SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 June 30, 2000

or

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

For the transition period from ___________ to ___________

Commission file number 0-23621

MKS INSTRUMENTS, INC.
(Exact name of registrant as specified in its charter)

Massachusetts	04-2277512
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Six Shattuck Road, Andover, Massachusetts	01810
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	(978) 975-2350

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 __.

Number of shares outstanding of the issuer's common stock as of July 31, 2000: 25,292,440

MKS INSTRUMENTS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MKS INSTRUMENTS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	June 30, 2000 (Unaudited)	December 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 44,485	$ 35,714
Short-term investments	21,382	28,132
Trade accounts receivable, net	49,635	36,857
Inventories	37,909	27,650
Deferred tax asset	5,196	4,119
Other current assets	7,869	3,378
Total current assets	166,476	135,850
Property, plant and equipment, net	33,341	32,826
Goodwill, net	7,928	--
Other assets	10,465	5,929
Total assets	$ 218,210	$ 174,605
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	$ 16,271	$ 12,423
Current portion of long-term debt	7,001	7,346
Current portion of capital lease obligations	916	1,059
Accounts payable	13,670	7,683
Accrued compensation	8,300	9,202
Other accrued expenses	7,682	6,314
Income taxes payable	--	1,385
Distribution Payable	3,350	3,350
Total current liabilities	57,190	48,762
Long-term debt	3,961	4,340
Long-term portion of capital lease obligations	1,135	1,322
Deferred tax liability	1,175	522
Other liabilities	488	490
Commitments and contingencies (Note 10) Stockholders' equity:		
Preferred Stock, $0.01 par value, 2,000,000 shares authorized; none issued and outstanding	--	--
Common Stock, no par value, 50,000,000 shares authorized; 25,095,431 and 24,632,849 issued and outstanding at June 30, 2000 and December 31, 1999, respectively	113	113
Additional paid-in capital	99,320	84,713
Retained earnings	53,783	33,166
Shareholder receivable	(797)	(856)
Accumulated other comprehensive income	1,842	2,033
Total stockholders' equity	154,261	119,169
Total liabilities and stockholders' equity	$ 218,210	$ 174,605

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

MKS INSTRUMENTS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2000	1999	2000	1999
Net sales	$ 77,701	$ 44,209	$ 143,257	$ 82,119
Cost of sales	41,699	25,550	77,212	48,107
Gross profit	36,002	18,659	66,045	34,012
Research and development	5,818	3,317	10,245	6,272
Selling, general and administrative	12,312	9,435	23,312	18,292
Income from operations	17,872	5,907	32,488	9,448
Interest expense	421	346	850	684
Interest income	888	578	1,691	674
Other income (expense), net	(209)	--	(209)	168
Income before income taxes	18,130	6,139	33,120	9,606
Provision for income taxes	6,844	2,333	12,503	2,671
Non-recurring deferred tax credit (Note 9)	--	(3,770)	--	(3,770)
Net income	$ 11,286	$ 7,576	$ 20,617	$ 10,705
Historical net income per share:				
Basic	$ 0.45	$ 0.31	$ 0.83	$ 0.51
Diluted	$ 0.43	$ 0.30	$ 0.79	$ 0.48
Historical weighted average common shares outstanding:				
Basic	25,041	24,065	24,917	21,060
Diluted	26,291	24,951	26,208	22,177
Pro forma data:				
Historical income before income taxes		$ 6,139		$ 9,606
Pro forma provision for income taxes assuming C corporation tax		2,333		3,650
Pro forma net income		$ 3,806		$ 5,956
Pro forma net income per share:				
Basic		$ 0.16		$ 0.28
Diluted		$ 0.15		$ 0.27
Pro forma weighted average common shares outstanding:				
Basic		24,065		21,060
Diluted		24,951		21,921

