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 March 31, 1999

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 No.)
2 Pin Oak Lane, Cherry Hill, New Jersey	08003
(Address of principal executive offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (609) 424-6886

Indicate by check X whether the registrants: (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 _____

Number of shares of Common Stock, $.01 par value, outstanding as of March 31, 1999:

6,536,034

iNTEST CORPORATION

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PART 1. FINANCIAL INFORMATION

inTEST CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	March 31, 1999 (Unaudited)	Dec. 31, 1998 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,780	$ 8,468
Trade accounts and notes receivable, net of allowance for doubtful accounts of $168 and $168, respectively	4,138	3,275
Inventories	2,570	2,521
Deferred tax asset	245	245
Refundable domestic and foreign income taxes	-	658
Other current assets	189	137
Total current assets	15,922	15,304
Machinery and equipment:		
Machinery and equipment	1,747	1,690
Leasehold improvements	227	223
	1,974	1,913
Less: accumulated depreciation	(1,135)	(1,078)
Net machinery and equipment	839	835
Other assets	193	195
Goodwill	6,765	6,884
Total assets	$23,719	$23,218
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,149	$ 969
Accrued expenses	866	1,023
Domestic and foreign income taxes payable	381	-
Total current liabilities	2,396	1,992
Commitments		
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; 6,536,034 shares issued and outstanding	65	65
Additional paid-in capital	16,647	16,647
Retained earnings	4,742	4,570
Accumulated other comprehensive expense	(131)	(56)
Total stockholders' equity	21,323	21,226
Total liabilities and stockholders' equity	$23,719	$23,218

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except share data)
(Unaudited)

	Three Months Ended March 31, 1999	Three Months Ended March 31, 1998
Net revenues	$ 4,811	$ 5,626
Cost of revenues	2,279	2,200
Gross margin	2,532	3,426
Operating expenses:		
Selling expense	785	741
Research and development expense	653	421
General and administrative expense	863	594
Total operating expenses	2,301	1,756
Operating income	231	1,670
Other income (expense):		
Interest income	70	127
Interest expense	-	(1)
Other	(4)	26
Total other income	66	152
Earnings before income taxes	297	1,822
Income tax expense	125	668
Net earnings	$ 172	$ 1,154
Net earnings per common share - basic	$0.03	$0.20
Weighted average common shares outstanding - basic	6,536,034	5,911,034
Net earnings per common share - diluted	$0.03	$0.19
Weighted average common and common share equivalents outstanding - diluted	6,602,317	5,924,949

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(In thousands, except share data)
(Unaudited)

	Three Months Ended March 31, 1999	1998
Net earnings	$ 172	$1,154
Foreign currency translation adjustments	(75)	(42)
Comprehensive earnings	$ 97	$1,112

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 1999

(In thousands, except share data)

(Unaudited except Balance, December 31, 1998)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Earnings(Expense)	Total Stockholders' Equity
Balance, December 31, 1998	6,536,034	$ 65	$16,647	$ 4,570	$ (56)	$21,226
Net earnings	-	-	-	172	-	172
Other comprehensive expense	-	-	-	-	(75)	(75)
Balance, March 31, 1999	6,536,034	$ 65	$16,647	$ 4,742	$(131)	$21,323

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except share data)
(Unaudited)

	Three Months Ended March 31, 1999	Three Months Ended March 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 172	$ 1,154
Adjustments to reconcile net earnings to net cash:		
Depreciation and amortization	194	64
Foreign exchange (gain)loss	(2)	22
Changes in assets and liabilities:		
Trade accounts and notes receivable, net	(896)	19
Inventories	(53)	(187)
Refundable domestic and foreign income taxes	663	-
Other current assets	(52)	(116)
Accounts payable	193	15
Domestic and foreign income taxes payable	380	(409)
Accrued expenses	(147)	(42)
Net cash provided by operating activities	452	520
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of machinery and equipment	(82)	(27)
Other long-term assets	(6)	(7)
Net cash used in investing activities	(88)	(34)
Effects of exchange rates on cash	(52)	(8)
Net cash provided by all activities	$ 312	$ 478
Cash and cash equivalents at beginning of period	$ 8,468	$12,035
Cash at end of period	$ 8,780	$12,513

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information as of March 31, 1999 and for the three months ended March 31, 1999 and 1998 is unaudited)

(In thousands, except for share data)

(1) NATURE OF OPERATIONS

inTEST Corporation (the "Company") designs, manufactures and markets docking hardware, test head manipulators and tester interfaces used by semiconductor manufacturers during the testing of wafers and packaged devices. The Company also designs and markets related automatic test equipment interface products.

