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

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended March 31, 2003 or

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

Commission file number 000-30941

AXCELIS TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**34-1818596**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

55 Cherry Hill Drive
Beverly, Massachusetts 01915
(Address of principal executive offices, including zip code)

(978) 787-4000
(Registrant's telephone number, including area code)

Indicate by 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 [X] NO [ ] .

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

As of May 13, 2003 there were 98,395,258 shares of the registrant's common stock outstanding.

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PART I. FINANCIAL INFORMATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Axcelis Technologies, Inc.
Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
Net sales	$ 82,405	$ 62,085
Cost of products sold	54,730	46,688
Gross profit	27,675	15,397
Operating expenses		
Research & development	16,176	17,712
Selling	12,098	11,238
General & administrative	10,443	11,947
Amortization of intangible assets	365	365
Loss from operations	(11,407)	(25,865)
Other income (expense):		
Royalty income	1,765	567
Equity income (loss)of Sumitomo Eaton Nova Corporation	3,195	(1,962)
Interest income	531	957
Interest expense	(1,378)	(1,198)
Other,net	(283)	(361)
Total other income (expense)	3,830	(1,997)
Loss before taxes	(7,577)	(27,862)
Income tax credit	(1,251)	(10,031)
Net loss	$ (6,326)	$(17,831)
Basic net loss per share	$ (0.06)	$ (0.18)
Diluted net loss per share	$ (0.06)	$ (0.18)
Shares used in computing:		

Basic net loss per share	98,280	97,816
Diluted net loss per share	98,280	97,816

See accompanying notes to consolidated financial statements.

Axcelis Technologies, Inc.
Consolidated Balance Sheets
(In thousands)
(Unaudited)

	March 31, 2003	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$122,255	$150,651
Short-term investments	35,021	34,992
Accounts receivable	79,216	60,311
Inventories	113,434	115,290
Deferred income taxes	16,550	16,550
Other current assets	4,133	1,779
Total current assets	370,609	379,573
Property, plant & equipment, net	91,712	93,597
Investment in Sumitomo Eaton Nova Corporation	61,396	57,868
Goodwill	40,682	40,682
Intangible assets	12,776	13,141
Deferred income taxes	57,147	57,136
Other assets	29,656	27,454
Total assets	$663,978	$669,451
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$ 37,386	$ 32,594
Accrued compensation	7,983	6,745
Warranty reserve	14,363	16,625
Income taxes payable	11,668	12,823
Other current liabilities	15,782	18,400
Total current liabilities	87,182	87,187
Long-term convertible debt	125,000	125,000
Other long-term liabilities	4,423	4,756
Stockholders’ equity:		
Common stock	99	98
Additional paid-in capital	448,276	447,533
Deferred compensation	(731)	(782)
Treasury stock - at cost	(1,218)	(1,218)
Retained earnings	6,043	12,369
Accumulated other comprehensive loss	(5,096)	(5,492)
Total stockholders’ equity	447,373	452,508
Total liabilities and stockholders’ equity	$663,978	$669,451

See accompanying notes to consolidated financial statements.

Axcelis Technologies, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
Operating activities:		
Net loss	$ (6,326)	$ (17,831)
Adjustments required to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	2,930	2,566
Amortization of intangible assets	365	365
Stock compensation expense	51	—
Undistributed equity (income) loss of Sumitomo Eaton Nova Corporation	(3,195)	1,962
Changes in operating assets & liabilities:		
Accounts receivable, net	(18,614)	11,989
Inventories	2,063	1,595
Other current assets	(2,356)	(12,017)
Accounts payable and other current liabilities	891	(3,450)
Income taxes payable	(1,156)	—
Other assets	(2,291)	522
Other-net	(423)	269
Net cash used by operating activities	(28,061)	(14,030)
Investing activities:		
Expenditures for property, plant & equipment	(1,035)	(3,816)
Other-net	51	(327)
Net cash used by investing activities	(984)	(4,143)
Financing activities:		
Proceeds from long-term debt, net	—	121,578
Proceeds from the exercise of stock options	—	50
Issuance of common stock from Employee Stock Purchase Plan	743	2,736
Net cash provided by financing activities	743	124,364
Effect of foreign exchange rate changes	(94)	(790)
Net increase (decrease) in cash & cash equivalents	(28,396)	105,401
Cash & cash equivalents at beginning of period	150,651	124,177
Cash & cash equivalents at end of period	$122,255	$229,578

See accompanying notes to consolidated financial statements.

AXCELIS TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited)*
THREE MONTHS ENDED MARCH 31, 2003

1) Nature of Business and Basis of Presentation

Axcelis Technologies, Inc. ("Axcelis" or the "Company"), is a leading producer of ion implantation, dry strip, rapid thermal processing and photostabilization equipment used in the fabrication of semiconductors in the United States, Europe and Asia Pacific. In addition, the Company provides extensive aftermarket service and support, including spare parts, equipment upgrades, maintenance services and customer training. The Company has a 50-50 joint venture with Sumitomo Heavy Industries, Ltd. in Japan. This joint venture, which is known as Sumitomo Eaton Nova Corporation, or SEN, licenses technology from the Company relating to the manufacture of ion implantation products and has exclusive rights to manufacture and sell these products to the territory of Japan. SEN is the leading producer of ion implantation equipment in Japan.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments which are of a normal recurring nature considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ended December 31, 2003.

The balance sheet at December 31, 2002 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in Axcelis Technologies, Inc.'s annual report on Form 10-K for the year ended December 31, 2002.

2) Net Income (Loss) Per Share

Basic net income (loss) per share is calculated based on the weighted average shares of common stock outstanding during the period. Diluted net income (loss) per share is calculated based on the weighted average shares of common stock outstanding, plus the dilutive effect of stock options, calculated using the treasury stock method.

