DGT HOLDINGS CORP.

FORM 10-Q
(Quarterly Report)

Filed 12/13/04 for the Period Ending 10/31/04

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Industry	Medical Equipment & Supplies
Sector	Healthcare
Fiscal Year	07/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

[x] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended October 30, 2004

or

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

For the transition period from __________ to____________

Commission File Number 0-3319

DEL GLOBAL TECHNOLOGIES CORP.
(Exact name of registrant as specified in its charter)

New York	13-1784308
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Commerce Park, Valhalla, NY 10595
(Address of principal executive offices) (Zip Code)

914-686-3650
(Registrant's telephone number including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes /X/   No / /

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-25 of the Exchange Act)

Yes / /   No /X/

The number of shares of Registrant's common stock outstanding as of December 12, 2004 was 10,486,548.

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands except share data)
(Unaudited)

	Three Months Ended October 30, 2004	Three Months Ended November 1, 2003
NET SALES	$18,758	$16,889

COST OF SALES	14,205	13,105
GROSS MARGIN	4,553	3,784
Selling, general and administrative	3,276	3,445
Research and development	373	306
Total operating expenses	3,649	3,751
OPERATING INCOME	904	33
Interest expense	422	310
Other income	(14)	(71)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX PROVISION AND MINORITY INTEREST	496	(206)
INCOME TAX PROVISION	377	183
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST	119	(389)
MINORITY INTEREST	71	67
INCOME (LOSS) FROM CONTINUING OPERATIONS	48	(456)
DISCONTINUED OPERATIONS	199	(153)
NET INCOME(LOSS)	$ 247	$ (609)
INCOME(LOSS)PER COMMON SHARE(BASIC AND DILUTED)		
Continuing operations	$ -	$ (0.05)
Discontinued operations	.02	(0.01)
Net income(loss) per basic and diluted share	$ .02	$ (0.06)
Weighted average number of common shares outstanding:		
Basic	10,351,746	10,332,548
Diluted	11,397,939	10,332,548

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)

ASSETS

	October 30, 2004	July 31, 2004
CURRENT ASSETS		
Cash and cash equivalents	$ 707	$ 4,755

Trade receivables (net of allowance for doubtful accounts of $929 and $888 at October 30, 2004 and July 31, 2004, respectively)	12,011	12,900
Inventory	15,179	15,122
Assets attributable to discontinued operations, at net realizable value	-	4,369
Prepaid expenses and other current assets	975	1,068
Total current assets	28,872	38,214
FIXED ASSETS - Net	6,708	6,907
DEFERRED INCOME TAX ASSET-NON CURRENT	1,181	1,102
GOODWILL	1,911	1,911
INTANGIBLES - Net	87	103
OTHER ASSETS	1,019	1,024
TOTAL ASSETS	$39,778	$49,261

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)

LIABILITIES AND SHAREHOLDERS' EQUITY

	October 30, 2004	July 31, 2004
CURRENT LIABILITIES		
Short-term credit facilities	$ 2,130	$ 2,699
Current portion of long-term debt	752	730
Accounts payable - trade	8,249	10,926
Accrued liabilities	8,717	8,920
Net liabilities attributable to discontinued operations	-	958
Litigation settlement reserves	126	5,148
Income taxes payable	1,562	1,069
Total current liabilities	21,536	30,450
NON-CURRENT LIABILITIES		
Long-term debt	4,850	5,076
Subordinated note	1,985	1,962
Other long-term liabilities	2,587	2,462
Other liabilities attributable to discontinued operations	-	147
Total liabilities	30,958	40,097
MINORITY INTEREST IN SUBSIDIARY	989	1,389

COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common stock, $.10 par value; Authorized 20,000,000 shares; Issued - 11,018,581 and 10,978,581 at October 30,2004 and July 31, 2004	1,102	1,098
Additional paid-in capital	64,118	64,072
Accumulated other comprehensive income	551	792
Accumulated deficit	(52,394)	(52,641)
Less common stock in treasury - 643,533 shares at October 30,2004 and July 31, 2004	(5,546)	(5,546)
Total shareholders' equity	7,831	7,775
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 39,778	$ 49,261

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Three Months Ended Oct 30, 2004	Three Months Ended Nov. 1, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income(loss) from continuing operations	$ 48	$(456)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	327	544
Imputed interest - Subordinated note	22	45
Minority interest	71	67
Stock based compensation expense	10	10
Deferred income tax	(56)	-
Changes in operating assets and liabilities:		
Decrease in trade receivables	1,049	1,305
Decrease in inventory	148	482
Decrease (Increase) in prepaid expenses and other current assets	104	(220)
Decrease in other assets	24	45
Increase (Decrease) in accounts payable - trade	(2,818)	(452)
Decrease in accrued liabilities	(665)	(110)
Payment of litigation settlement costs	(5,023)	-
Increase in income taxes payable	441	170
Increase in other long-term liabilities	76	1
Net cash provided by (used in) operating activities	(6,242)	1,431
Cash Flows from discontinued operations		

and sale proceeds	3,463	(153)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Fixed asset purchases	(22)	(96)
Net cash used in investing activities	(22)	(96)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bank borrowings	(885)	(302)
Stock option exercise	40	-
Dividend to Villa minority shareholders	(493)	-
Net cash used in financing activities	(1,338)	(302)
EFFECT OF EXCHANGE RATE CHANGES	91	48
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,048)	928
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4,755	1 381
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 707	$ 2,309

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share data)
(Unaudited)

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the results for the interim period have been included. Results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year. These consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's annual report on Form 10-K filed with the Securities and Exchange Commission for the year ended July 31, 2004. Certain prior year's amounts have been reclassified to conform to the current period presentation.

As of July 31, 2004, the Company's Board had committed to a plan to dispose of its Del High Voltage Division ("DHV") and on October 1, 2004, we sold this division for a purchase price of $3.1 million, plus the assumption of approximately $0.8 million of liabilities. Accordingly, the results of operations have been reclassified to show this division as a discontinued operation.

On October 4, 2004, the Company announced that it had entered into non-binding letters of intent for the sale of both the Medical Systems Group Segment and the remainder of the Power Conversion Group Segment. The Company intends to call a meeting of stockholders to seek approval under New York law for the sale of the

Medical Systems Group Segment in the event a definitive agreement is entered into for such sale. There can be no assurance that these non-binding letters of intent will result in the consummation of the sale of these segments or that the strategic alternatives process initiated by the Company will lead to any other transactions. The Company may seek stockholder approval of a plan of liquidation; however, the Board of Directors of the Company has not yet approved any plan of liquidation. Any proceeds that may be received by stockholders of the Company as a result of any plan of liquidation may be greater or less than the current market price of the Common Stock of the Company.

The Company's fiscal year is based on a 52/53 week cycle ending on the Saturday nearest to July 31. Results of the Company's Milan, Italy based Villa Sistemi Medicali S.p.A ("Villa") subsidiary are reported on a one-month lag.