The consolidated entity is comprised of inTEST Corporation (parent) and seven 100% owned subsidiaries: inTEST Limited (Thame, UK), inTEST Kabushiki Kaisha (Kichijoji, Japan), inTEST PTE, Limited (Singapore), inTEST Sunnyvale Corp. (Delaware), inTEST Investments, Inc. (a Delaware holding company), inTEST IP Corp.(a Delaware holding company) and inTEST Licensing Corp. (a Delaware holding company).

The Company manufactures its products in the U.S. and the U.K. Marketing and support activities are conducted worldwide from the Company's facilities in the U.S., U.K., Japan and Singapore.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany Accounts and transactions have been eliminated upon consolidation. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interim Financial Reporting

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments (consisting only of normally 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 financial statements. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and and accompanying footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

Net Earnings Per Common Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during each period. Diluted earnings per share is computed by dividing net income by the weighted average number of common and common equivalent shares outstanding during each period. Common share equivalents include stock options using the treasury stock method.

As discussed in Note 3, pro forma earnings per share information for the three months ended March 31, 1998 includes certain adjustments to reflect results as if the Acquisition of TestDesign Corporation had occurred on January 1, 1998.

New Accounting Pronouncements

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, Accounting for the Cost of Computer Software Developed or Obtained for Internal Use. This Statement requires that certain costs related to the development or purchase of internal software be capitalized and amortized over the estimated useful life of the software. This Statement also requires that costs related to the preliminary project stage and the post implementation/operation stage of an internal use computer software development project be expensed as incurred. The Company adopted this Statement for the quarter ended March 31, 1999 as required. The adoption of SOP 98-1 had no impact on the Company's reported results.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivatives and Hedging Activities, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. SFAS 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. The Company plans to adopt this Statement in the first quarter of 2000, as required. The adoption of this Statement is not expected to have a material affect on the results of operations, financial condition or long-term liquidity of the Company.

(3) PRO FORMA STATEMENT OF EARNINGS INFORMATION

On August 3, 1998, the Company acquired all of the outstanding capital stock of TestDesign Corporation ("TestDesign"), a privately held California corporation (the "Acquisition"). Subsequent to the Acquisition, the Company changed the name of TestDesign to inTEST Sunnyvale Corp. TestDesign is engaged in the design and manufacture of tester interfaces used by the semiconductor industry. The purchase price was $4.4 million in cash and 625,000 shares of the Company's Common Stock (subject to certain adjustments). Although the Company's Common Stock had a market price of $4.75 per share on the closing date of the transaction, all of the 625,000 shares issued in connection with the Acquisition are subject to legal restrictions on transfer and have been valued at a 10% discount to the market price of the shares. In addition, the Company incurred transaction costs of approximately $425,000 in completing the Acquisition. The following is an allocation of the purchase price:

Cash payment	$4,400
Transaction costs	425
625,000 common shares at $4.28	2,672
	7,497
Estimated fair value of identifiable assets Acquired net of liabilities assumes	1,650
Goodwill to be amortized over 15 years	$5,847

(3) PRO FORMA STATEMENT OF EARNINGS INFORMATION (Continued)

The Acquisition has been accounted for as a purchase and the results of operations of the acquired business have been included in the Company's consolidated financial statements since the date of the Acquisition. The following unaudited pro forma information presents a summary of consolidated results of operations for the Company and TestDesign as if the Acquisition had occurred on January 1, 1998:

	Three Months Ended March 31,	
	1999	1998
Pro forma net revenues	$ 4,811	$ 7,572
Pro forma net earnings	172	1,132
Pro forma diluted net earnings per common share	$ 0.03	$ 0.17

