

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): October 24, 2005

Axcelis Technologies, Inc.

(Exact name of registrant as specified in charter)

Delaware
(State or other jurisdiction of
incorporation)

000-30941
(Commission File Number)

34-1818596
(IRS Employer Identification No.)

108 Cherry Hill Drive, Beverly, Massachusetts
(Address of principal executive offices)

01915
(Zip Code)

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

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement

On October 24, 2005, the Compensation Committee of the Board of Directors of Axcelis Technologies, Inc. (the "Company") approved the acceleration of vesting of certain unvested and "out-of-the-money" stock options with exercise prices equal to or greater than \$10.00 per share previously awarded to its employees and other eligible participants, including its executive officers, under the Company's 2000 Stock Plan. The acceleration of vesting will be effective for stock options outstanding as of December 15, 2005. The weighted average exercise price of the options subject to the acceleration is \$11.52.

The purpose of the acceleration is to enable the Company to avoid recognizing compensation expense associated with these options in future periods in its consolidated statements of operations, upon effectiveness of the application of FASB Statement No. 123R (Share-Based Payment) which the Company adopted effective January 1, 2006. The pre-tax charge estimated by the Company to be avoided as a result of the acceleration amounts to approximately \$8.7 million over the course of the original vesting periods, which on average is approximately 1.5 years from the effective date of the acceleration. The avoided estimated pre-tax charge is \$4.8 million in 2006, \$2.6 million in 2007 and \$1.2 million in 2008. The Company also believes that because the options that have been accelerated have exercise prices in excess of the current market value of the Company's common stock, the options have limited economic value and were not fully achieving their original objective of incentive compensation and employee retention.

Of the approximately 1.5 million accelerated options, 309,474 options, or 21.2%, are held by executive officers, as follows:

<u>Executive Officer</u>	<u>Title</u>	<u>Number of Options Accelerated</u>
Mary G. Puma	Chairman, Chief Executive Officer and President	162,500
Lynnette C. Fallon	Executive VP HR/Legal and General Counsel	45,000
Stephen G. Bassett	Executive VP and Chief Financial Officer	18,750
Matthew Flynn	Senior VP, Global Customer Operations	20,000
Kevin Brewer	Senior VP, Manufacturing Operations	18,036
Marc Levine	Senior VP, Product Development	0
Donald Palette	Senior VP, Finance	16,625
Craig Halterman	Senior VP, Chief Information Officer	19,375
Mark Namaroff	Senior VP, Marketing	9,188
Total		309,474

The Compensation Committee also required that as a condition to the acceleration, each executive officer agree to refrain from selling common stock acquired upon the exercise of accelerated options (other than shares needed to cover the exercise price and satisfy withholding taxes) until the date on which the exercise would have been permitted under the option's pre-acceleration vesting terms or, if earlier, the executive officer's last day of employment or to the extent such acceleration would have occurred upon a "change in control" under the Change of Control Agreements between such executive officers and the Company (the "Lock-Up Agreement"). The form of the Lock-Up Agreement is attached hereto as Exhibit 10.1.

Forward Looking Statements

Certain statements in this Report on Form 8-K that are not strictly historical statements constitute forward-looking statements which involve risks and uncertainties that could cause actual results and outcomes to differ materially from what is expressed in those forward-looking statements. Such forward-looking statements include, without limitation, those related to the Company's expectations regarding the impact of the accelerated vesting of options on its financial results in future periods. Important factors that may affect such forward-looking statements include, without limitation: the possibility that FASB Statement No. 123R ("FAS 123R") could be changed, amended or interpreted in a manner that would change the Company's current assessment of the effects of the adoption of FAS 123R on the acceleration of the vesting of stock options and the final results of the closing of the Company's books for future financial periods; as well as other risks detailed in the Company's filings with the Securities and Exchange Commission, including those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

Item 2.02 Results of Operations and Financial Condition

On October 26, 2005, Axcelis Technologies, Inc. (the "Company") issued a press release regarding its financial results for the quarter ended September 30, 2005. The Company's press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference herein.

The information under this Item in this Current Report on Form 8-K and Exhibit 99.1 attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, regardless of any general incorporation language in such filing.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	Form of Lock-Up Agreement dated October 26, 2005 between the registrant and each of its executive officers. Filed herewith.
99.1	Press Release dated October 26, 2005.

