

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, 2001

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)

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

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, 2001: 2,632,471
AMTECH SYSTEMS, INC.
AND SUBSIDIARIES

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AMTECH SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
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	MARCH 31, 2001 ----- (Unaudited) <C>	SEPTEMBER 30, 2000 ----- <C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,280,412	\$ 5,784,500
Accounts receivable - net	5,217,348	4,929,948
Inventories	5,110,310	4,229,546
Deferred income taxes	704,000	577,000
Prepaid expenses	68,332	79,476
	-----	-----
Total current assets	17,380,402	15,600,470
PROPERTY, PLANT AND EQUIPMENT - net	1,311,594	1,093,707
GOODWILL AND OTHER ASSETS - net	765,319	789,083
	-----	-----
TOTAL ASSETS	\$ 19,457,315	\$ 17,483,260
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,522,676	\$ 2,144,197
Accrued compensation and related taxes	873,652	635,354
Accrued warranty expense	270,914	218,693
Accrued installation expense	225,196	266,101
Customer Deposits	1,308,104	245,663
Income taxes payable	416,000	670,000
Other accrued liabilities	396,801	486,779
	-----	-----
Total current liabilities	5,013,343	4,666,787
	-----	-----
LONG-TERM OBLIGATIONS	232,950	236,590
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY :		
Preferred stock; no specified terms; 100,000,000 shares authorized; none issued	--	--
Common stock; \$0.01 par value; 100,000,000 shares authorized; 2,632,471 (2,571,808 in 2000) shares issued and outstanding	26,325	25,718
Additional paid-in capital	12,462,049	12,133,058
Accumulated other comprehensive loss - Cumulative foreign currency translation adjustment	(510,701)	(502,356)
Retained earnings	2,233,349	923,463
	-----	-----
Total stockholders' equity	14,211,022	12,579,883
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 19,457,315	\$ 17,483,260
	=====	=====

</TABLE>

The accompanying notes are an integral part of
these consolidated balance sheets.

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AMTECH SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For Three and Six Months Ended March 31, 2001 and 2000

<TABLE>
<CAPTION>

THREE MONTHS ENDED MARCH 31, -----		SIX MONTHS ENDED MARCH 31, -----	
2001	2000	2001	2000
-----	-----	-----	-----
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

<S>	<C>	<C>	<C>	<C>
Net product sales	\$ 7,025,583	\$ 4,549,100	\$13,907,314	\$ 8,411,612
Cost of product sales	4,486,317	2,868,232	9,241,544	5,504,150
	-----	-----	-----	-----
Gross margin	2,539,266	1,680,868	4,665,770	2,907,462
Selling, general and administrative	1,297,996	1,080,420	2,493,026	2,040,101
Research and development	140,004	196,336	246,626	249,582
	-----	-----	-----	-----
Operating profit	1,101,266	404,112	1,926,118	617,779
Interest income - net	78,106	12,058	151,768	21,218
	-----	-----	-----	-----
Income before income taxes	1,179,372	416,170	2,077,886	638,997
Income tax provision	431,000	149,000	768,000	241,000
	-----	-----	-----	-----
NET INCOME	\$ 748,372	\$ 267,170	\$ 1,309,886	\$ 397,997
	=====	=====	=====	=====
EARNINGS PER SHARE:				
Basic	\$.28	\$.13	\$.50	\$.19
Weighted average shares outstanding	2,657,886	2,109,154	2,631,302	2,108,915
Diluted	\$.27	\$.12	\$.47	\$.18
Weighted average shares outstanding	2,792,835	2,274,526	2,767,070	2,257,517

</TABLE>

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

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AMTECH SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THREE AND SIX MONTHS ENDED MARCH 31, 2001 AND 2000
(Unaudited)

<S>	COMMON STOCK		ADDITIONAL	ACCUMULATED	RETAINED	TOTAL
	NUMBER	AMOUNT	PAID-IN	OTHER	EARNINGS	STOCKHOLDERS'
	OF SHARES		CAPITAL	COMPREHENSIVE	(ACCUMULATED	EQUITY
	-----	-----	-----	INCOME (LOSS)	DEFICIT)	-----
	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE AT SEPTEMBER 30, 1999	2,108,679	\$21,087	\$ 7,400,152	\$ (309,064)	\$ (401,958)	\$ 6,710,217
Net income	--	--	--	--	397,997	397,997
Translation adjustment	--	--	--	(98,816)	--	(98,816)
Comprehensive income	--	--	--	--	--	299,181
Warrants and stock options exercised	2,050	20	2,420	--	--	2,440
	-----	-----	-----	-----	-----	-----
BALANCE AT MARCH 31, 2000	2,110,729	\$21,107	\$ 7,402,572	\$ (407,880)	\$ (3,961)	\$ 7,011,838
	=====	=====	=====	=====	=====	=====
BALANCE AT SEPTEMBER 30, 2000	2,571,808	\$25,718	\$ 12,133,058	\$ (502,356)	\$ 923,463	\$12,579,883
Net income	--	--	--	--	1,309,886	1,309,886
Translation adjustment	--	--	--	(8,345)	--	(8,345)
Comprehensive income	--	--	--	--	--	1,301,541
Warrants and stock options exercised	60,663	607	328,991	--	--	329,598
	-----	-----	-----	-----	-----	-----
BALANCE AT MARCH 31, 2001	2,632,471	\$26,325	\$ 12,462,049	\$ (510,701)	\$2,233,349	\$14,211,022
	=====	=====	=====	=====	=====	=====
BALANCE AT DECEMBER 31, 1999	2,108,679	\$21,087	\$ 7,400,152	\$ (360,518)	\$ (271,131)	\$ 6,789,590
Net income	--	--	--	--	267,170	267,170
Translation adjustment	--	--	--	(47,362)	--	(47,362)
Comprehensive income	--	--	--	--	--	219,808
Warrants and stock options exercised	2,050	20	2,420	--	--	2,440
	-----	-----	-----	-----	-----	-----
BALANCE AT MARCH 31, 2000	2,110,729	\$21,107	\$ 7,402,572	\$ (407,880)	\$ (3,961)	\$ 7,011,838
	=====	=====	=====	=====	=====	=====
BALANCE AT DECEMBER 31, 2000	2,621,621	\$26,216	\$ 12,410,574	\$ (392,083)	\$1,484,977	\$13,529,684
Net income	--	--	--	--	748,372	748,372
Translation adjustment	--	--	--	(118,618)	--	(118,618)

