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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2005 or

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

For the transition period from __________________ to ___________________

Commission File Number 0-22529

inTEST Corporation

(Exact Name of Registrant as Specified in its Charter)

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

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

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

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

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

Number of shares of Common Stock, $.01 par value, outstanding as of April 30, 2005:

9,071,408

inTEST CORPORATION

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PART I. FINANCIAL INFORMATION

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

	Mar. 31, 2005	Dec. 31, 2004
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 6,283	$ 7,686
Trade accounts and notes receivable, net of allowance for doubtful accounts of $158 and $159, respectively	6,918	6,771
Inventories	8,784	9,401
Refundable domestic income taxes	728	728
Prepaid expenses and other current assets	811	844
Total current assets	23,524	25,430
Property and equipment:		
Machinery and equipment	12,109	12,021
Leasehold improvements	3,781	3,154
	15,890	15,175
Less: accumulated depreciation	(10,769)	(10,621)
Net property and equipment	5,121	4,554
Other assets	410	451
Goodwill	2,230	2,318
Intangible assets, net	383	414
Total assets	$31,668	$33,167
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,684	$ 2,102
Accrued wages and benefits	1,350	1,456
Accrued warranty	1,119	1,216
Accrued sales commissions	346	501
Accrued restructuring and other charges	67	261
Other accrued expenses	1,087	893
Domestic and foreign income taxes payable	395	467
Capital lease obligations	106	106

Deferred rent	122	-
Total current liabilities	7,276	7,002
Capital lease obligations, net of current portion	22	47
Deferred rent, net of current portion	743	-
Total liabilities	8,041	7,049
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value; 5,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, $0.01 par value; 20,000,000 shares authorized; 9,295,164 and 9,300,164 shares issued, respectively	93	93
Additional paid-in capital	24,631	24,716
Retained earnings	1,251	3,663
Accumulated other comprehensive income	753	1,049
Deferred stock compensation	(990)	(1,081)
Treasury stock, at cost; 341,511 and 375,648 shares, respectively	(2,111)	(2,322)
Total stockholders' equity	23,627	26,118
Total liabilities and stockholders' equity	$31,668	$33,167

See accompanying Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2005	2004
Net revenues	$10,685	$17,008
Cost of revenues	7,548	9,797
Gross margin	3,137	7,211
Operating expenses:		
Selling expense	2,073	2,692
Engineering and product development expense	1,404	1,537
General and administrative expense	2,005	1,865
Restructuring and other charges	100	-
Total operating expenses	5,582	6,094
Operating income (loss)	(2,445)	1,117
Other income (expense):		
Interest income	23	24
Interest expense	(3)	(3)
Other	19	(15)
Total other income	39	6
Earnings (loss) before income taxes	(2,406)	1,123
Income tax expense	6	125
Net earnings (loss)	$(2,412)	$ 998
Net earnings (loss) per common share - basic	$(0.28)	$0.12
Net earnings (loss) per common share - diluted	$(0.28)	$0.11
Weighted average common shares outstanding - basic	8,722,205	8,362,725
Weighted average common and common share equivalents outstanding - diluted	8,722,205	8,724,290

See accompanying Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Net earnings (loss)	$(2,412)	$ 998
Foreign currency translation adjustments	(296)	54
Comprehensive earnings (loss)	$(2,708)	$1,052

See accompanying Notes to Consolidated Financial Statements.

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

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Deferred Stock Compensation	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2004	9,300,164	$ 93	$24,716	$ 3,663	$1,049	$(1,081)	$(2,322)	$26,118
Net loss	-	-	-	(2,412)	-	-	-	(2,412)
Other comprehensive loss	-	-	-	-	(296)	-	-	(296)
Amortization of deferred stock compensation	-	-	-	-	-	67	-	67
Elimination of deferred stock compensation related to unvested restricted stock forfeited	(5,000)	-	(24)	-	-	24	-	-
Issuance of 34,137 shares of treasury stock to satisfy profit sharing liability	-	-	(61)	-	-	-	211	150
Balance, March 31, 2005	9,295,164	$ 93	$24,631	$ 1,251	$ 753	$ (990)	$(2,111)	$23,627

See accompanying Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss)	$(2,412)	$ 998
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	518	524
Foreign exchange loss	10	27