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

MKS INSTRUMENTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999
Cash flows from operating activities:		
Net income	$ 20,617	$ 10,705
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,953	3,095
Loss (gain) on disposal of property, plant and equipment	40	(181)
Non-recurring deferred tax credit	--	(3,770)
Deferred taxes	(972)	113
Other	82	85
Forward exchange contract loss realized	--	(64)
Changes in operating assets and liabilities, net of effects of businesses acquired:		
Increase in trade accounts receivable	(12,644)	(9,328)
Increase in inventories	(10,189)	(1,205)
Increase in other current assets	(1,995)	(248)
Increase in accrued expenses and other current liabilities	484	2,422
Increase in accounts payable	5,915	3,665
Net cash provided by operating activities	5,291	5,289
Cash flows from investing activities:		
Proceeds from sales of (purchases of) investments	3,433	(23,756)
Purchases of property, plant and equipment	(3,756)	(2,421)
Proceeds from sales of property, plant & equipment	--	208
Purchase of Telvac Engineering, Ltd., net of cash acquired	(752)	--
(Increase) decrease in other assets	189	(221)
Cash used to settle forward exchange contracts	--	64
Net cash used in investing activities	(886)	(26,126)
Cash flows from financing activities:		
Proceeds from short-term borrowings	12,009	5,209
Payments on short-term borrowings	(8,029)	(5,211)
Principal payments on long-term debt	(1,026)	(1,029)
Proceeds from exercise of stock options	2,409	--
Proceeds from issuance of common stock, net of issuance costs	--	82,062
Cash distributions to stockholders	--	(40,000)
Principal payments under capital lease obligations	(608)	(419)
Net cash provided by financing activities	4,755	40,612
Effect of exchange rate changes on cash and cash equivalents	(389)	(292)
Increase in cash and cash equivalents	8,771	19,483
Cash and cash equivalents at beginning of period	35,714	11,188
Cash and cash equivalents at end of period	$ 44,485	$ 30,671
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 536	$ 605
Income taxes	$ 13,733	$ 2,738
Noncash transactions during the period:		
Assets acquired under capital leases	$ --	$ 86
Stock issued in acquisition of Compact Instrument	$ 8,433	$ --
Debt issued in acquisition of Telvac Engineering, Ltd.	$ 752	$ --

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

MKS INSTRUMENTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tables in thousands, except per share data)

1) BASIS OF PRESENTATION

The interim financial data as of June 30, 2000 and for the three and six months ended June 30, 2000 and 1999 is unaudited; however, in the opinion of MKS Instruments, Inc. ("MKS" or the "Company"), the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The unaudited financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and note disclosures required by generally accepted accounting principles. The financial statements should be read in conjunction with the December 31, 1999 audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2000.

2) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3) NEW ACCOUNTING PRONOUNCEMENTS

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition". SAB 101 summarizes the staff's view in applying generally accepted accounting principles to revenue recognition. The application of the guidance in SAB 101 will be required in the Company's fourth quarter of the fiscal year 2000. The effect of applying this guidance, if any, will be reported as a cumulative effect adjustment resulting from a change in accounting principle. The Company is currently in the process of evaluating the impact that SAB 101 will have on its financial position and results of operations.

In June, 2000, The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 138 "Accounting for Certain Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133." SFAS No. 138 amends the accounting and reporting standards of SFAS No. 133 for certain derivative instruments and certain hedging activities. For the Company, SFAS No. 138 is effective for all fiscal quarters beginning after June 15, 2000. The Company is currently evaluating the effects of this statement.

4) CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash equivalents consist of the following:

	June 30, 2000	December 31, 1999
Cash and Money Market Instruments	$ 20,564	$ 22,156
Commercial Paper	6,943	5,558
Federal Government and Government Agency Obligations	16,978	6,000
Corporate Obligations	--	2,000
	$ 44,485	$ 35,714

Short-term available-for-sale investments maturing within one year consist of the following:

	June 30, 2000	December 31, 1999
Federal Government and Government Agency Obligations	$ 16,574	$ 16,245
Corporate Obligations	1,000	5,501
Commercial Paper	2,450	4,641
Equity Securities	1,358	1,745
	$ 21,382	$ 28,132

MKS INSTRUMENTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Tables in thousands, except per share data)

Long-term available-for-sale investments maturing within two years consist of the following:

	June 30, 2000	December 31, 1999
Federal Government and Government Agency Obligations	$ 3,993	$ 1,063

5) HISTORICAL AND PRO FORMA NET INCOME PER SHARE

Historical net income per share is not meaningful in 1999 because of the Company's conversion from an S corporation to a C corporation in April, 1999 upon the closing of its initial public offering. For the three and six months ended June 30, 1999, historical net income has been adjusted for the pro forma provision for income taxes calculated assuming the Company was subject to income taxation as a C corporation.