(4) SEGMENT INFORMATION

The various products the Company designs, manufactures and markets, which include docking hardware, test head manipulators and tester interfaces, are considered by management to be a single product segment. Included in this segment are products the Company designs and markets which are manufactured by third parties, which include high performance test sockets, interface boards and probing assemblies. The Company operates its business worldwide and divides the world into three geographic segments: North America, Asia-Pacific and Europe. The North America segment includes the Company's manufacturing, design and service facilities in New Jersey and California; the Asia-Pacific segment includes the Company's design and service facilities in Singapore and Japan; and the Europe segment includes the Company's manufacturing, design and service facility in the UK.

(4) SEGMENT INFORMATION (Continued)

	Three Months Ended March 31, 1999	1998
Revenues from unaffiliated customers:		
North America	$ 3,585	$ 4,039
Asia-Pacific	959	1,250
Europe	267	337
	$ 4,811	$ 5,626
Affiliate sales or transfers from:		
North America	$ 290	$ 368
Asia-Pacific	-	-
Europe	92	76
	$ 382	$ 444
Operating income (loss):		
North America	$ 174	$ 1,506
Asia-Pacific	77	89
Europe	(20)	75
	$ 231	$ 1,670
Earnings (loss) before income taxes:		
North America	$ 227	$ 1,624
Asia-Pacific	85	117
Europe	(15)	81
	$ 297	$ 1,822
Net earnings (loss):		
North America	$ 159	$ 1,100
Asia-Pacific	8	(20)
Europe	5	74
	$ 172	$ 1,154

(5) LEGAL PROCEEDINGS

As reported in the Company's 10-K for the year ended December 31, 1998, the Company and its subsidiary inTEST IP Corp. (which holds title to all Company intellectual property) filed suit in the Federal District Court in Washington, D.C. against Reid-Ashman Manufacturing, Inc. and its President and CEO, Mr. Steven J. Reid (the "Defendants") for Infringement of a United States patent held by the Company (the "815 Patent") on November 18, 1998.

On April 16, 1999, the Company and the Defendants agreed to dismiss the complaint in the Federal District Court in Washington, D.C. and re-file the suit in Federal District Court in Delaware. In addition, the parties agreed to remove Mr. Steven J. Reid, President and CEO of Reid-Ashman Manufacturing, Inc., as a defendant in the action. The parties also stipulated that the statutory period of recovery for damages for any infringement, which is limited to six years from the filing of the suit, shall be tolled as of November 18, 1998, the date the original suit was filed in the Federal District in Washington, D.C.

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

Overview

The Company designs, manufacturers and markets docking hardware, test head manipulators and tester interfaces, which are used with automatic test equipment ("ATE") by semiconductor manufacturers during the testing of wafers and packaged devices. The Company also designs and markets related ATE interface products including high performance test sockets, interface boards and probing assemblies. The Company's products are designed to improve the utilization and cost-effectiveness of ATE (including testers, wafer probers and device handlers)during the testing of linear, digital and mixed signal integrated circuits ("ICs").

The Company's revenues are substantially dependent upon the demand for ATE by semiconductor manufacturers and, therefore, fluctuate generally as a result of cyclicality in the semiconductor manufacturing industry. During the last three years, the demand for ATE by the semiconductor industry exhibited a high degree of cyclicality. 1996 represented a year of sequential quarterly declines in orders for and sales of the Company's products due to a reduced level of semiconductor manufacturing activity which caused cutbacks in semiconductor manufacturers' capital budgets. 1997 marked a turnaround in the semiconductor industry which was evidenced by renewal in demand for ATE and related equipment which resulted in sequential quarterly increases in orders for and sales of the Company's products.

1998, like 1996, represented a year of sequential quarterly declines in orders for and sales of the Company's products, however to a more significant degree than in 1996. During 1998, worldwide demand for ICs fell dramatically due to excess inventory of older IC designs, and slower transition to new IC designs resulting from softening demand for end user products. In addition, the economic downturns in many world economies, especially those in Southeast Asia and Japan, exacerbated the semiconductor industry downturn. The combination of these conditions contributed to a reduced demand for products manufactured by semiconductor manufacturers, which in turn significantly reduced their need for new or additional ATE equipment.

