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

FORM 10-K

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

For the fiscal year ended December 31, 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)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $0.01 per share.

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

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 126-2 of the Act). Yes / / No /X/

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold on June 30, 2004 (the last business day of the Registrant's most recently completed second quarter), was: $39,693,912.

The number of shares outstanding of the Registrant's Common Stock, as of March 15, 2005, was 9,058,653.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement of the Registrant for the Registrant's 2005 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Report, are incorporated by reference into Part III of this Report.

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PART I

Item 1. BUSINESS

From time to time, we make written or oral "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements contained in our filings with the Securities and Exchange Commission (including this Report on Form 10-K), our annual report to stockholders and in other communications. These statements do not convey historical information, but relate to predicted or potential future events, such as statements of our plans, strategies and intentions, or our future performance or goals, and can often be identified by the use of forward-looking terminology such as "believes," "expects," "intends," "may," "will," "should" or "anticipates" or similar terminology. Investors and prospective investors are cautioned that such statements are only projections. These statements involve risks and uncertainties and are based upon various assumptions. We discuss many of these risks and uncertainties under the heading "Risks That Could Affect Future Results" in "Man agement's Discussion and Analysis of Financial Condition and Results of Operations," below, and elsewhere in this Report. These risks, among others, could cause our actual future results to differ materially from those described in our forward-looking statements or from our prior results. We are not obligated to update these forward-looking statements, even though our situation may change in the future.

INTRODUCTION

We are an independent designer, manufacturer and marketer of manipulator and docking hardware products, temperature management systems and tester interface products that are used by semiconductor manufacturers in conjunction with automatic test equipment, or ATE, in the testing of integrated circuits, or ICs. Our high performance products are designed to enable semiconductor manufacturers to improve the efficiency of their IC test processes and, consequently, their profitability. We supply our products worldwide to major semiconductor manufacturers and semiconductor test subcontractors directly and through leading ATE manufacturers. Our largest customers include Texas Instruments Inc., Teradyne Inc., Agilent Technologies Inc., Cascade Microtech Inc., Analog Devices Inc., Credence Systems Corp., STMicroelectronics N.V., Sony Corp., National Semiconductor Corp. and LTX Corporation.

The consolidated entity is comprised of inTEST Corporation (parent) and our wholly-owned subsidiaries. inTEST Corporation was incorporated in New Jersey in 1981 and reincorporated in Delaware in April 1997. In 1997, we completed our initial public offering. In 1998, we acquired all of the stock of TestDesign Corporation, which expanded our capabilities in the design, manufacture and marketing of tester interface products. In 2000, we acquired all of the stock of Temptronic Corporation, a designer, manufacturer and marketer of high-performance temperature management systems used in the testing of ICs, printed circuit boards and other subassemblies. In 2002, we acquired all of the stock of Intestlogic GmbH (formerly known as Intelogic Technologies GmbH), located in Rosenheim, Germany, a designer, manufacturer and marketer of manipulator and docking hardware products.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports that are filed with the Securities and Exchange Commission (the "SEC") pursuant to Section 13(a) or 15(d) of the Exchange Act, are available free of charge through our website (www.intest.com) as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC.

INDUSTRY

Overview

The semiconductor market has been characterized by rapid technological change, wide fluctuations in demand and shortening product life cycles. Designers and manufacturers of a variety of electronic and industrial products, such as cell phones, telecom and datacom systems, Internet access devices, computers and consumer electronics, require increasingly complex ICs to provide improved end-product performance demanded by their customers.

Semiconductor manufacturers generally compete based on product performance and price. We believe that testing costs represent a significant portion of the total cost of manufacturing ICs. As product life cycles shorten, semiconductor manufacturers are under more pressure to maximize production yields and reduce testing costs. At the same time, the growing complexity of ICs has increased the difficulty of maximizing test yields. In order to address these market trends, semiconductor manufacturers strive for more effective utilization of ATE, smaller test areas and increased wafer level testing.

The demand for new ATE and related equipment depends upon several factors, including the demand for products that incorporate ICs, the increasing complexity of ICs and the emergence of new IC design, production and packaging technologies. Some of the evolutionary changes in IC technologies include the shift to 300 mm wafers in production, system-on-a-chip, or SOC, where digital, analog and memory functions are combined on a single IC, and chip scale packaging. As a result of these and other advances, semiconductor manufacturers may require additional ATE not only to handle increases in production but also to handle more sophisticated testing requirements of ICs.

IC Test Process

Semiconductor manufacturers typically produce ICs in multiples of several hundred on a silicon wafer which is later separated or "diced" into individual ICs. Extended leads are then attached to the individual ICs, for later connection to other electrical components, before the ICs are encapsulated in a plastic, ceramic or other protective housing. These process steps are called "packaging." Wafers are tested before being diced and packaged, to ensure that only properly functioning ICs are packaged. This testing step has several names including "front-end test," "wafer test" or "wafer probe." In front-end test, an electronic handling device known as a wafer prober automatically positions the wafer under a "test head," which connects electrically to a test system. Once the good ICs have been identified, they are packaged. The packaged IC also requires testing, called "back-end test" or "final test," to determine if it meets design and performance specifications. Packaged ICs are placed into trays or sticks and loaded into another type of electronic handling device called a "package handler" or "handler", which then transfers the packaged ICs into a test socket which is attached to the test head. These handlers may be temperature controlled for testing. "Wafer probers" and "handlers" are sometimes referred to in this Report collectively as "electronic device handlers."

Testers range in price from approximately $100,000 to over $5.0 million each, depending primarily on the complexity of the IC to be tested and the number of test heads, typically one or two, with which each tester is configured. Probers and handlers range in price from approximately $50,000 to $500,000. A typical test floor of a large semiconductor manufacturer may have 100 test heads and 100 probers or 250 handlers supplied by various vendors for use at any one time.

Test head manipulators, also referred to as positioners, facilitate the movement of the test head to the electronic device handler. Docking hardware mechanically connects the test head to the wafer prober or handler. Tester interface products provide the electrical connection between the test head and the wafer or packaged IC. Traditionally, temperature management products are used in back-end test to allow a manufacturer to test packaged ICs under the extreme temperature conditions in which the IC may be required to operate. However, we believe that temperature-controlled testing will be an increasingly important part of front-end wafer testing as more parameters traditionally tested for in back end-test are moved to front-end test.

Trends in IC Testing

ATE is used to identify unacceptable ICs and wafers. ATE assists IC manufacturers control test costs by performing IC testing in an efficient and cost-effective manner. In order to provide testing equipment that can help IC manufacturers meet these goals, we believe the ATE industry must address the following issues:

Change in Technology. Currently, most semiconductor manufacturers use 200 mm and 300 mm wafer technology, with 300 mm technology gradually replacing 200 mm technology in order to increase throughput and lower manufacturing costs. In addition, end-user applications are demanding ICs with increasingly higher performance, greater speeds, and smaller sizes. ICs that meet these higher standards are more complex and dense. SOC designs are likely to be more in demand in the future. These technology trends have significant implications for the IC testing process, including:

- the need for test heads of higher complexity;
- higher signal densities;
- increasing test speeds; and
- a new generation of testers for SOC and other technologies.

Need for Plug-Compatibility and Integration. Semiconductor manufacturers need test methodologies that will perform increasingly complex tests while lowering the overall cost of testing. This can require combining ATE manufactured by various companies into optimally performing systems. Semiconductor manufacturers have to work closely with various test hardware, software, interface and component vendors to resolve design and compatibility issues in order to make these vendors' products plug-compatible with test equipment manufactured by other vendors.

Testing Under Extreme Conditions. ICs will have to perform across a wider spectrum of temperature and environmental conditions than ever before because of the growing complexity of products in which they are deployed. Temperature testing will likely find an increasing role in front-end, wafer level testing. Creating a uniform thermal profile over much larger wafer areas represents a significant engineering and design challenge for ATE manufacturers.

Demand for Higher Levels of Technical Support. As IC testing becomes more complex, semiconductor manufacturers are demanding higher levels of technical support on a routine basis. ATE manufacturers must commit greater resources to technical support in order to develop close working relationships with their customers. This level of support also requires close proximity of service and support centers to customers' facilities.

Cost Reduction Through Increased Front-End Testing. As the cost of testing ICs increases, semiconductor manufacturers will continue to look for ways to streamline the testing process to make it more cost-effective. We believe that this factor will lead to more front-end, wafer-level testing.

OUR SOLUTIONS

We focus our development efforts on designing and producing high quality products that provide superior performance and cost-effectiveness. We seek to address each manufacturer's individual needs through innovative and customized designs, use of the best materials available, quality manufacturing practices and personalized service. We design solutions to overcome the evolving challenges facing the ATE industry by providing the following advantages:

Scalable, Universal, High Performance Interface Technology. Our universal test head manipulators provide up to six degrees of motion freedom to enable a high degree of flexibility with the minimum amount of effort. As a result, our products can be used in virtually any test setting. Our manipulators have kept pace with the increasing size of test heads, which can weigh up to 3,000 pounds and which may become larger and heavier as the required level of testing sophistication increases. Our docking hardware offers precise control over the connection to test sockets, probing assemblies and interface boards, reducing downtime and minimizing costly damage to fragile components. Our tester interface products optimize the integrity of the transmitted signal between the test head and the device under test by being virtually transparent to the test signal, resulting in increased accuracy of the test data and improved test yields. We believe that these characteristics will gain even more significance as testing becomes even more demanding.

Compatibility and Integration. A hallmark of our products has been, and continues to be, compatibility with a wide variety of ATE. Our universal manipulators can handle test heads produced by different manufacturers. We also design and manufacture docking hardware that can be used with otherwise incompatible ATE. We believe this integrated approach to ATE facilitates smooth changeover from one tester to another, longer lives for interface components, better test results, increased ATE utilization and lower overall test costs.

Temperature-Controlled Wafer Testing. Semiconductor manufacturers use our ThermoChuck(R) products for front-end temperature stress screening at the wafer level. This can provide significant cost savings through early identification of defective ICs that will not perform at specified temperatures, thereby eliminating the costs of packaging and testing these defective ICs. ThermoChuck(R) products are capable of handling any size wafer, including a 300 mm wafer, for uniform, accurate and stable thermal testing without contributing to the wafer distortion that can occur as temperature changes are introduced.

Worldwide Customer Service and Support. We have long recognized the need to maintain a physical presence near our customers' facilities. We have domestic manufacturing facilities in New Jersey, Massachusetts and California, as well as overseas facilities in Europe and Asia. We provide service to our customers from sales and service offices in the U.S., Europe and Asia. Our engineers are easily accessible to, and can work directly with, most of our customers from the time we begin developing our initial proposal, through the delivery, installation and use of the product by our customer. In this way, we are able to develop and maintain close relationships with our customers.

OUR STRATEGY

The demand for ICs and ATE has experienced several periods of severe cyclical downturn in recent years, and, accordingly, much of our effort has been focused on reducing costs and conserving cash through these downturns. In November 2004 and March 2005 we announced certain organizational changes and cost structure adjustments as part of our continuing efforts to position ourselves to more effectively meet the needs and expectations of the fluid ATE market during such downturns. See further discussion of these actions, including the costs associated with them, in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Report on Form 10-K. We believe that, as a result of these actions, our customers will experience more focused inTEST teams addressing each customer's specific needs, and that we will be a more competitive company positioned to rapidly adapt to new market challenges and opportunities. We remain committed to our goals of being recognized in our indu stry as the designer and manufacturer of the highest quality products in our markets and becoming the supplier of all of our customers' ATE needs, other than probers, handlers and testers. Our strategies to achieve these goals include the following:

Providing Technologically Advanced Solutions. We are committed to designing and producing only the highest quality products which incorporate innovative designs to achieve optimal cost-effectiveness and functionality for each customer's particular situation. Our engineering and design staff is continually engaged in developing new and improved products and manufacturing processes.

Leveraging Our Strong Customer Relationships. Our technical personnel work closely with ATE manufacturers to design tester interface and docking hardware that are compatible with their ATE. As a result, we are often privy to proprietary technical data and information about these manufacturers' products. We believe that because we do not compete with ATE manufacturers in the prober, handler and tester markets, we have been able to establish strong collaborative relationships with these manufacturers that enable us to develop ancillary ATE products on an accelerated basis.

Maintaining Our International Presence. Our existing and potential customers are concentrated in certain regions throughout the world. We believe that we must maintain a presence in the markets in which our customers operate. We currently have offices in the U.S., Europe and Asia.

Pursuing Synergistic Acquisitions. A key element of our growth strategy is to acquire businesses, technologies or products that are complementary to our current product offerings. Our TestDesign, Temptronic and Intestlogic acquisitions have expanded our line of product offerings and have given us the opportunity to market a broader range of products to our customer base. We seek to make acquisitions that will further expand our product lines, enabling us to become a single source supplier to the test floor for a complete selection of equipment compatible with testers, probers and handlers of all manufacturers.

Pursuing Revenue Growth Opportunities Outside the Semiconductor ATE Market. Another element of our growth strategy is pursuing revenue growth opportunities in markets we have not traditionally served, such as the aerospace, automotive, communications, consumer electronics, defense and medical industries. We believe that we will reduce some of the cyclicality that we have historically experienced by diversifying our revenue streams outside the semiconductor ATE market. For the year ended December 31, 2004 approximately $5.4 million or 8% of our consolidated net revenues were derived from markets outside semiconductor test. This was the first year that we experienced measurable success in breaking into new markets that we have not traditionally served. We cannot determine at this time whether we will be able to continue to sell our products in these non-traditional markets or what the growth rate of our sales in these markets will be in future periods.

OUR SEGMENTS

Our business is managed as three segments: Manipulator and Docking Hardware Products, Temperature Management Systems and Tester Interface Products. Semiconductor manufacturers mainly use our primary lines of manipulators and docking hardware during back-end testing of specialized packaged ICs. They use our temperature management systems and tester interface products in both front-end and back-end testing of ICs. These ICs include microprocessors, digital signal processing chips, application specific ICs and specialized memory ICs, and are used primarily in the automotive, computer, consumer products and telecommunications industries. We custom design most of our products for each customer's particular combination of ATE. We have designed over 5,000 models, each of which is mechanically different. These models are designed to facilitate the use of one or more of over 175 different test heads with one or more of over 30 probers or 300 handlers.

Manipulator and Docking Hardware Products

Manipulator Products. We offer three lines of manipulator products. The inTEST line of manipulator products consists of the in2(R), the in2 Pro and the M Series test head manipulators, which are free-standing universal manipulators. Universal manipulators can hold a variety of test heads and enable an operator to reposition a test head for alternate use with any one of several probers or handlers on a test floor.

The in2(R) and in2 Pro differ from universal manipulators manufactured by our competitors due to our innovative floating-head design. This design permits a test head weighing up to 3,000 pounds to be held in an effectively weightless state, so it can be moved manually or, in the case of the in2 Pro, with optional powered assistance, up or down, right or left, forward or backward and rotated around each axis (known as six degrees of motion freedom) by an operator using a modest amount of force. The same design features enable the operator to dock the test interface board without causing inadvertent damage to the fragile electrical contacts. As a result, after testing a particular production lot of ICs, the operator can quickly and easily disconnect a test head held in an in2(R) or in2 Pro manipulator and equipped with our docking hardware and dock it to another electronic device handler for testing either a subsequent lot of the same packaged IC or to test a different IC. in2(R) and in2 Pro manipulators range in price from approximately $12,000 to $159,000.

The M Series line of manipulator products consists of the M400 and M500 manipulators. These compact universal manipulators are designed to handle test heads weighing less than 550 pounds. The up and down movement is supported by an air-pressure-based floating state technology. M Series manipulators range in price from approximately $12,000 to $45,000.

Docking Hardware Products. Our docking hardware products ensure proper repeatable and precise alignment of the delicate interface between the test head's interface board and the prober's probing assembly or the handler's test socket as they are brought together, or "docked." A simple cam action docks and locks the test head to the prober or handler, thus eliminating motion of the test head relative to the prober or handler. This minimizes deterioration of the interface boards, test sockets and probing assemblies which is caused by the constant vibration during testing. Our docking hardware products are used primarily with floating-head universal manipulators when maximum mobility and inter-changeability of handlers between test heads is required. By using our docking hardware products, semiconductor manufacturers can achieve cost savings through improved ATE utilization, improved accuracy and integrity of test results, and reduced repairs and replacements of expensive ATE interface products.

Our docking hardware products differ from those offered by competing ATE manufacturers by our ability to make various competing brands of test heads compatible with various brands of probers and handlers used by a semiconductor manufacturer by only changing interface boards. This is called "plug-compatibility." Plug-compatibility enables increased flexibility and utilization of test heads, probers and handlers purchased from various manufacturers. We believe that because we do not compete with ATE manufacturers in the sale of probers, handlers or testers, ATE manufacturers are willing to provide us with the information that is integral to the design of plug-compatible products. Our docking hardware products range in price from approximately $2,000 to $25,000.

Temperature Management Systems

Our temperature management systems are sold into a wide variety of industries including the aerospace, automotive, communications, consumer electronics, defense, medical and semiconductor industries. Our temperature management systems enable a manufacturer to test a semiconductor wafer, IC or electronic, or in some instances, a mechanical sub-assembly over the extreme and variable temperature conditions that can occur in the actual use of the electronic device containing the ICs.

ThermoChuck(R) Products: Our ThermoChuck(R) precision vacuum platform assemblies quickly change and stabilize the temperature of semiconductor wafers accurately and uniformly during testing without removing the wafer from its testing environment. Such temperatures can range from as low as -65 degrees Celsius to as high as +400 degrees Celsius. ThermoChucks(R) are incorporated into wafer prober equipment for laboratory analysis and for in-line production testing of semiconductor wafers. ThermoChuck(R) products range in price from approximately $14,000 to $105,000.

ThermoStream(R) Products: Our ThermoStream(R) stand-alone temperature management systems use a temperature-controlled air stream to rapidly change and stabilize the temperature of packaged ICs, electronic sub-assemblies and printed circuit boards. ThermoStream(R) products provide a source of heated and cooled air which can be directed over the component or device under test. These systems are capable of controlling temperatures to within +/- 0.1 degree Celsius over a range of -80 degrees Celsius to as high as +225 degrees Celsius within 1.0 degree Celsius of accuracy. Traditionally, our customers used ThermoStream(R) products primarily in engineering, quality assurance and small-run manufacturing environments. However, increasingly, our customers use ThermoStream(R) products in longer-run production applications. ThermoStream(R) products range in price from approximately $4,500 to $40,000.

Other Temperature Management Products: We also manufacture ancillary temperature management products including temperature-controlled contact probes, temperature-controlled enclosures, and precision temperature platforms. For example, recent developments in wireless communications have resulted in the mounting of wireless transmitters outdoors to reduce transmission line problems. As a result, these transmitters are exposed to extreme temperature variations and require testing over the full range of temperature exposure that will be encountered. Historically, the standard approach to this type of testing has been to use conventional thermal chambers, which can require removing equipment during testing, which could potentially cause damage to the sensitive microwave cables or create erroneous measurements. Our other temperature management products can be used to provide a closed, temperature-controlled environment for temperature testing of high frequency transmitters and receivers without the need for removal during testing, eliminating the risk of damage due to interruption of the test. Other temperature management products range in price from $4,500 to $25,000.