The following is a reconciliation of basic to diluted historical and pro forma net income per share:

	Three Months Ended June 30, 2000	1999	
	HISTORICAL	PRO FORMA	HISTORICAL
Net income	$11,286	$ 3,806	$ 7,576
Shares used in net income per common share-basic	25,041	24,065	24,065
Effect of dilutive securities:			
Employee and director stock options	1,250	886	886
Shares used in net income per common share-diluted	26,291	24,951	24,951
Net income per common share-basic	$ 0.45	$ 0.16	$ 0.31
Net income per common share-diluted	$ 0.43	$ 0.15	$ 0.30

	Six Months Ended June 30, 2000	1999	
	HISTORICAL	PRO FORMA	HISTORICAL
Net income	$ 20,617	$ 5,956	$ 10,705
Shares used in net income per common share-basic	24,917	21,060	21,060
Effect of dilutive securities:			
Employee and director stock options	1,291	861	1,117
Shares used in net income per common share-diluted	26,208	21,921	22,177
Net income per common share-basic	$ 0.83	$ 0.28	$ 0.51
Net income per common share-diluted	$ 0.79	$ 0.27	$ 0.48

MKS INSTRUMENTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Tables in thousands, except per share data)

For purposes of computing diluted earnings per share, weighted average common share equivalents do not include stock options with an exercise price greater than the average market price of the common shares during the period. Options to purchase 45,642, 28,299, 0 and 12,000 shares of common stock were outstanding during the three and six months ended June 30, 2000 and the three and six months ended June 30, 1999, respectively, but were not included in the calculation of diluted net income per common share because the option price was greater than the average market price of the common shares during the period.

6) INVENTORIES

Inventories consist of the following:

	June 30, 2000	December 31, 1999
Raw material	$ 8,813	$ 6,644
Work in process	10,211	7,026
Finished goods	18,885	13,980
	$ 37,909	$27,650

7) STOCKHOLDERS' EQUITY

Total comprehensive income was as follows:

	Three Months Ended June 30, 2000	1999
Net income	$ 11,286	$ 7,576
Other comprehensive income, net of taxes:		
Non-recurring deferred tax charge to comprehensive income (Note 9)	--	(660)
Impact of adopting SFAS No. 133	--	(16)
Changes in value of financial instruments designated as hedges of currency and interest rate exposures	121	254
Foreign currency translation adjustment	(189)	(172)
Unrealized gain (loss) on investments	(108)	293
Other comprehensive income, net of taxes	(176)	(301)
Total comprehensive income	$ 11,110	$ 7,275

	Six Months Ended June 30, 2000	1999
Net income	$ 20,617	$10,705
Other comprehensive income, net of taxes:		
Non-recurring deferred tax charge to comprehensive income (Note 9)	--	(660)
Impact of adopting SFAS No. 133	--	(16)
Changes in value of financial instruments designated as hedges of currency and interest rate exposures	313	254
Foreign currency translation adjustment	(294)	(739)
Unrealized gain (loss) on investments	(210)	412
Other comprehensive income, net of taxes	(191)	(749)
Total comprehensive income	$ 20,426	$ 9,956

MKS INSTRUMENTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Tables in thousands, except per share data)

8) SEGMENT INFORMATION AND SIGNIFICANT CUSTOMER

Segment Information for the three months ended June 30, 2000 and 1999:

		NORTH AMERICA	FAR EAST	EUROPE	TOTAL
Net sales to unaffiliated customers	2000	$54,871	$16,143	$6,687	$77,701
	1999	30,861	8,658	4,690	44,209
Intersegment net sales	2000	$15,324	$278	$321	$15,923
	1999	8,931	195	342	9,468
Income from operations	2000	$16,143	$1,007	$722	$17,872
	1999	5,230	331	346	5,907

Segment Information for the six months ended June 30, 2000 and 1999:

		NORTH AMERICA	FAR EAST	EUROPE	TOTAL
Net sales to unaffiliated customers	2000	$100,277	$30,120	$12,860	$143,257
	1999	56,994	15,747	9,378	82,119
Intersegment net sales	2000	$29,536	$649	$619	$30,804
	1999	15,772	327	510	16,609
Income from operations	2000	$28,570	$2,370	$1,548	$32,488
	1999	8,087	623	738	9,448

The Company had one customer comprising 27% and 22% of net sales for the three months ended June 30, 2000 and 1999, respectively, and 26% and 21% for the six months ended June 30, 2000 and 1999, respectively.

