

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the Quarter Ended:                      Commission File number:  
-----  
December 31, 1995    0-11412

-----  
AMTECH SYSTEMS, INC.  
-----  
(Exact name of Registrant as specified in its charter)

-----  
Arizona    86-0411215  
-----  
(State or other jurisdiction of                      (I.R.S. Employer  
incorporation or organization)                      Identification No.)

-----  
131 South Clark Drive                                      Tempe, Arizona 85281  
-----  
(Address of Principal Executive Offices)                      (Zip Code)

(602) 967-5146  
(Registrant's telephone number,  
including area code)

-----  
N/A  
-----  
Former name, former address and former  
fiscal year, if changed since last report

Indicate by check mark whether the Registrant (i) has filed all reports  
required 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 (ii) has been subject to such filing  
requirements for the past 90 days.

Yes X                      No  
-----                      -----

Indicate the number of shares outstanding of each of the issuer's classes  
of common stock as of the close of the period covered by this report.

2,054,834 Shares  
-----

PART I. FINANCIAL INFORMATION

AMTECH SYSTEMS, INC.  
AND SUBSIDIARIES

-----  
CONSOLIDATED BALANCE SHEETS - ASSETS  
-----

December 31,                      September 30,  
1995    1995  
-----    -----

(Unaudited)

CURRENT ASSETS:

Cash and cash equivalents	\$ 563,529	\$ 833,820
Short-term investments	3,772,996	3,671,569
Accounts receivable - net	1,715,281	2,286,743
Inventories	566,815	524,071
Deferred income taxes	180,000	165,000
Prepaid expenses	42,815	45,392
	-----	-----
Total current assets	6,841,436	7,526,595
	-----	-----

PROPERTY AND EQUIPMENT,  
AT COST:

Leasehold improvements	161,723	162,404
Machinery and equipment	384,491	333,971
Furniture and fixtures	582,962	652,607
	-----	-----
	1,129,176	1,148,982
Less: accumulated depreciation and amortization	(494,671)	(499,184)
	-----	-----
Property and equipment - net	634,505	649,798
	-----	-----

PURCHASE PRICE IN EXCESS  
OF NET ASSETS ACQUIRED

-- 85,315

OTHER ASSETS

362,585 103,811

\$ 7,838,526 \$ 8,365,519

See accompanying Notes to Condensed Financial Statements.

2

AMTECH SYSTEMS, INC.  
AND SUBSIDIARIES

-----  
CONSOLIDATED BALANCE SHEETS  
LIABILITIES AND STOCKHOLDERS' INVESTMENT  
-----

	December 31, 1995	September 30, 1995
	-----	-----
	(Unaudited)	
CURRENT LIABILITIES:		
Accounts payable	\$ 646,687	\$ 528,322
Accrued liabilities:		
Compensation and related taxes	285,892	373,383
Warranty and installation expenses	145,376	116,347
Other accrued liabilities	153,068	120,239
Income taxes payable	140,000	225,000
	-----	-----
Total current liabilities	1,371,023	1,363,291
	-----	-----

## STOCKHOLDERS' INVESTMENT:

Preferred stock, no specified terms; 100,000,000 shares authorized; none issued	--	--
Common stock, \$.01 par value; 100,000,000 shares authorized; 2,054,834 shares outstanding at December 31, 1995 and 2,152,851 shares at September 30, 1995	20,549	21,529
Additional paid-in capital	7,064,352	7,872,010
Cumulative foreign currency translation adjustment	7,334	29,459
Accumulated deficit	(624,732)	(920,770)
	-----	-----
Total stockholders' investment	6,467,503	7,002,228
	-----	-----
	\$ 7,838,526	\$ 8,365,519
	=====	=====

See accompanying Notes to Condensed Financial Statements.