Deferred compensation relating to stock options	67	-
Loss on disposal of fixed assets	1	-
Proceeds from sale of demonstration equipment, net of gain	-	70
Changes in assets and liabilities:		
Trade accounts and notes receivable	(248)	(1,477)
Inventories	577	(1,200)
Refundable domestic income taxes	-	22
Prepaid expenses and other current assets	26	(50)
Other assets	23	(3)
Accounts payable	603	1,720
Accrued wages and benefits	55	296
Accrued warranty	(89)	(16)
Accrued sales commissions	(154)	10
Accrued restructuring and other charges	(193)	-
Other accrued expenses	200	238
Domestic and foreign income taxes payable	(63)	82
Deferred rent	(20)	-
Net cash provided by (used in) operating activities	(1,099)	1,241
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,097)	(316)
Net cash used in investing activities	(1,097)	(316)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred rent resulting from landlord provided tenant improvements	885	-
Repayment of capital lease obligations	(25)	(23)
Proceeds from stock options exercised	-	4
Net cash provided by (used in) financing activities	860	(19)
Effects of exchange rates on cash	(67)	5
Net cash provided by (used in) all activities	(1,403)	911
Cash and cash equivalents at beginning of period	7,686	5,116
Cash and cash equivalents at end of period	$ 6,283	$ 6,027
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Unvested restricted stock awards forfeited	$ 24	$ -
Issuance of 34,137 shares of treasury stock to satisfy profit sharing liability	$ 150	$ -
Cash payments (refunds) for:		
Domestic and foreign income taxes	$ 56	$ 16
Interest	3	3

See accompanying Notes to Consolidated Financial Statements.

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

(1) NATURE OF OPERATIONS

We are 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 March 14, 2005, we announced that we will be closing our U.K. operation. We expect to complete this closure by the end of the second quarter of 2005. See Note 5 for further discussion.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The accompanying unaudited consolidated financial statements include our accounts and those of our wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated 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 the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position, results of operations, and changes in cash flows for the interim periods presented. Certain footnote information has been condensed or omitted from these consolidated financial statements. Therefore, these consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2004 (our "2004 Form 10-K").

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 period amounts have been reclassified to be comparable with the current period's presentation.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $213 and $128 for the three months ended March 31, 2005 and 2004, respectively.

Goodwill and Intangibles

We account for goodwill in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*. Under the provisions of SFAS No 142, goodwill and other indefinite life intangible assets are not subject to amortization. Instead, they are subject to at least an annual assessment for impairment by applying a fair value based test.

Goodwill at both March 31, 2005 and December 31, 2004 relates to the manipulator/docking hardware segment. On March 14, 2005 we announced that we will be closing our U.K. operation which is a part of the manipulator/docking hardware segment. As a result of this decision, we performed an assessment for impairment of our goodwill as of March 31, 2005. No impairment of goodwill was indicated based on this assessment.

The following table sets forth changes in the amount of the carrying value of goodwill for the three months ended March 31, 2005:

Balance - Beginning of period	$2,318
Impact of foreign currency translation	(88)
Balance - End of period	$2,230

As of March 31, 2005 and December 31, 2004, definite life intangibles totaled $383 and $414, net of accumulated amortization of $128 and $120, respectively. The net book value of these intangibles includes $18 of unfavorable impact related to currency during 2005. These definite life intangibles are the result of our acquisition of Intestlogic GmbH (formerly known as Intelogic Technologies GmbH) which we completed in October 2002. They 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 three months ended March 31, 2005 and 2004 was $13 and $10, respectively. Estimated annual amortization expense for each of the next five years is $50.

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 three months ended March 31, 2005 and 2004 was $126 and $392, 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 three months ended March 31, 2005:

Balance - Beginning of period	$1,216
Payments made under product warranty	(223)
Accruals for product warranties issued	126
Balance - End of period	$1,119

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are derived using the 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*.

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 periods 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.

Income tax expense was $6 for the first quarter of 2005 compared to $125 for the same period in 2004. Our effective tax rate was 0% for the first quarter of 2005 compared to 11% for the same period in 2004. Due to our history of operating losses, we have recorded a full valuation allowance against all domestic and certain foreign deferred tax assets, including net operating loss carryforwards, where we believe it is more likely than not that we will not have sufficient taxable income to utilize these assets before they expire. Our income tax expense for both the first quarter of 2005 and the same period in 2004 primarily represents the foreign income tax expense related to the earnings of certain of our foreign operations where we do not have a history of operating losses and therefore do not have net operating loss carryforwards to offset income tax expense on those earnings.

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 period. Diluted earnings (loss) per common share is computed by dividing net earnings (loss) by the weighted average number of common shares and common share equivalents outstanding during each period. Common share equivalents represent stock options and 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:

	Three Months Ended March 31,	
	2005	*2004*
Weighted average common shares outstanding -- basic	8,722,205	8,362,725
Potentially dilutive securities:		
Employee stock options	-	361,565
Weighted average common shares outstanding -- diluted	8,722,205	8,724,290

For the three months ended March 31, 2005 and 2004, an average of 926,466 and 32,939 employee stock options and unvested shares of restricted stock with weighted average exercise prices of $2.92 and $6.51, respectively, were excluded from the calculation because their effect was anti-dilutive.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation

At March 31, 2005, we have certain stock-based employee compensation plans that are described more fully in Note 13 to our consolidated financial statements in our 2004 Form 10-K. 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.

