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 June 30, 1999

OR

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

For the transition period from _______________ to _______________

Commission File Number 0-22529

inTEST Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware	22-2370659
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)
2 Pin Oak Lane, Cherry Hill, New Jersey	08003
(Address of principal executive offices)	(Zip Code)

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

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

Yes X   No _____

Number of shares of Common Stock, $.01 par value, outstanding as of June 30, 1999:

6,536,034

inTEST CORPORATION

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PART 1. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

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

	June 30, 1999 (Unaudited)	Dec. 31, 1998 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,728	$ 8,468
Trade accounts and notes receivable, net of allowance for doubtful accounts of $168 and $168, respectively	5,340	3,275
Inventories	2,663	2,521
Deferred tax asset	245	245
Refundable domestic and foreign income taxes	-	658
Other current assets	226	137
Total current assets	17,202	15,304
Machinery and equipment:		
Machinery and equipment	1,865	1,690
Leasehold improvements	274	223
	2,139	1,913
Less: accumulated depreciation	(1,209)	(1,078)
Net machinery and equipment	930	835
Other assets	169	195
Goodwill	6,645	6,884
Total assets	$24,946	$23,218
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,283	$ 969
Accrued expenses	1,267	1,023
Domestic and foreign income taxes payable	591	-
Total current liabilities	3,141	1,992
Commitments		
Stockholders' equity:		
Preferred stock, $0.01 par value; 5,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, $0.01 par value; 20,000,000 shares authorized; 6,536,034 shares issued and outstanding	65	65
Additional paid-in capital	16,647	16,647
Retained earnings	5,235	4,570
Accumulated other comprehensive expense	(142)	(56)
Total stockholders' equity	21,805	21,226
Total liabilities and stockholders' equity	$24,946	$23,218

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION AND SUBSIDIARIES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Net revenues	$ 6,485	$ 5,163	$11,296	$10,789
Cost of revenues	2,979	2,134	5,258	4,334
Gross margin	3,506	3,029	6,038	6,455
Operating expenses:				
Selling expense	1,036	678	1,821	1,419
Research and development expense	712	434	1,365	855
General and administrative expense	1,018	582	1,881	1,176
Total operating expenses	2,766	1,694	5,067	3,450
Operating income	740	1,335	971	3,005
Other income (expense):				
Interest income	81	138	151	266
Interest expense	-	(1)	-	(2)
Other	29	(14)	25	11
Total other income	110	123	176	275
Earnings before income taxes	850	1,458	1,147	3,280
Income tax expense	357	550	482	1,218
Net earnings	$ 493	$ 908	$ 665	$ 2,062
Net earnings per common share-basic	$0.07	$0.15	$0.10	$0.35
Weighted average common shares outstanding-basic	6,536,034	5,911,034	6,536,034	5,911,034
Net earnings per common share-diluted	$0.07	$0.15	$0.10	$0.35
Weighted average common and common share equivalents outstanding-diluted	6,591,785	5,918,809	6,597,022	5,921,862

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION AND SUBSIDIARIES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Net earnings	$ 493	$ 908	$ 665	$2,062
Foreign currency translation adjustments	(11)	(19)	(86)	(61)
Comprehensive earnings	$ 482	$ 889	$ 579	$2,001

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 1999

(In thousands, except share data)

(Unaudited except Balance, December 31, 1998)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Earnings(Expense)	Total Stockholders' Equity
Balance, December 31, 1998	6,536,034	$ 65	$16,647	$ 4,570	$ (56)	$21,226
Net earnings	-	-	-	665	-	665
Other comprehensive expense	-	-	-	-	(86)	(86)
Balance, June 30, 1999	6,536,034	$ 65	$16,647	$ 5,235	$(142)	$21,805