3

AMTECH SYSTEMS, INC.  
AND SUBSIDIARIES

-----  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED DECEMBER 31, 1995 AND 1994  
-----

	Three Months Ended December 31,	
	1995	1994
	(Unaudited)	(Unaudited)
SEMICONDUCTOR EQUIPMENT:		
Net product sales	\$ 1,670,888	\$ 1,112,338
Cost of product sales	1,163,302	816,318
	-----	-----
Gross margin	507,586	296,020
Selling and general	460,972	350,211
Research and development	42,811	99,639
	-----	-----
Operating profit (loss)	3,803	(153,830)
GENERAL CORPORATE EXPENSES	69,033	87,755
INTEREST INCOME - NET	65,815	13,541
	-----	-----
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	585	(228,044)
INCOME TAX BENEFIT	--	(78,000)
	-----	-----
INCOME (LOSS) FROM CONTINUING OPERATIONS	585	(150,044)
	-----	-----
DISCONTINUED TECHNICAL CONTRACT PERSONNEL:		
Net revenues	1,234,621	1,363,886
Cost of revenue	1,074,283	1,187,866
	-----	-----
Gross margin	160,338	176,020
Selling and general	108,581	123,988
	-----	-----

INCOME FROM DISCONTINUED OPERATIONS		
BEFORE INCOME TAXES	51,757	52,032
INCOME TAX PROVISION	30,000	23,000
	-----	-----
INCOME FROM DISCONTINUED OPERATIONS	21,757	29,032
	-----	-----
GAIN ON DISPOSAL OF TECHNICAL CONTRACT		
PERSONNEL SEGMENT	273,696	--
	-----	-----
NET INCOME (LOSS)	\$ 296,038	\$ (121,012)
	=====	=====
INCOME (LOSS) FROM CONTINUING OPERATIONS	\$ .00	\$ (.15)
NET INCOME (LOSS) PER SHARE	\$ .14	\$ (.12)
WEIGHTED AVERAGE		
SHARES OUTSTANDING	2,152,851	993,792

See accompanying Notes to Condensed Financial Statements.

4

AMTECH SYSTEMS, INC.  
AND SUBSIDIARIES

-----  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED DECEMBER 31, 1995 AND 1994  
-----

<TABLE>  
<CAPTION>

	Three Months Ended December 31,	
	1995	1994
	-----	-----
	(Unaudited)	(Unaudited)
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net income (loss)	\$ 296,038	\$ (121,012)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation and amortization	44,567	20,936
Inventory write-downs	6,000	5,707
Less gain on disposal of assets	(273,696)	(426)
Deferred tax provision (benefit)	(25,000)	--
Changes in operating assets and liabilities:		
Decrease (Increase) in accounts receivable	147,832	(457,477)
Increase in inventories and prepaid expenses	(54,429)	(328,471)
Decrease (Increase) in other assets	(32,997)	168,059
Increase in accounts payable	151,748	588,158
Decrease in income taxes payable	(85,000)	(55,000)
Increase in accrued liabilities	53,364	33,922
	-----	-----
Net cash provided (used) by operating activities	228,427	(145,604)
	-----	-----
INVESTING ACTIVITIES:		
Maturities (purchases) of short-term investments - net	(101,427)	99,908
Investment in unconsolidated subsidiary	(250,000)	--
Proceeds from asset sale	--	10,000
Purchase of property and equipment	(37,742)	(44,164)
Cash distributed in disposal of Echelon	(96,401)	--
	-----	-----
Net cash provided (used) by investing activities	(485,570)	65,744
	-----	-----
FINANCING ACTIVITIES:		
Net proceeds from secondary public offering	--	3,623,382
	-----	-----
Net cash provided by financing activities	--	3,623,382
	-----	-----
EFFECT OF EXCHANGE RATE CHANGES	(13,148)	--
	-----	-----

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(270,291)	3,543,522
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	833,820	736,984
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 563,529	\$ 4,280,506
	=====	=====

</TABLE>

See accompanying Notes to Condensed Financial Statements.

5

AMTECH SYSTEMS, INC.  
AND SUBSIDIARIES

-----  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED DECEMBER 31, 1995 AND 1994  
-----

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

	1995	1994
	-----	-----
Cash paid during the period for:		
Income taxes	\$ 140,000	\$ --

SUPPLEMENTAL INFORMATION OF NONCASH INVESTING  
AND FINANCING ACTIVITIES:

Value received in the form of the Company's stock in exchange for the net assets of Echelon Service Co.	\$ 808,638	\$ --
---	------------	-------

See accompanying Notes to Condensed Financial Statements.