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 was 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). Net compensation expense recognized related to these shares during the first quarter of 2005 was $67. During the first quarter of 2005, a total of 5,000 unvested shares were canceled due to forfeiture.

The following table illustrates the effect on net earnings (loss) and net earnings (loss) per share for the three months ended March 31, 2005 and 2004 if we had applied the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation.

	Three Months Ended March 31,	
	2005	*2004*
Net earnings (loss), as reported	$(2,412)	$998
Add: Stock-based employee compensation expense included in reported net earnings (loss), net of related tax effects (1)	67	-
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects (1)	(447)	(91)
Pro forma net earnings (loss)	$(2,792)	$907
Net earnings (loss) per share:		
Basic - as reported	$(0.28)	$0.12
Basic - pro forma	$(0.32)	$0.11
Diluted - as reported	$(0.28)	$0.11
Diluted - pro forma	$(0.32)	$0.10

(1) Due to the valuation allowance provided on our net deferred tax assets, we have not recorded any tax benefits attributable to stock compensation expense.

New Accounting Pronouncements

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 second quarter 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 t he rules under the extraterritorial income exclusion under the AJCA transition rules in 2005 and 2006.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

As previously mentioned, we currently apply APB 25 in accounting for our stock compensation plans. Accordingly, no compensation expense has been recognized for employee stock options issued with exercise prices equal to the market price on the date of grant. In December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment*, which amends SFAS No. 123 and supersedes APB 25. SFAS No. 123 (revised 2004), requires compensation expense to be recognized for all share-based payments made to employees based on the fair value of the award at the date of grant, eliminating the intrinsic value alternative allowed by SFAS No. 123. Generally, the approach to determining fair value under the original pronouncement has not changed; however, there are revisions to the accounting guidelines established, such as accounting for forfeitures. We are planning to adopt this standard on January 1, 2006, as required. We are in the process of evaluating the impact of this standard on our consolidated financial statements.

(3) INVENTORIES

Inventories held at March 31, 2005 and December 31, 2004 were comprised of the following:

	Mar. 31, 2005	*Dec. 31, 2004*
Raw materials	$6,672	$7,488
Work in process	332	289
Inventory consigned to others	596	541
Finished goods	1,184	1,083
	$8,784	$9,401

(4) LEASEHOLD IMPROVEMENTS AND DEFERRED RENT

In accordance with FASB Technical Bulletin No. 88-1, *Issues Relating to Accounting for Leases*, we record tenant improvements made to our leased facilities based on the amount of the total cost to construct the improvements regardless of whether a portion of that cost was paid through an allowance provided by the facility's landlord. The amount of the allowance, if any, is recorded as deferred rent. We amortize deferred rent on a straight-line basis over the lease term and record the amortization as a reduction of rent expense.

In addition, certain of our operating leases contain predetermined fixed escalations of minimum rentals during the original lease terms. For these leases, we recognize the related rental expense on a straight-line basis over the life of the lease and record the difference between the amounts charged to operations and amounts paid as accrued rent which is included in other accrued expenses on our balance sheet.

During the first quarter of 2005, we recorded $885 of additions to our leasehold improvements related to our new facility in San Jose, California. This amount represented improvements paid for on our behalf by the landlord of that facility. During the first quarter of 2005 we also recorded this amount as deferred rent. Amortization of deferred rent for the three months ended March 31, 2005 was $20.

(5) 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. Of this amount, $266 was paid during the fourth quarter of 2004 and $261 remained accrued as of December 31, 2004. 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 our U.K operation. During the first quarter of 2005 we accrued $100 for severance and related payments. We expect to complete the closure of this facility by the end of the second quarter of 2005. We expect to record additional restructuring accruals during the second quarter of 2005 for additional severance and facility closure costs.

Our restructuring and other costs for the three months ended March 31, 2005 are summarized as follows:

	2004 Workforce Reduction	*U.K. Office Closure*	*Total*
Balance - Beginning of period	$ 261	$ -	$ 261
Accruals in the quarter ended March 31, 2005	-	100	100

Severance and other cash payments	(261)	(33)	(294)
Balance - End of period	$ -	$ 67	$ 67

(6) EMPLOYEE BENEFIT PLANS

Upon the termination of the Temptronic Equity Participation Plan ("EPP") in July 2001, we 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 during the first quarter of 2005. Profit sharing contributions totaling $75 were made during the three months ended March 31, 2005. We expect to fund this obligation through the use of additional treasury shares during the second quarter of 2005.

(7) SEGMENT INFORMATION (Continued)

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 service an d 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.

As of January 1, 2005 we implemented a new cost allocation structure, the effect of which is to better allocate operating expenses to the appropriate product segment. We have reclassified the amounts shown for the prior period to be consistent with our new cost allocation structure.

