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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 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 0-22529

inTEST Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware	**22-2370659**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

7 Esterbrook Lane
Cherry Hill, New Jersey 08003
(Address of principal executive offices, including zip code)

(856) 424-6886
(Registrant's Telephone Number, including Area Code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
YES ___ NO _X_

Number of shares of Common Stock, $.01 par value, outstanding as of October 31, 2004:

8,794,516

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inTEST CORPORATION

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inTEST CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	Sept. 30, 2004	Dec. 31, 2003
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 6,953	$ 5,116
Trade accounts and notes receivable, net of allowance for doubtful accounts of $150 and $125, respectively	12,045	9,183
Inventories	10,532	7,332
Refundable domestic income taxes	729	751
Other current assets	785	557
Total current assets	31,044	22,939
Property and equipment:		
Machinery and equipment	11,745	10,572
Leasehold improvements	2,667	2,527
	14,412	13,099
Less: accumulated depreciation	(10,010)	(8,560)
Net property and equipment	4,402	4,539
Other assets	760	680
Goodwill	2,150	1,384
Intangible assets, net	392	435
Total assets	$38,748	$29,977
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,804	$ 3,507
Accrued wages and benefits	1,943	1,115
Accrued warranty	1,055	1,102
Accrued sales commissions	631	487
Other accrued expenses	858	687
Income taxes payable	515	278

Capital lease obligations	93	93
Total current liabilities	9,899	7,269
Capital lease obligations, net of current portion	45	117
Total liabilities	9,944	7,386
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value; 5,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, $0.01 par value; 20,000,000 shares authorized; 9,013,755 and 8,737,505 shares issued, respectively	90	87
Additional paid-in capital	23,404	21,955
Retained earnings	7,137	2,393
Accumulated other comprehensive income	495	478
Treasury stock, at cost; 375,648 shares	(2,322)	(2,322)
Total stockholders' equity	28,804	22,591
Total liabilities and stockholders' equity	$38,748	$29,977

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, excepts share and per share data)
(Unaudited)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2004	2003	2004	2003
Net revenues	$19,509	$12,725	$59,231	$33,183
Cost of revenues	11,726	7,254	33,821	20,254
Gross margin	7,783	5,471	25,410	12,929
Operating expenses:				
Selling expense	3,226	2,976	9,289	7,234
Engineering and product development expense	1,852	1,709	5,346	4,657
General and administrative expense	1,884	1,480	5,700	4,328
Total operating expenses	6,962	6,165	20,335	16,219
Operating income (loss)	821	(694)	5,075	(3,290)
Other income (expense):				
Interest income	16	15	65	54
Interest expense	(1)	(4)	(6)	(14)
Other	21	18	31	86
Total other income	36	29	90	126
Earnings (loss) before income taxes	857	(665)	5,165	(3,164)
Income tax expense (benefit)	(384)	2,115	421	1,402
Net earnings (loss)	$ 1,241	$(2,780)	$ 4,744	$(4,566)
Net earnings (loss) per common share - basic	$0.15	$(0.33)	$0.56	$(0.55)
Weighted average common shares outstanding-basic	8,500,225	8,326,477	8,408,937	8,325,167
Net earnings (loss) per common share - diluted	$0.14	$(0.33)	$0.54	$(0.55)
Weighted average common and common share equivalents outstanding-diluted	8,902,440	8,326,477	8,777,053	8,325,167

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2004	2003	2004	2003
Net earnings (loss)	$1,241	$(2,780)	$4,744	$(4,566)
Foreign currency translation adjustments	103	64	17	145
Comprehensive earnings (loss)	$1,344	$(2,716)	$4,761	$(4,421)

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income(Loss)	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2003	8,737,505	$ 87	$21,955	$ 2,393	$ 478	$(2,322)	$22,591
Net earnings	-	-	-	4,744	-	-	4,744
Other comprehensive income	-	-	-	-	17	-	17
Contingent shares released related to prior acquisition	100,000	1	755	-	-	-	756
Stock options exercised	176,250	2	694	-	-	-	696
Balance, September 30, 2004	9,013,755	$ 90	$23,404	$ 7,137	$ 495	$(2,322)	$28,804

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended Sept. 30, 2004	Nine Months Ended Sept. 30, 2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss)	$ 4,744	$(4,566)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,563	1,485
Deferred taxes	-	1,212
Foreign exchange loss	67	26

Loss on disposal of machinery and equipment	120	-
Changes in assets and liabilities:		
Trade accounts notes receivable	(2,901)	(1,920)
Inventories	(3,179)	(114)
Refundable domestic income taxes	22	833
Other current assets	(228)	(129)
Other assets	(87)	(14)
Accounts payable	1,288	1,257
Accrued wages and benefits	830	35
Accrued warranty	(46)	286
Accrued sales commissions	143	91
Other accrued expenses	172	66
Income taxes payable	232	54
Net cash provided by (used in) operating activities	2,740	(1,398)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,569)	(1,228)
Proceeds from sale of demonstration equipment, net of gain	70	67
Net cash used in investing activities	(1,499)	(1,161)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease obligations	(72)	(64)
Proceeds from stock options exercised	696	21
Net cash provided by (used in) financial activities	624	(43)
Effects of exchange rates on cash	(28)	51
Net cash provided by (used in) all activities	1,837	(2,551)
Cash and cash equivalents at beginning of period	5,116	8,145
Cash and cash equivalents at end of period	$ 6,953	$ 5,594
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Cash payments (refunds) for:		
Domestic and foreign income taxes	$ 168	$ (737)
Interest	6	14
Contingent shares released related to prior acquisition	756	-

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(In thousands, except for share and per share data)

(1) NATURE OF OPERATIONS

We are a leading independent designer, manufacturer and marketer of positioner and docking hardware products, temperature management systems and tester interface products that are used by semiconductor manufacturers in conjunction with automatic test equipment ("ATE") in the testing of integrated circuits ("ICs" or "semiconductors").

The consolidated entity is comprised of inTEST Corporation (parent) and our wholly-owned subsidiaries. We manufacture our products in the U.S., the U.K., Germany and Singapore. Marketing and support activities are conducted worldwide from our facilities in the U.S., the U.K., Germany, Japan and Singapore.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements include our accounts and those of our wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain of our accounts, including goodwill, inventory, deferred income tax valuation allowances and warranty reserves, are particularly impacted by estimates.

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position, results of operations, and changes in cash flows for the interim periods presented. Certain footnote information has been condensed or omitted from these consolidated financial statements. Therefore, these consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2003.

Concentration of Other Risks

The semiconductor industry in which we operate is characterized by rapid technological change, competitive pricing pressures and cyclical market patterns. This industry is subject to significant economic downturns at various times. Our financial results are affected by a wide variety of factors, including, without limitation: the highly cyclical nature of the semiconductor industry; dependence upon capital expenditures of semiconductor manufacturers; developments and trends in the semiconductor and ATE industries; changes in general economic, business and financial market conditions; future acquisitions and our ability to successfully integrate the businesses, technologies or products that we may acquire; costs and capital requirements associated with future acquisitions and integration of operations; the impairment of goodwill related to prior or future acquisitions; increased competition and potential loss of market share due to the expiration of patent rights; the loss of, or reduction in orders from, one or more major customers; cancellation or delays in shipment of orders in our backlog; competition from other manufacturers of docking hardware, positioners, tester interfaces and temperature management products; progress of product development programs; technological obsolescence of our inventory and obsolescence due to changes in demand for our products; product warranty expense related to product retrofits and other product replacements driven by the prototype nature of much of our business; unanticipated exchange rate fluctuations; the availability of qualified personnel; the ability to retain key personnel whose salaries have been reduced; the ability to effectively reduce and control operating costs and successfully restructure our operations to reduce our break-even point; competitive pricing pressures; the mix of products sold; the mix of customers and geographic regions where products are sold; the development of new products and technologies by our competitors; our ability to obtain patent protecti on and to enforce patent rights for existing and developing proprietary technologies; the utilization of management time and the expenses of various professionals retained to assist us with compliance with new securities regulations; and the sufficiency of cash balances, lines of credit and net cash from operations. As a result of these or other factors, we may experience significant period-to-period fluctuations in future operating results.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassification

Certain prior year amounts have been reclassified to be comparable with the current year's presentation.