Tester Interface Products

Tester interface products provide the electrical connections between the tester and the wafer prober or IC handler to carry the electrical signals between the tester and the probe card on the prober or the test socket on the handler. Our designs optimize the integrity of the transmitted signal which increases the accuracy of the test data. Therefore, our tester interface products can be used with high speed, high frequency, digital or mixed signal interfaces used in testing more complex ICs. Because our tester interface products enable the tester to provide more reliable yield data, our interfaces may also reduce IC production costs. For example, our new Centaur(TM) modular interface is designed to provide flexibility and scalability through the use of replaceable signal modules which can be easily changed on the test floor as our customers' testing requirements change. In addition to the Centaur(TM) modular interface, we also offer over 200 different types of tester interface models that we custom designed for our customers' specific applications. These products range in price from approximately $3,000 to $125,000.

Financial Information About Product Segments and Geographic Areas

Please refer to Note 15 of our consolidated financial statements included in Item 8 of this Report on Form 10-K for additional data regarding net revenues, profit or loss and total assets of each of our segments and revenues attributable to foreign countries.

MARKETING, SALES AND CUSTOMER SUPPORT

We market and sell our products in all markets where the manufacture of semiconductors occurs. North American and European semiconductor manufacturers have located most of their back-end factories in Southeast Asia. The front-end wafer fabrication plants of U.S. semiconductor manufacturers are primarily in the U.S. Likewise, European, Taiwanese, South Korean and Japanese semiconductor manufacturers generally have located their wafer fabrication plants in their respective countries.

Manipulator, Docking Hardware and Tester Interface Products: In North America, we sell to semiconductor manufacturers principally through independent, commissioned sales representatives. North American sales representatives also coordinate product installation and support with our technical staff and participate in trade shows.

Our regional and account managers handle sales to ATE manufacturers and are responsible for a portfolio of customer accounts and for managing certain independent sales representatives. In addition, our account managers are responsible for pricing, quotations, proposals and transaction negotiations, and they assist with applications engineering and custom product design. Technical support is provided to North American customers and independent sales representatives by employees based in New Jersey, California, Texas and Arizona.

In Europe and Japan, we sell to semiconductor and ATE manufacturers through our account managers. In China, Malaysia, the Philippines, Singapore, South Korea, Taiwan and Thailand, we sell through independent sales representatives and distributors. International sales representatives and distributors are responsible for sales, installation, support and trade show participation in their geographic market areas.

Temperature Management Systems: Sales to ATE manufacturers are handled directly by our own sales force. Sales to semiconductor manufacturers and customers in other industries in the U.S. are handled through independent sales representative organizations. In Singapore, Malaysia and Indonesia, our sales and service are handled through our own sales and service personnel. In the rest of Asia, our sales are handled through distributors. In Europe, sales managers at our office in Germany, as well as regional distributors, sell directly to semiconductor manufacturers and customers in other industries. Our distributors represent us in 30 countries. We visit our distributors regularly and have trained them to sell and service all of our temperature management products.

CUSTOMERS

We market all of our products to semiconductor manufacturers and ATE manufacturers. In the case of temperature management products, we also market our products to independent testers of semiconductors, manufacturers of electronic, automotive and aeronautical products, and semiconductor research facilities. Our customers use our products principally in production testing, although our ThermoStream(R) products traditionally have been used largely in engineering development and quality assurance. We believe that we sell to most of the major semiconductor manufacturers in the world.

During 2004, we had two customers that each accounted for more that 10% of our total net revenues. Texas Instruments Inc. represented 16% and 11% of our net revenues in 2004 and 2003, respectively. Teradyne Inc. represented 11% of our net revenues in 2004. The loss of any one or more of our largest customers, or a reduction in order by a major customer, could materially reduce our net revenues or otherwise materially affect our business, financial condition, or results of operations.

Our largest customers include:

Semiconductor Manufacturers	***ATE Manufacturers***
Texas Instruments Inc.	Teradyne Inc.
STMicroelectronics N.V.	Agilent Technologies Inc.
Sony Corp.	Cascade Microtech Inc.
National Semiconductor Corp.	Analog Devices Inc.
	Credence Systems Corp. LTX Corporation

MANUFACTURING AND SUPPLY

Our principal manufacturing operations consist of assembly and testing at our facilities in New Jersey, Massachusetts, California, the U.K., Germany and Singapore. By maintaining manufacturing facilities and technical support in geographic markets where most of our customers are located, we believe that we are able to respond more quickly and effectively to our customers' needs. As discussed in more detail later in this report, in March 2005, we announced the closing of our manufacturing operation located in the U.K. as part of our effort to better position ourselves to more effectively meet the needs and expectations of the fluid ATE market. We do not believe this closure will adversely impact our ability to effectively meet our customers' needs. Most of this operation's customers were located outside the U.K., and we expect to be able to continue to provide appropriate customer support from our other operations in Europe and elsewhere. We expect to cease manufacturing activity in the U.K. during the second quarter of 2005.

We assemble most of our products from a combination of standard components and custom parts that have been fabricated to our specifications by either third party manufacturers or our own fabrication operations in New Jersey, California and, until closure in the second quarter of 2005, the U.K. Our practice is to use the highest quality raw materials and components in our products. The primary raw materials used in fabricated parts are all widely available. We purchase substantially all of our components from multiple suppliers. Although we purchase certain raw materials and components from single suppliers, we believe that all materials and components are available in adequate amounts from other sources.

We conduct inspections of incoming raw materials, fabricated parts and components using sophisticated measurement equipment. This includes testing with coordinate measuring machines in each of our manufacturing facilities to ensure that products with critical dimensions meet our specifications. We have designed our inspection standards to comply with applicable MIL specifications and ANSI standards.

In 2001, we obtained ISO 9001: 1994 certification at our New Jersey facility. During 2003, we made the determination to upgrade to ISO 9001: 2000 at our Cherry Hill facility, which is anticipated to be completed in late 2005. As a result, this facility's ISO 9001: 1994 certification lapsed in December 2003. In May 2003, our California facility obtained ISO 9001: 2000 certification. In November 2004, the Massachusetts facility completed ISO 9001:2000 certification and in December of 2004 the U.K. facilities completed ISO 9001: 2000 certification. Finally, our Singapore and German facilities have not yet begun the ISO certification process, but we expect to begin this process in the second half of 2005 and complete the process in late 2006.

ENGINEERING AND PRODUCT DEVELOPMENT

Our success depends on our ability to provide our customers with products and solutions that are well engineered, and to design those products and solutions before, or at least no later than, our competitors. As of December 31, 2004, we employed a total of 55 engineers, who were engaged full time in engineering and product development. Our practice in many cases is to assign engineers to work with specific customers, thereby enabling us to develop the relationships and free exchange of information that is most conducive to successful product development and enhancement. In addition, some of our engineers are assigned to new product research and development and have worked on such projects as the redesign of the ThermoChuck(R) and the development of several new types of universal manipulators.

Since most of our products are customized, we consider substantially all of our engineering activities to be engineering and product development. We spent approximately $7.0 million in 2004, $6.4 million in 2003 and $5.7 million in 2002 on engineering and product development.

PATENTS AND OTHER PROPRIETARY RIGHTS

Our policy is to protect our technology by filing patent applications for the technologies that we consider important to our business. We also rely on trade secrets and unpatentable know-how to protect our proprietary rights. It is our practice to require that all of our employees and third-party product development consultants assign to us all rights to inventions or other discoveries relating to our business made while working for us. In addition, all employees and third-party product development consultants agree not to disclose any private or confidential information relating to our technology or intellectual property.

As of December 31, 2004, we held 33 active U.S. patents and had pending 25 U.S. patent applications covering various aspects of our technology. Our U.S. issued patents expire at various times beginning in 2005 and extending through 2022. During 2004, we had 2 U.S. patents expire and 4 U.S. patents were issued. We also hold foreign patents and file foreign patent applications, in each case derived from our U.S. patents, to the extent management deems appropriate.

COMPETITION

Our competitors include independent manufacturers, ATE manufacturers and, to a lesser extent, semiconductor manufacturers' in-house ATE interface groups. Competitive factors in our market include product performance, price, functionality, reliability, customer service, applications support, and timely product delivery. We believe that our long-term relationships with the industry's leading semiconductor manufacturers and other customers, and our commitment to, and reputation for, providing high quality products, are important elements in our ability to compete effectively in all of our markets.

The independent manufacturers of docking hardware and manipulators that compete with us include Reid-Ashman Manufacturing, Microhandling GmbH and Esmo AG, all of which manufacture docking hardware and manipulators. The ATE manufacturers that compete with us in the sale of docking hardware and universal manipulators include Credence Systems and Teradyne, who are also our customers.

Our principal competitors for temperature management products are Thermonics, Trio-Tech International and ERS Elektronik GmbH. The independent manufacturers of tester interface products that compete with us include Cerprobe, a division of Kulicke & Soffa, Synergetix, a division of IDI, and Xandex. ATE manufacturers that compete with us in the sale of tester interface products include Credence Systems, LTX and Teradyne.

BACKLOG

At December 31, 2004, our backlog of unfilled orders for all products was approximately $5.8 million compared with approximately $13.6 million at December 31, 2003. The significant decline in our backlog is the result of the current downturn in the ATE industry which began in the second half of 2004 that is more fully disclosed under Item 7 of this Report on Form 10-K. Our backlog includes customer purchase orders which we have accepted, substantially all of which we expect to deliver in 2005. While backlog is calculated on the basis of firm purchase orders, a customer may cancel an order or accelerate or postpone currently scheduled delivery dates. Our backlog may be affected by the tendency of customers to rely on shorter lead times available from suppliers, including us, in periods of depressed demand. In periods of increased demand, there is a tendency towards longer lead times that has the effect of increasing backlog. As a result of these factors, our backlog at a particular date is not necessarily ind icative of sales for any future period.

EMPLOYEES

At December 31, 2004, we had 255 full time employees, including 118 in manufacturing operations, 97 in customer support/operations and 40 in administration. Substantially all of our key employees are highly skilled and trained technical personnel. None of our employees is represented by a labor union, and we have never experienced a work stoppage. We believe that our relationship with our employees is very good.

Item 2. PROPERTIES

At December 31, 2004, we leased 12 facilities worldwide. The following chart provides information regarding each of our principal facilities which we occupied at December 31, 2004.

Location	***Lease Expiration***	***Approx. Square Footage***	***Principal Uses***
Cherry Hill, NJ	9/10	121,700	Corporate headquarters and design, manufacturing, service and sales -- manipulator and docking hardware products.
Sharon, MA	2/11	62,400	Design, manufacturing, service and sales -- temperature management systems.
San Jose, CA	4/12	25,088	Design, manufacturing, service and sales - tester interface products
Sunnyvale, CA	12/04	18,300	Design, manufacturing, service and sales -- tester interface products

Item 2. PROPERTIES (Continued)

We entered into a new lease for our tester interface division in September 2004 (San Jose, CA). The lease is for a term of eighty-four months with a ninety day early occupancy period. During the early occupancy period, which began in late January 2005, we will not be charged monthly rent, however, we are responsible for all normal operating expenses, such as common area maintenance and property taxes, that are our responsibility under the terms of the lease. To facilitate the move, we extended the lease at our Sunnyvale, CA location through January 31, 2005. We believe that we currently have adequate space to meet our current and foreseeable future needs.

Item 3. 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 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to our stockholders for a vote during the fourth quarter of 2004.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER REPURCHASES OF SECURITIES

Our common stock is traded on the Nasdaq National Market under the symbol "INTT." The following table sets forth the high and low sale prices of our common stock, as reported on the Nasdaq National Market, for the periods indicated. Sale prices have been rounded to the nearest full cent.

	Sales Price	
2004	***High***	***Low***
First Quarter	$ 6.88	$ 5.13
Second Quarter	6.80	5.07
Third Quarter	10.00	5.43
Fourth Quarter	9.18	3.80

2003		
First Quarter	$ 4.87	$ 2.79
Second Quarter	6.00	2.81
Third Quarter	6.72	4.40
Fourth Quarter	6.90	4.43

On March 15, 2005, the closing price for our common stock as reported on the Nasdaq National Market was $4.53. As of March 15, 2005, we had 9,058,653 shares outstanding that were held of record by approximately 1,000 shareholders.

We have not paid dividends on our common stock since our initial public offering 1997, and we do not plan to pay cash dividends in the foreseeable future. Our current policy is to retain any future earnings for reinvestment in the operation and expansion of our business, including possible acquisitions of other businesses, technologies or products. Payment of any future dividends will be at the discretion of our board of directors. In addition, our current credit agreement prohibits us from paying cash dividends without the lender's prior consent.

Item 6. SELECTED FINANCIAL DATA

The following table contains certain selected consolidated financial data of inTEST and is qualified by the more detailed Consolidated Financial Statements and Notes thereto included elsewhere in this Annual Report on Form 10-K and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other financial information included in this Annual Report on Form 10-K.

	Years Ended December 31, (in thousands, except per share data)				
Condensed Consolidated Statement of Operations Data:	2004	2003	2002	2001	2000
Net revenues	$71,211	$48,028	$47,127	$51,627	$87,651
Gross margin	28,790	18,849	18,239	12,711	39,556
Operating income (loss)	1,666	(3,834)	(1,806)	(14,689)	10,909
Net earnings (loss)	1,270	(5,451)	(283)	(11,329)	6,379
Net earnings (loss) per common share:					
Basic	$0.15	$(0.65)	$(0.03)	$(1.37)	$0.78
Diluted	$0.14	$(0.65)	$(0.03)	$(1.37)	$0.75
Weighted average common shares outstanding :					
Basic	8,480	8,332	8,317	8,279	8,201
Diluted	8,804	8,332	8,317	8,279	8,470

	As of December 31, (in thousands)				
Condensed Consolidated Balance Sheet Data:	2004	2003	2002	2001	2000
Cash and cash equivalents	$ 7,686	$ 5,116	$ 8,145	$ 7,281	$ 5,680
Working capital	18,428	15,670	19,765	20,146	26,768
Total assets	33,167	29,977	32,582	31,594	47,302
Long-term debt, net of current portion	47	117	210	296	-
Total stockholders' equity	26,118	22,591	27,357	27,204	38,398

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

Overview

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. These industry cycles have lasted typically 18 to 24 months; however, recently the cycles have become less predictable. Be cause 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, pushed out or canceled by a significant customer or when customer forecasts and general business conditions fluctuate during a quarter.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

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).

Net revenues from unaffiliated customers:	*Years Ended December 31,*		
	2004	*2003*	*2002*
Manipulator/Docking Hardware	$38,414	$24,364	$20,737
Temperature Management	22,581	16,780	17,706
Tester Interface	13,516	11,132	10,333
Intersegment sales	(3,300)	(4,248)	(1,649)
	$71,211	$48,028	$47,127
U.S.	$54,123	$36,762	$41,306
Europe	7,343	4,584	2,710
Asia-Pacific	9,745	6,682	3,111
	$71,211	$48,028	$47,127

During 2002, the ATE industry was in the midst of a multiple year downturn that began in late 2000. 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. However, late in the third quarter of 2004, there was a significant weakening in the level of our orders in both our manipulator/docking hardware and tester interface product segments as several customers of these two segments either postponed scheduled shipments or canceled orders.

The downward trend in orders for our tester interface product segment continued into the fourth quarter of 2004, and for the quarter ended December 31, 2004, our consolidated orders totaled $9.3 million, a decline of 63% from the $25.1 million in orders recorded in the second quarter of 2004. Our tester interface segment experienced the largest decline in orders during 2004, falling 95% from $5.0 million in the second quarter to $244,000 in the fourth quarter. Our manipulator/docking hardware product segment's orders declined from a peak of $14.0 million in the second quarter to $4.8 million in the fourth quarter, a decrease of 66%. Finally, orders in our temperature management product segment decreased 29% from $6.0 million in the second quarter to $4.3 million in the fourth quarter. We believe the significant declines in orders in both our tester interface and manipulator/docking hardware product segments are primarily the result of the suspension of production-oriented ordering in the ATE industry during the second half of 2004 due to reductions in utilization rates for test-related equipment. We also believe that the orders for our temperature management products had not been as heavily impacted by the weakened demand for our other products because these products are used in non-production environments, such as research and development labs.

At present, we cannot predict how long the current downturn will remain, nor how significant the declines in our quarterly net revenues or bookings will be through this cycle.

Backlog

At December 31, 2004, our backlog of unfilled orders for all products was approximately $5.8 million compared with approximately $13.6 million at

December 31, 2003. This decrease was due to the aforementioned reduction in orders we experienced in the second half of 2004. Our backlog includes customer purchase orders which we have accepted, substantially all of which we expect to deliver in 2005. While backlog is calculated on the basis of firm purchase orders, a customer may cancel an order or accelerate or postpone currently scheduled delivery dates. Our backlog may be affected by the tendency of customers to rely on short lead times available from suppliers, including us, in periods of depressed demand. In periods of increased demand, there is a tendency towards longer lead times that has the effect of increasing backlog. As a result, our backlog at a particular date is not necessarily indicative of sales for any future period.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Cost Containment and Organizational Changes

In response to the sudden downturn in the second half of 2004, we began the process of restructuring our operations during the fourth quarter with the goal of significantly reducing our fixed operating costs to position ourselves to more effectively meet the needs and expectations of the fluid ATE market. In mid November, we announced organizational changes and cost structure adjustments that gave our divisional general managers increased responsibility for marketing, sales and service, thus allowing for the reduction of corresponding central corporate staff.

Specific actions resulting from the fourth quarter 2004 reorganization included 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 incurred severance costs of approximately $527,000 related to these actions. We expect these actions will reduce our annual operating expense structure by approximately $4.5 million.

In mid March 2005, we announced our decision to close our UK facility. We expect to incur severance costs ranging from $200,000 to $300,000 as well as costs associated with other contractual obligations (consisting of lease commitments and real estate taxes) ranging from $700,000 to $800,000. We intend to seek a sublessor for the UK facility which would offset a portion of our continuing obligations for the facility. Based upon these estimates, the total cost to close our UK facility will range from approximately $900,000 to $1.1 million. We expect to incur these costs during the first and second quarters of 2005. We expect the closure of our UK facility will reduce our annual operating expenses by approximately $1.6 million.

We believe our recent 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. As a result of our continuing focus on our global operations to determine methods to increase our profitability while operating in the cyclical ATE markets, we will continue to review and evaluate actions that will optimally match our operating costs against our anticipated future revenue and product demand as we pursue additional growth opportunities.

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.

We incurred inventory obsolescence charges of $1.4 million, $886,000 and $1.0 million for the years ended December 31, 2004, 2003 and 2002, respectively. The level of inventory obsolescence charges 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 customer 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 curtail the practice of purchasing significant amounts of inventory against forecasted orders due to the increased level of uncertainty in our current business o utlook. However, 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. See also "Critical Accounting Policies".

