the reporting unit level, upon which the future expected cash flows are based. Under SFAS 142, the impairment analysis is a two-step process whereby, in the first step, the fair value of the Company's reporting units (as estimated using discounted future cash flows) is compared to the respective carrying value of the reporting unit as an indication of whether impairment exists. If the carrying value exceeds the fair value, a second step is required whereby the fair value of the reporting unit is allocated to all of the assets and liabilities of the reporting unit

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

resulting in an implied fair value of goodwill that is then compared to the carrying value of goodwill. During the fiscal year ended June 30, 2002, management determined that the goodwill recorded had not been impaired. The Company calculated the present value of expected cash flows to determine the fair value of the reporting units using a discount rate of 10%, which represents the weighted average cost of capital.

Upon adoption of SFAS 142 in the first quarter of fiscal 2002, the Company completed the transitional goodwill impairment analysis and found there to be no impairment. The transitional impairment test followed the same guidelines as the annual impairment test discussed above.

During the fourth quarter of fiscal 2001, management determined that an assessment of the recoverability of goodwill by division was necessary. The decision was based on a continuing decline in the operating results of certain divisions and management assumptions regarding future performance based on the overall economic recession and an evaluation of the organizational and operational structure of the Company. The assessment was performed at the divisional level as the divisions maintain distinctively identifiable goodwill and represent the lowest level of identifiable cash flows. The Company determined that goodwill recorded for certain divisions had been impaired and recorded an impairment charge of \$38,219 in accordance with SFAS 121. The fair value of the goodwill was based on discounted expected future cash flows of the related division, except as described below regarding the Stokes division.

The components of the fiscal 2001 goodwill write-off were as follows:

Material Processing segment	
Sencorp (Hyannis, Massachusetts)	\$ 10,730
Stokes (Bristol, Pennsylvania)	5,943

	16,673
Precision Assembly segment	
Mid-West (Buffalo Grove, Illinois)	10,000
Packaging Systems segment	
Kalish (Montreal, Quebec)	7,353
Assembly & Test segment	
Hansford (Rochester, New York)	4,193

	\$ 38,219
	=====

Each of these components relates to assets to be held and used, other than the Stokes portion, which at the time of the analysis was under a letter of

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intent to be sold. The value stated in the letter of intent was used as the fair market value for purposes of determining goodwill impairment for the Stokes division. The proposed sale of Stokes was ultimately terminated and it is currently being rationalized into our Hyannis, Massachusetts operation. The total fiscal 2001 impairment charge related to the Stokes division was \$9,249 of which \$5,943 was for goodwill impairment, \$2,738 was for excess and obsolete inventory and \$568 was for other asset write downs. The goodwill impairment is included in the goodwill impairment charge separately disclosed on the statement of operations, the excess and obsolete inventory charge is included in cost of sales and the other asset write-downs are included in selling, general and administrative expenses. During fiscal 2001, prior to the charges discussed above, the Stokes division had revenues of \$6,707 and an operating loss of \$1,238. At June 24, 2001, the carrying value of the net assets of Stokes was approximately \$3,693. The net loss on the disposal of Scheu & Kniss recorded in fiscal 2001, as discussed in Note 3, included a full impairment of the related goodwill of \$5,018.

NOTE 11 -- DEPENDENCE ON SIGNIFICANT CUSTOMERS

Total net sales to a customer in the electronics industry were \$99,578, \$141,884 and \$47,568 in fiscal 2002, 2001, and 2000 respectively. Total net sales to a customer in the tire industry were \$38,690 and \$49,084 in fiscal 2001 and 2000, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Trade receivables recorded for the significant customer in the electronics industry at June 30, 2002 were \$19,262, most of which was collected subsequent to year-end.