Goodwill and Intangibles

Goodwill at both September 30, 2004 and 2003 relates to the positioner/docking hardware segment. Changes in the amount of the carrying value of goodwill for the nine months ended September 30, 2004 and 2003 are as follows:

	2004	*2003*
Balance - Beginning of period	$1,384	$1,243
Goodwill recorded during the year	756	-
Impact of foreign currency translation	10	58
Balance - End of period	$2,150	$1,301

During the quarter ended September 30, 2004, we issued 100,000 shares of common stock to the former owner of our Intestlogic subsidiary. These shares were issued pursuant to a provision contained in the amended agreement of sale that established revenue targets in 2004 and 2005 that if met would require the issuance of up to 200,000 shares of common stock. During the third quarter, the revenue target for 2004 was achieved and the maximum number of shares to be earned in 2004 were issued.

In connection with the issuance of these shares, we recorded goodwill of $756, which represented the fair market value of the shares issued. At September 30, 2004, we reviewed the goodwill associated with the issuance of these shares along with the previously established goodwill, intangible assets and net fixed assets of our Intestlogic subsidiary and determined that there was no impairment.

As of September 30, 2004, definite life intangibles totaled $392, net of amortization of $98. These definite life intangibles are the result of our acquisition of Intestlogic and are being amortized over ten years. These definite life intangible assets are technology based and include unpatented technology (on which a patent application has been filed). They are allocated to the positioner/docking hardware segment. Amortization expense for the nine months ended September 30, 2004 was $36. Estimated amortization expense for each of the next five years is $48.

Income Taxes

Income tax expense was $421 for the nine months ended September 30, 2004 compared to $1,402 for the same period in 2003. Our effective tax rate for the first nine months of 2004 was 8% compared to (44)% for the same period in 2003. During 2003, we recorded a 100% valuation allowance against our net deferred tax assets due to the uncertainty surrounding whether we would be able to generate sufficient taxable income to fully utilize these deferred tax assets before they expire. A significant portion of these deferred tax assets relate to net operating loss carryforwards for certain domestic and foreign subsidiaries. During the first nine months of 2004, these subsidiaries have generated taxable income and recorded tax expense

At June 30, 2004 we estimated our consolidated effective income tax rate for 2004 to be approximately 19% based upon our estimates of earnings in the second half of 2004. As a result of a significant reduction in the level of our profitability in the third quarter of 2004, relative to what we forecasted at the end of the second quarter, as well as our current forecast of operating losses for the fourth quarter of 2004, we recorded a net consolidated income tax benefit of $384 during the quarter ended September 30, 2004. In addition, based upon current projections of our taxable income for the year ended December 31, 2004, we now do not expect to have sufficient taxable income to be able to fully utilize our remaining domestic Federal net operating loss carryforwards during 2004. Our current estimate is that our consolidated effective income tax rate for 2004 will be approximately 8%.

During the nine months ended September 30, 2004, approximately $300 of income tax benefits were generated as the result of stock option exercises. Upon the future realization of these income tax benefits, the amount attributable to stock option exercises will be recorded as additional paid-in capital in stockholders' equity.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Earnings (Loss) Per Common Share

Net earnings (loss) per common share is computed in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, *Earnings Per Share*. Basic earnings (loss) per common share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during each period. Diluted earnings (loss) per common share is computed by dividing net earnings (loss) by the weighted average number of common shares and common share equivalents outstanding during each period. Common share equivalents represent stock options and are calculated using the treasury stock method. Common share equivalents are excluded from the calculation if their effect is anti-dilutive. The table below sets forth for the periods indicated the average number of employee stock options and their respective weighted average exercise prices that were excluded from the calculation of diluted earnings per share because their effect was anti-dilutive.

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2004	2003	2004	2003
Average number of employee stock options	-	1,005,212	65,673	944,848
Weighted average exercise price	$ -	$3.81	$6.17	$3.87

Product Warranties

We generally provide product warranties and record estimated warranty expense at the time of sale based upon our historical claims experience. In addition, from time to time we make adjustments to our warranty reserve for specifically identified warranty exposures. Warranty expense for the nine months ended September 30, 2004 and 2003 was $1,526 and $1,329, respectively.

The following table sets forth the changes in the liability for product warranties for the nine months ended September 30, 2004:

Balance as of December 31, 2003	$1,102
Payments made under product warranty	(1,573)
Accruals for product warranties issued	1,526
Balance as of September 30, 2004	$1,055

Stock-Based Compensation

At September 30, 2004, we have certain stock-based employee compensation plans. We account for these plans under the recognition and measurement principles of Accounting Principles Board Opinion ("APB") No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. No stock-based employee compensation cost is reflected in the statement of operations when options granted under these plans have an exercise price equal to the market value of the underlying common stock on the date of grant.

The following table illustrates the effect on our net earnings (loss) and net earnings (loss) per share if we had applied the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123"), to stock-based employee compensation.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	Three Months Ended Sept. 30, 2004	Three Months Ended Sept. 30, 2003	Nine Months Ended Sept. 30, 2004	Nine Months Ended Sept. 30, 2003
Net earnings (loss), as reported	$1,241	$(2,780)	$4,744	$(4,566)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(84)	(80)	(264)	(645)
Pro forma net earnings (loss)	$1,157	$(2,860)	$4,480	$(5,211)
Net earnings (loss) per share:				
Basic - as reported	$0.15	$(0.33)	$0.56	$(0.55)
Basic - pro forma	$0.14	$(0.34)	$0.53	$(0.63)
Diluted - as reported	$0.14	$(0.33)	$0.54	$(0.55)
Diluted - pro forma	$0.13	$(0.34)	$0.51	$(0.63)

(3) SEGMENT INFORMATION

We have three reportable segments: positioner/docking hardware products, temperature management systems and tester interface products. The positioner/docking hardware segment includes the operations of our Cherry Hill, New Jersey manufacturing facility as well as the operations of four of our foreign subsidiaries: inTEST Limited (U.K.), inTEST Kabushiki Kaisha (Japan), inTEST PTE, Limited (Singapore) and Intestlogic GmbH (Germany). Sales of this segment consist primarily of positioner and docking hardware products which we design, manufacture and market, as well as certain other related products which we design and market, but which are manufactured by third parties. The temperature management segment includes the operations of Temptronic Corporation in Sharon, Massachusetts as well as inTEST GmbH (Germany). Sales of this segment consist primarily of temperature management systems which we design, manufacture and market under our Temptronic product line. In addition, this segment provides after sale s ervice and support, which is paid for by its customers. The tester interface segment includes the operations of inTEST Sunnyvale Corp. in Sunnyvale, California. Sales of this segment consist primarily of tester interface products which we design, manufacture and market under our TestDesign product line.