3) Comprehensive Income (Loss)

The components of comprehensive income (loss) are as follows (in thousands):

	Three Months Ended March 31,	
	2003	2002
Net income (loss)	$(6,326)	$(17,831)
Foreign currency translation adjustments	397	(868)
Comprehensive income (loss)	$(5,929)	$(18,699)

4) Inventories

Inventories are carried at the lower of cost, determined using the first-in, first out (FIFO) method, or market. The components of inventory were as follows (in thousands):

	March 31,	December 31,
	2003	2002
Raw materials	$ 76,476	$ 80,642
Work-in-process	10,582	13,401
Finished goods	41,233	35,939
	128,291	129,982
Inventory allowances	(14,857)	(14,692)
	$113,434	$115,290

5) Product Warranty and Installation Costs

The Company offers a one to three year warranty for all of its products, the terms and conditions of which vary depending upon the product sold. The Company estimates the costs that may be incurred under its warranty and product installation obligation and records a liability in the amount of such costs at the time product revenue is recognized. Factors that affect the Company's warranty and installation liability include the number of installed units, historical and anticipated product failure rates, material usage and service labor costs. The Company periodically assesses the adequacy of its recorded warranty and installation liability and adjusts the amount as necessary.

Changes in the Company's product warranty and installation liability for the period ended March 31, 2003 are as follows (in thousands):

Balance at December 31, 2002	$16,625
Warranties and installations issued during the period	5,604
Settlements made during the period	(7,866)
Balance as of March 31, 2003	$14,363

6) Stock-Based Compensation

As permitted under Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," Axcelis has elected to follow Accounting Principles Board (APB) No. 25 in accounting for stock-based awards to employees. Under APB No. 25, the Company recognizes no compensation expense with respect to such awards, if on the date the awards were granted, the exercise price equaled the market value of the common shares.

Pro forma information regarding net income (loss) is required by SFAS No. 123. This information is required to be determined as if Axcelis had accounted for stock-based awards to its employees granted subsequent to 1995 under the fair value method of SFAS No. 123. The fair values of the options granted have been estimated at the date of grant using the Black-Scholes options pricing model.

The Black-Scholes options valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because Axcelis' options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's options.

For purposes of pro forma disclosures under SFAS No. 123, the estimated fair values of the options are assumed to be amortized to expense over the options' vesting periods. Although some Eaton stock options were granted to Axcelis employees during the period January 1, 2000 to July 11, 2000, the number of such options was not significant and, therefore, have not been included in the pro forma presentation below. Pro forma information related to options granted follows (in thousands, except per share amounts):

	Period ended March 31,	
	2003	**2002**
Net loss	$(6,326)	$(17,831)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(2,923)	(4,529)
Pro forma net loss	$(9,249)	$(22,360)
Net loss per share		
Basic - as reported	$ (0.06)	$ (0.18)
Basic - pro forma	$ (0.09)	$ (0.23)
Diluted - as reported	$ (0.06)	$ (0.18)
Diluted - pro forma	$ (0.09)	$ (0.23)

7) Recent Accounting Pronouncements

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Interest Guarantees of Indebtedness of Others" (the "Interpretation"). The Interpretation requires certain guarantees to be recognized as a liability on the consolidated balance sheet. The liability shall be measured initially at the fair value of the obligation which the guarantee supports. The Interpretation's initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The Interpretation's disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company has included the new disclosure requirements in the Notes to the Consolidated Financial Statements (see Note 5. Product Warranty and Installation Costs).

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure". SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition to SFAS No. 123's fair value method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 and APB Opinion No. 28, "Interim Financial Reporting," to require disclosure of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. The disclosure provisions of SFAS No. 148 are applicable to all companies with stock-based employee compensation, regardless of whether they account for that compensation using the fair value method of SFAS No. 123 or the intrinsic value method of APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 148's amendment of the transition and annual disclosure requirements of SFAS No. 123 are effective for fiscal years ending after December 15, 2002. SFAS No. 148's amendment of the disclosure requirements of APB No. 28 is effective for financial reports containing condensed consolidated financial statements for interim periods beginning after December 15, 2002. The Company currently uses the intrinsic value method of accounting for stock-based employee compensation and has included the new disclosure requirements in the Notes to the Consolidated Financial Statements (see Note 6. Stock-Based Compensation).

In January 2003, the FASB issued Interpretation No. 46 "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51" (FIN 46). FIN 46 provides a new consolidation model which determines control and consolidation based on potential variability in gains and losses. The provisions of FIN 46 are effective for enterprises with variable interests in variable interest entities created after January 31, 2003. For public companies with variable interest in variable interest entities created before February 1, 2003, the provisions of FIN 46 are to be applied no later than July 1, 2003. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward-looking statements that involve risks and uncertainties. Words such as may, will, should, would, anticipates, expects, intends, plans, believes, seeks, estimates and similar expressions identify such forward-looking statements. The forward-looking statements contained herein are based on current expectations and entail various risks and uncertainties that could cause actual results to differ materially from those expressed in such forward-looking statements. Factors that might cause such a difference include, among other things, those set forth under "Financial Condition, Liquidity and Capital Resources" and "Risk Factors" included in these sections and those appearing elsewhere in this Form 10-Q. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. The Company assumes no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting forward-looking statements.

Overview

We are a leading producer of ion implantation, dry strip and photostabilization equipment used in the fabrication of semiconductors. We also manufacture rapid thermal processing equipment, which is used in semiconductor manufacturing primarily before and after the ion implantation process. In addition, we provide extensive aftermarket service and support, including spare parts, equipment upgrades, maintenance services and customer training. We have a 50-50 joint venture with Sumitomo Heavy Industries, Ltd. in Japan.

Critical Accounting Policies

Management's discussion and analysis of our financial condition and results of operations are based upon Axcelis' consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to revenue recognition, income taxes, accounts receivable, inventory and warranty and installation obligations. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following accounting policies are critical in the portrayal of our financial condition and results of operations and require management's most significant judgments and estimates in the preparation of our consolidated financial statements.

Revenue Recognition

Axcelis generally recognizes the full sale price at the time of shipment to the customer. The costs of system installation at the customer's site are accrued at the time of shipment. Customer payment terms typically provide that the majority of the purchase price is paid upon shipment, but these terms also contain delayed payment arrangements for a portion of the purchase price, which are primarily time-based. In addition, the Company incurs installation and acceptance testing performance obligations at the time of sale.