NOTE 12 -- SUPPLEMENTAL BALANCE SHEET INFORMATION

	JUNE 30, 2002	JUNE 24, 2001 AS RESTATED
	-----	-----
ACCOUNTS RECEIVABLE		
Trade receivables.....	\$ 58,021	\$ 79,695
Less -- allowance for doubtful accounts.....	(3,085)	(8,921)
	-----	-----
	\$ 54,936	\$ 70,774
	=====	=====
COSTS AND ESTIMATED EARNINGS IN EXCESS OF AMOUNTS BILLED ON UNCOMPLETED CONTRACTS		
Costs incurred on uncompleted contracts.....	\$176,781	\$285,114
Estimated earnings.....	37,040	37,757
	-----	-----
	213,821	322,871
Less -- Billings to date.....	(196,553)	(245,908)
	-----	-----
	\$ 17,268	\$ 76,963
	=====	=====
Included in the accompanying balance sheets:		
Costs and estimated earnings in excess of amounts billed.....	\$ 29,288	\$ 85,805
Billings in excess of costs and estimated earnings.....	(12,020)	(8,842)

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	\$ 17,268	\$ 76,963
	=====	=====
INVENTORIES, NET		
Raw materials.....	\$ 16,652	\$ 26,778
Work in process.....	10,958	18,549
Finished goods.....	4,292	6,090
Less -- inventory reserves.....	(5,125)	(10,552)
	-----	-----
	\$ 26,777	\$ 40,865
	=====	=====
PROPERTY, PLANT AND EQUIPMENT		
Machinery and equipment.....	\$ 50,187	\$ 68,887
Buildings and improvements.....	23,022	35,575
Land and improvements.....	5,964	7,112
Construction-in-progress.....	809	280
	-----	-----
	79,982	111,854
Less -- accumulated depreciation.....	(42,653)	(49,391)
	-----	-----
	\$ 37,329	\$ 62,463

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	JUNE 30, 2002	JUNE 24, 2001 AS RESTATED
	-----	-----
	=====	=====
ACCRUED LIABILITIES		
Accrued employee compensation and benefits.....	\$ 10,258	\$ 13,570
Accrued warranty.....	3,422	3,244
Restructuring accrual.....	4,678	2,879
Other.....	11,237	17,450
	-----	-----
	\$ 29,595	\$ 37,143
	=====	=====

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 previous three fiscal years are as follows:

	BEGINNING BALANCE	EXPENSE	CHARGES	ENDING BALANCE
	-----	-----	-----	-----
Fiscal 2002.....	\$3,244	\$1,753	\$(1,575)	\$3,422
Fiscal 2001.....	2,527	2,772	(2,055)	3,244
Fiscal 2000.....	4,995	1,098	(3,566)	2,527

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NOTE 13 -- WRITE-DOWN OF ASSETS

The Company wrote down \$21,809 of assets in the fourth quarter of fiscal 2001. A summary and roll-forward of the specific reserves are as follows:

	RESERVE AT JUNE 24, 2001 -----	FISCAL 2002 EXPENSE -----	FISCAL 2002 WRITE-OFFS/ DISPOSALS -----	RECOVERIES -----	DISPOSITIONS -----
Inventory.....	\$10,552	\$1,303	\$(5,753)	\$ (282)	\$(695)
Accounts receivable.....	8,921	1,208	(4,277)	(2,498)	(269)

The Company recorded inventory related charges of \$9,811 (excess and obsolete reserves and fair market value adjustments) in the fourth quarter of fiscal 2001 resulting in an ending inventory reserve of \$10,552. The Company also took other inventory-related write-offs of \$2,218 in June 2001, primarily related to work-in-process items deemed unrecoverable by management.

The \$9,811 charge, which increased excess and obsolete reserves and adjusted certain inventory items to fair market value was comprised of the following items:

- a charge of \$1,400 to write-down the remaining assets of the discontinued extrusion product line to an estimated fair market value of \$400. The product line was sold in fiscal year 2002 for \$200 resulting in an additional loss of \$200 in fiscal year 2002;
- a charge of \$2,738 related to excess and obsolete inventory of the Stokes division based on a letter of intent to sell the Stokes assets. The sale of the net assets of the Stokes division did not ultimately occur; and
- a charge of \$5,673 related to various divisions that were determined to have excess or obsolete inventory issues or inventory market value concerns.