We operate our business worldwide, and all three segments sell their products both domestically and internationally. All three segments sell to semiconductor manufacturers and ATE manufacturers.

Intercompany pricing between segments is either a multiple of cost for component parts or a percentage discount from list price for finished goods.

	Three Months Ended Sept. 30, 2004	Three Months Ended Sept. 30, 2003	Nine Months Ended Sept. 30, 2004	Nine Months Ended Sept. 30, 2003
Net revenues from unaffiliated customers:				
Positioner/Docking Hardware	$10,249	$ 5,670	$32,453	$15,824
Temperature Management	6,100	4,008	17,156	12,027
Tester Interface	4,014	3,829	12,614	8,001
Intersegment sales	(854)	(782)	(2,992)	(2,669)
	$19,509	$12,725	$59,231	$33,183
Intersegment sales:				
Positioner/Docking Hardware	$ 15	$ -	$ 74	$ 5
Temperature Management	592	215	1,379	933
Tester Interface	247	567	1,539	1,731
	$854	$782	$2,992	$2,669

(3) SEGMENT INFORMATION (Continued)

	Three Months Ended Sept. 30, 2004	Three Months Ended Sept. 30, 2003	Nine Months Ended Sept. 30, 2004	Nine Months Ended Sept. 30, 2003
Earnings (loss) before income taxes:				
Positioner/Docking Hardware	$ (22)	$(1,373)	$1,403	$(3,460)
Temperature Management	198	(235)	652	(629)
Tester Interface	681	943	3,110	925
	$857	$ (665)	$5,165	$(3,164)
Net earnings (loss):				
Positioner/Docking Hardware	$ (65)	$(2,856)	$1,129	$(4,318)
Temperature Management	192	(661)	505	(969)
Tester Interface	1,114	737	3,110	721
	$1,241	$(2,780)	$4,744	$(4,566)

Identifiable assets:	Sept. 30, 2004	Dec. 31, 2003
Positioner/Docking Hardware	$23,443	$16,568
Temperature Management	8,917	9,056
Tester Interface	6,388	4,353
	$38,748	$29,977

The following table provides information about our geographic areas of operation. Net revenues from unaffiliated customers are based on the location of the selling entity.

	Three Months Ended Sept. 30, 2004	Three Months Ended Sept. 30, 2003	Nine Months Ended Sept. 30, 2004	Nine Months Ended Sept. 30, 2003
Net revenues from unaffiliated customers:				
U.S.	$15,453	$ 9,899	$46,482	$25,110
Europe	1,425	1,076	5,410	3,095
Asia-Pacific	2,631	1,750	7,339	4,978
	$19,509	$12,725	$59,231	$33,183

Long-lived assets:	Sept. 30, 2004	Dec. 31, 2003
U.S.	$3,547	$3,914
Europe	762	523
Asia-Pacific	93	102
	$4,402	$4,539

(4) SUBSEQUENT EVENT - COST CONTAINMENT AND ORGANIZATIONAL CHANGES

In mid November, we announced organizational changes and cost structure adjustments that are part of our continuing efforts to effectively meet the needs and expectations of the fluid ATE market. These changes will give our divisional general managers increased responsibility for marketing, sales and service, thus allowing for the reduction of corresponding central corporate staff. We believe this reorganization and resultant decentralization will make us a more competitive company positioned to rapidly adapt to new market challenges and opportunities through continued research and development as well as strategic merger and acquisition activities.

Specific actions resulting from the reorganization include the elimination of four executive-level positions, an approximate 18% reduction in domestic head count, and certain salary and benefit adjustments. During the fourth quarter of 2004, we expect we will incur severance costs of approximately $500 related to these actions. We expect these actions will reduce our annual operating expense structure by approximately $4.5 million. Additional organizational changes are still being developed that may result in additional implementation costs in future quarters prior to realizing future savings.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

As discussed more fully in our Annual Report on Form 10-K for the year ended December 31, 2003 (our "2003 Form 10-K"), our business and results of operations are substantially dependent upon the demand for ATE by semiconductor manufacturers and companies that specialize in the testing of ICs. Demand for ATE is driven by semiconductor manufacturers that are opening new, or expanding existing, semiconductor fabrication facilities or upgrading existing equipment, which in turn is dependent upon the current and anticipated market demand for semiconductors and products incorporating semiconductors. In the past, the semiconductor industry has been highly cyclical with recurring periods of oversupply, which often have a severe impact on the semiconductor industry's demand for ATE, including the products we manufacture. This can cause wide fluctuations in both our bookings and net revenues and can significantly impact our results of operations, depending on our ability to react quickly to these shifts in demand. The se industry cycles have lasted typically 18 to 24 months; however, recently the cycles have become less predictable. Because the industry cycles are generally characterized by sequential quarterly growth or declines in bookings and net revenues throughout the cycle, year over year comparisons of operating results may not always be as meaningful as comparisons of periods at similar points in either up or down cycles.

During both downward and upward cycles in our industry, while the general trend over several quarters tends to be one of either growth or decline, in any given quarter the trend in both our bookings and net revenues can be erratic. This can occur, for example, when orders are pulled in or pushed out by a significant customer or when customer forecasts and general business conditions fluctuate during a quarter causing one particular month and/or quarter to have either stronger or weaker than anticipated growth or decline.

Net Revenues and Bookings

The following table sets forth for the periods indicated a breakdown of the net revenues from unaffiliated customers both by product segment and geographic area (based on the location of the selling entity).

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2004	*2003*	*2004*	*2003*
Net revenues from unaffiliated customers:				
Positioner/Docking Hardware	$10,249	$ 5,670	$32,453	$15,824
Temperature Management	6,100	4,008	17,156	12,027
Tester Interface	4,014	3,829	12,614	8,001
Intersegment sales	(854)	(782)	(2,992)	(2,669)
	$19,509	$12,725	$59,231	$33,183
U.S.	$15,453	$ 9,899	$46,482	$25,110
Europe	1,425	1,076	5,410	3,095
Asia-Pacific	2,631	1,750	7,339	4,978
	$19,509	$12,725	$59,231	$33,183

During the first half of 2003, the ATE industry entered a period of expansion that continued throughout the balance of that year and into the first half of 2004. During this time period, our consolidated quarterly net revenues increased from $11.3 million for the second quarter of 2003 to $22.7 million for the second quarter in 2004. At the beginning of the third quarter of 2004, both our order and sales activity continued to be strong and we believed that this expansion would last into 2005. However, late in the third quarter of 2004, there was a significant weakening in the level of our orders in both our positioner/docking hardware and tester interface product segments. In addition, several customers of these two segments either postponed scheduled shipments or canceled orders. Through the end of the third quarter of 2004, orders for our temperature management products had not been as heavily affected by the weakened demand for our other products. Consequently, we ended the quarter with $1 9.5 million in consolidated net revenues, a $3.2 million, or 14%, decrease from the prior quarter. Our consolidated bookings decreased from $25.1 million for the second quarter of 2004 to $11.8 million for the third quarter of 2004. Our backlog as of September 30, 2004 was $8.7 million, down from $16.2 million at the end of the second quarter of 2004.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS. (Continued)

We cannot determine at this time if the ATE industry has entered the next down cycle, or if the downward trend in our bookings and net revenues in the third quarter of 2004 represents only a temporary softening of demand in the markets we serve. At present, we cannot predict how long the current weaker market conditions will remain, nor how significant the declines in both our quarterly net revenues and bookings will be through this period of contraction.