The Company recognizes revenue upon shipment, provided there is persuasive evidence of an arrangement, there are no uncertainties concerning acceptance, the sales price is fixed, collection of the receivable is probable and only perfunctory obligations related to the arrangement need to be completed. The Company's products are covered primarily by one year warranty plans and in some cases optional extended warranties for up to five years are offered. The Company establishes allowances for warranties as more fully described in the Product Warranty footnote herein. The Company recognizes service revenue when repairs or out of warranty repairs are completed. The Company has an FDA obligation to

continue to provide repair service for certain medical systems for up to seven years past the warranty period, which are billed to the customers at market rates.

SFAS No. 148, Accounting for Stock-based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123, amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS No. 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has elected to continue to account for stock-based awards to employees using the intrinsic value method of accounting in accordance with Accounting Principles Board Opinion No 25, "Accounting for Stock Issued to Employees." The Company's practice in granting these awards to employees is to set the exercise price of the stock options equal to the market price of our underlying stock on the date of grant. Therefore under the intrinsic value method, no compensation expense is recognized in the Company's Consolidated Statements of Operations.

Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methods recommended by SFAS 123, the Company's net income or loss and net income or loss per share for the three months ended October 30, 2004 and November 1, 2003 would have been stated at the pro forma amounts indicated below:

	Three Months Ended	
	Oct 30, 2004	Nov. 1, 2003
Net income (loss) - as reported	$247	$(609)
Deduct: Total stock-based awards determined under		

fair value method	(114)	(114)
Proforma Net Income (loss)	$133	$(723)
Income (loss) per share - Basic		
As reported	$ .02	$(0.06)
Proforma	$ .01	$(0.07)
Income (loss) per share - Diluted		
As reported	$ .02	$(0.06)
Proforma	$ .01	$(0.07)

NEW ACCOUNTING PRONOUNCEMENTS

In November 2004, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 151, "Inventory Costs, an amendment of ARB No.43, Chapter 4". This Statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage), requiring that those items be recognized as current-period charges. In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of this statement are effective for fiscal years beginning after June 15, 2005, with early application permitted. The Company is in the process of evaluating the impact the adoption of this statement will have on its financial statements

DISCONTINUED OPERATIONS

On October 1, 2004, the Company completed the sale of its Del High Voltage Division ("DHV") for a purchase price of $3,100, plus the assumption of approximately $800 of liabilities. This division was formerly part of the Power Conversion Group and designed, manufactured and marketed proprietary precision power conversion subsystems for medical as well as critical industrial applications. The results of operations of this division are shown as discontinued operations in the accompanying financial statements.

Certain information is summarized below:

	Quarter Ended	
	Oct. 30, 2004	Nov. 1, 2003
Revenues	$1,896	$4,753
Net income (loss) before income tax provision	199	(153)
Income tax provision	-	-
Income (loss) from discontinued operations	199	(153)

Income (loss) from discontinued operations, net for fiscal year 2005, includes a gain on sale of $21 in addition to the fourth quarter fiscal 2004 write down of the DHV assets to net realizable value of $3,481 and the second quarter fiscal 2004 goodwill write off of $1,328 and intangible asset write off of $125 related to the DHV business.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of the cost of acquisitions over the fair value of the identifiable assets acquired and liabilities assumed. Other intangible assets are the Company's distribution network and non-compete agreements acquired with the purchase of certain assets of a subsidiary. Intangibles are being amortized on a straight-line basis over their estimated useful lives, which range from 5 to 10 years. The components of our amortizable intangible assets are as follows:

	October 30, 2004		July 31, 2004	
	Gross Carrying Amounts	Accumulated Amortization	Gross Carrying Amounts	Accumulated Amortization
Distribution Network	$ 653	S 566	$ 653	$ 550
Total	$ 653	$ 566	$ 653	$ 550

Amortization expense for intangible assets during the first quarter of fiscal years 2005 and 2004 was $16 and $37, respectively. Estimated amortization expense for the remainder of 2005 and the five succeeding fiscal years is as follows:

2005 (remainder)	50
2006	37
2007-2009	None

There are no components of intangible assets that have an indefinite life.

There were no changes in goodwill balances during the first quarter of fiscal year 2005.

INVENTORY

Inventory is stated at the lower of cost (first-in, first-out) or market. Inventories and their effect on cost of sales are determined by physical count for annual reporting purposes and are evaluated using perpetual inventory records for interim reporting periods. For certain subsidiaries during interim periods we estimate the amount of labor and overhead costs related to finished goods inventories. The estimation methodologies used for interim reporting purposes are described in Management's Discussion and Analysis of Financial Condition and Results of Operations under the subtitle "Critical Accounting Policies".

	October 30, 2004	July 31, 2004
Raw materials and purchased parts	$ 11,568	$ 10,839
Work-in-process	2,760	2,974
Finished goods	3,579	3,845

	17,907	17,658
Less allowance for obsolete and excess inventory	(2,728)	(2,536)
Total inventory	$ 15,179	$ 15,122

PRODUCT WARRANTIES

The Company's products are covered primarily by one-year warranty plans and in some cases optional extended contracts may be offered covering products for periods up to five years, depending upon the product and contractual terms of sale. The Company establishes allowances for warranties on an aggregate basis for specifically identified, as well as anticipated, warranty claims based on contractual terms, product conditions and actual warranty experience by product line.

During the first quarter of fiscal 2005, the Company incurred payments of $86 related to warranty claims submitted and accrued $153 related to product

warranties issued during the first quarter of fiscal 2005. The liability related to warranties is included in accrued expenses on the accompanying Consolidated Balance Sheets and is $1,112 and $1,030 at October 30, 2004 and July 31, 2004, respectively.

COMPREHENSIVE LOSS

Comprehensive loss for the Company includes foreign currency translation adjustments and net loss reported in the Company's Consolidated Statements of Operations.

Comprehensive loss for 2005 and 2004 was as follows:

	Three Months Ended October 30, 2004	Three Months Ended November 1, 2003
Net income(loss)	$ 247	$(609)
Foreign currency translation adjustments	(241)	77
Comprehensive income(loss)	$ 6	$(532)

INCOME (LOSS) PER SHARE

	Three Months Ended October 30, 2004	Three Months Ended November 1, 2003
Numerator:		
Net income(loss)	$ 247	$ (609)
Denominator:		
Denominator for basic income (loss) per share -		
Weighted average shares outstanding	10,351,746	10,332,548
Effect of dilutive securities	1,046,193	-
Denominator for diluted loss per share	11,397,939	10,332,548
Income (loss) per common share		
Basic	$ .02	$ (0.06)
Diluted	$ .02	$ (0.06)

Common shares outstanding for the current and prior period ended were reduced by 643,533 shares of treasury stock. The computation of dilutive securities includes the assumed conversion of warrants and employee stock options to purchase company stock. The fiscal 2004 computation of diluted shares outstanding at November 1, 2003 does not include 2,116,815 employee stock options and 1,065,000 warrants to purchase Company common stock since the effect of their assumed conversion would be anti-dilutive.