The inventory reserves established in fiscal 2001 assumed an estimated salvage value on certain of the inventory items being reserved. The Company was not able to achieve the estimated salvage value as it disposed of the inventory in fiscal 2002 partially accounting for the incremental expense in fiscal 2002. The

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Company's disposal activity during fiscal 2002 consisted of selling items for scrap value, returning items to suppliers for credit and throwing items away. The Company's inventory reserve balance as of June 30, 2002 is expected to be substantially utilized in fiscal 2003. The Packaging segment accounts for \$4,092 of the reserve at June 30, 2002, of which \$2,176 is related to replacement parts held at facilities closed in fiscal 2002 and deemed obsolete. The Company anticipates disposing of these items in fiscal 2003.

The Company recorded \$8,330 of accounts receivable write-offs in the fourth quarter of fiscal 2001 resulting in an accounts receivable allowance for doubtful accounts of \$8,921 at June 24, 2001. Of this total, \$4,500 related to

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two specific projects for which the Company determined it would not be able to collect. The remaining reserve relates to accounts deemed by management to be uncollectible. Due to increased collection efforts, \$2,498 of the accounts receivable reserved for were collected in 2002 and therefore the related reserves were reversed.

In addition to the above amounts, the Company also took an additional charge of \$1,450 in the fourth quarter of fiscal 2001 primarily related to write-offs of fixed assets. The fixed asset write-off consisted primarily of software development costs for systems that were expected to be rolled out company-wide, which the new management team decided not to pursue.

The inventory related charges of \$12,029 and the write-offs of fixed assets of \$1,450 were included in cost of sales in the statement of operations. The accounts receivable write-offs of \$8,330 were included in selling, general and administrative expenses.

NOTE 14 -- RESTRUCTURING

During fiscal 2002, the Company announced several actions in connection with its restructuring plan as outlined below. These actions resulted in an aggregate of \$10,332 of restructuring charges in fiscal 2002 after the fiscal 2001 restructuring charge reversal discussed below.

- Closure of its Rochester, New York facility, including termination of employees in the fourth quarter of 2002 and the transfer of the customer base of this facility primarily to its Dayton, Ohio and Buffalo Grove, Illinois facilities. The closure was announced January 24, 2002. The restructuring costs, which totaled \$3,648 were recorded in the third quarter of fiscal 2002 and included severance costs of \$1,334 for the termination of 114 employees. As of June 30, 2002, four employees remained for final administrative duties, all of whom were discharged by the end of the first quarter of fiscal 2003. The remaining restructuring costs include \$1,068 for future facility lease and related costs, \$1,146 for assets write-offs and \$100 for office equipment lease terminations and miscellaneous other charges. The asset write-offs include the remaining value of leasehold improvements, the computer system and show machines.
- Closure of its Montreal, Quebec facility, including termination of employees in August 2002, and the transfer of its customer base and assets to its operations in Leominster, Massachusetts. The closure was announced March 22, 2002. The restructuring costs of \$2,299 were recorded in the third quarter of fiscal 2002 and included severance costs of \$993 for the termination of approximately 83 employees, partially offset by a reversal of \$451 associated with severance accrual recorded in fiscal 2001. 75 employees remained at June 30, 2002, 70 of which were terminated by the end of the first quarter of fiscal 2003. The remaining restructuring costs include \$664 for future facility lease and related costs, \$1,056 for asset write-offs and \$37 of other costs. The asset write-offs include the remaining value of leasehold improvements, computer system and other.
- Transfer of its manufacturing operations in Bristol, Pennsylvania to Hyannis, Massachusetts as part of its Converting Technologies division. The closure was announced March 22, 2002 and completed in September 2002. The restructuring costs of \$892 were recorded in the third quarter of fiscal 2002 and included severance costs of \$272 for the termination of 15 employees. Up to 10 employees are expected

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

to remain in Bristol for sales and engineering support. As of June 30, 2002, there were no terminations. By the end of the first quarter of fiscal 2003, 12 employees were terminated. The remaining restructuring costs include \$400 of asset write-offs, \$192 for future facility lease and related costs and \$28 of other costs. The asset write-offs include the remaining value of leasehold improvements.