	Three Months Ended March 31,	
Net revenues from unaffiliated customers	***2005***	***2004***
Manipulator/Docking Hardware	$ 5,066	$ 9,961
Temperature Management	4,948	5,146
Tester Interface	1,156	3,095
Intersegment sales	(485)	(1,194)
	$10,685	$17,008
Intersegment sales:		
Manipulator/Docking Hardware	$ 3	$ 15
Temperature Management	430	319
Tester Interface	52	860
	$485	$1,194

Earnings (loss) before income taxes:		
Corporate	$ (142)	$ (1)
Manipulator/Docking Hardware	(1,156)	710
Temperature Management	103	94
Tester Interface	(1,211)	320
	$(2,406)	$1,123
Net earnings (loss):		
Corporate	$ (142)	$ (1)
Manipulator/Docking Hardware	(1,143)	638
Temperature Management	84	41
Tester Interface	(1,211)	320
	$(2,412)	$ 998

(7) SEGMENT INFORMATION (Continued)

	Mar. 31, 2005	*Dec. 31, 2004*
Identifiable assets:		
Manipulator/Docking Hardware	$18,306	$19,907
Temperature Management	8,539	8,507
Tester Interface	4,823	4,753
	$31,668	$33,167

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

	Three Months Ended March 31,	
	2005	*2004*
Net revenues from unaffiliated customers:		
U.S.	$ 7,112	$13,206
Europe	1,798	2,108
Asia-Pacific	1,775	1,694
	$10,685	$17,008

	Mar. 31, 2005	*Dec. 31, 2004*
Long-lived assets:		

U.S.	$4,381	$3,711
Europe	648	739
Asia-Pacific	92	104
	$5,121	$4,554

inTEST CORPORATION

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

Overview

As discussed more fully in our 2004 Form 10-K, our business and results of operations are substantially dependent upon the demand for ATE by semiconductor manufacturers and companies that specialize in the testing of ICs. Demand for ATE is driven by semiconductor manufacturers that are opening new, or expanding existing, semiconductor fabrication facilities or upgrading existing equipment, which in turn is dependent upon the current and anticipated market demand for semiconductors and products incorporating semiconductors. In the past, the semiconductor industry has been highly cyclical with recurring periods of oversupply, which often have a severe impact on the semiconductor industry's demand for ATE, including the products we manufacture. This can cause wide fluctuations in both our orders 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 are difficult to predict. Because the industry cycles a re generally characterized by sequential quarterly growth or declines in orders 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 orders 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.

Net Revenues and Orders

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

	Three Months Ended		
	March 31,		*Dec. 31,*
Net revenues from unaffiliated customers	*2005*	*2004*	*2004*
Manipulator/Docking Hardware	$ 5,066	$ 9,961	$ 5,961
Temperature Management	4,948	5,146	5,425
Tester Interface	1,156	3,095	902
Intersegment sales	(485)	(1,194)	(308)
	$10,685	$17,008	$11,980
U.S.	$ 7,112	$13,206	$ 7,641
Europe	1,798	2,108	1,933
Asia-Pacific	1,775	1,694	2,406
	$10,685	$17,008	$11,980

During the first half of 2004, the ATE industry was in a period of expansion that began in the first half of 2003. However, late in the third quarter of 2004, there was a significant weakening in the level of 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. This downward trend continued throughout the fourth quarter of 2004. During the first quarter of 2005, the trend in our orders improved with total orders for the quarter increasing to $11.4 million on a consolidated basis compared to $9.3 million for the fourth quarter of 2004, an increase of $2.1 million or 23%. Based on this increase in the level of our orders, we now believe that the fourth quarter of 2004 represented a trough for our orders. During the first quarter of 2005, we saw our order levels in all three product segments increase with the most significant increase in our tester interface produc t segment, where orders for the quarter totaled $1.7 million, as compared to $244,000 during the fourth quarter of 2004. For our manipulator/docking hardware and temperature management product segments, our orders for the first quarter of 2005 totaled $5.1 million and $4.6 million, respectively, an increase of $189,000 or 4% and $449,000 or 11%, respectively.

While the trend in our orders improved in the first quarter of 2005, our net revenues continued to decline due to the lower level of orders received in the immediately preceding quarter and the resulting reduced level of backlog as of December 31, 2004. Our consolidated net revenues for the quarter ended March 31, 2005 decreased to $10.7 million from $12.0 million in the fourth quarter of 2004. Although the recent trend in our orders has been positive, we cannot be sure how long this trend will continue or what the rate of increase or decrease in our net revenues or orders will be in future periods.

Backlog

As of March 31, 2005, our backlog of unfilled orders for all products was approximately $6.5 million compared to approximately $5.8 million at December 31, 2004 and approximately $13.9 million at March 31, 2004. The increase in our backlog during the first quarter of 2005 reflects the aforementioned increase in order levels we experienced during the first quarter of 2005. The decrease in our backlog at March 31, 2005 as compared to March 31, 2004 reflects the aforementioned reduction in orders during late 2004 as compared to the same period in 2003.

