
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

FORM 10-Q

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended March 29, 2004

Commission File Number: 0-31285

TTM TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

WASHINGTON
(State or other jurisdiction of
incorporation or organization)

91-1033443
(I.R.S. Employer
Identification No.)

2630 South Harbor Boulevard, Santa Ana, California 92704
(Address of principal executive offices)

(714) 327-3000
(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 No

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

Number of shares of common stock, no par value, of registrant outstanding at May 5, 2004: 40,747,800

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TTM TECHNOLOGIES, INC.
Consolidated Condensed Balance Sheets
As of December 31, 2003 and March 29, 2004
(unaudited)
(In thousands)

	<u>December 31,</u> <u>2003</u>	<u>March 29,</u> <u>2004</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 24,237	\$ 32,620
Short-term investments	7,508	4,615
Accounts receivable, net of allowances of \$3,734 and \$4,328, respectively	28,519	34,956
Inventories, net	8,617	10,353
Prepaid expenses and other	1,129	1,007
Assets held for sale	2,308	2,255
Income taxes receivable	830	830
Deferred income taxes	1,739	1,628
Total current assets	<u>74,887</u>	<u>88,264</u>
Property, plant and equipment:		
Property, plant and equipment, at cost	76,614	79,589
Less accumulated depreciation	(33,078)	(35,038)
Property, plant and equipment, net	<u>43,536</u>	<u>44,551</u>
Other assets:		
Debt issuance costs, net	187	160
Deferred income taxes	10,343	6,755
Goodwill	63,153	63,153
Definite-lived intangibles, net of accumulated amortization of \$5,424 and \$5,754, respectively	12,955	12,625
Deposits and other	796	831
Total other assets	<u>87,434</u>	<u>83,524</u>
	<u>\$ 205,857</u>	<u>\$ 216,339</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 4,444	\$ 4,444
Accounts payable	7,862	9,128
Accrued salaries, wages and benefits	7,964	9,848
Other accrued expenses	1,188	1,256
Income taxes payable	—	125
Current portion other long-term liabilities	1,077	1,094
Total current liabilities	<u>22,535</u>	<u>25,895</u>
Long-term debt, less current maturities	3,333	3,333
Other long-term liabilities, less current portion	1,662	1,379
Total long-term liabilities	<u>4,995</u>	<u>4,712</u>
Shareholders' equity:		
Common stock, no par value; 100,000 shares authorized, 40,475 and 40,718 shares issued and outstanding, respectively	153,256	154,125
Retained earnings	25,106	31,632
Deferred stock-based compensation	(35)	(25)
Total shareholders' equity	<u>178,327</u>	<u>185,732</u>
	<u>\$ 205,857</u>	<u>\$ 216,339</u>

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.

**Consolidated Condensed Statements of Operations
For the Quarter Ended March 31, 2003 and March 29, 2004
(unaudited)
(In thousands, except per share data)**

	Quarter Ended	
	March 31, 2003	March 29, 2004
Net sales	\$ 39,634	\$ 57,696
Cost of goods sold.....	35,108	40,416
Gross profit	4,526	17,280
Operating expenses:		
Selling and marketing	2,545	3,041
General and administrative	2,814	3,508
Amortization of definite-lived intangibles.....	300	300
Restructuring charges.....	203	—
Total operating expenses	5,862	6,849
Operating income (loss).....	(1,336)	10,431
Other income (expense):		
Interest expense	(155)	(120)
Amortization of debt issuance costs	(16)	(27)
Interest income and other, net.....	77	92
Total other expense, net.....	(94)	(55)
Income (loss) before income taxes and extraordinary item.....	(1,430)	10,376
Income tax benefit (provision)	456	(3,850)
Income (loss) before extraordinary item	(974)	6,526
Extraordinary gain	824	—
Net income (loss)	\$ (150)	\$ 6,526
Basic earnings per share:		
Income (loss) before extraordinary item.....	\$ (0.02)	\$ 0.16
Extraordinary gain.....	0.02	—
Net income (loss)	\$ (0.00)	\$ 0.16
Diluted earnings per share:		
Income (loss) before extraordinary item.....	\$ (0.02)	\$ 0.15
Extraordinary gain.....	0.02	—
Net income (loss)	\$ (0.00)	\$ 0.15

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.