Comprehensive income						629,754
Warrants and stock options exercised	10,850	109	51,475	--	--	51,584
BALANCE AT MARCH 31, 2001	2,632,471	\$26,325	\$ 12,462,049	\$(510,701)	\$2,233,349	\$14,211,022

</TABLE>

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

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AMTECH SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR SIX MONTHS ENDED MARCH 31, 2001 AND 2000

<TABLE>
<CAPTION>

	2001	2000
	(Unaudited)	(Unaudited)
	<C>	<C>
OPERATING ACTIVITIES:		
Net income	\$ 1,309,886	\$ 397,997
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	186,973	148,427
Provision for writeoff of inventory and receivables	203,236	46,876
Loss on disposals of long-lived assets	--	432
Deferred income taxes	(127,000)	(61,000)
Increase in:		
Accounts receivable	(299,742)	(249,067)
Inventories, prepaid expenses and other assets	(1,060,434)	(412,669)
Increase (decrease) in:		
Accounts payable	(632,687)	382,859
Accrued liabilities and deposits	1,229,003	501,359
Income taxes payable	(254,000)	21,366
Net Cash Provided By Operating Activities	555,235	776,580
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(363,068)	(67,778)
Net Cash Used In Investing Activities	(363,068)	(67,778)
FINANCING ACTIVITIES:		
Proceeds from warrant and stock option exercises	329,598	2,440
Payments on mortgage loan	(4,929)	(5,569)
Net Cash Provided By (Used In) Financing Activities	324,669	(3,129)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(20,924)	38,673
CASH AND CASH EQUIVALENTS:		
Net increase	495,912	744,346
Beginning of year	5,784,500	1,124,685
END OF PERIOD CASH AND CASH EQUIVALENTS	\$ 6,280,412	\$ 1,869,031
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 14,908	\$ 6,148
Income taxes paid	1,149,000	280,000

</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, 2001

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements include the accounts of Amtech Systems, Inc. and its wholly-owned subsidiaries, Tempress 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, 2000.

The consolidated results of operations for the six months ended March 31, 2001, are not necessarily indicative of the results to be expected for the full year.

2. REVENUE RECOGNITION

Revenue is recognized on the accrual basis when the customer takes title to the product, generally upon shipment. On occasion, the Company will recognize revenue prior to shipment. When this occurs, the Company ensures that title has passed, the customer has committed to take delivery of the goods in a reasonable period of time, there is a legitimate business purpose requested by the customer to not ship the product, the product is complete and ready for shipment and is segregated from existing inventory and there are no material contingencies. Upon shipment, the Company recognizes all revenue and accrues the estimated costs of installation.

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3. INVENTORIES

The components of inventories are as follows:

	March 31, 2001	September 30, 2000
	-----	-----
Purchased parts and raw materials	\$2,395,255	\$1,931,524
Work-in-process	2,338,935	1,874,818
Finished goods	376,120	423,204
	-----	-----
Totals	\$5,110,310	\$4,229,546
	=====	=====

4. EARNINGS PER SHARE

<TABLE>
<CAPTION>

	Three Months Ended March 31,		Six Months Ended March 31,	
	2001	2000	2001	2000
	-----	-----	-----	-----
<S> Net income	<C> \$ 748,372	<C> \$ 267,170	<C> \$1,309,886	<C> \$ 397,997
Weighted average Shares outstanding:				
Common shares	2,657,886	2,109,154	2,631,302	2,108,915
Common equivalents (1)	134,949	165,372	135,768	148,602
	-----	-----	-----	-----
	2,792,835	2,274,526	2,767,070	2,257,517
	=====	=====	=====	=====
Earnings Per Share:				
Basic	\$.28	\$.13	\$.50	\$.19
Diluted	\$.27	\$.12	\$.47	\$.18

</TABLE>

(1) Number of shares calculated using the treasury stock method and the average market price during the period. Options and warrants on 59,300 shares and 84,000 shares had an exercise price greater than the average market price in fiscal 2001 and fiscal 2000, respectively, and therefore did not enter into the calculation.

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5. RECENT ACCOUNTING PRONOUNCEMENTS

On October 1, 2000, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 requires the Company to recognize all

derivatives on the balance sheet at fair value. Derivatives that do not qualify as hedges must be adjusted to fair value through income. If the derivative qualifies for hedge treatment, depending on the nature of the hedge, changes in the fair value of the derivative are either offset against the change in the fair value of assets, liabilities, or through earnings (fair value hedges) or recognized in other comprehensive income until the hedged item is recognized in earnings (cash flow hedges). The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. The adoption of SFAS 133 did not have a material impact on the Company's consolidated financial position or operating results.

In December 1999, the SEC issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition," which sets forth the SEC Staff's views on selected revenue recognition issues. Based upon the prevailing interpretations of SAB No. 101, the Company may be required to delay recognition of at least a portion of its sales of semiconductor production systems until installation has been completed and customer acceptance has occurred. The Company's current policy is to recognize revenue at the time the customer takes title to the product, generally at the time of shipment, because the Company has routinely met its installation obligations and installation costs represent an insignificant percentage of total costs. The Company believes its current accounting policies on revenue recognition are consistent with those generally used in its industry and have been consistently applied since the inception of the Company. Therefore, if the Company is required to change its revenue recognition policies in order to comply with SAB No. 101, a significant cumulative charge related to a change in an accounting principle may be required. The guidance in SAB No. 101 must be adopted no later than the fourth quarter of the Company's fiscal year 2001, ending September 30, 2001, with a restatement of the first three quarters of that fiscal year. In October 2000, the SEC issued implementation guidance in the form of "Frequently Asked Questions." The Company is in the process of assessing the impact that SAB No. 101 will have on its consolidated financial statements based on the SEC's most recently issued guidance.

6. 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 2001 and 2000 is as follows:

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<TABLE>
<CAPTION>

	Three Months Ended March 31,		Six Months Ended March 31,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Revenues				
Semiconductor equipment	\$ 4,698,579	\$ 2,540,822	\$ 9,411,267	\$ 4,706,296
Polishing supplies	2,327,004	2,008,278	4,496,047	3,705,316
	-----	-----	-----	-----
	\$ 7,025,583	\$ 4,549,100	\$13,907,314	\$ 8,411,612
	=====	=====	=====	=====
Operating profit				
Semiconductor equipment	\$ 766,538	\$ 119,753	\$ 1,298,911	\$ 184,929
Polishing supplies	334,728	284,359	627,207	432,850
	-----	-----	-----	-----
Total operating profit	1,101,266	404,112	1,926,118	617,779
Interest income - net	78,106	12,058	151,768	21,218
	-----	-----	-----	-----
Income before income taxes	\$ 1,179,372	\$ 416,170	\$ 2,077,886	\$ 638,997
	=====	=====	=====	=====

</TABLE>a

7. 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.