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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 hereunto duly authorized.

Date: October 26, 2005

Axcelis Technologies, Inc.

By: /S/ STEPHEN G. BASSETT
Stephen G. Bassett
Executive Vice President and Chief Financial Officer

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<u>Exhibit No.</u>	<u>Exhibit Index</u>
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99.1	Press Release dated October 26, 2005.

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Axcelis Technologies, Inc.
108 Cherry Hill Drive
Beverly, MA 10915

October 26, 2005

[Executive Officer]
c/o Axcelis Technologies, Inc.
108 Cherry Hill Drive
Beverly, MA 01915

Dear []:

This letter agreement (this “Agreement”) is being entered into by and between you and Axcelis Technologies, Inc. (the “Company”), a Delaware corporation, in connection with certain stock options granted to you pursuant to the Company’s 2000 Stock Plan that are “Underwater Options”, as defined below.

1. Background. On October 24, 2005, the Compensation Committee of the Board of Directors of the Company determined to fully accelerate the vesting of each otherwise unvested stock option held by an option holder employed by the Company as of December 15, 2005 if such option had an exercise price that is greater than or equal to \$10.00 (each an “Underwater Option”).

In the case of Underwater Options held by any employee who is an executive officer of the Company under the U.S. securities laws (“an executive officer”), the Compensation Committee conditioned such acceleration of vesting on a requirement that the executive officer execute an agreement pursuant to which he or she agrees to refrain from selling, transferring, pledging, or otherwise disposing of any shares acquired upon the exercise of options so accelerated (other than shares required to cover the exercise price and satisfy withholding taxes) until the earliest of :

- a) the date on which the exercise would have been permitted under such options’ pre-acceleration vesting terms;
- b) such executive officer’s last day of employment; or
- c) the occurrence of a “change of control” as defined in the Change of Control Agreement between the Company and such executive officer to the extent such option would accelerate under such an agreement.

Such earliest date shall be referred to herein as the “Release Date.” This Agreement is presented for your signature in order to satisfy such condition.

2. Lock-up Agreement. In consideration of the acceleration of the vesting of your Underwater Options, you agree to refrain from selling, transferring, pledging, or otherwise disposing of any shares acquired upon the exercise of your accelerated

Underwater Options (other than shares required to cover the exercise price and satisfy withholding taxes) until the Release Date applicable to such shares.

3. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one in the same instrument.

If this Agreement correctly sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this Agreement which will then constitute our agreement on this subject.

Sincerely,

AXCELIS TECHNOLOGIES, INC.

By: _____
Title: _____

I acknowledge receipt and agree with the foregoing terms and conditions.

Name: []

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smithh@loomisgroup.com

AXCELIS ANNOUNCES FINANCIAL RESULTS FOR THE THIRD QUARTER OF 2005

BEVERLY, Mass. — October 26, 2005 – Axcelis Technologies, Inc. (Nasdaq: ACLS) today announced financial results for its third quarter ended September 30, 2005. The Company reported revenues of \$87.4 million, compared to \$92.2 million for the second quarter of 2005. Worldwide revenues for the third quarter, including revenues of the Company's 50% owned joint venture in Japan, were \$126.3 million, compared to \$191.4 million for the preceding quarter. Net loss for the third quarter was \$5.2 million, or \$0.05 per share, which included restructuring and related costs of \$2.9 million, or \$0.03 per share. Net income for the second quarter of 2005 was \$0.7 million, or \$0.01 per diluted share.

Commenting on the Company's performance, Chairman and CEO Mary Puma said, "Axcelis met its guidance for the third quarter amid market conditions that have remained weak. During the quarter, we focused on aggressively managing our operating expenses and penetrating the market with our new Optima single wafer platform."

"We gained several new customers for the Optima MD, our new single wafer mid dose tool. In addition, we have received our first customer commitment for multiple shipments of our new single wafer high dose tool, the Optima HD. The Optima platform is gaining rapid market acceptance worldwide, as customers recognize that it offers the highest productivity, the most flexibility, the best process performance and the greatest extendibility. We are confident that Axcelis, along with SEN in Japan, will make considerable progress in penetrating the market with this new single wafer technology in 2006."