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. For the years ended December 31, 2004, 2003 and 2002, our product warranty charges were $2.0 million, $1.9 million and $1.1 million, or 2.8%, 4.0% and 2.3% of net revenues, respectively. The level of our product warranty charges both in absolute dollars and as a percentage of net

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

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 contracted warranty period has expired in order to promote strong customer relations.

During 2004 we accrued approximately $531,000 in product warranty charges in our manipulator/docking hardware product segment for product retrofits on several manipulator products we sell to both OEM and End User customers worldwide. Of this amount, the largest portion, which was approximately $216,000, was related to field retrofits on approximately 170 M-series manipulators whose prototype design required several different modifications and enhancements. We believe we have accrued adequate warranty charges at December 31, 2004 for the product retrofits planned for these products. The balance of our product warranty accruals were general in nature and related to various products sold in all three product segments. We cannot determine at this time if we will have additional product modifications or enhancements for these or any of our other products. See also "Critical Accounting Policies".

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 year ended December 31, 2004, 2003 and 2002, our OEM sales as a percentage of net revenues were 39%, 41% and 44%, 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

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

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 the Company 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 Years Ended December 31,		
	2004	*2003*	*2002*
Net revenues	100.0%	100.0%	100.0%
Cost of revenues	59.6	60.8	61.3
Gross margin	40.4	39.2	38.7
Selling expense	17.2	21.2	18.0
Engineering and product development expense	9.8	13.3	12.0
General and administrative expense	11.0	12.7	12.5
Impairment of goodwill	0.1	-	-

Operating income (loss)	2.3	(8.0)	(3.8)
Other income	0.0	0.5	0.3
Earnings (loss) before income taxes	2.3	(7.5)	(3.5)
Income tax expense (benefit)	0.5	3.8	(2.9)
Net earnings (loss)	1.8%	(11.3)%	(0.6)%

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Net Revenues. Net revenues were $71.2 million for 2004 compared to $48.0 million for 2003, an increase of $23.2 million or 48%. We believe the increase in our net revenues reflects the aforementioned stronger cyclical demand early in 2004 compared to the weaker demand throughout 2003. In 2004, the net revenues of our manipulator/docking hardware, temperature management and tester interface segments increased $14.0 million or 58%, $5.5 million or 36% and $3.7 million or 45%, respectively, over the comparable prior period. We believe the increases in all of our product segments reflect the aforementioned increase in demand we experienced for our products throughout the first half of 2004. We believe the larger percentage increases in our manipulator/docking hardware and tester interface segments reflect the increased production requirements of our customers during the first half of 2004. During the year ended December 31, 2004, our net revenues from customers in the U.S., Europe and Asia-Pacific increas ed 47%, 60% and 46%, respectively, over the comparable prior period. The larger percentage increase for our European customers was primarily the result of the significant appreciation of the Euro against the U.S. dollar during 2004. When adjusted to eliminate the effect of the change in exchange rates, the 2004 growth rate in the net revenues from our European customers was 47%, which is consistent with both the U.S. and Asia-Pacific.

Gross Margin. Gross margin was 40% for 2004 as compared to 39% for 2003. The improvement in the gross margin was primarily the result of our fixed operating costs being more fully absorbed by the significantly higher net revenue levels in 2004 compared to 2003. While the absolute dollar amount of our fixed operating costs increased $1.9 million in 2004 as compared to 2003, the percentage of net revenues which these costs represent decreased from 20% 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 $1.4 million 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 and our program of annual reviews and merit based salary increases. Also contributing to the increase in fixed operating costs, but to a lesser ex tent, were increases in insurance, third party consultants and facility rental. The increases in both insurance and third party consultants were driven by the increased level of business activity in 2004 compared to 2003.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Selling Expense. Selling expense was $12.3 million for 2004 compared to $10.2 million for 2003, an increase of $2.1 million or 20%. We attribute the increase primarily to increased commission expense as well as higher levels of salary and benefits expense in 2004 as compared to 2003. The increase in commission expense of $1.0 million in our manipulator/docking hardware and temperature management segments was primarily due to the significantly higher net revenue levels. The $494,000 increase in salary and benefits expense primarily reflects the reinstatement of certain employee benefits as previously discussed. Also contributing to the increase, but to a lesser extent, were increases in travel and freight expense, which were driven by the increased business activity in 2004 compared to 2003.

Engineering and Product Development Expense. Engineering and product development expense was $7.0 million for 2004 compared to $6.4 million for 2003, an increase of $571,000 or 9%. We attribute the increase primarily to a $578,000 increase in salary and benefits expense due largely to hiring additional staff and the reinstatement of certain employee benefits as previously discussed. In addition, we had increased spending on engineering travel in our manipulator/docking hardware segment due to the increased business activity in 2004 compared to 2003. These increases were partially offset by a reduction in fees paid to third party product development consultants in our manipulator/docking hardware and temperature management segments.

General and Administrative Expense. General and administrative expense was $7.3 million for 2004 compared to $6.1 million for 2003, an increase of $1.2 million or 19%. We attribute the increase primarily to a $373,000 increase in salary and benefits expense, which is largely a result of the reinstatement of employee benefits, as previously discussed. Also contributing to the increase was a $343,000 increase in professional fees, due primarily to increased audit fees, costs associated with our Sarbanes-Oxley compliance initiatives and increased patent filing activities. To a lesser extent, we attribute the increase to higher levels of administrative travel expense, accruals for profit-based bonuses and an increase in the fees paid to members of our Board of Directors.

Restructuring and Other Charges. Restructuring and other charges were $627,000 for 2004; there were no comparable expenses incurred during 2003. The restructuring and other charges in 2004 consisted of severance costs of approximately $527,000 related to the reorganization of our domestic operations, as previously discussed, and long-lived asset impairment of $100,000 related to our U.K. facility.

Other Income. Other income was $2,000 for 2004 compared to $224,000 for 2003, a decrease of $222,000 or 99%. The decrease in other income was primarily due to a significant increase in our foreign exchange transaction losses, which increased from $12,000 in 2003 to $223,000 in 2004. The increase in foreign exchange losses was due to the volatility throughout 2004 of the US dollar against the major foreign currencies we operate in worldwide.

Income Tax Expense. Income tax expense was $398,000 for 2004 compared to $1.8 million for 2003. Our effective tax rate for 2004 was 24% compared to 51% in 2003. Our income tax expense for 2004 represented the foreign income tax expense related to the earnings of certain of our foreign operations. During 2004, we increased our valuation allowance against our net deferred tax assets by $213,000 due to the taxable losses experienced in our domestic and certain foreign operations and the uncertainty surrounding whether we would be able to generate sufficient taxable income to fully utilize these losses before they expire. During 2003, we recorded a 100% valuation allowance against our net deferred tax assets due to our 2003 operating losses which resulted in the realizability of the net deferred tax assets to no longer be considered more likely than not.

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

Net Revenues. Net revenues were $48.0 million for 2003 compared to $47.1 million for 2002, an increase of $901,000 or 2%. In 2003, net revenues for our manipulator/docking hardware and tester interface segments increased $3.6 million, or 18%, and $799,000, or 8%, respectively. These increases were offset by a decrease in net revenues in our temperature management segment of $926,000, or 5%. We believe the increases in our manipulator/docking hardware and tester interface segments are due to the aforementioned increase in demand we experienced for our products throughout 2003. We believe that the decrease in net revenues for our temperature management segment reflects the severe cyclical downturn in demand for ATE in the industry generally.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Gross Margin. Gross margin remained relatively unchanged in 2003 from 2002. The gross margin in 2003 was slightly over 39% compared to slightly less than 39% in 2002. The slight increase in gross margin in 2003 is primarily the result of a decrease in component material costs as a percentage of net revenues that reflects lower levels of fabrication costs due to process improvements as well as the mix of products sold and, to a lesser extent, a decrease in OEM sales as a percentage of total sales in 2003 compared to 2002, as previously discussed. Also, as previously discussed, we incurred significant charges for inventory obsolescence during both 2003 and 2002 as a result of the continued downturn in the industry.

Selling Expense. Selling expense was $10.2 million for 2003 compared to $8.5 million in 2002, an increase of $1.7 million or 20%. We attribute the increase primarily to the aforementioned increase in product warranty costs in our manipulator/docking hardware and temperature management segments. Other significant year-over-year increases included commission expense as well as salary and benefits expense. The increase in commission expense of $303,000 was due to an increase in end-user commissionable sales. The increase in salary and benefit expense of $304,000 was due to the hiring of new sales staff in the manipulator/docking hardware and tester interface segments as well as the return of certain benefits that had previously been reduced or eliminated. To a lesser extent, there were increases in travel expenses, freight costs and demonstration equipment, all of which were driven by the increased level of business activity as demand improved throughout 2003.

Engineering and Product Development Expense. Engineering and product development expense was $6.4 million for 2003 compared to $5.7 million in 2002, an increase of $734,000 or 13%. We attribute the increase primarily to an increase of $759,000 in salary and benefits expense in our manipulator/docking hardware and tester interface segments, where we increased our engineering and product development staff as well as returned certain benefits that had previously been reduced or eliminated. Also contributing to the increase were higher levels of spending on third-party product development consultants and travel in our manipulator/docking hardware and temperature management segments. The increases in staffing, third-party consultant costs and travel were due to increased product development efforts throughout 2003. These increases were partially offset by reductions in spending on product development materials in our temperature management segment in 2003 compared to 2002.

General and Administrative Expense. General and administrative expense was $6.1 million for 2003 compared to $5.9 million for 2002, an increase of $192,000 or 3%. We attribute the increase primarily to increased data processing costs in our manipulator/docking hardware segment as well as increased salary and benefits expense in our manipulator/docking hardware and tester interface segments. The $149,000 increase in data processing costs are related to a company-wide ERP system conversion that began in the fourth quarter of 2003 at our primary location in the manipulator/docking hardware segment and will continue into 2004 at our tester interface segment and into 2005 at the remaining locations in our manipulator/docking hardware segment. The $222,000 increase in salary and benefits expense was the result of the return of certain benefits that had been reduced or eliminated. These increases were partially offset by a decrease in legal fees as well as reductions in spending on fees for tax services and communications. The decrease in legal fees in 2003 compared to 2002 is primarily due to the settlement of patent litigation during the first quarter of 2003.

Other Income. Other income was $224,000 for 2003 compared to $143,000 in 2002, an increase of $81,000 or 57%. The increase in other income was primarily due to a decrease in foreign exchange transaction losses of $96,000 in 2003 compared to 2002. To a lesser extent, the increase was attributable to reduced interest expense in 2003 compared to 2002. Partially offsetting the benefit of these two items was a reduction in interest income in 2003 compared to 2002 due to lower average cash balances.

Income Tax Expense (Benefit). Income tax expense was $1.8 million for 2003 compared to an income tax benefit of $1.4 million for 2002. Our effective tax rate for 2003 was 51% compared to (83)% for 2002. During 2003, we recorded a $1.4 million valuation allowance against our beginning of the year net deferred tax assets due to our 2003 operating losses which resulted in the realizability of the net deferred tax assets to no longer be considered more likely than not. In addition, we recorded approximately $400,000 of income tax expense in 2003, due to the earnings of certain of our foreign operations as well as a reduction in the anticipated amount of tax refunds resulting from research and development credits filed for in 2002. During 2002, we recorded a one-time tax benefit of $750,000, which resulted from our filing amended prior year tax returns to claim additional research and experimentation credits for prior years.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Liquidity and Capital Resources

Net cash provided by operations for the year ended December 31, 2004 was $4.0 million compared to net cash used in operations of $1.4 million in 2003. The shift to cash provided by operations in 2004 from cash used in operations in 2003 was primarily the result of generating operating income for 2004 compared with operating losses in 2003. Also contributing to this shift was a $2.5 million reduction in accounts receivable during 2004. The decline in accounts receivable between December 31, 2003 and December 31, 2004 was due to the reduced level of sales in the fourth quarter of 2004 compared to higher sales levels in the fourth quarter of 2003. Inventories increased $2.0 million during 2004 as a result of purchases of materials with long lead times for forecasted orders, as discussed above. Accounts payable decreased $1.6 million from December 31, 2003 to December 31, 2004 due to decreased purchases to support lower production levels during the fourth quarter of 2004 compared to the same period in 2003. Accr ued wages and benefits increased $584,000 primarily as a result of the return of domestic salary increases in 2004, which had been suspended since 2001.

Purchases of machinery and equipment were $2.4 million for the year ended December 31, 2004, which consisted of $905,000 primarily for computer hardware and software as well as leasehold improvements for our Cherry Hill facility, $323,000 primarily for additional machine shop equipment for our UK subsidiary, $344,000 primarily for demonstration equipment and computer hardware and software for our Temptronic facility, and $443,000 primarily for a combination of quality assurance/inspection equipment, engineering software and testing equipment and leasehold improvements for our tester interface division. The balance of purchases was for equipment for our other foreign subsidiaries. The leasehold improvements for our Cherry Hill facility relate primarily to replacement of the roof and modifications related to the relocation of our machine shop from its current location to the main facility. The leasehold improvements for our tester interface division relate to its new facility in San Jose, CA. We currently esti mate we will spend approximately $70,000 during the first quarter of 2005 for leasehold improvements and furnishings for our new San Jose facility. In addition, we estimate we will spend $35,000 during the first quarter of 2005 on the relocation of our machining operation in New Jersey into our manufacturing facility. We have no commitments for capital expenditures for the balance of 2005, however, depending upon changes in market demand, we will make such purchases as we deem necessary and appropriate.

Net cash provided by financing activities for the year ended December 31, 2004 was $814,000, which consisted of proceeds from the exercise of stock options of $907,000 offset by $93,000 in payments made under capital lease obligations.

Our total committed contracts that will affect cash over the next five years and beyond are as follows:

	Expected Cash Payments By Year ($ in thousands)						
Contractual Commitments	*2005*	*2006*	*2007*	*2008*	*2009*	*2010 & Beyond*	*Total*
Capital lease obligations	$ 112	$ 25	$ 8	$ 8	$ 8	$ 1	$ 162
Operating lease obligations	1,769	1,613	1,562	1,539	1,533	1,724	9,740
Letters of credit	250	-	-	-	-	-	250
Inventory material purchase commitments	3,077	328	438	438	219	-	4,500
Committed capital expenditure projects	102	-	-	-	-	-	102
	$5,310	$1,966	$2,008	$1,985	$1,760	$1,725	$14,754

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 usage consists of the issuance of letters of credit in the face amount of $250,000. We pay a quarterly fee of 1.5% per annum on the total amount of the outstanding letters of credit. 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, 2006.

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, during the second half of 2004 we entered a cyclical downturn in our industry and experienced a significant decline in our orders and sales activity that we believe will continue into 2005. As with prior cycles, we cannot predict how long the current downturn will continue, nor how significant the declines in both our quarterly net revenues and bookings will be throughout this period of contraction. As previously

discussed, we have implemented a restructuring of our operations to reduce operating expenses and lower our break-even point. However, if we are unable to reduce our operating expenses sufficiently during this downturn, 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.

New Accounting Pronouncements

In December 2003, the Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin ("SAB") No. 104, *Revenue Recognition*, effective December 17, 2003. SAB No. 104 updates portions of the interpretive guidance included in Topic 13 of the codification of SABs to make this interpretive guidance consistent with current authoritative accounting guidance and SEC rules and regulations related to revenue recognition. We believe our revenue recognition policies are in compliance with SAB No. 104.

On January 1, 2003, we adopted SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 addresses the accounting and reporting of expenses related to restructurings initiated after 2002, and applies to costs associated with an exit activity (including a restructuring) or with a disposal of long-lived assets. Those activities can include eliminating or reducing products lines, terminating employees and contracts, and relocating plant facilities or personnel. SFAS No. 146 changes some of the criteria for recognizing a liability for these activities. The adoption of SFAS No. 145 did not have an effect on our results of operations, financial condition or long-term liquidity.

On October 22, 2004, the American Jobs Creation Action (the "AJCA") was signed into law and the AJCA contains many tax provisions expected to affect us over the next several years as those provisions become effective. We are continuing to review these provisions and their application to some of our businesses to evaluate the effect these changes may have on income taxes included in our consolidated financial statements. The AJCA provides for the deduction for U.S. federal income tax purposes of 85% of certain foreign earnings that are repatriated, as defined in the AJCA. We may elect to apply this provision to qualifying earnings repatriations in 2005. We will commence an evaluation of the effects of the repatriation provision in the first half of 2005. The AJCA also provides for a domestic manufacturing deduction for U.S. federal income tax purposes. We will not benefit from this deduction until the date in the future that the U.S. federal tax losses have been fully absorbed. We will continue to apply the r ules under the extraterritorial income exclusion under the AJCA transition rules in 2005 and 2006.

In November 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 151, *Inventory Costs - an amendment of ARB No. 43*, which is the result of its efforts to converge U.S. accounting standards for inventories with International Accounting Standards. SFAS No. 151 requires idle facility expenses, freight, handling costs, and wasted material (spoilage) costs to be recognized as current-period charges. It also requires that allocation of fixed production overheads to the costs of manufacturing be based on the normal capacity of the production facilities. SFAS No. 151 will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. We are evaluating the impact of this standard on our consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123 (Revised 2004) *Share-Based Payment* ("SFAS No. 123R"). SFAS No. 123R addresses all forms of share-based payment ("SBP") awards, including shares issued under employee stock purchase plans, stock options, restricted stock and stock appreciation rights. SFAS No. 123R will require us to expense SBP awards as compensation with such expense measured at the fair value of such SBP transaction. The FASB originally stated a preference for a lattice model of valuation because it believed that a lattice model more fully captures the unique characteristics of employee stock options in the estimate of fair value, as compared to the Black-Scholes model which we currently use for our footnote disclosure. The FASB decided to remove its explicit preference for a lattice model and not require a single valuation methodology. SFAS No. 123R requires us to adopt the new accounting provisions beginning in the third quarter of 2005. We have not yet determined the impact of applyi ng the various provisions of SFAS No. 123R.

<u>Critical Accounting Policies</u>

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, 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 we believe 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 because of the possibility that future events affecting them may differ markedly from what had been assumed when the financial statements were prepared.

<u>Inventory Valuation</u>

Inventories are stated at the lower of cost (first-in, first-out basis) or net realizable value. We use consistent methodologies to evaluate all inventories for net realizable value. We record a provision for excess and obsolete inventory based upon our review process. The criteria to determine if inventory is excess or obsolete are if (1) the inventory was not utilized in a work order during the prior 12 months or (2) if the excess quantity of inventory on hand is greater than the average annual usage of that inventory (or in the case of our temperature management systems, three years of average annual usage due to the after-sale service requirements of these products). In addition, operations and accounting staff review inventory that would not meet these criteria for excess or obsolescence to determine if additional obsolescence charges are necessary based upon assumptions about future demand, product mix and possible alternative uses. Finally, in certain cases, a subjective amount is recorded based upon either additional facts which would not give rise to an obsolescence charge under the initial obsolescence criteria or, if in management's opinion, additional amounts are felt to be necessary based upon the current industry conditions. In 2004, we recorded an inventory obsolescence charge for excess and obsolete inventory of $1.4 million.