Management believes the customer's post delivery acceptance provisions and installation process have been established to be routine, commercially inconsequential and perfunctory because the process is a replication of the pre-shipment procedures. The majority of Axcelis' systems are designed and tailored to meet the customer's specifications as outlined in the contract between the customer and Axcelis. To ensure that the customer's specifications are satisfied, per contract terms, the majority of customers request that the systems are to be tested at Axcelis' facilities prior to shipment, normally with the customer present, under conditions that substantially replicate the customer's production environment and the customer's criteria are confirmed to have been met. Customers for mature products generally do not require pre-shipment testing. Axcelis has never failed to successfully complete a system installation. Should an installation not be successfully completed, the contractual provisions do not provide for forfeiture, refund or other purchase price concession beyond those prescribed by the provisions of the Uniform Commercial Code applicable generally to such transactions. Installation is non-complex and does not require specialized skills, and the related costs are predictable and insignificant to the total purchase price. Axcelis has a demonstrated history of customer acceptance subsequent to shipment and installation of these systems.

In the small number of instances where Axcelis is unsure of meeting the customer's specifications upon shipment of the system, Axcelis will defer the recognition of revenue until written customer acceptance of the system. This deferral period is generally within twelve months of shipment.

Deferred Tax Assets

As of March 31, 2003, we have approximately $73.7 million of deferred tax assets related principally to domestic loss carryforwards and tax credit carryforwards that expire at various times through 2022, for which a $0.9 million valuation allowance has been recorded. The realization of these assets is based upon evidence of cumulative historical profitability and estimates of future taxable income. The Company was profitable in fiscal year 2000 but was not profitable in fiscal years 2001 and 2002. Projections of future earnings are based on revenue assumptions consistent with industry forecasts for the next three years along with the necessary operating expenses to support our revenue assumptions. Based on these projections, we estimate that the loss carryforwards will be fully utilized within three years. We update these projections quarterly based on current industry trends and company-specific events. Should trends within our industry or specific to the Company cause our projections not to materialize and future taxable losses continue, a valuation allowance of up to $73.7 million may be required. Such a valuation allowance, if required, would result in a non-cash charge to earnings.

Goodwill and Other Intangible Assets

We account for our acquisitions under the purchase method of accounting pursuant to Statement of Financial Accounting Standard (SFAS) No. 141, "Business Combinations". Goodwill represents the excess of cost over net assets, including all identifiable intangible assets of acquired businesses that are consolidated. Pursuant to SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill is not amortized. Other intangible assets that are separable from goodwill and have determinable useful lives are valued separately and amortized over their useful lives. Such other identifiable intangible assets consist mainly of developed technology and are generally amortized over approximately ten years. We have determined that all of our intangible assets have finite lives.

During 2002, in accordance with SFAS No. 142, we ceased to amortize goodwill arising primarily from our 1997 acquisition of our dry strip and photostabilization businesses. In lieu of amortization, we perform an impairment review of our goodwill. Impairment tests are performed annually, or more frequently if there are other indicators of impairment. The annual impairment test consists of determining the fair market value of the business unit through a discounted cash flow analysis. Management's best judgments are employed in determining future market conditions that impact this discounted cash flow analysis. As a result of our annual review, we determined that there was no impairment of our goodwill as of March 31, 2003. If we determine through the impairment review process that goodwill has been impaired, we would record the impairment charge in our statement of operations as a non-cash charge to earnings. Net goodwill amounted to $40.7 million as of March 31, 2003.

We assess the impairment of identifiable intangibles whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important that could trigger an impairment review include the following:

- a significant underperformance relative to expected historical or projected future operating results;
- a significant change in the manner of our use of the acquired asset or the strategy for our overall business;
- a significant negative industry or economic trend; and
- our market capitalization relative to net book value.

As part of this assessment, we would review the expected future undiscounted cash flows to be generated by the assets. When we determine that the carrying value of intangibles may not be recoverable, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model. Net intangible assets amounted to $12.8 million as of March 31, 2003.

Accounts Receivable

Axcelis records an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of Axcelis' customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be necessary. The allowance for doubtful accounts amounted to $3.7 million as of March 31, 2003.

Inventories

Axcelis records an allowance for estimated excess and obsolete inventory. The allowance is based upon management's assumptions of future materials usage and obsolescence, which are a result of future demand and market conditions. If actual market conditions become less favorable than those projected by management, additional inventory write-downs may be required. The allowance for excess and obsolete inventory amounted to $14.9 million as of March 31, 2003.

Product Warranty and Installation Costs

Axcelis provides for the estimated cost of product warranties and installations at the time of shipment. The Company's warranty and installation obligation is affected by product failure rates, material usage and service labor costs incurred in correcting a product failure or installing a system at a customer's site. If actual product failure rates, material usage or service labor costs differ from management's estimates, revisions to the estimated warranty and installation liability may be required. The company's estimated warranty and installation liability was $14.4 million as of March 31, 2003.

<u>Results of Operations</u>

The following table sets forth consolidated statements of operations data expressed as a percentage of net sales for the periods indicated:

	Three Months Ended March 31,	
	2003	**2002**
Net sales	100.0 %	100.0 %
Gross profit	33.6	24.8
Operating expenses:		
Research & development	19.6	28.5
Selling	14.7	18.1
General & administrative	12.7	19.2
Amortization of intangible assets	0.4	0.6
Loss from operations	(13.8)	(41.6)
Other income (expense):		
Royalty income	2.1	0.9
Equity income (loss) of SEN	3.9	(3.2)
Interest income	0.6	1.5
Interest expense	(1.7)	(1.9)
Other,net	(0.3)	(0.6)
Loss before taxes	(9.2)	(44.9)
Income tax credit	(1.5)	(16.2)
Net loss	(7.7)%	(28.7)%

<u>Net Sales</u>

Net sales were $82.4 million for the first quarter of fiscal 2003, an increase of $20.3 million, or 32.7% as compared to net sales of $62.1 million for the first quarter of fiscal 2002. The increase in net sales was attributable to higher levels of capital investment by our semiconductor-manufacturing customers resulting in increased sales of our products and services.