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.

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 U.K. facility. We expect to incur total 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 U.K. facility which would offset a portion of our continuing obligations for the facility. Based upon these estimates, the total cost to close our U.K. facility will range from approximately $900,000 to $1.1 million. During the first quarter of 2005 we incurred $100,000 in severance costs as a result of these actions. We expect to incur the balance of the severance costs as well as the aforementioned costs related to other contractual obligations during the second quarter of 2005. We expect the closure of our U.K. facility will reduce our annual operating expense structure by approximately $1.5 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 part of our continuing focus to determine methods to increase our profitability worldwide while operating in the cyclical ATE markets, we will continue to review and evaluate actions that are intended to 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".

We incurred inventory obsolescence charges of $213,000 and $128,000 for the quarters ended March 31, 2005 and 2004, 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 charges for the first quarter of 2005 included approximately $164,000 related to the inventory located at our U.K. facility which we are in the process of closing, as previously discussed. This accrual represented a full reserve against all inventory material on hand at the U.K. facility that is not projected to be used in production prior to the planned facility closure at the end of the second quarter of 2005. 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 quarters ended March 31, 2005 and 2004, our product warranty charges were $126,000 and $392,000, or 1.2% and 2.3% of net revenues, respectively. During the first quarter of 2004, we accrued $105,000 in our positioner/docking hardware segment related to product retrofits and other costs associated with one product we sell to an ATE manufacturer. There were no similar charges accrued in the first quarter of 2005.

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 contracted warranty period has expired in order to promote strong customer relations. 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 sell 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 quarters ended March 31, 2005 and 2004, our OEM sales as a percentage of net revenues were 23% and 41%, 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 AT E sales.

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

Results of Operations

All of our products are used by semiconductor manufacturers in conjunction with ATE in the testing of ICs. Consequently, the results of operations for each product segment are generally affected by the same factors. Separate discussions and analyses for each product segment would be repetitive and obscure any unique factors that affected the results of operations of our different product segments. The discussion and analysis that follows, therefore, is presented on a consolidated basis for 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
Quarters Ended March 31,

	2005	2004
Net revenues	100.0%	100.0%
Cost of revenues	70.6	57.6
Gross margin	29.4	42.4
Selling expense	19.4	15.8
Engineering and product development expense	13.1	9.0
General and administrative expense	18.8	11.0
Restructuring and other charges	0.9	0.0
Operating income (loss)	(22.8)	6.6
Other income	0.4	0.0
Earnings (loss) before income taxes	(22.4)	6.6
Income tax expense (benefit)	0.1	0.7
Net earnings (loss)	(22.5)%	5.9%

Quarter Ended March 31, 2005 Compared to Quarter Ended March 31, 2004

Net Revenues. Net revenues were $10.7 million for the quarter ended March 31, 2005 compared to $17.0 million for the same period in 2004, a decrease of $6.3 million or 37%. In the first quarter of 2005, the net revenues of our manipulator/docking hardware, temperature management and tester interface segments decreased $4.9 million or 49%, $198,000 or 4% and $1.9 million or 63%, respectively, over the comparable prior period. We believe the decrease in our net revenues reflects the aforementioned weaker cyclical demand that began in the third quarter of 2004 and continued into 2005 compared to the stronger demand experienced in the first half of 2004. We believe the larger percentage decreases in our manipulator/docking hardware and tester interface segments reflect the decreased production requirements of our customers that began in the third quarter of 2004 and continued into the first quarter of 2005. We believe that the smaller percentage decrease in the sales of our temperature management segment reflects the fact that these products are used in less cyclical non-production environments, such as research and development laboratories.

During the quarter ended March 31, 2005, our net revenues from customers in the U.S. and Europe decreased 46% and 15%, respectively, over the comparable prior period. The smaller percentage decline for our European customers was partly the result of the significant appreciation of the Euro against the U.S. dollar that has occurred since the first quarter of 2004. When adjusted to eliminate the effect of the change in exchange rates, the percentage decline in the net revenues from our European customers for the first quarter of 2005 was 21%. The other factor impacting the smaller percentage decline in our European sales was the fact that the net revenues from the unaffiliated customers of our Intestlogic subsidiary located in Germany increased over the comparable prior period. We believe the increase in the net revenues of our German subsidiary in the first quarter of 2005 over the comparable prior period reflect the strong customer acceptance of the products manufactured in this subsidiary. During the qua rter ended March 31, 2005, our net revenues from customers in Asia-Pacific increased 5%. This primarily reflects an increase in sales of third party products by our Japanese subsidiary.