<u>Long-Lived Asset Valuation</u>

We assess the impairment of identifiable intangibles and long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could indicate impairment include significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of our use of the asset or the strategy for our overall business and significant negative industry or economic trends. When we determine that the carrying value of intangibles and/or long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, we prepare projections of operations for our product segments where these intangibles and/or long-lived assets are associated. If the carrying value of the intangible assets and/or long-lived assets exceeds the undiscounted cash flows per the projections, then we would record an impairment charge. We measure the impairment based upon the projected discounted cash flows using a discount rate determined by our management to be commensurate with the risk inherent in our current business model. Due to a history of operating losses experienced by our U.K. subsidiary over the last four years, combined with our then current forecasts that indicated additional future losses for the U.K. operation, we performed an assessment of the recoverability of the carrying value of this operation's long-lived assets. These long-lived assets consisted of property and equipment. Based upon this assessment, we recorded an impairment loss of $100,000 at December 31, 2004.

Goodwill

When we determine that an impairment review is necessary for goodwill, we compare the fair value of our reporting units to their carrying values. If the result from this analysis indicates that an impairment charge is required, the fair value of the reporting unit is allocated to its identifiable tangible and intangible assets, resulting in an implied valuation of goodwill associated with the reporting unit. We would measure the impairment based on the difference between the implied valuation of the goodwill and its actual carrying value. During 2004, we did not record any impairment charges for identifiable intangibles or goodwill. Intangibles, long-lived assets and related goodwill were $6.1 million at December 31, 2004.

Income Taxes

Deferred tax assets are analyzed to determine if there will be sufficient taxable income in the future in order to realize such assets. We assess all of the positive and negative evidence concerning the realizability of the deferred tax assets, including our historical results of operations for the recent past and our projections of future results of operations, in which we make

subjective determinations of future events. If, after assessing all of the evidence, both positive and negative, a determination is made that the realizability of the deferred tax assets is not more likely than not, we establish a deferred tax valuation allowance for all or a portion of the deferred tax assets depending upon the specific facts. If any of the significant assumptions were changed, materially different results could occur, which could significantly change the amount of the deferred tax valuation allowance established. During 2004, we increased our valuation allowance against our net deferred tax assets by $213,000.

Warranty Accrual

In connection with the accrual of warranty costs associated with our products, we make assumptions about the level of product failures that will occur in the future. These assumptions are primarily based upon historical claims experience. Should the rate of future product failures significantly differ from historical levels, our accrued warranty reserves would need to be adjusted, and the amount of the adjustment could be material. In 2004, we recorded product warranty charges of $2.0 million.

Risks That Could Affect Future Results

The factors discussed below are cautionary statements that identify important factors that could cause our actual results to differ materially from those expressed or implied by our forward-looking statements. These factors may also cause our future results to differ materially from our prior results.

Our forward-looking statements can often be identified by the use of forward-looking terminology such as "believes," "expects," "intends," "may," "will," "should" or "anticipates" or similar terminology, and include, but are not limited to, statements made in this Report regarding:

- the indicators of the reversal of the downturn in the IC and ATE industries;
- developments and trends in the IC and ATE industries;
- the possibility of future acquisitions;
- costs and timing of completion and integration of our acquisitions;
- our cost-containment initiatives;
- the implementation of current and future restructuring initiatives;
- costs associated with compliance with the Sarbanes-Oxley Act of 2002 and new SEC regulations;
- the development of new products and technologies by us or our competitors;
- the availability of materials used to manufacture our products;
- the availability of qualified personnel;
- general economic conditions;
- net revenues generated by foreign subsidiaries;
- exchange rate fluctuations and the use of forward exchange rate contracts;
- the increasing use of front-end testing by semiconductor manufacturers;
- stock price fluctuations;
- the anticipated market for our products; and
- the sufficiency of cash balances, lines of credit and net cash from operations.

Our operating results and financial condition could continue to be negatively impacted if the semiconductor industry into which we sell our products remains depressed.

The downturn that ran from late 2000 until mid-2003 in the semiconductor and ATE industries was the worst these industries have ever experienced. In the second half of 2004, we entered another down cycle. These downturns created significantly diminished demand for our products, excess manufacturing capacity in our plants, and the erosion of average selling prices.

While current industry forecasts suggest that the current downturn in the semiconductor and ATE industries may reverse in the second half of 2005, we cannot be certain that such reversal will occur or that it will be the beginning of an up-cycle. Any further decline in our customers' markets or in general economic conditions would likely result in a further reduction in demand for our products and could harm our consolidated financial position, results of operations, cash flows and stock price. An up-cycle that is more rapid than we expect may require additional debt or equity financing to meet working capital requirements or capital expenditure needs. We cannot be sure that such financing will be available when required or on acceptable terms.

Our sales reflect the cyclicality of the semiconductor industry, which causes our operating results to fluctuate significantly.

Our business depends in significant part upon the capital expenditures of semiconductor manufacturers. Capital expenditures by these companies depend upon, among other things, the current and anticipated market demand for semiconductors and the products that utilize them. Typically, semiconductor manufacturers curtail capital expenditures during periods of economic downtown. Conversely, semiconductor manufacturers increase capital expenditures when market demand requires the addition of new or expanded production capabilities or the reconfiguration of existing fabrication facilities to accommodate new products. These market changes have contributed in the past, and will likely continue to contribute in the future, to fluctuations in our operating results.

If we are not able to control our operating expenses during a cyclical downturn, or if an upturn is more rapid than we anticipate, we may not have sufficient cash to operate our businesses.

During the fourth quarter of 2004, we restructured our operations with the goal of significantly reducing our fixed operating costs to position ourselves to more effectively meet the needs of the fluid ATE market. These restructuring actions included workforce reductions, salary reductions, a temporary elimination of domestic retirement benefits and additional cost controls on other expenditures. In addition, subsequent to December 31, 2004, we have evaluated our manufacturing capacity worldwide and determined we had excess capacity in Europe. As a result of this determination, we will be closing our U.K. operation during the first half of 2005. If the downturn continues and we are not able to control our operating expenses, they could increase and the level of our cash may not be sufficient to operate our businesses. Conversely, if the downturn has ended and a strong upturn ensues, we may need additional cash to finance our working capital needs or for capital expenditures. We cannot determine with certaint y that, if needed, we would be able to raise additional funding through either equity or debt financing.

Our operating results often change significantly from quarter to quarter and may cause fluctuations in our stock price.

During the last several years, our operating results have fluctuated significantly from quarter to quarter. We believe that these fluctuations occur primarily due to the cycles of demand in the semiconductor manufacturing industry. In addition to the changing cycles of demand in the semiconductor manufacturing industry, other factors that have caused our quarterly operating results to fluctuate in the past, and that may cause fluctuations or losses in the future, include:

- the technological obsolescence of our inventories;
- quantities of our inventories greater than is reasonably likely to be utilized in future periods;
- significant product warranty charges;
- the recording of valuation allowances against deferred tax assets;
- competitive pricing pressures;
- the impairment of our assets due to reduced future demand for our products;
- our ability to control operating costs;
- costs associated with implementing our restructuring initiatives;
- costs associated with compliance with the Sarbanes-Oxley Act of 2002 and new SEC regulations;
- delays in shipments of our products;
- the mix of our products sold;

- the mix of customers and geographic regions where we sell our products;
- changes in the level of our fixed costs;
- costs associated with the development of our proprietary technology;
- costs and timing of integration of our acquisitions and plant relocations and expansions;
- our ability to obtain raw materials or fabricated parts when needed; and
- cancellation or rescheduling of orders by our customers.

Because the market price of our common stock has tended to vary based on, and in relation to, changes in our operating results, fluctuations in the market price of our stock are likely to continue as variations in our quarterly results continue.

Our customers' purchasing patterns are erratic and can result in fluctuations in our backlog and quarterly results.

Our backlog declined from $16.2 million at June 30, 2004 to $5.8 million at December 31, 2004 as a result of the cyclical downturn which began late in the third quarter. Our backlog at the beginning of a quarter typically does not include all orders necessary to achieve our sales objectives for that quarter. Orders in our backlog are subject to cancellation, delay or rescheduling by our customers with limited or no penalties or ability to collect bill back amounts. Throughout recent years, we have experienced customer-requested shipment delays and order cancellations, and we believe it is probable that orders will be cancelled and/or delayed in the future. In addition, during a downturn, some of our customers may rely on short lead times generally available from suppliers, including us, whereas in periods of stronger demand, and longer lead times, customers need to book orders earlier.

We have experienced increased levels of product warranty costs in recent periods and cannot predict the level of such costs that we may incur in future periods.

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. For the years ended December 31, 2004, 2003, and 2002, our product warranty charges were $2.0 million, $1.9 million and $1.1 million, or 2.8%, 4.0% and 2.3% 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 contractual warranty period has expired in order to promote strong customer relations. If our products have reliability, quality or other problems, or the market perceives our products to be deficient, we may suffer reduced orders, higher manufactur ing costs, delays in collecting accounts receivable and higher service, support and warranty expenses.

Recently enacted and proposed changes in securities laws and regulations are likely to increase our costs.

The Sarbanes-Oxley Act of 2002 has required changes in some of our corporate governance procedures and our disclosure and compliance practices. That Act also required the SEC to promulgate new rules on a variety of subjects, in addition to rule proposals the SEC had already made, and Nasdaq revised, and continues to revise, its requirements for companies that are Nasdaq-listed. These developments have increased our legal compliance and financial reporting costs. We expect these developments to make it more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantially higher costs to obtain coverage or reduce our coverage. This could make it more difficult for us to attract and retain qualified members of our board of directors and executive officers. In order to comply with certain requirements of the Sabanes-Oxley Act, such as the internal control system requirements of Section 404 of the Act, we have incurred expense and expect to incur significant addit ional expense in future periods to comply with these new requirements. We are presently evaluating and monitoring regulatory developments and cannot estimate the timing or magnitude of additional costs we may incur as a result.

We seek to acquire additional businesses. If we are unable to do so, our future rate of growth may be reduced or limited.

A key element of our growth strategy is to acquire businesses, technologies or products that expand and complement our current businesses. We may not be able to execute our acquisition strategy if:

- we are unable to identify suitable businesses or technologies to acquire;
- we do not have access to required capital at the necessary time; or
- we are unwilling or unable to outbid larger, more resourceful companies.

Our acquisition strategy involves financial and management risks which may adversely affect our earnings in the future.

If we acquire additional businesses, technologies or products, we will face the following additional risks:

- future acquisitions could divert management's attention from daily operations or otherwise require additional management, operational and financial resources;
- we might not be able to integrate future acquisitions into our business successfully or operate acquired businesses profitably;
- we may realize substantial acquisition related expenses which would reduce our net earnings in future years; and
- our investigation of potential acquisition candidates may not reveal problems and liabilities of the companies that we acquire.

If any of the events described above occur, our earnings could be reduced. If we issue shares of our stock or other rights to purchase our stock in connection with any future acquisitions, we would dilute our existing stockholders' interests and our earnings per share may decrease. If we issue debt in connection with any future acquisitions, lenders may impose covenants on us which could, among other things, restrict our ability to increase capital expenditures or to acquire additional businesses.

Our industry is subject to rapidly evolving technological change, and our business prospects would be negatively affected if we are unable to respond to innovation in the semiconductor industry.

Semiconductor technology continues to become more complex as manufacturers incorporate ICs into an increasing variety of products. This trend, and the rapid changes needed in automatic testing systems to respond to developments in the semiconductor industry, are likely to continue. We cannot be certain that we will be successful in developing, manufacturing or selling products that will satisfy customer needs or attain market acceptance. Our failure to provide products that meet customer needs or gain market acceptance will negatively affect our business prospects.

If we are not able to obtain patents on or otherwise preserve and protect our proprietary technologies, our business may suffer.

We have obtained domestic and foreign patents covering some of our products which expire between the years 2005 and 2022, and we have pending applications for additional patents. Some of our products utilize proprietary technology that is not covered by a patent or similar protection, and in many cases, cannot be protected. We cannot be certain that:

- any additional patents will be issued on our applications;
- any patents we own now or in the future will protect our business against competitors that develop similar technology or products;
- our patents will be held valid if they are challenged or subjected to reexamination or reissue;
- others will not claim rights to our patented or other proprietary technologies; or
- others will not develop technologies which are similar to, or can compete with, our unpatented proprietary technologies.

If we cannot obtain patent or other protection for our proprietary technologies, our ability to compete in our markets could be impaired.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Claims of intellectual property infringement by or against us could seriously harm our businesses.

From time to time, we may be forced to respond to or prosecute intellectual property infringement claims to defend or protect our rights or a customer's rights. These claims, regardless of merit, may consume valuable management time, result in costly litigation or cause product shipment delays. Any of these factors could seriously harm our business and operating results. We may have to enter into royalty or licensing agreements with third parties who claim infringement. These royalty or licensing agreements, if available, may be costly to us. If we are unable to enter into royalty or licensing agreements with satisfactory terms, our business could suffer. In instances where we have had reason to believe that we may be infringing the patent rights of others, or that someone may be infringing our patent rights, we have asked our patent counsel to evaluate the validity of the patents in question, as well as the potentially infringing conduct. If we become involved in a dispute, neither the third parties nor the courts are bound by our counsel's conclusions.

Our business will suffer if we cannot compete successfully with manufacturers whose products are similar to ours.

We compete with numerous manufacturers, many of whom have greater financial resources and more extensive design and production capabilities than we do. Some of our principal competitors in the sale of manipulator, docking and tester interface products are Reid-Ashman Manufacturing Inc., Microhandling GmbH, Esmo AG, Credence Systems Corp., LTX Corporation, Teradyne Inc., Xandex Inc. and Kulicke & Soffa Industries, Inc. Some of our principal competitors in the sale of temperature management products are Trio-Tech International, Thermonics Inc. and ERS Elektronik GmbH. In order to remain competitive with these and other companies, we must be able to continue to commit a significant portion of our personnel, financial resources, research and development and customer support to developing new products and maintaining customer satisfaction worldwide. If we are not able to compete successfully, our business will suffer.

We generate a large portion of our sales from a small number of customers. If we were to lose one or more of our large customers, operating results could suffer dramatically.

Texas Instruments Inc. and Teradyne Inc. accounted for 16% and 11%, respectively, of our net revenues in 2004. Our ten largest customers accounted for approximately 62% of our net revenues in 2004. The loss of any one or more of our largest customers, or a reduction in orders by a major customer, could materially reduce our net revenues or otherwise materially affect our business, financial condition or results of operations.

Significant fluctuations in our net revenues strain our management, employees and other resources.

Over the last several years, we have experienced significant fluctuations in our net revenues due to the cyclical nature of the ATE industry. In 2004, our net revenues declined from a peak of $22.7 million in the second quarter to $12.0 million in the fourth quarter, a decline of 47%. During the prior downturn, our net revenues declined from a peak of $24.5 million for the quarter ended September 30, 2000 to $7.4 million for the quarter ended September 30, 2001, a decline of 70%. Conversely, in previous upcycles, our net revenues have increased significantly period-over-period. As a result of these sometimes sudden and significant changes in our market, we have had to restructure our operations frequently in recent years. These fluctuations in our net revenues and their impact on our operating results, place strain on our management, employees and other resources.

If we do not continue to retain the services of key personnel, relationships with, and sales to, some of our customers could suffer.

The loss of key personnel could adversely affect our ability to manage our business effectively. Our future success will depend largely upon the continued services of our senior management and certain other key employees. We do not have employment agreements with any of our executive officers or other key employees. Our future success will depend, in part, upon our ability to retain our managers, engineers and other key employees. Our business could suffer if we were unable to retain one or more of our senior officers or other key employees.

A substantial portion of our operations exists outside the U.S., which exposes us to foreign political and economic risks.

We have operated internationally for many years and expect to expand our international operations as necessary to continue expansion of our sales and service to our non-U.S. customers. Our foreign subsidiaries generated 24% and 23% of

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

consolidated net revenues in 2004 and 2003, respectively. Export sales from our U.S. manufacturing facilities totaled $17.8 million, or 25% of consolidated net revenues, in 2004 and $10.5 million, or 22% of consolidated net revenues, in 2003. The portion of our consolidated net revenues that were derived from sales by our subsidiaries in the Asia-Pacific region was 14% in 2004 and 14% in 2003. We expect our international revenues will continue to represent a significant portion of total net revenues. However, in addition to the risks generally associated with sales and operations in the U.S., sales to customers outside the U.S. and operations in foreign countries are subject to additional risks, which may, in the future, affect our operations. These risks include:

- political and economic instability in foreign countries;
- the imposition of financial and operational controls and regulatory restrictions by foreign governments;
- the need to comply with a wide variety of U.S. and foreign import and export laws;
- trade restrictions;
- changes in tariffs and taxes;
- longer payment cycles;
- fluctuations in currency exchange rates; and
- the greater difficulty of administering business abroad.

We conduct business in foreign currencies, and fluctuations in the values of those currencies could result in foreign exchange losses.

In 2004, approximately 4% of our net revenues were denominated in Japanese yen, approximately 2% were denominated in British pounds, and approximately 6% were denominated in Euros. During 2004, we recorded foreign exchange currency transaction losses of $223,000. Future fluctuations in the values of these currencies could result in foreign exchange losses. Any strengthening of the U.S. dollar in relation to the currencies of our competitors or customers, or strengthening or weakening of the Japanese yen, British pound or Euro in relation to other currencies in which our customers or competitors do business, could adversely affect our competitiveness. Moreover, a strengthening of the U.S. dollar or other competitive factors could put pressure on us to denominate a greater portion of our sales in foreign currencies, thereby increasing our exposure to fluctuations in exchange rates. Any devaluation of these currencies would hurt our business. We do not undertake hedging activities against all of our exchange ra te risk. Fluctuations in exchange rates may adversely affect our competitive position or result in foreign exchange losses, either of which could cause our business to suffer.

Changes to financial accounting standards may affect our reported results of operations.

We prepare our financial statements to conform to Generally Accepted Accounting Principles ("GAAP"). GAAP is subject to the SEC and various bodies formed to interpret and create appropriate accounting policies. A change in those policies can have a significant effect on our reported results and may even affect our reporting of transactions completed before a change is announced. Accounting rules affecting many aspects of our business, including rules relating to accounting for business combinations, asset impairment, revenue recognition, restructuring or disposal of long-lived assets and stock option grants have recently been revised or are currently under review. Changes to those rules or current interpretation of those rules may have a material adverse effect on our reported financial results or on the way we conduct our business. For example, SFAS No. 123R requires that employee stock option plan shares be treated as a compensation expense. We have not yet determined the impact of applying the various pro visions of SFAS No. 123R.

Item 7A. 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% 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

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

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 the 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 December 31, 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.

Interest Rate Risk Management

As of December 31, 2004, we had cash and cash equivalents of $7.7 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 year ended December 31, 2004 would have decreased by less than $63,000. This estimate assumes that the decrease occurred on the first day of 2004 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated financial statements are set forth in this Report beginning at page F-1.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

Item 9A. CONTROLS AND PROCEDURES

CEO and CFO Certifications. Included with this Annual 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 9A 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 SEC requires that as of the end of the year covered by this 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.

Item 9A. CONTROLS AND PROCEDURES (Continued)

"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 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.