**Consolidated Condensed Statements of Cash Flows
For the Quarter Ended March 31, 2003 and March 29, 2004
(unaudited)
(In thousands)**

	Quarter Ended	
	March 31, 2003	March 29, 2004
Cash flows from operating activities:		
Net income (loss).....	\$ (150)	\$ 6,526
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Extraordinary gain	(824)	—
Depreciation on property, plant and equipment.....	1,933	1,960
Net gain on sale of property, plant and equipment	—	(2)
Amortization of definite-lived intangible assets	300	330
Other	68	71
Deferred income taxes	(440)	3,699
Changes in operating assets and liabilities:		
Accounts receivable, net.....	(1,800)	(6,437)
Inventories, net	1,154	(1,736)
Prepaid expenses and other.....	1,178	(2)
Income taxes receivable.....	5,230	—
Accounts payable.....	(395)	1,266
Accrued salaries, wages and benefits and other accrued expenses	1,588	1,695
Income taxes payable.....	—	125
	7,842	7,495
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property, plant and equipment and equipment deposits	(704)	(2,876)
Proceeds from sale of property, plant and equipment.....	—	2
Purchases of short-term investments.....	—	(4,082)
Proceeds from sales of short-term investments.....	—	6,975
	(704)	19
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Proceeds from exercise of common stock options.....	256	869
Payment of debt issuance costs.....	(159)	—
	97	869
Net cash provided by financing activities		
Net increase in cash and cash equivalents	7,235	8,383
Cash and cash equivalents at beginning of period	18,879	24,237
Cash and cash equivalents at end of period	\$ 26,114	\$ 32,620
Supplemental cash flow information:		
Cash paid for interest.....	\$ 103	\$ 19
Cash paid (refunded) for income taxes	(5,705)	26

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.
Notes to Consolidated Condensed Financial Statements
(unaudited)
(Dollars and shares in thousands, except per share data)

(1) Basis of Presentation

The accompanying consolidated condensed financial statements have been prepared by TTM Technologies, Inc. (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. These consolidated condensed financial statements reflect all adjustments (consisting only of normal recurring adjustments), which in the opinion of management, are necessary to present fairly the financial position, the results of operations and cash flows of the Company for the periods presented. It is suggested that these consolidated condensed financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's most recent Annual Report on Form 10-K/A. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. The Company uses a 13-week fiscal quarter accounting period with the first quarter ending on the Monday closest to April 1 and the fourth quarter always ending on December 31. The first fiscal quarters 2003 and 2004 contained 90 and 89 days, respectively.

(2) Short-term Investments

The Company considers highly liquid investments with a maturity to the Company of more than three months and less than one year to be short-term investments. Debt securities that the Company has the ability and intent to hold until maturity are accounted for as held-to-maturity securities and are carried at amortized cost. Investments in held-to-maturity debt securities were carried at amortized cost which approximated fair market value and consist of corporate notes totaling \$3,995 and \$3,112, federal agency securities totaling \$2,010 and \$0, and municipal notes totaling \$1,503 and \$1,503 at December 31, 2003 and March 29, 2004, respectively.

(3) Inventories

Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or market. Provision is made to reduce excess and obsolete inventories to their estimated net realizable value. Inventories as of December 31, 2003 and March 29, 2004 consist of the following:

	December 31, 2003	March 29, 2004
Raw materials	\$2,076	\$2,182
Work-in-process	5,412	5,694
Finished goods	1,129	2,477
	\$8,617	\$10,353

(4) Earnings Per Share

Basic earnings per common share ("Basic EPS") excludes dilution and is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per common share ("Diluted EPS") reflects the potential dilution that could occur if stock options or other common stock equivalents were exercised or converted into common stock.

The following is a reconciliation of the numerator and denominator used to calculate Basic EPS and Diluted EPS for the quarters ended March 31, 2003 and March 29, 2004:

	Quarter Ended March 31, 2003			Quarter Ended March 29, 2004		
	Net Loss	Shares	Per Share	Net Income	Shares	Per Share
Basic EPS	\$ (150)	39,762	\$ (0.00)	\$ 6,526	40,605	\$ 0.16
Effect of options		—			1,576	
Diluted EPS	\$ (150)	39,762	\$ (0.00)	\$ 6,526	42,181	\$ 0.15

The computation of Diluted EPS does not assume exercise or conversion of securities that would have an antidilutive effect on earnings per common share. Stock options to purchase 3,032 and 0 shares of common stock at March 31, 2003 and March 29, 2004, respectively, were not considered in calculating Diluted EPS because the effect would be anti-dilutive.