SEGMENT INFORMATION

The Company has three reportable segments: Medical Systems Group, Power Conversion Group and Other. The "Other" segment includes unallocated corporate costs. Interim segment information is as follows:

For three months ended October 31, 2004	Medical Systems Group	Power Conversion Group	Other	Total
Net Sales to Unaffiliated Customers	$15,373	$ 3,385	-	$18,758
Cost of sales	11,802	2,403	-	14,205
Gross margin	3,571	982	-	4,553
Operating expenses	2,375	534	740	3,649
Operating income (loss)	$1,196	$ 448	$ (740)	$ 904

For three months ended November 1, 2003	Medical Systems Group	Power Conversion Group	Other	Total
Net Sales to Unaffiliated Customers	$13,701	$ 3,188	-	$16,889
Cost of sales	10,416	2,689	-	13,105
Gross margin	3,285	499	-	3,784
Operating expenses	2,379	572	$ 800	3,751
Operating income (loss)	$ 906	$ (73)	$ (800)	$ 33

CONTINGENCIES

US DEPARTMENT OF DEFENSE ("DOD") INVESTIGATION - On March 8, 2002, RFI Corporation, a subsidiary of the Company and the remaining part of the Power Conversion Group segment, was served with a subpoena by the US Attorney Eastern District of New York in connection with an investigation by the DOD. RFI supplies electro magnetic interference filters for communications and defense applications. Since March 2002, the DOD has been investigating certain past practices at RFI which date back more than six years and pertain to RFI's Military Specification testing, record keeping and general operating procedures. Management retained special counsel to represent the Company on this matter. The Company has cooperated fully with this investigation, including voluntarily providing employees to be interviewed by the Defense Criminal Investigative Services division of the DOD.

In June 2003, the Company was advised that the US Government was willing to enter into negotiations regarding a comprehensive settlement of this investigation. Prior to the preliminary discussions with the US Government in June 2003, the Company had no basis to estimate the financial impact of this

investigation. Based on preliminary settlement discussions with the US Government, discussions with the Company's advisors, consideration of settlements reached by other parties in investigations of this nature, and consideration of the Company's capital resources, management then developed an estimate of the low end of the potential financial impact. Accordingly, during the third quarter of fiscal 2003, the Company recorded a charge of $2,347 which represented its estimate of the low end of a range of potential fines and legal and professional fees.

Following negotiations, Del Global reached a global settlement in February 2004 with the US Government that resolves the civil and criminal matters relating to the DOD's investigation. The settlement included the Company pleading guilty to one criminal count and agreeing to pay fines and restitution to the US Government of $4,600 if paid by June 30, 2004 and $5,000 if paid by September 30, 2004.

In connection with this settlement, Del Global recognized an additional charge of approximately $3,199 in the second quarter of fiscal 2004. This charge represented the difference between the $2,347 charge taken during the third quarter of fiscal 2003, and the up to $5,000 in fines and restitution, plus estimated legal and professional fees related to this settlement. The liability associated with these charges is included in Litigation settlement reserves on the July 31, 2004 balance sheet.

On September 30, 2004, pursuant to the terms of the settlement, Del Global fulfilled its obligation under this agreement by paying to the US Government the sum of $5 million representing fines and restitution. On October 7, 2004, RFI entered a criminal guilty plea to a single count conspiracy charge pursuant to the settlement and a criminal plea agreement. Sentencing will occur at a later date to be determined. There can be no assurance that the court will not impose additional fines or restitution, or that the combined civil and criminal restitution imposed by the court will not vary significantly from the amount of fines and restitution the Company has paid to date.

Del Global has been working with the Defense Logistics Agency, a component of the DOD, to avoid any future limitations on the ability of the Company to do business with US Government entities. Such limitation could include the US Government seeking a "debarment" or exclusion of the Company from doing business with US Government entities for a period of time. The Company has made a written and oral submission to that agency detailing the remedial measures that the Company has taken to help ensure future compliance. If the US Government decides not to debar RFI, Del Global, RFI and the US Government will need to execute a written compliance agreement. No assurance can be given that the Company, RFI and the US Government will enter into any such agreement or that the debarment will be avoided.

ERISA MATTERS - During the year ended July 28, 2001, management of the Company concluded that violations of the Employee Retirement Income Security Act, ("ERISA") existed relating to a defined benefit plan for which accrual of benefits had been frozen as of May 3, 1986. The violations related to excess concentrations of the Common stock of the Company in the plan assets. In July 2001, management of the Company decided to terminate this plan, subject to having available funds to finance the plan in accordance with rules and regulations relating to terminating pension plans. The Company started the process of terminating this plan in September 2004. At the time of settlement, which is expected in the third quarter of fiscal 2005, the Company expects to recognize a related charge of approximately $500, including a cash disbursement of approximately $100.

EMPLOYMENT MATTERS - The Company has an employment agreement with Samuel Park, the previous Chief Executive Officer ("CEO"), for the period May 1, 2001 to April 30, 2004. The terms of this agreement provided a base salary, bonuses and deferred compensation. The bonus provided by this agreement was based on a percentage of the base salary, if certain performance goals established by the board were achieved. In addition, the employment agreement provided for certain payments in the event of death, disability or change in the control of the Company.

On October 10, 2003, the Company announced the appointment of Walter F. Schneider as President and CEO to replace Mr. Park, effective as of such date. As a result, the Company recorded a charge of $200 during the first quarter of fiscal 2004 to accrue the balance remaining under Mr. Park's employment agreement.

In addition, the Company's Board of Directors, elected at the Company's Annual Meeting of Shareholders held on May 29, 2003, had previously reviewed the "change in control" provisions regarding payments totaling up to approximately $1,800 under the employment agreement between the Company and Mr. Park. As a result of this review and based upon, among other things, the advice of special counsel, the Company's Board of Directors determined that no obligation to pay these amounts has been triggered. Prior to his departure from the Company on October 10, 2003, Mr. Park orally informed the Company that, after reviewing the matter with his counsel, he believes that the obligation to pay these amounts has been triggered. On October 27, 2003, the Company received a letter from Mr. Park's counsel demanding payment of certain sums and other consideration pursuant to the Company's employment agreement with Mr. Park, including these change in control payments. On November 17, 2003, the Company filed a complaint against Mr. Park seeking a declaratory judgment that no change in control payment was or is due to Mr. Park and that an amendment to the employment contract with Mr. Park regarding advancement and reimbursement of legal fees is invalid and unenforceable. Mr. Park answered the complaint and asserted counterclaims seeking payment from the Company based on his position that a "change in control" occurred in June 2003. Mr. Park is also seeking other consideration he believes he is owed under his employment agreement. The Company filed a reply to Mr. Park's counterclaims denying that he is entitled to any of these payments. The suit is now in the discovery phase. The parties are in the process of exchanging documents, and depositions are to be conducted in December 2004. If Mr. Park prevails on his claims and the payments he seeks are required to be paid in a lump sum, these payments may have a material adverse effect on the Company's liquidity. It is not possible to predict the outcome of these claims. However, the Company's Board of Directors does not believe that such a claim is reasonably likely to result in a material decrease in the Company's liquidity in the foreseeable future.