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 our disclosure controls and procedures. Based on that evaluation, our 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 our 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 fourth quarter of 2004.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS

The information required by this Item is incorporated by reference from our definitive proxy statement for our 2005 Annual Meeting of Stockholders to be filed with the SEC on or before May 2, 2005, or, if our proxy statement is not filed on or before May 2, 2005, will be filed by that date by an amendment to this Form 10-K.

Item 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from our definitive proxy statement for our 2005 Annual Meeting of Stockholders to be filed with the SEC on or before May 2, 2005, or, if our proxy statement is not filed on or before May 2, 2005, will be filed by that date by an amendment to this Form 10-K.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 201(d) of Regulation S-K is set forth below. The remainder of the information required by this Item is incorporated by reference from our definitive proxy statement for our 2005 Annual Meeting of Stockholders to be filed with the SEC on or before May 2, 2005, or, if our proxy statement is not filed on or before May 2, 2005, will be filed by that date by an amendment to this Form 10-K.

The following table shows the number of securities that may be issued pursuant to our equity compensation plans (including individual compensation arrangements) as of December 31, 2004:

Equity Compensation Plan Information

Plan Category	*Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)*	*Weighted-average exercise of outstanding options, warrants and rights(1)*	*Number of securities remaining available for future issuance under equity compensation plans(1)*
Equity compensation plans approved by security holders	700,466	$3.87	61,500
Equity compensation plans not approved by security holders	-	-	-
Total	700,466	$3.87	61,500

(1) The securities that may be issued are shares of inTEST common stock, issuable upon exercise of stock options.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference from our definitive proxy statement for our 2005 Annual Meeting of Stockholders to be filed with the SEC on or before May 2, 2005, or, if our proxy statement is not filed on or before May 2, 2005, will be filed by that date by an amendment to this Form 10-K.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference from our definitive proxy statement for our 2005 Annual Meeting of Stockholders to be filed with the SEC on or before May 2, 2005, or, if our proxy statement is not filed on or before May 2, 2005, will be filed by that date by an amendment to this Form 10-K.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The documents filed as part of this Annual Report on Form 10-K are:

(i) Our consolidated financial statements and notes thereto as well as the applicable report of our independent registered public accounting firm are included in Part II, Item 8 of this Annual Report on Form 10-K.

(ii) The following financial statement schedule should be read in conjunction with the consolidated financial statements set forth in Part II, Item 8 of this Annual Report on Form 10-K:

Schedule II -- Valuation and Qualifying Accounts

(iii) The exhibits required by Item 601 of Regulation S-K are included under Item 15(c) of this Annual Report on Form 10-K.

(c) Exhibits required by Item 601 of Regulation S-K:

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES (Continued)

Exhibit Number	*Description of Exhibit*
3.1	Certificate of Incorporation. (1)
3.2	By Laws. (1)
10.1	Lease dated October 27, 1999 between Earl E. and Mitsue Jio and inTEST Sunnyvale, a wholly owned subsidiary of the Company. (2)
10.2	Lease Agreement between First Industrial, L.P. and the Company, dated June 6, 2000. (3)
10.3	Lease between SPHOS, Inc. and Temptronic Corporation (a subsidiary of the Company), dated December 27, 2000. (4)
10.4	Lease between The Irvine Company and the Company dated September 15, 2004 (5)
10.5	Change of Control Agreement dated April 17, 2001 between the Company and Robert E. Matthiessen. (6)(*)
10.6	Change of Control Agreement dated April 17, 2001 between the Company and Hugh T. Regan, Jr. (6)(*)
10.7	inTEST Corporation Amended and Restated 1997 Stock Plan. (7)(*)
10.8	Form of Restricted Stock Grant. (*)
10.9	Form of Stock Option Grant - Director. (*)
10.10	Form of Stock Option Grant - Officer. (*)

10.11	Compensatory Arrangements of Executive Officers and Directors. (*)
14	Code of Ethics (8)
21	Subsidiaries of the Company.
23	Consent of KPMG LLP.
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 Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Previously filed by the Company as an exhibit to the Company's Registration Statement on Form S-1, File No. 333-26457 filed May 2, 1997, and incorporated herein by reference.

(2) Previously filed by the Company as an exhibit to the Company's Form 10-K for the year ended December 31, 1999, filed March 30, 2000, and incorporated herein by reference.

(3) Previously filed by the Company as an exhibit to the Company's Form 10-Q for the quarter ended June 30, 2000, filed August 14, 2000, and incorporated herein by reference.

(4) Previously filed by the Company as an exhibit to the Company's Form 10-K for the year ended December 31, 2000, filed March 30, 2001, and incorporated herein by reference.

(5) Previously filed by the Company as an exhibit to the Company's Form 8-K dated September 15, 2004, filed October 6, 2004, and incorporated herein by reference.

(6) Previously filed by the Company as an exhibit to the Company's Form 10-Q for the quarter ended March 31, 2001, filed May 15, 2001, and incorporated herein by reference.

(7) Previously filed by the Company as an exhibit to the Company's Form 10-Q for the quarter ended June 30, 2002, filed August 14, 2002, and incorporated herein by reference.

(8) Previously filed by the Company as an exhibit to the Company's Form 10-K for the year ended December 31, 2003, filed March 30, 2004, and incorporated herein by reference.

(*) Indicates a management contract or compensatory plan, contract or arrangement in which a director or executive officers participate.

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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

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

Pursuant to the requirements of Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Robert E. Matthiessen Robert E. Matthiessen, President, Chief Executive Officer and Director (principal executive officer)	March 31, 2005
/s/ Hugh T. Regan, Jr. Hugh T. Regan, Jr., Treasurer, Chief Financial Officer and Secretary (principal financial officer)	March 31, 2005
/s/ Daniel J. Graham Daniel J. Graham, General Manager - Manipulator and Docking Hardware Product Segment and Vice Chairman	March 31, 2005
/s/ Alyn R. Holt Alyn R. Holt, Chairman	March 31, 2005
/s/ Richard O. Endres Richard O. Endres, Director	March 31, 2005
/s/ Stuart F. Daniels Stuart F. Daniels, Ph.D, Director	March 31, 2005

/s/ James J. Greed, Jr. — March 31, 2005
James J. Greed, Jr., Director

/s/ James W. Schwartz, Esq. — March 31, 2005
James W. Schwartz, Esq., Director

/s/ Joseph A. Savarese — March 31, 2005
Joseph A. Savarese, Director

Index to Exhibits

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inTEST CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
inTEST Corporation:

We have audited the accompanying consolidated balance sheets of inTEST Corporation and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, comprehensive earnings (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2004. In connection with our audits of the consolidated financial statements, we also audited the related consolidated financial statement schedule as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of inTEST Corporation and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/KPMG LLP

Philadelphia, Pennsylvania
March 25, 2005

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

	December 31, 2004	December 31, 2003
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 7,686	$ 5,116
Trade accounts and notes receivable, net of allowance for doubtful accounts of $159 and $125, respectively	6,771	9,183
Inventories	9,401	7,332
Refundable domestic income taxes	728	751
Prepaid expenses and other current assets	844	557
Total current assets	25,430	22,939
Property and equipment:		
Machinery and equipment	12,021	10,572
Leasehold improvements	3,154	2,527
	15,175	13,099
Less: accumulated depreciation	(10,621)	(8,560)
Net property and equipment	4,554	4,539
Other assets	451	680
Goodwill	2,318	1,384
Intangible assets, net	414	435
Total assets	$33,167	$29,977
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,102	$ 3,507
Accrued wages and benefits	1,717	1,115
Accrued warranty	1,216	1,102
Accrued sales commissions	501	487
Other accrued expenses	893	687
Domestic and foreign income taxes payable	467	278
Capital lease obligations	106	93
Total current liabilities	7,002	7,269
Capital lease obligations, net of current portion	47	117

Total liabilities	7,049	7,386
Commitments and Contingencies (Notes 8, 11 and 14)		
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; 9,300,164 and 8,737,505 shares issued, respectively	93	87
Additional paid-in capital	24,716	21,955
Retained earnings	3,663	2,393
Accumulated other comprehensive income	1,049	478
Deferred stock compensation	(1,081)	-
Treasury stock, at cost; 375,648 shares	(2,322)	(2,322)
Total stockholders' equity	26,118	22,591
Total liabilities and stockholders' equity	$33,167	$29,977

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)

	Years Ended December 31,		
	2004	2003	2002
Net revenues	$71,211	$48,028	$47,127
Cost of revenues	42,421	29,179	28,888
Gross margin	28,790	18,849	18,239
Operating expenses:			
Selling expense	12,263	10,190	8,478
Engineering and product development expense	6,973	6,402	5,668
General and administrative expense	7,261	6,091	5,899
Restructuring and other charges	627	-	-
Total operating expenses	27,124	22,683	20,045
Operating income (loss)	1,666	(3,834)	(1,806)
Other income (expense):			
Interest income	89	67	110
Interest expense	(13)	(19)	(40)
Other	(74)	176	73
Total other income	2	224	143
Earnings (loss) before income taxes	1,668	(3,610)	(1,663)
Income tax expense (benefit)	398	1,841	(1,380)
Net earnings (loss)	$ 1,270	$(5,451)	$ (283)
Net earnings (loss) per common share:			
Basic	$0.15	$(0.65)	$(0.03)
Diluted	$0.14	$(0.65)	$(0.03)
Weighted average common shares outstanding:			
Basic	8,479,914	8,332,320	8,317,350
Diluted	8,804,479	8,332,320	8,317,350

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31, 2004	2003	2002
Net earnings (loss)	$1,270	$(5,451)	$ (283)
Foreign currency translation adjustments	571	546	383
Comprehensive earnings (loss)	$1,841	$(4,905)	$ 100

See accompanying Notes to Consolidated Financial Statements.

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

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Deferred Stock Compensation	Treasury Stock	Total Stockholders' Equity
Balance, January 1, 2002	8,685,205	$ 87	$21,781	$8,127	$ (451)	$ (16)	$(2,324)	$ 27,204
Net loss	-	-	-	(283)	-	-	-	(283)
Other comprehensive income	-	-	-	-	383	-	-	383
Amortization of deferred stock compensation	-	-	-	-	-	16	-	16
Stock options exercised	14,800	-	38	-	-	-	-	38
Tax benefit from exercise of stock operations	-	-	21	-	-	-	-	21
Adjustment for termination of Equity Participation Plan	-	-	(24)	-	-	-	2	(22)
Balance, December 31, 2002	8,700,005	87	21,816	7,844	(68)	-	(2,322)	27,357
Net loss	-	-	-	(5,451)	-	-	-	(5,451)
Other comprehensive income	-	-	-	-	546	-	-	546
Stock options exercised	37,500	-	139	-	-	-	-	139
Balance, December 31, 2003	8,737,505	87	21,955	2,393	478	-	(2,322)	22,591
Net earnings	-	-	-	1,270	-	-	-	1,270
Other comprehensive income	-	-	-	-	571	-	-	571
Stock options exercised	232,659	3	904	-	-	-	-	907
Issuance of shares in connection with acquisition of Intestlogic	100,000	1	755	-	-	-	-	756
Deferred stock compensation related to issuance of restricted stock	230,000	2	1,102	-	-	(1,104)	-	-
Amortization of deferred stock compensation	-	-	-	-	-	23	-	23
Balance, December 31, 2004	9,300,164	$ 93	$24,716	$3,663	$1,049	$(1,081)	$(2,322)	$26,118

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31, 2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings (loss)	$ 1,270	$(5,451)	$ (283)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,106	2,027	1,917
Impairment of long-lived assets	100	-	-
Tax benefit from exercise of stock options	-	-	21
Deferred taxes	-	1,440	540
Foreign exchange loss	217	12	104
Deferred stock compensation	23	-	16
Loss on disposal of fixed assets	175	-	30

Proceeds from sale of demonstration equipment, net	83	85	60
Changes in assets and liabilities, net of effect of acquisition:			
Trade accounts and notes receivable	2,505	(2,365)	(1,351)
Inventories	(1,979)	(229)	640
Refundable domestic and foreign income taxes	23	948	157
Prepaid expenses and other current assets	(275)	(53)	(46)
Other assets	248	43	(15)
Accounts payable	(1,582)	1,086	364
Accrued wages and benefits	584	110	26
Accrued warranty	97	538	104
Accrued sales commissions	10	96	81
Other accrued expenses	191	189	78
Domestic and foreign income taxes payable	169	142	57
Net cash provided by (used in) operating activities	3,965	(1,382)	2,500
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of business, net of cash acquired	-	-	(580)
Purchase of property and equipment	(2,326)	(1,657)	(1,016)
Net cash used in investing activities	(2,326)	(1,657)	(1,596)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term debt	-	-	(190)
Repayments of capital lease obligations	(93)	(86)	(81)
Proceeds from stock options exercised	907	139	38
Other	-	-	(22)
Net cash provided by (used in) financing activities	814	53	(255)
Effects of exchange rates on cash	117	(43)	215
Net cash provided by (used in) all activities	2,570	(3,029)	864
Cash and cash equivalents at beginning of period	5,116	8,145	7,281
Cash and cash equivalents at end of period	$ 7,686	$ 5,116	$ 8,145
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Details of acquisition:			
Fair value of assets acquired, net of cash acquired	$ -		$ 558
Liabilities assumed	-		(288)
Common stock released from escrow	(756)		-
Goodwill resulting from acquisition	756		310
Net cash paid for acquisition	$ -	$ -	$ 580
Restricted stock awards granted	$ 1,104	$ -	$ -
Capital lease additions	$ 36	$	$ -
Cash payments (refunds) for:			
Domestic and foreign income taxes	$ 228	$ (692)	$(2,150)
Interest	13	19	40

See accompanying Notes to Consolidated Financial Statements.

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

(1) NATURE OF OPERATIONS

We are an independent designer, manufacturer and marketer of manipulator 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.

On October 1, 2002, we completed the acquisition of Intestlogic GmbH ("Intestlogic") (formerly known as Intelogic Technologies GmbH), a privately-held German corporation which designs, manufactures and markets manipulator and docking hardware products. See Note 3 for further discussion of this transaction.

On March 14, 2005, we announced that we will be closing our U.K. operation. See Note 17 for further discussion.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements include our accounts and those of our wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated upon 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 long-lived assets, goodwill, inventory, deferred income tax valuation allowances and product warranty reserves, are particularly impacted by estimates.

(In thousands, except share and per share data)

Concentrations and 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, but not limited to, general economic conditions worldwide or in the markets in which we operate, economic conditions specific to the semiconductor industry, our ability to safeguard patents and intellectual property in a rapidly evolving market, downward pricing pressures from customers, and our reliance on a relatively few number of customers for a significant portion of our sales. In addition, we are exposed to the risk of obsolescence of our inventory depending on the mix of future business and technological changes within the industry. As a result of these or other factors, we may experience significant period-to-period fluctuations in future operating results.

Reclassification

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

Cash and Cash Equivalents

Short-term investments that have maturities of three months or less when purchased are considered to be cash equivalents and are carried at cost, which approximates market value.

Financial Instruments

Our financial instruments, principally accounts and notes receivable and accounts payable, are carried at cost which approximates fair value, due to the short maturities of the accounts. The estimated fair values of our capital lease obligations approximated their carrying value based upon the rates offered to us for similar type arrangements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risks

We grant credit to customers and generally require no collateral. To minimize our risk, we perform ongoing credit evaluations of our customers' financial condition. Bad debt expense (recovery) was $38, $0, and $(1) for the years ended December 31, 2004, 2003 and 2002, respectively.

Inventories

Inventory is valued at standard cost, which approximates actual cost computed on a first-in, first-out basis, not in excess of market value. 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 that 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. We incurred inventory obsolescence charges of $1,397, $886 and $1,010 for the years ended December 31, 2004, 2003 and 2002, respectively.

Property and Equipment

Machinery and equipment are stated at cost. Depreciation is based upon the estimated useful life of the assets using the straight-line method. The estimated useful lives range from three to seven years. Leasehold improvements are recorded at cost and amortized over the shorter of the lease term or the estimated useful life of the asset. Total depreciation expense, including amortization of assets acquired under capital leases, was $2,058, $1,987 and $1,917 for the years ended December 31, 2004, 2003 and 2002, respectively. Expenditures for maintenance and repairs are charged to operations as incurred.

Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we continually monitor events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. When such events or changes in circumstances occur, we assess the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the undiscounted future cash flows is less than the carrying amount of those assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets.

Goodwill and Intangibles

On January 1, 2002 we adopted SFAS No. 142, *Goodwill and Other Intangible Assets*. With the adoption of SFAS No 142, goodwill and other indefinite life intangible assets are no longer subject to amortization. Instead, they are subject to at least an annual assessment for impairment by applying a fair value based test. During 2004, 2003 and 2002 we assessed our goodwill for impairment in accordance with the requirements of SFAS No. 142. No impairments of goodwill were indicated based on these assessments.

Goodwill at both December 31, 2004 and 2003 relates to the manipulator/docking hardware segment. Changes in the amount of the carrying value of goodwill for the year ended December 31, 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	178	141
Balance - End of period	$2,318	$1,384

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During 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 quarter ended September 30, 2004, the revenue target for 2004 was achieved and the maximum number of shares to be earned in 2004 was issued. In connection with the issuance of these shares, we recorded goodwill of $756, which represented the fair market value of the shares issued.

As of December 31, 2004 and 2003, definite life intangibles totaled $414 and $435, net of accumulated amortization of $120 and $40, respectively. These definite life intangibles are the result of our acquisition of Intestlogic and are being amortized using the straight-line method over ten years. These definite life intangible assets are technology based and include patented technology. They are allocated to the manipulator/docking hardware segment. Amortization expense for the years ended December 31, 2004, 2003 and 2002 was $48, $40 and $0, respectively. Estimated annual amortization expense for each of the next five years is $48.

Revenue Recognition

We recognize revenue related to product sales when the products are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

Product Warranties

We generally provide product warranties and record estimated warranty expense at the time of sale based upon historical claims experience. Warranty expense for the years ended December 31, 2004, 2003 and 2002 was $1,982, $1,897 and $1,070, respectively. Warranty expense is included in selling expense in the consolidated financial statements.

The following table sets forth the changes in the liability for product warranties for the years ended December 31, 2004 and 2003:

	2004	*2003*
Balance - Beginning of period	$ 1,102	$ 558
Payments made under warranty	(1,868)	(1,353)
Accruals for product warranties issued	1,982	1,897
Balance - End of period	$ 1,216	$ 1,102

Engineering and Product Development

Engineering and product development costs, which consist primarily of the salary and related benefits costs of our technical staff, as well as product development costs, are expensed as incurred.

Restructuring and Other Charges

We recognize a liability for restructuring costs at fair value only when the liability is incurred. The three main components of our restructuring plans are related to workforce reductions, the consolidation of excess facilities and asset impairments. Workforce-related charges are accrued when it is determined that a liability has been incurred, which is generally after individuals have been notified of their termination dates and expected severance benefits. Plans to consolidate excess facilities result in charges for lease termination fees and future commitments to pay lease charges, net of estimated future sub-lease income. We recognize charges for consolidation of excess facilities when we have vacated the premises. Assets that may be impaired consist of property, plant and equipment. Asset impairment charges are based on an estimate of the amounts and timing of future cash flows related to the expected future remaining use and ultimate sale or disposal of the asset. These estimates were derived using th e guidance of SFAS No. 146, *Accounting for Exit or Disposal Activities*, and SFAS No. 144, *Accounting for the Impairment of Disposal of Long Lived Assets*.

