

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: MARCH 31, 2002

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: 0-11412

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

Arizona
(State or other jurisdiction of
incorporation or organization)

86-0411215
(I.R.S. Employer
Identification No.)

131 South Clark Drive, Tempe, Arizona
(Address of principal executive offices)

85281
(Zip Code)

Registrant's telephone number, including area code: 480-967-5146

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

Shares of Common Stock outstanding as of March 31, 2002: 2,651,621
AMTECH SYSTEMS, INC.
AND SUBSIDIARIES

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 AMTECH SYSTEMS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
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	MARCH 31, 2002	SEPTEMBER 30, 2001
	----- (Unaudited)	-----
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,468,274	\$ 5,998,120
Accounts receivable - net	3,301,664	3,829,867
Inventories	4,343,094	4,804,457
Deferred income taxes	1,525,000	1,525,000
Prepaid expenses	121,628	85,643
	-----	-----
Total current assets	15,759,660	16,243,087
PROPERTY, PLANT AND EQUIPMENT - net	1,486,684	1,484,437
GOODWILL AND OTHER ASSETS - net	799,317	843,046
	-----	-----
TOTAL ASSETS	\$ 18,045,661	\$ 18,570,570
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,067,888	\$ 880,006
Accrued compensation and related taxes	567,212	671,075
Accrued warranty expense	411,964	304,228
Deferred Profit	1,045,276	1,777,173
Customer deposits	251,524	367,523
Income taxes payable	115,000	135,000
Other accrued liabilities	581,298	605,547
	-----	-----
Total current liabilities	4,040,162	4,740,552
	-----	-----
LONG-TERM OBLIGATIONS	239,583	246,184
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock; no specified terms; 100,000,000 shares authorized; none issued and outstanding	--	--
Common stock; \$0.01 par value; 100,000,000 shares authorized; 2,651,621 and 2,649,171 shares issued and outstanding as of March 31 and September 30, respectively	26,516	26,492
Additional paid-in capital	12,542,299	12,539,040
Accumulated other comprehensive loss - Cumulative foreign currency translation adjustment	(459,616)	(368,242)
Retained earnings	1,656,717	1,386,544
	-----	-----
Total stockholders' equity	13,765,916	13,583,834
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 18,045,661	\$ 18,570,570
	=====	=====

</TABLE>

The accompanying notes are an integral part of these
 consolidated financial statements.

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 AMTECH SYSTEMS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THREE AND SIX MONTHS ENDED MARCH 31, 2002 AND 2001

<TABLE>
 <CAPTION>

	Three Months Ended March 31,		Six Months
Ended March 31,	-----		-----
	2002	2001	2002
	-----	-----	-----
<S>	<C>	<C>	<C>
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<S>	<C>	<C>	<C>
<C>	<C>	<C>	<C>

Net product sales		\$ 5,416,412	\$ 6,802,822	\$ 10,873,328
\$ 10,405,472				
Cost of product sales		4,217,643	4,332,918	8,355,076
6,780,723				
--	-----			
Gross margin		1,198,769	2,469,904	
2,518,252	3,624,749			
Selling, general and administrative		995,792	1,297,996	2,012,295
2,493,026				
Research and development		59,453	140,004	149,384
246,626				
--	-----			
Operating profit		143,524	1,031,904	356,573
885,097				
Interest income - net		20,787	78,106	
55,600	151,768			
--	-----			
Income before income taxes and cumulative				
effect of change in accounting principle		164,311	1,110,010	412,173
1,036,865				
Income tax provision		61,000	424,705	142,000
378,443				
--	-----			
Income before cumulative effect of change in				
accounting principle		103,311	685,305	270,173
658,422				
Cumulative effect of change in accounting				
principle, net of tax benefit of \$410,000		--	--	--
(690,211)				
--	-----			
NET INCOME (LOSS)		\$ 103,311	\$ 685,305	\$ 270,173
\$ (31,789)				
		=====	=====	=====
=====				
EARNINGS (LOSS) PER SHARE:				
Earnings (loss) per share - basic:				
Income before cumulative effect of change in accounting principle		\$.04	\$.26	\$.10
\$.25				
Cumulative effect of change in accounting principle, net of tax		--	--	--
(.26)				
--	-----			
Basic earnings (loss) per share		\$.04	\$.26	\$.10
\$ (.01)				
		=====	=====	=====
=====				
Weighted average shares outstanding		2,681,533	2,657,886	2,681,214
2,631,302				
Earnings (loss) per share - diluted:				
Income before cumulative effect of change in accounting principle		\$.04	\$.25	\$.10
\$.24				
Cumulative effect of change in accounting principle, net of tax		--	--	--
(.26)				
--	-----			
Diluted earnings (loss) per share		\$.04	\$.25	\$.10
\$ (.01)				
		=====	=====	=====
=====				
Weighted average shares outstanding		2,779,489	2,792,835	2,789,185
2,767,070				