In early 1999, the Company has seen an increase in the level of orders for it products over the last quarter of 1998. Orders booked during the first quarter of 1999 were $7.2 million compared to $4.3 million during the fourth quarter of 1998, an increase of $2.9 million or 69%. As a result of the increase in booking activity, the Company's backlog increased from $3.4 million at December 31, 1998 to $5.1 million at March 31, 1999. The

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

increase in the Company's bookings and backlog reflects the renewed demand for ATE by semiconductor manufacturers resulting from both increased demand for ICs worldwide combined with back end ATE capacity constraints caused by the significantly reduced capital spending during 1998. While bookings and backlog are calculated on the basic of firm orders, no assurance can be given that customers will purchase the equipment subject to such orders. As a result, the Company's bookings for any period and backlog at any particular date are not necessarily indicative of actual sales for any succeeding period.

Results of Operations

Three Months Ended March 31, 1999 Compared to Three Months Ended March 31, 1998:

Revenues. Revenues were $4.8 million for the quarter ended March 31, 1999 compared to $5.6 million for the same period in 1998, a decrease of $815,000 or 15%. The decrease in revenue over the comparable prior period reflects the aforementioned cyclical trends of the ATE industry and, particularly, the higher demand for ATE and related products in the three months ended March 31, 1998 as demand for ATE was decreasing, as compared with the lower, albeit increasing, demand for ATE and related products in the three months ended March 31, 1999. The decrease in revenue from the comparable prior period was offset, in part, by the revenues of TestDesign Corporation ("TestDesign") which was acquired by the Company on August 3, 1998 (the "Acquisition").

Gross Margin. Gross margin declined to 53% for the quarter ended March 31, 1999 compared to 61% for the comparable period in 1998. The reduction in gross margin was primarily the result of the additional fixed costs of manufacturing of TestDesign which were impacted unfavorably by the lower revenue levels during the quarter. In addition, material costs as a percentage of sales increased over the comparable prior period due to the higher component material costs of the TestDesign product line.

Selling Expense. Selling expense was $785,000 for the quarter ended March 31, 1999 compared to $741,000 for the same period in 1998, an increase of $44,000 or 6%. The increase was attributable to several factors including the additional salary expense of TestDesign sales staff and increased advertising costs offset by a reduction in commission expenses for external sales representatives.

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

Research and Development Expense. Research and development expense was $653,000 for the quarter ended March 31, 1999 compared to $421,000 for the same period in 1998, an increase of $232,000 or 55%. The increase was attributable to the additional salary expense of TestDesign engineering and technical staff coupled with an increase in the number of engineering and technical staff and increases in travel expenses offset in part by reductions in spending on research and development materials in 1999 as compared to 1998.

General and Administrative Expense. General and administrative expense was $863,000 for the quarter ended March 31, 1999 compared to $594,000 for the same period in 1998, an increase of $269,000 or 45%. The increase was primarily attributable to the additional salary and other administrative costs of TestDesign and the amortization of goodwill resulting from the Acquisition.

Income Tax Expense. Income tax expense decreased to $125,000 for the quarter ended March 31, 1999 from $668,000 for the comparable period in 1998, an decrease of $543,000. The Company's effective tax rate was 42% for the first quarter of 1999 compared to 37% for the same period in 1998. The increase in the effective tax rate is primarily the result of a higher percentage of earnings attributable to the Company's Japanese subsidiary in 1999 as compared to 1998 and the higher effective tax rate on such earnings.

Liquidity and Capital Resources

Net cash provided from operations for the three months ended March 31, 1999 was $452,000. Accounts receivable increased $896,000 from December 31, 1998 to March 31, 1999 due to the increase in sales activity during the first quarter of 1999. Inventories increased $53,000 as a result of materials purchases for future product shipments. Refundable domestic and foreign income taxes decreased $663,000 due to a refund of excess Federal taxes paid during 1998. Other current assets increased $52,000, primarily as a result of increases in prepaid expenses. Accounts payable increased $193,000 due to the higher production levels during the first quarter of 1999. Accrued expenses decreased $147,000 primarily as a result of the timing of payments of previously accrued expenses. Domestic and foreign income taxes payable decreased $380,000 as a result of the refund of excess Federal taxes received during the first quarter and the accrual of income taxes on the quarterly earnings.