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AMTECH SYSTEMS, INC. AND SUBSIDIARIES

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

RESULTS OF OPERATIONS

	Three Months Ended March 31,		Six Months Ended March 31,	
	2001	2000	2001	2000
Net revenue	100.0%	100.0%	100.0%	100.0%
Cost of product sales	(63.9)	(63.1)	(66.5)	(65.4)
Gross margin	36.1	36.9	33.5	34.6
Selling, general and administrative expenses	(18.4)	(23.7)	(17.9)	(24.3)
Research and development	(2.0)	(4.3)	(1.8)	(3.0)
Operating profit	15.7%	8.9%	13.8%	7.3%

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

NET REVENUE. The Company's net revenue for the three months ended March 31, 2001 was \$7,026,000, an increase of \$2,477,000, or 54%, compared to net revenue of \$4,549,000 for the second quarter of fiscal 2000. Sales in the semiconductor equipment segment and polishing supplies segment increased by 85% and 16%, respectively, primarily due to shipments of systems to optical component manufacturers, a new market for the Company's products, and increased sales to the semiconductor industry, which the Company serves. The Company's first system shipment to an optical component manufacturer occurred in June 2000.

Net revenue for the six months ended March 31, 2001 was \$13,907,000, an increase of \$5,495,000, or 65%, compared to net revenue of \$8,412,000 for the same period of fiscal 2000. Sales in the semiconductor equipment segment and polishing supplies segment increased by 100% and 21%, respectively. Shipments of furnace systems to optical component manufacturers, as discussed above, account for approximately 70% of the increase, with the remaining 30% represented by increased sales of the Company's IBAL Automation products and polishing supplies.

GROSS MARGIN. The Company's gross margin increased by approximately \$858,000, or 51%, to \$2,539,000 for the three months ended March 31, 2001, from \$1,681,000 during the comparable period of the previous fiscal year. The increase in gross margin resulted from the 54% increase in revenue discussed above. Gross margin as a percentage of sales was 36% in the second quarter of fiscal 2001, compared to 37% in the second quarter of fiscal 2000, with the slight erosion resulting from the product mix. In the polishing supplies segment, gross margin declined to 30% of revenues from 33% in the prior year. Inventory write-offs were \$109,000 higher in the second quarter of fiscal 2001, than in the comparable period of fiscal 2000, as a result of certain semiconductor equipment order cancellations, which contributed to the decline in consolidated gross margins. The gross margin of the semiconductor equipment segment declined to 39% of sales in fiscal 2001, compared to 40% of sales in the second quarter of fiscal 2000.

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Gross margin increased by approximately \$1,759,000, or 60%, to \$4,666,000 for the six months ended March 31, 2001, from \$2,907,000 during the comparable period of the previous fiscal year. This increase resulted primarily from the 65% increase in revenue discussed above. As a percentage of sales, margins remained relatively constant.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses for the second quarter of fiscal 2001 increased by \$218,000, or 20%, to \$1,298,000, compared to \$1,080,000 spent in the second quarter of fiscal 2000. Approximately \$128,000 of the increase is due to commissions, incentive pay and other costs associated with the increased revenue

and profitability. Other increases in expenses totaling \$90,000 resulted from a number of factors including costs related to the expansion of facilities. Consolidated expenses declined to 18% of revenues for the three months ended March 31, 2001, as compared to 24% for the same period in fiscal 2000, due to a significant increase in revenues.

Selling, general and administrative expenses for the six months ended March 31, 2001 increased by \$453,000, or 22%, to \$2,493,000, compared to \$2,040,000 spent in the same period of fiscal 2000. Selling expenses, including commissions, account for \$188,000 of the cost increases, while costs of added administrative personnel increased by \$64,000. Other administrative costs account for the remaining increase in these expenses. Although selling, general and administrative expenses increased significantly, they declined to 18% of revenue in fiscal 2001 from 24% in fiscal 2000.

RESEARCH AND DEVELOPMENT. Research and development costs declined by \$56,000, to \$140,000, during the second quarter of fiscal 2001, as compared to \$196,000 spent in the second quarter of fiscal 2000, due to non-recurring purchases of supplies for the Company's asher research project in fiscal 2000.

For the first six months of fiscal 2001, research and development costs declined by \$3,000, to \$247,000, as compared to \$250,000 spent in the same period of fiscal 2000. Increased expenditures in development expenditures for furnaces in the current fiscal year nearly offset the decline in Asher related costs discussed above.

OPERATING PROFIT. Operating profit for the second quarter of fiscal 2001 was \$1,101,000, an increase of \$697,000, or 173%, compared to an operating profit of \$404,000 in the same period of fiscal 2000. The increase in operating profit is primarily attributable to the 54% increase in consolidated revenue and continued cost control. Operating profit for the polishing supplies segment increased by \$51,000, or 18%, to \$335,000, compared to \$284,000 in the second quarter of fiscal 2000, as a result of the 16% increase in sales volume. In the semiconductor equipment segment, operating profit increased by \$647,000 to \$767,000, compared to \$120,000 in the second quarter of fiscal 2000. The increase in the second quarter operating profit of the semiconductor equipment segment is due to the 85% increase in sales and continued cost control. On a consolidated basis, operating profits grew to 16% of revenue in the second quarter of fiscal 2001, compared to 9% of revenue in the second quarter of the prior fiscal year.

Operating profit for the six months ended March 31, 2001 was \$1,926,000, an increase of \$1,308,000, or 212%, compared to an operating profit of \$618,000 in the same period of fiscal 2000. The increase in operating profit is primarily attributable to the 65% increase in consolidated revenue. Operating profit for the polishing supplies segment increased by \$194,000, or 45%, to \$627,000, compared to \$433,000 in the same period of fiscal 2000, as a result of the 21% increase in sales volume. In the semiconductor equipment segment, operating

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profit increased by \$1,114,000 to \$1,299,000, compared to \$185,000 in the first six months of fiscal 2000. The increase in the second quarter operating profit of the semiconductor equipment segment is due to the 85% increase in sales and continued cost control. On a consolidated basis, operating profits grew to 14% of revenue in the first six months of fiscal 2001, compared to 7% of revenue in the same period of the prior fiscal year.