- Transfer of the Assembly and Test-Europe fabrication operations from Gawcott, United Kingdom to its Buckingham, England plant in the fourth quarter of fiscal 2002. The restructuring costs of \$1,206 were recorded in the third quarter of fiscal 2002 and included estimated severance costs of \$908 for the termination of 43 employees, all of whom were terminated by June 30, 2002. The restructuring costs include \$264 for future lease payments and \$34 of other costs.

- The Company recognized additional restructuring charges of \$2,287 in fiscal 2002 (\$1,521 in the second quarter, \$463 in the third quarter, and \$303 in the fourth quarter) primarily related to severance costs associated with management changes and workforce reductions at several divisions, as well as future lease payments resulting from the consolidation of two Packaging segment divisions. The restructuring charge included severance costs of \$1,747 for the termination of 125 employees, \$300 for future lease payments and \$240 of asset write-offs. All of the employees were terminated by June 30, 2002.

The following table summarizes the components of the fiscal 2002 restructuring accruals:

	RESTRUCTURING CHARGE	CASH CHARGES TO ACCRUAL	NON-CASH CHARGES TO ACCRUAL	
	-----	-----	-----	-----
Severance costs.....	\$ 5,254	\$ (3,823)	\$ --	\$
Future lease costs on closed facilities.....	2,488	--	--	
Asset write-downs.....	2,842	--	(2,535)	
Other.....	199	(199)	--	
	-----	-----	-----	-----
	\$10,783	\$ (4,022)	\$ (2,535)	\$
	=====	=====	=====	=====

The Company has utilized \$6,557 of the fiscal 2002 restructuring accrual as of June 30, 2002 resulting in a remaining balance of \$4,226. The future lease commitment on closed facilities includes a two-year accrual for the Rochester, New York and Montreal, Quebec facilities. The remaining restructuring charges are expected to be used by the end of September 2003.

FISCAL 2001 RESTRUCTURING

In the fourth quarter of fiscal 2001, a restructuring charge of \$3,694 was established for severance costs associated with management changes and workforce reductions, future lease costs on idle facilities and personnel relocation costs resulting from the corporate office move and the closure of four Packaging segment sales offices and non-cash asset write-downs.

The Company's fiscal 2001 restructuring plan consisted of the following

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actions:

- Closure of Canadian operation's sales offices, including the termination of 64 employees. These offices were closed in the fourth quarter of 2001. In addition, there was a headcount reduction at the Montreal location. These people were notified of termination in the fourth quarter of fiscal 2001. Total severance costs were \$706 and future lease costs on rented office space for the sales offices was \$300. As mandated by Canadian law, a six-month waiting period is required before termination after notice is given. After notification, during the six-month period, a number of employees left voluntarily and therefore received no benefits. Accordingly, an amount of \$451 was reversed to income in fiscal 2002 and is included in the roll-forward.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

- Consolidation of two of the Company's United Kingdom operations, which included the termination of 28 employees in the first quarter of fiscal 2002 at a cost of \$500.
- Relocation of the corporate offices from Springfield, Missouri to Dayton, Ohio. Total moving costs incurred were \$949 in the fourth quarter of 2001, which included personnel relocation costs of \$747 and other moving costs of \$202. These moving costs were recognized when incurred. In addition, the Company accrued future lease costs on the idle office space in Springfield of \$575. Lastly, severance of \$545 was recorded for the termination of 10 employees at the Springfield office.