(5) Stock-Based Compensation

The Company accounts for stock options issued to employees, officers and directors under Accounting Principles Board Opinion No. 25 and the related interpretations and provides pro forma disclosures as required by SFAS No. 123. Had compensation cost been determined in accordance with SFAS No. 123, the Company's net income and earnings per share for the fiscal quarters ended March 31, 2003 and March 29, 2004 would have been changed to the following pro forma amounts:

	Quarter Ended	
	March 31, 2003	March 29, 2004
Net income (loss):		
As reported	\$(150)	\$6,526
Add: Amortization of deferred compensation	13	10
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(612)	(1,074)
Pro forma net income (loss).....	\$(749)	\$5,462
Basic earnings per share:		
As reported	\$(0.00)	\$0.16
Pro forma	(0.02)	0.13
Diluted earnings per share:		
As reported	\$(0.00)	\$0.15
Pro forma	(0.02)	0.13

(6) Significant Customers

The Company's customers include both original equipment manufacturers ("OEMs") and electronic manufacturing services companies ("EMS companies"). The Company's OEM customers often direct a significant portion of their purchases through EMS companies.

For the fiscal quarter ended March 29, 2004, two customers accounted for approximately 27% and 14% of net sales. For the fiscal quarter ended March 31, 2003, two customers accounted for over 18% and 17% of net sales. Sales to our ten largest customers were 66% of net sales in each of the fiscal quarters ended March 31, 2003 and March 29, 2004. The loss of one or more major customers or a decline in sales to the Company's major customers would have a material adverse effect of the Company's financial condition and results of operations.

(7) Concentration of Credit Risk

In the normal course of business, the Company extends credit to its customers, which are concentrated in the computer and electronics instrumentation industries, and some of which are located outside the United States. The Company performs ongoing credit evaluations of customers and does not require collateral. The Company makes

judgments as to its ability to collect outstanding trade receivables when collection becomes doubtful. Provisions are made based upon a specific review of significant outstanding invoices, historical collection experience and current economic trends.

For the purposes of evaluating collection risk, the Company considers the credit risk profile of the entity from which the receivable is due. As of December 31, 2003 and March 29, 2004, five customers in the aggregate accounted for 56% of total accounts receivable at each period end. If one or more of the Company's significant customers were to become insolvent or were otherwise unable to pay for the manufacturing services provided, it would have a material adverse effect on the Company's financial condition and results of operations.

(8) Acquisition of Advanced Circuits, Inc.

On December 26, 2002, the Company acquired the stock of Honeywell Advanced Circuits, Inc. ("Advanced Circuits") from Honeywell International, Inc. ("Honeywell"). The acquisition was accounted for under the purchase method of accounting. The fair value of the net assets acquired exceeded the costs to purchase Advanced Circuits, resulting in negative goodwill. In accordance with SFAS No. 141, the amount of negative goodwill was allocated proportionally to reduce the assigned values of certain acquired assets and the remaining unallocated negative goodwill was recorded as an extraordinary gain. The Company recorded its preliminary purchase accounting allocation in the fourth fiscal quarter 2002. During the quarter ended March 31, 2003, the Company continued to evaluate the fair market value of assets acquired and liabilities assumed as well as certain contingencies, and recorded an additional extraordinary gain of \$824. The extraordinary gain was composed primarily of a working capital adjustment as defined in the purchase agreement and certain other adjustments to the fair market value of assets acquired and liabilities assumed.

(9) Restructuring Charges

During the quarter ended March 31, 2003, a \$203 restructuring charge was taken for severance and other exit charges primarily in connection with the lay off of 45 employees at the Company's Redmond, Washington facility. The entire \$203 restructuring charge was paid in 2003.

During the fourth quarter of 2002, the Company consolidated manufacturing capabilities by closing its Burlington, Washington facility to better manage and control its business. The building is currently held for sale and recorded at its estimated fair value less selling costs. The Company is actively marketing the building for sale. Due to the inherent uncertainty of the estimates involved, the value of the asset held for sale could change in the near term which could result in an additional impairment charge. The chart below shows the utilization of the remaining accrued restructuring charges, which consist of other exit costs associated with the facility closure, during the quarter ended March 29, 2004.