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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AMTECH SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED MARCH 31, 2002 AND 2001
(Unaudited)

<TABLE>
<CAPTION>

2002

2001

<u><S></u>	<u><C></u>	<u><C></u>
OPERATING ACTIVITIES:		
Net income (loss)	\$ 270,173	\$ (31,789)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Cumulative effect of change in accounting principle, net of tax	--	690,211
Depreciation and amortization	215,338	186,973
Provision for write-off of inventory and receivables	57,343	203,236
Deferred income taxes	--	(127,000)
Decrease (increase) in:		
Accounts receivable	414,657	(299,742)
Inventories, prepaid expenses and other assets	314,115	(1,060,434)
Increase (decrease) in:		
Accounts payable	215,309	(632,687)
Accrued liabilities and customer deposits	(298,506)	1,003,807
Deferred Profit	(547,811)	487,103
Income taxes payable	(16,198)	135,557
	-----	-----
Net Cash Provided By Operating Activities	624,420	555,235
	-----	-----
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(201,238)	(363,068)
	-----	-----
Net Cash Used In Investing Activities	(201,238)	(363,068)
	-----	-----
FINANCING ACTIVITIES:		
Proceeds from warrant and stock option exercises	3,283	329,598
Payments on mortgage loan	--	(4,929)
	-----	-----
Net Cash Provided By Financing Activities	3,283	324,669
	-----	-----
EFFECT OF EXCHANGE RATE CHANGES ON CASH	43,689	(20,924)
	-----	-----
CASH AND CASH EQUIVALENTS:		
Net increase	470,154	495,912
Beginning of period	5,998,120	5,784,500
	-----	-----
END OF PERIOD CASH AND CASH EQUIVALENTS	\$ 6,468,274	\$ 6,280,412
	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 5,278	\$ 14,908
Income taxes paid	158,198	1,149,000

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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AMTECH SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED MARCH 31, 2002

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements include the accounts of Amtech Systems, Inc. and its wholly-owned subsidiaries, Tempres Systems, Inc., based in Heerde, The Netherlands, and P. R. Hoffman Machine Products, Inc. (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"), and are unaudited. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows for the periods presented have been made.

Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to the rules and regulations of the SEC. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2001.

The consolidated results of operations for the six months ended March 31, 2002, are not necessarily indicative of the results to be expected for the full year.

2. ADOPTION OF SAB 101 DURING FISCAL YEAR 2001

The fiscal 2001 amounts reflect the Company's adoption of Securities and Exchange Commission Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements," effective October 1, 2000, as discussed in the Company's Form 10-K for the year ended September 30, 2001.

3. REVENUE RECOGNITION

During the fourth quarter of fiscal 2001, the Company changed its revenue recognition policy retroactive to October 1, 2000, based on guidance provided in SAB 101. The Company recognizes revenue when persuasive evidence of an arrangement exists; title transfers, generally upon shipment or when services have been rendered; the seller's price is fixed or determinable and collectibility is reasonably assured. Certain of the Company's product sales are accounted for as multiple-element

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arrangements. For the semiconductor equipment segment, if the Company has met defined customer specifications with similarly situated customers and the specific equipment and process involved, the Company recognizes equipment revenue upon shipment and transfer of title, and the portion of the revenue that is contingent upon installation and acceptance, generally 10% - 20% of a system's selling price, is deferred until those activities are completed. Product sales that are shipped but do not meet this criteria are deferred and recognized upon customer acceptance.

Equipment sold by the polishing supplies segment does not involve process guarantees or acceptance criteria, so the related revenue is recorded upon shipment. For all segments, sales of spare parts and consumables are recognized upon shipment, as there are no post shipment obligations other than standard warranties. Service revenues are recognized as services are performed. Revenue related to service contracts is recognized upon performance of the services requested by the customer.