6

AMTECH SYSTEMS, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

December 31, 1995

(1) BASIS OF PRESENTATION

Effective December 31, 1995, the Company exchanged all of its ownership in the technical contract personnel business represented by the stock of Echelon Service Company for 98,017 shares of the Company's outstanding Common Stock previously owned by Eugene R. Hartman, an officer and director of the Company. The transaction was preceded by a dividend from Echelon to the Company in order to equalize the values. The transaction was structured to be a tax-free reorganization and, as such, no provision was made for income taxes. As a result of the transaction, the Company recognized a gain of \$274,000.

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Tempres Systems, Inc. and Echelon Service Company, the Baltimore based operation of the technical personnel segment, through the date of disposition. All significant intercompany accounts and transactions have been eliminated in consolidation.

(2) INTERIM REPORTING

The accompanying consolidated financial statements are unaudited; however, these financial statements contain all adjustments which are, in the opinion of management, necessary to a fair presentation of the financial position of the Company as of December 31, 1995 and September 30, 1995 and the results of its operations for the three months ended December 31, 1995 and 1994, and its cash flows for the three months ended December 31, 1995 and 1994.

The accounting policies followed by the Company are set forth in Note 2 to the consolidated financial statements in the Company's 1995 Annual Report on Form 10-K for the year ended September 30, 1995, which is incorporated herein by reference.

The results of operations for the three months ended December 31, 1995 and 1994, are not necessarily indicative of the results to be expected for the full year.

Continued on next page.....

7

NOTES TO CONDENSED FINANCIAL STATEMENTS - continued

(3) INVESTMENT IN UNCONSOLIDATED SUBSIDIARY

During the first quarter of fiscal 1996, the Company entered into a joint venture agreement pursuant to which it would have a 45% ownership interest and a 50% voting interest in Seil Semicon, Inc. in return for a commitment to invest \$500,000 in cash. The first \$250,000 of that commitment was met in November 1995 and the remainder will be invested during the second quarter of fiscal 1996. The joint venturers plan to operate a silicon test wafer reclaiming business through Seil Semicon, Inc., which is in the start-up phase. The ultimate success of Seil Semicon, Inc. depends on a number of factors, including securing adequate financing, of which there can be no assurance.

(4) RECLASSIFICATIONS

Certain reclassifications have been made to the amounts for fiscal 1995 to conform to the presentation of the fiscal 1996 amounts.

8

Financial Condition and Working Capital. During the three months ended December 31, 1995, working capital decreased by \$693,000, primarily as the result of the \$250,000 investment in Seil Semicon, Inc., an unconsolidated subsidiary, and the disposition of Echelon Service Company in exchange for Common Stock of the Company previously owned by Eugene R. Hartman. There is no long or short-term debt and stockholders' investment is 82% of total capitalization.

Liquidity and Capital Resources. During the three months ended December 31, 1995, the Company's cash position, including equivalents, decreased by \$270,000. The decrease in cash and cash equivalents primary reflects the use of cash for the investment in Seil Semicon, Inc. Seil Semicon is a joint venture in which the Company has a 45% ownership interest and a 50% voting interest. Seil Semicon plans to develop and operate a silicon test wafer reclaiming facility. The Company has an obligation to invest an additional \$250,000 in the joint venture. The current ratio was 5:1 as of December 31, 1995, down slightly from a ratio of 5.5:1 as of September 30, 1995, and continues to reflect the Company's strong financial condition.

Management believes the Company's liquidity is sufficient for its current operations and those planned for approximately the next two years. See the management's discussion and analysis included in the Company's 1995 annual report on Form 10-K for further information regarding the Company's long-term plans for future operations.