Sales of ion implant products and services accounted for $65.4 million in total sales for the first quarter of fiscal 2003 (79.4% of total sales), an increase of $25.5 million, or 63.9% as compared to $39.9 million in the first quarter of fiscal 2002. Sales of other products and services, including dry strip products, photostabilization products and rapid thermal processing systems, accounted for $17.0 million in total sales for the first quarter of fiscal 2003 (20.6% of total sales) a decrease of $5.2 million, or 23.4%, as compared to $22.2 million in the first quarter of fiscal 2002.

<u>Gross Profit</u>

Gross profit was $27.7 million in the first quarter of fiscal 2003, an increase of $12.3 million or 79.7%, as compared to gross profit of $15.4 million in the first quarter of 2002. The increase in gross profit was due mainly to higher sales volume and an increased percentage of higher margin 200mm systems shipped.

Gross profit as a percentage of net sales increased to 33.6% in the first quarter of fiscal 2003 from 24.8% in the first quarter of fiscal 2002. This increase was due principally to higher manufacturing capacity utilization caused by higher sales volume and an increasing mix of higher margin 200mm equipment sales. 200mm equipment sales comprised 62% of system sales in the first quarter of fiscal 2003 compared to 34% of total system sales in the first quarter of fiscal 2002.

Operating expenses

Operating expenses were 47.4% of net sales for the three months ended March 31, 2003, compared to 66.5% for the three months ended March 31, 2002. The decrease is due primarily to increased sales volume. Selling, general and administrative expenses decreased by $0.6 million versus the first quarter of fiscal 2002 primarily due to headcount-related expense reductions. Research and development expenses decreased by $1.5 million due to the completion and release of all 300mm products and the associated reduction in headcount- related and material expenses.

Income (Loss) from Operations

Loss from operations was $11.4 million for the first quarter of fiscal 2003 as compared to a loss from operations of $25.9 million for the first quarter of fiscal 2002, primarily as a result of the factors described above.

Other Income (Expense)

Total other income was $3.8 million for the first quarter of fiscal 2003 as compared to expense of $2.0 million for the first quarter of fiscal 2002. Total other income consists primarily of royalty income and equity income from SEN. Royalty income, primarily from SEN, was $1.8 million for the first quarter of fiscal 2003 as compared to $0.6 million for the first quarter of fiscal 2002. Equity income attributable to SEN was $3.2 million for the first quarter of fiscal 2003 compared to a loss of $2.0 million for the first quarter of fiscal 2002. Both increases in the first quarter of fiscal 2003 were due to increased SEN sales volume associated with improved demand and market conditions in the Japanese semiconductor market.

Income Taxes (Credit)

The Company had an income tax credit of $1.3 million in the first quarter of fiscal 2003 as compared to an income tax credit of $10.0 million in the first quarter of fiscal 2002. (See the Deferred Tax Asset section under "Critical Accounting Policies"). The effective income tax rate was 16.5% in the first quarter of fiscal 2003 and 36.0% in the first quarter of fiscal 2002. The tax rate differential is based on only recording tax credits associated with research and development activity and tax benefits on undistributed income from SEN for the first quarter of fiscal 2003.

Net Income (Loss)

The Company incurred a net loss of $6.3 million in the first quarter of fiscal 2003 as compared to a net loss of $17.8 million in the first quarter of fiscal 2002, principally as a result of the factors discussed above.

Financial Condition, Liquidity and Capital Resources

As of March 31, 2003, cash, cash equivalents and short-term investments were $157.3 million, compared with $185.6 million as of December 31, 2002. The decrease in cash and cash equivalents from December 31, 2002 was due mainly to a net loss of $6.3 million, increases in accounts receivable of $18.6 million primarily driven by increased sales revenue and increased investment in other assets related to an increase in customer evaluation systems of $2.3 million. Net working capital was $283.4 million at March 31, 2003 as compared to net working capital of $292.4 million at December 31, 2002. The decrease in net working capital was due mainly to the decrease in cash, cash equivalents and short-term investments at March 31, 2003 compared to December 31, 2002, partially offset by an increase in accounts receivable due to sales volume and timing.

Net cash used by operating activities was $28.1 million for the three months ended March 31, 2003 as compared to net cash used of $14.0 million for the three months ended March 31, 2002.

Capital expenditures were $1.0 million in the first three months of fiscal 2003 and $3.8 million in the first three months of fiscal 2002. The decrease in capital expenditures in the first quarter of fiscal 2003 was principally due to timing of capital expenditures for various projects. The amount of future capital requirements will depend on a number of factors, including the timing and rate of the expansion of our business.

Axcelis' liquidity is affected by many factors. Some of these factors are based on normal operations of the business and others relate to the uncertainties of global economies and the semiconductor equipment industry. Although our cash requirements fluctuate based on the timing and extent of these factors, we believe that our existing cash and cash equivalents and our $50 million Revolving Credit Facility (see Note 8 to the consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2002) will be sufficient to satisfy our anticipated cash requirements for the foreseeable future.

Outlook

The Company's performance in the fiscal quarter ended March 31, 2003 was directly related to the continuing low levels of capital expenditures by semiconductor manufacturers, especially manufacturers opening new or expanding existing fabrication facilities. The level of capital expenditures by these manufacturers depends upon the current and anticipated market demand for semiconductors and the products utilizing them, the available manufacturing capacity in manufacturers' fabrication facilities, and the ability of manufacturers to increase productivity in existing facilities without incurring additional capital expenditures. Currently, management believes that its customers see limited growth in important end markets such as telecommunications and personal computers in the short term.

Also during the first fiscal quarter of 2003, the Company experienced increasing competitive pricing pressure at strategic accounts, and management expects that this pressure will continue into the second quarter of 2003 as customer buying remains very concentrated. In the first quarter of 2003, two-thirds of both revenues and bookings came from memory manufacturers, and the Company's top five customers in the first quarter represented 88% of system revenues.

In addition to global economic conditions, the incidence of Severe Acute Respiratory Syndrome ("SARS") may be impacting our customers in Asia Pacific. The Company has not yet seen any direct impact of SARS on its customers' activities, but management is aware that the continued spread of SARS has the potential to adversely impact the Company's revenues and operations.

In reaction to the continued low sales volume and the pricing pressure, management has taken actions to reduce manufacturing costs as well as decreasing research and development and SG&A expense.