Cost Containment and Organizational Changes

In mid November, we announced organizational changes and cost structure adjustments that are part of our continuing efforts to effectively meet the needs and expectations of the fluid ATE market. These changes will give our divisional general managers increased responsibility for marketing, sales and service, thus allowing for the reduction of corresponding central corporate staff. We believe this reorganization and resultant decentralization will make us a more competitive company positioned to rapidly adapt to new market challenges and opportunities through continued research and development as well as strategic merger and acquisition activities.

Specific actions resulting from the reorganization include the elimination of four executive-level positions, an approximate 18% reduction in domestic head count, and certain salary and benefit adjustments. During the fourth quarter of 2004, we expect we will incur severance costs of approximately $500 related to these actions. We expect these actions will reduce our annual operating expense structure by approximately $4.5 million. Additional organizational changes are still being developed that may result in additional implementation costs in future quarters prior to realizing future savings.

Inventory Obsolescence Charges

We review our inventories and record inventory obsolescence charges based upon our established obsolescence criteria, that identifies material that has not been used in a work order during the prior 12 months and the excess quantity of material on hand that is greater than the average annual usage of that material over the prior three years. In addition, in certain cases, additional inventory obsolescence charges are recorded based upon facts which would not give rise to an obsolescence charge under the historical obsolescence criteria or, if in management's opinion, additional amounts are felt to be necessary based upon the current industry conditions. See also "Critical Accounting Policies", below.

For the nine months ended September 30, 2004 and 2003, our inventory obsolescence charges were $1.1 million and $275,000, respectively. The level of inventory obsolescence charges can fluctuate significantly from period to period and are based upon a variety of factors including changes in demand for our products and new product designs. The increase in inventory obsolescence charges during 2004 was primarily the result of order cancellations where we had already purchased inventory to fulfill the orders and where that inventory can not be used in other products we manufacture due to its highly customized nature. In addition we had increases in our reserves for excess quantities related to materials with long lead times that were purchased based upon forecasted orders which did not materialize. After the close of the third quarter of 2004, management made the determination to cease the practice of purchasing significant amounts of inventory against forecasted orders due to the increased level of uncertainty in our current business outlook. However, at some point in the future, we may determine that it is appropriate to increase the level of such purchases based on a variety of factors, including, but not limited to, general market conditions and the specific delivery requirements of our customers.

Product Warranty Charges

We accrue product warranty charges on a quarterly basis based upon our historical claims experience. In addition, we accrue additional amounts based upon known product warranty issues, such as product retrofits. During the nine months ended September 30, 2004 and 2003 our product warranty charges were $1.5 million and $1.3 million, or 2.6% and 4.0% of net revenues, respectively. The level of our product warranty charges both in absolute dollars and as a percentage of net revenues is affected by a number of factors including the cyclicality of demand in the ATE industry, the prototype nature of much of our business, the complex nature of many of our products and, at our discretion, providing warranty repairs or replacements to customers after the warranty has expired in order to promote strong customer relations.

Product/Customer Mix

Our three product segments each have multiple products that we design, manufacture and sell to our customers. The gross margin on each product we offer is impacted by a number of factors, including the amount of intellectual property (such as patents) utilized in the product, the number of units ordered by the customer at one time, or the amount of inTEST designed and fabricated material included in our product compared with the amount of third-party designed and fabricated material included in our product. The weight of each of these factors, as well as the current market conditions, determines the ultimate sales price we can obtain for our products and the resulting gross margin.

The mix of products we sell in any period is ultimately determined by our customers' needs. Therefore, the mix of products sold in any given period can change significantly from the prior period. As a result, our consolidated gross margin can be significantly impacted in any given period by a change in the mix of products sold in that period.

We sell our products to both semiconductor manufacturers (end user sales) and to ATE manufacturers (OEM sales) who ultimately resell our equipment with theirs to semiconductor manufacturers. The mix of customers during any given period will affect our gross margin due to differing sales discounts and commissions. For the nine months ended September 30, 2004 and 2003, our OEM sales as a percentage of net revenues were 42% and 40%, respectively.

The impact of an increase in OEM sales as a percentage of net revenues is generally a reduction in our gross margin, as OEM sales historically have had a more significant discount than end user sales. Our current net operating margins on most OEM sales for these product segments, however, are only slightly less than margins on end user sales because of the payment of third party sales commissions on most end user sales. We also expect to continue to experience demands from our OEM customers' supply line management groups to reduce our sales prices to them. This continued price pressure may have the ultimate effect of reducing our gross and operating margins if we cannot further reduce our manufacturing and operating costs.

We believe that purchases of most of our products are typically made from semiconductor manufacturers' capital expenditure budgets. Certain portions of our business, however, are generally less dependent upon the capital expenditure budgets of the end users. For example, purchases of certain related ATE interface products, such as sockets and interface boards, which must be replaced periodically, are typically made from the end users' operating budgets. In addition, purchases of certain of our products, such as docking hardware, for the purpose of upgrading or to improve the utilization, performance and efficiency of existing ATE, tend to be counter cyclical to sales of new ATE. Moreover, we believe a portion of our sales of temperature management systems results from the increasing need for temperature testing of circuit boards and specialized components that do not have the design or quantity to be tested in an electronic device handler. We believe that this business usually is less cyclical than new ATE s ales.

Please refer to the section entitled "Risks That Could Affect Future Results" below for a discussion of other important factors that could cause our results to differ materially from our prior results or those expressed or implied by our forward-looking statements.

Results of Operations

All of our products are used by semiconductor manufacturers in conjunction with ATE in the testing of ICs. Consequently, the results of operations for each product segment are generally affected by the same factors. Separate discussions and analyses for each product segment would be repetitive and obscure any unique factors that affected the results of operations of our different product segments. The discussion and analysis that follows, therefore, is presented on a consolidated basis for inTEST as a whole and includes discussion of factors unique to each product segment where significant to an understanding of each such business.

The following table sets forth for the periods indicated the principal items included in the Consolidated Statements of Operations as a percentage of total net revenues.

	Percentage of Net Revenues			
	Quarters Ended Sept. 30,		*Nine Months Ended Sept. 30,*	
	2004	*2003*	*2004*	*2003*
Net revenues	100.0%	100.0%	100.0%	100.0%
Cost of revenues	60.1	57.0	57.1	61.0
Gross margin	39.9	43.0	42.9	39.0
Selling expense	16.5	23.4	15.7	21.8
Engineering and product development expense	9.5	13.4	9.0	14.0
General and administrative expense	9.7	11.6	9.6	13.1
Operating income (loss)	4.2	(5.4)	8.6	(9.9)
Other income	0.2	0.2	0.1	0.4
Earnings (loss) before income taxes	4.4	(5.2)	8.7	(9.5)
Income tax expense (benefit)	(2.0)	16.6	0.7	4.2
Net earnings (loss)	6.4%	(21.8)%	8.0%	(13.7)%

Quarter Ended September 30, 2004 Compared to Quarter Ended September 30, 2003

Net Revenues. Net revenues were $19.5 million for the quarter ended September 30, 2004 compared to $12.7 million for the same period in 2003, an increase of $6.8 million or 53%. We believe the increase in our net revenues in the third quarter of 2004 as compared to the same quarter in 2003 reflects the stronger demand in that period as the up cycle that began in the first half of 2003 built momentum. However, as discussed above, our order activity in the positioner/docking hardware and tester interface product segments declined significantly late in the third quarter of 2004. As a result of these weakened market conditions, we expect our consolidated net revenues for the fourth quarter to decline from the level of the third quarter of 2004.