The semiconductor equipment order backlog was approximately \$4,830,000, as of December 31, 1995, as compared to \$2,360,000 as of December 31, 1994. While orders are ordinarily filled within three to six months of receipt, the current backlog includes approximately \$1,640,000 of orders to one customer that will not be shipped until fiscal 1997. Also, the Company has experienced long lead-times in purchasing components from suppliers of quartz parts, which will result in the Company taking more than six months to deliver equipment that contains certain quartz parts during at least the next few quarters. While it is difficult to estimate how much sales will be affected or how long these delays might last, the short supply of quartz components is certain to depress sales for at least the second quarter of fiscal 1996.

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

Results of Operations.

THREE MONTHS ENDED December 31,  
1995 vs. 1994

Semiconductor Equipment.

Revenues increased 50%, or \$559,000, from \$1,112,000 in the first quarter of fiscal 1995 to \$1,671,000 in the first quarter of the fiscal 1996 year. The sales of furnace and related parts by Tempress Systems, Inc. ("Tempress"), a wholly-owned subsidiary operating in the Netherlands, resulted in the increased sales for the quarter.

Gross margin increased \$212,000, or by 71%, from \$296,000, or 27% of sales, in the first quarter of fiscal 1995 to \$508,000, or 30% of sales, in the first quarter of fiscal 1996. The increase in gross margin is primarily attributable to sales by the Netherlands operation, which had its first significant shipments in the second quarter of fiscal 1995. Spreading the fixed portion of manufacturing costs over the increased sales volume explains the increase in gross margins a percentage of sales.

The selling and general expenses of the semiconductor equipment segment for the first quarter of fiscal 1996 were \$111,000 higher than in comparable period of last fiscal year. The increased expenses primarily result from expanded sales and marketing activities on a world-wide basis in order to promote the entire product line, with the greatest emphasis on the horizontal diffusion furnace developed in the Netherlands and a low-cost furnace model to be manufactured in the United States. The increase in these expenses was partially offset by the \$57,000 decline in research and development costs, as most of the development of the Tempress furnace was expensed in the first quarter of last fiscal year.

For the three months ended December 31, 1995, the semiconductor equipment segment had an operating profit of \$4,000 as compared to an operating loss of \$154,000 for the first quarter of fiscal 1995. The Tempress operation had sufficient sales of furnaces and related parts to achieve profitability in the quarter, as compared to having significant start-up losses in the prior year period. However, two factors are limiting sales and operating profits of both the domestic operation and the one in the Netherlands. Suppliers for fabricated quartz parts have increased their lead-times on most items to six months and more, which causes delays in the shipments of ATMOSCANs and furnaces that require those parts. In addition, the Company's delay in the shipment of just one or two high-priced units can significantly depress its sales and operating profit for such period. As a result of these two factors, sales are expected to decline in the second quarter of the current fiscal year from the level of the first quarter, causing such sales to be substantially below the same period of fiscal 1995.

10

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

Income From Continuing Operations.

Income (loss) from continuing operations before income taxes includes the operating profit of the semiconductor equipment segment, discussed above, general corporate expenses and net interest income. During the first quarter of the current fiscal year these items had the net effect of reducing income by \$3,000, compared to the \$74,000 net reduction caused by these items in the preceding year. This \$71,000 improvement is due to a slight reduction in general corporate expenses, but more importantly due to the \$52,000 increase in net interest income resulting from the investment of the proceeds from the secondary offering that was effective December 15, 1994.

The income from continuing operations is approximately \$1,000 for the first quarter of fiscal 1996, an improvement of \$151,000 from the loss for the comparable period of last fiscal year, after taking into consideration the income tax benefit of \$78,000 in fiscal 1995. Because of the insignificant amount of income in the fiscal 1996 period, no provision was made for income taxes.

Discontinued Technical Contract Personnel Segment.

Net revenues of this segment were \$1,235,000 for the quarter ended December 31, 1995, compared to \$1,364,000 for the first quarter of fiscal 1995. The 9% decrease in revenues is primarily due to one customer having less demand for the Company's services than it had in the preceding year.