Purchases of machinery and equipment and other assets were $88,000 for the three months ended March 31, 1999. The Company plans to spend approximately $300,000 during the second quarter of 1999 to renovate and expand its UK manufacturing facility and to purchase a coordinate measuring machine for this facility.

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

The Company believes that existing cash and cash equivalents, its $1.5 million unused line of credit and the anticipated net cash provided from operations will be sufficient to satisfy the Company's cash requirements including those of its new subsidiary for the foreseeable future. However, additional acquisitions may require additional equity or debt financing to meet working capital requirements or capital expenditure needs. Although the Company, as an S corporation, historically paid cash dividends to its stockholders, the Company does not anticipate that it will pay dividends in the foreseeable future.

Year 2000

The Year 2000 issue is the result of computer programs being written using two digits rather than four digits to define the applicable year. Computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, a temporary inability to process transactions, send invoices, or engage in normal business activities.

Currently, the Company has a program in process to analyze potentially affected business and process systems and replace or correct all non-compliant critical business and process systems that it will require in the new millennium. Prior to the acquisition of TestDesign, the Company had completed its review and testing of its then existing systems and determined that they were Year 2000 compliant. The Company has identified those systems of TestDesign which are not yet Year 2000 compliant and has begun converting them to systems which are Year 2000 compliant. The Company has substantially completed the system modifications at TestDesign and anticipates that all of its systems will be Year 2000 compliant by mid-1999.

The products that the Company has sold and currently sells are not date-sensitive, and therefore the Company believes its product related exposures are low.

In conjunction with the Company's Year 2000 effort, all suppliers that are critical to the function of the Company are being surveyed to insure readiness and non-disruption to the Company supply chain. The Company relies on subcontractors for fabrication and certain other processes performed on its products and utilizes third-party network equipment and software products which may or may not be Year 2000 compliant. In addition, the Company relies on utility and telecommunications suppliers to operate its businesses worldwide. The Company has sent questionnaires to these critical suppliers to determine the extent to which the Company's operations are exposed to

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

failure of Year 2000 issues. The Company has received responses from over 90% of its domestic suppliers and it still awaiting responses from most of its foreign suppliers. The Company intends to replace any critical raw materials and fabrication suppliers which cannot demonstrate Year 2000 compliance before the end of the third quarter of 1999. There can be no assurance that the Company will be successful in its efforts to identify and resolve any Year 2000 issues involving its suppliers or to continue receiving products and services from these suppliers if Year 2000 problems were to materialize. The failure to resolve these issues could result in the shut-down of some or all of the Company's operations, which would have a material adverse effect on the Company.

The total expense of the Company's Year 2000 effort is currently estimated at less than $100,000, for the identification and remediation of any Year 2000 problems related to the Company's internal systems. If required modifications to existing software and hardware are not made, or are not completed in a timely manner, the Year 2000 could have a material impact on the operations of the Company. There can be no assurance that the costs to remediate any Year 2000 problems which may be identified in the future will not exceed the Company's current estimate or that the Company will be able to resolve these issues in a timely manner. The expenses of the Year 2000 project are being funded through operating cash flows.

The Company does not currently have any information concerning Year 2000 compliance status of its customers. If any of the Company's significant customers and suppliers do not successfully and in a timely manner achieve Year 2000 compliance, and as a result of such non-compliance such customers operations are disrupted, shut-down or otherwise impacted, the Company's business or operations could be adversely affected. There can be no assurance that another company's failure to ensure Year 2000 capability would not have an adverse effect on the Company.

The Company has not yet developed a comprehensive contingency plan to address situations which it believes to be beyond its control (i.e. such as utilities and telecommunications). There can be no assurance that the Company will be able to develop a contingency plan that will adequately address issues that may arise in the Year 2000. The failure of the Company to successfully resolve such issues could result in a shut-down of some or all of the Company's operations, which would have a material adverse effect on the Company.