During fiscal 2004, the Company began employment termination proceedings against an executive of the Company. Subsequently, the executive instituted legal proceedings alleging certain damages based on change in control provisions of the executive's employment contract and various additional actions or damages. The Company believes the former executive's change in control provision has not been triggered and that such termination was justified. Thereafter, the court issued an order directing a subsidiary of the Company to pay damages. The Company believes it has meritorious defenses to this matter and has filed an appeal. However, based on the courts order, the Company has recorded a charge in fiscal 2004 of approximately $363 in connection with this matter included in Litigation Settlement reserves in the accompanying consolidated financial statements.

INDEMNIFICATION LEGAL EXPENSES - Pursuant to indemnification and undertaking agreements with certain former officers, directors and employees, the Company has advanced legal expenses in connection with the Company's previously reported accounting irregularities and the related shareholder litigation and governmental enforcement actions. During fiscal 2004, the Company did not advance any amounts pursuant to these agreements and during fiscal 2003, the Company spent approximately $310 in the advancement of legal expenses pursuant to these agreements. Management is unable to estimate at this time the amount of legal fees that the Company may have to pay in the future related to these matters. Further, there can be no assurance that those to whom we have been advancing expenses will have the financial means to repay the Company pursuant to undertaking agreements that they executed, if it is later determined that such individuals were not entitled to be indemnified.

OTHER LEGAL MATTERS -In addition, the Company is a defendant in several other legal actions arising from the normal course of business in various US and foreign jurisdictions. Management believes the Company has meritorious defenses to such actions and that the outcomes will not be material to the Company's consolidated financial statements.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Dollars in Thousands except share data)

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations and the current economic environment. We caution that these statements are not guarantees of future performance. They involve a number of risks and uncertainties that are difficult to predict including, but not limited to, our ability to implement our business plan, retention of management, changing industry and competitive conditions, obtaining anticipated operating efficiencies, securing necessary capital facilities, favorable determinations in various legal and regulatory matters, including a settlement of the Department of Defense investigation on terms that we can afford and that does not include a debarment from doing business with the US Government, and favorable general economic conditions. Actual results could differ materially from those expressed or implied in the forward-looking statements. Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements are specified in the Company's filings with the Securities and Exchange Commission including our Form 10-K for the fiscal year ended July 31, 2004.

OVERVIEW

The Company is primarily engaged in the design, manufacture and marketing of cost-effective medical imaging and diagnostic systems consisting of stationary and portable x-ray systems, radiographic/fluoroscopic systems, dental imaging systems and proprietary high-voltage power conversion subsystems for medical and other critical industrial applications. The Company also manufactures electronic filters, high voltage capacitors, pulse modulators, transformers and reactors, and a variety of other products designed for industrial, medical, military and other commercial applications. We manage our business in two operating segments: our Medical Systems Group and our Power Conversion Group. In addition, we have a third reporting segment, Other, comprised of certain unallocated corporate General and Administrative expenses. See "Segment Information" in Part I, Item 1 of this Quarterly Report on Form 10Q for the fiscal quarter ended October 30, 2004(this "Quarterly Report) for discussions of the Company's segments.

As of July 31, 2004, the Company's Board had committed to a plan to dispose of the Del High Voltage Division ("DHV") and on October 1, 2004, we sold this division for a purchase price of approximately $3.1 million, plus the assumption of approximately $0.8 million of liabilities. Accordingly, the results of operations have been restated to show this division as a discontinued operation.

On October 4, 2004, the Company announced that it had entered into non-binding letters of intent for the sale of both the Medical Systems Group Segment and the remainder of the Power Conversion Group Segment. The Company intends to call a meeting of stockholders to seek approval under New York law for the sale of the Medical Systems Group Segment in the event a definitive agreement is entered into for such sale. There can be no assurance that these non-binding letters of intent will result in the consummation of the sale of these segments or that the strategic alternatives process initiated by the Company will lead to any other

transactions. The Company may seek stockholder approval of a plan of liquidation; however, the Board of Directors of the Company has not yet approved any plan of liquidation. Any proceeds that may be received by stockholders of the Company as a result of any plan of liquidation may be greater or less than the current market price of the Common Stock of the Company.

CRITICAL ACCOUNTING POLICIES

Complete descriptions of significant accounting policies are outlined in Note 1 of our Form 10-K for the fiscal year ended July 31, 2004. Within these policies, we have identified the accounting for deferred tax assets and the allowance for obsolete and excess inventory as being critical accounting policies due to the significant amount of estimates involved. In addition, for interim periods, we have identified the valuation of finished goods inventory as being critical due to the amount of estimates involved.

DEFERRED INCOME TAXES

We account for deferred income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," whereby we recognize an asset related to our net operating loss carry forwards and other temporary differences between financial reporting basis and income tax basis. The valuation of our deferred tax assets and the recognition of tax benefits in each period assumes future taxable income and profitability. We periodically evaluate the likelihood of the recoverability of our deferred tax asset recognized, based upon our actual operating results and expectations of future operating profits.

During fiscal year 2004, as part of our customary six month planning and review cycle, management updated each business unit's forecast and operating results, and concluded that it was prudent to record additional valuation allowances, increasing the total valuation allowance to $19.9 million against 100% of both long and short-term US domestic deferred tax assets. The valuation allowance recorded is the estimate of the amount of deferred tax assets that are more likely than not to go unrealized by the Company.

We anticipate it is more likely than not the remaining deferred tax asset which relates to our Villa subsidiary will be utilized against future operating profits or as an offset to dividend income received from our Villa subsidiary. However, we can make no assurances that our Villa subsidiary will generate profits in the future.

OBSOLETE AND EXCESS INVENTORY
Another significant estimate is our allowance for obsolete and excess inventory. We re-evaluate our allowance for obsolete inventory once a quarter, and this allowance comprises the most significant portion of our inventory reserves. The re-evaluation of reserves is based on a written policy, which requires at a minimum that reserves be established based on our analysis of historical actual usage on a part-by-part basis. In addition, if management learns of specific obsolescence in addition to this minimum formula, these additional reserves will be recognized as well. Specific obsolescence might arise due to a technological or market change, or based on cancellation of an order. As we typically do not purchase inventory substantially in advance of production requirements, we do not expect cancellation of an order to be a material risk. However, market or technology changes can occur.

VALUATION OF FINISHED GOODS INVENTORIES

In addition, we use certain estimates in determining interim operating results. The most significant estimates in interim reporting relate to the valuation of finished goods inventories. For certain subsidiaries, for interim periods, we estimate the amount of labor and overhead costs related to finished goods inventories. As of October 30, 2004, finished goods represented approximately 20.0% of the gross carrying value of our total gross inventory. We believe the estimation methodologies used to be appropriate and are consistently applied.