Net revenues in our positioner/docking hardware segment, temperature management segment and tester interface segment increased 81%, 52% and 5%, respectively, for the quarter ended September 30, 2004 compared to the quarter ended September 30, 2003. The larger increase in the net revenues of our positioner/docking hardware segment reflects the significantly increased demand for these products caused by the increased production requirements of our customers. The smaller increase in the net revenues of our tester interface product segment reflects the less dramatic decline in demand for the products of this segment in the latter half of the third quarter of 2004. During the quarter ended September 30, 2004, our net revenues from customers in the U.S., Europe and Asia-Pacific increased 56%, 32% and 50%, respectively, over the same period in 2003. The higher growth rates in net revenues in the U.S. and Asia-Pacific regions reflect the greater demand from customers in those regions during the quarter ended Septemb er 30, 2004.

Gross Margin. Gross margin was 40% for the quarter ended September 30, 2004 as compared to 43% for the same period in 2003. The decrease in gross margin in 2004 is primarily the result of an increase in both component material costs and inventory obsolescence charges during the third quarter of 2004 as compared to the same period in 2003. We attribute the increase in component material costs primarily to the mix of products sold. As previously discussed, the increase in inventory obsolescence charges was primarily the result of order cancellations where we had already purchased inventory to fulfill the orders and where that inventory can not be used in other products we manufacture due to its highly customized nature. In addition. we increased our reserves for excess quantities related to materials with long lead times that were purchased based upon forecasted orders which did not materialize. The increases in component material costs and inventory obsolescence charges were partially offset by a reduc tion in our fixed operating costs as a percentage of net revenues. This is due to the fact that these fixed operating costs were more fully absorbed over the significantly higher net revenue levels in 2004 compared to 2003. While the absolute dollar amount of our fixed operating costs increased $854,000 for the third quarter of 2004 as compared to the same period in 2003, the percentage of net revenues which these costs represent decreased from 18% in 2003 to 16% in 2004. We attribute the increase in the absolute dollar amount of our fixed operating costs primarily to higher salary and benefits expense which increased $592,000 over the comparable prior period. This increase was due largely to the hiring of additional staff and the fact that as industry conditions improved during 2004 we began to reinstate certain previously eliminated employee benefits such as our 401(k) match for domestic employees and our program of annual reviews and merit based salary increases. Also contributing to the increase in fixed operating costs, but to a lesser extent, were increases in insurance, third party consultants and depreciation, which were driven by the increased level of business activity in 2004 compared to 2003.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS. (Continued)

Selling Expense. Selling expense was $3.2 million for the quarter ended September 30, 2004 compared to $3.0 million for the same period in 2003, an increase of $250,000 or 8%. We attribute the increase primarily to increased commission expense as well as higher levels of salary and benefits expense in the third quarter of 2004 as compared to the same period in 2003. The increase in commission expense of $301,000 was primarily due to the significantly higher net revenue levels. The increase in salary and benefits expense primarily reflects the reinstatement of certain employee benefits as previously discussed. These increases were partially offset by decreases in warranty, travel and advertising expenses during this same time period. Warranty expense decreased $166,000 primarily due to the fact that our total warranty expense of $808,000 in the third quarter of 2003 included an accrual of $500,000 related to a product retrofit and improvement for one customer. During the third quarter of 2004, our t otal warranty expense was $642,000 and did not include any product retrofits or improvements for a single customer of this magnitude.

Engineering and Product Development Expense. Engineering and product development expense was $1.9 million for the quarter ended September 30, 2004 compared to $1.7 million for the same period in 2003, an increase of $143,000 or 8%. We attribute the increase primarily to a $216,000 increase in salary and benefits expense due largely to hiring additional staff and the reinstatement of certain employee benefits as previously discussed. This increase was partially offset by a reduction in fees paid to third party product development consultants.

General and Administrative Expense. General and administrative expense was $1.9 million for the quarter ended September 30, 2004 compared to $1.5 million for the same period in 2003, an increase of $404,000 or 27%. We attribute the increase primarily to a $264,000 increase in salary and benefits expense, which is largely a result of the reinstatement of employee benefits, as previously mentioned. To a lesser extent, we attribute the increase to higher levels of accruals for profit-based bonuses and an increase in fees paid to members of our Board of Directors.

Other Income. Other income was $36,000 for the quarter ended September 30, 2004 compared to $29,000 for the same period in 2003, an increase of $7,000 or 24%. There were no significant changes in the components of other income during this time period.

Income Tax Expense (Benefit). Income tax benefit was $384,000 for the quarter ended September 30, 2004 compared to income tax expense of $2.1 million for the same period in 2003. During the third quarter of 2003, we recorded a 100% valuation allowance against our net deferred tax assets due to the uncertainty surrounding whether we would be able to generate sufficient taxable income to fully utilize these deferred tax assets before they expire. A significant portion of these deferred tax assets relate to net operating loss carryforwards for certain domestic and foreign subsidiaries. During the first nine months of 2004, these subsidiaries have generated taxable income and recorded tax expense.

At June 30, 2004 we estimated our consolidated effective income tax rate for 2004 to be approximately 19% based upon our estimates of earnings in the second half of 2004. As a result of a significant reduction in the level of our profitability in the third quarter of 2004, relative to what we forecasted at the end of the second quarter, as well as our current forecast of operating losses for the fourth quarter of 2004, we recorded a net consolidated income tax benefit of $384 during the quarter ended September 30, 2004. In addition, based upon current projections of our taxable income for the year ended December 31, 2004, we now do not expect to have sufficient taxable income to be able to fully utilize our remaining domestic Federal net operating loss carryforwards during 2004. Our current estimate is that our consolidated effective income tax rate for 2004 will be approximately 8%.

During the quarter ended ended September 30, 2004, approximately $300 of income tax benefits were generated as the result of stock option exercises. Upon the future realization of these income tax benefits, the amount attributable to stock option exercises will be recorded as additional paid-in capital in stockholders' equity.

Nine Months Ended September 30, 2004 Compared to Nine Months Ended September 30, 2003

Net Revenues. Net revenues were $59.2 million for the nine months ended September 30, 2004 compared to $33.2 million for the same period in 2003, an increase of $26.0 million or 79%. We believe the increase in our net revenues for the nine months ended September 30, 2004 as compared to the same period in 2003 reflects the upturn in demand in our industry which began in the first half of 2003. However, as discussed above in the Overview, our order activity in the positioner/docking hardware and tester interface product segments declined significantly late in the third quarter of 2004. As a result of these weakened market conditions, we expect our consolidated net revenues for the fourth quarter to decline from the level of the third quarter of 2004.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS. (Continued)

Net revenues in our positioner/docking hardware segment, temperature management segment and tester interface segment increased 105%, 43% and 58%, respectively, for the nine months ended September 30, 2004 compared to the comparable prior period. The larger increases in the net revenues of both our positioner/docking hardware and tester interface segments reflects the significantly increased demand for these products caused by the increased production requirements of our customers. During the nine months ended September 30, 2004, our net revenues from customers in the U.S., Europe and Asia-Pacific increased 85%, 75% and 47%, respectively, over the comparable prior period. The higher growth rates in net revenues in the U.S. and Europe reflect the greater demand from customers in those regions during the nine months ended September 30, 2004.