The rollforward of the restructuring accrual related to fiscal 2001 is as follows:

	AS OF JUNE 24, 2001 -----	CASH CHARGES TO ACCRUAL -----	NON-CASH CHARGES TO ACCRUAL -----	REVERSAL IN 2002 -----
Severance costs.....	\$1,277	\$ (826)	\$ --	\$(451)
Future lease costs.....	685	(327)	--	--
Relocation costs.....	544	(544)	--	--
Asset write-downs.....	131	--	(131)	--
Other.....	242	(148)	--	--
	-----	-----	-----	-----
	\$2,879	\$(1,845)	\$(131)	\$(451)
	=====	=====	=====	=====

The Company utilized \$1,976 of the fiscal 2001 restructuring accrual as of June 30, 2002 and reversed \$451 in fiscal 2002, resulting in a remaining accrual of \$452, which is expected to be used during fiscal 2003.

NOTE 15 - BUSINESS SEGMENTS

The Company adopted Statement of Financial Accounting Standards No. 131 (SFAS 131), "Disclosures about Segments of an Enterprise and Related Information", effective June 27, 1999. SFAS 131 requires disclosure of segment information on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments.

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The Company primarily operated in two business segments through fiscal 2002 - Automation and Packaging. The Company announced in March 2002 the reorganization of its operations into four business segments: Material Processing, Precision Assembly, Packaging Systems and Assembly and Test. See "Item 1. Business. Markets and Products" in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2002 for a description of the products and markets of these four segments. This new structure is designed to allow the Company to streamline product offerings, capitalize on the combined strength of operating units, reduce overlap in the marketplace and improve capacity utilization, internal controls, financial reporting and disclosure controls.

The Company evaluates performance and allocates resources to reportable segments primarily based on operating income. The accounting policies of the reportable segments are the same as those described in the summary of significant policies. Intersegment sales are not significant.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Financial information for the Company's reportable segments consisted of the following:

	FISCAL 2002	FISCAL 2001 AS RESTATED (SEE NOTES 1 AND 16)	FISCAL 2000 AS RESTATED (SEE NOTES 1 AND 16)
	-----	-----	-----
NET SALES			
Material Processing	\$ 95,368	\$ 127,722	\$ 143,942
Precision Assembly	69,701	120,612	78,123
Packaging Systems	41,081	52,465	60,514
Assembly & Test	119,334	164,200	136,571
Divested businesses	792	46,103	45,135
	-----	-----	-----
Consolidated Total	\$ 326,276 =====	\$ 511,102 =====	\$ 464,285 =====
OPERATING INCOME (LOSS)			
Material Processing	\$ 8,693	\$ (21,600)	\$ 11,431
Precision Assembly	3,756	(11,431)	274
Packaging Systems	(3,711)	(13,928)	(59)
Assembly & Test	(4,369)	2,148	3,835
Divested businesses	565	(8,173)	2,291

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Corporate	(6,732)	(13,811)	(8,757)
	-----	-----	-----
Consolidated Total	\$ (1,798)	\$ (66,795)	\$ 9,015
	=====	=====	=====
ASSETS			
Material Processing	\$ 64,061	\$ 80,529	\$ 114,634
Precision Assembly	77,865	106,080	120,564
Packaging Systems	53,846	52,171	70,052
Assembly & Test	94,266	132,334	125,039
Divested businesses	--	27,278	34,793
Corporate	18,372	12,282	13,690
	-----	-----	-----
Consolidated Total	\$ 308,410	\$ 410,674	\$ 478,772
	=====	=====	=====
CAPITAL EXPENDITURES			
Material Processing	\$ 1,836	\$ 1,165	\$ 3,863
Precision Assembly	110	106	75
Packaging Systems	354	616	513
Assembly & Test	499	391	713
Divested businesses	9	522	649
Corporate	115	378	918
	-----	-----	-----
Consolidated Total	\$ 2,923	\$ 3,178	\$ 6,731
	=====	=====	=====
DEPRECIATION AND AMORTIZATION			
Material Processing	\$ 2,383	\$ 3,789	\$ 4,129
Precision Assembly	916	2,589	2,808
Packaging Systems	1,043	2,020	1,881
Assembly & Test	1,930	3,673	3,999
Divested businesses	33	1,876	2,145
Corporate	3,500	2,456	1,498
	-----	-----	-----
Consolidated total	\$ 9,805	\$ 16,403	\$ 16,460
	=====	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Included in operating income (loss) are the following unusual items:

	FISCAL 2002 -----	FISCAL 2001 -----	FISCAL 2000 -----
GOODWILL IMPAIRMENT			
Material Processing	--	\$ 16,673	--
Precision Assembly	--	10,000	--
Packaging Systems	--	7,353	--
Assembly & Test	--	4,193	--
	-----	-----	----
Total	--	\$ 38,219	--
	=====	=====	=====
RESTRUCTURING CHARGE			
Material Processing	\$ 1,060	--	--
Precision Assembly	461	119	--
Packaging Systems	2,839	1,506	--
Assembly & Test	5,972	--	--
Corporate	--	2,069	--
	-----	-----	----
	\$ 10,332	\$ 3,694	--
	=====	=====	=====
GAIN (LOSS) ON DISPOSAL OF ASSETS			
Material Processing	\$ (1,128)	\$ 2	--
Precision Assembly	--	--	--
Packaging Systems	--	(48)	--
Assembly & Test			
Divested businesses	--	(9,067)	--
Corporate	--	640	--
	-----	-----	----
Total	\$ (1,128)	\$ (8,473)	--
	=====	=====	=====

In addition to the unusual items noted above, the Corporate operating loss in

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fiscal 2001 included approximately \$3,487 of non-recurring legal and professional fees associated with the investigations into the prior years accounting irregularities.

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

	FISCAL 2002
Material Processing	\$ 8,693
Precision Assembly	3,756
Packaging Systems	(3,711)
Assembly & Test	(4,369)
Operating income (loss) for reportable segments	4,369
Operating income for sold businesses	565
Corporate	(6,732)
Interest expense, net	(12,198)
Dividends on Company-obligated, mandatorily redeemable convertible preferred securities of subsidiary DT Capital Trust holding solely convertible junior subordinated debentures of the Company	(4,834)
Consolidated loss before benefit for income taxes	\$(18,830) =====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Financial information related to the Company's operations by geographic area consisted of the following:

	FISCAL 2002	FISCAL 2001	FISCAL 2000
NET SALES			
United States	\$180,751	\$321,207	\$334,099
Far East	45,138	41,804	8,870

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Europe	61,460	106,469	69,073
Canada/Latin America	32,681	41,547	46,837
Other	6,246	75	5,406
	-----	-----	-----
Consolidated Total	\$326,276	\$511,102	\$464,285
	=====	=====	=====
LONG-LIVED ASSETS			
United States	\$ 28,764	\$ 53,593	\$ 62,284
United Kingdom	7,354	7,213	7,926
Other International	1,211	1,657	3,008
	-----	-----	-----
Consolidated total	\$ 37,329	\$ 62,463	\$ 73,218
	=====	=====	=====

Net sales are attributed to countries based on the shipping destination of products sold. Long-lived assets consist of total property, plant and equipment, net of accumulated depreciation.

NOTE 16 -- RESTATEMENT

As described in Note 1, the Company's balance sheet as of, and statement of operations for, the fiscal year ended June 24, 2001 and the Company's statement of operations for the fiscal year ended June 25, 2000 have been restated. A comparison of previously reported and restated financial statements for these periods is presented below. The impact of these restatements resulted in increases to the Company's net loss of \$1,729 and \$863, and to the Company's net loss per common share of \$0.17 per share and \$0.09 per share, for fiscal 2001 and 2000, respectively.