Axcelis believes that reporting the combined revenues of SEN, a 50% owned unconsolidated subsidiary of Axcelis, with Axcelis' own revenues, is useful to investors. SEN's ion implant products are covered by a license from Axcelis and therefore the combined revenue of the two companies indicates the full market penetration of Axcelis' technology.

Third Quarter Detail

Shipments and Margins

Shipments for the third quarter on a worldwide basis, including SEN, totaled \$143.0 million with shipments, excluding SEN, totaling \$88.9 million. Worldwide shipments, including SEN, were

down 11.1% from the second quarter of 2005 and Axcelis shipments, excluding SEN, were down 3.7%.

Geographically, Axcelis systems shipments, excluding SEN, were to: Asia 61%, North America 17% and Europe 22%.

Service revenue (service labor, spare parts and consumables), excluding SEN, was \$39.3 million for the quarter, up 0.8% from the second quarter of 2005.

The ion implantation business (excluding SEN) accounted for 77% of total shipments in the third quarter while other products (RTP, Dry Strip and Curing) accounted for 23%.

Gross margin for the third quarter was 40.9%.

Orders and Backlog

Orders (new systems bookings and service excluding SEN) received for the third quarter totaled \$68.9 million, compared to \$89.8 million for the second quarter of 2005. New system bookings, excluding service, amounted to \$29.6 million compared to \$50.8 million for the preceding quarter. Worldwide orders, including SEN, were \$118.3 million, compared to \$148.7 million for the second quarter of 2005.

Backlog plus deferred systems revenue at quarter end was \$80.2 million, a decrease of 22.7% since the end of the second quarter of 2005. Reported backlog consists of systems only (i.e., excluding service contracts) that are generally scheduled to ship within six months.

Balance Sheet

Cash, cash equivalents and short-term investments decreased by \$4.7 million to \$184.2 million during the third quarter.

Business Outlook

Axcelis' financial outlook for the fourth quarter of 2005 assumes no material change in the semiconductor spending environment. Worldwide revenues, including SEN, are expected to be \$145 million to \$160 million. Net revenues (excluding SEN) in the fourth quarter are expected to be in a range of \$85 million to \$95 million. The Company anticipates gross margins in the 37% - 40% range and a net loss in the range of \$3 million to \$7 million (\$0.03 to \$0.07 loss per share), which includes restructuring and related costs of approximately \$2.0 million, or \$0.02 per share.

Axcelis assumes no responsibility to update guidance. Axcelis will only confirm or update guidance via a press release.

Third Quarter 2005 Conference Call

The Company will be hosting a conference call today, Wednesday, October 26, 2005, beginning at 5:00 pm ET. The purpose of the call is to discuss third quarter 2005 results and to provide guidance for the fourth quarter of 2005. The call will be available to interested listeners via an audio webcast that can be accessed through Axcelis' home page at www.axcelis.com, or by dialing 1-800-479-1628 (1-719-457-2729 outside North America). Participants calling into the conference

call will be requested to provide the company name: Axcelis Technologies, the conference leader: James Kawski, and pass code: #5904795. A telephone replay will be available from 8:00 pm ET on October 26, 2005 until 11:59 pm ET on November 2, 2005. Dial 1-888-203-1112 (1-719-457-0820 outside North America), and enter conference ID code #5904795. A webcast replay will be available from 8:00 pm ET on October 26, 2005 until 5:00 pm ET November 26, 2005.

Safe Harbor Statement

This document contains forward-looking statements under the SEC safe harbor provisions. These statements, which include those relating to the company developing new products, building its position in the ion implant market, and its guidance for the fourth quarter of 2005, are based on management's current expectations and should be viewed with caution. They are subject to various risks and uncertainties, many of which are outside the control of the Company, including the conversion of orders to revenue in any particular quarter, or at all, our ability to implement successfully our profit plans, the continuing demand for semiconductor equipment, relative market growth, continuity of business relationships with and purchases by major customers, competitive pressure on sales and pricing, increases in material and other production costs that cannot be recouped in product pricing and global economic, political and financial conditions. These risks and other risk factors relating to Axcelis are described more fully in the most recent Form 10-K filed by Axcelis and in other documents filed from time to time with the Securities and Exchange Commission.