Gross Margin. Gross margin was 43% for the nine months ended September 30, 2004 as compared to 39% for the same period in 2003. The increase in gross margin in 2004 is primarily the result of our fixed operating costs being more fully absorbed over the significantly higher net revenue levels in 2004. While the absolute dollar amount of our fixed operating costs increased $1.7 million for the first nine months of 2004 as compared to the same period in 2003, the percentage of net revenues which these costs represent decreased from 21% in 2003 to 15% in 2004. This improvement in gross margin was partially offset by an increase in component material costs and inventory obsolescence charges as a percentage of net revenues during the first nine months of 2004 as compared to the same period in 2003.

We attribute the increase in the absolute dollar amount of our fixed operating costs primarily to higher salary and benefits expense, which increased $1.2 million over the comparable prior period. The increase in salary and benefits expense reflects the reinstatement of certain employee benefits as previously discussed. Also contributing to the increase in fixed operating costs, but to a lesser extent, were increases in third party consultants, insurance, facilities costs and depreciation, which were all driven by the increased level of business activity in 2004 as compared to 2003.

We attribute the increase in component material costs primarily to the mix of products sold. As previously discussed, the increase in inventory obsolescence charges was primarily the result of order cancellations where we had already purchased inventory to fulfill the orders and where that inventory can not be used in other products we manufacture due to its highly customized nature. In addition, we had increases in our reserves for excess quantities related to materials with long lead times that were purchased based upon forecasted orders which did not materialize.

Selling Expense. Selling expense was $9.3 million for the nine months ended September 30, 2004 compared to $7.2 million for the same period in 2003, an increase of $2.1 million or 28%. We attribute the increase primarily to increased commission expense, and, to a lesser extent, increases in salary and benefits, freight, warranty and travel expenses. Commission expense increased $942,000 primarily due to the significantly higher net revenue levels. Salary and benefits expense increased $450,000 primarily reflecting the reinstatement of employee benefits, as previously mentioned. Increases in freight, warranty and travel were all driven by the increased level of business activity in the first nine months of 2004 as compared to the same period in 2003.

Engineering and Product Development Expense. Engineering and product development expense was $5.3 million for the nine months ended September 30, 2004 compared to $4.7 million for the same period in 2003, an increase of $689,000 or 15%. We attribute the increase primarily to a $625,000 increase in salary and benefits expense due largely to hiring additional staff and reinstatement of employee benefits, as previously mentioned. Also contributing to the increase, but to a lesser extent, were higher levels of spending on travel, primarily in our positioner/docking hardware segments, in the first nine months of 2004 as compared to the same period in 2003. These increases were partially offset by a decrease in fees paid to third party product development consultants.

General and Administrative Expense. General and administrative expense was $5.7 million for the nine months ended September 30, 2004 compared to $4.3 million for the same period in 2003, an increase of $1.4 million or 32%. We attribute the increase primarily to higher salary and benefits expense and, to a lesser extent, increases in accruals for profit-related bonuses, legal fees and travel costs. Salary and benefits expense increased $425,000 primarily as a result of the fact that, as previously mentioned, we reinstated certain employee benefits. Profit-related bonus accruals increased $269,000 as a result of our higher earnings for the first nine months of 2004 as compared to the same period in 2003. Legal fees increased $242,000 primarily as a result of having received a settlement of patent infringement litigation during the first quarter of 2003 that was recorded as a reduction of legal expense in that quarter, and, to a lesser extent, due to a higher level of patent filings in 2004 as compared t o 2003. The increase in travel reflects additional travel by administrative personnel related to general business matters including implementation of our new company-wide ERP system and compliance with new securities regulations.

Other Income. Other income was $90,000 for the nine months ended September 30, 2004 compared to $126,000 for the same period in 2003, a decrease of $36,000 or 29%. The decrease in other income was primarily due to a higher level of foreign exchange transaction losses in the first nine months of 2004 as compared to the same period in 2003.

Income Tax Expense. Income tax expense was $421,000 for the nine months ended September 30, 2004 compared to $1.4 million for the same period in 2003. Our effective tax rate for the first nine months of 2004 was 8% compared to (44)% for the same period in 2003. During 2003, we recorded a 100% valuation allowance against our net deferred tax assets due to the uncertainty surrounding whether we would be able to generate sufficient taxable income to fully utilize these deferred tax assets before they expire. A significant portion of these deferred tax assets relate to net operating loss carryforwards for certain domestic and foreign subsidiaries. In 2004, these subsidiaries have generated taxable income and recorded tax expense.

At June 30, 2004 we estimated our consolidated effective income tax rate for 2004 to be approximately 19% based upon our estimates of earnings in the second half of 2004. As a result of a significant reduction in the level of our profitability in the third quarter of 2004, relative to what we forecasted at the end of the second quarter, as well as our current forecast of operating losses for the fourth quarter of 2004, we recorded a net consolidated income tax benefit of $384 during the quarter ended September 30, 2004. In addition, based upon current projections of our taxable income for the year ended December 31, 2004, we now do not expect to have sufficient taxable income to be able to fully utilize our remaining domestic Federal net operating loss carryforwards during 2004. Our current estimate is that our consolidated effective income tax rate for 2004 will be approximately 8%.

During the nine months ended ended September 30, 2004, approximately $300 of income tax benefits were generated as the result of stock option exercises. Upon the future realization of these income tax benefits, the amount attributable to stock option exercises will be recorded as additional paid-in capital in stockholders' equity.

Liquidity and Capital Resources

Net cash provided by operations for the nine months ended September 30, 2004 was $2.7 million compared to $1.4 million used in operations for the same period in 2003. The shift from cash used in operations to cash provided by operations was primarily the result of our generating operating income for the first nine months of 2004 compared with an operating loss for the same period in 2003. Increases in accounts receivable and inventories during the first nine months of 2004 were partially offset by increases in accounts payable and accrued expenses during this same period. Accounts receivable increased $2.9 million from December 31, 2003 to September 30, 2004 due to higher net revenue levels, and inventories increased $3.2 million during this same period, primarily due to the purchasing of materials to fulfill current and future orders. Accounts payable increased $1.3 million from December 31, 2003 to September 30, 2004 due to increased purchases to support higher production levels during the first nine month s of 2004. Accrued wages and benefits increased $830,000 during this same period primarily as a result of the timing of payroll dates and the aforementioned reinstatement of salary increases for staff in 2004, as well as the accrual of profit-related bonuses.

Purchases of property and equipment were $1.6 million for the nine months ended September 30, 2004, which consisted of $603,000 primarily for computer hardware and software for our Cherry Hill facility, $275,000 primarily for additional machine shop equipment for our UK subsidiary, $264,000 primarily for demonstration equipment and computer hardware and software for our Temptronic facility, and $213,000 primarily for a combination of quality assurance and inspection equipment and engineering software and testing equipment for our Sunnyvale facility. The balance of purchases was for equipment for our other foreign subsidiaries. We currently estimate that we will spend up to $750,000 during the balance of 2004 to purchase additional property and equipment, including approximately $225,000 for improvements to our existing facility in New Jersey, approximately $300,000 for tenant improvements to our new facility in California that we expect to occupy in early 2005, and approximately $100,000 for equipment for on e of our German operations.

Net cash provided by financing activities for the nine months ended September 30, 2004 was $624,000, which consisted of proceeds from the exercise of stock options of $696,000 offset by $72,000 in payments made under capital lease obligations.