Included in the Company's June 27, 1999 restated retained earnings is an adjustment of \$1,435 related to the cumulative impact of the restatement related to fiscal 1999.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

CONSOLIDATED BALANCE SHEET

	JUNE 24, 2001 AS PREVIOUSLY REPORTED	JUNE 24, 2001 AS RESTATED
	-----	-----
Assets		
Current assets:		
Cash.....	\$ 5,505	\$ 5,505
Accounts receivable, net.....	70,774	70,774
Costs and estimated earnings in excess of amounts		

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billed on uncompleted contract.....	92,000	85,805
Inventories, net.....	40,865	40,865
Prepaid expenses and other.....	12,497	14,665
	-----	-----
Total current assets.....	221,641	217,614
Property, plant and equipment, net.....	62,463	62,463
Goodwill, net.....	123,767	123,767
Other assets, net.....	6,830	6,830
	-----	-----
	\$414,701	\$410,674
	=====	=====
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt.....	\$ 36,151	\$ 36,151
Accounts payable.....	40,917	40,917
Customer advances.....	25,651	25,651
Accrued liabilities.....	37,143	37,143
	-----	-----
Total current liabilities.....	139,862	139,862
	-----	-----
Long-term debt.....	96,571	96,571
Other long-term liabilities.....	3,778	3,778
	-----	-----
	100,349	100,349
Commitments and contingencies		
Company-obligated, mandatorily redeemable convertible preferred securities of subsidiary DT Capital Trust holding solely convertible junior subordinated debentures of the Company.....		
	80,652	80,652
Stockholders' equity:		
Common stock.....	113	113
Additional paid-in capital.....	127,853	127,853
Retained earnings (accumulated deficit).....	(6,965)	(10,992)
Accumulated other comprehensive loss.....	(2,058)	(2,058)
Unearned portion of restricted stock.....	(661)	(661)
Less -- Treasury stock.....	(24,444)	(24,444)
	-----	-----
Total stockholders' equity.....	93,838	89,811
	-----	-----
	\$414,701	\$410,674
	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

CONSOLIDATED STATEMENT OF OPERATIONS

	FISCAL YEAR ENDED			
	JUNE 24, 2001 AS PREVIOUSLY REPORTED	JUNE 24, 2001 AS RESTATED	JUNE 25, 2000 AS PREVIOUSLY REPORTED	JUNE AS R
	-----	-----	-----	-----
Net sales.....	\$ 511,102	\$ 511,102	\$ 464,285	\$
Cost of sales.....	434,357	437,017	374,091	
	-----	-----	-----	-----

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Gross profit.....	76,745	74,085	90,194	
Selling, general and administrative expenses.....	90,494	90,494	79,852	
Goodwill impairment.....	38,219	38,219	--	
Restructuring charge.....	3,694	3,694	--	
Net loss on disposal of assets.....	8,473	8,473	--	
	-----	-----	-----	-----
Operating income (loss).....	(64,135)	(66,795)	10,342	
Interest expense, net.....	14,891	14,891	10,305	
Dividends on Company-obligated, mandatorily redeemable convertible preferred securities of subsidiary DT Capital Trust holding solely convertible junior subordinated debentures of the Company.....	5,506	5,506	5,146	
	-----	-----	-----	-----
Loss before benefit for income taxes.....	(84,532)	(87,192)	(5,109)	
Benefit for income taxes.....	(13,189)	(14,120)	(519)	
	-----	-----	-----	-----
Net loss.....	\$ (71,343)	\$ (73,072)	\$ (4,590)	\$
	-----	-----	-----	-----
Net loss per common share:				
Basic and Diluted.....	\$ (7.01)	\$ (7.18)	\$ (0.45)	\$
Weighted average common shares outstanding:				
Basic and Diluted.....	10,172,811	10,172,811	10,107,274	10,

NOTE 17 -- QUARTERLY FINANCIAL DATA (UNAUDITED)

As described in Note 1, the unaudited quarterly information for the first three fiscal quarters of the fiscal year ended June 30, 2002 and the four fiscal quarters of the fiscal year ended June 24, 2001 have been restated. A comparison of previously reported and restated unaudited quarterly financial information is presented below.

