GSI GROUP INC
Form 10-K/A
April 27, 2005

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
(AMENDMENT NO. 1)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2003

OR

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

Commission File Number 333-43089

THE GSI GROUP, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	37-0856587
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1004 E. ILLINOIS STREET, ASSUMPTION, ILLINOIS	62510
(Address of principal executive offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (217) 226-4421

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 or Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer: Yes [ ] No [X]

Aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant: $0

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common stock, par value $0.01 per share, 826,948 shares outstanding as of April 26, 2005.

Documents Incorporated by Reference: None

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INTRODUCTORY NOTE

This Amendment No. 1 to The GSI Group, Inc.'s (the "Company's") Annual Report on Form 10-K for the fiscal year ended December 31, 2003 (the "Form 10-K/A") includes restated consolidated financial statements as of December 31, 2003, 2002 and 2001. The accompanying restated consolidated financial statements, including the notes thereto, have been revised to reflect the restatement.

The restatement was initially disclosed in the Company's Current Report on Form 8-K, filed on March 8, 2005 and was reflected in Company's Annual Report on Form 10-K for the year ended December 31, 2004. The Company has restated in this Form 10-K/A its consolidated balance sheets as of December 31, 2003 and 2002, and consolidated statements of operations, cash flows and stockholders' deficit for the fiscal years ended December 31, 2003, 2002 and 2001 to reflect this restatement.

This Form 10-K/A amends and restates Items 6, 7, 8 and 9A of Part II and Items 11 and 13 of Part III of the original Form 10-K, and no other information included in the original Form 10-K is amended hereby. Although not amended or updated, all other Items of the original Form 10-K are contained herein for the convenience of the reader.

All referenced amounts in this Form 10-K/A for prior periods and prior period comparisons reflect the balances and amounts on a restated basis.

Except with respect to Item 9A of Part II, the information set forth under "Forward-Looking Statements" and the statements included in this Introductory Note, this Form 10-K/A has not been updated for changes in events, estimates or other developments subsequent to March 30, 2004, the date of filing of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003. For a discussion of these subsequent events and developments as well as revisions to prior estimates, please refer to the Company's Form 10-K for the year ended December 31, 2004.

During the 2004 year-end closing process, the Company discovered unintentional accounting errors in prior years' financial statements. The errors have been corrected in the accompanying 2003, 2002 and 2001 financial statements. A description of the errors and related impact of each on the financial statements follows. Amounts are stated in whole dollars.

- At the end of 2001, the Company began the process of shutting down its Mason City, Iowa plant, which served as the headquarters for its DMC subsidiary. As the Company began the revenue cycle process at its corporate headquarters, cost of sales estimates were understated during 2002, while cost accounting records were being developed for the products previously handled by the Mason City employees, which caused the remaining inherited inventory costs to be overstated by approximately $6.5 million. The Company became aware of the overstatement in early 2003, but erroneously assigned the overstated value to inventory that would flow through the cost of sales over the next few years.

This erroneous correction reduced the stated value of the inventory by approximately $2.2 million in 2003 and $4.3 million in 2004. During the 2004 year-end closing process, this issue was re-examined, and the Company determined that it would be appropriate to restate the 2002 cost of sales and year-end inventory, the period when the overstatement occurred.

- In 1997, the majority shareholder sold non-voting shares to certain employees at an arm's length market value price. The majority shareholder helped finance each employee purchase with a non-recourse interest-bearing note with each employee with the shares being held as collateral against that note. The Company failed to ascertain the market value of those shares at each year-end to determine if compensation expense should be recorded to comply with generally accepted accounting principles. The Company has now performed that review and determined that for the end of 2003, compensation expense of $484,097 was created. The dividends paid to the non-voting shareholders are classified as compensation expense and reduced previously reported net income for 2003 by $62,584.

- The Company mistakenly treated its Mexican subsidiary with the local currency being the functional currency. The Company should have treated its Mexican subsidiary with the U.S. dollar as being the functional currency. The result of this error was an unfavorable impact to the profit and loss statement of $98,644.

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- The Company mistakenly did not capitalize the overhead component of the Brazilian Subsidiary's inventory to comply with United States generally accepted accounting principles. The result of this error was a favorable impact to the profit and loss statement of $4,935.

- The Company had an error in its calculation of the intercompany profit and loss component residing in the year end inventory balance. The result of this error was an unfavorable impact to the profit and loss statement of $383,999.

- The Company, now with the benefit of hindsight, made the error of not accruing the CEO's salary and board of director fees which were being refused at that time by the CEO. The result of this error was an unfavorable impact to the profit and loss statement of $100,000.

- The Company, when it made the shift in late 2000 from a premium stop-loss worker's compensation insurance policy to a high-deductible self-insured policy, failed to begin to accrue for the "incurred but not reported" liability. The result of this error was an unfavorable impact to the profit and loss statement of $289,506.

- The Company, when it entered into an agreement at the beginning of 2002 with the manager of its Brazilian Subsidiary to partially compensate him with an ownership percentage of that subsidiary, neglected to initiate a process to account for his minority ownership. The result of that error was an unfavorable impact to the profit and loss statement of $77,333 and a reclassification of the balance sheet equity section for $339,614.

- The quarterly impact of these issues to the profit and loss statement was approximately $0.4 million per quarter, while the balance sheet equity section cumulative impact was less than $0.1 million per quarter. Due to the straight line nature of these adjustments, it was deemed that restating the 10-Q's would not benefit the reader.

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 concerning, among other things, the prospects and developments of the Company's and business strategies for its operations, all of which are subject to risks and uncertainties. These forward-looking statements are included in various sections of this report. These statements are identified as "forward-looking statements" or by their use of terms (and variations thereof) such as "will," "may," "can," "anticipate," "intend," "continue," "estimate," "expect," "plan," "should," "outlook," "believe," and "seek" and similar terms (and variations thereof) and phrases.

When a forward-looking statement includes a statement of the assumptions or bases underlying the forward-looking statement, the Company cautions that, while it believes such assumptions or bases to be reasonable and makes them in good faith, assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material, depending upon the circumstances. Where, in any forward-looking statement, the Company or its management expresses an expectation or belief as to future results, it expresses that expectation or belief in good faith and believe it has a reasonable basis, but the Company or its management can give no assurance that the statement of expectation or belief will result or be achieved or accomplished.

The Company's actual results may differ significantly from the results discussed in the forward-looking statements.

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PART I

ITEM 1. BUSINESS.

GENERAL

The Company is a leading manufacturer and supplier of agricultural equipment and services worldwide. The Company believes that it is the largest global provider of both (i) grain storage bins and related drying and handling systems and (ii) swine feed storage, feed delivery, confinement and ventilation systems. The Company is also one of the largest global providers of poultry feed storage, feed delivery, watering, ventilation and nesting systems. The Company markets its agricultural products in approximately 75 countries through a network of over 2,500 independent dealers to grain, swine and poultry producers primarily under its GSI, DMC, FFI, Zimmerman, AP and Cumberland brand names. The Company's current market position in the industry reflects both the strong, long-term relationships the Company has developed with its customers as well as the quality and reliability of its products.

The primary users of the Company's grain storage, drying and handling products are farm operators or commercial businesses, such as the Archer-Daniels-Midland Company and Cargill, Inc., that operate feed mills, grain elevators, port storage facilities and commercial grain processing facilities. The Company believes that its grain storage, drying and handling equipment is superior to that of its principal competitors on the basis of strength, durability, reliability, design efficiency and breadth of product offering. The Company's feeding and ventilation systems are used primarily by growers that raise swine and poultry, typically on a contract basis for large integrators such as Perdue Farms Incorporated and Tyson Foods, Inc. In the swine industry however, there is a significant portion of the industry that is not integrated at this time that is also served. Because swine and poultry growers are always concerned about the efficiency of their operations, especially where it relates to feed, they seek to purchase systems that minimize the feed-to-meat ratio. As a result of its proprietary designs, the Company believes that its swine and poultry systems are the most effective in the industry in serving this customer objective.

The industry in which the Company operates is characterized both domestically and internationally by a few large companies with broad product offerings and numerous small manufacturers of niche product lines. Domestically, the Company intends to build on its established presence in the grain, swine and poultry markets. Internationally, the Company intends to capitalize on opportunities arising from still-developing agricultural industries. The Company believes that less functionally sophisticated and efficient grain storage systems used by facilities located outside the U.S. and Western Europe, which experience relatively high levels of grain spoilage and loss, are likely to be replaced by more modern systems. The Company also believes that the economic growth occurring in the Company's international markets will result in consumers devoting larger portions of their income to improved and higher-protein diets, stimulating demand for poultry and pork. The Company believes that it is well-positioned to capture increases in worldwide demand for its products resulting from these industry trends because of its

leading brand names, broad and diversified product lines, strong distribution network and high-quality products.

The Company was incorporated in Delaware on April 30, 1964. The Company's principal executive office is located at 1004 East Illinois Street, Assumption, Illinois 62510 and its telephone number is (217) 226-4421.

COMPANY STRENGTHS

Market Leader. The Company believes that it is the largest global provider of both (i) grain storage bins and related drying and handling systems and (ii) swine feed storage, feed delivery, confinement and ventilation systems. The Company is also one of the largest global providers of poultry feed storage, feed delivery, watering, ventilation and nesting systems.

Provider of Fully-Integrated Systems. The Company offers a broad range of products that permit customers to purchase all of their grain, swine and poultry production needs from one supplier. The Company believes that providing fully-integrated systems significantly lowers total production costs and enhances producer productivity by offering compatible products designed to promote synergies and achieve maximum operating results. Dealers who purchase fully-integrated systems also benefit from lower administrative and shipping costs and the ease of dealing with a single supplier. The Company intends to maintain its position as a provider of fully-integrated systems by continuing to offer the most complete line of products available within its markets and by developing and introducing new products within its existing lines.

Brand Name Recognition and Reputation for Quality Products and Service. Through its manufacturing expertise and experience, the Company has established recognition in its markets for the GSI, DMC, FFI, Zimmerman, AP and Cumberland brand names. The Company seeks to protect the reputation for high quality, reliability and specialized services that are associated with such brand names through quality control and customer feedback programs. The Company believes that its reputation and recognized brand names, along with its extensive distribution network, will assist it in its efforts to further penetrate both the domestic and international markets in which the Company operates.

Effective and Established Distribution Network. The Company believes that its development of a highly effective and established distribution network affords it significant competitive advantages. The Company's distribution network consists of over 2,500 independent dealers that market the Company's products in approximately 75 countries throughout the world. The breadth and scope of the Company's distribution network makes its products readily available in each of the Company's markets and lowers transportation costs for its customers. Dealers are carefully selected and trained to ensure high levels of customer service. In addition, the Company has experienced a very low turn-over rate of its dealers since the Company's inception, which promotes consistency and stability to customers.

Long-Term Alliances with Customers. The Company has a history of developing long-term alliances with customers who are market leaders in both the industries and the geographic markets they serve. The Company works closely with customers through all stages of product development in order to tailor products and systems to meet each customer's unique needs, making substitutions with competitor products more difficult. The Company's commitment to product quality, dedication to customer service and responsiveness to changing customer needs have enabled the Company to develop and strengthen long-term alliances with its customers.

Flexible Manufacturing Facilities. The Company's facilities are designed

to be easily reconfigured to adapt to demand changes for any or all of the Company's products. The Company's primary manufacturing facility, located in Assumption, Illinois, consists of approximately 950,000 square feet and operates on a 24-hour basis during peak production periods. The Company's facilities employ state-of-the-art machines that have enhanced production efficiencies.

Company Operated by Experienced Management Team. The Company is led by a management team with significant experience in the agricultural products industry. The Company believes that the agricultural expertise of its management team permit it to establish strong customer relationships and respond quickly to market opportunities.

BUSINESS STRATEGY

The Company's objective is to capitalize on its strengths through the implementation of its business strategy, which includes the following principal elements:

Capitalize on Opportunities in International Markets. The Company intends to continue to leverage its worldwide brand name recognition, leading market positions and international distribution network to capture the demand for its products that exists in the international marketplace. The Company believes that increasing the diversity of both its customer base and geographic coverage by expanding its international operations will mitigate the effect of future reductions in demand within any of its individual product lines, or within a particular geographic selling region.

Continue Development of Proprietary Product Innovations. The Company's research and development efforts focus on the development of new and technologically advanced products to respond to customer demands, changes in the marketplace and new technology. The Company employs a strategy of working closely with its customers and capitalizing on existing technology to improve existing products and develop new value-added products. The Company intends to continue to actively develop product improvements and innovations to more effectively serve its customers.

Reduce Expenses and Improve Profitability. The Company focuses on improving its financial performance by reducing non-strategic expenses and streamlining the processes at all levels of its organization.

INDUSTRY OVERVIEW

Demand for the Company's products is driven by the overall worldwide level of grain, swine and poultry production as well as the increasing focus, both domestically and internationally, on improving productivity in these industries. These markets are driven by a number of factors, including consumption trends affected by economic and population growth and government policies.

Demand for grain and the required infrastructure for grain storage, drying and handling is driven by several factors, including the need for grain for worldwide production of meat protein and cereals. The Company believes that less functionally sophisticated and efficient grain storage facilities located outside the U.S. and Western Europe, which experience higher levels of grain spoilage and loss, are over time likely to be replaced by more modern equipment. The Company also believes that these dynamics will continue to support domestic and international demand for the Company's grain storage, drying and handling systems.

Demand for the Company's swine and poultry feeding equipment and feed storage and delivery systems is impacted by the rate of economic growth occurring in international markets. As disposable incomes increase in these

international markets, consumers have in the past, and should in the future, devote larger portions of their income to improved and higher protein-based diets. In the past, this trend has stimulated stronger demand for meat, specifically poultry and pork, as these meats provide more cost-effective sources of animal protein than beef.

The Company's sales of grain equipment have historically been affected by feed and grain prices, acreage planted, crop yields, demand, government policies, government subsidies and other factors beyond the Company's control. Weather conditions also can adversely impact the agricultural industry and delay planned construction activity, resulting in fluctuating demand for the Company's grain equipment and delayed or lost revenues. Increases in feed and grain prices have in the past resulted in a decline in sales of feeding, watering and ventilation systems. The Company's sales of swine and poultry equipment historically have been affected by the level of construction activity by swine and poultry producers, which is affected by feed prices, environmental regulations and domestic and international demand for pork and poultry.

PRODUCTS

The Company manufactures and markets (i) grain storage bins and related drying and handling equipment systems, (ii) swine feed storage, feed delivery, confinement and ventilation systems and (iii) poultry feed storage, feed delivery, watering, ventilation and nesting systems. The Company offers a broad range of products that permits customers to purchase their grain, swine and poultry production equipment needs from one supplier. The Company believes that its ability to offer integrated systems provides it with a competitive advantage by enabling producers to purchase complete, integrated production systems from a single distributor who can offer high-quality installation and service.