Gross Margin. Gross margin was 29% for the first quarter of 2005 as compared to 42% for the same period in 2004. The decline in gross margin was primarily the result of our fixed operating costs not being as fully absorbed in 2005 due to the significantly lower net revenue levels in the first quarter of 2005 as compared to the same period in 2004. As a percentage of net revenues, our fixed operating costs were 26% and 16% for the quarters ended March 31, 2005 and 2004, respectively. In absolute dollar terms, our fixed operating costs increased $82,000 during the first quarter of 2005 as compared to the same period in 2004. This increase primarily represented higher insurance premiums and was partially offset by minor decreases in various other manufacturing expense categories. Our component material costs were relatively unchanged at 38% of net revenues for both the first quarter of 2005 and 2004. Our inventory obsolescence charges totaled $213,000 for the first quarter of 2005 as compared to $128,000 for the same period in 2004. The increase was driven by the aforementioned $164,000 charge related to the inventory at our U.K. operation. Finally, while the absolute dollar value of direct labor decreased by $61,000, as a percentage of net revenues direct labor increased to 4% for the first quarter of 2005 as compared to 3% for the same period in 2004.

Selling Expense. Selling expense was $2.1 million for the first quarter of 2005 compared to $2.7 million for the same period in 2004, a decrease of $619,000 or 23%. We attribute the decrease primarily to decreased warranty expense as well as lower levels of sales commissions. To a lesser extent, there were decreases in salary and benefits expense, travel and freight. The $265,000 reduction in warranty expense reflects both the lower sales levels as well as the fact that the first quarter of 2004 included a charge of $105,000 related to product retrofits and other costs associated with one product we sold to an ATE manufacturer. There were no similar charges in the first quarter of 2005. The decrease in sales commission expense of $127,000 was primarily due to the significantly lower net revenue levels. The reductions in travel and freight expense reflect both the decreased business activity in the first quarter of 2005 compared to the same period in 2004 as well as our cost containment initiatives imp lemented late in 2004. The reduction in salary and benefits expense reflects the aforementioned cost containment initiatives.

Engineering and Product Development Expense. Engineering and product development expense was $1.4 million for the first quarter of 2005 compared to $1.5 million for the comparable prior period, a decrease of $133,000 or 9%. We attribute the decrease primarily to a $152,000 reduction in salary and benefits expense. This reduction was primarily the result of the aforementioned cost containment initiatives. Also contributing to the decrease, but to a lesser extent , was a reduction in travel costs. These decreases were partially offset by increases in expenditures for product development materials and third-party consultants.

General and Administrative Expense. General and administrative expense was $2.0 million for the first quarter of 2005 compared to $1.9 million for the same period in 2004, an increase of $140,000 or 8%. We attribute the increase primarily to increases in salary and benefits expense, other compensation expenses and expenses incurred in relocating our tester interface operation to a new facility. The $123,000 increase in salary and benefits expense was primarily the result of hiring additional staff. In addition, we recorded $67,000 of long-term incentive compensation during the first quarter of 2005 related to grants of restricted stock made in November 2004. These increases were partially offset by a decrease in accruals for profit-related bonuses and lower costs incurred related to data processing.

Restructuring and Other Charges. Restructuring and other charges were $100,000 for the first quarter of 2005; there were no comparable expenses incurred during the first quarter of 2004. The restructuring and other charges recorded during the first quarter of 2005 consisted of severance costs resulting from our decision to close our U.K. facility.

Other Income. Other income was $39,000 for the first quarter of 2005 compared to $6,000 for the comparable period in 2004, an increase of $33,000. The increase in other income was primarily due to a decrease in our foreign exchange transaction losses.

Income Tax Expense. Income tax expense was $6,000 for the first quarter of 2005 compared to $125,000 for the same period in 2004. Our effective tax rate was 0% for the first quarter of 2005 compared to 11% for the same period in 2004. Due to our history of operating losses, we have recorded a full valuation allowance against all domestic and certain foreign deferred tax assets, including net operating loss carryforwards, where we believe it is more likely than not that we will not have sufficient taxable income to utilize these assets before they expire. Our income tax expense for both the first quarter of 2005 and the same period in 2004 primarily represents the foreign income tax expense related to the earnings of certain of our foreign operations where we do not have a history of operating losses and therefore do not have net operating loss carryforwards to offset income tax expense on those earnings.

Liquidity and Capital Resources

Net cash used in operations for the quarter ended March 31, 2005 was $1.1 million compared to net cash provided by operations of $1.2 million for the same period in 2004. The shift to cash used in operations for the first quarter of 2005 from cash provided by operations for the same period in 2004 was primarily the result of our $2.4 million operating loss in the first quarter of 2005 as compared to operating income of $1.1 million for the same period in 2004. During the quarter ended March 31, 2005, accounts receivable increased $248,000 due to an increase in average days sales outstanding caused by changes in customer payment patterns. Inventories decreased $577,000. Accounts payable increased $603,000 over the amount at December 31, 2004 due to the timing of the payment of invoices. Accrued expenses decreased $181,000 from December 31, 2004 due to the payment of previously accrued expenses as well as the reduced level of business in the first quarter of 2005.