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION AND SUBSIDIARIES

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

	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 665	$ 2,062
Adjustments to reconcile net earnings to net cash:		
Depreciation and amortization	391	133
Foreign exchange (gain)loss	4	(3)
Changes in assets and liabilities:		
Trade accounts and notes receivable, net	(2,087)	699
Inventories	(149)	(6)
Refundable domestic and foreign income taxes	663	-
Other current assets	(90)	(192)
Accounts payable	321	(63)
Domestic and foreign income taxes payable	591	(1,016)
Accrued expenses	257	(310)
Net cash provided by operating activities	566	1,304
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of machinery and equipment	(251)	(85)
Other long-term assets	15	(11)
Net cash used in investing activities	(236)	(96)
Effects of exchange rates on cash	(70)	(28)
Net cash provided by all activities	260	1,180
Cash and cash equivalents at beginning of period	8,468	12,035
Cash at end of period	$ 8,728	$13,215

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information as of June 30, 1999 and for the three months and six months ended June 30, 1999 and 1998 is unaudited)

(In thousands, except for share data)

(1) NATURE OF OPERATIONS

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

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

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interim Financial Reporting

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments (consisting only of normally recurring adjustments) necessary to present fairly the financial position, results of operations, and changes in cash flows for the interim periods presented.

Certain footnote information has been condensed or omitted from these financial statements. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and and accompanying footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

Net Earnings Per Common Share

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

As discussed in Note 3, pro forma earnings per common share information for the three months and six months ended June 30, 1998 includes certain adjustments to reflect results as if the acquisition of TestDesign Corporation had occurred on January 1, 1998.

New Accounting Pronouncements

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

(3) PRO FORMA STATEMENT OF EARNINGS INFORMATION

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

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

The Acquisition has been accounted for as a purchase and the results of operations of the acquired business have been included in the Company's consolidated financial statements since the date of the Acquisition. The following unaudited pro forma information presents a summary of consolidated results of operations for the Company and TestDesign for the three months and six months ended June 30, 1998 as if the Acquisition had occurred on January 1, 1998:

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

	Three Months Ended June 30, 1998	Six Months Ended June 30, 1998
Pro forma net revenues	$ 7,109	$14,681
Pro forma net earnings	897	2,028
Pro forma net earnings per common share-diluted	$ 0.14	$ 0.31

(4) SEGMENT INFORMATION

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

inTEST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

(4) SEGMENT INFORMATION (Continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Net revenues from unaffiliated customers:				
North America	$4,678	$3,132	$ 8,263	$ 7,171
Asia-Pacific	1,425	1,580	2,383	2,830
Europe	382	451	650	788
	$6,485	$5,163	$11,296	$10,789
Affiliate sales or transfers from:				
North America	$ 342	$ 195	$ 632	$ 563
Asia-Pacific	-	-	-	-
Europe	342	191	434	267
	$ 684	$ 386	$ 1,066	$ 830
Operating income:				
North America	$ 446	$ 849	$ 621	$ 2,355
Asia-Pacific	127	285	204	374
Europe	167	201	146	276
	$ 740	$1,335	$ 971	$ 3,005
Earnings before income taxes:				
North America	$ 519	$ 969	$ 746	$ 2,593
Asia-Pacific	160	279	245	396
Europe	171	210	156	291
	$ 850	$1,458	$ 1,147	$ 3,280
Net earnings:				
North America	$ 270	$ 590	$ 430	$ 1,690
Asia-Pacific	76	150	83	130
Europe	147	168	152	242
	$ 493	$ 908	$ 665	$ 2,062

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

(5) LEGAL PROCEEDINGS

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

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

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

Overview

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

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

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

During the first six months of 1999, the Company has seen a significant increase in the level of orders for its products ("bookings") as compared to the last six months of 1998. Orders booked during the six months ended June 30, 1999 were $17.9 million compared to $8.2 million during the last six months of 1998, an increase of $9.7 million or 118%. As a result of the increase in booking activity, the Company's backlog increased from $3.4 million at December 31, 1998 to $9.2 million at June 30, 1999 and its net revenues increased from $8.3 million for the last six months of 1998 to $11.3 million for the first six months of 1999. The increase in the Company's bookings and backlog reflects the increased demand for ATE by semiconductor manufacturers resulting from increased worldwide demand for ICs combined with back end ATE capacity constraints caused by the significantly reduced capital

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

spending during 1998. While bookings and backlog are calculated on the basic of firm orders, no assurance can be given that customers will purchase the equipment subject to such orders. As a result, the Company's bookings for any period and backlog at any particular date are not necessarily indicative of actual sales for any succeeding period.