Grain Product Line

The Company's grain equipment consists of the following products:

Grain Storage Bins. The Company manufactures and markets a complete line of over 1,000 models of both flat and hopper bottomed grain storage bins with capacities of up to 710,000 bushels. The Company markets its bins to both farm and commercial end users under its GSI brand name. The Company's grain storage bins are manufactured using high-yield, high tensile, galvanized steel (the thickest in the industry) and are assembled with high strength, galvanized bolts and anchor brackets. The Company's grain storage bins offer efficient design enhancements, including patented walk-in doors and a roof design that provides specialized vents for increased efficiency, extruded lips for protection against leakage, large and accessible eave and peak openings for ease of access, and reinforced supportive bends to increase rigidity. The Company believes that its grain storage bins are the most reliable and heaviest in the industry.

Grain Conditioning Equipment. To meet the need to dry grain for storage, the Company manufactures and markets a complete line of over 100 models of grain drying devices with capacities of up to 10,000 bushels per hour. The Company markets its grain drying equipment to both farm and commercial end users under its GSI, DMC, Zimmerman, FFI, and Airstream brand names. The Company's drying equipment, which includes fans, heaters, top dryers, stirring devices, portable dryers, stack dryers, tower dryers and process dryers, is manufactured using galvanized steel and high-grade electrical components and utilize patented control systems, which offer computerized control of all dryer functions from one panel.

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Grain Handling Equipment. The Company manufactures and markets a complete line of grain handling equipment to complement its grain storage and drying

product offerings. The Company markets its grain handling equipment, which includes bucket elevators, conveyors and augers, to both farm and commercial end users under its GSI and Grain King brand names. The Company's grain handling equipment offers ease of integration into Company or competitor systems and enables the Company to offer a fully-integrated product line to grain producers.

Swine Product Line

The Company's swine equipment consists of the following products:

Feeding Systems. The Company manufactures and markets its swine feeding products under its AP brand name. The Company custom designs a wide array of state of the art feeding systems used in today's modern swine facilities. These include the popular Flex-Flo auger systems that typically transport feed from the Bulk Feed Storage Tanks located outside of the buildings to inside of the structure. Once inside it is moved either by additional Flex-Flo equipment or is transferred to the versatile Chain Disk System, which can make turns and changes in elevation much more easily. Finally, the feed is delivered to the animals using either a wide variety of ad lib feeders that are specifically designed to waste a minimum amount of feed, provide the animals a high degree of comfort, and be user friendly to the producer. Sometimes an individual feed dispenser that allows the producer to feed each animal an exact amount of feed daily is used. All of these systems are highly automated and address the ever changing and multifaceted production practices that still abound in the pork production industry, such as "wean to finish" or "sorting technology".

Ventilation Systems. The Company manufactures and markets ventilation systems for swine buildings under its AP and Airstream brand names. These systems consist of fans, heating and evaporative cooling systems, winches, inlets and other accessories (including computer based automated control devices) that regulate temperature and air flow. Proper ventilation systems are crucial for minimizing the feed-to-meat conversion ratio by reducing stress caused by extreme temperature fluctuation, allowing for higher density production and providing optimum swine health through disease prevention. The Company's swine ventilation systems produce high levels of air output at low levels of power consumption, adapt to a wide array of specialty fans and other accessories, operate with little maintenance or cleaning and provide precision monitoring of environmental control. The Company specializes in designs that work with the new emerging production practices as they are being developed by producers so that they are market ready when these practices become commonplace.

Other Production Equipment. The Company manufactures and markets a wide array of equipment used in the balance of the swine production process, including plastic and cast iron slated flooring, highly efficient watering devices, a wide variety of PVC extrusions used for construction applications in the facilities, many sizes of rubber floor mats for pig comfort, creep heating systems for baby pigs, several styles of steel confinement equipment, and the latest in practical feed, water, and environmental monitoring equipment.

Poultry Product Line

The Company's poultry equipment consists of the following products:

Feeding Systems. The Company manufactures and markets its poultry feeding systems under its Cumberland brand name. The Company manufactures feeding systems that are custom tailored to both the general industry needs of different types of poultry producers and to the specialized needs of individual poultry producers. The Company's poultry feeding systems consist of a feed storage bin

located outside the poultry house, a feed delivery system that delivers the feed from the feed storage bin into the house and an internal feed distribution system that delivers feed to the birds. The Company's poultry feed storage bins contain a number of patented features designed to maximize capacity, manage the quality of stored feed, prevent rain and condensation from entering feed storage bins and provide first-in, first-out material flow, thereby keeping feed fresh to help prevent spoilage, and blended to provide uniform quality rations. The Company's poultry feed delivery systems use non-corrosive plastic and galvanized steel parts specially engineered for durability and reliable operations and specialized tubing and auguring or chain components that allow feed to be conveyed up, down and around corners. The Company believes that its patented HI-LO pan feeder is superior to competitor products due to its unique ability to adjust from floor feeding for young chicks to regulated feed levels for older birds.

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Watering Systems. The Company manufactures and markets nipple watering systems for poultry producers under its Cumberland brand name. The ability of a bird to obtain water easily and rapidly is an essential factor in facilitating weight gain. The Company's poultry watering system consists of pipes that distribute water throughout the house to drinking units supported by winches, cables and other components. The water is delivered through a regulator designed to provide differential water pressure according to demand. The Company's poultry watering systems are distinguished by their toggle action nipples, which transmit water from nipple to beak without causing undue stress on the bird or excess water to be splashed onto the floor. The watering nipples produced by the Company also are designed to allow large water droplets to form on the cavity of the nipple, thereby attracting young birds to drink, which ultimately promotes weight gain.

Ventilation Systems. The Company manufactures and markets ventilation systems for poultry producers under its Cumberland brand name. Equipment utilized in such systems include fiberglass and galvanized fans, the Komfort Kooler evaporative cooling systems, manual and automated curtains, heating systems and automated controls for complete ventilation, cooling and heating management. The Company believes its poultry ventilation products are reliable and easy to assemble in the field, permit energy-efficient airflow management and are well-suited for international sales because they ship compactly and inexpensively and assemble with little hardware and few tools. Accurate bird weighing systems integrate with the environmental controls to give growers and integrators running averages of their flock weights.

Nesting Systems. The Company manufactures and markets nesting systems for poultry producers under its Cumberland brand name. These systems consist of mechanical nests and egg collection tables. The Company's nesting systems are manufactured using high-yield, high tensile galvanized steel and are designed to promote comfort for nesting birds and efficiency for production personnel. The Company believes that its nesting systems are among the most reliable and cost-effective in the poultry industry.

In 2003, 2002 and 2001, no single customer represented more than 10% of the Company's sales and no single class of products represented more than 10% of the Company's sales.

PRODUCT DISTRIBUTION

The Company distributes its products primarily through a network of U.S. and international independent dealers who offer targeted geographic coverage in key grain, swine and poultry producing markets throughout the world. The Company's dealers sell products to grain, swine and poultry producers, agricultural companies and various other farm and commercial end-users. The Company believes that its distribution network is one of the strongest in the

industry, providing its customers with high levels of service. Since its inception, the Company has experienced a very low turnover rate of its dealers. The Company believes this has resulted in a reputation of consistency in its products and stability with its customers. The Company further believes that the high level of commitment its dealers have to the Company is evidenced by the fact that many of the Company's dealers choose not to sell products of the Company's competitors.

The Company also maintains a sales force to provide oversight services for the Company's distribution network, interact with integrators and end users, recruit additional dealers for the Company's products, and educate the dealers on the uses and functions of the Company's products. The Company further supports and markets its products with a technical service and support team, which provides training and advice to dealers and end users regarding installation, operation and service of products and, when necessary, on-site service.

For information regarding the Company's sales by geographic region, see Note 13 to the Consolidated Financial Statements included in Item 8 hereof.

COMPETITION

The market for the Company's products is competitive. Domestically and internationally, the Company competes with a variety of manufacturers and suppliers that offer only a limited number of the products offered by the Company.

Competition is based on the price, value, reputation, quality and design of the products offered and the customer service provided by distributors, dealers and manufacturers of the products. The Company believes that its leading brand names, diversified product lines, strong distribution network and high quality products enable it to compete effectively. The Company further believes that its ability to offer integrated systems to grain, swine and poultry producers, which significantly lowers total production costs and enhances producer productivity, provides it with a competitive advantage. Integrated equipment systems offer significant benefits to dealers, including lower administrative and shipping costs and the ease of dealing with a single supplier for all of their customer needs. In addition, the Company's dealers provide producers with high quality service, installation and repair.

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NEW PRODUCT DEVELOPMENT

The Company has a product development and design engineering staff, most of whom are located in Assumption, Illinois. Expenditures by the Company for product research and development were approximately $2.5 million, $2.7 million and $2.8 million for the years ended December 31, 2003, 2002 and 2001, respectively. The Company charges research and development costs to operations as incurred.

RAW MATERIALS

The primary raw materials used by the Company to manufacture its products are steel and polymer materials, including PVC pipe, polypropylene and polyethylene. The Company also purchases various component parts that are integrated into the Company's products. The Company is not dependent on any one of its suppliers and in the past has not experienced difficulty in obtaining materials or components. In addition, materials and components purchased by the Company are readily available from alternative suppliers. The Company has no long-term supply contracts for materials or components.

REGULATORY AND ENVIRONMENTAL MATTERS

Like other manufacturers, the Company is subject to a broad range of federal, state, local and foreign laws and requirements, including those governing discharges to the air and water, the handling and disposal of solid and hazardous substances and wastes, the remediation of contamination associated with releases of hazardous substances at the Company's facilities and offsite disposal locations, workplace safety and equal employment opportunities. Expenditures made by the Company to comply with such laws and requirements historically have not been material.

BACKLOG

Backlog is not a significant factor in the Company's business because most of the Company's products are delivered within a few weeks of their order. The Company's backlog at December 31, 2003 was $23.4 million compared to $28.8 million at December 31, 2002. The Company believes that all such backlog will be filled by the end of 2004.

PATENTS AND TRADEMARKS

The Company protects its technological and proprietary developments. The Company currently has several active U.S. and foreign patents, trademarks and various licenses for other intellectual property. While the Company believes its patents, trademarks and licensed information have significant value, the Company does not believe that its competitive position or that its operations are dependent on any individual patent or trademark or group of related patents or trademarks.

EMPLOYEES

As of December 31, 2003, the Company had 1,510 employees of whom 1,408 were permanent and 102 were seasonal. The Company's employees are not represented by a union. Management believes that its relationships with the Company's employees are good.

ITEM 2. PROPERTIES.

The principal properties of The GSI Group as of March 26, 2004, were as follows:

Location	Description of Property
Assumption, Illinois .	Manufacturing/Sales
Paris, Illinois. . . .	Manufacturing/Assembly
Newton, Illinois . . .	Manufacturing/Assembly
Vandalia, Illinois . .	Manufacturing/Assembly
Flora, Illinois. . . .	Manufacturing/Assembly
Clear Lake, Iowa . . .	Sales/Warehouse
Sioux City, Iowa . . .	Sales/Warehouse
Marau, Brazil.	Manufacturing/Sales
Penang, Malaysia . . .	Manufacturing/Sales/Warehouse
Queretero, Mexico. . .	Sales/Warehouse
Honeydew, South Africa	Sales/Warehouse
Ludford, Great Britain	Sales
Poznan, Poland	Sales
Shanghai, China. . . .	Sales/Warehouse

The corporate headquarters for the Company is located in Assumption, Illinois.

The Company's owned facilities are subject to mortgages. The Company's leased facilities are leased through operating lease agreements with varying expiration dates. For information on operating leases, see Note 12 to the Consolidated Financial Statements included in Item 8 hereof.

The Company believes that its facilities are suitable for their present and intended purposes and have adequate capacity for the Company's current levels of operation.

ITEM 3. LEGAL PROCEEDINGS.

The Company is involved in various legal matters arising in the ordinary course of business which, in the opinion of management, will not have a material adverse affect on the Company's financial position or results of operations.

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

No matters were submitted to a vote of security holders of the Company during the fourth quarter of the fiscal year ended December 31, 2003.

PART II

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

There is no established public trading market for any class of the Company's Common Stock. As of March 26, 2004, the Company had 10 holders of its Common Stock. See Item 12, "Security Ownership of Certain Beneficial Owners and Management".

The Company generally has not paid dividends in the past, except to enable its stockholders to pay taxes resulting from the Company's status as a subchapter S corporation. During the years ended December 31, 2003 and December 31, 2002, the Company declared dividends totaling $1.1 million and $1.8 million, respectively. The Company is subject to certain restrictions on the payment of dividends contained in the indenture governing the Company's 10 % Senior Subordinated Notes due 2007 (the "Notes") and in the Company's credit facility with Congress Financial Corporation (Central) (the "Credit Facility"). Future dividends, if any, will depend upon, among other things, the Company's operations, capital requirements, surplus, general financial condition, contractual restrictions and such other factors, as the Board of Directors may deem relevant.

ITEM 6. SELECTED FINANCIAL DATA.

Set forth below is certain selected historical consolidated financial data for the Compan and for the years ended December 31, 1999, 2000, 2001, 2002 and 2003. The selected his consolidated financial data for the years indicated were derived from the consolidated fi statements of the Company. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" Consolidated Financial Statements and notes thereto included in Item 8 hereof.

As discussed in the Note 16 to the Consolidated Financial Statements, certain his information in the Consolidated Financial Statements has been restated. Please read the Note 16 Consolidated Financial Statements for additional information about these restatements. The s financial data set forth below has been adjusted to reflect these restatements.

	YEARS ENDED DECEMBER 31,			
	1999	2000	2001	2002
INCOME STATEMENT (000'S):				
Sales.	$229,210	$243,961	$229,921	$230,636
Cost of sales.	179,927	184,622	174,847	183,933
Gross profit	49,283	59,339	55,074	46,703
Operating expenses	38,669	40,070	41,456	39,100
Operating income	10,614	19,269	13,618	7,603
Interest expense	(14,768)	(14,997)	(14,397)	(13,011)
Other income (expense)	477	439	312	(603)
Income (loss) from continuing operations	(3,677)	4,711	(467)	(6,011)
Provision (benefit) for income taxes	(336)	(568)	(656)	159
Income (loss) before minority interest	(3,341)	5,279	189	(6,170)
Minority Interest in Net income of Subsidiaries.	--	--	--	(26)
Net income (loss).	$ (3,341)	$ 5,279	$ 189	$ (6,196)
BASIC AND DILUTED EARNINGS PER SHARE:				
Continuing operations.	$ (1.84)	$ 2.52	$ (0.26)	$ (3.39)
Net income (loss).	$ (1.67)	$ 2.82	$ 0.11	$ (3.49)
BALANCE SHEET (000'S):				
Total Assets	$158,519	$164,123	$154,751	$145,618
Long-term obligations.	$133,315	$130,870	$136,211	$139,735
Dividends per share.	$ 0.0	$ 1.05	$ 0.60	$ 1.01

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Consolidated Financial Statements and the notes included in Item 8 hereof. The Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in this Item 7 has been restated to reflect certain adjustments to the Company's consolidated financial information previously reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 30, 2004 (the "Form 10-K"). The Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in this Item 7 has not been updated to reflect changes in events, estimates or other developments subsequent to March 30, 2004, the date of filing of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003. Refer to note 16, "Restatement," to the Consolidated Financial Statements for further information.