In accordance with guidance provided in SAB 101, the Company recorded a non-cash charge of \$690,211 (after reduction for income taxes of \$410,000), or \$0.26 per basic share on October 1, 2000 to reflect the cumulative effect of the accounting change.

During the three and six months ended March 31, 2002, the Company recognized revenue of \$0 and \$499,707, respectively, and related gross profit of \$0 and \$122,640, respectively, that were included in the cumulative effect adjustment as of October 1, 2000. During the three and six months ended March 31, 2001, the Company recognized revenue of \$879,906 and \$1,542,268, respectively, and related gross profit of \$269,075 and \$482,127, respectively, that were included in the cumulative effect adjustment as of October 1, 2000.

4. INVENTORIES

The components of inventories are as follows:

	March 31, 2002	September 30, 2001
	-----	-----
Purchased parts and raw materials	\$ 1,814,144	\$ 2,487,470
Work-in-process	1,426,761	1,255,676
Finished goods	1,102,189	1,061,311
	-----	-----
Totals	\$ 4,343,094	\$ 4,804,457
	=====	=====

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5. EARNINGS (LOSS) PER SHARE

<TABLE>
<CAPTION>

	Three Months Ended March 31,		Six Months Ended March 31,	
	2002	2001	2002	2001
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net income (loss)	\$ 103,311	\$ 685,305	\$ 270,173	\$ (31,789)

WEIGHTED AVERAGE
SHARES OUTSTANDING:
Common shares
Common equivalents

	2,681,533	2,657,886	2,681,214	2,631,302
	97,956	34,949	107,971	135,768
	-----	-----	-----	-----
	2,779,489	2,792,835	2,789,185	2,767,070
	=====	=====	=====	=====

EARNINGS (LOSS) PER SHARE:

Basic	\$.04	\$.26	\$.10	\$	(.01)
Diluted	\$.04	\$.25	\$.10	\$	(.01)

6. RECENT ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS No. 141"), and No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 141 eliminates pooling of interest as a method for accounting for business combinations. SFAS No. 142 requires the discontinuation of the amortization of goodwill and intangible assets with indefinite lives and at least an annual assessment of whether there has been an impairment of such assets that needs to be recognized as an impairment charge. The Company must adopt SFAS Nos. 141 and 142 no later than October 1, 2002. Since amortization of goodwill is currently an estimated \$.1 million per year, the discontinuation of such amortization will not have a material affect on the Company's net income or financial condition. Management does not expect to incur an impairment charge related to its recorded goodwill, approximately \$.8 million as of March 31, 2002.

7. COMPREHENSIVE INCOME (LOSS)

Comprehensive income for the three months ended March 31, 2002 and 2001 was \$84,081 and \$566,687, respectively. Comprehensive income (loss) for the six months ended March 31, 2002 and 2001 was \$178,799 and (\$40,134), respectively.

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8. BUSINESS SEGMENT INFORMATION

The Company classifies its products into two core business segments: (1) the semiconductor equipment segment which designs, manufactures and markets semiconductor wafer processing equipment used in the fabrication of integrated circuits, and (2) the polishing supplies segment, which designs, manufactures and markets carriers, templates and equipment used in the lapping and polishing of wafer thin materials, including silicon wafers used in the production of semiconductors. Information concerning the Company's business segments in fiscal years 2002 and 2001 is as follows:

<TABLE>
<CAPTION>

	Three Months Ended March 31,		Six Months Ended March 31,	
	2002	2001	2002	2001
Revenues				
Semiconductor equipment	\$ 4,242,600	\$ 4,475,818	\$ 8,628,013	\$ 5,909,425
Polishing supplies	1,173,812	2,327,004	2,245,315	4,496,047
	\$ 5,416,412	\$ 6,802,822	\$ 10,873,328	\$ 10,405,472
Operating profit (loss)				
Semiconductor equipment	\$ 160,045	\$ 697,176	\$ 476,932	\$ 257,890
Polishing supplies	(16,521)	334,728	(120,359)	627,207
Total operating profit	143,524	1,031,904	356,573	885,097
Interest income - net	20,787	78,106	55,600	151,768
Income before income taxes and cumulative effect of change in accounting principle	\$ 164,311	\$ 1,110,010	\$ 412,173	\$ 1,036,865