On May 1, 2003, the Company announced its expectation that its revenues for the second quarter of fiscal 2003 will be in the range of $75 to $85 million, relatively flat in comparison to the reported revenues for the first quarter of 2003. On these forecast revenues, management stated on May 1, 2003 that gross margins are expected to be approximately 30% and the net loss for the second quarter of fiscal 2003 is expected to be $0.10 to $0.12 per share. Management is continuing to manage the Company's cost structure on a quarterly basis with the objective of improving profitability, while at the same time making sure that the Company has the right resources for an upturn in demand for its systems.

It is difficult for management to predict customer's capital spending plans, which can change very quickly. In addition, at the current sales level, each sale, or failure to make a sale, could have a material effect on the Company in a particular quarter.

Risk Factors

As defined under Safe Harbor provisions of The Private Securities Litigation Reform Act of 1995, some of the matters discussed in this filing contain forward-looking statements regarding future events that are subject to risks and uncertainties. The following factors, among others, could cause actual results to differ materially from those described by such statements. These factors include, but are not limited to: the cyclical nature of the semiconductor industry, our ability to keep pace with rapid technological changes in semiconductor manufacturing processes, the highly competitive nature of the semiconductor equipment industry, quarterly fluctuations in operating results attributable to the timing and amount of orders for our products and services, dependency on SEN (our Japanese joint venture) for access to the Japanese semiconductor equipment market, and those risk factors contained in the section titled "Outlook" and Exhibit 99 of our Form 10-K for the year ended December 31, 2002. If any of those risk factors actually occur, our business, financial condition and results of operations could be seriously harmed and the trading price of our common stock could decline.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

A discussion of market risk exposures is included in our Form 10-K for the year ended December 31, 2002 under Management's Discussion and Analysis - Outlook and Exhibit 99 filed therewith.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On January 8, 2001, we filed a lawsuit against Applied Materials, Inc. ("Applied") in the United States District Court for the District of Massachusetts. The complaint alleges that Applied's medium current/high energy ion implanter machine launched in November 2000 infringes our patent for ion implantation equipment using radio frequency linear accelerator technology. We have also alleged that Applied unlawfully interfered with our existing and future contracts. On January 18, 2001, we filed a motion for a preliminary injunction for the reason, among others, that infringement at the time of transition between equipment capable of handling 200 mm wafers and equipment capable of handling 300 mm wafers would irreparably harm us. Through this motion, we asked the court to stop Applied from manufacturing, selling or offering to sell its medium current/high energy ion implanter machine and to order Applied to remove all

Axcelis patented technology from implanters that Applied may have placed in chipmakers' plants for process development trials. Applied filed counterclaims of unfair competition, defamation, and tortious interference with prospective economic advantage, all of which it contends arise from certain communications allegedly made by Axcelis about the lawsuit and its claims of infringement.

Hearings on summary judgment motions began in December 2001 and rulings are expected prior to trial, which has been re-scheduled to June 2003. We believe our claims are meritorious and intend to pursue the matter vigorously. Although there can be no assurance of a favorable outcome, and while we are incurring significant legal expenses to pursue this litigation, we do not believe that our pursuit of this matter will have a material adverse effect on our financial condition, results of operations or liquidity. In the event that Applied is found not to have infringed, we expect that Applied will continue to use its medium current/high energy implanter as a new and substantial competitor for sales of high energy/medium current ion implantation equipment.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures. Our chief executive officer and our chief financial officer, after evaluating the effectiveness of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c)) as of a date (the "Evaluation Date") within 90 days before the filing date of this quarterly report, have concluded that, as of the Evaluation Date, our disclosure controls and procedures were adequate and designed to ensure that the information required to be disclosed in the reports filed or submitted by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the requisite time periods.

(b)Changes in internal controls. There were no significant changes in our internal controls or in other factors that could significantly affect our internal controls subsequent to the Evaluation Date.

(c)Effectiveness of Control Systems. It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits are numbered in accordance with the Exhibit Table of Item 601 of Regulation S-K:

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of the Company. Incorporated by reference from Exhibit 3.1 of the Company's Registration Statement on Form S-1 (Registration No. 333-36330).
3.2	Bylaws of the Company, as amended as of January 23, 2002. Incorporated by reference from Exhibit 3.2 of the Company's Form 10-K for the year ended December 31, 2001, filed with the Commission on March 12, 2002.
3.3	Certificate of Designation of Series A Participating Preferred Stock, filed with the Secretary of State of Delaware on July 5, 2000. Incorporated by reference from Exhibit 3.3 of the Company's Form 10-K for the year ended December 31, 2000, filed with the Commission on March 30, 2001.
99.1	Factors Affecting Future Operating Results for the Form 10-Q for the period ended March 31, 2003. Filed herewith.
99.2	Certification of the Chief Executive Officer pursuant to Section 1350 of Chapter 63 of title 18 of the United States Code (Section 906 of the Sarbanes-Oxley Act), dated May 15, 2003. Filed herewith.
99.3	Certification of the Chief Financial Officer pursuant to Section 1350 of Chapter 63 of title 18 of the United States Code (Section 906 of the Sarbanes-Oxley Act), dated May 15, 2003. Filed herewith.

b) Reports on Form 8-K

A Current Report on Form 8-K dated January 6, 2003, was filed with the Securities and Exchange Commission on January 21, 2002 relating to the sale of shares of our common stock held by 401(k) plans sponsored by Eaton Corporation and the Company.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

AXCELIS TECHNOLOGIES, INC.

Dated: May 15, 2003

By: /s/ Cornelius F. Moses III

Cornelius F. Moses III
Executive Vice President, Chief Financial Officer
Duly authorized officer and
Principal financial officer

<u>CERTIFICATION</u>
<u>of the Principle Executive Officer of Axelis Technologies, Inc.</u>
<u>under Section 302 of the Sarbanes-Oxley Act of 2002</u>

I, Mary G. Puma, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Axcelis Technologies, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

By: /s/ Mary G. Puma

Mary G. Puma

President and Chief Executive Officer

CERTIFICATION
of the Principle Financial Officer of Axelis Technologies, Inc.
under Section 302 of the Sarbanes-Oxley Act of 2002

I, Cornelius F. Moses, III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Axcelis Technologies, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

By: /s/ Cornelius F. Moses, III

Cornelius F. Moses, III
Executive Vice President and Chief Financial Officer

Exhibit 99.1

AXCELIS TECHNOLOGIES, INC.