GENERAL

The Company is a leading manufacturer and supplier of agricultural equipment and services worldwide. The Company's grain, swine and poultry products are used by producers and purchasers of grain, and by producers of swine and poultry. Fluctuations in grain and feed prices directly impact sales of the Company's grain equipment. Because the primary cost of producing swine and poultry is the cost of the feed grain consumed by animals, fluctuations in the supply and cost of grain to users of the Company's products in the past have impacted sales of the Company's swine and poultry equipment. The Company believes, however, that its diversified product offerings mitigate some of the effects of fluctuations in the price of grain since the demand for grain storage, drying and handling equipment tends to increase during periods of higher grain prices, which somewhat offsets the reduction in demand during such periods for the Company's products by producers of swine and poultry.

Sales of agricultural equipment are seasonal, with farmers traditionally purchasing grain storage bins and grain drying and handling equipment in the summer and fall in conjunction with the harvesting season, and swine and poultry producers purchasing equipment during prime construction periods in the spring, summer and fall. The Company's sales and net income have historically been lower during the first and fourth fiscal quarters as compared to the second and third quarters.

Although the Company's sales are primarily denominated in U.S. dollars and are not generally affected by currency fluctuations (except for transactions from the Company's Brazilian and South African operations), the production costs, profit margins and competitive position of the Company are affected by the strength of the U.S. dollar relative to the strength of the currencies in countries where its products are sold.

The Company's international sales have historically comprised a significant portion of sales. In 2003, 2002 and 2001, the Company's international sales accounted for 34.4%, 36.6% and 32.3% of sales, respectively. International operations generally are subject to various risks that are not present in domestic operations, including restrictions on dividends, restrictions on repatriation of funds, unexpected changes in tariffs and other trade barriers, difficulties in staffing and managing foreign operations, political instability, fluctuations in currency exchange rates, reduced protection for intellectual property rights in some countries, seasonal reductions in business activity and potentially adverse tax consequences, any of which could adversely impact the Company's international operations.

The primary raw materials used by the Company to manufacture its products are steel and polymers. Fluctuations in the prices of steel and, to a lesser extent, polymer materials can impact the Company's cost of sales.

The Company currently operates as a subchapter S corporation and, accordingly, is not subject to federal income taxation for the periods for which financial information has been presented herein. Because the Company's stockholders are subject to tax liabilities based on their pro rata shares of the Company's income, the Company's policy is to make periodic distributions to its stockholders in amounts equal to such tax liabilities. The Company intends to continue this policy.

RESTATEMENT

During the 2004 year-end closing process, the Company discovered unintentional accounting errors in prior years' financial statements. The errors have been corrected in the accompanying 2003, 2002 and 2001 financial statements. A description of the errors and related impact of each on the financial statements follows. Amounts are stated in whole dollars.

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At the end of 2001, the Company began the process of shutting down its Mason City, Iowa plant, which served as the headquarters for its DMC subsidiary. As the Company began the revenue cycle process at its corporate headquarters, cost of sales estimates were understated during 2002, while cost accounting records were being developed for the products previously handled by the Mason City employees, which caused the remaining inherited inventory costs to be overstated by approximately $6.5 million. The Company became aware of the overstatement in early 2003, but erroneously assigned the overstated value to inventory that would flow through the cost of sales over the next few years. This erroneous correction reduced the stated value of the inventory by approximately $2.2 million in 2003 and $4.3 million in 2004. During the 2004 year-end closing process, this issue was re-examined, and the Company determined that it would be appropriate to restate the 2002 cost of sales and year-end inventory, the period when the overstatement occurred. The effect of this change reduced previously reported net income for 2002 by $6,470,161 and increase previously reported net income of 2003 by $2,206,000.

In 1997, the Company's majority stockholder began selling non-voting shares to certain employee's. The stockholder helped finance each purchase with non-recourse interest-bearing notes with the shares as the only collateral on the notes. APB Opinion 25 and its interpretations require that these transactions be imputed to the Company's financial statements and be accounted for as variable stock awards, which practice the Company had not followed. The fair value of the underlying shares first exceeded the price paid for the shares in 2002. The effect of recording the resulting compensation expense reduced previously reported net income for 2003 by $484,097 and reduced previously reported net income for 2002 by $89,511. The dividends paid to the non-voting shareholders are classified as compensation expense and reduced previously reported net income for 2003, 2002 and 2001 by $62,584, $113,647 and $84,810, respectively.

In 2002 the Company entered into an agreement with the manager of its Brazilian subsidiary whereby it compensated him with shares of the subsidiary's stock. This constitutes a stock compensation arrangement for which the Company did not recognize compensation expense. The effect of recording compensation expense related to this arrangement reduced previously reported net income for 2003 by $340,000 and reduced previously reported net income for 2002 by $401,000.

The Company has determined that the functional currency of its Mexican subsidiary should be U.S. Dollars rather than Pesos. The effect of this change reduced previously reported 2003 and 2002 net income by $98,644 and $315,917, respectively, and increased previously reported 2001 net income by $69,692.

In 2001, 2002 and 2003, the Company's CEO and majority stockholder elected not to accept salary and board fees that were subsequently paid in 2004. The company did not accrue these amounts in those years. The effects of accruing compensation for this individual reduced previously reported 2003, 2002 and 2001 net income by $100,000, $507,515 and $257,000, respectively.

The Company changed from a stop-loss workers' compensation insurance policy to a high-deductible self-insured policy in 2000 and did not subsequently accrue for claims incurred but not reported. The effect of accruing for such claims in 2003, 2002 and 2001 reduced previously reported net income by $289,506, $698,246 and $603,090, respectively.

The Company also made adjustments in 2003, 2002 and 2001 to correct previous reporting of overhead adjustments in overseas inventories and gain on inter-company sales.

The financial statement impact of the above noted adjustments are indicated in the table below:

AS

	AS PREVIOUSLY REPORTED	ADJUSTMENTS	RES
FISCAL YEAR 2003			
Consolidated Balance Sheet:			
Inventory	$ 54,165	$ (4,562)	$ 4
Payroll and payroll related expenses.	3,071	565	
Other accrued expenses.	4,057	1,891	
Paid in capital	3,006	574	
Accumulated other comprehensive loss.	(11,929)	345	(1
Retained earnings	12,531	(8,678)	
Consolidated Statement of Income:			
Cost of sales	190,694	(481)	19
Selling, general and administrative expenses.	36,591	3,602	4
Operating income.	9,290	(3,121)	
Foreign currency transaction loss	(102)	(99)	
Other, net.	(3,544)	3,749	
Minority interest in net income of subsidiary	--	(77)	
Net loss.	(6,232)	452	(
Basic and diluted earnings per share.	($3.51)	$ 0.25	(

AS

	AS PREVIOUSLY REPORTED	ADJUSTMENTS	RE
FISCAL YEAR 2002			

Consolidated Balance Sheet:					
Inventory.	$	63,893	$	(6,389)	$
Payroll and payroll related expenses		2,987		565	
Other accrued expenses		4,144		1,501	
Paid in capital.		3,006		90	
Accumulated other comprehensive loss		(14,336)		246	(
Retained earnings.		19,971		(9,192)	
Consolidated Statement of Income:					
Cost of sales.		176,836		7,097	1
Selling, general and administrative expenses .		36,767		1,087	
Operating income		15,787		(8,184)	
Foreign currency transaction loss.		(468)		(316)	
Minority interest in net income of subsidiary.		--		(26)	
Net income (loss).		2,330		(8,526)	
Basic and diluted earnings per share	$	1.31		($4.80)	

AS

		AS PREVIOUSLY REPORTED	ADJUSTMENTS		RESTATE
FISCAL YEAR 2001					
Consolidated Statement of Income:					
Cost of sales.		174,254	593		174,8
Selling, general and administrative expenses		39,386	342		39,7
Operating income		14,553	(935)		13,6
Foreign currency transaction loss.		33	70		1
Net income		1,054	(865)		1
Basic and diluted earnings per share	$	0.59	($0.48)	$	0.

RESULTS OF OPERATIONS

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Sales increased 3.1% or $7.1 million to $237.7 million in 2003 compared to $230.6 million in 2002. Poultry equipment sales were essentially flat. Increases in demand for grain products were partially offset by decreases in demand for swine products.

Gross profit increased to $47.5 million in 2003 or 20.0% of sales from $46.7 million or 20.2% of sales in 2002. This decrease was primarily due to higher material costs and an unfavorable shift in the mix of products sold.

Operating expenses increased 5.6% or $2.2 million to $41.3 million in 2003 from $39.1 million in 2002. As a percentage of sales, operating expenses decreased to 17.4% in 2003 from 17.0% in 2002. This increase was primarily the

result of the write-off of international receivables.

Operating income decreased to $6.2 million in 2003 from $7.6 million in 2002. Operating income margins decreased to 2.6% of sales in 2003 from 3.3% in 2002.

Interest expense increased $0.2 million due to slightly higher borrowing costs.

Other, net decreased $1.0 million to $0.4 million of income in 2003 from $0.6 million of expense in 2002. This increase in expense was primarily the result of writing down the Yemen receivable.

Net loss decreased to $5.8 million in 2003 from $6.2 million in 2002.

During the 2003 year-end closing process, the Company had the following adjustments as part of its 4th quarter results. As described in Footnote 12, the Company decided that the likelihood of collection had deteriorated for the Yemen project so the retainage was written down by $1.5 million.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Sales increased 0.3% or $0.7 million to $230.6 million in 2002 compared to $229.9 million in 2001. Grain equipment sales were essentially flat. Increases in demand for poultry products were offset by decreases in demand for swine products.

Gross profit decreased to $46.7 million in 2002 or 20.2% of sales from $55.1 million or 24.0% of sales in 2001. This decrease was primarily due to production inefficiencies caused by consolidation efforts.

Operating expenses decreased 5.7% or $2.4 million to $39.1 million in 2002 from $41.5 million in 2001. As a percentage of sales, operating expenses decreased to 17.0% in 2002 from 18.0% in 2001. This decrease was primarily the result of cost cutting measures, which included the consolidation of the Indianapolis office.

Operating income decreased to $7.6 million in 2002 from $13.6 million in 2001. Operating income margins decreased to 3.3% of sales in 2002 from 5.9% in 2001.

Interest expense decreased $1.4 million due to lower borrowing costs.

Net income decreased to $6.2 million loss in 2002 from $0.2 million income in 2001.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Sales decreased 5.8% or $14.1 million to $229.9 million in 2001 compared to $244.0 million in 2000. The decrease was primarily driven by weaker domestic demand for grain storage and conditioning equipment. Brazilian and domestic poultry sales were also lower due to weaker demand. This decrease was partially offset by increased swine equipment sales, which were higher due to strengthening demand.

Gross profit decreased to $55.1 million in 2001 or 24.0% of sales from $59.3 million or 24.3% of net sales in 2000. This decrease was caused by decreased sales and restructuring expenses incurred at the end of the year to consolidate manufacturing operations.

Operating expenses increased 3.5% or $1.4 million to $41.5 million in 2001

from $40.1 million in 2000. This increase was primarily the result of integration costs necessary to support the sales volume resulting from the FFI acquisition. Restructuring charges incurred during the period were offset by cost reduction and consolidation actions. As a percentage of sales, operating expenses increased to 18.0% in 2001 from 16.4% in 2000.

Operating income decreased to $13.6 million in 2001 from $19.3 million in 2000. Operating income margins decreased to 5.9% of sales in 2001 from 7.9% in 2000. This decrease was attributable to the decrease in sales and increased operating expenses.

Interest expense decreased $0.6 million due to lower borrowing costs.

Net income decreased to $0.2 million in 2001 from $5.3 million in 2000. The decrease was primarily attributable to the factors discussed above relating to operating expenses and operating income.

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LIQUIDITY AND CAPITAL RESOURCES

The Company has historically funded capital expenditures, working capital requirements, debt service, stockholder dividends and stock repurchases from cash flow from its operations, augmented by borrowings made under various credit agreements and the sale of the Notes.

The Company's working capital requirements for its operations are seasonal, with investments in working capital typically building in the second and third quarters and then declining in the first and fourth quarters. The Company defines working capital as current assets less current liabilities. As of December 31, 2003, the Company had $50.3 million of working capital, a decrease of $8.6 million as compared to its working capital as of December 31, 2002. This decrease in working capital was primarily due to decreases in inventory and current maturities of long term debt and increases in accounts receivable, accounts payable, and prepaids.

Operating activities generated $13.4 million, $3.6 million and $5.0 million of cash in 2003, 2002 and 2001, respectively. The increase in cash flow from operating activities from 2002 to 2003 of $9.8 million was primarily the result of a change in inventory, accounts payable, other current assets, accrued expenses, customer deposits and net income of $20.8 million offset by changes in depreciation and amortization, accounts receivable and deferred taxes totaling $11.5 million.

The Company's capital expenditures totaled $1.7 million, $5.2 million and $4.4 million in 2003, 2002 and 2001, respectively. Capital expenditures have primarily been for machinery and equipment and the expansion of facilities. The Company anticipates that its capital expenditures in 2004 will be approximately that of 2003.

Cash used in financing activities in 2003 consisted primarily of $15.2 million of payments of long-term debt, a $2.2 million payment of shareholder loans and a $1.1 million dividend for taxes offset by $2.2 million of borrowing under the Credit Facility and a $1.6 million shareholder loan. Cash provided by financing activities in 2002 consisted primarily of $7.8 million of increased borrowings under the Credit Facility and a $1.5 million shareholder loan offset by $4.5 million of payments of long-term debt, a $1.8 million dividend for taxes, and a $0.7 million payment of shareholder loans. Cash used in financing activities in 2001 consisted primarily of $6.7 million of payments on long-term debt, a $1.1 million dividend for taxes, and a $2.2 million payment of a shareholder loan offset by $8.0 million of increased borrowings under the Credit Facility and a $1.0 million shareholder loan.

The Company believes that existing cash, cash flow from operations and available borrowings under the Credit Facility will be sufficient to support its working capital, capital expenditures and debt service requirements for the foreseeable future.