</TABLE>

9. LEGAL PROCEEDINGS

On or about August 31, 2000, a "P.R. Hoffman Machine Products" was one of eleven companies named in a legal action being brought by North Middleton Township in Carlisle, Pennsylvania, the owner of a landfill allegedly found to be contaminated. No detailed allegations have been filed as part of this legal action, which appears to have been filed to preserve the right to file claims for contribution to the clean-up of the landfill at a later date. The Company acquired the assets of P.R. Hoffman Machine Products Corporation in an asset transaction consummated on July 1, 1997. The landfill was closed and has not been used by P.R. Hoffman since sometime prior to completion of the Company's acquisition. Therefore, the Company believes that the named company is the prior owner of the acquired assets. Under the terms of the Asset Purchase Agreement governing the acquisition, the prior owner, P.R. Hoffman Machine Products Corporation, is obligated to

indemnify the Company for any breaches of P.R. Hoffman's representations and warranties in the Asset Purchase Agreement, including representations relating to environmental matters. In accordance with the terms of the

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Asset Purchase Agreement, the Company has provided notice to the prior owner of P.R. Hoffman Machine Products Corporation of the Company's intent to seek indemnification from such owner for any liabilities resulting from this legal action. Based on information available to the Company as of the date of this report, management believes the costs, if any, to resolve this matter will not be material to the Company's results of operations or financial position.

10. CONCENTRATION OF CREDIT RISK AND USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 year. Actual results could differ from those estimates.

As of September 30, 2001, receivables from customers in the optical component industry comprised 51% of total receivables, of which three accounts comprised 39% of total receivables, representing a concentration of credit risk as defined by SFAS No. 105, "Disclosure of Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentration of Credit Risk." As of March 31, 2002, receivables from customers in the optical component industry comprised 3% of total receivables.

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

RESULTS OF OPERATIONS

The following table sets forth certain operational data as a percentage of net revenue for the periods indicated:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2002	2001	2002	2001
Net revenue	100%	100%	100%	100%
Cost of product sales	(78)	(64)	(77)	(65)
Gross margin	22	36	23	35
Selling, general and administrative expenses	(18)	(19)	(19)	(24)
Research and development	(1)	(2)	(1)	(2)
Operating profit	3%	15%	3%	9%

NET REVENUE. The Company's net revenue for the three months ended March 31, 2002 was \$5.4 million, a decrease of \$1.4 million, or 21%, compared to net revenue of \$6.8 million for the second quarter of fiscal 2001. Revenue for the three months ended March 31, 2002 and 2001 included \$0 and \$.9 million, respectively, of revenue that was included in the cumulative effect adjustment as of October 1, 2000, arising from the Company's adoption of SAB 101. During the quarter ended March 31, 2001, a portion of the systems sales were new products or products that otherwise had not yet been demonstrated to meet the customers' specifications, leading to a net deferral of \$.2 million of systems shipped during that quarter. Conversely, during the quarter ended March 31, 2002, the value of the systems that were demonstrated to meet the customers' specifications exceeded the value of shipments by \$1.4 million.

Net revenue for the six months ended March 31, 2002 was \$10.9 million, an increase of \$.5 million, or 5%, compared to net revenue of \$10.4 million for the same period of fiscal 2001. Revenue for the six months ended March 31, 2002 and 2001 included \$.5 million and \$1.5 million, respectively, of revenue that was included in the cumulative effect adjustment as of October 1, 2000, arising from the Company's adoption of SAB 101. During the six months ended March 31, 2001, a portion of the systems sales were new products or products that otherwise had not yet been demonstrated to meet the customers' specifications, leading to a net deferral of \$3.5 million of systems shipped during those six months. Conversely, during the six months ended March 31, 2002, the value of the systems that were demonstrated to meet the customers' specifications exceeded the value of shipments by \$2.5 million.

With the change in revenue recognition pursuant to the guidance provided in SAB 101, at least some portion of system sales in the semiconductor equipment segment is deferred generally until it has been installed, demonstrated to meet

the customer's specifications and accepted by the customer. Some of the factors that can affect the length of time from shipment to full revenue recognition are customer delays in site preparation, availability of our technicians and the time it takes for the customer to obtain local permits. Because the selling price of systems generally range between \$150,000 for automation products and \$1.2 million on a fully loaded automated diffusion furnace, these factors

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significantly affect the timing of revenue recognition from customer to customer and system to system, which will increase the volatility in revenue.