	<u>Other Exit Charges</u>
Balance December 31, 2003	\$90
Utilization	(64)
Balance March 29, 2004	<u>\$26</u>

(10) Long-Term Debt and Other Obligations

The Company's senior credit facility ("Credit Facility") consists of a term loan and a \$25,000 revolving loan commitment subject to a borrowing base. The term loan is payable in equal quarterly installments with the final maturity on September 30, 2005. The revolving loan commitment expires on September 29, 2005. Interest on the revolving loan and the term loan ranges from LIBOR plus 1.5% to 2.5%, or the Alternate Base Rate (as defined in the Credit Facility) plus 0.5% to 1.0%. The amount added to the LIBOR rate or the Alternate Base Rate varies depending upon the Company's leverage ratios as defined in the agreement. At March 29, 2004, the Company had \$7,777 outstanding on the term loan with a weighted average interest rate of 2.71% and no amounts outstanding on the revolving loan. At March 29, 2004, the Company's available borrowing capacity under the revolving loan was \$22,613. The Company pays a quarterly commitment fee ranging from 0.30% to 0.45% on the unused revolving commitment amount. The term loan and the revolving loan are secured by substantially all of the assets of the Company. The Credit Facility contains certain financial and other covenants. These covenants include capital expenditure limits, leverage and fixed charge coverage ratios, consolidated EBITDA and various other covenants.

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

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated condensed financial statements and the related notes and the other financial information included in this Quarterly Report on Form 10-Q. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of specified factors, including those set forth in the section below entitled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q.

This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in our annual report on Form 10-K/A for the year ended December 31, 2003, filed with the Securities and Exchange Commission.

Overview

We are a one-stop provider of time-critical and technologically complex, multilayer printed circuit boards, which serve as the foundation of sophisticated electronic products. We serve high-end commercial markets—including networking/communications infrastructure, high-end computing and industrial/medical—which are characterized by high levels of complexity, short product life cycles and moderate production volumes. Our customers include original equipment manufacturers ("OEMs") and electronic manufacturing services ("EMS") companies. Our time-to-market and high technology focused manufacturing services enable our customers to reduce the time required to develop new products and bring them to market.

We manufacture printed circuit boards to our customers' design specifications and price them to reflect both the complexity of the printed circuit boards and the time and volume requirements for the order. Generally, we quote prices after we receive the design specifications and time and volume requirements from our customers. Purchase orders may be cancelled prior to shipment. We charge customers a fee, based on percentage completed, if an order is cancelled once it has entered production.

We manufacture printed circuit boards at three specialized and integrated facilities in the United States. Our facility in Santa Ana, California, specializes in quick-turn work, which has delivery times of 10 days or less and is characterized by small volumes of printed circuit boards. Our Chippewa Falls, Wisconsin, facility focuses on large-volume production runs of technologically complex multilayer printed circuit boards with average lead times of 2 to 10 weeks. Our Redmond, Washington, facility focuses on mid-volume production of standard lead-time printed circuit boards.

In response to increased customer demand and higher current capacity utilization rates, our board of directors has approved a plan to significantly expand production capacity at our Chippewa Falls, Wisconsin facility. Chippewa Falls is our largest facility and serves the high-end, complex technology needs of some of our largest and most sophisticated commercial customers. The expansion is planned to occur in two phases that will permit us to incrementally match our capital expenditures with demand and market conditions. Together, the two phases of the plan represent an 85% increase in production capacity. All capacity increases described in phases one and two below represent cumulative increases from current capacity levels.

In the first phase of our expansion plan, we expect to hire approximately 100 additional employees by mid-2004 that will increase our Chippewa Falls' production capacity by more than 20% from current levels using our existing facility footprint. In addition, we expect to immediately commence construction on a 44,000 square foot expansion and have approved the order of capital equipment necessary to support it. We expect that construction of the first phase of the expansion, along with additional employee hires beyond those expected by mid-2004, will increase our Chippewa Falls' capacity by approximately 55% from current levels. The construction and equipment costs related to phase one are expected to be approximately \$10 million. We expect to complete construction of the first phase and reach production by the end of 2004.

The second phase of the expansion plan will allow us to increase production capacity at the Chippewa Falls facility by an additional 30%, or a total of 85%, over current capacity. We expect to accomplish this second phase through additional staffing and the purchase of approximately \$4 million in capital equipment. The implementation of the second phase will be made as demand and market conditions warrant and can be completed within three to six months of determining to proceed. The decision to proceed with the second phase will be revisited on a regular

basis throughout 2004 and in future periods.

We believe that our ability to expand at our existing facilities allows us to efficiently grow without having to qualify customers for, and develop a management infrastructure at, a new facility. We have reviewed numerous alternatives to meet our customers' needs and believe that this expansion plan provides us with a significant opportunity for growth with relatively limited risk. However, if our customers' demand for our services does not increase to the levels we are anticipating, we may decide to scale back or delay our planned expansion.