On October 31, 2003, The GSI Group, Inc. (the "Company") entered into a three-year credit facility with lenders led by Congress Financial Corporation (Central) to provide up to a maximum amount of $75,000,000 subject to borrowing base availability (the "Credit Facility") to replace the Company's existing senior credit facility, which provided for maximum outstanding borrowings of $60,000,000. Revolving loans and letters of credit under the Credit Facility are based on a borrowing base, which includes accounts receivable, inventory and fixed assets. A $12.5 million term loan due on October 31, 2006 is also included in the Credit Facility. The revolving loan borrowings bear interest at a floating rate per annum equal to (at the Company's option) 2.5% to 3.0% over LIBOR or 0.0% to 0.50% over the Prime Rate, both based on excess availability under the borrowing base. The term loan borrowings bear interest at a floating rate per annum equal to 8% over the Prime Rate provided that the minimum interest rate will not be less than 12.25% and the maximum will not be greater than 14.5%. The Credit Facility requires the Company to maintain a senior debt to EBITDA ratio and a fixed charge coverage ratio. Borrowings under the Credit Facility are secured by substantially all of the assets of the Company, including the capital stock of any existing or future subsidiaries, except the Brazilian subsidiary. The Company had $19.5 million of revolving loans outstanding, $3.8 million of standby letters of credit and $4.5 million letter of credit guaranteeing the debt of FarmPro, Inc., which reduced the overall availability on the line to $7.5 million as of December 31, 2003.

INFLATION

The Company believes that inflation has not had a material effect on its results of operations or financial condition during recent periods.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, assumptions, and estimates that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Note 2 to the Consolidated Financial Statements describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts and sales returns, inventory allowances, warranty costs, investment impairments, goodwill impairments, contingencies, restructuring costs and other special charges, and taxes. Actual results could differ materially from these estimates. The following critical accounting policies are impacted significantly by judgements, assumptions, and estimates used in the preparation of the Consolidated Financial Statements.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is based on our assessment of the collectibility of specific customer accounts and the aging of the accounts receivable. If there were a deterioration of a major customer's creditworthiness, or actual defaults were higher than our historical experience, our estimates of the recoverability of amounts due to us could be overstated, which could have an adverse impact on our revenue.

REVENUE RECOGNITION

A reserve for sales returns is established based on historical trends in product return rates. If the actual future returns were to deviate from the historical data on which the reserve had been established, our revenue could be adversely affected.

INVENTORY

Inventory purchases and commitments are based upon future demand forecasts. If there were to be a sudden significant decrease in demand for our products, or if there were a higher incidence of inventory obsolescence because of rapidly changing technology and customer requirements, we could be required to increase our inventory allowances and our gross margins could be adversely affected.

WARRANTY

We accrue for warranty costs based on historical trends in product return rates and the expected material and labor costs to provide warranty services. If we were to experience an increase in warranty claims compared with our historical experience or costs of servicing warranty claims were greater than the expectations on which the accrual had been based, our gross margins could be adversely affected.

GOODWILL IMPAIRMENT

We perform goodwill impairment tests on an annual basis. In response to changes in industry and market conditions, we may be required to strategically realign our resources and consider restructuring, disposing, or otherwise exiting businesses, which could result in impairment of goodwill.

CONTINGENCIES

We are subject to the possibility of various loss contingencies arising in the ordinary course of business. We consider the likelihood of loss or impairment of an asset or the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss in determining loss contingencies. An estimated loss contingency is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. We regularly evaluate current information available to us to determine whether such accruals should be adjusted.

SELF INSURANCE

A reserve for workers compensation IBNR (incurred but not reported) claims is established based on information provided by the insurance carrier. This reserve is adjusted monthly.

COMPENSATION EXPENSE

In 1997, the majority shareholder sold non-voting shares to certain employees at an arm's length market value price. The majority shareholder helped finance each employee purchase with a non-recourse interest-bearing note with each employee with the shares being held as collateral against that note. The Company failed to ascertain the market value of those shares at each year-end to determine if compensation expense should be recorded to comply with generally accepted accounting principles. The Company has now performed that review and determines annually the compensation expense impact.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to market risk associated with adverse changes in interest rates and foreign currency exchange rates. The Company does not hold any market risk sensitive instruments for trading purposes. At December 31, 2003, principal exposed to interest rate risk was limited to $32.2 million in variable rate debt. The interest rates on the various debt instruments range from 4.25% to 12.25%. The Company measures its interest rate risk by estimating the net amount by which potential future net earnings would be impacted by hypothetical changes in market interest rates related to all interest rate sensitive assets and liabilities. Therefore, a change in the interest rate of 1% will change earnings by $0.3 million.

At December 31, 2003, approximately 16.0% of sales were derived from international operations with exposure to foreign currency exchange rate risk. The Company mitigates its foreign currency exchange rate risk principally by establishing local production facilities in the markets it serves and by invoicing customers in the same currency as the source of the products. The Company also monitors its foreign currency exposure in each country and implements strategies to respond to changing economic and political environments. The Company's exposure to foreign currency exchange rate risk relates primarily to the financial position and the results of operations of its Brazilian and South African subsidiary. The Company's exposure to such exchange rate risk as it relates to the Company's financial position and results of operations would be adversely impacted by devaluation of the Brazilian Real and the South African Rand per U.S. dollar. These amounts are difficult to accurately estimate due to factors such as the inherent fluctuations of intercompany account balances, balance sheet accounts and the existing economic uncertainty and future economic conditions in the international marketplace.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF THE GSI GROUP, INC.

Reports of Independent Registered Public Accounting Firms. . . . .
Consolidated Balance Sheets as of December 31, 2003 and 2002 . . . .
Consolidated Statements of Operations for the years ended December 31, 2003, 2002 and 2001 . . .
Consolidated Statements of Stockholders' Deficit for the years ended December 31, 2003, 2002 and

Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001 . . .
Notes to Consolidated Financial Statements . . . .

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
The GSI Group, Inc.

We have audited the accompanying consolidated balance sheets of The GSI Group, Inc. as of December 31, 2003 and 2002 and the related consolidated statements of operations, stockholders' deficit and cash flows for each of the two years in the period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Agromarau Industria e Comercio Ltda., a partially owned subsidiary (93.97 percent owned at December 31, 2003 and 95.46 percent owned at December 31, 2002), which statements reflect total assets of $17.2 and $11.8 million as of December 31, 2003 and 2002 and total revenue of $17.4 and $18.3 million for the years then ended. Those statements were audited by other accountants whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Agromarau Industria e Comercio Ltda., is based solely on the reports of other accountants. The consolidated financial statements of The GSI Group, Inc. for the year ended December 31, 2001, before the restatements discussed below, were audited by other accountants who ceased operations and whose report date February 25, 2002 expressed an unqualified opinion on those statements.

We conducted our audits in accordance with the Standards of the Public Company Accounting Oversight Board (United States) of America. Those standards require that we plan and perform the audit 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

Our audits also included auditing the adjustments to convert the financial statements of all foreign subsidiaries into accounting principles generally accepted in the United States of America for purposes of consolidation.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The GSI Group, Inc. as of December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, in 2002 the Company changed its method of accounting for

goodwill and other intangible assets. Also, as discussed in Note 16 to the consolidated financial statements, the Company has restated its financial statements to correct its method of accounting for inventories, stock-based and other compensation, certain matters involving foreign subsidiaries and insurance costs.

As discussed above, the financial statements of The GSI Group, Inc. as of December 31, 2001, and for the year then ended were audited by other auditors who have ceased operations. As described in Note 16, these financial statements have been restated. We audited the adjustments described in Note 16 that were applied to restate 2001 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2001 financial statements of the Company other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2001 financial statements taken as a whole.

BKD LLP

Decatur, IL
March 18, 2005

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying balance sheets of Agromarau Industria e Comercio Ltda. (the "Company") as of December 31, 2003 and 2002, and the related statements of income, changes in shareholders' equity and changes in financial position for each of the years in the two-year period ended December 31, 2003. 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 in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Agromarau Industria e Comercio Ltda. as of December 31, 2003 and 2002, and the results of its operations and changes in its financial position for each of the years in the two-year period ended December 31, 2003, in conformity with accounting practices adopted in Brazil.

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

January 23, 2004
Porto Alegre, RS, Brazil

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
The GSI Group, Inc.

We have audited the accompanying consolidated balance sheets of The GSI Group, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' deficit and cash flows for each of the three years in the period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The GSI Group, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Note 4 to the consolidated financial statements, effective for the year ended December 31, 2001, the Company has given retroactive effect to the change in accounting principle for David Manufacturing Company, a wholly owned subsidiary of The GSI Group Inc., from the last-in-first-out ("LIFO") method to the first-in-first-out ("FIFO") method.

As explained in Note 4 to the consolidated financial statements, effective for the year ended December 31, 2000, the Company has given retroactive effect to the change in accounting principle for all of the Company's domestic inventory except that of David Manufacturing Company, a wholly owned subsidiary of The GSI Group Inc., from the last-in-first-out ("LIFO") method to the first-in-first-out ("FIFO") method.

ARTHUR ANDERSEN LLP

Chicago, Illinois
February 25, 2002

* This audit report of Arthur Andersen LLP, the Company's former independent public accountants is a copy of the original audit report dated February 25, 2002 rendered by Arthur Andersen LLP on the Company's financial statements included in its Annual Report on Form 10-K filed on April 3, 2002, and has not been reissued by Arthur Andersen LLP since that date.

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PART I - FINANCIAL INFORMATION

THE GSI GROUP, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2003 AND 2002
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

ASSETS	RESTATED	RESTATED
Current Assets:		
Cash and cash equivalents		$ 3,439
Accounts receivable, net		27,083
Inventories, net		49,603
Prepaids		4,468
Deferred income taxes		--
Other		2,882
Total current assets		87,475
Property, Plant and Equipment, net		32,673
Other Assets:		
Goodwill		10,100
Other intangible assets, net		2,143
Deferred financing costs, net		2,773
Deferred taxes, net		1,077
Other		108
Total other assets		16,201
Total assets		$ 136,349
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable		$ 17,139
Payroll and payroll related expenses		3,636

Deferred income taxes	12
Accrued warranty	1,379
Other accrued expenses	5,948
Customer deposits	8,875
Current maturities of long-term debt	148
Total current liabilities	37,137
Long-Term Debt, less current maturities	129,563
Deferred Income Taxes	--
MINORITY INTEREST	741
Stockholders' Deficit:	
Common stock, $.01 par value, voting (authorized 6,900,000 shares; issued 6,633,652 shares; outstanding 1,575,000 shares)	16
Common stock, $.01 par value, nonvoting (authorized 1,100,000 shares; issued 1,059,316 shares; outstanding 200,000 shares)	2
Additional paid-in capital	3,580
Accumulated other comprehensive loss	(11,584)
Retained earnings	3,853
Treasury stock, at cost, voting (5,058,652 shares)	(26,950)
Treasury stock, at cost, nonvoting (859,316 shares)	(9)
Total stockholders' deficit	(31,092)
Total liabilities and stockholders' deficit	$ 136,349

The accompanying notes to consolidated financial statements are an integral part of these statements.

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THE GSI GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	2003	2002	2001
	RESTATED	RESTATED	RESTATED
Sales.	$ 237,669	$ 230,636	$ 229,921
Cost of Sales.	190,213	183,933	174,847

Gross profit	47,456	46,703	55,074
Selling, General and Administrative Expenses	40,193	37,854	39,728
Amortization Expense	1,094	1,246	1,728
Total operating expenses	41,287	39,100	41,456
Operating income	6,169	7,603	13,618
Other Income (Expense):			
Interest expense	(13,216)	(13,011)	(14,397)
Interest income	615	411	485
Loss on sale of fixed assets	(250)	(353)	(350)
Foreign currency transaction gain (loss)	(201)	(784)	103
Other, net	205	123	74
Income (loss) before income taxes	(6,678)	(6,011)	(467)
Income Tax Provision (Benefit)	(975)	159	(656)
Income before minority interest	(5,703)	(6,170)	189
Minority Interest in Net Income of Subsidiaries	(77)	(26)	--
Net income (loss)	$ (5,780)	$ (6,196)	$ 189
Basic and Diluted Earnings Per Share	$ (3.26)	$ (3.49)	$ 0.11
Weighted Average Common Shares Outstanding	1,775,000	1,775,000	1,775,000

The accompanying notes to consolidated financial statements are an integral part of these statements.

THE GSI GROUP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001
(IN THOUSANDS, EXCEPT SHARE DATA)

	Common Stock			
	Voting	Nonvoting		
	Accumulated Additional Shares Outstanding	Other Shares Amount	Paid-In Outstanding	Comprehensive Amount
Balance, December 31, 2000	1,575,000	$ 16	200,000	$ 2
Restated net income	-	-	-	-
Other comprehensive loss-foreign currency Translation adjustments	-	-	-	-
Dividends	-	-	-	-
Restated Balance, December 31, 2001. . . .	1,575,000	$ 16	200,000	$ 2
Restated net loss	-	-	-	-
Stock Based Compensation.	-	-	-	-
Other comprehensive loss-foreign currency Translation adjustments	-	-	-	-
Dividends	-	-	-	-
Restated Balance, December 31, 2002. . . .	1,575,000	$ 16	200,000	$ 2
Restated net loss	-	-	-	-
Stock Based Compensation.	-	-	-	-
Other comprehensive loss-foreign currency Translation adjustments	-	-	-	-
Dividends	-	-	-	-
Restated Balance, December 31, 2003. . . .	1,575,000	$ 16	200,000	$ 2

	Treasury Stock				
	Voting	Nonvoting			
	Total Retained Earnings	Comprehensive Stockholders' Shares	Income Amount	Shares	Amount
Balance, December 31, 2000.	$ 19,654	5,058,652	$(26,950)	859,316	$ (9
Restated net income.	189	-	-	-	-
Other comprehensive loss- foreign currency Translation adjustments.	-	-	-	-	-
Comprehensive loss	$ (1,992)				
Dividends.	(1,073)	-	-	-	-
Restated Balance, December 31, 2001	$ 18,770	5,058,652	$(26,950)	859,316	$ (9
Restated net loss.	(6,196)	-	-	-	-
Stock Based Compensation	90				
Other comprehensive loss-foreign					

Currency translation adjustments	-	-	-	-	-
Comprehensive loss	$ (10,000)				
Dividends.	(1,795)	-	-	-	-
Restated Balance, December 31, 2002	$ 10,779	5,058,652	$(26,950)	859,316	$ (9
Restated net loss.	(5,780)	-	-	-	-
Stock Based Compensation	484				
Other comprehensive loss-foreign					
Currency translation adjustments	-	-	-	-	-
Comprehensive loss	$ (3,274)				
Dividends.	(1,146)	-	-	-	-
Restated Balance, December 31, 2003	$ 3,853	5,058,652	$(26,950)	859,316	$ (9

The accompanying notes to consolidated financial statements are an integral part of these statements.