Form 10-Q for the quarter ended March 31, 2003

FACTORS AFFECTING FUTURE OPERATING RESULTS

From time to time, we may make forward-looking public statements, such as statements concerning our then expected future revenues or earnings or concerning the prospects for our markets or our product development, projected plans, performance, order procurement as well as other estimates relating to future operations. Forward-looking statements may be in reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in registration statements filed under the Securities Act of 1933, as amended (the "Securities Act"), in press releases or informal statements made with the approval of an authorized executive officer. The words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are intended to identify "forward-looking statements" within the meaning of Section 21E of the Exchange Act and Section 27A of the Securities Act, as enacted by the Private Securities Litigation Reform Act of 1995.

We wish to caution you not to place undue reliance on these forward-looking statements which speak only as of the date on which they are made. In addition, we wish to advise you that the factors listed below, as well as other factors that we may or may not have not currently identified, could affect our financial or other performance and could cause our actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods or events in any current statement.

We will not undertake and specifically decline any obligation to publicly release revisions to these forward-looking statements to reflect either circumstances after the date of the statements or the occurrence of events which may cause us to re-evaluate our forward-looking statements.

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act, we are hereby filing cautionary statements identifying important factors that could cause our actual results to differ materially from those projected in forward-looking statements made by us or on our behalf.

If semiconductor manufacturers do not make sufficient capital expenditures, our sales and profitability will be harmed.

We anticipate that a significant portion of our new orders will depend upon demand from semiconductor manufacturers who build or expand fabrication facilities. If the rate of construction or expansion of fabrication facilities declines, demand for our systems will decline, reducing our revenues. This would also hurt our profitability, because our continued investments in engineering, research and development and marketing necessary to develop new products and to maintain extensive customer service and support capabilities limit our ability to reduce expenses in proportion to declining sales.

A number of factors may cause semiconductor manufacturers to make reduced capital expenditures, including the following.

Downturns in the semiconductor industry may further reduce demand for our products, harming our sales and profitability.

The semiconductor business is highly cyclical and the industry has been in a severe down cycle since early in 2001, the length of which cannot be predicted. This continues to reduce demand for new or expanded fabrication facilities. Any continuing weakness or future downturns or slowdowns in the industry may adversely affect our financial condition.

Oversupply in the semiconductor industry reduces demand for capital equipment, including our products.

Inventory buildups in the semiconductor industry, resulting in part from the down cycle, have produced a current oversupply of semiconductors. This has caused semiconductor manufacturers to revise capital spending plans, resulting in reduced demand for capital equipment such as our products. If this oversupply is not reduced by increasing demand from the various electronics industries that use semiconductors, which we cannot accurately predict, our sales and profitability will be harmed.

Industry consolidation and outsourcing of semiconductor manufacturing may reduce the number of our potential customers, harming our revenues.

The substantial expense of building, upgrading or expanding a semiconductor fabrication facility is increasingly causing semiconductor companies to contract with foundries to manufacture their semiconductors. In addition, consolidation and joint venturing within the semiconductor manufacturing industry is increasing. We expect these trends to continue, which will reduce the number of our potential customers. This increased concentration of our customers potentially makes our revenues more volatile as a higher percentages of our total revenues are tied to a particular customer's buying decisions.

If we fail to develop and introduce reliable new or enhanced products and services that meet the needs of semiconductor manufacturers, our results will suffer.

Rapid technological changes in semiconductor manufacturing processes require us to respond quickly to changing customer requirements. Our future success will depend in part upon our ability to develop, manufacture and successfully introduce new systems and product lines with improved capabilities and to continue to enhance existing products, including products that process 300 millimeter wafers. This will depend upon a variety of factors, including new product selection, timely and efficient completion of product design and development and of manufacturing and assembly processes, product performance in the field and effective sales and marketing. In particular:

* We must develop the technical specifications of competitive new systems, or enhancements to our existing systems, and manufacture and ship these systems or enhancements in volume in a timely manner.
* We will need to accurately predict the schedule on which our customers will be ready to transition to new products, in order to accurately forecast demand for new products while managing the transition from older products.
* We will need to effectively manage product reliability or quality problems that often exist with new systems, in order to avoid reduced orders, higher manufacturing costs, delays in acceptance and payment and additional service and warranty expenses.
* Our new products must be accepted in the marketplace.

Our failure to meet any of these requirements will have a material adverse effect on our operating results and profitability.

If we fail to compete successfully in the highly competitive semiconductor equipment industry, our sales and profitability will decline.

The market for semiconductor manufacturing equipment is highly competitive and includes companies with substantially greater financial, engineering, manufacturing, marketing and customer service and support resources than we have that may be better positioned to compete successfully in the industry. In addition, there are smaller, emerging semiconductor equipment companies that provide innovative systems with technology that may have performance advantages over our systems. Competitors are expected to continue to improve the design and performance of their existing products and processes and to introduce new products and processes with improved price and performance characteristics. If we are unable to improve or introduce competing products when demanded by the markets, our business will be harmed. In addition, if competitors enter into strategic relationships with leading semiconductor manufacturers covering products similar to those sold or being developed by us, our ability to sell products to those manufacturers may be adversely affected.

We have been dependent on sales to a limited number of large customers; the loss of any of these customers or any reduction in orders from them could materially affect our sales.

Historically, we have sold a significant proportion of our products and services to a limited number of fabricators of semiconductor products. For example, in 2002, one of our customers, IBM, accounted for 14% of our net sales, and our top ten customers accounted for 64% of our net sales. None of our customers has entered into a long-term agreement requiring it to purchase our products. Although the composition of the group comprising our largest customers has varied from year to year, the loss of a significant customer or any reduction or delays in orders from any significant customer, including reductions or delays due to customer departures from recent buying patterns, or market, economic or competitive conditions in the semiconductor industry, could adversely affect us. The ongoing consolidation of semiconductor manufacturers may also increase the harmful effect of losing a significant customer.