Purchases of property and equipment were $1.1 million for the quarter ended March 31, 2005, and were comprised of $212,000 of purchases we paid for directly and $885,000 of purchases paid for by a third-party. The purchases of property and equipment we paid for directly consisted of $81,000 primarily for furniture and equipment for our tester interface division's new facility in San Jose, California, $59,000 primarily for leasehold improvements for our Cherry Hill facility, and $51,000 primarily for demonstration equipment for our Temptronic facility. The balance of purchases was for equipment for our foreign subsidiaries. The leasehold improvements for our Cherry Hill facility relate primarily to the relocation of our machine shop from its current location to the main facility.

The purchases that were paid for by a third-party, which totaled $885,000, represent tenant improvements made at our tester interface division's new facility in San Jose, CA, which we occupied during the first quarter of 2005. These tenant improvements were paid for by the landlord based upon the terms of our lease agreement. At the same time that we capitalized these assets, we recorded a liability in the same amount for deferred rent which will be amortized on a straight line basis over the lease term and recorded as a reduction of rent expense.

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 used in financing activities for the quarter ended March 31, 2005 was $860,000, which represents payments made under capital lease obligations of $25,000 netted against the aforementioned $885,000 in deferred rent resulting from landlord provided tenant improvements.

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 to be provided by 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. During the first quarter of 2005, the decline in our sales activity continued, although our orders increased over the level of the prior quarter. We currently believe that the fourth quarter of 2004 represented a trough for our orders. However, as with prior cycles, we cannot be certain what the rate of increase or decrease in our net revenues or orders will be in future periods. If we have entered the next upturn, as we believe, and should this upturn be more rapid then we expect, or if the upturn should falter and the industry enters another downturn, we may require additional debt or equity financing to meet working capital or capital expenditure needs.

New Accounting Pronouncements

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 second quarter 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 t he 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 do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

As previously mentioned, we currently apply APB 25 in accounting for our stock compensation plans. Accordingly, no compensation expense has been recognized for employee stock options issued with exercise prices equal to the market price on the date of grant. In December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment*, which amends SFAS No. 123 and supersedes APB 25. SFAS No. 123 (revised 2004), requires compensation expense to be recognized for all share-based payments made to employees based on the fair value of the award at the date of grant, eliminating the intrinsic value alternative allowed by SFAS No. 123. Generally, the approach to determining fair value under the original pronouncement has not changed; however, there are revisions to the accounting guidelines established, such as accounting for forfeitures. We are planning to adopt this standard on January 1, 2006, as required. We are in the process of evaluating the impact of this standard on our consolidated financial statements.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, 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. As of March 31, 2005, there have been no significant changes to the accounting policies that we have deemed critical. Our critical accounting policies are more fully described in our 2004 Report on Form 10-K.

International Operations

Net revenues generated by our foreign subsidiaries were 33% and 25% of consolidated net revenues for the three months ended March 31, 2005 and 2004, respectively. We anticipate that net revenues generated by our foreign subsidiaries will continue to account for a significant portion of consolidated net revenues in the foreseeable future. The net revenues generated by our foreign subsidiaries will continue to be subject to certain risks, including political and economic instability of foreign countries, the imposition of financial and operational controls or regulatory restrictions by foreign governments, the need to comply with a variety of U.S. and foreign export and import laws, trade restrictions, changes in tariffs and taxes, longer payment cycles, fluctuations in foreign currency exchange rates, and the greater difficulty of administering business abroad. We cannot predict whether quotas, duties, taxes or other charges or restrictions will be implemented by the U.S. or any other country upon the importation or exportation of our products in the future. Any of these factors or the adoption of restrictive policies could have a material adverse effect on our business, financial condition or results of operations.

Net revenues denominated in foreign currencies were 26% and 11% of consolidated net revenues for the three months ended March 31, 2005 and 2004, respectively. Although we seek to operate our business such that a significant portion of our product costs are denominated in the same currency as the associated sales, we may be adversely affected in the future due to our exposure to foreign operations. Moreover, net revenues denominated in currencies other than U.S. dollars expose us to currency fluctuations, which can adversely affect our results of operations.

Net revenues derived from sales to the Asia-Pacific region were 17% and 10% of consolidated net revenues for the three months ended March 31, 2005 and 2004, respectively. Countries in the Asia-Pacific region, including Japan, have experienced economic instability resulting in weaknesses in their currency, banking and equity markets. Continued economic instability could have a material adverse effect on demand for our products and our consolidated results of operations.