NET INTEREST INCOME. During the second quarter of fiscal 2001, net interest income increased \$66,000 to \$78,000, compared to \$12,000 in the corresponding quarter of fiscal 2000, due to interest earned on the portion of the equity capital raised in the fourth quarter of fiscal 2000 that has not yet been deployed and cash generated from operations. As a result of the foregoing factors, income before income taxes for the second quarter of fiscal 2001 was \$1,179,000, an increase of 183%, compared to \$416,000 in the second quarter of fiscal 2000.

For the six months ended March 31, 2001, net interest income increased \$131,000 to \$152,000, compared to \$21,000 in the corresponding period of fiscal 2000 for the reasons discussed above. Income before income taxes for the first six months of fiscal 2001 was \$2,078,000, an increase of 225%, compared to \$639,000 in the first six months of fiscal 2000.

PROVISION FOR INCOME TAXES. Income tax expense of \$431,000, recorded at an effective tax rate of 37%, resulted in net income for the second quarter of fiscal 2001 of \$748,000. During the same quarter of fiscal 2000, the Company recorded income tax expense of \$149,000, reflecting a 36% effective tax rate and resulting in net income of \$267,000.

Income tax expense of \$768,000, recorded at an effective tax rate of 37%, resulted in net income for the first six months of fiscal 2001 of \$1,310,000. During the same period of fiscal 2000, the Company recorded income tax expense of \$241,000, reflecting a 38% effective tax rate, resulting in net income of \$398,000.

NET INCOME. The resulting net income for the second quarter of fiscal 2001

was \$748,000, or \$.27 per diluted share, an increase of \$481,000, or 180%, compared to the net income of \$267,000, or \$.12 per share, in the second quarter of fiscal 2000.

Net income for the six months ended March 31, 2001 was \$1,310,000, or \$.47 per diluted share, an increase of \$912,000, or 229%, compared to the net income of \$398,000, or \$.18 per share, for the same period of fiscal 2000.

BACKLOG. At March 31, 2001, the order backlog was \$12,736,000, an increase of \$758,000, or 6%, from the \$11,978,000 backlog at December 31, 2000. New orders net of cancellations in the second quarter of fiscal 2001 exceeded shipments during the period. Despite significant declines in the backlog of orders for automation products and polishing supplies and equipment during the second quarter of fiscal 2001, this was more than offset by the increase in the backlog of orders for diffusion furnaces. The March 31, 2001 backlog declined by \$1,763,000, or 12%, from the \$14,499,000 backlog at September 30, 2000. While new orders nearly equaled shipments for the first quarter of fiscal 2001, cancellations of four system orders accounted for the reduction in the backlog since September 30, 2000. The backlog as of March 31, 2001, was approximately \$8,292,000 higher than at March 31, 2000, an increase of 187%.

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 period could have a material adverse affect on our business prospects, financial condition and results of operations.

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LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2001, the Company had \$6,280,000 of readily available liquidity in the form of cash and cash equivalents, compared to cash and equivalents of \$5,785,000 at September 30, 2000, an increase of approximately \$495,000. The Company's current cash position is primarily a result of the \$4,616,000 of net cash proceeds from a private placement of the Company's Common Stock in September 2000 and the positive cash flow during fiscal 2001. An additional \$2 million line of credit secured in October 2000 further enhances the Company's liquidity position. The Company continues to believe that there is sufficient liquidity for existing operations and its expansion plans.

CASH FLOW. The \$495,000 net increase in cash during the six months ended March 31, 2001, approximates the cash flow provided by the operations. The \$555,000 cash flow provided by operations is comprised of \$1,310,000 of net income, depreciation and amortization (\$187,000), non-cash write-offs of inventories and receivables (\$203,000), and approximately a \$1 million increase in customer deposits. These items were partially offset by increased investments in inventories (\$1,060,000) and receivables (\$300,000) and reductions in accounts payable and income taxes payable. Proceeds from exercise of outstanding warrants and options provided approximately \$330,000 in cash, nearly enough to finance capital expenditures totaling \$363,000, which primarily were for the expansion of plant capacity in the semiconductor equipment segment.

This large increase in inventories occurred primarily in the first quarter of fiscal 2001, as a result of volume purchase commitments made to offset growing lead times that were being experienced in the fourth quarter of fiscal 2000 and customer cancellations and delayed delivery schedules in the first and second quarter of the current fiscal year. While inventory may remain at higher than historical levels for several quarters, the Company believes that it will not increase further and does not expect any significant losses to occur in the disposing of excess inventory.

At March 31, 2001, working capital was \$12,367,000, up \$1,433,000 from \$10,934,000 at September 30, 2000. The Company's current ratio increased slightly to 3.5:1 at the end of the second quarter of fiscal 2001 from 3.3:1 at the beginning of the 2001 fiscal year. The Company believes that its current ratio continues to indicate a strong financial condition. At the end of the second quarter of fiscal 2001, cash and cash equivalents comprised 32% of total assets and stockholders' equity accounted for 73% of total capitalization. The Company believes that it continues to possess the financial strength necessary to achieve continued growth.

RECENT ACCOUNTING PRONOUNCEMENTS

On October 1, 2000, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that do not qualify as hedges must be adjusted to fair value through income. If the derivative qualifies for hedge treatment, depending on the nature of the hedge, changes in the fair value of the derivative are either offset against the change in the fair value of assets, liabilities, or through earnings (fair value hedges) or recognized in other comprehensive income until the hedged item is recognized in earnings (cash flow hedges). The ineffective portion of a derivative's change in

fair value is immediately recognized in earnings. The adoption of SFAS 133 did not have a material impact on the Company's consolidated financial position or operating results.