Our quarterly financial results may fluctuate significantly and may fall short of anticipated levels.

We derive most of our revenues from the sale of a relatively small number of expensive products to a small number of customers. The list prices on these products range from $200,000 to over $4.0 million. At our current sales level, each sale, or failure to make a sale, could have a material effect on us in a particular quarter. Our lengthy sales cycle, coupled with customers' competing capital budget considerations, make the timing of customer orders uneven and difficult to predict. In a given quarter, a number of factors can adversely affect our revenues and results, including changes in our product mix, increased fixed expenses per unit due to reductions in the number of products manufactured, and higher fixed costs due to increased levels of research and development and expansion of our worldwide sales and marketing organization. Our gross margins also may be affected by the introduction of new products. We typically become more efficient in producing our products as they mature. For example, our gross margins in 2001 and 2002 were adversely affected in part as a result of the increased proportion of systems sold to process 300 millimeter wafers. In addition, our backlog at the beginning of a quarter typically does not include all orders required to achieve our sales objectives for that quarter and is not a reliable indicator of our future sales. As a result, our net sales and operating results for a quarter depend on our shipping orders as scheduled during that quarter as well as obtaining new orders for products to be shipped in that same quarter. Any delay in, or cancellation of, scheduled shipments or in shipments from new orders could materially and adversely affect our financial results. Due to the foregoing factors, we believe that period-to-period comparisons of our operating results should not be relied upon as an indicator of our future performance.

We access the important Japanese market for ion implant through a joint venture which we do not control.

We own 50% of the equity of a Japanese corporation called Sumitomo Eaton Nova or SEN, to which we have granted an exclusive license to manufacture and sell ion implanters in Japan. The remaining 50% of the equity is owned by Sumitomo Heavy Industries, Ltd., a Japanese manufacturer of industrial machinery and shipbuilding. Our joint venture agreement with Sumitomo gives both owners veto rights, so that neither of us alone can effectively control SEN. SEN's business is subject to the same risks as our business. Royalties and income from SEN have been a substantial contribution to our earnings, and a substantial decline in SEN's sales and income from operations could have a material adverse effect on our net income. As a result of this joint venture structure, we have less control over SEN management than over our own management and may not have timely knowledge of factors affecting SEN's business. In addition, given the equal balance of ownership, it is possible that the SEN Board may be unable to reach consensus from time to time. Neither Axcelis or Sumitomo has the right to buy out the other's interest in EN and the SEN joint venture is perpetual, although termination provisions in the license agreement allow either SHI or Axcelis to effectively terminate the joint venture at the end of 2004. SEN has been a very valuable partner to Axcelis since its formation and we expect to renew our license to SEN for a further 5 year term.

From time to time, we have allowed SEN to sell implanters outside of Japan. We allow these sales when the customer requests SEN products. Such requests tend to occur when SEN customers participate, as joint venturers or technical advisors, in fabrication facilities outside of Japan. In those cases, the financial benefit to Axcelis from the sale of a SEN implanter is less than the financial benefit of a sale of an Axcelis implanter, but our primary goal to satisfy our customer with the product of their choice. When these sales are allowed, we act as exclusive agent for SEN to manage the terms of the sales and to ensure that they are consistent with our global product and customer strategies. We receive commissions from SEN on these extra-territorial sales and assume most of the post-installation warranty responsibility.

A decline in sales of our products and services to customers outside the United States would hurt our business and profits.

We are substantially dependent on sales of our products and services to customers outside the United States, which accounted for approximately 70% 62% and 51%, of our net sales in 2000 and 2001 and 2002, respectively. We anticipate that international sales will continue to account for a significant portion of our net sales. Because of our dependence upon international sales, our results and prospects may be adversely affected by a number of factors, including:

* unexpected changes in laws or regulations resulting in more burdensome governmental controls, tariffs, restrictions, embargoes or export license requirements;
* difficulties in obtaining required export licenses;
* volatility in currency exchange rates;
* political and economic instability, particularly in Asia;
* difficulties in accounts receivable collections;
* extended payment terms beyond those customarily offered in the United States;
* difficulties in managing distributors or representatives outside the United States;
* difficulties in staffing and managing foreign subsidiary and branch operations; and
* potentially adverse tax consequences.

Making more sales denominated in foreign currencies to counteract the strong dollar may expose us to additional risks that could hurt our results.

Substantially all of our sales to date have been denominated in U.S. dollars. Our products become less price competitive in countries with currencies that are declining in value in comparison to the dollar. This could cause us to lose sales or force us to lower our prices, which would reduce our gross margins. Our equity income and royalty income from SEN are denominated in Japanese yen, which exposes us to some risk of currency fluctuations. If it becomes necessary for us to make more sales denominated in foreign currencies to counteract the strong dollar, we will become more exposed to these risks.

We may not be able to maintain and expand our business if we are not able to retain, hire and integrate additional qualified personnel.

Our business depends on our ability to attract and retain qualified, experienced employees. There is substantial competition for experienced engineering, technical, financial, sales and marketing personnel in our industry. In particular, we must attract and retain highly skilled design and process engineers. Competition for such personnel is intense, particularly in the areas where we are based, including the Boston metropolitan area and the Rockville, Maryland area, as well as in other locations around the world. If we are unable to retain our existing key personnel, or attract and retain additional qualified personnel, we may from time to time experience levels of staffing inadequate to develop, manufacture and market our products and perform services for our customers. As a result, our growth could be limited or we could fail to meet our delivery commitments or experience deterioration in service levels or decreased customer satisfaction, all of which could adversely affect our financial results and cause the value of our notes and stock to decline.

Our dependence upon a limited number of suppliers for many components and sub-assemblies could result in increased costs or delays in manufacture and sales of our products.

We rely to a substantial extent on outside vendors to manufacture many of the components and subassemblies of our products. We obtain many of these components and sub-assemblies from either a sole source or a limited group of suppliers. Because of our reliance on outside vendors generally, and on a limited group of suppliers in particular, we may be unable to obtain an adequate supply of required components on a timely basis, on price and other terms acceptable to us, or at all.