Results of Operations

Three Months Ended June 30, 1999 Compared to Three Months Ended June 30,1998:

Net Revenues. Net revenues were $6.5 million for the quarter ended June 30, 1999 compared to $5.2 million for the same period in 1998, an increase of $1.3 million or 26%. While net revenues increased over the comparable prior quarter, net revenues exclusive of the net revenues of inTEST Sunnyvale (formerly, TestDesign Corporation), which was acquired on August 3, 1998 (the "Acquisition"), declined by approximately $170,000 from the prior year. The decrease in net revenues (exclusive of those of inTEST Sunnyvale) over the comparable prior period reflects the aforementioned cyclical trends of the ATE industry and, particularly, the higher demand for ATE and related products in the three months ended June 30, 1998 as demand for ATE was decreasing, as compared with the lower, albeit increasing, demand for ATE and related products in the three months ended June 30, 1999.

Gross Margin. Gross margin declined to 54% for the quarter ended June 30, 1999 compared to 59% for the comparable period in 1998. The reduction in gross margin was primarily the result of the additional fixed costs of manufacturing and direct labor costs of inTEST Sunnyvale.

Selling Expense. Selling expense was $1.0 million for the quarter ended June 30, 1999 compared to $678,000 for the same period in 1998, an increase of $358,000 or 53%. The increase was attributable to several factors including the additional salary expense of inTEST Sunnyvale sales staff, increased expenditures for travel, higher levels of warranty replacement expenses and increased advertising costs offset by a reduction in commission expenses for external sales representatives.

Research and Development Expense. Research and development expense was $712,000 for the quarter ended June 30, 1999 compared to $434,000 for the same period in 1998, an increase of $278,000 or 64%. The increase was attributable to the additional salary expense of inTEST Sunnyvale engineering and technical staff coupled with an increase in the number of engineering and technical staff.

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

General and Administrative Expense. General and administrative expense was $1.0 million for the quarter ended June 30, 1999 compared to $582,000 for the same period in 1998, an increase of $436,000 or 75%. The increase was primarily attributable to the additional salary and other administrative costs of inTEST Sunnyvale, legal costs related to the Company's patent infringement suit and the amortization of goodwill resulting from the Acquisition. In addition, there were increases in administrative salary expense due to both staffing increases and salary increases for existing staff, as well as increases in directors' fees.

Income Tax Expense. Income tax expense decreased to $357,000 for the quarter ended June 30, 1999 from $550,000 for the comparable period in 1998, a decrease of $193,000. The Company's effective tax rate was 42% for the second quarter of 1999 compared to 38% for the same period in 1998. The increase in the effective tax rate is primarily the result of goodwill amortization related to the Acquisition, which is not deductible for tax purposes, and a higher effective tax rate in Japan, caused by certain recurring expenses which are not deductible for tax purposes which was compounded by the reduced profitability of the Company's Japanese operations in 1999 compared to 1998.

Six Months Ended June 30, 1999 Compared to Six Months Ended June 30, 1998

Net Revenues. Net revenues were $11.3 million for the six months ended June 30, 1999 compared to $10.8 million for the same period in 1998, an increase of $507,000 or 5%. While net revenues increased over the comparable prior period, when net revenues from inTEST Sunnyvale are eliminated, net revenues actually declined by $1.8 million from the comparable prior period due to the aforementioned cyclical trends of the ATE industry.

Gross Margin. Gross margin declined to 53% for the six months ended June 30, 1999 compared to 60% for the comparable period in 1998. The reduction in gross margin was primarily the result of the additional fixed costs of manufacturing and direct labor costs of inTEST Sunnyvale.

