

KEY TECHNOLOGY INC  
Form 10-Q  
August 12, 2005

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549-1004

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**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
for the quarterly period ended June 30, 2005

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
for the transition period from \_\_\_\_ to \_\_\_\_

Commission File No. 0-21820

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**KEY TECHNOLOGY, INC.**

(Exact name of Registrant as specified in its charter)

Oregon  
(State or jurisdiction of  
incorporation or organization)

93-0822509  
(I.R.S. Employer  
Identification No.)

150 Avery Street  
Walla Walla, Washington 99362  
(Address of principal executive offices and zip code)

(509) 529-2161  
(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the Registrant's common stock, no par value, on July 29, 2005 was 5,085,824 shares.



KEY TECHNOLOGY, INC. AND SUBSIDIARIES  
FORM 10-Q FOR THE THREE MONTHS ENDED JUNE 30, 2005  
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KEY TECHNOLOGY, INC. AND SUBSIDIARIES  
 CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEETS  
 JUNE 30, 2005 AND SEPTEMBER 30, 2004

	June 30, 2005	September 30, 2004
	(in thousands)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 13,158	\$ 8,817
Trade accounts receivable, net	10,720	9,336
Inventories:		
Raw materials	6,574	6,460
Work-in-process and sub-assemblies	4,880	4,749
Finished goods	3,695	2,424
Total inventories	15,149	13,633
Deferred income taxes	2,217	2,119
Other current assets	1,616	1,097
Total current assets	42,860	35,002
Property, plant and equipment, net	4,387	5,046
Deferred income taxes	10	6
Investment in joint venture	1,420	1,914
Goodwill, net	2,524	2,524
Intangibles and other assets, net	7,080	8,022
Total	\$ 58,281	\$ 52,514
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 2,621	\$ 1,599
Accrued payroll liabilities and commissions	3,860	3,781
Accrued customer support and warranty costs	1,388	1,283
Other accrued liabilities	2,837	2,007
Customers' deposits	3,784	2,536
Current portion of long-term debt and capital lease obligations	1,148	1,210
Current portion of mandatorily redeemable preferred stock	1,124	1,279
Current portion of warrants	255	316
Total current liabilities	17,017	14,011
Long-term debt and capital lease obligations	1,439	2,323
Deferred income taxes	840	136
Total shareholders' equity	38,985	36,044
Total	\$ 58,281	\$ 52,514

See notes to condensed unaudited consolidated financial statements.

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KEY TECHNOLOGY, INC. AND SUBSIDIARIES  
 CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS  
 FOR THE THREE MONTHS ENDED JUNE 30, 2005 AND 2004

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	2005	2004
	(in thousands, except per share data)	
Net sales	\$ 25,917	\$ 22,170
Cost of sales	14,732	11,954
Gross profit	11,185	10,216
Operating expenses:		
Sales and marketing	3,395	3,458
Research and development	1,186	1,545
General and administrative	2,052	2,026
Amortization of intangibles	334	331
Total operating expenses	6,967	7,360
Gain on sale of assets	15	-
Earnings from operations	4,233	2,856
Other expense	(140)	(3)
Earnings before income taxes	4,093	