In addition, we often quote prices to our customers and accept customer orders for our products before purchasing components and subassemblies from our suppliers. If our suppliers increase the cost of components or subassemblies, we may not have alternative sources of supply and may not be able to raise the price of our products to cover all or part of the increased cost of components.

The manufacture of some of these components and subassemblies is an extremely complex process and requires long lead times. As a result, we have in the past and may in the future experience delays or shortages. If we are unable to obtain adequate and timely deliveries of our required components or subassemblies, we may have to seek alternative sources of supply or manufacture these components internally. This could delay our ability to manufacture or to ship our systems on a timely basis, causing us to lose sales, incur additional costs, delay new product introductions and suffer harm to our reputation.

In certain circumstances, we may need additional capital.

Our capital requirements may vary widely from quarter to quarter, depending on, among other things, capital expenditures, fluctuations in our operating results, financing activities, acquisitions and investments and inventory and receivables management. We believe that our available cash, our credit line and our future cash flow from operations will be sufficient to satisfy our working capital, capital expenditure and research and development requirements for the foreseeable future. This, of course, depends on the accuracy of our assumptions about levels of sales and expenses, and a number of factors, including those described in these "Risk Factors," could cause us to require additional capital from external sources. In addition, in the future, we may require or choose to obtain additional debt or equity financing in order to finance acquisitions or other investments in our business. Depending on market conditions, future equity financings may not be possible on attractive terms and would be dilutive to the existing holders of our common stock and convertible notes. Our existing credit agreement contains restrictive covenants and future debt financings could involve additional restrictive covenants, all of which may limit the manner in which we conduct our business.

We may incur costly litigation to protect our proprietary technology, and if unsuccessful, we may lose a valuable asset or experience reduced market share.

We rely on a combination of patents, copyrights, trademark and trade secret laws, non-disclosure agreements and other intellectual property protection methods to protect our proprietary technology. Despite our efforts to protect our intellectual property, our competitors may be able to legitimately ascertain the non-patented proprietary technology embedded in our systems. If this occurs, we may not be able to prevent their use of this technology. Our means of protecting our proprietary rights may not be adequate and our patents may not be sufficiently broad to prevent others from using technology that is similar to or the same as our technology. In addition, patents issued to us have been, or might be challenged, and might be invalidated or circumvented and any rights granted under our patents may not provide adequate protection to us. Our competitors may independently develop similar technology, duplicate features of our products or design around patents that may be issued to us. As a result of these threats to our proprietary technology, we may have to resort to costly litigation to enforce or defend our intellectual property rights.

On January 8, 2001, we filed a lawsuit against Applied Materials, Inc. ("Applied") in the United States District Court for the District of Massachusetts. The complaint alleges that Applied's medium current/high energy ion implanter machine launched in November 2000 infringes our patent for ion implantation equipment using radio frequency linear accelerator technology. We have also alleged that Applied unlawfully interfered with our existing and future contracts. On January 18, 2001, we filed a motion for a preliminary injunction for the reason, among others, that infringement at the time of industry transition between equipment capable of handling 200 millimeter wafers and equipment capable of handling 300 millimeter wafers would irreparably harm us. Through this motion, we asked the court to stop Applied from manufacturing, selling or offering to sell its medium current/high energy ion implanter machine and to order Applied to remove all our patented technology from implanters that Applied may have placed in chipmakers' plants for process development trials. Applied filed counterclaims of unfair competition, defamation and tortious interference with prospective economic advantage, all of which, it contends, arise from certain communications we allegedly made about the lawsuit and its claims of infringement.

In December 2002 the court issued a claim construction, interpreting the scope of our patent. In March 2003 the court made summary judgement rulings in light of the claim construction, narrowing the scope of the infringement issues to be determined by a jury in a trial set for June 2003. We believe our claims are meritorious and intend to pursue the matter vigorously. Although there can be no assurance of a favorable outcome and we have incurred significant legal expenses to pursue this litigation, we do not believe that our pursuit of this matter will have a material adverse effect on our financial condition, results of operations or liquidity. In the event that Applied is found not to have infringed, we expect that Applied will continue to sell its medium current/high energy implanter as a new and substantial competitor for sales of high energy/medium current ion implantation equipment.

We might face intellectual property infringement claims or patent disputes that may be costly to resolve and, if resolved against us, could be very costly to us and prevent us from making and selling our systems.

From time to time, claims and proceedings have been or may be asserted against us relative to patent validity or infringement matters. Our involvement in any patent dispute or other intellectual property dispute or action to protect trade secrets, even if the claims are without merit, could be very expensive to defend and could divert the attention of our management. Adverse determinations in any litigation could subject us to significant liabilities to third parties, require us to seek costly licenses from third parties and prevent us from manufacturing and selling our systems. Any of these situations could have a material adverse effect on us and cause the value of our common stock to decline.

EXHIBIT 99.1

AXCELIS TECHNOLOGIES, INC.

Certification of the Chief Executive Officer

Pursuant to Section 1350 of Chapter 63 of title 18 of the United States Code

The undersigned Chief Executive Officer of Axcelis Technologies, Inc., a Delaware corporation, hereby certify, for the purposes of Section 1350 of Chapter 63 of title 18 of the United States Code (as implemented by Section 906 of the Sarbanes-Oxley Act of 2002) as follows:

This Form 10-Q quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and the information contained herein fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned have executed this Certification as of May 15, 2003.

/s/ Mary G. Puma

Mary G. Puma
Chief Executive Officer of Axcelis Technologies, Inc.

EXHIBIT 99.2

AXCELIS TECHNOLOGIES, INC.

Certification of the Chief Financial Officer

Pursuant to Section 1350 of Chapter 63 of title 18 of the United States Code

The undersigned Chief Financial Officer of Axcelis Technologies, Inc., a Delaware corporation, hereby certify, for the purposes of Section 1350 of Chapter 63 of title 18 of the United States Code (as implemented by Section 906 of the Sarbanes-Oxley Act of 2002) as follows:

This Form 10-Q quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and the information contained herein fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned have executed this Certification as of May 15, 2003.

/s/ Cornelius F. Moses, III

Cornelius F. Moses, III
Chief Financial Officer of Axcelis Technologies, Inc.