9) INCOME TAXES

Prior to its initial public offering, the Company was treated as an S corporation for federal income tax purposes. As an S corporation, the Company was not subject to federal, and certain state income taxes. The Company terminated its S corporation status upon the closing of the initial public offering and became subject to taxes at C corporation tax rates. This change in tax status and tax rates resulted in a non-recurring, non-cash deferred tax credit to net income of $3,770,000 and a deferred tax charge to other comprehensive income of $660,000 in the three months ended June 30, 1999.

10) COMMITMENTS AND CONTINGENCIES

Prior to its initial public offering, the Company entered into a Tax Indemnification and S Corporation Distribution Agreement with its then existing stockholders (the "Pre-IPO stockholders"). The agreement includes provisions for the payment, with interest, by the pre-IPO stockholders or MKS, as the case may be, for the difference between the $40,000,000 distributed as an estimate of the amount of the accumulated adjustments account as of April 4, 1999, which is the date the Company's S Corporation status was terminated, and the actual amount of the accumulated adjustments account on that day. The actual amount of the accumulated adjustments account cannot be determined until MKS calculates the amount of its taxable income for the year ending December 31, 1999. Based on the

MKS INSTRUMENTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Tables in thousands, except per share data)

Company's estimate of the taxable income for the year ending December 31, 1999, MKS believes that an additional future distribution to the Pre-IPO stockholders will be required under this agreement. The amount of the additional distribution, prior to interest, is currently estimated to be $3,350,000. The amount of the additional distribution payable was charged directly to retained earnings during 1999 and had no impact on net income or earnings per share. The amount of the accumulated adjustments account can be affected by income tax audits of MKS. If any audit increases or decreases the accumulated adjustments account, MKS or the Pre-IPO stockholders, as the case may be, will also be required to make a payment, with interest, of such difference to the other party. No shareholders, other than the Pre-IPO stockholders, are parties to the Tax Indemnification and S Corporation Distribution Agreement.

11) ACQUISITION

On March 10, 2000 the Company acquired Compact Instrument Technology, LLC ("Compact Instrument"), a start-up company with proprietary technology in process monitoring for semiconductor manufacturing and other manufacturing processes. The acquisition has been accounted for by the purchase method of accounting. The purchase price was $8,700,000 and consisted of $8,400,000 in MKS common stock and $300,000 in assumed net liabilities. The purchase price was allocated to the assets acquired based upon their estimated fair values. This allocation resulted in goodwill of $7,600,000 and acquired technology of $1,600,000, which are being amortized on a straight-line basis over 5 years and 3 years, respectively. The acquired technology is included in "Other assets" in the accompanying balance sheet.

On May 5, 2000 the Company acquired Telvac Engineering, Ltd., a UK-based, privately held manufacturer of vacuum subsystems. The acquisition has been accounted for by the purchase method of accounting. The purchase price was $1,600,000, and consisted of $750,000 in cash, $750,000 in debt and $100,000 in other acquisition expenses. The purchase price was allocated to the assets acquired based on their estimated fair values. This allocation resulted in goodwill of $800,000, which is being amortized on a straight-line basis over 5 years.

The following unaudited pro forma information presents a summary of the historical results of operations of the Company as if the acquisitions had occurred at the beginning of each period.

	Three months ended June 30,		Six months ended June 30,	
	2000	1999	2000	1999
Net sales	$ 77,984	$ 44,930	$144,231	$ 83,443
Net income	$ 11,245	$ 7,742	$ 20,098	$ 10,933
Net income per share:				
Basic	$ 0.45	$ 0.32	$ 0.80	$ 0.52
Diluted	$ 0.43	$ 0.31	$ 0.77	$ 0.49

These unaudited pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred at the beginning of the period, or which may result in the future.

MKS INSTRUMENTS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Tables in thousands, except per share data)

12) SUBSEQUENT EVENT

On July 21, 2000 the Company acquired Spectra International, LLC, a privately held company with products and technology in process monitoring, for $9,700,000 cash; 183,293 shares of MKS common stock; fully vested options to purchase 83,675 shares of MKS common stock, calculated at an exchange ratio of 0.4768 shares of MKS common stock per share of Spectra common stock; and the assumption of approximately $1,000,000 in long-term debt. The transaction also includes contingent earnout payments of up to an aggregate of $12,000,000 over 5 years.

ITEM 2.