THE GSI GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001
(IN THOUSANDS)

	2003	2002	2001
	RESTATED	RESTATED	RE
Cash Flows From Operating Activities:			
Net income (loss).	$ (5,780)	$ (6,196)	$
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Depreciation and amortization.	6,350	7,065	
Amortization of deferred financing costs and debt discount . .	928	643	
Loss on sale of assets	249	353	
Deferred taxes	(1,473)	(188)	
Minority Interest in Net Income of Subsidiaries.	77	26	
Minority Interest Compensation Expense	263	375	
Stock based Compensation	484	90	
Changes in:			
Accounts receivable, net	(3,809)	5,708	
Inventories, net	7,901	(2,200)	
Other current assets	(50)	(180)	
Accounts payable	6,076	(1,184)	
Payroll and payroll related expenses	160	(793)	
Billings in excess of costs.	--	(257)	
Accrued warranty	39	(691)	

Other accrued expenses	226	42	
Customer deposits	1,716	955	
Net cash flows provided by operating activities	13,357	3,568	
Cash Flows From Investing Activities:			
Capital expenditures	(1,739)	(5,170)	
Proceeds from sale of fixed assets	2,742	1,299	
Acquisition of FFI Corp., net of cash acquired	--	--	
Other	687	(11)	
Net cash flows provided by (used in) investing activities	1,690	(3,882)	
Cash Flows From Financing Activities:			
Payments on shareholder loans	(2,194)	(684)	
Proceeds from shareholder loans	1,574	1,452	
Payments on debt	(15,227)	(4,512)	
Net borrowings under line-of-credit agreement	2,242	7,800	
Dividends	(1,146)	(1,795)	
Other	(106)	(1,580)	
Net cash flows provided by (used in) financing activities	(14,857)	681	
Effect of Exchange Rate Changes on Cash	313	(259)	
CHANGE In Cash and Cash Equivalents	$ 503	$ 108	$
Cash and Cash Equivalents, beginning of year	2,936	2,828	
Cash and Cash Equivalents, end of year	$ 3,439	$ 2,936	$

The accompanying notes to consolidated financial statements are an integral part of these statements

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THE GSI GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

The GSI Group, Inc., a Delaware corporation, and its subsidiaries (the "Company") manufacture and sell equipment for the agricultural industry. In limited cases, the Company enters into contracts to manufacture and supervise the assembly of grain handling systems. The Company's product lines include: grain storage bins and related drying and handling equipment systems and swine and poultry feed storage and delivery, ventilation, and watering systems. The Company's headquarters and main manufacturing facility are in Assumption, Illinois, with other manufacturing facilities in Illinois. In addition, the Company has manufacturing and assembly operations in Brazil, Malaysia, China and

Canada and selling and distribution operations in Great Britain, Mexico, South Africa, and Poland.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The accompanying financial statements reflect the consolidated results of the Company. All intercompany transactions and balances have been eliminated. The Company records income or loss on the sales to its foreign subsidiaries. That income or loss is not recognized until the inventory is sold by the subsidiary. The Company reviews and adjusts for any material differences between United States of America and location country generally accepted accounting principles. The Company's subsidiaries are as follows:

COMPANY NAME	LOCATION
The GSI Asia Group Sdn.Bhd.	Malaysia
The GSI Group Africa (Proprietary) Limited.	South Africa
The GSI Group Europe Limited.	Great Britain
GSI Cumberland de Mexico, S. de R.L. de C.V..	Mexico
Agromarau Industria E Comercio Ltda..	Brazil
The GSI Group (Shanghai) Co., Ltd..	China
The GSI Agricultural Equipments (Shanghai) Co., Ltd	China

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all short-term investments with original maturities of three months or less to be cash equivalents.

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Concentration of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. The Company places its cash and temporary investments with high quality financial institutions. At times, such investments may be in excess of the FDIC insurance limit. Temporary investments are valued at the lower of cost

or market and at the balance sheet dates approximate fair value. The Company primarily serves customers in the agricultural industry. This risk exposure is limited due to the large number of customers comprising the Company's customer base and its dispersion across many geographic areas. The Company grants unsecured credit to its customers. In doing so, the Company reviews a customer's credit history before extending credit. In addition, the Company routinely assesses the financial strength of its customers, and, as a consequence, believes that its trade accounts receivable risk is limited. The Company limits its international exposure to credit risk through the purchase of insurance.

Fair Value of Financial Instruments

The carrying amounts of cash, receivables, accounts payable and accrued expenses approximate fair value because of the short-term nature of the items. The carrying amount of the Company's lines of credit, notes and other payables, except for senior subordinated notes payable, approximate their fair values either due to their short term nature, the variable rates associated with these debt instruments or based on current rates offered to the Company for debt with similar characteristics.

Accounts and Notes Receivable

Accounts receivable are stated at the amount billed to customers plus any accrued and unpaid interest. The Company provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts that are unpaid after the due date bear interest at 1% per month. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Notes receivable are stated at their outstanding principal amount, net of allowance for uncollectible notes. The Company provides an allowance for uncollectible notes, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Outstanding notes accrue interest based on the terms of the respective note agreements. A note receivable is considered delinquent when the debtor has missed three or more payments. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower.

Inventories

Inventories are stated at the lower of cost or market. Cost includes the cost of materials, labor and factory overhead. The cost of all domestic and international inventories were determined using the first-in-first-out ("FIFO") method. Inventories and cost of sales are based in part on accounting estimates.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of property, plant and equipment acquired as part of a business acquisition represents the estimated fair value of such assets at the acquisition date. Depreciation is provided using the straight-line method over the following estimated useful lives.

YEARS

Building and Improvements. . .	10-25
Machinery and Equipment. . . .	3-10
Office Equipment and Furniture	3-10

Repairs and maintenance are charged to expense as incurred. Gains or losses resulting from sales or retirements are recorded as incurred, at which time related costs and accumulated depreciation are removed from the accounts.

Product Warranties

The Company provides limited warranties on certain of its products, for periods up to 1 year. The Company records an accrued liability and expense for estimated future warranty claims based upon historical experience and management's estimate of the level of future claims. Changes in the estimated amounts recognized in prior years are recorded as an adjustment to the accrued liability and expense in the current year.

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Research and Development

Costs associated with research and development are expensed as incurred. Such costs incurred were $2.5 million, $2.7 million and $2.8 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Intangible Assets

Goodwill is tested annually for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements.

Deferred Financing Costs

Costs incurred in connection with obtaining financing are capitalized and amortized to the maturity period of the debt.

Revenue Recognition

Revenue is recorded when products are shipped, collection is reasonably assured, the price is fixed and determinable and there is persuasive evidence of an arrangement. Provisions are made at that time, when applicable, for warranty costs to be incurred.

Revenues on long term fixed price contracts are recognized using the percentage of completion method. Percentage of completion is determined by relating the actual costs incurred to date to the total estimated cost for each contract. If the estimate indicates a loss on a particular contract, a provision is made for the entire estimated loss. Retainages are included as current and noncurrent assets in the accompanying consolidated balance sheets. Revenue earned in excess of billings is comprised of revenue recognized on certain contracts in excess of contractual billings on such contracts. Billings in excess of costs are classified as a current liability.

Shipping and Handling Fees

Shipping and handling costs of $8.6 million and $7.6 million for 2003 and 2002, respectively, are included in cost of goods sold.

Translation of Foreign Currency

The Company translates the financial statements of its foreign subsidiaries in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation." The Company's foreign operations are reported in the local currency and translated to U.S. dollars, with the exception of Mexico, whose functional currency is the U.S. dollar. The balance sheets of the Company's foreign operations are translated at the exchange rate in effect at the end of the periods presented. The revenues and expenses of the Company's foreign operations are translated at the average rates in effect during the period. For locations where the U.S. dollar is not the functional currency, exchange losses resulting from translations for the years ended December 31, 2003, 2002 and 2001 have been recorded in the accompanying Consolidated Statements of Stockholders' Deficit. For Mexico, exchange losses from translations for the years ended December 31, 2003, 2002 and 2001 have been recorded in the accompanying Consolidated Statements of Operations.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". Such approach results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities.

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Earnings Per Share

The Company computes earnings per share in accordance with SFAS No. 128, "Earnings Per Share." Under the provisions of SFAS No. 128, basic net income per share is computed by dividing the net income for the period by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing the net income for the period by the weighted average number of common and common equivalent shares outstanding during the period. Diluted earnings per share equals basic earnings per share for all periods presented.

Self Insurance

The Company has elected to self-insure certain costs related to health insurance, worker's compensation and general liability. Costs resulting from noninsured losses are charged to income when incurred. The Company has reserves of $2.5 million, $2.0 million and $1.6 million at December 31, 2003, 2002 and 2001, respectively. The Company has purchased insurance that limits its exposure for individual claims and that limits its aggregate exposure to aproximately $3.4 million.

Change in Accounting Principle

On January 1, 2002, the Company adopted Financial Accounting Standards Board Statement No. 142, "Goodwill and Other Intangible Assets" ("Statement No. 142"). Under Statement No. 142, goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives. The adoption of Statement No. 142 had the affect of increasing 2002 net income by $0.3 million.

During 2003, the Company changed its method of accounting and financial reporting for guarantees by adopting the provisions of Financial Accounting Standards Board Interpretation No. 45 (FIN 45). The adoption of FIN 45 did not

have a material impact on the Company's results of operation or financial position.

Thirteen Week Fiscal Periods

The Company uses thirteen-week fiscal quarter periods for operational and financial reporting purposes. The Company's year-end will continue to be December 31.

Reclassification

Certain amounts in the 2003 financial statements have been reclassified from their previous presentation. Such reclassification had no impact on earnings.

3. NEW ACCOUNTING PRONOUNCEMENTS

In January 2003 (Revised December 2003), the Financial Accounting Standards Board issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities." This interpretation clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The Company has determined there is no impact on the results of operation or financial position at this time.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149 (SFAS 149), Amendment of Statement 133 on Derivative Instruments and Hedging Activities, SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments and for hedging activities under Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). The Company has determined SFAS 149 will have no impact on the results of operation or financial position at this time.

In May 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 150 (SFAS 150), Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, SFAS 150, establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The Company has determined SFAS 150 will have no impact on the results of operation or financial position at this time.

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4. TRADE RECEIVABLES ALLOWANCE

The following summarizes trade receivables allowance activity for the years ended December 31, 2001, 2002 and 2003 (in thousands):

	AMOUNT
Balance, December 31, 2000. .	$ 2,408
Increase to operating expense	169
Charge to allowance	(660)

Balance, December 31, 2001. .	$ 1,917
Increase to operating expense	324
Charge to allowance	(908)
Balance, December 31, 2002. .	$ 1,333
Increase to operating expense	316
Charge to allowance	(805)
Balance, December 31, 2003. .	$ 844

The Company had a $5.0 million line of credit arrangement with LaSalle National Bank in 2002. Collateral for borrowings consisted of certain insured foreign receivables that are not included in the Company's borrowing base. As of December 31, 2002, non-recourse borrowings were $0.7 million and were reflected as a reduction of the related trade receivables. There were no covenant requirements relating to this line of credit. This line of credit did not exist at December 31, 2003.

5. BUSINESS SEGMENT

In January 1998, the Company adopted SFAS No. 131, "Disclosure About Segments of an Enterprise and Related Information." The Company has no separately reportable segments in accordance with this standard. Under the enterprise wide disclosure requirements of SFAS 131, the Company reports sales, in thousands, by each group of product lines. Amounts for the years ended December 31, 2003, 2002 and 2001 are as shown in the table below (in thousands):

	DECEMBER 31, 2003	2002	2001
Grain product line .	$ 140,290	$123,599	$123,801
Swine product line .	42,152	51,091	55,885
Poultry product line	55,227	55,946	50,235
Sales	$ 237,669	$230,636	$229,921

For the years ended December 31, 2003, 2002 and 2001, sales in Brazil were $17.4 million, $18.3 million and $17.0 million, respectively. Net income in Brazil was $1.4 million, $1.3 million and $1.2 million in 2003, 2002 and 2001, respectively. Long-lived assets in Brazil were $2.7 million and $2.1 million at December 31, 2003 and 2002, respectively.

6. RISKS AND UNCERTAINTIES

International operations generally are subject to various risks that are not present in domestic operations, including restrictions on dividends, restrictions on repatriation of funds, unexpected changes in tariffs and other trade barriers, difficulties in staffing and managing foreign operations,

political instability, fluctuations in currency exchange rates, reduced protection for intellectual property rights in some countries, seasonal reductions in business activity and potentially adverse tax consequences, any of which could adversely impact the Company's international operations.

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7. DETAIL OF CERTAIN ASSETS AND LIABILITIES

	AS OF DECEMBER 31,	
	2003	2002
RESTATED	RESTATED	
Accounts Receivable	(IN THOUSANDS)	
Trade receivables	$ 27,927	$ 24,607
Allowance for doubtful accounts . .	(844)	(1,333)
Total.	$ 27,083	$ 23,274
Inventories		
Raw materials	$ 13,940	$ 16,834
Work-in-process	18,443	19,236
Finished goods.	17,220	21,434
	49,603	57,504
Property, Plant and Equipment		
Land.	$ 809	$ 929
Buildings and improvements.	23,660	23,948
Machinery and equipment	47,863	48,962
Office equipment and furniture. . .	8,917	8,706
Construction-in-progress.	--	842
	81,249	83,387
Accumulated depreciation.	(48,576)	(44,682)
Property, plant and equipment, net.	$ 32,673	$ 38,705
Intangible Assets		
Goodwill.	$ 10,100	$ 9,738
Non-compete agreements.	$ 8,227	$ 8,227
Accumulated amortization.	(6,250)	(5,187)
Total	$ 1,977	$ 3,040
Patents and other intangible assets	$ 383	$ 383
Accumulated amortization.	(217)	(186)
Total.	$ 166	$ 197
Deferred Financing Costs		

Deferred financing costs.	$ 6,253	$ 4,783
Accumulated amortization.	(3,480)	(2,729)
Total.	$ 2,773	$ 2,054
Accrued Warranty		
Beginning reserve	$ 1,340	$ 2,031
Increase to expense	2,585	1,600
Charge to reserve	(2,546)	(2,290)
Ending reserve.	$ 1,379	$ 1,341

Amortization of patents and non-compete agreements are as follows (in thousands):

2004	649
2005	397
2006	364
2007	131
2008	131

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Transitional disclosures regarding the change in amortization and other treatment of goodwill for the year ended December 31, 2001 are as follows:

	EARNINGS	
	AMOUNT	PER SHARE
Reported Net Income	$ 1,054	$ 0.59
Add back: Goodwill Amortization.	300	0.17
Adjusted net income before cumulative effect of accounting change	$ 1,354	$ 0.76

8. SUPPLEMENTAL CASH FLOW INFORMATION

The Company paid approximately $12.4 million, $12.3 million and $13.0 million in interest during the years ended December 31, 2003, 2002 and 2001, respectively. The Company paid income taxes of $6,241, $34,836 and $48,135 during the years ended December 31, 2003, 2002 and 2001, respectively.