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In December 1999, the SEC issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition," which sets forth the SEC Staff's views on selected revenue recognition issues. Based upon the prevailing interpretations of SAB No. 101, the Company may be required to delay recognition of at least a portion of its sales of semiconductor production systems until installation has been completed and customer acceptance has occurred. The Company's current policy is to recognize revenue at the time the customer takes title to the product, generally at the time of shipment, because the Company has routinely met its installation obligations and installation costs represent an insignificant percentage of total costs. The Company believes its current accounting policies on revenue recognition are consistent with those generally used in its industry and have been consistently applied since the inception of the Company. Therefore, if the Company is required to change its revenue recognition policies in order to comply with SAB No. 101, a significant cumulative charge related to a change in an accounting principle may be required. The guidance in SAB No. 101 must be adopted no later than the fourth quarter of the Company's fiscal year 2001, ending September 30, 2001, with a restatement of the first three quarters of that fiscal year. In October 2000, the SEC issued implementation guidance in the form of "Frequently Asked Questions." The Company is in the process of assessing the impact that SAB No. 101 will have on its consolidated financial statements based on the SEC's most recently issued guidance.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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, 2000. There are no material changes in reported market risk from September 30, 2000.

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 not enter a period of slowdown

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during fiscal 2001, (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 the 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.

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 15, 2001, the Company held its annual meeting of shareholders at which 2,180,175, or 83% of the 2,628,871 shares outstanding were represented by proxy or in person. The following persons were elected to the board of directors with shares voted as follows:

Election of Directors -----	For -----	Withheld -----
Jong S. Whang	2,174,237	5,938
Robert T. Hass	2,174,365	5,810
Donald F. Johnston	2,174,333	5,842
Alvin Katz	2,174,208	6,967
Bruce R. Thaw	2,174,365	5,810

At the annual meeting the shareholders approved an amendment to the Amtech Systems, Inc. 1998 Stock Option Plan to increase the number of shares available for issuance thereunder by 250,000 from 50,000 to 300,000. Of the shares voted on the proposal, 402,202 voted for, 169,972 voted against and 7,614 abstained.

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

(a) Exhibits

- 10.1 Employment Agreement between Amtech System, Inc. and Jong S. Whang, its President and Chief Executive Officer.

(b) Reports on Form 8-K

None.

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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: May 15, 2001

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

EMPLOYMENT AGREEMENT

AGREEMENT, dated this 15th day of March, 2001, between Amtech Systems, Inc., an Arizona corporation (the "Company") with offices at 131 South Clark Drive, Tempe, Arizona, and Jong S. Whang (the "Executive"),

WITNESSETH:

WHEREAS, the Company and the Executive wish to enter into an employment and compensation arrangement on the following terms and conditions:

1. EMPLOYMENT. Subject to the terms and conditions of this Agreement, the Company agrees to employ the Executive as its Chief Executive Officer during the Employment Period (as defined in Section 7) and Executive agrees to perform such acts and duties and furnish such services to the Company and its affiliates consistent with such position as the Company's Board of Directors shall from time to time direct. The Executive shall have general and active charge of the business and affairs of the Company and, in such capacity, shall have responsibility for the day-to-day operations of the Company, subject to the authority and control of the Board of Directors of the Company. During the Employment Period, the Company shall continue to take such actions as necessary to cause the Executive's nomination as a member of the Board of Directors of the Company. The Executive hereby accepts such employment and agrees to devote his full time and best efforts to the duties provided herein, provided, that the Executive may engage in other business activities which (i) involve no conflict of interest with the interests of the Company (subject to approval by the Board of Directors, which approval shall not be unreasonably withheld) and (ii) do not materially interfere with the performance by the Executive of his duties under this Agreement.

2. COMPENSATION. For services rendered to the Company during the term of this Agreement, the Company shall compensate the Executive with an initial salary, payable in monthly installments, of \$188,402 per annum. Such base salary shall be reviewed on an annual basis by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") and shall be increased by at least five (5%) percent per annum.

3. INCENTIVE COMPENSATION. The Executive shall also be entitled to annual cash bonuses not to exceed fifty per cent (50%) of the applicable base salary for each fiscal year during the Employment Period ("Incentive Compensation"). The Executive's Incentive Compensation for each such fiscal year shall be the total of the amounts calculated as follows:

(a) an amount equal to two percent (2%) of the Earnings of the Company for such fiscal year; plus

(b) an amount equal to two percent (2%) of the amount by which the revenues of the Company for such fiscal year exceed such revenues for the next preceding fiscal year. For purposes of determining the amount by which revenues of the Company for the fiscal year in which any operations are first acquired exceed the Company's revenues for the next preceding fiscal year, the revenues of the acquired operations shall be added on a pro forma basis to the Company's revenues for the same period of the next preceding fiscal year for which such revenues are included in the Company's revenues in the fiscal year of the acquisition. For purposes of determining the amount by which revenues of the Company for the next fiscal year following the fiscal year in which any operations are first acquired exceed the Company's revenues for the fiscal year in which such operations are first acquired, the revenues of the acquired operations for the period of the fiscal year of acquisition prior to the acquisition date shall be added on a pro forma basis to the Company's revenues for such fiscal year.

For purposes of this paragraph 3, the term "Earnings" shall mean the earnings of the Company and its subsidiaries determined on a consolidated basis and in accordance with generally accepted accounting principles, consistently applied for each fiscal year of the Company during the Employment Period, before any provision is made for federal or state income taxes, but after provision for all bonuses, both in stock and cash.

4. STOCK OPTIONS.

(a) OUTSTANDING OPTIONS. All currently outstanding options to purchase Common Stock of the Company held by Executive shall remain in full force and effect in accordance with the provisions of Employer's Stock Option plan and the applicable Stock Option Agreements, as may be amended from time to time.

(b) NEW OPTIONS. As further compensation, Employee shall be issued 150,000 stock options (hereinafter "stock options") upon the effective date of this Agreement. All of the stock options shall be "Incentive Stock Options" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), subject to the limitations of the Code. Any stock options which are not

allowed to be incentive stock options under the Code shall be non-qualified stock options. The stock options shall be issued at the fair market value of the Employer's common stock as of the date of this Agreement and shall vest at a rate of 30,000 options for each full year of service during the first five years of the Employment Period (and shall not be vested for interim periods on a pro-rata basis, except as otherwise provided herein or in the applicable Stock Option Agreement).

5. BENEFITS. During the Employment Period, the Company shall provide or cause to be provided to the Executive such employee benefits as are provided to other executive officers of the Company, including family medical and dental, disability and life insurance, and participation in pension and retirement plans, incentive compensation plans, stock option plans and other benefit plans. During the Employment Period, the Company may provide or cause to be provided to the Executive such additional benefits as the Company may deem appropriate from time to time. The Company shall also provide the Executive at the Company's expense the use of an automobile of at least equal value to that which is presently utilized by the Executive as of the date of this Agreement as well as a life insurance policy in the face amount of \$250,000 with Executive's spouse as the beneficiary.