	1ST QUARTER AS PREVIOUSLY REPORTED	1ST QUARTER AS RESTATED	2ND QUARTER AS PREVIOUSLY REPORTED	2ND QUARTER AS RESTATED	3RD QUARTER AS PREVIOUSLY REPORTED
	-----	-----	-----	-----	-----
YEAR ENDED JUNE 30, 2002					
Net sales.....	\$100,484	\$100,431	\$88,104	\$88,661	\$ 60,1
Cost of sales.....	79,501	79,832	70,488	70,733	49,7
Gross profit.....	20,983	20,599	17,616	17,928	10,4
Operating income (loss).....	5,967	5,583	2,919	3,231	(12,1
Net income (loss).....	859	609	(1,108)	(905)	(12,7
Diluted earnings (loss) per share.....	0.08	0.06	(0.11)	(0.09)	(1.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

1ST QUARTER AS	1ST QUARTER	2ND QUARTER AS	2ND QUARTER	3RD QUARTER AS	3
-------------------	-------------	-------------------	-------------	-------------------	---

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	PREVIOUSLY REPORTED	AS RESTATED	PREVIOUSLY REPORTED	AS RESTATED	PREVIOUSLY REPORTED
	-----	-----	-----	-----	-----
YEAR ENDED JUNE 24, 2001					
Net sales.....	\$116,451	\$116,451	\$131,425	\$131,425	\$123,965
Cost of sales.....	96,446	96,918	106,750	107,519	103,371
Gross profit.....	20,005	19,533	24,675	23,906	20,594
Operating income (loss).....	284	(188)	4,800	4,031	580
Net income (loss).....	(3,124)	(3,431)	(929)	(1,429)	(3,434)
Diluted earnings (loss) per share.....	(0.31)	(0.34)	(0.09)	(0.14)	(0.34)

4TH QUARTER
AS
RESTATED

YEAR ENDED JUNE 24, 2001	
Net sales.....	\$139,261
Cost of sales.....	128,609
Gross profit.....	10,652
Operating income (loss).....	(70,618)
Net income (loss).....	(64,388)
Diluted earnings (loss) per share.....	(6.22)

The principal unusual items which affected the quarterly results for the fiscal years ended June 30, 2002 and June 24, 2001 include the following pre-tax items:

Second quarter 2002:

- A \$1,521 restructuring charge included in operating expenses.

Third quarter 2002:

- A \$8,508 restructuring charge included in operating expenses.

Fourth quarter 2002:

- A \$1,128 loss on disposal of the Hyannis facility, included in operating expenses.

Third quarter 2001:

- A \$1,249 loss on the sale of substantially all of the assets of Vanguard Technical Solutions, Inc., included in operating expenses; and
- A \$640 gain on the sale of the corporate airplane, included in operating expenses.

Fourth quarter 2001:

- A \$38,219 charge related to the write down of goodwill included in operating expenses;

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- A \$7,915 loss recorded on the disposal of net assets included in operating expenses;
- A \$3,694 restructuring charge included in operating expenses; and
- A \$21,809 charge related to the write-down and provision of assets, \$13,479 of which primarily related to inventory and is included in cost of sales, and the remaining \$8,330, primarily related to accounts receivable, which is included in operating expenses.

See Note 3 regarding the dispositions of assets and Notes 13 and 14 regarding the write-down of assets and restructuring.

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.

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ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) EXHIBITS. The following exhibits are filed herewith.

Ex. 99 Consent of Independent Accountants

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SIGNATURE

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 hereunto duly authorized.

Date: December 5, 2002

DT INDUSTRIES, INC.

By: /s/ Dennis S. Dockins

Dennis S. Dockins
General Counsel and Secretary