9. LONG-TERM DEBT

Long-term debt at December 31, 2003 and 2002 consisted of the following (in thousands):

	2003	
Citizens National Bank IRB with variable interest at 6.5% until March, 2000, at which time the rate is subject to periodic adjustments based on U.S. Treasury Note rates, the rate at December 31, 2003 is 6.5%, due $14 monthly plus interest with unpaid principal balance due April, 2010, secured by certain real estate and improvements in Paris, Illinois	$ --	$
Various non-compete, license and patent agreements payable, noninterest-bearing and payable in varying amounts through 2003	--	
LaSalle Bank N. A. revolving line of credit	--	
LaSalle Bank N. A. term note	--	
Congress Financial Corporation (Central) revolving line of credit	19,541	
Congress Financial Corporation (Central) term note	12,500	
Shareholder Note, unsecured, payable on demand, under the same interest terms as the Congress Financial Corporation (Central) revolving line of credit	148	
10.25% senior subordinated notes payable, principal due November, 2007, net of unamortized debt discount of $628 and $806 as of December 31, 2003 and 2002, respectively; amortization of debt discount was $178 and $166 for the years ended December 31, 2003 and 2002, respectively; interest is payable semi-annually in May and November	97,522	
City of Assumption promissory note bearing interest at 5%; due $9 monthly through December, 2003, secured by a $150 letter of credit	--	
Total	129,711	
Less -		
Current maturities	(148)	
Total long-term debt	$129,563	$

Maturities of long-term debt during the next five years and thereafter are as follows (in thousands):

2004	148
2005	--
2006	32,041
2007	97,522
Total	$129,711

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In November 1997, the Company issued $100 million of Senior Subordinated

Notes ("Notes") which are due in 2007. The Notes represent unsecured senior subordinated obligations of the Company. Upon occurrence of a change in control (as defined), the Company is required to repurchase the Notes at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase. The indenture governing the Company's senior subordinated notes provides for certain restrictive covenants. The more significant of the covenants restrict the ability of the Company to dispose of assets, incur additional indebtedness, pay dividends or make distributions and other payments affecting subsidiaries. The Company was in compliance with the covenants contained in the indenture as of December 31, 2003.

In 2002, a shareholder of the Company extended a loan to the Company for $1.5 million which is payable on demand. This loan has the same interest terms as the Congress Financial Corporation (Central) revolving line of credit. The balance of the loan was $0.1 million as of December 31, 2003 and is included in current maturities of long-term debt.

On October 31, 2003, The GSI Group, Inc. (the "Company") entered into a three-year credit facility with lenders led by Congress Financial Corporation (Central) to provide up to a maximum amount of $75,000,000 subject to borrowing base availability (the "Credit Facility") to replace the Company's existing senior credit facility, which provided for maximum outstanding borrowings of $60,000,000. Revolving loans and letters of credit under the Credit Facility are based on a borrowing base, which includes accounts receivable, inventory and fixed assets. A $12.5 million term loan due on October 31, 2006 is also included in the Credit Facility. The revolving loan borrowings bear interest at a floating rate per annum equal to (at the Company's option) 2.5% to 3.0% over LIBOR or 0.0% to 0.50% over the Prime Rate, both based on excess availability under the borrowing base. The term loan borrowings bear interest at a floating rate per annum equal to 8% over the Prime Rate provided that the minimum interest rate will not be less than 12.25% and the maximum will not be greater than 14.5%. The Credit Facility requires the Company to maintain a senior debt to EBITDA ratio and a fixed charge coverage ratio. Borrowings under the Credit Facility are secured by substantially all of the assets of the Company, including the capital stock of any existing or future subsidiaries, except the Brazilian subsidiary. The Company had $19.5 million of revolving loans outstanding, $3.8 million of standby letters of credit and a $4.5 million letter of credit guaranteeing the debt of FarmPro, Inc., which reduced the overall availability on the line to $7.5 million as of December 31, 2003.

The fair value of the Senior Subordinated Notes was approximately $68.8 million (book value of $98.2 million) and $73.9 million (book value of $99.9 million) at December 31, 2003 and 2002, respectively, based on market price.

10. EMPLOYEE BENEFIT PLANS

Profit Sharing Plan

The Company has a defined contribution plan covering virtually all full-time employees. Under the plan, Company contributions are discretionary. During 2003, 2002 and 2001, the Company provided a 25% matching contribution up to 1% of the employees' compensation. Employer contributions to this plan were $244,366, $245,630 and $203,873 during 2003, 2002 and 2001, respectively.

Stock Based Compensation Plan (Restated)

The Company's majority stockholder has, from time to time, sold shares of non-voting common stock to members of management in exchange for non-recourse promissory notes. The notes are interest bearing and pre-payable. The shares are sold subject to a Shareholders" Agreement, as described below. The Company accounts for this plan under APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. As the market value of the underlying

common stock exceeds the purchase price, the Company records compensation cost for the difference. For the years 2003 and 2002, the Company has recognized $484,097 and $89,511of compensation expense under this plan with a corresponding credit to additional paid-in capital. The dividends paid to the non-voting shareholders are classified as compensation expense and reduced net income for 2003, 2002 and 2001 by $62,584, $113,647 and $84,810, respectively.

A summary of the status of the plan at December 31, 2003 and 2002 and changes during the years then ended is presented below:

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	2003	2002	2001
Outstanding shares, beginning of year	92,356	106,433	106,433
Shares sold by Craig Sloan.	599	--	--
Shares purchased by Craig Sloan . . .	2,997	14,077	--
Outstanding shares, end of year . . .	89,958	92,356	106,433

The Stockholder Agreements generally (i) provide that the holders of a majority of the stock may sell all of their shares at any time if the other stockholders are entitled to participate in such sale on the same terms and conditions, and that the holders of a majority of the stock may require the other stockholders to sell all their stock at the same time on the same terms and conditions, (ii) establish that the stockholders are restricted in their ability to sell, pledge or transfer such shares, (iii) grants rights of first refusal, first to the Company and then to all non-transferring stockholders, with respect to the transfer of any shares, (iv) require that an affirmative vote by a majority of the Company's voting stockholders is required to approve certain corporate matters and (v) establish procedures for the optional purchase of shares by the Company (subject to compliance with the terms of the Indenture) or any remaining voting stockholders upon the death, permanent disability or termination of employment of any stockholder. The Stockholder Agreements also (i) provide that the holders of a majority of the Company's shares may cause the Company to register their shares in an underwritten public offering and (ii) grant piggy-back registration rights to the stockholders in the event of an underwritten public offering.

11. INCOME TAX MATTERS

The GSI Group, Inc. ("GSI") has elected to be treated as an S corporation for income tax purposes. Accordingly, no provision for federal income taxes related to GSI has been recorded. Earnings or losses of GSI are reported on the personal income tax returns of the stockholders. At December 31, 2003, all of the Company's foreign subsidiaries are eligible foreign entities which have elected to be classified as a partnership or disregarded as a separate entity under U.S. Treasury Regulation Section 301.7701. As a result, earnings or losses of the foreign subsidiaries are not subject to U.S. tax except as reported on the personal income tax returns of the stockholders. Dividends sufficient to pay the resulting income taxes of the owners are declared and paid as needed. David Manufacturing Company ("DMC") is taxed pursuant to the C Corporation provisions

of the Internal Revenue Code. Accordingly, provisions for federal taxes related to DMC have been recorded. Both GSI and DMC are subject to certain state taxes. All foreign entities are subject to local taxes. Accordingly, the provisions for foreign local taxes have been recorded.

The income tax expense (benefit) differs from the amount of income tax determined by applying the U.S. Federal income tax rate to pretax income for the years ended December 31, 2003, 2002 and 2001 (in thousands):

	2003	2002	2001
	RESTATED	RESTATED	RESTATED
U.S. Federal statutory rate	$ (2,271)	$ (2,044)	$ (159)
Increase (decrease) in income taxes resulting from:			
Non-taxable S Corporation (income) losses	2,792	188	692
Foreign local taxes.	(282)	380	295
Valuation Allowance	(2,003)	1,590	--
Tax differences resulting from acquisition of DMC	--	--	(1,274)
Nondeductible goodwill amortization	--	--	33
Effective tax rate differences.	93	91	(221)
State and other income taxes.	(55)	4	(22)
Other	751	(50)	--
	$ (975)	$ 159	$ (656)

The following is a summary of the Company's expense (benefit) for income taxes (in thousands):

	Years Ended December 31,		
	2003	2002	2001
Current			
Federal	$ --	$ --	$(113)
State and local	243	3	(24)
Foreign	255	380	454
	498	383	317
Deferred			
Federal	(638)	(153)	(555)
State and local	(298)	(71)	(259)
Foreign	(537)	--	(159)
	(1,473)	(224)	(973)
Total expense (benefit)	$ (975)	$ 159	$(656)

The components of deferred tax assets and liabilities at December 31, 2003 and 2002 are as follows (in thousands):

	2003 RESTATED	2002 RESTATED
Deferred tax assets:		
Tax loss carryforwards - DMC . .	$ 972	$ 1,491
Tax loss carryforwards - Brazil.	1,249	1,890
Tax loss carryforwards - Mexico.	45	140
Property and Equipment	87	--
Inventory reserves	29	14
Estimated product liability. . .	48	54
	$ 2,430	$ 3,589
Deferred tax liabilities:		
Property and equipment	262	742
Inventory.	148	297
	410	1,039
Valuation Allowance - DMC.	(955)	(1,423)
Valuation Allowance - Brazil . . .	--	(1,535)
Net Deferred tax liability (asset)	$ (1,065)	$ 408

The valuation allowance decreased by $2,003 (restated) during the current year. This decrease resulted from a re-evaluation of the utilization of the net operating loss carryforwards.

DMC has tax loss carryforwards of approximately $4,339,680 (restated), which begin to expire in the year 2018. Brazil has tax loss carryforwards of approximately $3,492,748 that do not expire. Mexico has tax loss carryforwards of approximately $150,581 that begin to expire in 2008.

Remaining realizable assets are supported by anticipated turnaround of deferred tax liabilities and future projected taxable income.

At December 31, 2003, if GSI's S corporation election were terminated, a deferred income tax benefit of approximately $1.9 million would be recorded.

12. COMMITMENTS AND CONTINGENCIES

The Company is involved in various legal matters arising in the normal course of business which, in the opinion of management, will not have a material effect on the Company's financial position or results of operations.

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Under the Company's insurance programs, coverage is obtained for catastrophic exposures as well as those risks required to be insured by law or

contract. The Company retains a significant portion of certain expected losses related primarily to workers' compensation, physical loss to property and comprehensive general, product and vehicle liability. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregate liability for claims incurred and totaled approximately $1.7 million for the year ended December 31, 2003. The amount of actual losses incurred could differ materially from the estimates reflected in these financial statements. The Company has provided letters of credit aggregating approximately $3.3 million in connection with these insurance programs.

The Company has month-to-month leases for several buildings and paid rentals in 2003, 2002 and 2001 of $0.9 million, $0.7 million and $0.8 million, respectively. The Company also leases equipment and vehicles under operating lease arrangements. Total lease expense related to the equipment and vehicle leases for the years ended December 31, 2003, 2002 and 2001 was $1.3 million, $1.8 million and $1.2 million, respectively.

Operating lease commitments are as follows (in thousands):

2004. . . .	$1,489
2005. . . .	1,146
2006. . . .	916
2007. . . .	563
2008. . . .	75
Later years	11
Total . . .	$4,200

The Company has a contract with the Yemen Company for Industrial Development to manufacture and supervise the assembly of grain handling systems. Other current and long-term assets include $0.5 million and $2.8 million as of December 31, 2003 and 2002, respectively, of retainage withheld until completion of the projects and the meeting of certain performance criteria. The Company wrote down the retainage by $1.5 million at December 31, 2003.

13. REGIONAL INFORMATION

The Company is engaged in the manufacture and sale of equipment for the agricultural industry. The Company's product lines include: grain storage bins and related drying and handling equipment systems and swine and poultry feed storage and delivery, ventilation, and watering systems. The Company's products are sold primarily to independent dealers and distributors and are marketed through the Company's sales personnel and network of independent dealers. Users of the Company's products include farmers, feed mills, grain elevators, grain processing plants and poultry/swine integrators. Sales by each major geographic region are as follows (in millions):

	2003	2002	2001

United States	$156.1	$146.1	$155.6
Asia.	20.6	20.0	17.3
Canada. . . .	15.8	18.6	17.5
Latin America	27.1	29.9	28.3
Mideast . . .	8.9	5.8	3.3
Europe. . . .	6.0	7.4	5.6
All other . .	3.2	2.8	2.3
	$237.7	$230.6	$229.9
	======	======	======

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14. RELATED PARTY TRANSACTIONS

The Company and its stockholders entered into certain agreements relating to the rights of the stockholders with respect to their ownership of the Company's non-voting shares (the "Stockholder Agreements"). These agreements generally (i) provide that the holders of a majority of the stock may sell all of their shares at any time if the other stockholders are entitled to participate in such sale on the same terms and conditions, and that the holders of a majority of the stock may require the other stockholders to sell all their stock at the same time on the same terms and conditions, (ii) establish that the stockholders are restricted in their ability to sell, pledge or transfer such shares, (iii) grant rights of first refusal, first to the Company and then to all non-transferring stockholders, with respect to the transfer of any share, (iv) require that an affirmative vote by a majority of the Company's voting stockholders is required to approve certain corporate matters and (v) establish procedures for the optional purchase of shares by the Company (subject to compliance with the terms of the Indenture) or any remaining voting stockholders upon the death, permanent disability or termination of employment of any stockholder. The Stockholder Agreements also (i) provide that the holders of a majority of the Company's shares may cause the Company to register their shares in an underwritten public offering and (ii) grant piggy-back registration rights to the stockholders in the event of an underwritten public offering. The Company will recognize compensation expense when the fair value is greater than the original purchase price and any subsequent increases in fair value. The Company has recognized $0.4 million of compensation expense for 2003.

The Company makes sales in the ordinary course of business to Sloan Implement Company, Inc., a supplier of agricultural equipment that is owned by family members of a shareholder of the Company. Such transactions generally consist of sales of grain equipment and amounted to $125,920, $196,691 and $243,849 for 2003, 2002 and 2001, respectively.