(In thousands, except share and per share data)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency

The accounts of our foreign subsidiaries are translated in accordance with SFAS No. 52, *Foreign Currency Translation*, which requires that assets and liabilities of international operations be translated using the exchange rate in effect at the balance sheet date. The results of operations are translated using an average exchange rate for the period. The effects of rate fluctuations in translating assets and liabilities of international operations into U.S. dollars are included in accumulated other comprehensive income (loss) in stockholders' equity. Transaction gains or losses are included in net earnings (loss). For the years ended December 31, 2004, 2003 and 2002, foreign currency transaction losses were $223, $12 and $107.

Income Taxes

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for operating loss and tax credit carryforwards and for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

Net Earnings (Loss) Per Common Share

Net earnings (loss) per common share is computed in accordance with 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 year. 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 year. Common share equivalents represent stock options and unvested shares of restricted stock and are calculated using the treasury stock method. Common share equivalents are excluded from the calculation if their effect is anti-dilutive.

A reconciliation of weighted average common shares outstanding -- basic to weighted average common shares outstanding -- diluted appears below:

	Years Ended December 31,		
	2004	2003	2002
Weighted average common shares outstanding -- basic	8,479,914	8,332,320	8,317,350
Potentially dilutive securities:			
Employee stock options	324,565	-	-
Weighted average common shares outstanding -- diluted	8,804,479	8,332,320	8,317,350

For the years ended December 31, 2004, 2003 and 2002, an average of 84,291, 952,682 and 917,050 employee stock options with weighted average exercise prices of $6.13, $3.86 and $5.81, respectively, were excluded from the calculation because their effect was anti-dilutive.

Stock-Based Compensation

At December 31, 2004, we have certain stock-based employee compensation plans, that are described more fully in Note 13. We account for these plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), 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.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table illustrates the effect on 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,* to stock-based employee compensation.

	2004	2003	2002
Net earnings (loss), as reported	$1,270	$(5,451)	$ (283)
Add: Stock-based employee compensation expense included in reported net earnings (loss), net of related tax effects	15	- -	10
Deduct: Total stock based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(256)	(741)	(2,009)

(In thousands, except share and per share data)

Pro forma net earnings (loss)	$1,029	$(6,192)	$(2,282)
Net earnings (loss) per share:			
Basic - as reported	$0.15	$(0.65)	$(0.03)
Basic - pro forma	$0.12	$(0.74)	$(0.27)
Diluted - as reported	$0.14	$(0.65)	$(0.03)
Diluted - pro forma	$0.12	$(0.74)	$(0.27)

The fair value for stock-options granted in 2004, 2003 and 2002 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2004	*2003*	*2002*
Risk-free interest rate	3.77%	2.88%	2.63%
Dividend yield	0.00%	0.00%	0.00%
Expected common stock market price volatility factor	.98	.89	.89
Weighted average expected life of stock options	5 years	5 years	5 years

The per share weighted average fair value of stock-options granted in 2004, 2003 and 2002 was $4.24, $2.13 and $1.92, respectively.

During the fourth quarter of 2004, we granted 230,000 shares of restricted stock to certain directors, officers and key employees. The fair value of these shares, which is recorded as deferred stock compensation in the consolidated financial statements, was $1,104 based on a closing price on the date of grant of $4.80 per share, as reported on the Nasdaq National Market. These shares vest over fours years (twenty-five percent on each anniversary date). During 2004, total compensation expense recognized related to these shares was $23.

New Accounting Pronouncements

In December 2003, the Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin ("SAB") No. 104, *Revenue Recognition*, effective December 17, 2003. SAB No. 104 updates portions of the interpretive guidance included in Topic 13 of the codification of SABs to make this interpretive guidance consistent with current authoritative accounting guidance and SEC rules and regulations related to revenue recognition. We believe our revenue recognition policies are in compliance with SAB No. 104.

On January 1, 2003, we adopted SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 addresses the accounting and reporting of expenses related to restructurings initiated after 2002, and applies to costs associated with an exit activity (including a restructuring) or with a disposal of long-lived assets. Those activities can include eliminating or reducing products lines, terminating employees and contracts, and relocating plant facilities or personnel. SFAS No. 146 changes some of the criteria for recognizing a liability for these activities. The adoption of SFAS No. 146 did not have an effect on our results of operations, financial condition or long-term liquidity.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On October 22, 2004, the American Jobs Creation Action (the "AJCA") was signed into law and the AJCA contains many tax provisions expected to affect us over the next several years as those provisions become effective. We are continuing to review these provisions and their application to some of our businesses to evaluate the effect these changes may have on income taxes included in our consolidated financial statements. The AJCA provides for the deduction for U.S. federal income tax purposes of 85% of certain foreign earnings that are repatriated, as defined in the AJCA. We may elect to apply this provision to qualifying earnings repatriations in 2005. We will commence an evaluation of the effects of the repatriation provision in the first half of 2005. The AJCA also provides for a domestic manufacturing deduction for U.S. federal income tax purposes. We will not benefit from this deduction until the date in the future that the U.S. federal tax losses have been fully absorbed. We will continue to apply th e rules under the extraterritorial income exclusion under the AJCA transition rules in 2005 and 2006.

In November 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 151, *Inventory Costs - an amendment of ARB No. 43*, which is the result of its efforts to converge U.S. accounting standards for inventories with International Accounting Standards. SFAS No. 151 requires idle facility expenses, freight, handling costs, and wasted material (spoilage) costs to be recognized as current-period charges. It also requires that allocation of fixed production overheads to the costs of manufacturing be based on the normal capacity of the production facilities. SFAS No. 151 will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. We are evaluating the impact of this standard on our consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123 (Revised 2004) *Share-Based Payment* ("SFAS No. 123R"). SFAS No. 123R addresses all forms of share-based payment ("SBP") awards, including shares issued under employee stock purchase plans, stock options, restricted stock and stock appreciation rights. SFAS No. 123R will require us to expense SBP awards as compensation with such expense measured at the fair value of such SBP transaction. The FASB originally stated a preference for a lattice model of valuation because it believed that a lattice model more fully captures the unique characteristics of employee stock options in the estimate of fair value, as compared to the Black-Scholes model which we currently use for our footnote disclosure. The

(In thousands, except share and per share data)

FASB decided to remove its explicit preference for a lattice model and not require a single valuation methodology. SFAS No. 123R requires us to adopt the new accounting provisions beginning in the third quarter of 2005. We have not yet determined the impact of applyi ng the various provisions of SFAS No. 123R.

(3) ACQUISITION

On October 1, 2002, we acquired Intestlogic, a privately-held German corporation. Intestlogic is engaged in the design, manufacture and sale of manipulator and docking hardware products used by semiconductor manufacturers. The transaction was structured as a purchase of all of the capital stock of Intestlogic. The purchase price consisted of a cash payment of $395, plus transaction costs of $185. In addition, during 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 have required the issuance of up to 200,000 shares of common stock. During the quarter ended September 30, 2004, the revenue target for 2004 was achieved and the maximum number of shares to be earned in 2004 was issued. In connection with the issuance of these shares, we recorded additional goodwill of $756, which represented the fair m arket value of the shares issued (100,000 shares at $7.56). The following is an allocation of the purchase price:

Cash payment	$ 395
Transaction costs	185
Contingent consideration-2004	756
	1,336
Estimated fair value of identifiable assets acquired, net of liabilities assumed	270
Goodwill	$1,066

The estimated fair value of identifiable assets acquired, net of liabilities assumed, included a definite life intangible which is being amortized over ten years. The definite life intangible is patented technology and has been allocated to the manipulator/docking hardware segment.

(4) MAJOR CUSTOMERS

Texas Instruments Inc. accounted for 16%, 11% and 10% of our consolidated net revenues in 2004, 2003 and 2002, respectively. Teradyne Inc. accounted for 11% of our net revenues in 2004. Agilent Technologies Inc. accounted for 18% and 16% of our consolidated net revenues in 2003 and 2002, respectively. While all three of our operating segments sold to these customers, these revenues were primarily generated by our manipulator/docking hardware and tester interface segments. During the years ended December 31, 2004, 2003 and 2002, no other customer accounted for 10% or more of our consolidated net revenues.

(5) INVENTORIES

Inventories held at December 31 were comprised of the following:

	2004	*2003*
Raw materials	$7,488	$5,347
Work in process	289	1,003
Inventory consigned to others	541	627
Finished goods	1,083	355
	$9,401	$7,332

(6) OTHER ACCRUED EXPENSES

Other accrued expenses consist of the following:

	December 31,	
	2004	*2003*
Accrued rent	$200	$201
Accrued customer obligations	191	234
Accrued repairs	153	-
Accrued professional fees	152	136
	197	116

(In thousands, except share and per share data)

Other	197	116
	$893	$687

(7) DEBT

Line of Credit

As of December 31, 2004, we had a secured credit facility which provided for maximum borrowings of $250. We have not utilized this facility to borrow any funds. Our only usage consists of the issuance of two letters of credit in the face amounts of $200 and $50, respectively. We pay a quarterly fee of 1.5% per annum on the total amount of the outstanding letters of credit. The terms of the credit facility require that we maintain a minimum level of $200 of cash with the bank. This credit facility expires on September 30, 2006.

Letters of Credit

As of December 31, 2004 and 2003 we had an outstanding letter of credit in the amount of $200. This letter of credit was originally issued in December 2000 as a security deposit under a lease, that our Temptronic subsidiary entered into for its new facility in Sharon, Massachusetts. This letter of credit expires January 1, 2006; however, the terms of the lease require that the letter of credit be renewed at least thirty days prior to its expiration date for successive terms of not less than one year throughout the entire lease term, which ends February 28, 2011.

(7) DEBT (Continued)

As of December 31, 2004 we also had an outstanding letter of credit in the amount of $50. This letter of credit was issued in September 2004 as a portion of the security deposit under a lease that we entered into for a new facility for our tester interface operation based in northern California. We occupied this facility in late January 2005. This letter of credit expires September 13, 2005; however, the terms of the lease require that the letter of credit be renewed at least thirty days prior to its expiration date for successive terms of not less than one year until June 30, 2012, which is sixty days after the expiration of the lease term. However, providing that as of December 31, 2008, there have been no events of default or late payments of rent, we can request that the letter of credit be reduced to $0 at that time.

Capital Lease Obligations

In January 2001, we entered into two capital lease agreements to finance equipment purchases. In December 2004, we entered into an additional capital lease agreement to finance the purchase of a vehicle. The minimum lease payments under the capital leases in effect at December 31, 2004 are as follows:

2005	$112
2006	25
2007	8
2008	8
2009 and thereafter	9
Total minimum lease payments	162
Less: Amount representing interest	9
Present value of minimum lease payments	153
Less: Current portion of capital leases	106
Obligations under capital lease, excluding current portion	$ 47

(8) COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

We lease our offices, warehouse facilities, automobiles and certain equipment under noncancellable operating leases which expire at various dates through 2012. Total rental expense for the years ended December 31, 2004, 2003 and 2002 was $2,131, $2,076 and $2,003, respectively.

The aggregate minimum rental commitments under the noncancellable operating leases in effect at December 31, 2004 are as follows:

2005	$1,769
2006	$1,613

(In thousands, except share and per share data)

2007	$1,562
2008	$1,539
2009	$1,533
Thereafter	$1,724

Minimum Purchase Commitments

On June 1, 2004, we entered into an exclusive rights agreement to market and sell certain zero insertion force electronic cable assemblies and mating connectors ("ZIF Products" or "ZIF Technology"). These ZIF Products are the proprietary and confidential designs of one of the suppliers of our tester interface division. The terms of this agreement include payment of a $150 nonrefundable fee and certain minimum purchase requirements (as set forth below). If we fail to satisfy the minimum purchase requirements, the supplier has the right to terminate our exclusive right to market and sell these ZIF Products.

(8) COMMITMENTS AND CONTINGENCIES (Continued)

The minimum purchase requirements are applicable to the forty-eight month period following the date we invoice the first customer for a product which contains any of the ZIF Technology. As of December 31, 2004, we had not invoiced any customers for products containing the ZIF Technology. We currently anticipate that we will invoice the first customer for such a product in either the second or third quarter of 2005. The minimum purchase commitments during the forty-eight month period following this first invoice are as follows:

Year 1	$ 219
Year 2	438
Year 3	438
Year 4	438
Total	$1,533

Contingencies

As part of a prior contractual arrangement with a former executive of a subsidiary, we have agreed to provide life insurance in the amount of $300 to this former executive until he reaches the age of sixty-five. The provision of this life insurance benefit is self-insured by us. As of December 31, 2004, this individual was sixty-two years old. No amounts have been recorded by us for this contingency as of December 31, 2004.

(9) RESTRUCTURING AND OTHER COSTS

During the fourth quarter of 2004, we began the process of restructuring our operations with the goal of significantly reducing our fixed operating costs to position ourselves to effectively meet the needs and expectations of the fluid ATE market.

In the quarter ended December 31, 2004, we accrued $527 for severance and related payments resulting from the termination of 43 domestic and 2 foreign staff. The severance and related payments were comprised of $383 in our Manipulator/Docking Hardware segment, $100 in our Temperature Management segment and $44 in our Tester Interface segment. Additionally, in the quarter ended December 31, 2004, we recorded an impairment of long-lived assets of $100 related to our U.K. operation, which is part of our Manipulator/Docking Hardware segment. Due to the history of operating losses experienced by our U.K. operation, combined with our forecasts that indicated potential future losses for this operation, we performed an assessment of the recoverability of the carrying value of this operation's long-lived assets. These long-lived assets consisted of property and equipment. In March 2005, we announced our intention to close this operation and we expect to record restructuring accruals in the first quarter of 2005 relat ed to severance and facility closure costs.

Our restructuring and other costs for 2004 are summarized as follows:

Accruals in the quarter ended December 31, 2004	$527
Severance and other cash payments	(266)
Balance accrued at December 31, 2004	$261

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

(10) INCOME TAXES

We are subject to Federal and certain state income taxes. In addition, we are taxed in certain foreign countries. The cumulative amount of undistributed earnings of our foreign subsidiaries for which U.S. income taxes have not been provided, was $2,896, $1,732 and $3,003 at December 31, 2004, 2003 and 2002, respectively. On October 22, 2004, the American Job Creations Act (the "AJCA") was signed into law. The AJCA provides for the deduction for Federal income tax purposes of 85% of certain foreign earnings that are repatriated, as defined in the AJCA. We will commence an evaluation of the effects of the repatriation provision in the first half of 2005.

Total income tax expense (benefit) was allocated as follows:

	Years Ended December 31,		
	2004	2003	2002
Income (loss) from operations	$ 398	$1,841	$(1,380)
Stockholders' equity, for tax benefit derived from exercise and sale of stock option shares	-	-	(21)
	$ 398	$1,841	$(1,401)

Income (loss) before income taxes was as follows:

	Years Ended December 31,		
	2004	2003	2002
Domestic	$ 128	$(3,106)	$(1,076)
Foreign	1,540	(504)	(587)
	$1,668	$(3,610)	$(1,663)

Income tax expense (benefit) was as follows:

	Years Ended December 31,		
	2004	2003	2002
Current			
Domestic -- Federal	$ -	$ 185	$(1,583)
Domestic -- state	-	-	(310)
Foreign	398	216	(27)
	398	401	(1,920)
Deferred:			
Domestic -- Federal	-	1,371	587
Domestic -- state	-	69	(47)
	-	1,440	540
Income tax expense (benefit)	$398	$1,841	$(1,380)

Deferred income taxes reflect the net tax effect of net operating loss and credit carryforwards and temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following is a summary of the significant components of our deferred tax assets and liabilities as of December 31, 2004 and 2003:

(In thousands, except share and per share data)

(10) INCOME TAXES (Continued)

	December 31, 2004	December 31, 2003
Deferred tax assets:		
Net operating loss (Federal, state and foreign)	$1,740	$2,082
Inventories	775	416
Accrued vacation pay	166	237
Foreign tax credit carryforward	249	228
Accrued warranty	334	180
Allowance for doubtful accounts	53	45
Accrued bonuses	117	12
Property and equipment	9	3
Other	11	10
	3,454	3,213
Valuation allowance	(3,404)	(3,191)
Deferred tax assets	50	22
Deferred tax liabilities:		
Accrued royalty income	(50)	(22)
Deferred tax liabilities	(50)	(22)
Net deferred tax asset	$ -	$ -

The valuation allowance for deferred tax assets as of the beginning of 2004 and 2003 was $3,191 and $218, respectively. The net change in the valuation allowance for the years ended December 31, 2004 and 2003 was an increase of $213 and $2,973, respectively. In assessing the ability to realize the deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. In order to fully realize the total deferred tax assets, we will need to generate future taxable income prior to the expiration of net operating loss and credit carryforwards which expire in various years through 2024. Based upon the leve l of historical taxable income and projections for future taxable income over the periods in which the temporary differences are deductible, we believe it is more likely than not that we will not realize the benefit of the deferred tax asset and, as a result, have recorded a full valuation allowance at December 31, 2004.

An analysis of the effective tax rate for the years ended December 31, 2004, 2003 and 2002 and a reconciliation from the expected statutory rate of 34% is as follows:

	Years Ended December 31, 2004	2003	2002
Expected income tax provision at U.S. statutory rate	$ 567	$(1,227)	$ (565)
State taxes, net of valuation allowances and Federal tax benefits	-	-	(236)
Increase (decrease) in tax from:			
Federal credits	-	185	(661)
Foreign income tax rate differences	(126)	571	172
Change in valuation allowance	71	2,327	90
Extraterritorial income exclusion	(146)	(13)	(189)
Nondeductible expenses	32	19	19
Other		(21)	(10)

(In thousands, except share and per share data)

Other	-	(21)	(10)
Income tax expense (benefit)	$ 398	$1,841	$(1,380)

(11) 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 legal proceedings the resolution of which could have a material effect on our business, financial position, results of operations or long-term liquidity.

On March 14, 2003, we settled and dismissed a suit we had initiated in December 2000 against Credence Systems Corporation claiming infringement of our U.S. patent number 4,589,815. Pursuant to the settlement, Credence made a cash payment to us in March 2003, and we established non-exclusive, fully paid cross-licensing agreements with respect to certain patents. In addition, Credence has agreed to utilize our manipulators with its ASL 3000 family of test systems.

(12) RELATED PARTY TRANSACTIONS

We paid consulting fees which totaled $33, $107 and $58 during the years ended December 31, 2004, 2003 and 2002, respectively, to one individual who is a member of our Board of Directors.

Some of our foreign subsidiaries paid directors' fees to individuals who are our executive officers which totaled $24, $52 and $51 during the years ended December 31, 2004, 2003 and 2002, respectively.