MKS INSTRUMENTS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains a number of statements, including, without limitation, statements relating to MKS's beliefs, expectations and plans which are forward-looking statements, as are statements that certain actions, conditions or circumstances will continue. Such statements are based upon management's current expectations and are subject to a number of factors and uncertainties. Information contained in these forward-looking statements is inherently uncertain and actual performance and results may differ materially due to many important factors. See "Factors That May Affect Future Operating Results" for factors that could cause actual results to differ materially from any forward-looking statements made by MKS. The terms "MKS", "we", "us" and "our" refer to MKS Instruments, Inc.

MKS develops, manufactures and supplies instruments, components and integrated subsystems used to measure, control and analyze gases in semiconductor manufacturing and similar industrial manufacturing processes. We sold products to over 4,000 customers in 1999. We estimate that during 1999 approximately 66% of our net sales were to semiconductor capital equipment manufacturers and semiconductor device manufacturers. The following table sets forth for the periods indicated the percentage of total net sales of certain line items included in MKS's consolidated statement of income data.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	53.7	57.8	53.9	58.6
Gross profit	46.3	42.2	46.1	41.4
Research and development	7.5	7.5	7.1	7.6
Selling, general and administrative	15.8	21.3	16.3	22.3
Income from operations	23.0	13.4	22.7	11.5
Interest income, net	0.6	0.5	0.5	--
Other income (expense), net	(0.3)	--	(0.1)	0.2
Income before income taxes	23.3	13.9	23.1	11.7
Provision for income taxes	8.8	5.3	8.7	3.3
Non-recurring deferred tax credit	--	(8.5)	--	(4.6)
Net income	14.5%	17.1%	14.4%	13.0%
Pro forma data for 1999:				
Historical income before income taxes		13.9%		11.7%
Pro forma provision for income taxes		5.3		4.4
Pro forma net income		8.6%		7.3%

Results of Operations

NET SALES. Net sales increased 75.8% to $77.7 million for the three months ended June 30, 2000 from $44.2 million for the three months ended June 30, 1999. International net sales were approximately $22.8 million for the three months ended June 30, 2000 or 29.4% of net sales and $13.3 million for the three months ended June 30, 1999 or 30.2% of net sales. Net sales increased 74.5% to $143.3 million for the six months ended June 30, 2000 from $82.1 million in the same period of 1999. The increases in net sales were due to increased worldwide sales volume of MKS's existing products which resulted primarily from increased sales to the Company's semiconductor capital equipment manufacturer and semiconductor device manufacturer customers.

GROSS PROFIT. Gross profit as a percentage of net sales increased to 46.3% for the three months ended June 30, 2000 from 42.2% for the three months ended June 30, 1999. Gross profit as a percentage of net sales increased to 46.1% for the six months ended June 30, 2000 from 41.4% for the same period of 1999. The increases were primarily due to fuller utilization of existing manufacturing capacity as a result of increased net sales and other manufacturing efficiencies.

RESEARCH AND DEVELOPMENT. Research and development expense increased 75.4% to $5.8 million or 7.5% of net sales for the three months ended June 30, 2000 from $3.3 million or 7.5% of net sales for the three months ended June 30, 1999 due to increased spending of $0.9 million for compensation and increased spending of $1.3 million for development materials related to projects in process. Research and development expense increased 63.3% to $10.2 million for the six months ended June 30, 2000 from $6.3 million for the same period of 1999 due to increased compensation and increased spending for development materials related to projects in process.

SELLING, GENERAL AND ADMINISTRATIVE. Selling, general and administrative expenses increased 30.5% to $12.3 million or 15.8% of net sales for the three months ended June 30, 2000 from $9.4 million or 21.3% of net sales for the three months ended June 30, 1999. The increase was due primarily to increased compensation expense of $1.1 million, increased depreciation and amortization of $0.5 million, and other general and administrative expenses. Selling, general and administrative expenses increased 27.4% to $23.3 million for the six months ended June 30, 2000 from $18.3 million for the same period of 1999 due primarily to increased compensation expense of $2.1 million, increased depreciation and amortization of $0.6 million, increased professional fees of $0.4 million and other general and administrative expenses.

INTEREST INCOME (EXPENSE), NET. During the three and six months ended June 30, 2000 and the three months ended June 30, 1999, the Company generated net interest income of $0.5 million, $0.8 million and $0.2 million, respectively, primarily from the invested net proceeds of our initial public offering, offset by interest expense on outstanding debt.