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated net sales of $18.8 million for the first quarter of fiscal 2005 increased by $1.9 million or 11.1% from fiscal 2004 first quarter net sales of $16.9 million, with increases at both the Power Conversion Group and our Medical Systems Group. The Medical Systems Group's first quarter fiscal 2005 sales of $15.4 million improved by $1.7 million or 12.2% from the prior year's first quarter with increases at international locations offsetting delayed shipments of digital units at its domestic locations. International sales for the first quarter of fiscal 2005 were also impacted by favorable exchange rate effects from the translation of Villa's financial statements from euros to dollars of approximately $0.7 million. The Power Conversion Group's first quarter fiscal 2005 sales of $3.4 million increased by $0.2 million or 6.2% from last year's levels.

Consolidated backlog at October 30, 2004 was $24.0 million versus backlog at July 31, 2004 of approximately $25.9 million. The backlog in the Power Conversion Group decreased $0.3 million from levels at beginning of the fiscal year while there was a $1.6 million decrease in the backlog at our Medical Systems Segment. Substantially all of the backlog should result in shipments within the next 12 months.

Gross margins as a percent of sales were 24.3% for the first quarter of fiscal 2005, compared to 22.4% in the first quarter of fiscal 2004. The Power Conversion Group's margins for the first quarter of fiscal 2005 were 29.0%, versus 15.7% in the prior year quarter. First quarter fiscal 2005 Power Conversion group margins benefited from improvements in procurement, decreased material costs as a percent of sales and lower waste levels. For the Medical Systems Group, first quarter gross margins of 23.2% declined from the 24.0% level in the prior year first quarter due to unfavorable product mix at both locations.

Selling, General and Administrative expenses ("SG&A") for the first quarter of fiscal 2005 were $3.3 million (17.5% of sales) compared to $3.4 million (20.4% of sales) in the prior year's first quarter. The decrease in SG&A in the first quarter of fiscal 2005 reflects reduced corporate legal and accounting costs, and reduced selling costs in the Power Conversion Group.

As a result of the foregoing, we recognized a first quarter fiscal 2005 operating income of $0.9 million compared to an operating income of $0.03 million in the first quarter of fiscal 2004. The Medical Systems Group posted a first quarter fiscal 2005 operating profit of $1.2 million and the Power Conversion Group showed operating profit of $0.4 million, offset by unallocated corporate costs of $0.7 million.

Interest expense for the first quarter of fiscal 2005 was higher than the prior year's first quarter due to fees incurred in conjunction with modifications to the Company's domestic revolving credit facility.

The Company has not provided for a U.S. domestic income tax benefit in the first quarter of fiscal 2004. With the exception of tax provisions and adjustments recorded at Villa, our Italian subsidiary, we recorded no adjustments to our current or net deferred tax accounts during the first quarter of fiscal 2005 or fiscal 2004.

As discussed above, Discontinued Operations are related to our DHV division, which was sold on October 1, 2004. Discontinued operations in the first quarter of fiscal 2005 reflect the operations of the DHV division through the date of sale, which recorded income from operations of $0.2 million during the first quarter. The prior year's loss from operations was $0.2 million for the first quarter.

Reflecting the above, we recorded net income of $0.2 million or $0.02 per share(basic and diluted) in the first quarter of fiscal 2005, as compared to a net loss of $0.6 million, or $0.06 per share(basic and diluted), during the first quarter of fiscal 2004.

FINANCIAL CONDITION
LIQUIDITY AND CAPITAL RESOURCES

We fund our investing and working capital needs through a combination of cash flow from operations and short-term credit facilities.

Working Capital -- At October 30, 2004 and July 31, 2004, our working capital was approximately $7.3 million and $7.8 million, respectively. At such dates, we had approximately $0.7 million and $4.8 million, respectively, in cash and cash equivalents, the majority of which is at our Villa Subsidiary in Italy. As of October 30, 2004, we had approximately $2.9 million of excess borrowing availability under our domestic revolving credit facility compared to $5.8 million at July 31, 2004, reflecting payments of a $5.0 million fine to the DOD.

In addition, as of October 30, 2004 and July 31, 2004, our Villa subsidiary had an aggregate of approximately $7.5 million of excess borrowing availability under its various short-term credit facilities. Terms of the Italian credit facilities do not permit the use of borrowing availability to directly finance operating activities at our US subsidiaries.

Cash Flows from Operating Activities - For the quarterly period ended October 30, 2004, the Company used approximately $6.2 million of cash for operations, compared to a generation of $1.4 million in prior fiscal year. Contributing to cash usage in fiscal 2005 was the payment of a $5.0 million fine related to the DOD investigation as explained in "Legal Proceedings" in Part II, Item 1 of this Quarterly Report.

Cash Flows from Investing Activities -- We have made minimal facility improvements and capital equipment for the quarterly period ended October 30, 2004 compared to $0.1 million for the prior fiscal year period.

Cash Flows from Financing Activities -- During the quarterly period ended October 30, 2004, we repaid a total of approximately $0.9 million of

indebtedness on our domestic and Italian borrowings. In addition the Villa subsidiary paid a dividend of approximately $2.5 million, of which $0.5 million was paid to Villa's minority shareholders. The remaining $2.0 million, net of withholding taxes was an intercompany transaction with the Parent Company and therefore eliminated in the accompanying consolidated financial statements.

The following table summarizes our contractual obligations, including debt and operating leases at July 31, 2004 (in thousands):

Obligations	Total (1)	Within 1 Year	2-3 Years	4-5 Years
Long-Term Debt Obligations................	$ 2,733	$ 564	$ 1,155	$
Capital Lease Obligations.................	3,073	368	897	
Subordinated Note.........................	2,000	--	2,000	
Operating Lease Obligations...............	953	514	421	
Total Contractual Cash Obligations........	$ 8,759	$ 1,446	$ 4,473	$ 1,

(1) In addition, as of July 31, 2004 we had approximately $2.7 million in revolving credit debt in the US and $0.3 million in Italy. The Italian credit facilities are generally renewed on a yearly basis and the GECC Facility, as amended matures in August 2005. The maturity of the GECC Facility is subject to acceleration upon certain events of default as defined in the credit agreement, including uncured covenant defaults. The maturity is also subject to acceleration upon the consummation of the transactions contemplated by the non-binding letters of intent the Company signed in October 2004 for the sale of the Company's remaining businesses.

Credit Facility and Borrowing -- The Company has a $5 million senior revolving credit agreement, as amended, entered into on June 10, 2002 with Transamerica Corporation (the "GECC Facility"). In January 2004, GECC completed the acquisition of Transamerica Corporation and assumed the ownership and administration of our US credit facility. This facility, as amended, expires on the earlier of August 1, 2005 or the sale of substantially all of the assets or stock of RFI or the Medical Systems Group Segment. Interest under the GECC Facility is based on thirty day commercial paper rates plus a margin of 3.5%. The interest rate on the GECC Facility was 4.75% at October 30, 2004 and 5.0% at July 31, 2004. The GECC Facility is subject to commitment fees of 3/8% on the daily unused portion of the Facility, payable monthly. Under terms of the GECC Facility, interest is calculated based on the higher of the actual balance, or a floor revolving credit balance of $5 million. The GECC Facility is secured by substantially all of the Company's accounts receivable, inventory, and fixed assets in the US. The terms of the GECC Facility require the Company to comply with various operational and financial covenants, and place limitations on the Company's ability to make capital expenditures and to pay dividends. The Company is currently in compliance with these various covenants.