About Axcelis Technologies, Inc.

Axcelis Technologies, Inc., headquartered in Beverly, Massachusetts, provides innovative, high-productivity solutions for the semiconductor industry. Axcelis is dedicated to developing enabling process applications through the design, manufacture and complete life cycle support of ion implantation, rapid thermal processing, and cleaning and curing systems. Axcelis Technologies has key product development centers in Beverly, Massachusetts, as well as in Toyo, Japan through its joint venture, SEN. The company's Internet address is: www.axcelis.com.

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

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Revenue				
Systems	\$ 47,083	\$ 79,402	\$ 155,723	\$ 277,992
Services	39,280	44,827	116,724	125,097
Royalties, primarily from Sumitomo Eaton Nova Corporation	1,019	3,667	7,149	10,380
	<u>87,382</u>	<u>127,896</u>	<u>279,596</u>	<u>413,469</u>
Costs of Revenue	<u>51,679</u>	<u>73,817</u>	<u>163,156</u>	<u>240,814</u>
Gross profit	35,703	54,079	116,440	172,655
Operating expenses				
Research & development	17,755	16,645	51,165	48,009
Selling	10,691	12,248	34,565	36,683
General and administrative	11,994	11,943	34,996	34,645
Amortization of intangible assets	612	612	1,836	1,836
Restructuring charges	1,545	—	5,427	—
	<u>42,597</u>	<u>41,448</u>	<u>127,989</u>	<u>121,173</u>
Income (loss) from operations	(6,894)	12,631	(11,549)	51,482
Other income (expense)				
Equity income of Sumitomo Eaton Nova Corporation	1,395	9,065	11,360	22,212
Interest income	1,505	571	3,799	1,205
Interest expense	(1,661)	(1,643)	(4,971)	(5,017)
Other-net	435	(445)	(2)	(1,091)
	<u>1,674</u>	<u>7,548</u>	<u>10,186</u>	<u>17,309</u>
Income (loss) before income taxes	(5,220)	20,179	(1,363)	68,791
Income taxes (credit)	(53)	1,097	1,157	1,657
Net income (loss)	<u>\$ (5,167)</u>	<u>\$ 19,082</u>	<u>\$ (2,520)</u>	<u>\$ 67,134</u>
Net income (loss) per share				
Basic	\$ (0.05)	\$ 0.19	\$ (0.03)	\$ 0.68
Diluted	\$ (0.05)	\$ 0.19	\$ (0.03)	\$ 0.66
Shares used in computing basic and diluted net income (loss) per share				
Basic	100,428	99,797	100,256	99,432
Diluted	100,428	101,007	100,256	101,271

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

	September 30, 2005	December 31, 2004
Assets		
Current assets		
Cash and cash equivalents	\$ 85,806	\$ 108,295
Short-term investments	87,688	78,703
Restricted cash	8,149	3,498
Accounts receivable, net	65,914	83,767
Inventories	108,296	116,330
Other current assets	38,829	14,986
Total current assets	394,682	405,579
Property, plant & equipment, net	72,633	75,275
Investment in Sumitomo Eaton Nova Corporation	108,817	109,095
Goodwill	46,773	46,773
Intangible assets	15,835	17,671
Restricted cash, long-term portion	2,562	2,841
Other assets	21,744	31,628
	\$ 663,046	\$ 688,862
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 22,957	\$ 24,278
Accrued compensation	16,721	27,030
Warranty	8,321	9,218
Income taxes	2,627	4,530
Deferred revenue	33,682	34,050
Other current liabilities	8,449	8,289
Total current liabilities	92,757	107,395
Long-term debt	125,000	125,000
Long-term deferred revenue	8,880	7,697
Other long-term liabilities	5,530	5,297
Stockholders' equity		
Preferred Stock	—	—
Common stock	101	100
Additional paid-in capital	466,496	457,335
Deferred compensation	(5,974)	(566)
Treasury stock	(1,218)	(1,218)
Accumulated deficit	(29,852)	(27,332)
Accumulated other comprehensive income	1,326	15,154
	430,879	443,473
	\$ 663,046	\$ 688,862