Selling Expense. Selling expense was $1.8 million for the six months ended June 30, 1999 compared to $1.4 million for the same period in 1998, an increase of $402,000 or 28%. The increase was attributable to several factors including the additional salary expense of inTEST Sunnyvale sales staff, increased expenditures for travel, higher levels of warranty replacement expenses and increased advertising costs offset by a reduction in commission expenses for external sales representatives.

Research and Development Expense. Research and development expense was $1.4 million for the six months ended June 30, 1999 compared to $855,000 for the same period in 1998, an increase of $510,000 or 60%. The increase was attributable to the additional salary expense of inTEST Sunnyvale engineering and technical staff coupled with an increase in the number of engineering and technical staff which was offset in part by reductions in spending on research and development materials in 1999 as compared to 1998.

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

General and Administrative Expense. General and administrative expense was $1.9 million for the six months ended June 30, 1999 compared to $1.2 million for the same period in 1998, an increase of $705,000 or 60%. The increase was primarily attributable to additional salary and other administrative costs of inTEST Sunnyvale, legal costs related to the Company's patent infringement suit and the amortization of goodwill resulting from the Acquisition. In addition, there were increases in administrative salary expense due to staffing increases and salary increases for existing staff, as well as higher levels of spending on data processing and increases in director's fees.

Income Tax Expense. Income tax expense decreased to $482,000 for the six months ended June 30, 1999 from $1.2 million for the comparable period in 1998, a decrease of $736,000. The Company's effective tax rate was 42% for the first half of 1999 compared to 37% for the same period in 1998. The increase in the effective tax rate is primarily the result of goodwill amortization related to the Acquisition, which is not deductible for tax purposes, and a higher effective tax rate in Japan, caused by certain recurring expenses which are not deductible for tax purposes which was compounded by the reduced profitability of the Company's Japanese operations in 1999 compared to 1998.

Liquidity and Capital Resources

Net cash provided from operations for the six months ended June 30, 1999 was $566,000. Accounts receivable increased $2.1 million from December 31, 1998 to June 30, 1999 due to the increase in sales activity during the first six months of 1999. Inventories increased $149,000 as a result of materials purchases for future product shipments. Refundable domestic and foreign income taxes decreased $663,000 due to a refund of excess Federal taxes paid during 1998. Other current assets increased $90,000, primarily as a result of increases in prepaid expenses. Accounts payable increased $321,000 due to the higher production levels during the first six months of 1999. Accrued expenses increased $257,000 primarily as a result the increased sales activity and staffing additions and their related expense accruals. Domestic and foreign income taxes payable increased $591,000 as a result of the refund of excess Federal taxes received during the first quarter and the accrual of income taxes on the earnings for the first six months of 1999.

Purchases of machinery and equipment were $251,000 for the six months ended June 30, 1999, which consisted primarily of improvements to the Company's facilities in the United States and, to a lesser extent, the UK. The Company began the renovation of its UK manufacturing facility during the second quarter and plans to spend approximately $200,000 during the third quarter

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

of 1999 to complete the renovations and to purchase a coordinate measuring machine for this facility. In addition, the Company intends to increase its domestic fabrication capacity during the third quarter of 1999 through the addition of a machining operation in Cherry Hill. The Company estimates the costs to acquire equipment for this new machining operation at between $600,000 and $800,000. The Company plans to commence manufacturing operations at its Singapore facility late in the third quarter of 1999 and does not foresee significant capital expenditures related to this operation.

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

Year 2000

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

Currently, the Company has a program in process to analyze potentially affected business and process systems and replace or correct all non-compliant critical business and process systems that it will require in the new millennium. Prior to the acquisition of inTEST Sunnyvale, the Company had completed its review and testing of its then existing systems and determined that they were Year 2000 compliant. The Company has identified those systems of inTEST Sunnyvale which were not yet Year 2000 compliant and has converted them to systems which are Year 2000 compliant. The Company has substantially completed the system modifications at inTEST Sunnyvale and anticipates that all of its systems will be Year 2000 compliant by September 1, 1999.