GROSS MARGIN. The Company's gross margin decreased by approximately \$1.3 million, or 52%, to \$1.2 million for the three months ended March 31, 2002, from \$2.5 million during the comparable period of the previous fiscal year. The decrease in gross margin resulted from the 21% decline in revenue discussed above and a significant change in product mix. Gross margin was 22% in the second quarter of fiscal 2002, compared to 36% in the second quarter of fiscal 2001. This decrease resulted from the spreading of fixed and semi-fixed costs over the lower sales volume, competitive pricing pressure and a change in the mix of products on which revenue was recognized. Also contributing to the lower margins in absolute terms and relative to revenue, the average gross profit percentage on the deferred revenue recognized during the period is only 23% compared to the 57% average gross profit percentage on current period shipments deferred into future periods.

Gross margin decreased by approximately \$1.1 million, or 31%, to \$2.5 million for the six months ended March 31, 2002, from \$3.6 million for the comparable period of the previous fiscal year. This decrease resulted primarily from competitive pricing pressure and the change in product mix. Gross margin decreased to 23% of revenue for the first six months of fiscal 2002 from 35% in the first six months of fiscal 2001 primarily due to the spreading of fixed and semi-fixed costs over the lower sales volume.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses for the second quarter of fiscal 2002 decreased by \$.3 million, or 23%, to \$1.0 million, compared to \$1.3 million for the second quarter of fiscal 2001. The decrease in selling, general and administrative expenses is due primarily to cost reduction programs and a decline in commissions due to decreased sales.

Selling, general and administrative expenses for the six months ended March 31, 2002 decreased by \$.5 million, or 20%, to \$2.0 million, compared to \$2.5 million for the six months ended March 31, 2001. The decrease in selling, general and administrative expenses is due primarily to cost reduction programs and a decline in commissions due to decreased sales.

RESEARCH AND DEVELOPMENT. Research and development costs were essentially the same, \$.1 million, for the three months ended March 31, 2002 and 2001.

For the first six months of fiscal 2002, research and development costs declined by \$.1 million, to \$.1 million, as compared to \$.2 million in the same period of fiscal 2001. The decrease is due to lower product development activity during the second quarter of fiscal 2002.

OPERATING PROFIT. Operating profit for the second quarter of fiscal 2002 was \$.1 million, a decrease of \$.9 million, or 90%, compared to an operating profit of \$1.0 million in the same period of fiscal 2001. The decrease in operating profit is primarily attributable to the 21% decrease in consolidated revenue, product mix and competitive pricing. On a consolidated basis, operating profit declined to 3% of revenue in the second quarter of fiscal 2002, compared to 15% of revenue in the second quarter of the prior fiscal year, primarily due to the spreading of fixed costs over lower revenue and the change in deferred profits described under gross margin above.

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Operating profit for the six months ended March 31, 2002 was \$.4 million, a decrease of \$.5 million, or 56%, compared to an operating profit of \$.9 million in the same period of fiscal 2001. The decrease in operating profit is primarily attributable to the decline in revenue and competitive pricing pressure within the polishing supplies segment. On a consolidated basis, operating profits declined to 3% of revenue in the first six months of fiscal 2002, compared to 9% of revenue in the same period of the prior fiscal year.

NET INTEREST INCOME. For the three and six months ended March 31, 2002, net interest income decreased compared to the corresponding quarter of fiscal 2001, due to a decline in interest rates.

As a result of the foregoing factors, income before income taxes and the cumulative effect of change in accounting principle for the second quarter of fiscal 2002 was \$.2 million, a decrease of \$.9 million, or 82%, compared to \$1.1 million in the second quarter of fiscal 2001.

Income before income taxes and the cumulative effect of change in accounting principle for the six months ended March 31, 2002 was \$.4 million, a decrease of \$.6 million, or 60%, compared to \$1.0 million for the six months

ended March 31, 2001.

PROVISION FOR INCOME TAXES. Income tax expense of \$.1 million, recorded at an effective tax rate of 37%, resulted in net income for the second quarter of fiscal 2002 of \$.1 million. During the same quarter of fiscal 2001, the Company recorded income tax expense of \$.4 million, reflecting a 36% effective tax rate and resulting in income before cumulative effect of a change in accounting principle of \$.7 million.