6. VACATION. The Executive shall be entitled to annual vacations in accordance with the Company's vacation policies in effect from time to time for executive officers of the Company.

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7. TERM: Employment Period. The "Employment Period" shall commence on the date of this Agreement (the "Effective Date") and shall terminate 5 years thereafter, unless extended by written agreement between the parties or unless earlier terminated pursuant to Section 8. If the Executive shall remain in the full time employ of the Company beyond the Employment Period without any written agreement between the parties, this Agreement shall be deemed to continue on a month to month basis and either party shall have the right to terminate this Agreement at the end of any ensuing calendar month on written notice of at least 30 days.

8. TERMINATION.

(a) Executive's employment with the company shall be "at will". Either the Company or the Executive may terminate this Agreement and Executive's employment at any time, with or without Cause or Good Reason (as such terms are defined below), in its or his sole discretion, upon thirty (30) days prior written notice of termination.

(b) Without limiting the foregoing Section 8(a), (i) the Executive may terminate his employment with the company at any time for Good Reason, or (ii) the Company may terminate his employment at any time for Cause. "Good Reason" shall mean (i) the Company's failure to elect or reelect, or to appoint or reappoint, Executive to offices or positions involving duties, responsibilities, authority and dignity of a scope of comparable to those of Executive's most significant offices or positions held at any time during the Employment Period; (ii) material changes by the Company in the Executive's function, duties or responsibilities (including reporting responsibilities) of a scope less than that associated with Executive's most significant position with the Company during the Employment Period; (iii) Executive's base salary is reduced by the Company below the highest base salary of Executive in effect during the Employment Period; (iv) relocation of Executive's principal place of employment to a place that is not within either the city limits of Tempe, Arizona, or within a radius of ten (10) miles of his primary residence; (v) failure by the Company to obtain the assumption of this Agreement by any successor or assign of the Company; or (vi) material breach of this Agreement by the Company, which breach is not cured within five (5) days after written notice thereof is delivered to the Company. "Cause" shall mean (i) the Executive's willful, repeated or negligent failure to perform his duties hereunder and to comply with any reasonable or proper direction given by or on behalf of the Company's Board of Directors and the continuation of such failure following ten (10) days written notice to such effect, (ii) the Executive being guilty of serious misconduct on the Company's premises or elsewhere, whether during the performance of his duties or not, which is reasonably likely to cause material damage to the reputation of the Company or render it materially more difficult for the Executive to satisfactorily continue to perform his duties and the continuation or a second instance of such serious misconduct following ten (10) days written notice to such effect; (iii) the Executive being found guilty in a criminal court of any offense of a nature which is reasonably likely to materially adversely affect the reputation of the Company or to materially prejudice its interests if the Executive were to continue to be employed by the Company; (iv) the Executive's commission of any act of fraud, theft or dishonesty, or any intentional tort against the Company; or (v) the Executive's violation of any of the material terms, covenants, representations or warranties contained in this Agreement and failure to correct such violation within ten (10) days after written notice by the Company.

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(c) "Disability" shall mean that the Executive, in the good faith determination of the Board of Directors of the Company, is unable to render

services of the character contemplated hereby and that such inability (i) may be expected to be permanent, or (ii) may be expected to continue for a period of at least six (6) consecutive months (or for shorter periods totaling more than six (6) months during any period of twelve (12) consecutive months). Termination resulting from Disability may only be effected after at least thirty (30) days written notice by the Company of its intention to terminate the Executive's employment.

(d) "Termination Date" shall mean (i) if this Agreement is terminated on account of death, the date of death; (ii) if this Agreement is terminated for Disability, the date established by the Company pursuant to Section 8(c) hereof; (iii) if this Agreement is terminated by the Company, the date on which a notice of termination is given to the Executive; (iv) if the Agreement is terminated by the Executive, the date the Executive ceases work; or (v) if this Agreement expires by its terms, the last day of the term of this Agreement. Notwithstanding the foregoing, if within thirty (30) days after any notice of termination is given, the party receiving such notice notifies the other party that a dispute exists concerning the termination, the Termination Date shall be the date finally determined to be the Termination Date, either by mutual written agreement of the parties or by binding arbitration in the manner provided in Section 23 hereof; provided that the Termination Date shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay the Executive his full compensation in effect when the notice giving rise to the dispute was given and continue the Executive as a participant in all compensation, benefit and insurance plans in which he was participating when the notice giving rise to the dispute was given, until the dispute is finally resolved. Amounts paid under this Section 8(d) shall be in addition to all other amounts due under this Agreement and shall not be offset against or reduce any amounts due under this Agreement; provided, however, that if the arbitrator determines that any notice of dispute by the Executive was not given in good faith or that the Executive did not pursue the resolution of such dispute with reasonable diligence, the Executive shall repay the Company the amount of compensation paid to the Executive pursuant to Section 8(d) from the Termination Date which would have applied had such notice of dispute not been given, plus interest thereon at the applicable federal rate provided for in Section 1274(d) of the Internal Revenue Code, or any successor provision thereof, for an obligation with a term equal to the period from the date of payment to the date of repayment pursuant to this Section 8(d).

9. SEVERANCE:

(a) If (i) the Company terminates the employment of the Executive against his will and without Cause, or (ii) the Executive terminates his employment for Good Reason, the Executive shall be entitled to receive salary, Incentive Compensation and vacation accrued through the Termination Date, plus the following:

(i) an amount equal to two years of Executive's base salary in effect on the Termination Date;

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(ii) a pro-rated portion of the amount of Incentive Compensation Executive would earn for the fiscal year in which the termination occurs if the results of operations of the Company for the period from the beginning of such fiscal year to the Termination Date were annualized (the "Pro-Rated Incentive Compensation");

(iii) full vesting of all stock options issued under Section 4(b)(1) hereof (the "Section 4(b)(1) Options");

(iv) vesting of a pro-rated portion of the number of stock options which would have vested for the fiscal year in which the termination occurs under Section 4(b)(2) and Section 4(b)(3) hereof (the "Performance Options") if the results of operations of the Company for the period from the beginning of such fiscal year to the Termination Date were annualized.

The Company shall make the termination payment required hereunder within thirty (30) days of the Termination Date. Notwithstanding the foregoing, the Company shall not be required to pay any severance pay for any period following the Termination Date if the Executive violates the provisions of Section 15, Section 16 or Section 17 of this Agreement in any material respect, and fails to cure such violation willingly thirty days after written notice from the Company to the Executive detailing such violation.