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

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

In conjunction with the Company's Year 2000 effort, all suppliers that are critical to the function of the Company are being surveyed to ensure readiness and non-disruption to the Company supply chain. The Company relies on subcontractors for fabrication and certain other processes performed on its products and utilizes third-party network equipment and software products which may or may not be Year 2000 compliant. In addition, the Company relies on utility and telecommunications suppliers to operate its businesses worldwide. The Company has sent questionnaires to these critical suppliers to determine the extent to which the Company's operations are exposed to failure of Year 2000 issues. The Company has received responses from virtually all of its domestic suppliers and is still awaiting responses from many of its foreign suppliers. The Company intends to replace any critical raw materials and fabrication suppliers which cannot demonstrate Year 2000 compliance before the end of the third quarter of 1999. There can be no assurance that the Company will be successful in its efforts to identify and resolve any Year 2000 issues involving its suppliers or to continue receiving products and services from these suppliers if Year 2000 problems were to materialize. The failure to resolve these issues could result in the shut-down of some or all of the Company's operations, which would have a material adverse effect on the Company.

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

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

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

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

International Operations

Revenues generated by the Company's foreign subsidiaries were 27% and 34% of consolidated revenues for the six months ended June 30, 1999 and 1998, respectively. The Company anticipates that revenues generated by the Company's foreign subsidiaries will continue to account for a significant portion of consolidated revenues in the foreseeable future. These revenues generated by the Company's foreign subsidiaries will continue to be subject to certain risks, including changes in regulatory requirements, tariffs and other barriers, political and economic instability, an outbreak of hostilities, foreign currency exchange rate fluctuations, potentially adverse tax consequences and the possibility of difficulty in accounts receivable collection. The Company cannot predict whether quotas, duties, taxes or other charges or restrictions will be implemented by the United States or any other country upon the importation or exportation of the Company's products in the future. Any of these factors or the adoption of restrictive policies could have a material adverse effect on the Company business, financial condition or results of operations.

Revenues denominated in foreign currencies were 15% and 24% of consolidated revenues for the six months ended June 30, 1999 and 1998, respectively. Although the Company operates its business such that a significant portion of its product costs are denominated in the same currency that the associated sales are made in, there can be no assurance that the Company will not be adversely impacted in the future due to its exposure to foreign operations. Revenues denominated in currencies other than U.S. dollars expose the Company to currency fluctuations, which can adversely affect results of operations.

The portion of the Company's consolidated revenues that were derived from sales to the Asia Pacific region were 21% and 26% for the six months ended June 30, 1999 and 1998, respectively. Countries in the Asia Pacific region, including Japan, have experienced economic instability resulting in weaknesses in their currency, banking and equity markets. Although the current economic instability in the Asia Pacific region has not materially adversely affected the Company's order backlog, balance sheet, or results of operations to date, there can be no assurance that continued economic instability will not in the future have a material adverse affect on demand for the Company's products and its consolidated results of operations.

Cautionary Statement Regarding Forward Looking Statements

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

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

identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "should" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. Investors and prospective investors are cautioned that such statements are only projections and that actual events or results may differ materially from those expressed in any such forward-looking statements. In addition to the factors described in this Report, the Company's actual consolidated quarterly or annual operating results have been affected in the past, or could be affected in the future, by additional factors, including, without limitation: changes in business conditions and the economy, generally; the ability of the Company to obtain patent protection, and enforce its patent rights, for existing and developing proprietary technologies; the ability of the Company to integrate successfully businesses, technologies or products which it may acquire; the effect of the loss of, or reduction in orders from, a major customer; and competition from other manufacturers of docking hardware, test head manipulators, tester interfaces and related ATE interface products.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to currency exchange rate risk in the normal course of its business. The Company employs risk management strategies including the use of forward exchange rate contracts to manage this exposure. The Company's objective in managing currency exchange risk is to minimize the impact of significant currency exchange rate fluctuations primarily in the Japanese Yen. The Company's Japanese operations expose its earnings to change in currency exchange rates because its Japanese subsidiary makes its sales in Japanese Yen and purchases its sales inventory in U.S. dollars. Forward exchange rate contracts are used to establish a fixed conversion rate between the Japanese Yen and the U.S. dollar so that the level of the Company's gross margin from sales in Japan is not negatively impacted from significant movements in the Japanese Yen to U.S. dollar exchange rate. The Company purchases forward exchange rate contracts on a monthly basis in the amounts necessary to pay the U.S. dollar denominated obligations of its Japanese subsidiary. As of June 30, 1999, there were no forward exchange rate contracts outstanding.