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

International Operations

Revenues generated by the Company's foreign subsidiaries were 26% and 28% of consolidated revenues for the three months ended March 31, 1999 and 1998, respectively. The Company anticipates that revenues generated by the Company's foreign subsidiaries will continue to account for a significant portion of consolidated revenues in the foreseeable future. These revenues generated by the Company's foreign subsidiaries will continue to be subject to certain risks, including changes in regulatory requirements, tariffs and other barriers, political and economic instability, an outbreak of hostilities, foreign currency exchange rate fluctuations, potentially adverse tax consequences and the possibility of difficulty in accounts receivable collection. The Company cannot predict whether quotas, duties, taxes or other charges or restrictions will be implemented by the United States or any other country upon the importation or exportation of the Company's products in the future. Any of these factors or the adoption of restrictive policies could have a material adverse effect on the Company business, financial condition or results of operations.

Revenues denominated in foreign currencies were 16% and 22% of consolidated revenues for the three months ended March 31, 1999 and 1998, respectively. Although the Company operates its business such that a significant portion of its product costs are denominated in the same currency that the associated sales are made in, there can be no assurance that the Company will not be adversely impacted in the future due to its exposure to foreign operations. Revenues denominated in currencies other than U.S. dollars expose the Company to currency fluctuations, which can adversely affect results of operations.

The portion of the Company's consolidated revenues that were derived from sales to the Asia Pacific region were 20% and 22% for the three months ended March 31, 1999 and 1998, respectively. Countries in the Asia Pacific region, including Japan, have experienced economic instability resulting in weaknesses in their currency, banking and equity markets. Although the current economic instability in the Asia Pacific region has not materially adversely affected the Company's order backlog, balance sheet, or results of operations to date, there can be no assurance that continued economic instability will not in the future have a material adverse affect on demand for the Company's products and its consolidated results of operations.

Cautionary Statement Regarding Forward Looking Statements

This Report contains certain statements of a forward-looking nature relating to future events, such as statements regarding the Company's plans and strategies or future financial performance. Such statements can be

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

identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "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 the factors described in this Report, the Company's actual consolidated quarterly or annual operating results have been affected in the past, or could be affected in the future, by additional factors, including, without limitation: changes in business conditions and the economy, generally; the ability of the Company to obtain patent protection, and enforce its patent rights, for existing and developing proprietary technologies; the ability of the Company to integrate successfully businesses, technologies or products which it may acquire; the effect of the loss of, or reduction in orders from, a major customer; and competition from other manufacturers of docking hardware, test head manipulators, tester interfaces and related ATE interface products.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to currency exchange rate risk in the normal course of its business. The Company employs risk management strategies including the use of forward exchange rate contracts to manage this exposure. The Company's objective in managing currency exchange risk is to minimize the impact of significant currency exchange rate fluctuations primarily in the Japanese Yen. The Company's Japanese operations expose its earnings to change in currency exchange rates because it's Japanese subsidiary makes its sales in Japanese Yen and purchases its sales inventory in U.S. dollars. Forward exchange rate contracts are used to establish a fixed conversion rate between the Japanese Yen and the U.S. dollar so that the level of the Company's gross margin from sales in Japan is not negatively impacted from significant movements in the Japanese Yen to U.S. dollar exchange rate. The Company purchases forward exchange rate contracts on a monthly basis in the amounts necessary to pay the U.S. dollar denominated obligations of its Japanese subsidiary. As of March 31, 1999, there were no forward exchange rate contracts outstanding.

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

The notional amounts of the Company's forward exchange rate contracts are used only to satisfy current payments to material vendors to be exchanged and are not a measure of the Company's credit risk or its future cash requirements. Exchange risk related to forward exchange rate contracts is limited to movement in the exchange rates that would provide a more favorable exchange rate than that locked in the forward contract and forward contract amounts purchased in excess of the amount needed by the Company to satisfy its obligations. The Company manages that rate risk by limiting the size of the forward contracts purchased to the known amount of obligations due and not purchasing forward contracts with settlement dates beyond 30 days. The Company believes that the risk of loss due to exchange rate fluctuations is remote and that any losses would not be material to its financial condition or results of operations.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As reported in the Company's 10-K for the year ended December 31, 1998, the Company and its subsidiary inTEST IP Corp. (which holds title to all Company intellectual property) filed suit in the Federal District Court in Washington, D.C. against Reid-Ashman Manufacturing, Inc. and its President and CEO, Mr. Steven J. Reid (the "Defendants") for infringement of a United States patent held by the Company (the "815 Patent") on November 18, 1998.