On October 25, 2004, the Company signed a Sixth Amendment to the GECC Facility. This Sixth Amendment: (i) extends the maturity of the credit facility to the earlier of (a) August 1, 2005 or (b) the sale of substantially all of the assets

or stock of RFI or the Medical Systems Group segment, (ii) reduces the maximum formula based borrowing cap from $10 million to $5 million (iii) accelerates the payment of the $0.5 million Performance Fee immediately upon signing as a charge against the credit facility, (iv) provides for a $50,000 extension fee payable immediately as a charge against the facility and (v) provides for an additional fee of $10,000 per month for each month the credit facility remains outstanding subsequent to December 2004.

Our Villa subsidiary is a party to various short-term credit facilities with interest rates ranging from 6% to 14%. These facilities generally renew on a yearly basis and include overdraft, receivables and import export financing facilities. In addition, Villa is a party to various medium-term commercial and Italian Government long-term loans. Medium term facilities have interest rates ranging from 3 to 6%, with principal payable semi-annually through maturity in March 2007, and interest payable quarterly. The Government long-term facilities have an interest rate of 3.4% with principal payable annually through September 2010. Villa's manufacturing facility is subject to a capital lease obligation which matures in 2011 with an option to purchase. Villa is in compliance with all related financial covenants under these short and long-term financings.

As of May 1, 2004, the Company has a frozen defined benefit plan that is under funded. In accordance with SFAS No. 88, at the time of final settlement of the pension plan, the Company will recognize an expense to recognize its unfunded status. In September 2004, the Company began the process of terminating this plan. At time of settlement, which is expected in the third quarter of fiscal 2005, the Company expects to recognize a related charge of approximately $0.5 million, including a cash disbursement of approximately $0.1 million.

On February 6, 2004, a motion was filed for summary judgment to enforce a January 2002 class action settlement agreement entered into by the Company. The motion sought damages in the amount of $1,250,000, together with interest, costs and disbursements, and a declaration that $2,000,000 in promissory notes issued as part of the class action settlement are immediately due and payable, as the value of damages due to the Company's failure to complete the registration statement noted above. On March 23, 2004, we filed a registration statement with the SEC covering the issuance of one million shares of our common stock underlying warrants that were issued to certain shareholders in connection with the previous shareholder litigation. The SEC declared this registration statement effective on May 7, 2004. Shareholders are able to exercise the warrants issued as part of the shareholder litigation settlement and purchase the Company's common stock at a price, as amended of $1.50 per share subject to compliance with applicable blue sky laws. These warrants are also callable by the Company at a price of $0.25 per warrant, if the Common Stock trades at or above $4 per share for ten (10) consecutive days. We anticipate using any proceeds received from the exercise of the warrants to pay down our GECC Facility. In July 2004, in settlement of this matter, Del Global modified the exercise, or "strike," price of the warrants issued in 2002 from $2.00 to $1.50 per share, and extended the expiration date of such warrants by one year to March 28, 2009. During the fourth quarter of Fiscal 2004, the Company recorded a charge of approximately $0.5 million to Litigation Settlement Costs in recognition of the modification to the warrants and the related legal and professional fees incurred

As described in Legal Proceedings on March 8, 2002, RFI, a subsidiary of the Company and the remaining part of the Power Conversion Group segment, was served with a subpoena by the US Attorney for the Eastern District of New York in connection with an investigation by the DOD. RFI supplies electro magnetic

interference filters for communications and defense applications. Since March 2002, the DOD has been investigating certain past practices at RFI which date back more than six years and pertain to RFI's Military Specification testing, record keeping and general operating procedures. Management retained special counsel to represent the Company on this matter. The Company has cooperated fully with this investigation, including voluntarily providing employees to be interviewed by the Defense Criminal Investigative Services division of the DOD.

In June 2003, the Company was advised that the US Government was willing to enter into negotiations regarding a comprehensive settlement of this investigation. Prior to the preliminary discussions with the US Government in June 2003, the Company had no basis to estimate the financial impact of this investigation. Based on preliminary settlement discussions with the US Government, discussions with the Company's advisors, consideration of settlements reached by other parties in investigations of this nature, and consideration of the Company's capital resources, management then developed an estimate of the low end of the potential range of the financial impact. Accordingly, during the third quarter of fiscal 2003, the Company recorded a charge of $2.3 million, which represented its estimate of the low end of a range of potential fines and legal and professional fees.

Following negotiations, Del Global reached a global settlement in February 2004 with the US Government that resolves the civil and criminal matters relating to the DOD's investigation. The settlement included the Company pleading guilty to one criminal count and agreeing to pay fines and restitution to the US Government of $4.6 million if paid by June 30, 2004 and $5.0 million if paid by September 30, 2004.

In connection with this settlement, Del Global recognized an additional charge of approximately $3.2 million in the second quarter of fiscal 2004. This charge represents the difference between the $2.3 million charge taken during the third quarter of fiscal 2003, and the up to $5.0 million in fines and restitution, plus estimated legal and professional fees related to this settlement. The liability associated with these charges is included in Litigation settlement reserves on the accompanying balance sheet.

On September 30, 2004, pursuant to the terms of the settlement, Del Global fulfilled its obligation under this agreement by paying to the US Government the sum of $5 million representing fines and restitution. On October 7, 2004, RFI entered a criminal guilty plea to a single count conspiracy charge pursuant to the settlement and a criminal plea agreement. Sentencing will occur at a later date to be determined. There can be no assurance that the court will not impose additional fines or restitution, or that the combined civil and criminal restitution imposed by the court will not vary significantly from the amount of fines and restitution the Company has paid to date.

Del Global has been working with the Defense Logistics Agency, a component of the DOD, to avoid any future limitations on the ability of the Company to do business with US Government entities. Such limitations could include the US Government seeking a "debarment" or exclusion of the Company from doing business with US Government entities for a period of time. The Company has made a written and oral submission to that agency detailing the remedial measures that the Company has taken to help ensure future compliance. If the US Government decides not to debar RFI, Del Global, RFI and the US Government will need to execute a written compliance agreement. No assurance can be given that the Company, RFI and the US Government will enter into any such agreement or that the debarment will be avoided.

The Company funded the $5 million paid pursuant to this settlement by a combination of $2 million in borrowings under its GECC Facility and the receipt of a combination of dividends, return of intercompany amounts and a $0.6 million intercompany advance from the Company's Villa subsidiary, totaling $3.0 million.