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

As reported in the Company's 10-Q for the quarter ended March 31, 1999, on April 16, 1999, the Company and the Defendants agreed to dismiss the complaint in the Federal District Court in Washington, D.C. and re-file the suit in Federal District Court in Delaware. In addition, the parties agreed to remove Mr. Steven J. Reid, President and CEO of Reid-Ashman Manufacturing, Inc., as a defendant in the action. The parties also stipulated that the statutory period of recovery for damages for any infringement, which is limited to six years from the filing of the suit, shall be tolled as of November 18, 1998, the date the original suit was filed in the Federal District in Washington, D.C.

PART II. OTHER INFORMATION (Continued)

Item 2. Changes in Securities and Use of Proceeds

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

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

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

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

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

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

PART II. OTHER INFORMATION (Continued)

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

Construction of plant, building and facilities	$ -
Purchase and installation of machinery and equipment	547,857
Purchase of real estate	-
Acquisition of other business (including transaction costs	4,825,000
Repayment of indebtedness	388,098
Working capital	599,725
Temporary investments, including cash & cash equivalents	4,693,397
Other purposes (for which at least $100,000 has been used), including:	
Payment of final S corporation distribution	600,765
	$11,654,842

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

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

Item 3. Defaults Upon Senior Securities

None

PART II. OTHER INFORMATION (Continued)

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

The Annual Meeting of Stockholders of the Company was held on May 20, 1999 (the "Meeting"). Notice of the Meeting was mailed to stockholders or record on or about April 20, 1999, together with proxy solicitation materials prepared in accordance with Section 14(a) of the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder.

The matters submitted to a vote of stockholders at the meeting were the following:

1. The election of the members of the Board of Directors to serve until the next annual meeting of stockholders and until their successors are duly elected and qualified;

2. The ratification of the appointment by the Board of Directors of KPMG LLP as the independent public accountants for the Company for the year ending December 31, 1999.

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

Nominee	For	Withheld	Abstentions and Broker Non-Votes
Alyn R. Holt	5,274,810	651,950	0
Robert E. Matthiessen	5,274,810	651,950	0
Douglas W. Smith	5,274,810	651,950	0
Daniel J. Graham	5,274,810	651,950	0
Richard O. Endres	5,274,810	651,950	0
Stuart F. Daniels	5,274,810	651,950	0
Gregory W. Slayton	5,251,031	675,729	0

The proposal to ratify the appointment of KPMG LLP as the Company's Independent public accountants for the year ending December 31, 1999 was ratified. The number of votes cast for or against as well as the number of abstentions and broker non-votes for the ratification were as follows:

PART II. OTHER INFORMATION (Continued)

Item 4. Submission of Matters to a Vote of Securities Holders (Continued)

For	Against	Abstentions	Broker Non-Votes
5,926,110	450	200	0

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

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

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

27 Financial Data Schedule

(b) Reports on Form 8-K

None

Signatures

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

inTEST Corporation

Date: August 13, 1999	/s/ Robert E. Matthiessen
	Robert E. Matthiessen President and Chief Executive Officer
Date: August 13, 1999	/s/ Hugh T. Regan, Jr.
	Hugh T. Regan, Jr. Treasurer and Chief Financial Officer

Index to Exhibits

Item 6. Exhibits and Reports on Form 8-K

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27 Financial Data Schedule

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INTEST CORPORATION
1,000

6-MOS
DEC-31-1999
JAN-01-1999
JUN-30-1999
8,728
0
5,340
168
2,663
17,202
2,139
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1,147
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665
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