Income tax expense of \$.1 million, recorded at an effective tax rate of 34%, resulted in income for the first six months of fiscal 2002 of \$.3 million. During the same period of fiscal 2001, the Company recorded income tax expense of \$.4 million, reflecting a 36% effective tax rate and resulting in income before cumulative effect of a change in accounting principle of \$.7 million.

NET INCOME. Net income for the second quarter of fiscal 2002 was \$.1 million, or \$.04 per diluted share, a decrease of \$.6 million, or 86%, compared to net income of \$.7 million, or \$.25 per diluted share, in the second quarter of fiscal 2001. The decrease in net income is due primarily to decreased revenues and gross margins caused by a general slowdown in the semiconductor industry, competitive pricing pressure and a change in the product mix.

Net income for the six months ended March 31, 2002 was \$.3 million, or \$.10 per diluted share, an increase of \$.3 million, or 100%, compared to a slight net loss for the same period of fiscal 2001. The difference is primarily due to the after-tax cumulative effect of a change in accounting principle (SAB 101) of \$.7 million recorded in the first quarter of fiscal 2001.

BACKLOG. At March 31, 2002, the order backlog was \$3.9 million, a decrease of \$3.4 million, or 47%, from the \$7.3 million backlog at December 31, 2001. In addition to the backlog and pursuant to SAB 101, the Company has deferred \$1.8 million of revenue, which net of deferred costs represents deferred profit of \$1.0 million as of March 31, 2002. As a result, the Company had a total of \$5.7 million of projected future revenue under contract as of that date. During the

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second and first quarter of fiscal 2002, consolidated new orders were significantly lower than any quarter during the previous industry slowdown. However, as of April 30, 2002, the backlog had increased by 43% to \$5.5 million, which suggests that the industry may be experiencing a gradual recovery. The Company cannot reasonably estimate the future of the industry slowdown or the extent to which it will adversely affect the Company's future results of operations.

Due to the possibility of customer changes in delivery schedules, order cancellations, potential delays in product shipments, delays in obtaining inventory parts from suppliers, failure to satisfy customer acceptance requirements and changes in product mix, our backlog as of any point in time may not be representative of actual sales and profitability in any future period. A reduction in backlog during any particular fiscal period could have a material adverse affect on our business prospects, financial condition and results of operations.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2002, the Company had \$6.5 million of readily available liquidity in the form of cash and cash equivalents, compared to cash and equivalents of \$6.0 million at September 30, 2001, an increase of approximately \$.5 million. The Company continues to believe that there is sufficient available liquidity for existing operations and its expansion plans.

CASH FLOW. The \$.5 million net increase in cash during the six months ended March 31, 2002 approximates the cash flow provided by operations. The \$.6 million cash flow provided by operations is comprised primarily of \$.3 million of net income adjusted for depreciation and amortization (\$.2 million), a decrease in accounts receivable and inventories, prepaid expenses and other assets (\$.4 million and \$.3 million, respectively) and an increase in accounts payable (\$.2 million.) These items were partially offset by a decrease in both accrued liabilities and customer deposits and in deferred profit (\$.3 million and \$.5 million, respectively.) Investing activities consisted of \$.2 million in purchases of property, plant and equipment.

At March 31, 2002, working capital was \$11.7 million, an increase of \$.2 million from \$11.5 million of working capital at September 30, 2001. The Company's current ratio increased slightly to 3.9:1 at the end of the second quarter of fiscal 2002 from 3.4:1 at the beginning of the 2002 fiscal year. The Company believes that its current ratio continues to evidence its strong financial condition. At the end of the second quarter of fiscal 2002, cash and cash equivalents comprised 36% of total assets. The Company believes that it continues to possess the financial strength necessary to achieve continued growth.

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For financial market risks related to changes in interest rates and foreign currency exchange rates, refer to Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2001. There are no material changes in reported market risk from September 30, 2001.