There can be no assurance that court approval will be reached and that the ultimate fines and outcome of any settlement will not vary significantly from the amount of fines and restitution the Company has paid to date.

The Company's Board of Directors, elected at the Company's Annual Meeting of Shareholders held on May 29, 2003, has reviewed the "change in control" provisions regarding payments totaling up to approximately $1.8 million under the employment agreement between the Company and its former Chief Executive Officer, Samuel Park. As a result of this review and based upon, among other things, the advice of special counsel, the Company's Board of Directors has determined that no obligation to pay these amounts has been triggered. Prior to his departure from the Company on October 10, 2003, Mr. Park orally informed the Company that, after reviewing the matter with his counsel, he believed that the obligation to pay these amounts has been triggered. On October 27, 2003, the Company received a letter from Mr. Park's counsel demanding payment of certain sums and other consideration pursuant to the Company's employment agreement with Mr. Park, including these change in control payments. On November 17, 2003, the Company filed a complaint against Mr. Park seeking a declaratory judgment that no change in control payment was or is due to Mr. Park and that an amendment to the employment contract with Mr. Park regarding advancement and reimbursement of legal fees is invalid and unenforceable. Mr. Park answered the complaint and asserted counterclaims seeking payment from the Company based on his position that a "change in control" occurred in June 2003. Mr. Park is also seeking other consideration he believes he is owed under his employment agreement. The Company filed a reply to Mr. Park's counterclaims denying that he is entitled to any of these payments. On October 27, 2003, the Company received a letter from Mr. Park's counsel demanding payment of certain sums and other consideration pursuant to the Company's employment agreement with Mr. Park, including these change of control payments. On November 17, 2003, the Company filed a complaint against Mr. Park seeking a declaratory judgment that no change in control payment was or is due to Mr. Park, and that an amendment to the employment contract with Mr. Park regarding advancement and reimbursement of legal fees is invalid and unenforceable. Mr. Park answered the complaint and asserted counterclaims seeking payment from the Company based on his position that a "change in control" occurred in June 2003. Mr. Park is also seeking other consideration he believes he is owed under his employment agreement. The Company filed a reply to Mr. Park's counterclaims denying that he is entitled to any of these payments. The suit is now in the discovery phase. The parties are in the process of exchanging documents, and depositions are to be conducted in December, 2004. If Mr. Park prevails on his claims and the payments he seeks are required to be paid in a lump sum, these payments may have a material adverse effect on the Company's liquidity. It is not possible to predict the outcome of these claims; however, the Company's Board of Directors does not believe that such a claim is reasonably likely to result in a material decrease in the Company's liquidity in the foreseeable future.

The outcome of the elections at the Company's Annual Meeting of Shareholders held on May 29, 2003 represents a change in control under change in control agreements between the Company and each of four other members of executive management. However, as each of these agreements contains "double-triggers" requiring the termination of the individual, no change in control payments are currently due to any such individuals. In August, 2004 the Company entered into a settlement agreement and release with the former CFO whereby the former officer provided a general release to the Company, including a release from any potential claim under his change in control agreement, in exchange for approximately $0.2 million.

On October 1, 2004, the Company completed the sale of its DHV division for $3.1 million plus the assumption of $0.8 million of liabilities as described more fully in the Notes to the Consolidated Financial Statements included in Part I, Item I of this Quarterly Report. Also during the first quarter of fiscal 2005, the Company signed non-binding letters of intent for the sale of the Medical Systems Group Segment and the remaining business of the Power Conversion Group Segment. These letters of intent are non-binding and subject to customary closing conditions, including , in the case of the Medical Systems Group Segment, approval of the Company's stockholders. The Company also announced in October 2005 that it may seek stockholder approval of a plan of liquidation; however, the Board of Directors of the Company has not yet approved any plan of liquidation. Any proceeds that may be received by Stockholders of the Company as a result of any plan of liquidation may be greater or less than the current market price of the Common Stock of the Company.

The Company has or had no investments in unconsolidated variable interest entities or other off balance sheet arrangements during any of the periods presented in this Quarterly Report on Form 10-Q.

We anticipate that cash generated from strategic alternatives, including asset sales and additional financings, operations and amounts available from credit facilities will be sufficient to satisfy any remaining obligations under the DOD Settlement and currently projected operating cash needs for at least the next twelve months, and for the foreseeable future. However, there is no assurance that any alternatives will be available to the Company on acceptable terms at such time or at all. No assurances can be given that the Company will be able to consummate the transactions outlined in the letters of intent, or consummate a plan of liquidation.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not ordinarily hold market risk sensitive instruments for trading purposes. We do, however, recognize market risk from interest rate and foreign currency exchange exposure. There have been no changes in financial market risk as originally discussed in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2004.

Item 4. CONTROLS AND PROCEDURES

The Company, under the supervision and with the participation of the Company's management, including Walter F. Schneider, Chief Executive Officer and Mark Koch, Principal Accounting Officer, has evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures", as such term is defined in Rules 13a-15e and 15d-15e promulgated under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Chief

Executive Officer and Principal Accounting Officer have concluded that the

Company's disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Securities Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

In the ordinary course of business, the Company routinely enhances its information systems by either upgrading its current systems or implementing new systems. There were no changes in the Company's internal controls or in other factors that could significantly affect these controls, during the Company's first fiscal quarter ended October 30, 2004, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

DOD INVESTIGATION - On March 8, 2002, RFI, a subsidiary of the Company and the remaining part of the Power Conversion Group segment, was served with a subpoena by the US Attorney for the Eastern District of New York in connection with an investigation by the DOD. RFI supplies electro magnetic interference filters for communications and defense applications. Since March 2002, the DOD has been investigating certain past practices at RFI which date back more than six years and pertain to RFI's Military Specification testing, record keeping and general operating procedures. Management retained special counsel to represent the Company on this matter. The Company has cooperated fully with this investigation, including voluntarily providing employees to be interviewed by the Defense Criminal Investigative Services division of the DOD.

In June 2003, the Company was advised that the US Government was willing to enter into negotiations regarding a comprehensive settlement of this investigation. Prior to the preliminary discussions with the US Government in June 2003, the Company had no basis to estimate the financial impact of this investigation. Based on preliminary settlement discussions with the US Government, discussions with the Company's advisors, consideration of settlements reached by other parties in investigations of this nature, and consideration of the Company's capital resources, management then developed an estimate of the low end of the potential range of the financial impact.

Accordingly, during the third quarter of fiscal 2003, the Company recorded a charge of $2.3 million, which represented its estimate of the low end of a range of potential fines and legal and professional fees.

Following negotiations, Del Global reached a global settlement in February 2004 with the US Government that resolves the civil and criminal matters relating to the DOD's investigation. The settlement included the Company pleading guilty to one criminal count and agreeing to pay fines and restitution to the US Government of $4.6 million if paid by June 30, 2004 and $5.0 million if paid by September 30, 2004.