Temptronic has transactions in the normal course of business with Hakuto Co. Ltd ("Hakuto") and its subsidiaries. As of December 31, 2004 and 2003, Hakuto owned -0- and 646,311 shares of our outstanding stock, respectively. During the years ended December 31, 2004, 2003 and 2002, Temptronic sold product at market prices totaling approximately $3,016, $2,170 and $1,920, respectively, to Hakuto and its subsidiaries. At December 31, 2004 and 2003, accounts receivable from Hakuto and its subsidiaries amounted to approximately $58 and $31, respectively.

(13) STOCK OPTION PLAN

The Amended and Restated 1997 Stock Plan (the "Plan") provides for the granting of incentive stock options and non-qualified stock options to purchase shares of our common stock and for other stock-based awards to key employees and directors and to non-employee consultants. The Plan consists of two parts: the Non-Qualified Plan (administered by our Board of Directors) and the Key Employee Plan (administered by the Compensation Committee of our Board of Directors). We have reserved 1,250,000 shares of common stock for issuance upon exercise of options or stock awards under the Plan.

No option may be granted with an exercise period in excess of ten years from the date of grant. Generally, incentive stock options will be granted with an exercise price equal to the fair market value on the date of grant. The exercise price of non-qualified stock options will be determined by either the Board of Directors or the Compensation Committee of the Board of Directors. The options that have been issued under the Plan generally vest 20% one year from date of grant and 20% in each of the succeeding four years.

In connection with our merger with Temptronic, outstanding incentive and non-qualified stock options to acquire Temptronic common stock were converted into 175,686 stock options to acquire our stock at a conversion ratio of 0.925, with appropriate adjustment to the exercise price. These stock options, which are not subject to the Plan, generally vest over four to five years.

On August 16, 2002, we commenced a voluntary stock option exchange program for certain of our eligible employees and directors. Under the program, eligible employees and directors were given the right to forfeit certain outstanding stock options previously granted to them at an exercise price greater than or equal to $9.5625 per share, in exchange for the right to receive a new option to buy shares of our common stock to be granted on February 24, 2003. In total, 340,000 stock options were canceled on August 23, 2002 as a result of this program and 340,000 stock options were granted on February 24, 2003. The exchange program did not result in additional compensation charges or variable option plan accounting, as it was designed to comply with Interpretation No. 44, *Accounting for Certain Transactions Involving Stock-Based Compensation*. The new options had an exercise price equal to the fair market value of our common stock on the new grant date, so no compensation expense was recorded as a result of t he exchange program. The new options were 50% vested on the date of grant and will vest an additional 25% on the first and second anniversary of the grant.

(13) STOCK OPTION PLAN (Continued)

The following table summarizes the stock option activity for the three years ended December 31, 2004:

	Number of Shares	*Weighted Average Exercise Price*
Options outstanding, January 1, 2002 (386,930 exercisable)	1,021,925	$ 6.62
Granted	108,000	4.04

(In thousands, except share and per share data)

Exercised	(14,800)	2.59
Canceled	(423,050)	10.05
Options outstanding, December 31, 2002 (365,715 exercisable)	692,075	4.20
Granted	340,000	3.04
Exercised	(37,500)	3.70
Canceled	(26,700)	4.07
Options outstanding, December 31, 2003 (597,725 exercisable)	967,875	3.82
Granted	20,000	3.04
Exercised	(232,659)	3.70
Canceled	(54,750)	4.07
Options outstanding, December 31, 2004 (522,166 exercisable)	700,466	3.82

The following table summarizes information about stock options outstanding at December 31, 2004:

Range of Exercise Prices	*Number Outstanding at December 31, 2004*	*Weighted Average Remaining Life*	*Weighted Average Exercise Price of Outstanding Options*	*Number Exercisable at December 31, 2004*	*Weighted Average Exercise Price of Exercisable Options*
\$2.99 - \$3.35	425,841	7.62 years	\$3.11	325,341	\$3.13
\$3.61 - \$4.44	134,775	5.52 years	\$4.01	90,975	\$4.12
\$5.66 - \$6.75	139,850	4.47 years	\$6.07	105,850	\$6.09
	700,466		\$3.87	522,166	\$3.88

(14) EMPLOYEE BENEFIT PLANS

We have a defined contribution 401(k) plan for our employees who work in the U.S. (the "inTEST 401(k) Plan"). All permanent employees of inTEST Corporation and inTEST Sunnyvale Corp. who are at least 18 years of age are eligible to participate in the plan. During the second and third quarters of 2004 and the third quarter of 2002, we matched employee contributions dollar for dollar up to 10% of the employee's annual compensation, with a maximum limit of \$5. Matching contributions are discretionary. Both at the present time and at various points in time in the past, these matching contributions have been temporarily suspended as a part of our cost containment efforts. The most recent suspension of the matching contribution was implemented at the beginning of the fourth quarter of 2004. Employer contributions vest over a six-year period. We contributed \$231, \$0 and \$83 to the plan for the years ended December 31, 2004, 2003 and 2002, respectively.

Temptronic adopted a defined contribution 401(k) plan for its domestic employees in 1988, that was merged into the inTEST 401(k) Plan effective September 1, 2002. All permanent employees who were at least 21 years of age were eligible to participate in the standalone plan. In addition, Temptronic could make discretionary matching contributions determined annually by Temptronic of up to 6% of the employees' annual compensation. Effective October 1, 2001, we suspended the employer matching contributions due to our cost containment efforts. Matching contributions were reinstated in April 2004 but

(14) EMPLOYEE BENEFIT PLANS (Continued)

were suspended again at the end of November 2004. Employer contributions vest over a seven-year period. Temptronic contributed \$52, \$0 and \$0 to the plan for the years ended December 31, 2004, 2003 and 2002, respectively. The inTEST 401(k) Plan retains the matching provisions of the prior Temptronic plan for all Temptronic employees. The eligibility and vesting provisions of the prior Temptronic plan have been conformed to those for inTEST Corporation and inTEST Sunnyvale Corp. employees.

In addition to the employer matching for which Temptronic employees are eligible, upon the termination of the Temptronic Equity Participation Plan ("EPP"), we also acknowledged that it was our intention to contribute \$3,000 in the aggregate to the inTEST 401(k) Plan as a form of profit sharing (not to exceed \$300 per year) for the benefit of Temptronic employees. The amount of these contributions approximates the amount that we had been committed to contribute to the EPP as of its termination date and will be allocated to employees annually in the same manner in which the shares held by the EPP had been allocated. The vesting provisions for these contributions will be the same as those of the inTEST 401(k) Plan. All such profit sharing contributions are at the discretion of management. Accruals for a profit sharing contribution of $150 were made during the second half of 2004. We funded this obligation through the use of 34,137 treasury shares in 2005. No profit sharing contributions were made during 2 003 or 2002 due to our cost containment efforts.

(In thousands, except share and per share data)

(15) SEGMENT INFORMATION

We have three reportable segments: Manipulator/Docking Hardware Products, Temperature Management Systems and Tester Interface Products. The Manipulator and 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 manipulator 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 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 servic e and support, which is paid for by its customers. The Tester Interface segment includes the operations of inTEST Sunnyvale Corp. in Sunnyvale, California. (In the first quarter of 2005, we renamed this operation inTEST Silicon Valley Corporation and relocated it to San Jose, 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.

	Years Ended December 31,		
	2004	*2003*	*2002*
Net revenues from unaffiliated customers:			
Manipulator/Docking Hardware	$38,414	$24,364	$20,737
Temperature Management	22,581	16,780	17,706
Tester Interface	13,516	11,132	10,333
Intersegment sales	(3,300)	(4,248)	(1,649)
	$71,211	$48,028	$47,127
Intersegment sales:			
Manipulator/Docking Hardware	$ 53	$ 10	$ 25
Temperature Management	1,599	1,317	433
Tester Interface	1,648	2,921	1,191
	$3,300	$4,248	$1,649

(15) SEGMENT INFORMATION (Continued)

	Years Ended December 31,		
	2004	*2003*	*2002*
Depreciation/amortization:			
Manipulator/Docking Hardware	$1,166	$1,085	$ 945
Temperature Management	508	523	547
Tester Interface	432	419	425
	$2,106	$2,027	$1,917
Operating income (loss):			
Manipulator/Docking Hardware	$ (917)	$(3,901)	$(2,236)
Temperature Management	540	(1,637)	(1,293)

Tester Interface	2,043	1,704	1,723
	$1,666	$(3,834)	$(1,806)
Earnings (loss) before income taxes:			
Manipulator/Docking Hardware	$ (918)	$ (3,796)	$ (2,181)
Temperature Management	636	(1,521)	(1,191)
Tester Interface	1,950	1,707	1,709
	$1,668	$(3,610)	$(1,663)
Income tax expense (benefit):			
Manipulator/Docking Hardware	$259	$1,242	$(1,262)
Temperature Management	139	376	(674)
Tester Interface	-	223	556
	$398	$1,841	$(1,380)
Net earnings (loss):			
Manipulator/Docking Hardware	$(1,177)	$(5,038)	$ (919)
Temperature Management	497	(1,897)	(517)
Tester Interface	1,950	1,484	1,153
	$ 1,270	$(5,451)	$ (283)
Capital expenditures:			
Manipulator/Docking Hardware	$1,426	$ 560	$ 352
Temperature Management	457	728	380
Tester Interface	443	369	284
	$2,326	$1,657	$1,016

	December 31,	
Identifiable assets:	***2004***	***2003***
Manipulator/Docking Hardware	$19,907	$16,568
Temperature Management	8,507	9,056
Tester Interface	4,753	4,353
	$33,167	$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.

	Years Ended December 31,		
Net revenues from unaffiliated customers:	***2004***	***2003***	***2002***
U.S.	$54,123	$36,762	$41,306
Europe	7,343	4,584	2,710
Asia-Pacific	9,745	6,682	3,111
	$71,211	$48,028	$47,127

(In thousands, except share and per share data)

(15) SEGMENT INFORMATION (Continued)

Long-lived assets:	*December 31,* 2004	2003
U.S.	$3,711	$3,914
Europe	739	523
Asia-Pacific	104	102
	$4,554	$4,539

(16) QUARTERLY CONSOLIDATED FINANCIAL DATA (Unaudited)

The following tables present certain unaudited consolidated quarterly financial information for each of the eight quarters ended December 31, 2004. In our opinion, this quarterly information has been prepared on the same basis as the consolidated financial statements and includes all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the information for the periods presented. The results of operations for any quarter are not necessarily indicative of results for the full year or for any future period.

Year-over-year quarterly comparisons of our results of operations may not be as meaningful as the sequential quarterly comparisons set forth below that tend to reflect the cyclical activity of the semiconductor industry as a whole. Quarterly fluctuations in expenses are related directly to sales activity and volume and may also reflect the timing of operating expenses incurred throughout the year.

	Quarters Ended 3/31/04(1)	6/30/04(2)	9/30/04(3)	12/31/04(4)	*Total*
Net revenues	$17,008	$22,714	$19,509	$11,980	$71,211
Gross margin	7,211	10,416	7,783	3,380	28,790
Earnings (loss) before income taxes	1,123	3,185	857	(3,497)	1,668
Income tax expense (benefit)	125	680	(384)	(23)	398
Net earnings (loss)	998	2,505	1,241	(3,474)	1,270
Net earnings (loss) per common share - basic	$0.12	$0.30	$0.15	$(0.40)	$0.15
Weighted average common shares outstanding - basic	8,362,725	8,362,857	8,500,225	8,691,301	8,479,914
Net earnings (loss) per common share - diluted	$0.11	$0.29	$0.14	$(0.40)	$0.14
Weighted average common shares outstanding - diluted	8,724,290	8,703,903	8,902,440	8,691,301	8,804,479

	Quarters Ended 3/31/03	6/30/03	9/30/03(5)	12/31/03(6)	*Total*
Net revenues	$ 9,189	$11,269	$12,725	$14,845	$48,028
Gross margin	2,989	4,469	5,471	5,920	18,849
Loss before income taxes	(1,754)	(745)	(665)	(446)	(3,610)
Income tax expense (benefit)	(611)	(102)	2,115	439	1,841
Net loss	(1,143)	(643)	(2,780)	(885)	(5,451)
Net loss per common share - basic and diluted	$(0.14)	$(0.08)	$(0.33)	$(0.11)	$(0.65)
Weighted average common shares outstanding - basic and diluted	8,324,357	8,324,645	8,326,477	8,353,546	8,332,320

(16) QUARTERLY CONSOLIDATED FINANCIAL DATA (Unaudited) (Continued)

Footnotes

(1) The quarter ended March 31, 2004 included $392 of product warranty expense.

(2) The quarter ended June 30, 2004 included $548 of inventory obsolescence charges and $493 of product warranty expense.

(3) The quarter ended September 30, 2004 included $446 of inventory obsolescence charges and $642 of product warranty expense.

(4) The quarter ended December 31, 2004 included $456 of product warranty expense and $627 of restructuring and other charges.

(5) The quarter ended September 30, 2003 included $808 of product warranty expense and a $2,056 valuation allowance recorded against our net deferred tax assets.

(6) The quarter ended December 31, 2003 included $612 of inventory obsolescence charges; $568 of product warranty expense; a $228 valuation

(6) The quarter ended December 31, 2003 included $612 of inventory obsolescence charges, $568 of product warranty expense, a $228 valuation allowance recorded against foreign deferred tax assets; and $185 of income tax expense due to a reduction in the anticipated amount of a tax refund.

(17) SUBSEQUENT EVENT

As a result of the organizational changes and cost structure adjustments we have undertaken as part of our continuing efforts to position ourselves to effectively meet the needs and expectations of the fluid ATE market, on March 14, 2005 we announced our intention to close our U.K. operations. We expect to make restructuring accruals in the first quarter of 2005 related to severance and facility closure costs. At December 31, 2004, the net book value of our fixed assets associated with this operation was $442. We expect to complete the closure of the U.K. operation during the second quarter of 2005.

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inTEST CORPORATION
SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

	Balance at Beginning of Period	*Expense (Recovery)*	*Deductions*	*Balance at End of Period*
Year Ended December 31, 2002				
Allowance for doubtful accounts	$ 125	$ (1)	$ 6	$ 130
Warranty reserve	451	1,070	(963)	558
Year Ended December 31, 2003				
Allowance for doubtful accounts	130	-	(5)	125
Warranty reserve	558	1,897	(1,353)	1,102
Year Ended December 31, 2004				
Allowance for doubtful accounts	125	38	(4)	159
Warranty reserve	1,102	1,982	(1,868)	1,216

inTEST CORPORATION

Restricted Stock
Award Agreement
for

____

We are pleased to advise you that inTEST Corporation (the "Company") hereby grants to you under the inTEST Corporation Amended and Restated 1997 Stock Plan (the "Plan"), an award of restricted stock with respect to _____________ shares of Common Stock of the Company, subject to your signing this Agreement and the provisions hereof. This award is subject in all respects to the applicable provisions of the Plan, a complete copy of which has been furnished to you and receipt of which you acknowledge by acceptance of the award. Such provisions are incorporated herein by reference and made a part hereof (including all defined terms).

1. **Issuance of Shares.** Upon your execution and delivery of this Agreement and one or more instruments of transfer relating to all shares issuable pursuant to this Agreement (the "Shares"), you will be issued _______________ Shares of Common Stock as of _________________ (the "Grant Date"), subject to the terms, conditions and restrictions of this Agreement and the Plan. Such Shares shall be registered in your name, but the Company shall retain custody of any certificates issued for such Shares pending the vesting or forfeiture thereof. Upon the vesting of any such Shares, the Company shall deliver to you the certificates for such Shares.

2. **Vesting.**

   (i) Shares of Common Stock issued to you under this Agreement shall vest according to the following schedule:

   ____.

   (ii) In the event that you become entitled to a fractional Share, such fractional Share shall not vest unless and until the participant becomes entitled to such number of fractional Shares as shall be equal in sum to a whole Share;

3. **Conditions to Vesting.** As a condition to the vesting of Shares, all of the following conditions must be fully satisfied on the applicable vesting date:

   (i) You must be employed by the Company, or engaged to provide services to the Company, and no event shall have occurred which, with due notice or lapse of time, or both, would entitle the Company to terminate your employment or engagement with the Company.

   (ii) You must not be in breach or default of any obligation to the Company, whether or not contained in any agreement with the Company or imposed by law.

4. **Death, Disability or Change in Control.** Shares of Common Stock issued under this Agreement shall become immediately and fully vested in the event: (A) you die; (B) you incur a Disability; or (C) a Change of Control occurs; *provided, however,* that you satisfy the requirements of Section 3 of this Agreement. For purposes of this Agreement, the term "Disability" shall mean a condition of total mental or physical incapacity for further performance of a person's duty with the Company that the Committee determines, on the basis of competent medical evidence, is likely to be permanent and constitutes a "disability" within the meaning of section 22(e)(3) of the Internal Revenue Code.

5. **Transferability**. The Shares of Common Stock issued to you under this Agreement shall not be transferable by you prior to the date such Shares become vested under the terms of this Agreement and the Plan, except in the case of your death or disability.

6. **Restrictive Legend.** Certificates for the Shares with respect to which the restrictions have not lapsed shall be inscribed with the following legend:

   > "The shares of stock evidenced by this certificate are subject to the terms and restrictions of a Restricted Stock Award Agreement. They are subject to forfeiture under the terms of that Agreement if they are transferred, sold, pledged, given, hypothecated, or otherwise disposed of, other than through death or disability. A copy of that Agreement is available from the Secretary of inTEST Corporation upon request."

7. **Removal of Restrictive Legend.** When the restrictions on any Shares lapse, the Company shall

7. **Removal of Restrictive Legend.** When the restrictions on any Shares lapse, the Company shall cause a replacement stock certificate for those Shares, without the legend referred to in Section 6, to be issued and delivered to you, as soon as practicable.

8. **No Right to Employment.** Neither the award of Shares pursuant to this Agreement nor any provision of this Agreement shall be construed (i) to give you any right to continued employment with the Company or (ii) as an amendment to your employment agreement with the Company.

9. **Forfeiture**. Shares of Common Stock issued to you under this Agreement not previously vested hereunder shall be forfeited as of the date your employment by, or engagement to provide services to, the Company and all affiliates thereof terminates. Following such a forfeiture, you shall have no rights whatsoever with respect to the Shares of Common Stock forfeited.

10. **Voting, Dividend and Tender Offer Rights**. You shall have all voting, dividend and tender offer rights with respect to Shares of Common Stock issued to you under this Agreement whether or not such Shares are vested or unvested. Cash dividends shall be distributed to you. Stock dividends shall be issued to you and shall become vested under the same terms and conditions as the Shares under the award of restricted stock to which they pertain.

11. **Withholding of Applicable Taxes.** It shall be a condition to the Company's obligation to deliver Common Stock to you pursuant to this Agreement that you pay, or make provision satisfactory to the Company for the payment of, any taxes (other than stock transfer taxes) the Company is obligated to collect with respect to the delivery of Common Stock under this Agreement, including any applicable federal, state, or local withholding or employment taxes.

12. **Amendment**. This Agreement may be amended, in whole or in part and in any manner not inconsistent with the provisions of the Plan, at any time and from time to time, by written agreement between the Company and you.