(b) If (i) the Executive voluntarily terminates his employment other than for Good Reason, (ii) the Executive's employment is terminated due to death or Disability, or (iii) the Executive is terminated by the Company for Cause, then the Executive shall be entitled to receive salary and accrued vacation through the Termination Date only. In the event of death or Disability the Executive shall also be entitled to receive the Pro-Rated Incentive Compensation and vesting of the Section 4(b)(1) Options and the Performance Options as provided in Section 9(a).

(c) In addition to the provisions of Section 9(a) and 9(b) hereof, to the extent COBRA shall be applicable to the Company or as provided by law, the Executive shall be entitled to continuation of group health plan benefits in accordance with COBRA if the Executive makes the appropriate conversion and payments. If requested to do so, the Company will transfer ownership of the life insurance policy referred to in Section 5 to the Executive and the Executive agrees to pay for any costs related to the transfer in excess of \$1000 and to be responsible for all future premiums.

(d) The Executive acknowledges that, upon termination of his employment, he is entitled to no other compensation, severance or other benefits other than those specifically set forth in this Agreement or any applicable Stock Option Agreement.

10. EXPENSES. The Company shall pay or reimburse the Executive for all expenses normally reimbursed by Company, reasonably incurred by him in furtherance of his duties hereunder and authorized and approved by the Company in compliance with such rules relating thereto as the Company may, from time to time, adopt and as may be required in order to permit such payments as proper deductions to Company under the Internal Revenue Code of 1986, as amended, and the rule and regulations adopted pursuant thereto now or hereafter in effect.

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11. FACILITIES AND SERVICES. The Company shall furnish the Executive with office space, secretarial and support staff and such other facilities and services as shall be reasonably necessary for the performance of his duties under this Agreement.

12. MITIGATION NOT REQUIRED. In the event this Agreement is terminated, the Executive shall not be required to mitigate amounts payable pursuant hereto by seeking other employment or otherwise. The Executive's acceptance of any such other employment shall not diminish or impair the amounts payable to the Executive pursuant hereto.

13. PLACE OF PERFORMANCE. The Executive shall perform his duties primarily in Tempe, Arizona or locations within a reasonable proximity thereof, except for reasonable travel as the performance of the Executive's duties may require.

14. INSURANCE AND INDEMNITY. During the Employment Period, if available at reasonable costs, the Company shall maintain, at its expense, officers and directors fiduciary liability insurance covering the Executive and all other executive officers and directors in an amount of no less than \$1,000,000. The Company shall also indemnify the Executive, to the fullest extent permitted by law, from any liability asserted against or incurred by the Executive by reason of the fact that the Executive is or was an officer or director of the Company or any affiliate or related party or is or was serving in any capacity at the request of the Company for any other corporation, partnership, joint venture, trust, employment benefit plan or other enterprise. This indemnity shall survive termination of this Agreement.

15. NONCOMPETITION.

A. The Executive agrees that, except in accordance with his duties under this Agreement on behalf of the Company, he will not during the term of this Agreement:

Participate in, be employed in any capacity by, serve as director, consultant, agent or representative for, or have any interest, directly or indirectly, in any enterprise which is engaged in the business of distributing, selling or otherwise trading in products or services which are competitive to any products or services distributed, sold or otherwise traded in by the Company or any of its subsidiaries during the term of the Executive's employment with the Company, or which are competitive to any products or services being actively developed, with the bona fide intent to market same, by the Company or any of its subsidiaries during the term of the Executive's employment with the Company;

In addition, the Executive agrees that for a period of two years after the end of the term of this Agreement (unless the Company breaches this Agreement by failing to pay to the Executive all sums due him under the terms hereof, in which event the following provisions of this Section 15.A shall be inapplicable), the Executive shall observe the covenants set forth in this Section 15 and shall not own, either directly or indirectly or through or in conjunction with one or more members of his or his spouse's family or through any trust or other contractual arrangement, a greater than five percent (5%) interest in, or otherwise control either directly or indirectly, any partnership, corporation, or other entity which distributes, sells, or otherwise trades in products which are competitive to any products or services being developed, distributed, sold, or otherwise traded in by the Company or any of its subsidiaries, during the term of this Agreement, or being actively developed

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by the Company or any of its subsidiaries during the term of this Agreement with the Company with a bona fide intent to market same. Executive further agrees, for such two-year period following termination, to refrain from directly or indirectly soliciting Company's vendors, customers or employees, except that the

Executive may solicit the Company's vendors or customers in connection with a business that does not compete with the Company or any of its subsidiaries.

B. The Executive hereby agrees that damages and any other remedy available at law would be inadequate to redress or remedy any loss or damage suffered by the Company upon any breach of the terms of this Section 15 by the Executive, and the Executive therefore agrees that the Company, in addition to recovering on any claim for damages or obtaining any other remedy available at law, also may enforce the terms of this section 15 by injunction or specific performance, and may obtain any other appropriate remedy available in equity.

16. ASSIGNMENT OF PATENTS. Executive shall disclose fully to the Company any and all discoveries and any and all ideas, concepts or inventions relating to the Company's business as described in the Company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission) which he shall conceive or make during his period of employment, or during the period of six months after his employment shall terminate, which are in whole or in part the result of his work with the Company. Such disclosure is to be made promptly after each such discovery or conception, and each such discovery, idea, concept or invention will become and remain the property of the Company, whether or not patent applications are filed thereon. Upon request and at the expense of the Company, the Executive shall make application through the patent solicitors of the Company for letters patent of the United States and any and all other countries at the discretion of the Company on such discoveries, ideas and inventions, and to assign all such applications to the Company, or at its order, forthwith, without additional payment by the Company during his period of employment and for reasonable compensation for time actually spent by the Executive at such work at the request of the Company after the termination of the employment. Executive shall give the Company, its attorneys and solicitors, all reasonable assistance in preparing and prosecuting such applications and, on request of the Company, execute all papers and do all things that may be reasonably necessary to protect the right of the Company and vest in it or its assigns the discoveries, ideas or inventions, applications and letters patent herein contemplated. Said cooperation shall also include all actions reasonably necessary to aid the Company in the defense of its rights in the event of litigation.

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17. TRADE SECRETS.