We have a secured credit facility that provides for maximum borrowings of $250,000. We have not utilized this facility to borrow any funds. Our only usage consists of the issuance of a letter of credit in the face amount of $250,000. We pay a quarterly commitment fee of 0.425% per annum on the unused portion of the facility; however, based upon current projected usage, we do not expect to pay a fee in 2004. The terms of the loan agreement require that we maintain a minimum level of $200,000 of domestic cash. This credit facility expires on September 30, 2005.

We believe that our existing cash balances plus the anticipated cash provided from operations will be sufficient to satisfy our cash requirements for the foreseeable future. As previously discussed, late in the third quarter of 2004, we saw a significant decline in our orders and sales activity that may signal the beginning of the next cyclical downturn in our industry. As with prior cycles, we cannot predict how long the current weaker market conditions will remain, nor how significant the declines in both our quarterly net revenues and bookings will be throughout this period of contraction. As previously discussed, we are currently in the process of restructuring our operations to reduce operating expenses and lower our break-even point. However, if we are unable to sufficiently reduce our operating expenses we may require additional debt or equity financing to meet working capital or capital expenditure needs. We cannot be certain that, if needed, we would be able to raise such additional financing or upon what terms such financing would be available.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to inventories, identifiable intangibles, long-lived assets and related goodwill, deferred income tax valuation allowances and warranty reserves. We base our estimates on historical experience and on appropriate and customary assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Some of these accounting estimates and assumptions are particularly sensitive because of their significance to our consolidated financial statements and bec ause of the possibility that future events affecting them may differ markedly from what had been assumed when the financial statements were prepared. As of September 30, 2004, there have been no significant changes to the accounting policies that we have deemed critical. Our critical accounting policies are more fully described in our 2003 Form 10-K.

International Operations

Net revenues generated by our foreign subsidiaries were 22% and 24% of consolidated net revenues for the nine months ended September 30, 2004 and 2003, respectively. We anticipate that net revenues generated by our foreign subsidiaries will continue to account for a significant portion of consolidated net revenues in the foreseeable future. The net revenues generated by our foreign subsidiaries will continue to be subject to certain risks, including political and economic instability of foreign countries, the imposition of financial and operational controls or regulatory restrictions by foreign governments, the need to comply with a variety of U.S. and foreign export and import laws, trade restrictions, changes in tariffs and taxes, longer payment cycles, fluctuations in foreign currency exchange rates, and the greater difficulty of administering business abroad. We cannot predict whether quotas, duties, taxes or other charges or restrictions will be implemented by the U.S. or any other country upon the importation or exportation of our products in the future. Any of these factors or the adoption of restrictive policies could have a material adverse effect on our business, financial condition or results of operations.

Net revenues denominated in foreign currencies were 9% and 10% of consolidated net revenues for the nine months ended September 30, 2004 and 2003, respectively. Although we seek to operate our business such that a significant portion of our product costs are denominated in the same currency as the associated sales, we may be adversely affected in the future due to our exposure to foreign operations. Moreover, net revenues denominated in currencies other than U.S. dollars expose us to currency fluctuations, which can adversely affect our results of operations.

Net revenues derived from sales to the Asia-Pacific region were 12% and 15% of consolidated net revenues for the nine months ended September 30, 2004 and 2003, respectively. Countries in the Asia-Pacific region, including Japan, have experienced economic instability resulting in weaknesses in their currency, banking and equity markets. Continued economic instability could have a material adverse effect on demand for our products and our consolidated results of operations.

Risks That Could Affect Future Results

A number of the matters and subject areas discussed in this Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report that are not historical or current facts deal with potential future circumstances and developments. These forward-looking statements typically can be identified by the use of terminology such as "believes," expects," "may," "should" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. Investors and prospective investors are cautioned that such statements are only projections and that actual events or results may differ materially

from those expressed in any such forward-looking statements. In addition to other factors described elsewhere in this report, our actual consolidated quarterly or annual operating results have been affected in the past, or could be affected in the future, by factors, including, without limitation: the highly cyclical nature of the semiconductor industry; dependence upon capital expenditures of semiconductor manufacturers; developments and trends in the semiconductor and ATE industries; changes in general economic, business and financial market conditions; future acquisitions and our ability to successfully integrate the businesses, technologies or products that we may acquire; costs and capital requirements associated with future acquisitions and integration of operations; the impairment of goodwill related to prior or future acquisitions; increased competition and potential loss of market share due to the expiration of patent rights; the loss of, or reduction in orders from, one or more major customers; cancellation or delays in shipment of orders in our backlog; competition from other manufacturers of docking hardware, positioners, tester interfaces and temperature management products; progress of product development programs; technological obsolescence of our inventory and obsolescence due to changes in demand for our products; product warranty expense related to product retrofits and other product replacements driven by the prototype nature of much of our business; unanticipated exchange rate fluctuations; the availability of qualified personnel; the ability to retain key personnel whose salaries have been reduced; the ability to effectively reduce and control operating costs and successfully restructure our operations to reduce our break-even point; competitive pricing pressures; the mix of products sold; the mix of customers and geographic regions where products are sold; the development of new products and technologies by our competitors; our ability to obtain patent protection and to enforce patent r ights for existing and developing proprietary technologies; the utilization of management time and the expenses of various professionals retained to assist us with compliance with new securities regulations; and the sufficiency of cash balances, lines of credit and net cash from operations. Additional information regarding these risks and uncertainties may be found elsewhere in this report or in our other periodic reports filed with the SEC, including our 2003 Form 10-K.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Exchange Rate Risk Management

We are exposed to currency exchange rate risk in the normal course of our business, primarily in our foreign operations. Our exposure results from the fact that some or all of the product sales at these operations are in one currency and inventory purchases are in another currency. In our UK operation, approximately 60% to 70% of our sales are in U.S. dollars or Euros and the corresponding inventory purchases to support these sales are in British pounds. In our Singapore operation, 100% of our sales are in U.S. dollars but some of our manufacturing costs are in British pounds and Singapore dollars. In our Japanese operation, 100% of our sales are in Japanese yen and inventory purchases are in U.S. dollars. In one of our German operations, our sales are in Euros while inventory purchases are in U.S. dollars. In our other German operation, a portion of our sales are occasionally in U.S. dollars but all of our manufacturing costs are in Euros. From time to time we employ risk management strategies, including th e use of forward exchange rate contracts, to manage our exposure to exchange rate risks involving the yen, and may, in the future, use forward exchange rate contracts to manage our exposure to exchange rate risks involving the British pound, the Singapore dollar or the Euro.

Our objective in managing currency exchange risk is to minimize the impact of significant currency exchange rate fluctuations. We use forward exchange rate contracts to establish a fixed conversion rate between the Japanese yen and the U.S. dollar so that the level of our gross margin from sales in Japan is not negatively affected by significant movements in the Japanese yen to U.S. dollar exchange rate. We purchase forward exchange rate contracts on a monthly basis in the amounts management deems appropriate in light of the amount of the U.S. dollar denominated obligations of our Japanese subsidiary that are due within the month. We do not purchase forward contracts with settlement dates beyond 30 days. As of September 30, 2004, there were no forward exchange rate contracts outstanding.