The gross margins for this segment were \$16,000 lower for the 1996 quarter, as a result of the decreased revenue. The average gross margin percentage for this segment was 13% for both the first quarter of fiscal 1996 and 1995.

Selling and general expenses of this segment were \$15,000 lower in the most recently completed quarter as compared to the same time last year, principally due to cost control measures implemented approximately one year ago.

As a result of the above nearly offsetting factors, the operating profit of this segment was approximately the same, or \$52,000, for the first quarter of both fiscal 1995 and 1996. Income from discontinued operations declined slightly in the fiscal 1996 period to \$22,000, as compared to \$29,000, due to a higher provision for income taxes.

Effective December 31, 1995, the Company exchanged all of its ownership in the technical contract personnel business represented by the stock of Echelon Service Company for 98,017 shares of the Company's outstanding Common Stock previously owned by Eugene R. Hartman, an officer and director of the Company. The transaction was preceded by a dividend from Echelon to the Company in order to equalize the values. The transaction was structured to be a tax-

11

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

free reorganization and, as such, no provision was made for income taxes. As a result of the transaction, the Company recognized a gain of \$274,000.

Total Company.



The three months ended December 31, 1995, resulted in net income of \$296,000 compared to the net loss of 121,000 in the first quarter of fiscal 1995. The most significant factors contributing to the improvement was the \$274,000 gain on the disposition of Echelon and the \$151,000 improvement in earnings from continuing operations resulting from the 50% increase in sales of semiconductor equipment products.

12

PART II

Item 1. Legal Proceedings.

None.

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

-----  
None.

Item 6. Exhibits and Reports on Form 8-K.

-----  
(a) Exhibits - All of the exhibits required by Item 601 of Regulation S-K are hereby incorporated by reference to the Company's Annual Report on Form 10-K dated January 16, 1996.

(b) Reports on Form 8-K - On February 9, 1996, the Company filed a Form 8-K to report the disposition of the formerly wholly-owned Echelon Service Company.

SIGNATURES

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

AMTECH SYSTEMS INC.

by /s/ Robert T. Hass

-----  
Robert T. Hass, Vice-President and  
Chief Financial Officer  
DATED: February 14, 1996

13

<TABLE> <S> <C>

<ARTICLE>

5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY  
FINANCIAL INFORMATION EXTRACTED FROM  
THE BALANCE SHEETS AS OF DECEMBER  
31, 1995 AND SEPTEMBER 30, 1995, AND  
THE STATEMENTS OF OPERATION AND THE  
STATEMENTS OF CASH FLOW FOR THE  
THREE MONTHS ENDED DECEMBER 31, 1995  
AND IS QUALIFIED IN ITS ENTIRETY BY  
REFERENCE TO SUCH QUARTERLY REPORT  
ON FORM 10-Q FOR THE QUARTER ENDED  
DECEMBER 31, 1995.

<MULTIPLIER>

1

<FISCAL-YEAR-END>

SEP-30-1995

<PERIOD-START>

OCT-01-1995

<PERIOD-END>

DEC-31-1995

<PERIOD-TYPE>

3-MOS

<CASH>	563,529
<SECURITIES>	3,772,996
<RECEIVABLES>	1,795,281
<ALLOWANCES>	80,000
<INVENTORY>	566,815
<CURRENT-ASSETS>	6,841,436
<PP&E>	1,129,176
<DEPRECIATION>	494,671
<TOTAL-ASSETS>	7,838,526
<CURRENT-LIABILITIES>	1,371,023
<BONDS>	0
<COMMON>	20,549
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	6,446,954
<TOTAL-LIABILITY-AND-EQUITY>	7,838,526
<SALES>	1,670,888
<TOTAL-REVENUES>	1,670,888
<CGS>	1,163,302
<TOTAL-COSTS>	1,163,302
<OTHER-EXPENSES>	572,816
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	0
<INCOME-PRETAX>	585
<INCOME-TAX>	0
<INCOME-CONTINUING>	585
<DISCONTINUED>	295,453
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	296,038
<EPS-PRIMARY>	\$.14
<EPS-DILUTED>	\$.14

</TABLE>