The Company makes sales in the ordinary course of business to Larry Sloan, who is a family member of a shareholder of the Company. Such transactions generally consist of sales of grain equipment and amounted to $72,619, $10,987 and $65,203 for 2003, 2002 and 2001, respectively.

The Company makes sales in the ordinary course of business to Resintech, which, as a result of a joint venture partnership, has a long-term supply agreement pursuant to which Resintech agreed to purchase 100% of its equipment requirements from the Company. Such transactions generally consist of sales of grain equipment and amounted to $0, $2,538 and $129,245 for 2003, 2002 and 2001, respectively.

The Company makes sales in the ordinary course of business to FarmPRO, Inc., which has a long-term supply agreement pursuant to which FarmPRO agreed to purchase 90% of its equipment requirements from the Company. In connection with the agreement, the Company agreed to guarantee FarmPRO borrowings under a letter

of credit up to $4.5 million through 2006. In connection with such guarantee, the Company received an option to purchase up to 60% of the common stock of FarmPRO at a formula price, which approximates fair market value. The stock of FarmPRO serves as collateral for the guarantee. In addition, the Company holds two positions on the Board of Directors of FarmPRO. Sales to FarmPRO were $3.1 million, $5.0 million and $2.9 million in 2003, 2002 and 2001 respectively.

The Company makes sales and rent payments in the ordinary course of business to Covell Bros., a distributor of poultry equipment, that is owned by an employee of the Company. Such transactions generally consist of sales of poultry equipment and amounted to $75,307, $128,838 and $178,432 for 2003, 2002 and 2001, respectively, and rent payments and expenses that amounted to $13,910 and $70,055 in 2003 and 2002, respectively. No rent payments were made in 2001.

The Company conducts transactions in the ordinary course of business with companies owned by the Segatt family, one of whom is a current employee of the Company. Such transactions generally consist of purchases of materials, freight payments, and commissions that amounted to $564,362, $538,388 and $195,000 for 2003, 2002 and 2001, respectively, and sales of poultry equipment that amounted to $99,815, $63,225 and $9,000 for 2003, 2002 and 2001, respectively.

The Company conducts transactions in the ordinary course of business with Reliance, a supplier of poultry equipment, which is owned by an employee of the Company. Such transactions generally consist of purchases of materials for poultry equipment that amounted to $238,095, $243,946 and $149,070 from 2003, 2002 and 2001, respectively, and sales of poultry equipment that amounted to $239,005, $37,877 and $19,263 from 2003, 2002 and 2001, respectively.

The Company makes sales in the ordinary course of business to Mayland Enterprises, a distributor of grain equipment, that is owned by an employee of the Company. Such transactions generally consist of sales of grain equipment and amounted to $89,348, $26,056 and $22,464 for 2003, 2002 and 2001, respectively.

The Company conducts transactions in the ordinary course of business with RAD Properties, a corporation owned by a shareholder of the Company. Such transactions generally consist of rent and lease payments that amounted to $302,900 and $165,383 in 2003 and 2002, respectively. No rent payments were made in 2001.

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15. UNAUDITED QUARTERLY INFORMATION

	FIRST	SECOND	THIRD	FOURTH
	QUARTER	QUARTER	QUART	
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
Restated 2003:				
Sales	$ 44,310	$ 65,653	$ 77,	
Gross profit.	9,333	13,108	17,	
Net income (loss)	(2,742)	(510)	4,	
Basic and diluted earnings per share.	(1.54)	(0.29)	2	
Restated 2002:				

Sales	$ 52,928	$ 65,901	$ 70,
Gross profit.	10,905	13,848	16,
Net income (loss)	(2,052)	218	2,
Basic and diluted earnings per share.	(1.16)	0.12	1
Restated 2001:			
Sales	$ 44,969	$ 65,498	$ 71,
Gross profit.	11,136	14,977	18,
Net income (loss)	(2,501)	919	4,
Basic and diluted earnings per share.	(1.41)	0.52	2

The change in accounting principle from LIFO to FIFO did not materially effect the quarterly data for the year 2001; thus it was not restated.

During the 2003 Year-end closing process, the Company the following adjustments as part of its 4th quarter results. As described in Footnote 12, the Company decided that the likelihood of collection had deteriorated for the Yemen project so the retainage was written down by $1.5 million. The other significant adjustment was an inventory writedown of $1.1 million after an analysis of the warehouse inventory indicated that it was overvalued.

16. RESTATEMENT

During the 2004 closing process, the Company discovered unintentional accounting errors in prior years' financial statements. The errors have been corrected in the accompanying 2003, 2002 and 2001 financial statements. A description of the errors and related impact of each on the financial statements follows. Amounts are stated in whole dollars.

At the end of 2001, the Company began the process of shutting down its Mason City, Iowa plant, which served as the headquarters for its DMC subsidiary. As the Company began the revenue cycle process at its corporate headquarters, cost of sales estimates were understated during 2002, while cost accounting records were being developed for the products previously handled by the Mason City employees, which caused the remaining inherited inventory costs to be overstated by approximately $6.5 million. The Company became aware of the overstatement in early 2003, but erroneously assigned the overstated value to inventory that would flow through the cost of sales over the next few years. This erroneous correction reduced the stated value of the inventory by approximately $2.2 million in 2003 and $4.3 million in 2004. During the 2004 year-end closing process, this issue was re-examined, and the Company determined that it would be appropriate to restate the 2002 cost of sales and year-end inventory, the period when the overstatement occurred. The effect of this change reduced previously reported net income for 2002 by $6,470,161 and increase previously reported net income of 2003 by $2,206,000.

In 1997, the Company's majority stockholder began selling non-voting shares to certain employee's. The stockholder helped finance each purchase with non-recourse interest-bearing notes with the shares as the only collateral on the notes. APB Opinion 25 and its interpretations require that these transactions be imputed to the Company's financial statements and be accounted for as variable stock awards, which practice the Company had not followed. The fair value of the underlying shares first exceeded the price paid for the shares in 2002. The effect of recording the resulting compensation expense reduced previously reported net income for 2003 by $484,097 and reduced previously reported net income for 2002 by $89,511. The dividends paid to the non-voting shareholders are classified as compensation expense and reduced previously reported net income for 2003, 2002 and 2001 by $62,584, $113,647 and $84,810,

respectively.

In 2002 the Company entered into an agreement with the manager of its Brazilian subsidiary whereby it compensated him with shares of the subsidiary's stock. This constitutes a stock compensation arrangement for which the Company did not recognize compensation expense. The effect of recording compensation expense related to this arrangement reduced previously reported net income for 2003 by $340,000 and reduced previously reported net income for 2002 by $401,000.

The Company has determined that the functional currency of its Mexican subsidiary should be U.S. Dollars rather than Pesos. The effect of this change reduced previously reported 2003 and 2002 net income by $98,644 and $315,917, respectively, and increased previously reported 2001 net income by $69,692.

In 2001, 2002 and 2003, the Company's CEO and majority stockholder elected not to accept salary and board fees that were subsequently paid in 2004. The company did not accrue these amounts in those years. The effects of accruing compensation for this individual reduced previously reported 2003, 2002 and 2001 net income by $100,000, $507,515 and $257,000, respectively.

The Company changed from a stop-loss workers' compensation insurance policy to a high-deductible self-insured policy in 2000 and did not subsequently accrue for claims incurred but not reported. The effect of accruing for such claims in 2003, 2002 and 2001 reduced previously reported net income by $289,506, $698,246 and $603,090, respectively.

The Company also made adjustments in 2003, 2002 and 2001 to correct previous reporting of overhead adjustments in overseas inventories and gain on inter-company sales.

The financial statement impact of the above noted adjustments are indicated in the table below:

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	AS PREVIOUSLY REPORTED	ADJUSTMENTS	RES
FISCAL YEAR 2003			
Consolidated Balance Sheet:			
Inventory	$ 54,165	$ (4,562)	$ 4
Payroll and payroll related expenses.	3,071	565	
Other accrued expenses.	4,057	1,891	
Paid in capital	3,006	574	
Accumulated other comprehensive loss.	(11,929)	345	(1
Retained earnings	12,531	(8,678)	
Consolidated Statement of Income:			
Cost of sales	190,694	(481)	19
Selling, general and administrative expenses.	36,591	3,602	4
Operating income.	9,290	(3,121)	
Foreign currency transaction loss	(102)	(99)	
Other, net.	(3,544)	3,749	
Minority interest in net income of subsidiary	--	(77)	
Net loss.	(6,232)	452	(
Basic and diluted earnings per share.	($3.51)	$ 0.25	(

AS

	AS PREVIOUSLY REPORTED	ADJUSTMENTS	RE
FISCAL YEAR 2002			
Consolidated Balance Sheet:			
Inventory.	$ 63,893	$ (6,389)	$
Payroll and payroll related expenses	2,987	565	
Other accrued expenses	4,144	1,501	
Paid in capital.	3,006	90	
Accumulated other comprehensive loss	(14,336)	246	(
Retained earnings.	19,971	(9,192)	
Consolidated Statement of Income:			
Cost of sales.	176,836	7,097	1
Selling, general and administrative expenses .	36,767	1,087	
Operating income	15,787	(8,184)	
Foreign currency transaction loss.	(468)	(316)	
Minority interest in net income of subsidiary.	--	(26)	
Net income (loss).	2,330	(8,526)	
Basic and diluted earnings per share	$ 1.31	($4.80)	

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	AS PREVIOUSLY REPORTED	ADJUSTMENTS	RESTATE
FISCAL YEAR 2001			
Consolidated Statement of Income:			
Cost of sales.	174,254	593	174,8
Selling, general and administrative expenses	39,386	342	39,7
Operating income	14,553	(935)	13,6
Foreign currency transaction loss.	33	70	1
Net income	1,054	(865)	1
Basic and diluted earnings per share	$ 0.59	($0.48)	$ 0.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

OVERVIEW

In connection with the preparation of its Annual Report on Form 10-K for the fiscal year ended December 31, 2004, the Company's management identified material weaknesses in the Company's internal control over financial reporting. As defined by the Public Company Accounting Oversight Board ("PCAOB") in Auditing Standard No. 2, a material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

The identified material weaknesses in the Company's internal control over financial reporting have resulted in insufficient controls relating to inventory accounting, consolidation of majority owned subsidiaries, the treatment of foreign currency matters, accounting matters relating to differences between U.S. and foreign accounting principles and practices, accounting for non-operating expenses, the accounting treatment of purchases and sales of the Company's debt securities, executive salary and board of director payment accrual methodology, the identification and treatment of relevant workers' compensation reserves and minority interest reserves, the treatment of stock based compensation expense issues and weaknesses in financial reporting processes. These weaknesses have resulted in adjustments being recorded in our financial statements for the years ended December 31, 2003, 2002 and 2001. Our management has discussed the material weaknesses with our independent registered public accounting firm, BKD LLP, and the Company's Board of Directors from and after March 8, 2005. BKD LLP issued a "material weakness" letter to the Company in connection with its review of the Company's financial statements for the year ending December 31, 2004. This letter also noted a deficiency in the Company's internal controls relating to its inventory accounting and recommended that the Company update its inventory accounting system.

DISCLOSURE CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Vice President of Finance, as appropriate, to allow timely decisions regarding disclosure. Our management, with the participation of our Chief Executive Officer and Vice President of Finance, has performed an evaluation of our disclosure controls and procedures as of December 31, 2003. Based on that evaluation, which included an review of the matters discussed above, the Company's Chief Executive Officer and Vice President of Finance concluded that the Company's disclosure controls and procedures were not effective as of the end of the period covered by this Annual Report on Form 10-K/A.

CHANGES IN INTERNAL CONTROLS

The Company's management believes that substantial remediation measures are required in order to improve the Company's internal controls. The Company

believes that the material weaknesses identified above resulted in part from inadequate staffing and training within the Company's finance and accounting group, and the Company believes that the process of preparing this Annual Report on Form 10-K/A and the related review of the Company's financial statements for the years ended December 31, 2003, 2002 and 2001 has resulted in a significant improvement in the finance and accounting staff's familiarity with the accounting and financial treatment of the issues identified above. The Company's management is in the process of reviewing whether additional accounting and financial management staff should be retained, and intends to review the question of whether it should utilize additional, or different, outside resources. The Company's management also believes that additional work is required to fully remedy these material weaknesses and intends to continue its efforts to fully remedy the situation.

ITEM 9B. OTHER INFORMATION.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The following table sets forth certain information concerning the executive officers and directors of the Company:

NAME	AGE	OFFICE
Craig Sloan. . . .	53	Chief Executive Officer and Director
Russell C. Mello .	42	Chief Financial Officer, Treasurer and Secretary
Dave Andricks. . .	55	President of GSI Division
Allen A. Deutsch .	53	President of AP/Cumberland Division
David L. Vettel. .	45	President of GSI International Division
Michael Brotherton	42	Senior Vice-President of Operations
Cathy Sloan. . . .	53	Director

CRAIG SLOAN joined the Company in November 1971. Mr. Sloan has been Chief Executive Officer since December 1993. From December 1974 to December 1993, he served as President of Grain Systems, Inc., a former subsidiary of the Company. Mr. Sloan has been a Director of the Company since December 1972.

RUSSELL C. MELLO joined the Company in March 1995. Mr. Mello has been the Chief Financial Officer, Secretary and Treasurer since September 2001. From June 1999 to September 2001, he served as Senior Vice President, Finance and Secretary and Treasurer. From September 1996 to June 1999, he served as Vice President, Finance and Assistant Secretary and Assistant Treasurer. From March 1995 to September 1996, he served as the Controller of the GSI Division. From

October 1984 to March 1995, he held various management and finance positions with Emerson Electric Company, a manufacturer of electrical equipment.

DAVE ANDRICKS joined the Company in July 1978. Mr. Andricks has been the President of the GSI Division since May 2002. From 1996 to 2002, he served as Vice President of Business Development. From 1992 to 1996, he served as President of a former subsidiary of the Company. From 1982 to 1992, he served as Vice President of Sales and Marketing.

ALLEN A. DEUTSCH joined the Company in January 1993. Mr. Deutsch has been President of the AP/Cumberland Division since September 2001. From June 1996 to September 2001, he served as President of the AP Division. From April 1995 to June 1996, he served as Vice President of the AP Division. From January 1993 to April 1995, he served as National Sales Manager of the AP Division. From August 1983 to January 1993, he served as Sales Manager of AAA Associates, Incorporated, a manufacturer and marketer of livestock ventilation systems, which business was acquired by the Company in January 1993.

DAVID L. VETTEL joined the Company in November 1993. Mr. Vettel has been President of the GSI International Division since December 1995. From November 1993 to December 1995, he served as Vice President of the GSI International Division. From November 1991 to November 1993, he served as International Sales Manager of Chief Industries, Inc., a manufacturer of steel buildings and grain storage bins.