Risks That Could Affect Future Results

A number of the matters and subject areas discussed in this Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report that are not historical or current facts deal with potential future circumstances and developments. These forward-looking statements typically can be identified by the use of terminology such as "believes," expects," "may," "should" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. Investors and prospective investors are cautioned that such statements are only projections and that actual events or results may differ materially from those expressed in any such forward-looking statements. In addition to other factors described elsewhere in this report, our actual consolidated quarterly or annual operating results have been affected in the past, or could be affected in the future, by factors, including, without limitation: the highly cyclical nature of the semiconductor industry; dependence upon capital expenditures of semiconductor manufacturers; changes in our customers' purchasing patterns; developments and trends in the semiconductor and ATE industries; changes in general economic, business and financial market conditions; future acquisitions and our ability to successfully integrate the businesses, technologies or products that we may acquire; costs and capital requirements associated with future acquisitions and integration of operations; the impairment of goodwill related to prior or future acquisitions; increased competition and potential loss of market share due to the expiration of patent rights; the loss of, or reduction in orders from, one or more major customers; cancellation or delays in shipment of orders in our backlog; competition from other manufacturers of docking hardware, manipulators, tester interfaces and temperature management products; progress of product development programs; technologica l obsolescence of our inventory and obsolescence due to changes in demand for our products; product warranty expense related to product retrofits and other product replacements driven by the prototype nature of much of our business; unanticipated exchange rate fluctuations; the availability of qualified personnel; the ability to retain key personnel whose salaries have been reduced; strain on our management, employees and other resources due to significant fluctuations in our net revenues; the ability to effectively reduce and control operating costs and successfully restructure our operations to reduce our break-even point; competitive pricing pressures; the mix of products sold; the mix of customers and geographic regions where products are sold; the development of new products and technologies by our competitors; our ability to obtain patent protection and to enforce patent rights for existing and developing proprietary technologies; the utilization of management time and the expenses of various professio nals retained to assist us with compliance with new securities regulations; changes in financial accounting standards; and the sufficiency of cash balances, lines of credit and net cash from operations. Additional information regarding these risks and uncertainties may be found elsewhere in this report or in our other periodic reports filed with the SEC, including our 2004 Form 10-K.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Exchange Rate Risk Management

We are exposed to currency exchange rate risk in the normal course of our business, primarily in our foreign operations. Our exposure results from the fact that some or all of the product sales at these operations are in one currency and inventory purchases are in another currency. In our U.K. 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 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 March 31, 2005, 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 March 31, 2005, we had cash and cash equivalents of $6.3 million. We generally place our investments in U.S. Treasury obligations or money market funds backed by such investments. We do not hold any derivatives related to our interest rate exposure. Due to the average maturity and conservative nature of our investment portfolio, a sudden change in interest rates would not have a material effect on the value of the portfolio. Management estimates that had the average yield of our investments decreased by 100 basis points, our interest income for the quarter ended March 31, 2005 would have decreased by less than $18,000. This estimate assumes that the decrease occurred on the first day of the period and reduced the yield of each investment by 100 basis points. The impact on our future interest income of future changes in investment yields will depend largely on the gross amount of our cash, cash equivalents and short-term investments. See "Liquidity and Capital Resources" as part of Management's Discussi on and Analysis of Financial Condition and Results of Operations.

Item 4. CONTROLS AND PROCEDURES

CEO and CFO Certifications. Included with this Quarterly Report as Exhibits 31.1 and 31.2 are two certifications, one by each of our Chief Executive Officer and our Chief Financial Officer (the "Section 302 Certifications"). This Item 4 contains information concerning the evaluations of our disclosure controls and procedures 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 quarter 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.

"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

Item 4. CONTROLS AND PROCEDURES (Continued)

individual 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, despite the limitations noted above, as of the end of the period covered by this Report, our disclosure controls and procedures were effective to provide reasonable assurance that the objectives of the disclosure controls and procedures were met.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

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

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

PART II. OTHER INFORMATION (Continued)

Item 6. Exhibits

3.1* Articles of Incorporation: Previously filed by the Company as an Exhibit to the Company's Registration Statement on Form S-1, File No. 333-26457, and incorporated herein by reference.

3.2* By-Laws: Previously filed by the Company as an Exhibit to the Company's Registration Statement on Form S-1, File No. 333-26457, and incorporated herein by reference.

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a).

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

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

* Indicates document previously filed

Signatures

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

inTEST Corporation

Date: May 16, 2005

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

Date: May 16, 2005

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

Index to Exhibits

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* Indicates document previously filed

EXHIBIT 31.1

CERTIFICATION

I, Robert E. Matthiessen, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 16, 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 quarterly report on Form 10-Q of inTEST Corporation;

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

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

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

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

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

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

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

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

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

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

Date: May 16, 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 Quarterly Report of inTEST Corporation (the "Company") on Form 10-Q for the period ending March 31, 2005 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: May 16, 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 Quarterly Report of inTEST Corporation (the "Company") on Form 10-Q for the period ending March 31, 2005 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: May 16, 2005

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