It is our policy to enter into forward exchange rate contracts only to the extent necessary to achieve the desired objectives of management in limiting our exposure to significant fluctuations in currency exchange rates. We do not hedge all of our currency exchange rate risk exposures in a manner that would completely eliminate the impact of changes in currency exchange rates on our net earnings. We do not expect that the results of our operations or our liquidity will be materially affected by these risk management activities.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

Interest Rate Risk Management

As of September 30, 2004, we had cash and cash equivalents of $7.0 million. We generally place our investments in U.S. Treasury obligations or money market funds backed by such investments. We have not held and do not hold any derivatives related to our interest rate exposure. Due to the average maturity and conservative nature of our investment portfolio, a sudden change in interest rates would not have a material effect on the value of the portfolio. Management estimates that had the average yield of our investments decreased by 100 basis points, our interest income for the nine months ended September 30, 2004 would have decreased by less than $45,000. This estimate assumes that the decrease occurred on the first day of the period and reduced the yield of each investment by 100 basis points. The impact on our future interest income of future changes in investment yields will depend largely on the gross amount of our cash, cash equivalents and short-term investments. See "Liquidity and Capital Resources" as part of Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. CONTROLS AND PROCEDURES

CEO and CFO Certifications. Included with this Quarterly Report as Exhibits 31.1 and 31.2 are two certifications, one by each of our Chief Executive Officer and our Chief Financial Officer (the "Section 302 Certifications"). This Item 4 of our Quarterly Report contains information concerning the evaluations of our disclosure controls and procedures and internal control over financial reporting that are referred to in the Section 302 Certifications. This information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

Evaluation of Our Disclosure Controls and Procedures. The Securities and Exchange Commission (the "SEC") requires that as of the end of the quarter covered by this Quarterly Report, our CEO and CFO must evaluate the effectiveness of the design and operation of our disclosure controls and procedures and report on the effectiveness of the design and operation of our disclosure controls and procedures.

"Disclosure controls and procedures" mean the controls and other procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 (the "Exchange Act"), such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the rules and forms promulgated by the SEC. Disclosure controls and procedures are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Evaluation of Our Internal Control Over Financial Reporting. The SEC also requires that our CEO and CFO certify certain matters regarding our internal control over financial reporting.

"Internal control over financial reporting" means the process designed by, or under the supervision of, our CEO and CFO, and effected by our board of directors, management and other personnel, 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 and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements.

Among the matters our CEO and CFO must certify in the Section 302 Certifications are whether all "significant deficiencies" or "material weaknesses" in the design or operation of our internal control over financial reporting that are likely to adversely affect our ability to record, process, summarize and report financial information have been disclosed to our auditors and the Audit Committee of our Board of Directors. "Significant deficiencies" has the same meaning as the term "reportable conditions" in auditing literature. Both terms represent deficiencies in the design or operation of internal control over financial reporting that could adversely affect a company's ability to record, process, summarize and report financial data consistent with the assertions of management in a company's financial statements. A "material weakness" is defined in the auditing literature as a particularly serious reportable condition where the design or operation of one or more internal control over financial reporting compon ents does not reduce to a relatively low level the risk that misstatements caused by error or fraud may occur

Item 4. CONTROLS AND PROCEDURES (Continued)

in amounts that would be material in relation to the financial statements and not be detected within a timely period by employees in the normal course of performing their assigned functions. A "material weakness" constitutes a greater deficiency than a "significant deficiency", but an aggregation of significant deficiencies may constitute a material weakness in a company's internal control over financial reporting.

Limitations on the Effectiveness of Controls. Our management, including the CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, as opposed to absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. 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 an entity have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individua l acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a system of controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

CEO/CFO Conclusions about the Effectiveness of the Disclosure Controls and Procedures. As required by Rule 13a-15(b), inTEST management, including our CEO and CFO, conducted an evaluation as of the end of the period covered by this report, of the effectiveness of the our disclosure controls and procedures. Based on that evaluation, the CEO and CFO concluded that, subject to the limitations noted above, our disclosure controls and procedures are effective to provide reasonable assurance that the disclosure controls and procedures will meet their objectives.

Changes in Internal Control Over Financial Reporting. As required by Rule 13a-15(d), inTEST management, including the CEO and CFO, conducted an evaluation of our internal control over financial reporting to determine whether any changes occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. That evaluation did not identify any such change during the quarter covered by this report. We have recently implemented a new order-entry and accounting information system at four of our operations. The implementation of the new ERP system involved changes to our procedures for internal control over financial reporting. The CEO and CFO believe, however, that our existing procedures provide, and our new procedures will continue to provide, appropriate internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we may be a party to legal proceedings occurring in the ordinary course of business. We are not currently involved in any material legal proceedings.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Securities Holders

The Annual Meeting of Stockholders of the Company was held on July 28, 2004 (the "Meeting"). Notice of the Meeting was mailed to stockholders of record on or about June 25, 2004, together with proxy solicitation materials prepared in accordance with Section 14(a) of the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder.

The matter submitted to a vote of stockholders at the Meeting was the following:

1. Election of the members of the Board of Directors;

There was no solicitation in opposition to the nominees of the Board of Directors for election to the Board of Directors and all such nominees were elected. The number of votes cast for or withheld for each nominee for election to the Board of Directors were as follows:

Nominee	For	Withheld
Alyn R. Holt	7,561,140	586,072
Robert E. Matthiessen	7,647,588	499,624
Daniel J. Graham	7,657,538	489,674
Richard O. Endres	7,655,488	491,724
Stuart F. Daniels, Ph.D.	7,571,640	575,572
Gregory W. Slayton	7,655,488	491,724
James J. Greed, Jr.	7,655,588	491,624
Joseph A. Savarese	7,657,438	489,774
James W. Schwartz	7,657,438	489,774

Item 5. Other Information

None

Item 6. Exhibits

3.1* Articles of Incorporation: Previously filed by the Company as an Exhibit to the Company's Registration Statement on Form S-1, File No. 333-26457, and incorporated herein by reference.
3.2* By-Laws: Previously filed by the Company as an Exhibit to the Company's Registration Statement on Form S-1, File No. 333-26457, and incorporated herein by reference.
31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Indicates document previously filed

Signatures

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

inTEST Corporation

Date: November 15, 2004

/s/ Robert E. Matthiessen
Robert E. Matthiessen
President and Chief Executive Officer

Date: November 15, 2004

/s/ Hugh T. Regan, Jr.
Hugh T. Regan, Jr.
Treasurer and Chief Financial Officer

Index to Exhibits

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32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Indicates document previously filed

EXHIBIT 31.1

CERTIFICATION

I, Robert E. Matthiessen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of inTEST Corporation;

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 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) [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];

(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 the registrant's board of directors:

(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: November 15, 2004

/s/ Robert E. Matthiessen
Robert E. Matthiessen
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Hugh T. Regan, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of inTEST Corporation;

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 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) [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];

(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 the registrant's board of directors:

(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: November 15, 2004

/s/ Hugh T. Regan, Jr.
Hugh T. Regan, Jr.
Treasurer and Chief Financial Officer

EXHIBIT 32.1

inTEST CORPORATION

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 Quarterly Report of inTEST Corporation (the "Company") on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert E. Matthiessen, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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 result of operations of the Company.

Date: November 15, 2004

/s/ Robert E. Matthiessen
Robert E. Matthiessen
President and Chief Executive Officer

EXHIBIT 32.2

inTEST CORPORATION

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 Quarterly Report of inTEST Corporation (the "Company") on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hugh T. Regan, Jr., Secretary, Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 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 result of operations of the Company.

Date: November 15, 2004

/s/ Hugh T. Regan, Jr.
Hugh T. Regan, Jr.
Secretary, Treasurer and Chief Financial Officer