FORWARD-LOOKING STATEMENTS

The statements contained in this report on Form 10-Q that are not historical fact are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements can be identified by the use of forward looking terminology such as "believes," "expects," "may," "will," "should," "anticipates," or "possible," or the negative thereof or other written variations thereof or comparable terminology. The forward-looking statements contained herein are based on current expectations that involve a number of risks and uncertainties. Among others, these forward-looking statements are based on assumptions that (a) the Company will not lose a significant customer or customers, (b) the Company will not experience significant reductions in demand or rescheduling or cancellation of customer purchase orders, (c) the Company's products will remain accepted within their respective markets and will not be significantly further replaced by newer technology equipment, (d) competitive conditions within the Company's markets will not materially deteriorate, (e) the Company's efforts to improve its products and maintain its competitiveness in the markets in which it competes will continue to progress and that the savings associated with these expenditures and/or the increased product demand resulting therefrom justifies such development costs, (f) the Company will be able to retain, and when needed, add key technical and management personnel, (g) business or product acquisitions, if any, will be successfully integrated and the results of operations therefrom will support the acquisition price, (h) the Company's forecasts will accurately anticipate market demand, (i) there will be no material adverse changes in the Company's existing operations, (j) the Company will be able to obtain sufficient equity or debt funding to increase its capital resources by the amount needed for new business or product acquisitions, if any, (k) the semiconductor equipment industry will recover from the current slowdown, (l) the condition in the Asian markets will continue to improve, (m) the Company will be able to continue to control costs, (n) demand for the Company's products will not be adversely and significantly influenced by trends within the semiconductor industries, including consolidation of semiconductor manufacturing operations through mergers and the subcontracting out of the production of semiconductors to foundries, and (o) the effects of adopting SAB No. 101 will largely be offset by increased sales. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, all of which are beyond the control of the Company. Although the Company believes that the assumptions underlying its forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in forward-looking statements will be realized. In addition, the business and operations of the Company are subject to substantial risks, which increase the uncertainty inherent in such forward-looking statements. In light of the significant uncertainties inherent in the forward-looking information included herein, such information should not be regarded as a representation by the Company, or any other person, that the objectives or plans for the Company will be achieved.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On or about August 31, 2000, a "P.R. Hoffman Machine Products" was one of 11 companies named in a legal action being brought by North Middleton Township in Carlisle, Pennsylvania, the owner of a landfill allegedly found to be contaminated. No detailed allegations have been filed as part of this legal action, which appears to have been filed to preserve the right to file claims for contribution to the clean-up of the landfill at a later date. The Company acquired the assets of P.R. Hoffman Machine Products Corporation in an asset transaction consummated on July 1, 1997. The landfill was closed and has not been used by P.R. Hoffman since sometime prior to completion of the Company's acquisition. Therefore, the Company believes that the named company is the prior owner of the acquired assets. Under the terms of the Asset Purchase Agreement governing the acquisition, the prior owner, P.R. Hoffman Machine Products Corporation, is obligated to indemnify the Company for any breaches of P.R. Hoffman's representations and warranties in the Asset Purchase Agreement, including representations relating to environmental matters. In accordance with the terms of the Asset Purchase Agreement, the Company has provided notice to the prior owner of P.R. Hoffman Machine Products Corporation of the Company's intent to seek indemnification from such owner for any liabilities resulting from this legal action. Based on information available to the Company as of the date of this report, management believes the costs, if any, to resolve this matter will not be material to the Company's results of operations or financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

On March 29, 2002, the Company held its annual meeting of shareholders at which 2,309,443, or 87%, of the 2,650,921 shares outstanding were represented at the meeting, either by proxy or those persons in attendance at the meeting. The following persons were elected to the board of directors with shares voted as follows:

ELECTION OF DIRECTORS	FOR	WITHHELD
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Jong S. Whang	2,272,172	37,271
Robert T. Hass	2,272,191	37,271
Donald F. Johnston	2,272,172	27,271
Alvin Katz	2,243,922	65,521
Bruce R. Thaw	2,272,172	37,271

At the annual meeting, the shareholders also approved an amendment to the Amtech Systems, Inc. 1998 Stock Option Plan to increase the number of shares available for issuance thereunder by 200,000, from 300,000 to 500,000. Of the shares voted on this proposal, 524,507, or 72%, voted for, 202,402, or 28%, voted against and 16,177 abstained.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

None.

(b) Reports on Form 8-K

The Company did not file any Current Reports on Forms 8-K during the fiscal quarter ended March 30, 2002.

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SIGNATURE

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.

AMTECH SYSTEMS, INC.

By /s/ Robert T. Hass

Dated: _____

Robert T. Hass, Vice-President-Finance and
(Chief Financial and Accounting Officer)