OTHER INCOME (EXPENSE), NET. Other expense of $0.2 million in the three and six months ended June 30, 2000 represents expenses related to the preparation of the registration statement for the Company's follow-on public stock offering. The Company decided not to proceed with the follow-on offering, and has converted the registration statement to a shelf registration statement. Other income of $0.2 million in the six months ended June 30, 1999 primarily represents gains recorded from foreign exchange contracts which did not qualify for hedge accounting.

Effective April 1, 1999 MKS adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The adoption of SFAS No. 133 did not have a material impact on our financial position or results of operations. The derivative instruments currently held by us which have been designated as hedges, including forward exchange contracts, local currency purchased options, and an interest rate swap, qualify for hedge accounting under SFAS No. 133, and changes in their fair value will be recorded as a component of other comprehensive income until the hedged transaction occurs.

PROVISION FOR INCOME TAXES. Prior to the closing of its initial public offering in April, 1999 MKS was treated as an S corporation for tax purposes. As an S corporation, MKS was not subject to federal, and certain state, income taxes. Upon the closing of our initial public offering on April 5, 1999, our status as an S corporation was terminated and we became subject to taxes as a C corporation. The pro forma provision for income taxes in 1999 reflects the estimated tax expense MKS would have incurred had it been subject to federal and state income taxes as a C corporation.

LIQUIDITY AND CAPITAL RESOURCES

MKS has financed its operations and capital requirements through a combination of cash provided by operations, long-term real estate financing, capital lease financing and short-term lines of credit.

Operations provided cash of $5.3 million for the six months ended June 30, 2000 primarily impacted by net income, depreciation and changes in the levels of accounts payable, inventories and accounts receivable. Investing activities utilized cash of $0.9 million for the six months ended June 30, 2000 primarily from the purchase of property and equipment offset by proceeds from selling short-term investments. Financing activities provided cash of $4.8 million primarily from short-term borrowings and proceeds from employees exercising stock options.

Working capital was $109.3 million as of June 30, 2000, an increase of $22.2 million from December 31, 1999. MKS has a combined $30.0 million line of credit with two banks, expiring December 31, 2000, all of which is available.

Prior to our initial public offering, we entered into a Tax Indemnification and S Corporation Distribution Agreement with our then existing stockholders. The agreement includes provisions for the payment, with interest, by those stockholders or MKS, as the case may be, for the difference between the $40 million distributed as an estimate of the amount of the accumulated adjustments account as of April 4, 1999, which is the date our S corporation status was terminated, and the actual amount of the accumulated adjustments account on that day. The actual amount of the accumulated adjustments account cannot be determined until we calculate the amount of our taxable income for the year ending December 31, 1999. Based on our estimate of the taxable income for the year ending December 31, 1999, we believe that an additional distribution to the then existing stockholders will be required under this agreement. The amount of the additional distribution, prior to interest, is currently estimated to be $3.4 million. The payment of the actual additional distribution is expected to be made during the third quarter of 2000. The amount of the additional distribution payable was charged directly to retained earnings during 1999 and had no impact on net income or earnings per share. The amount of the accumulated adjustments account can be affected by income tax audits of MKS. If any audit increases or decreases the accumulated adjustments account, MKS or the then existing stockholders, as the case may be, will also be required to make a payment, with interest, of such difference to the other party. No stockholders, other than the then existing stockholders, are parties to the Tax Indemnification and S Corporation Distribution Agreement.

MKS believes that the net proceeds from its initial public offering, together with the cash anticipated to be generated from operations and funds available from existing credit facilities, will be sufficient to satisfy its estimated working capital and planned capital expenditure requirements through at least the next 24 months.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

See Note 3 of Notes to Consolidated Financial Statements for a discussion of the impact of recently issued accounting pronouncements.

FACTORS THAT MAY AFFECT FUTURE OPERATING RESULTS

CYCLICALITY OF THE SEMICONDUCTOR INDUSTRY

We estimate that approximately 66% of our sales during 1999 were to semiconductor capital equipment manufacturers and semiconductor device manufacturers, and we expect that sales to such customers will continue to account for a substantial majority of our sales. Our business depends upon the capital expenditures of semiconductor device manufacturers, which in turn depend upon the demand for semiconductors. Periodic reductions in demand for the products manufactured by semiconductor capital equipment manufacturers and semiconductor device manufacturers may adversely affect our business, financial condition and results of operations. Historically, the semiconductor market has been highly cyclical and has experienced periods of overcapacity, resulting in significantly reduced demand for capital equipment. For example, in 1996 and 1998, the semiconductor capital equipment industry experienced significant declines, which caused a number of our customers to reduce their orders. We cannot be certain that semiconductor downturns will not recur. A decline in the level of orders as a result of any future downturn or slowdown in the semiconductor capital equipment industry could have a material adverse effect on our business, financial condition and results of operations.