In connection with this settlement, Del Global recognized an additional charge of approximately $3.2 million in the second quarter of fiscal 2004. This charge represents the difference between the $2.3 million charge taken during the third quarter of fiscal 2003, and the up to $5.0 million in fines and restitution, plus estimated legal and professional fees related to this settlement. The liability associated with these charges is included in Litigation settlement reserves on the accompanying balance sheet.

On September 30, 2004, pursuant to the terms of the settlement, Del Global fulfilled its obligation under this agreement by paying to the US Government the sum of $5 million representing fines and restitution. On October 7, 2004, RFI entered a criminal guilty plea to a single count conspiracy charge pursuant to the settlement and a criminal plea agreement. Sentencing will occur at a later date to be determined. There can be no assurance that the court will not impose additional fines or restitution, or that the combined civil and criminal restitution imposed by the court will not vary significantly from the amount of fines and restitution the Company has paid to date.

Del Global has been working with the Defense Logistics Agency, a component of the DOD, to avoid any future limitations on the ability of the Company to do business with US Government entities. Such limitations could include the US

Government seeking a "debarment" or exclusion of the Company from doing business with US Government entities for a period of time. The Company has made a written and oral submission to that agency detailing the remedial measures that the Company has taken to help ensure future compliance. If the US Government decides not to debar RFI, Del Global, RFI and the US Government will need to execute a written compliance agreement. No assurance can be given that the Company, RFI and the US Government will enter into any such agreement or that the debarment will be avoided.

EMPLOYMENT MATTERS - The Company had an employment agreement with Samuel Park, the previous Chief Executive Officer ("CEO") for the period May 1, 2001 to April 30, 2004. The terms of this agreement provided a base salary, bonuses and deferred compensation. The bonus provided by this agreement was based on a percentage of the base salary, if certain performance goals established by the board were achieved. In addition, the employment agreement provided for certain payments in the event of death, disability or change in the control of the Company.

On October 10, 2003, the Company announced the appointment of Walter F. Schneider as President and CEO to replace Mr. Park, effective as of such date. As a result, the Company recorded a charge of $0.2 million during the first quarter of fiscal 2004 to accrue the balance remaining under Mr. Park's employment agreement.

In addition, the Company's Board of Directors, elected at the Company's Annual Meeting of Shareholders held on May 29, 2003, had previously reviewed the "change of control" provisions regarding payments totaling up to approximately

$1.8 million under the employment agreement between the Company and Mr. Park. As a result of this review and based upon, among other things, the advice of special counsel, the Company's Board of Directors determined that no obligation to pay these amounts has been triggered. Prior to his departure from the Company on October 10, 2003, Mr. Park orally informed the Company that, after reviewing the matter with his counsel, he believes that the obligation to pay these amounts has been triggered. On October 27, 2003, the Company received a letter from Mr. Park's counsel demanding payment of certain sums and other consideration pursuant to the Company's employment agreement with Mr. Park, including these change of control payments. On November 17, 2003, the Company filed a complaint against Mr. Park seeking a declaratory judgment that no change in control payment was or is due to Mr. Park, and that an amendment to the employment contract with Mr. Park regarding advancement and reimbursement of legal fees is invalid and unenforceable. Mr. Park answered the complaint and asserted counterclaims seeking payment from the Company based on his position that a "change in control" occurred in June 2003. Mr. Park is also seeking other consideration he believes he is owed under his employment agreement. The Company filed a reply to Mr. Park's counterclaims denying that he is entitled to any of these payments. The suit is now in the discovery phase. The parties are in the process of exchanging documents, and depositions are to be conducted in December, 2004. If Mr. Park prevails on his claims and the payments he seeks are required to be paid in a lump sum, these payments may have a material adverse effect on the Company's liquidity. It is not possible to predict the outcome of these claims. However, the Company's Board of Directors does not believe that such a claim is reasonably likely to result in a material decrease in the Company's liquidity in the foreseeable future.

During fiscal 2004, the Company began employment termination proceedings against an executive of the Company. Subsequently, the executive instituted legal proceedings alleging certain damages based on change in control provisions of the executive's employment contract and various additional actions or damages. The Company believes the former executive's change in control provision

has not been triggered and that such termination was justified. Thereafter, the court issued an order directing a subsidiary of the Company to pay damages. The Company believes it has meritorious defenses to this matter and has filed an appeal. However, based on the court's order, the Company recorded a charge in Fiscal 2004 of approximately $0.4 million in connection with this matter included in Litigation Settlement reserves in the accompanying financial statements.

OTHER LEGAL MATTERS - The Company is a defendant in several other legal actions in various US and foreign jurisdictions arising from the normal course of business. Management believes the Company has meritorious defenses to such actions and that the outcomes will not be material to the Company's consolidated financial statements.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits

31.1* Certification of Chief Executive Officer, Walter F. Schneider, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2* Certification of Principal Accounting Officer, Mark Koch, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1* Certification of the Chief Executive Officer, Walter F.

	Schneider, pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Accounting Officer, Mark Koch, pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

SIGNATURES

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

DEL GLOBAL TECHNOLOGIES CORP.

/s/ Walter F. Schneider

Walter F. Schneider
Chief Executive Officer
and President

/s/ Mark Koch

Mark Koch
Principal Accounting Officer
and Treasurer

Dated: December 13, 2004

Exhibit 31.1

CERTIFICATIONS

I, Walter F. Schneider, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Del Global Technologies Corp.;

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 officer(s) 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) 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

   (c) 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(s) 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 the 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 reasonably 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: December 13, 2004

/s/ Walter F. Schneider

Walter F. Schneider
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Mark Koch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Del Global Technologies Corp.;

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 officer(s) 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) 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

   (c) 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(s) 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 the 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 reasonably 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: December 13, 2004

/s/ Mark Koch

Mark Koch
Principal Accounting Officer

Exhibit 32.1

Certification of Chief Executive Officer (1)

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the following certification is being made to accompany the Registrant's Quarterly Report on Form 10-Q for the period ended October 30, 2004:

In connection with the Quarterly Report of Del Global Technologies Corp. (the "Company") on Form 10-Q for the period ended October 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Walter F. Schneider, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that to my knowledge:

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

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

/s/ Walter F. Schneider

Name: Walter F. Schneider
Chief Executive Officer
Date: December 13, 2004

(1) A signed original of this written statement required by Section 906 has been provided to Del Global Technologies Corp and will be retained by Del Global Technologies Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

Certification of Principal Accounting Officer (1)

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the following certification is being made to accompany the Registrant's Quarterly Report on Form 10-Q for the period ended October 30, 2004:

In connection with the Quarterly Report of Del Global Technologies Corp. (the

"Company") on Form 10-Q for the period ended October 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Koch, Principal Accounting Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that to my knowledge:

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

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

/s/ Mark Koch

Name: Mark Koch
Principal Accounting Officer
Date: December 13, 2004

(1) A signed original of this written statement required by Section 906 has been provided to Del Global Technologies Corp and will be retained by Del Global Technologies Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18

U.S.C. Section 1350 and is not being filed as part of the Report or

as a separate disclosure document.

End of Filing