A. In the course of the term of this Agreement, it is anticipated that the Executive shall have access to secret or confidential technical and commercial information, records, data, specifications, systems, methods, plans, policies, inventions, material and other knowledge ("Confidential Material") owned by the Company and its subsidiaries. The Executive recognizes and acknowledges that included within the Confidential Material are the Company's confidential commercial information, technology, methods of manufacture, designs, and any computer programs, source codes, object codes, executable codes and related materials, all as they may exist from time to time, and that they are valuable special and unique aspects of the Company's business. All such Confidential material shall be and remain the property of the Company. Except as required by his duties to the Company, the Executive shall not, directly or indirectly, either during the term of his employment or at any time thereafter, disclose or disseminate to anyone or make use of, for any purpose whatsoever, any Confidential Material. Upon termination of his employment, the Executive shall promptly deliver to the Company all Confidential Material (including all copies thereof, whether prepared by the Executive or others) which are in the possession or under the control of the Executive. The Executive shall not be deemed to have breached this Section 17 if the Executive shall be specifically compelled by lawful order of any judicial, legislative, or administrative authority or body to disclose any Confidential Material or else face civil or criminal penalty or sanction.

B. The Executive hereby agrees that damages and any other remedy available at law would be inadequate to redress or remedy any loss or damage suffered by the Company upon any breach of the terms of this Section 17 by the Executive, and the Executive therefore agrees that the Company, in addition to recovering on any claim for damages or obtaining any other remedy available at law, also may enforce the terms of this Section 17 by injunction or specific performance, and may obtain any other appropriate remedy available in equity.

18. PROVISIONS AFTER CHANGE OF CONTROL.

(a) In the event Executive's employment with the Company is terminated within one year following the occurrence of a Change of Control (other than as a consequence of death or Disability) either (x) by the Company for any reason other than for Cause, or (y) by Executive for Good Reason, then Executive shall be entitled to receive from the Company, in lieu of the severance payment otherwise payable pursuant to Section 9(a), the following:

(i) an amount equal to three years of Executive's base salary in effect on the Termination Date;

(ii) the maximum amount of the Incentive Compensation which Executive could earn for the fiscal year in which the Termination Date occurs;

and

(iii) full vesting of the Section 4(b)(1) Options and the Performance Options.

The Company shall make the termination payments required hereunder within ten (10) days of the Termination Date.

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(b) For purposes of this Agreement, the term "Change of Control" shall mean:

(i) The acquisition, other than from the Company, by any individual, entity or group (within the meaning of Rule 13d-3 promulgated under the Exchange Act or any successor provision) (any of the foregoing described in this Section 18 (b) (i) hereafter a "Person") of 35% or more of either (a) the then outstanding shares of Capital Stock of the Company (the "Outstanding Capital Stock") or (b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Voting Securities"), provided, however, that any acquisition by (x) the Company or any of its subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or (y) any Person that is eligible, pursuant to Rule 13d-1 (b) under the Exchange Act, to file a statement on Schedule 13G with respect to its beneficial ownership of Voting Securities, whether or not such Person shall have filed a statement on Schedule 13G, unless such Person shall have filed a statement on Schedule 13D with respect to beneficial ownership of 35% or more of the Voting Securities or (z) any corporation with respect to which, following such acquisition, more than 60% respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Capital Stock and Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership, immediately prior to such acquisition, of the Outstanding Capital Stock and Voting Securities, as the case may be, shall not constitute a Change of Control; or

(ii) Individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to the date hereof whose election or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A, or any successor section, promulgated under the Exchange Act); or

(iii) Approval by the shareholders of the Company of a reorganization, merger or consolidation (a "Business Combination"), in each case, with respect to which all or substantially all holders of the Outstanding Capital Stock and Voting Securities immediately prior to such Business Combination do not, following such Business Combination, beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from the Business Combination; or

(iv) (a) a complete liquidation or dissolution of the Company or (b) a sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than 60% of respectively, the then outstanding shares of

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common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Capital Stock and Voting Securities immediately prior to such sale or disposition in substantially the same proportion as their ownership of the Outstanding Capital Stock and Voting Securities, as the case may be, immediately prior to such sale or disposition.

(v) The first purchase under a tender offer or exchange offer for 20% or more of the outstanding shares of stock (or securities convertible into stock) of the Company, other than an offer by the Company or any of its subsidiaries or any employee benefit plan sponsored by the Company or any of its subsidiaries.

19. NOTICES. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and if sent by registered or certified mail, return receipt requested to his residence in the case of the

Executive, or to its principal office in the case of the Company, or to such other addresses as they may respectively designate in writing.

20. ENTIRE AGREEMENT; WAIVER. This Agreement contains the entire understanding of the parties and may not be changed orally but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification or discharge is sought. Waiver of or failure to exercise any rights provided by this Agreement in any respect shall not be deemed a waiver of any further or future rights.

21. BINDING EFFECT; ASSIGNMENT. The rights and obligations of this Agreement shall bind and inure to the benefit of any successor of the Company by reorganization, merger or consolidation, or any assignee of all or substantially all of the Company's business or properties. The Executive's rights hereunder are personal to and shall not be transferable nor assignable by the Executive.

22. HEADINGS. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

23. GOVERNING LAW; ARBITRATION. This Agreement shall be construed in accordance with and governed for all purposes by the laws and public policy of the State of Arizona applicable to contracts executed and to be wholly performed within such state. Any dispute or controversy arising out of or relating to this Agreement shall be settled by arbitration in accordance with the rules of the American Arbitration Association and judgment upon the award may be entered in any court having jurisdiction thereover. The arbitration shall be held in Maricopa County or in such other place as the parties hereto may agree.

24. FURTHER ASSURANCES. Each of the parties agrees to execute, acknowledge, deliver and perform, and cause to be executed, acknowledged, delivered and performed, at any time and from time to time, all such further acts, deeds, assignments, transfers, conveyances, powers of attorney and/or assurances as may be necessary or proper to carry out the provisions or intent of this Agreement.

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25. SEVERABILITY. The parties agree that if any one or more of the terms, provisions, covenants or restrictions of this Agreement shall be determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

26. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

IN WITNESS WHEREOF, AMTECH SYSTEMS, INC. has caused by instrument to be signed by a duly authorized officer and the Executive has hereunto set his hand the day and year first above written.

AMTECH SYSTEMS, INC.

By /s/ Robert T. Hass

Robert T. Hass
Vice President-Finance

/s/ Jong. S. Whang

Jong S. Whang

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