FLUCTUATIONS IN OPERATING RESULTS

A substantial portion of our shipments occur shortly after an order is received and therefore we operate with a low level of backlog. As a consequence of the just-in-time nature of shipments and the low level of backlog, a decrease in demand for our products from one or more customers could occur with limited advance notice and could have a material adverse effect on our results of operations in any particular period.

A significant percentage of our expenses are relatively fixed and based in part on expectations of future net sales. The inability to adjust spending quickly enough to compensate for any shortfall would magnify the adverse impact of a shortfall in net sales on our results of operations. Factors that could cause fluctuations in our net sales include:

- the timing of the receipt of orders from major customers;
- shipment delays;
- disruption in sources of supply;
- seasonal variations of capital spending by customers;
- production capacity constraints; and
- specific features requested by customers.

For example, we were in the process of increasing our production capacity when the semiconductor capital equipment market began to experience a significant downturn in 1996. This downturn had a material adverse effect on our operating results in the second half of 1996 and the first half of 1997. After an increase in business in the latter half of 1997, the market experienced another downturn in 1998, which had a material adverse effect on our 1998 and first quarter 1999 operating results. As a result of the factors discussed above, it is likely that we will in the future experience quarterly or annual fluctuations and that, in one or more future quarters, our operating results will fall below the expectations of public market analysts or investors. In any such event, the price of our common stock could decline significantly.

CUSTOMER CONCENTRATION

Our five largest customers accounted for approximately 33% of our net sales in 1999 and 24% of our net sales in 1998. The loss of a major customer or any reduction in orders by these customers, including reductions due to market or competitive conditions, would likely have a material adverse effect on our business, financial condition and results of operations. During 1999, one customer, Applied Materials, accounted for approximately 22% of our net sales. While we have entered into a purchase contract with Applied Materials that expires in 2000 unless it is extended by mutual agreement, none of our significant customers, including Applied Materials, has entered into an agreement requiring it to purchase any minimum quantity of our products. The demand for our products from our semiconductor capital equipment customers depends in part on orders received by them from their semiconductor device manufacturer customers.

Attempts to lessen the adverse effect of any loss or reduction through the rapid addition of new customers could be difficult because prospective customers typically require lengthy qualification periods prior to placing volume orders with a new supplier. Our future success will continue to depend upon:

- our ability to maintain relationships with existing key customers;
- our ability to attract new customers; and
- the success of our customers in creating demand for their capital equipment products which incorporate our products.

COMPETITION

The markets for our products are highly competitive. Our competitive success often depends upon factors outside of our control. For example, in some cases, particularly with respect to mass flow controllers, semiconductor device manufacturers may direct semiconductor capital equipment manufacturers to use a specified supplier's product in their equipment. Accordingly, for such products, our success will depend in part on our ability to have semiconductor device manufacturers specify that our products be used at their semiconductor fabrication facilities. In addition, we may encounter difficulties in changing established relationships of competitors that already have a large installed base of products within such semiconductor fabrication facilities.

TECHNOLOGICAL CHANGES

New products designed by semiconductor capital equipment manufacturers typically have a lifespan of five to ten years. Our success depends on our products being designed into new generations of equipment for the semiconductor industry. We must develop products that are technologically current so that they are positioned to be chosen for use in each successive new generation of semiconductor capital equipment. If our products are not chosen by our customers, our net sales may be reduced during the lifespan of our customers' products.

EXPANSION OF MANUFACTURING CAPACITY

Our ability to increase sales of certain products depends in part upon our ability to expand our manufacturing capacity for such products in a timely manner. If we are unable to expand our manufacturing capacity on a timely basis or to manage such expansion effectively, our customers could implement our competitor's products and, as a result, our market share could be reduced. Because the semiconductor industry is subject to rapid demand shifts which are difficult to foresee, we may not be able to increase capacity quickly enough to respond to a rapid increase in demand in the semiconductor industry.