The undersigned hereby acknowledges this award of restricted stock on behalf of the Company.

inTEST Corporation

By: ________________________________
Hugh T. Regan, Jr.
Chief Financial Officer

To indicate your acceptance and agreement to this Restricted Stock Award, please execute and immediately return to the Company the enclosed duplicate original of this Agreement.

ACCEPTED AND AGREED TO:

____

____
Date

EXHIBIT 10.9

inTEST Corporation

Non-Qualified Stock Option Agreement

inTEST Corporation, a Delaware corporation ("inTEST"), hereby grants to ___________________ (the "optionee") an option to purchase a total of ______________________ (______________) shares of the Common Stock (the "Option Shares") of inTEST, at the price and on the terms and conditions set forth herein and in all respects subject to the terms, conditions and provisions of the inTEST Corporation 1997 Stock Plan applicable to options granted pursuant to the Non-Qualified Plan (the "Plan"), which terms, conditions and provisions are hereby incorporated herein by reference. Unless the context herein otherwise requires, the terms defined in the Plan shall have the same meanings herein.

1. Term of Option

This Option is granted as of _______________ (the "Date of Grant") and it may not be exercised later than the close of business on _________________ (the "Expiration Date"); however, this Option is subject to earlier termination as set forth in this Option Agreement and in the Plan.

2. Option Exercise Price

The Option exercise price ("Option Price") is ____________________________ ($____) per Option Share.

3. Exercise of Option

This Option is exercisable during its term only in accordance with the terms, conditions and provisions of the Plan and this Option Agreement as follows:

(a) *Right to Exercise*. This Option shall vest at the rate of : _______________________, provided, however, that the Optionee is in the service of inTEST or any of its Affiliates on the date of such vesting. This Option may be exercised, in whole or in part, up to the amount vested through the date of exercise to the extent not earlier exercised and otherwise in accordance with the terms, conditions and provisions of the Plan and this Option Agreement.

(b) *Method of Exercise*. When exercisable, this Option shall be exercised only upon receipt by inTEST, in form and substance acceptable to inTEST, of (i) written notice of such exercise and (ii) payment in full of the Option Price for the Option Shares to be purchased. Each such notice shall (i) specify the number of Option Shares to be purchased, and (ii) satisfy the securities law requirements set forth in the Plan.

(c) *Restrictions on Exercise*. This Option may not be exercised if the issuance of the Option Shares upon such exercise would constitute a violation of any applicable federal or state securities laws or regulations or other laws or regulations. As a condition to the exercise of this Option, inTEST may require the Optionee to make any representations and warranties to inTEST as inTEST deems necessary or appropriate under any applicable law or regulation.

4. Payment for Option Shares

The Optionee shall pay for the shares (i) in cash, (ii) by bank check payable to the order of inTEST or (iii) by such other mode of payment as inTEST may approve.

5. Transfer of Option Shares

Option Shares may not be sold, pledged, assigned, hypothecated, gifted, transferred or disposed of in any manner without compliance with all applicable federal and state securities laws and regulations, and an appropriate legend referring to any restrictions on transfer and any other restrictions imposed herein or under the Plan may be endorsed on the certificates representing Option Shares.

6. Transfer of Option

This Option may not be sold, pledged, assigned, hypothecated, gifted, transferred or disposed of in any manner, either voluntarily or involuntarily by operation of law, other than by will or by the laws of dissent or distribution, and may be exercised during the lifetime of the Optionee only by the Optionee. Subject to the foregoing, the terms of the Plan and the terms of this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

7. Termination of Options

This Option shall expire as set forth above and may not be exercised later than the Expiration Date. Notwithstanding the foregoing, this Option may not be exercised after the first to occur of the following:

(i) the date set by the Board of Directors to be an accelerated expiration date after a finding by the Board of Directors of inTEST (the "Board of Directors") that a change in the financial accounting treatment for options from that in effect on the date the Plan was adopted materially adversely affects inTEST or, in the determination of the Board of Directors, may materially adversely affect inTEST in the foreseeable future, provided the Board of Directors may take whatever action, including acceleration of any exercise provisions, it deems necessary should it make the determination referred to above;

(ii) expiration of one (1) year from the date the Optionee's service with inTEST (or any of its Affiliates) terminates for any reason, other than for cause, in which case this Option shall expire immediately; or

(iii) in the event of a "Change in Control" (as defined in the Plan), the expiration date of any Option which has vested may be accelerated to a date not earlier than thirty (30) days after notice of such acceleration is given to the Optionee, and any Option which has not vested may be terminated.

8. Amendment of Option

inTEST has the right to amend this Option, subject to the Optionee's consent if such amendment is not favorable to the Optionee, except that the consent of the Optionee shall not be required for any amendment made pursuant to the Plan.

9. Amendment of the Plan

Subject to certain restrictions contained in the Plan, the Board of Directors of inTEST may amend the Plan from time to time in such manner as it may deem advisable.

10. Continued Service

The grant of this Option shall not be construed to imply or constitute evidence of any agreement, express or implied, on the part of inTEST to continue the service of the Optionee with inTEST or any of its Affiliates.

11. Withholding of Taxes

If required by inTEST, the Optionee shall, as a condition to the exercise of the Option and the issuance of Option Shares or the transfer of the Option Shares, remit to inTEST the amount of any federal, state or local taxes, including FICA taxes and other employment taxes, required to be withheld or paid under applicable law. To the extent that such taxes are not collected upon the exercise of the Option, inTEST may withhold a portion of the Option Shares or take whatever other action it deems necessary to collect all required taxes due upon the exercise of the Option or transfer of the Option Shares.

12. Entire Agreement

This Option Agreement, together with the Plan, represents the entire agreement between the parties.

13. Governing Law

This Option Agreement shall be construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, inTEST executes this Option Agreement as of the day and year set forth above.

inTEST Corporation

By: ______________________________
Hugh T. Regan, Jr.
Chief Financial Officer

* *

ACKNOWLEDGMENT

The Optionee acknowledges receipt of a copy of the Plan and a copy of the Prospectus covering the Option Shares to be issued pursuant to the Plan, copies of which are attached hereto, and Optionee represents that he or she has read and is familiar with the terms, conditions and provisions thereof and hereby accepts the Option granted _______________ subject to all the terms, conditions and provisions thereof. The Optionee hereby agrees to accept as binding, conclusive and final, all decisions or interpretations of the Board of Directors or the Committee upon any questions arising under the Plan.

Date: ____________________ ____

Name:

Address:

* *

NOTICE OF EXERCISE OF STOCK OPTION

To: inTEST Corporation
7 Esterbrook Lane
Cherry Hill, NJ 08003
Attn: Chief Financial Officer

______________, 20___

In accordance with Section 4 of the Non-Qualified Stock Option Agreement dated as of ______________________ (the "Option"), I hereby irrevocably elect to exercise the Option to purchase ______________ Option Shares of the Common Stock of inTEST Corporation (the "Corporation") at the exercise price of ____________________________ ($____) per Option Share and deliver herewith a bank check payable to the order of the Corporation for the aggregate exercise price of $_________________.

Signature*: ________________________________
Name*:
Address:

Phone:
SS #:

* The signature and name should correspond exactly with the name on the first page of the Option.

inTEST Corporation

Incentive Stock Option Agreement

inTEST Corporation, a Delaware corporation ("inTEST"), hereby grants to __________________ (the "Optionee") an option to purchase a total of ___________________ (_________) shares of the Common Stock (the "Option Shares") of inTEST, at the price and on the terms and conditions set forth herein and in all respects subject to the terms, conditions and provisions of the inTEST Corporation 1997 Stock Plan (the "Plan") applicable to incentive options, which terms, conditions and provisions are hereby incorporated herein by reference. Unless the context herein otherwise requires, the terms defined in the Plan shall have the same meanings herein.

1. Nature of Option

This Option is intended to be an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Term of Option

This Option is granted as of _______________ (the "Date of Grant") and it may not be exercised later than the close of business on _________________ (the "Expiration Date"); however, this Option is subject to earlier termination as set forth in this Option Agreement and in the Plan.

3. Option Exercise Price

The Option exercise price ("Option Price") is _____________________________ ($____) per Option Share.

4. Exercise of Option

This Option is exercisable during its term only in accordance with the terms, conditions and provisions of the Plan and this Option Agreement as follows:

(a) *Right to Exercise*. This Option shall vest at the rate: ________________________________, provided, however, that the Optionee is in the employ of inTEST or any of its Affiliates on such anniversary date. This Option may be exercised, in whole or in part, up to the amount vested through the date of exercise to the extent not earlier exercised and otherwise in accordance with the terms, conditions and provisions of the Plan and this Option Agreement.

(b) *Method of Exercise.* When exercisable, this Option shall be exercised only upon receipt by inTEST, in form and substance acceptable to inTEST, of (i) written notice of such exercise and (ii) payment in full of the Option Price for the Option Shares to be purchased and any additional amount described in Section 13 below. Each such notice shall (i) specify the number of Option Shares to be purchased, (ii) satisfy the securities law requirements set forth in the Plan, and (iii) contain a statement by the Optionee acknowledging that the Option will not be treated as an incentive stock option for federal income tax purposes if the Option is exercised more than three (3) months after the termination of employment, or if the Option Shares are sold or otherwise disposed of within one (1) year of exercise or two (2) years from the Date of Grant.

(c) *Restrictions on Exercise*. This Option may not be exercised if the issuance of the option Shares upon such exercise would constitute a violation of any applicable federal or state securities laws or regulations or other laws or regulations. As a condition to the exercise of this Option, inTEST may require the Optionee to make any representations and warranties to inTEST as inTEST deems necessary or appropriate under any applicable law or regulation.

5. Payment for Option Shares

The Optionee shall pay for the shares (i) in cash, (ii) by bank check payable to the order of inTEST or (iii) by such other mode of payment as inTEST may approve.

6. Transfer of Option Shares

Option Shares may not be sold, pledged, assigned, hypothecated, gifted, transferred or disposed of in any manner without compliance with all applicable federal and state securities laws and regulations, and an appropriate legend referring to any restrictions on transfer and any other restrictions imposed herein or under the Plan may be endorsed on the certificates representing Option Shares.

7. Disqualifying Disposition

The Optionee shall notify inTEST if any Option Shares received upon exercise of this Option are sold, assigned, gifted, transferred or disposed of in any manner within one (1) year of exercise or two (2) years from the Date of Grant (a "Disqualifying Disposition"). In the event of a Disqualifying Disposition, the Optionee shall, upon request of inTEST, provide inTEST with the amount of any federal, state or local taxes that inTEST is required to withhold with respect to such Disqualifying Disposition. If inTEST does not withhold income taxes from the Optionee with respect to a Disqualifying Disposition, the Optionee shall timely pay all income taxes resulting from such Disqualifying Disposition, shall provide inTEST with such information as requested by inTEST to substantiate the payment of such taxes, and shall indemnify inTEST against penalties or other damages imposed upon inTEST for failure to withhold taxes, to the extent such penalties or damages could have been reduced or offset had the Optionee paid his or her income taxes attributable to the Disqualifying Disposition or are otherwise attributable to the Optionee's failure to pay his or her taxes.

8. Transfer of Option

This Option may not be sold, pledged, assigned, hypothecated, gifted, transferred or disposed of in any manner, either voluntarily or involuntarily by operation of law, other than by will or by the laws of descent or distribution, and may be exercised during the lifetime of the Optionee only by the Optionee. Subject to the foregoing, the terms of the Plan and the terms of this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

9. Termination of Options

This Option shall expire as set forth above and may not be exercised later than the Expiration Date. Notwithstanding the foregoing, this Option may not be exercised after the first to occur of the following:

(i) five years from the Date of Grant, if on such date the Optionee owns directly or by attribution under the Code, shares possessing more than ten percent (10%) of the total combined voting power of all classes of stock of inTEST;

(ii) the date set by the Board of Directors of inTEST (the "Board of Directors") to be an accelerated expiration date after a finding by the Board of Directors that a change in the financial accounting treatment for options from that in effect on the date the Plan was adopted materially adversely affects inTEST or, in the determination of the Board of Directors, may materially adversely affect inTEST in the foreseeable future, provided the Board of Directors may take whatever action, including acceleration of any exercise provisions, it deems necessary should it make the determination referred to above

(iii) expiration of one (1) year from the date the Optionee's employment or service with inTEST (or any of its Affiliates) terminates for any reason other than if the Optionee has been discharged from employment with inTEST for Cause (as defined in the Plan), in which case, this Option shall expire immediately; or

(iv) in the event of a "Change in Control" (as defined in the Plan), the expiration date of any Option which has vested may be accelerated to a date not earlier than thirty (30) days after notice of such acceleration is given to the Optionee, and any Option which has not vested may be terminated.

10. Amendment of Option

inTEST has the right to amend this Option, subject to the Optionee's consent if such amendment is not favorable to the Optionee, except that the consent of the Optionee shall not be required for any amendment made pursuant to the Plan.

11. Amendment of the Plan

Subject to certain restrictions contained in the Plan, the Board of Directors of inTEST may amend the Plan from time to time in such manner as it may deem advisable.

12. Continued Employment

The grant of this Option shall not be construed to imply or constitute evidence of any agreement, express or implied, on the part of inTEST to continue the employment of the Optionee with inTEST or any of its Affiliates.

13. Withholding of Taxes

If required by inTEST, the Optionee shall, as a condition to the exercise of the Option and the

If required by inTEST, the Optionee shall, as a condition to the exercise of the Option and the issuance of Option Shares or the transfer of the Option Shares, remit to inTEST the amount of any federal, state or local taxes, including FICA taxes and other employment taxes, required to be withheld or paid under applicable law. To the extent that such taxes are not collected upon the exercise of the Option, inTEST may withhold a portion of the Option Shares or take whatever other action it deems necessary to collect all required taxes due upon the exercise of the Option or transfer of the Option Shares.

14. Entire Agreement

This Option Agreement, together with the Plan, represents the entire agreement between the parties.

15. Governing Law

This Option Agreement shall be construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, inTEST executes this Option Agreement as of the day and year set forth above.

inTEST Corporation

By:______________________________
Hugh T. Regan, Jr.
Chief Financial Officer

* *

ACKNOWLEDGMENT

The Optionee acknowledges receipt of a copy of the Plan and a copy of the Prospectus covering the Option Shares to be issued pursuant to the Plan, copies of which are attached hereto, and Optionee represents that he or she has read and is familiar with the terms, conditions and provisions thereof and hereby accepts the Option granted __________________ subject to all the terms, conditions and provisions thereof. The Optionee hereby agrees to accept as binding, conclusive and final, all decisions or interpretations of the Board of Directors or the Committee upon any questions arising under the Plan.

Date: ____________________ ____

Name:

Address:

* *

NOTICE OF EXERCISE OF STOCK OPTION

To: inTEST Corporation
7 Esterbrook Lane
Cherry Hill, NJ 08003
Attn: Chief Financial Officer

_____________, 20___

In accordance with Section 4 of the Incentive Stock Option Agreement granted as of ____________________ (the "Option"), I hereby irrevocably elect to exercise the Option to purchase ____________________ Option Shares of the Common Stock of inTEST Corporation (the "Corporation") at the exercise price of _______________________________ ($____) per Option Share and deliver herewith a bank check payable to the order of the Corporation for the aggregate exercise price of $__________________.

I agree to notify the Chief Financial Officer of the Corporation at the address set forth above, or at such other address as the Corporation may designate in the future, in the event I sell, assign, gift, transfer or otherwise dispose of any of the Option Shares within one (1) year of exercise or two (2) years from the Date of Grant (a "Disqualifying Disposition").

I understand that any Disqualifying Disposition of the Option Shares will result in the Option not qualifying as an incentive stock option with respect to such Option Shares. If requested by the Corporation, I will provide the Corporation the amount of any taxes the Corporation is required to withhold as a result of a Disqualifying Disposition of Option Shares. Furthermore, the Option must be exercised within three (3) months following the termination of my employment with the Corporation in order to maintain the incentive stock option status with respect to Option Shares issuable upon such exercise.

Signature*: ______________________________
Name*:
Address:

Phone:
SS #:

*** The signature and name should correspond exactly with the name on the first page of the Option.**

EXHIBIT 10.11

COMPENSATORY ARRANGEMENTS OF EXECUTIVE OFFICERS AND DIRECTORS.

Each of our named executive officers (as that term is defined in Item 402 of Regulation S-K) is employed on an at will basis. The annualized salaries to be paid to the Corporation's named executive officers for 2005 is set forth in the chart below.

Named Executive Officer	Salary
Robert E. Matthiessen	$253,794
Alyn R. Holt	$188,829
Hugh T. Regan, Jr.	$181,264
Dale E. Christman	$176,000
Daniel J. Graham	$164,570

Each of foregoing officers receive the Corporation's standard benefits package.

For 2005, Directors who are not also officers of the Corporation (each a "non-employee director") will receive an annual retainer of $20,000. Members of the Executive Committee are paid an additional annual retainer of $12,000. The chairmen of the committees of the Board are paid an additional annual fee as follows: the Chairman of the Audit Committee is paid an additional annual fee of $12,000; the Chairman of the Compensation Committee is paid an additional annual fee of $8,000; the Chairman of the IP Committee is paid an additional annual fee of $60,000; and the Chairman of the Nominating Committee is paid an additional annual fee of $8,000.

In addition, Directors and Officers are also eligible for awards of stock options or shares of stock pursuant to the inTEST Corporation Amended and Restated 1997 Stock Plan, however, such awards are made at the discretion of the Compensation Committee or the Board of Directors, as the case may be.

EXHIBIT 21

Subsidiaries of the Registrant

Name of Subsidiaries and Names ***Under Which Subsidiaries Do Business***	***Jurisdiction*** ***of Incorporation***
inTEST Limited	England
inTEST Kabushiki Kaisha	Japan
inTEST PTE, Ltd.	Singapore
inTEST GmbH	Germany
INTESTLOGIC GmbH	Germany
inTEST IP Corp.	Delaware
inTEST Sunnyvale Corporation (1)	Delaware
Temptronic Corporation	Delaware

(1) Effective February 1, 2005, this subsidiary's name changed to inTEST Silicon Valley Corporation.

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
inTEST Corporation:

We consent to the incorporation by reference in the registration statements (No. 333-33722, No. 333-43096, No. 333-44059, No. 333-70046 and No. 333-90908) on Form S-8 of inTEST Corporation of our report dated March 25, 2005, with respect to the consolidated balance sheets of inTEST Corporation and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, comprehensive earnings (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2004, and the related financial statement schedule, which report appears in the December 31, 2004 annual report on Form 10-K of inTEST Corporation.

/s/ KPMG LLP

Philadelphia, Pennsylvania
March 31, 2005

EXHIBIT 31.1

CERTIFICATION

I, Robert E. Matthiessen, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 31, 2005

/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 annual report on Form 10-K 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: March 31, 2005

/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 Annual Report of inTEST Corporation (the "Company") on Form 10-K for the year ended December 31, 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: March 31, 2005

/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 Annual Report of inTEST Corporation (the "Company") on Form 10-K for the year ended December 31, 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: March 31, 2005

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