MICHAEL BROTHERTON joined the Company in October 2002 as Senior Vice-President of Operations. From June 1988 to September 2002, he held various management positions culminating with Chief Operating Officer with Zexel Valeo Compressor U.S.A., Inc., a manufacturer of compressors for the automotive industry.

CATHY SLOAN has been a director of the Company since September 2001. Ms. Sloan is the wife of Craig Sloan and is a homemaker.

The Company's bylaws provide that the number of directors shall be two. Each director is elected to serve until the next annual meeting and until his or her successor has been elected and qualified or until his or her earlier resignation or removal. Executive officers are elected by the Board of Directors and serve until their successors have been elected and qualified or until their earlier resignation or removal.

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth in summary form all compensation for all services rendered in all capacities to the Company for the year ended December 31, 2003 of the Company's Chief Executive Officer and the other four most highly compensated executive officers of the Company (the "Named Executives").

SUMMARY COMPENSATION TABLE

NAME & PRINCIPAL POSITION	ALL OTHER YEAR	ANNUAL COMPENSATION		COMPENSATION(1)
	SALARY	BONUS		
Craig Sloan	2003	$ 407,515	$ --	$13

Chief Executive Officer and Director	2002	$ 407,515	$ --	$11
	2001	$ 407,515	$ --	$11
Dave Andricks	2003	$ 130,000	$ 27,023	$
President of GSI Division	2002	$ 130,000	$ 10,776	$
Allen A. Deutsch	2003	$ 130,000	$ 20,253	$
President of AP/Cumberland Division	2002	$ 130,000	$ 21,673	$
	2001	$ 130,000	$ 26,000	$
David L. Vettel	2003	$ 130,000	$ 13,880	$
President of GSI International Division	2002	$ 130,000	$ 12,699	$
	2001	$ 120,000	$ 19,000	$
Michael Brotherton	2003	$ 130,000	$ --	$
Senior Vice-President of Operations				

(1) Consists of group insurance and other miscellaneous benefits.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Company did not have a Compensation Committee during 2003. All members of the Company's Board of Directors participated in deliberations regarding executive officer compensation during 2003. See "Certain Relationships and Related Transactions." During 2003, no member of the Company's Board of Directors served as a director or a member of the compensation committee of any other company of which any executive officer served as a member of the Company's Board of Directors during 2003.

DIRECTOR COMPENSATION

There is a $50,000 annual compensation for being a member of the Board of Directors.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth certain information as of March 7, 2004 with respect to the shares of the Company's voting common stock and non-voting common stock beneficially owned by (i) each person or group that is known by the Company to beneficially own more than 5% of the outstanding Common Stock, (ii) each director of the Company, (iii) each Named Executive and (iv) all directors and executive officers of the Company as a group.

	VOTING COMMON STOCK		NON-VOTING COMMON STOCK	
NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES	PERCENTAGE OF VOTING	NUMBER OF SHARES	PERCENTAGE OF NON-VOTING

Craig Sloan (1)	1,575,000	100.00%	70,042	35.02
Russell C. Mello (1)	--	--	51,830	25.92
Dave Andricks (1)	--	--	6,216	3.11
Allen A. Deutsch (1)	--	--	8,802	4.40
David L. Vettel (1)	--	--	13,798	6.90
Directors and executive officers as a group (5 persons in group)	1,575,000	100.00%	150,688	75.33

(1) The address of each stockholder is c/o The GSI Group, Inc., 1004 East Illinois Street, Assumption, Illinois 62510, (217) 226-4421.

The Company has no compensation plans under which its equity securities are authorized for issuance.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The Company makes sales in the ordinary course of business to Sloan Implement Company, Inc., a supplier of agricultural equipment that is owned by family members of a shareholder of the Company. Such transactions generally consist of sales of grain equipment and amounted to $125,920, $196,691 and $243,849 for 2003, 2002 and 2001, respectively.

The Company makes sales in the ordinary course of business to Larry Sloan, who is a family member of a shareholder of the Company. Such transactions generally consist of sales of grain equipment and amounted to $72,619, $10,987 and $65,203 for 2003, 2002 and 2001, respectively.

The Company makes sales in the ordinary course of business to Resintech, which, as a result of a joint venture partnership, has a long-term supply agreement pursuant to which Resintech agreed to purchase 100% of its equipment requirements from the Company. Such transactions generally consist of sales of grain equipment and amounted to $0, $2,538 and $129,245 for 2003, 2002 and 2001, respectively.

The Company makes sales in the ordinary course of business to FarmPRO, Inc., which has a long-term supply agreement pursuant to which FarmPRO agreed to purchase 90% of its equipment requirements from the Company. In connection with the agreement, the Company agreed to guarantee FarmPRO borrowings under a letter of credit up to $4.5 million through 2006. In connection with such guarantee, the Company received an option to purchase up to 60% of the common stock of FarmPRO at a formula price, which approximates fair market value. The stock of FarmPRO serves as collateral for the guarantee. In addition, the Company holds two positions on the Board of Directors of FarmPRO. Sales to FarmPRO were $3.1 million, $5.0 million and $2.9 million in 2003, 2002 and 2001 respectively.

The Company makes sales and rent payments in the ordinary course of business to Covell Bros., a distributor of poultry equipment, that is owned by an employee of the Company. Such transactions generally consist of sales of poultry equipment and amounted to $75,307, $128,838 and $178,432 for 2003, 2002 and 2001, respectively, and rent payments and expenses that amounted to $13,910 and $70,055 in 2003 and 2002, respectively. No rent payments were made in 2001.

The Company conducts transactions in the ordinary course of business with companies owned by the Segatt family, one of whom is a current employee of the Company. Such transactions generally consist of purchases of materials, freight payments, and commissions that amounted to $564,362, $538,388 and $195,000 for 2003, 2002 and 2001, respectively, and sales of poultry equipment that amounted

to $99,815, $63,225 and $9,000 for 2003, 2002 and 2001, respectively

The Company conducts transactions in the ordinary course of business with Reliance, a supplier of poultry equipment, which is owned by an employee of the Company. Such transactions generally consist of purchases of materials for poultry equipment that amounted to $238,095, $243,946 and $149,070 from 2003, 2002 and 2001, respectively, and sales of poultry equipment that amounted to $239,005, $37,877 and $19,263 from 2003, 2002 and 2001, respectively.

The Company makes sales in the ordinary course of business to Mayland Enterprises, a distributor of grain equipment, that is owned by an employee of the Company. Such transactions generally consist of sales of grain equipment and amounted to $89,348, $26,056 and $22,464 for 2003, 2002 and 2001, respectively.

The Company conducts transactions in the ordinary course of business with RAD Properties, a corporation owned by a shareholder of the Company. Such transactions generally consist of rent payments that amounted to $302,900 and $165,383 in 2003 and 2002, respectively. No rent payments were made in 2001.

The Company believes that these transactions were, and future transactions with Sloan Implement Company, Inc., Larry Sloan, Resintech, FarmPRO, Covell Bros., the Segatt family, Reliance, RAD Properties and Mayland Enterprises will be, on terms no less favorable to the Company than could have been obtained from an independent third party in arm's length transactions.

The Company and its stockholders entered into certain agreements relating to the rights of the stockholders with respect to their ownership of the Company's non-voting shares (the "Stockholder Agreements"). These agreements generally (i) provide that the holders of a majority of the stock may sell all of their shares at any time if the other stockholders are entitled to participate in such sale on the same terms and conditions, and that the holders of a majority of the stock may require the other stockholders to sell all their stock at the same time on the same terms and conditions, (ii) establish that the stockholders are restricted in their ability to sell, pledge or transfer such shares, (iii) grant rights of first refusal, first to the Company and then to all non-transferring stockholders, with respect to the transfer of any share, (iv) require that an affirmative vote by a majority of the Company's voting stockholders is required to approve certain corporate matters and (v) establish procedures for the optional purchase of shares by the Company (subject to compliance with the terms of the Indenture) or any remaining voting stockholders upon the death, permanent disability or termination of employment of any stockholder. The Stockholder Agreements also (i) provide that the holders of a majority of the Company's shares may cause the Company to register their shares in an underwritten public offering and (ii) grant piggy-back registration rights to the stockholders in the event of an underwritten public offering. The Company will recognize compensation expense when the fair value is greater than the original purchase price and any subsequent increases in fair value. The Company has recognized $0.4 million of compensation expense for 2003.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a)(1) FINANCIAL STATEMENTS:

See "Index to Consolidated Financial Statements of The GSI Group, Inc." set forth in Item 8 hereof.

(a)(2) FINANCIAL STATEMENT SCHEDULES:

Schedules not listed above have been omitted because they are inapplicable or the information required to be set forth therein is provided in the Consolidated Financial Statements or the notes thereto.

(a)(3) EXHIBITS:

A list of the exhibits included as part of this Form 10-K/A is set forth in the Index to Exhibits that immediately precedes such exhibits, which is incorporated herein by reference.

(b) REPORTS ON FORM 8-K:

In a current report filed on Form 8-K dated September 30, 2003 the company reported information pursuant to "Item 5. Other Events".

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) THE SECURITIES EXCHANGE ACT OF 1934, THE GSI GROUP, INC. HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN ASSUMPTION, ILLINOIS ON APRIL 26, 2005.

The GSI Group, Inc.

By: /s/ Russell C. Mello

Russell C. Mello
Chief Executive Officer

EXHIBIT 31.1

CERTIFICATIONS

I, Russell C. Mello, certify that:

1. I have reviewed this annual report on Form 10-K/A of The GSI Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for

establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2005

/s/ Russell C. Mello

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Ann Montgomery, certify that:

1. I have reviewed this annual report on Form 10-K/A of The GSI Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2005

/s/ Ann Montgomery

Vice-President of Finance

EXHIBIT 32.1

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Annual Report on Form 10-K/A of The GSI Group, Inc., a Delaware corporation (the "Company"), for the year ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Russell C. Mello, as Chief Executive Officer of the Company, and Ann Montgomery, Vice President of Finance of the Company, hereby certify that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 26, 2005

/s/ RUSSELL C. MELLO

Russell C. Mello
Chief Executive Officer

/s/ ANN MONTGOMERY

Ann Montgomery
Vice President of Finance

This certification shall not be deemed "filed" by the Company for purposes of Section 18 of the Securities Exchange Act of 1934. In addition, this certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

INDEX TO EXHIBITS

EXHIBIT NO.	DOCUMENT DESCRIPTION

2.2**	Agreement for Non-Competition, dated June 30, 1998, by and among the stockholders of A Equipamentos Agricolas Ltda. And The GSI Group, Inc.
3.1*	Amended and Restated Articles of Incorporation of The GSI Group, Inc., as amended as o October 23, 1997
3.2*	By-Laws of The GSI Group, Inc, as amended.
4.1*	Indenture, dated November 1, 1997, between The GSI Group, Inc. and LaSalle National Ba Trustee, including forms of the Old Notes and the New Notes issued pursuant to such Inde
4.2*	First Supplemental Indenture, dated December 19, 1997, between The GSI Group, Inc. and National Bank, as Trustee, amending Indenture dated November 1, 1997, between The GSI Gr and LaSalle National Bank, as Trustee, to qualify such Indenture under the Trust Indentu
4.3*	Second Supplemental Indenture, dated December 19, 1997, executed by David Manufacturin amending Indenture dated November 1, 1997, between The GSI Group, Inc. and LaSalle Natio as Trustee, to add David Manufacturing Co. as a Guarantor under such Indenture.
4.5*	Agreement of The GSI Group, Inc. to furnish the Securities and Exchange Commission wit copy of certain instruments relating to long-term debt of The GSI Group, Inc. upon reque
10.3*	Agreement, dated April 9, 1997, between GSI/Cumberland Sdn. Bhd. and Ban Leng Fibre Sd relating to property located in Penang, Malaysia.
10.4+	Amended and Restated Stock Restriction and Buy Sell Agreement - Non Voting, dated as o 2001, by and among The GSI Group, Inc., John C. Sloan, Jorge Andrade, and Howard Buffett nonvoting shareholders of The GSI Group, Inc.
10.5++	Loan and Security Agreement dated October 31, 2003 between The GSI Group, Inc., as bor and Congress Financial Corporation, as lender.
10.6+	Indemnification Agreement, dated July 1, 2001, by and among The GSI Group, Inc. and Jo Howard Buffett, Jorge Andrade, and Russell C. Mello.
12.1	Computation of Ratio of Earnings to Fixed Charges.
21.1	List of Subsidiaries of The GSI Group, Inc.
31.1	Certification of Chief Executive Officer.
31.2	Certification of Vice President of Finance.
32.1	Section 906 Certification.

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* Incorporated by reference from the Company's Registration Statement of Form S-4 (Reg. No. 333-43089) filed with the Commission pursuant to the Securities Act of 1933, as amended.

** Incorporated by reference from the Company's Form 8-K filed with the Commission on July 27, 1998 pursuant to the Securities Act of 1934, as amended.

+ Incorporated by reference from the Company's Form 10-Q filed with the Commission on August 3, 2001 pursuant to the Securities Act of 1934.

++ Incorporated by reference from the Company's Form 10-Q filed with the Commission on November 7, 2003 pursuant to the Securities Act of 1934.

SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15(D) OF THE ACT BY REGISTRANT WHICH HAVE NOT REGISTERED SECURITIES PURSUANT TO SECTION 12 OF THE ACT.

The Company did not send an annual report or proxy statement to security holders covering 2003.

Exhibit 1

THE GSI GROUP, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(UNAUDITED)
(Dollars in Thousands)

	Year ended December 31,				
	1999	2000	2001	2002	20
Income (Loss) from continuing Operations before tax	$ (3,677)	$ 4,711	$ (467)	$(6,011)	$(6,6
Add Fixed Charges:					
Interest expense on borrowings and amortization of deferred financing costs	14,768	14,996	14,397	13,011	13,2
Interest portion of rent expense	750	707	656	386	3
	15,518	15,703	15,053	13,397	13,5
Adjusted Earnings	11,841	20,414	14,586	7,386	6,8
Ratio of Earnings to Fixed Charges	0.76x	1.30x	0.97x	0.55x	0.5

Exhibit 21.1

THE GSI GROUP, INC.
LIST OF SUBSIDIARIES

COMPANY NAME	LOCATION	TYPE OF ENTITY
GSI Group (Asia)	Malaysia	SDN, BHD
GSI Group (Africa)	South Africa	SA Prop Limited
GSI Group (Europe)	Great Britain	Limited Liab. Co.
GSI/Cumberland	Mexico	Limited Liab. Co.
The GSI Group (Canada) Co. .	Canada	Corporation

David Manufacturing Company.	USA - Iowa	Corporation
Agromarau Industria E Comercio Ltda.	Brazil	Limited Liab. Co.
GSI Group (Shanghai)	China	Limited Liab. Co.
GSI Group (Poland)	Poland	Limited Liab. Co.