Additionally, capacity expansion could increase our fixed operating expenses and if sales levels do not increase to offset the additional expense levels associated with any such expansion, our business, financial condition and results of operations could be materially adversely affected.

INTERNATIONAL OPERATIONS AND SALES

International sales, which include sales by our foreign subsidiaries, but exclude direct export sales which were less than 10% of our total net sales, accounted for approximately 31% of net sales in 1999 and 32% of net sales in 1998. We anticipate that international sales will continue to account for a significant portion of our net sales. In addition, certain of our key domestic customers derive a significant portion of their revenues from sales in international markets. Therefore, our sales and results of operations could be adversely affected by economic slowdowns and other risks associated with international sales.

Exchange rate fluctuations could have an adverse effect on our net sales and results of operations and we could experience losses with respect to our hedging activities. Unfavorable currency fluctuations could require us to increase prices to foreign customers which could result in lower net sales by us to such customers. Alternatively, if we do not adjust the prices for our products in response to unfavorable currency fluctuations, our results of operations could be adversely affected. In addition, sales made by our foreign subsidiaries are denominated in the currency of the country in which these products are sold and the currency we receive in payment for such sales could be less valuable at the time of receipt as a result of exchange rate fluctuations. We enter into forward exchange contracts and local currency purchased options to reduce currency exposure arising from intercompany sales of inventory. However, we cannot be certain that our efforts will be adequate to protect us against significant currency fluctuations or that such efforts will not expose us to additional exchange rate risks.

NEED TO RETAIN AND ATTRACT KEY EMPLOYEES

Our success depends to a large extent upon the efforts and abilities of a number of key employees and officers, particularly those with expertise in the semiconductor manufacturing and similar industrial manufacturing industries. The loss of key employees or officers could have a material adverse effect on our business, financial condition and results of operations. We believe that our future success will depend in part on our ability to attract and retain highly skilled technical, financial, managerial and marketing personnel. Competition for such personnel is intense, and we cannot be certain that we will be successful in attracting and retaining such personnel.

INTELLECTUAL PROPERTY MATTERS

Although we seek to protect our intellectual property rights through patents, copyrights, trade secrets and other measures, we cannot be certain that:

- we will be able to protect our technology adequately;
- competitors will not be able to develop similar technology independently;
- any of our pending patent applications will be issued;
- intellectual property laws will protect our intellectual property rights; or
- third parties will not assert that our products infringe patent, copyright or trade secrets of such parties.

Litigation may be necessary in order to enforce our patents, copyrights or other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement. Such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on our business, financial condition and results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information concerning market risk is contained in the annual Management's Discussion and Analysis of Financial Condition and Results of Operations in MKS's Annual Report on Form 10-K for the year ended December 31, 1999, which was filed with the Securities and Exchange Commission on March 30, 2000. There were no material changes in MKS's exposure to market risk from December 31, 1999.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

MKS is not aware of any material legal proceedings to which it or any of its subsidiaries is a party.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

(d) Use of Proceeds from Sales of Registered Securities. There has been no change to the information previously provided by the Company on Form 10-Q for the period ended March 31, 1999 relating to the securities sold by the Company pursuant to the Registration Statement on Form S-1 (Reg. No. 333-71363) that was declared effective by the Securities and Exchange Commission on March 29, 1999.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

At the Company's Annual Meeting of stockholders held on May 17, 2000 (the "Annual Meeting"), the following proposals were approved as further specified below:

1. Election of Directors:

	FOR	WITHHELD AUTHORITY
Robert J. Therrien	22,294,182	570,209
Louis P. Valente	22,849,793	14,598

2. Continuance and Amendment of the Amended and Restated 1995 Stock Incentive Plan.

FOR	AGAINST	ABSTAIN
19,133,536	3,148,477	7,298

3. Ratification of Appointment of Independent Accountants.

FOR	AGAINST	ABSTAIN
22,860,633	452	3,306

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Ex. No.	Description
27	Financial Data Schedule

(b) Reports on Form 8-K

1. The Company filed a report on Form 8-K with the Securities and Exchange Commission on June 28, 2000.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MKS INSTRUMENTS, INC.

August 11, 2000

By: /s/ Ronald C. Weigner

Ronald C. Weigner
Vice President and Chief Financial Officer
(Principal Financial Officer)

6-MOS
DEC-31-2000
JAN-01-2000
JUN-30-2000
44,485
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49,635
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20,617
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