On April 16, 1999, the Company and the Defendants agreed to dismiss the complaint in the Federal District Court in Washington, D.C. and re-file the suit in Federal District Court in Delaware. In addition, the parties agreed to remove Mr. Steven J. Reid, President and CEO of Reid-Ashman Manufacturing, Inc., as a defendant in the action. The parties also stipulated that the statutory period of recovery for damages for any infringement, which is limited to six years from the filing of the suit, shall be tolled as of November 18, 1998, the date the original suit was filed in the Federal District in Washington, D.C.

PART II. OTHER INFORMATION (Continued)

Item 2. Changes in Securities and Use of Proceeds

On June 17, 1997, the Company's Registration Statement on Form S-1 covering the Offering of 2,275,000 shares of the Company's Common Stock, Commission file number 333-26457, was declared effective. The Offering commenced on June 20, 1997, managed by Janney Montgomery Scott, Inc. and Needham & Company, Inc. as representatives of the several underwriters named in the Registration Statement (the "Underwriters").

Of the 2,275,000 shares sold pursuant to the Offering, 1,820,000 shares were sold by the Company and 455,000 were sold by certain selling stockholders (the "Selling Stockholders"). In addition, the Underwriters exercised an over-allotment option to purchase an additional 341,250 shares of the Company's Common Stock from the Selling Stockholders. The total price to the public for the shares offered and sold by the Company and the Selling Stockholders was $13,650,000 and $5,971,875, respectively.

The amount of expenses incurred for the Company's account in connection with the Offering are as follows:

Underwriting discounts and commissions:	$1,023,750
Finders' fees:	None
Expenses paid to or for the Underwriters:	16,650
Other expenses:	954,758
Total expenses:	$1,995,158

All of the foregoing expenses were direct or indirect payments to persons other than (i) directors, officers or their associates; (ii) persons owning ten percent (10%) or more of the Company's Common Stock; or (iii) affiliates of the Company.

The net proceeds of the Offering to the Company (after deducting the foregoing expenses) was $11,654,842. From the effective date of the Registration Statement, the net proceeds have been used for the following purposes:

PART II. OTHER INFORMATION (Continued)

Item 2. Changes in Securities and Use of Proceeds (Continued)

Construction of plant, building and facilities	$ -
Purchase and installation of machinery and equipment	378,870
Purchase of real estate	-
Acquisition of other business (including transaction costs	4,825,000
Repayment of indebtedness	388,098
Working capital	599,725
Temporary investments, including cash & cash equivalents	4,862,384
Other purposes (for which at least $100,000 has been used), including:	
Payment of final S corporation distribution	600,765
	$11,654,842

In connection with the termination of the Company's status as an S corporation, the Company used $601,000 of the net proceeds to pay a portion of the $4.3 million final distribution of previously taxed but undistributed earnings of the Company.

All of the foregoing payments with the exception of the final S corporation distribution were direct or indirect payments to persons other than (i) directors, officers or their associates; (ii) persons owning ten percent (10%) or more of the Company's Common Stock; or (iii) affiliates of the Company.

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

PART II. OTHER INFORMATION (Continued)

Item 6. Exhibits and Reports on Form 8-K

(a) 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.

27 Financial Data Schedule

(b) Reports on Form 8-K

None

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: May 11, 1999	/s/ Robert E. Matthiessen Robert E. Matthiessen President and Chief Executive Officer
Date: May 11, 1999	/s/ Hugh T. Regan, Jr. Hugh T. Regan, Jr. Treasurer and Chief Financial Officer

Index to Exhibits

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27 Financial Data Schedule

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INTEST CORPORATION
1,000

3-MOS
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JAN-01-1999
MAR-31-1999
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4,138
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0
172
.03
.03