We measure customers as those companies that have placed at least two orders in the preceeding 12-month period. As of March 31, 2003, we had approximately 595 customers, and as of March 29, 2004, we had approximately 580 customers. Sales to our largest 10 customers accounted for 66% of our net sales for both first fiscal quarter 2003 and 2004.

We sell to OEMs both directly and through EMS companies. Sales attributable to our five largest OEM customers accounted for 52% and 54% of our net sales in the first fiscal quarter 2003 and 2004, respectively.

The following table shows the percentage of our net sales attributable to each of the principal end markets we served for the periods indicated:

<u>End Markets (1)</u>	<u>First Fiscal Quarter</u>	
	<u>2003</u>	<u>2004</u>
Networking/Communication.....	33.6%	39.7%
High-End Computing.....	41.0	33.7
Industrial/Medical.....	10.6	13.4
Computer Peripherals	9.6	7.4
Handheld/Cellular.....	1.7	2.4
Other	3.5	3.4
Total.....	<u>100.0%</u>	<u>100.0%</u>

(1) Sales to EMS companies are classified by the end markets of their OEM customers.

We measure the time sensitivity of our products by tracking the quick-turn percentage of our work. We define quick-turn orders as those with delivery times of 10 days or less, which typically captures research and development, prototype and new product introduction work in addition to unexpected short-term demand among our customers. Generally, we quote prices after we receive the design specifications and time and volume requirements from our customers. Our quick-turn services command a premium price as compared to standard lead time prices. Quick-turn orders represented 28% of orders in the first fiscal quarter 2003 and 24% of orders in the first fiscal quarter 2004. The quick-turn percentage decreased due to the relative performance of our Chippewa Falls facility even though the level of quick-turn orders increased. The first fiscal quarter 2003 was the first period in which Chippewa Falls was part of TTM.

Critical Accounting Policies and Estimates

Our consolidated condensed financial statements included in this Form 10-Q have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. 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. Senior management has discussed the development, selection and disclosure of these estimates with the audit committee of our board of directors. Actual results may differ from these estimates under different assumptions or conditions.

Accounting policies where significant judgments and estimates are made include asset valuation related to bad debts and inventory obsolescence; sales returns and allowances; impairment of long-lived assets, including goodwill and intangible assets; realizability of deferred tax assets; and self-insured medical reserves. A detailed description of these estimates and our policies to account for them is included in the notes to our annual report on Form 10-K/A for the year ended December 31, 2003, filed with the Securities and Exchange Commission.

We provide customary credit terms to our customers and generally do not require collateral. We perform ongoing credit evaluations of the financial condition of our customers and maintain an allowance for doubtful accounts based upon historical collections experience and expected collectibility of accounts. Our actual bad debts may differ from our estimates.

In assessing the realization of inventories, we are required to make judgments as to future demand requirements and compare these with current and committed inventory levels. Our inventory requirements change based on our projected customer demand, which changes due to market conditions, technological and product life cycle changes and longer or shorter than expected usage periods. We maintain certain finished goods inventories near certain key customer locations in accordance with agreements. Although this inventory is typically supported by valid purchase orders, should these customers ultimately not purchase these inventories, our results of operations and financial condition would be adversely affected.

We derive revenues primarily from the sale of printed circuit boards using customer supplied engineering and design plans and recognize revenues when persuasive evidence of a sales arrangement exists, the sales terms are fixed and determinable, title and risk of loss has transferred, and collectibility is reasonably assured—generally when products are shipped to the customer. We provide our customers a limited right of return for defective printed circuit boards. We accrue an estimated amount for sales returns and allowances at the time of sale based on historical information. To the extent actual experience varies from our historical experience, revisions to the allowance may be required.

We have significant long-lived tangible and intangible assets consisting of property, plant and equipment, goodwill and definite-lived intangibles. We review these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. In addition, we perform an impairment test related to goodwill at least annually. Our goodwill and intangibles are largely attributable to our quick-turn business. During the fourth fiscal quarter 2003, we performed an impairment assessment of our goodwill, which requires the use of a fair-value based analysis and determined that no impairment existed. At March 29, 2004, we determined that there were no events or changes in circumstances which indicated that the carrying amount of long-lived tangible assets and definite-lived intangible assets may not be recoverable. We use an estimate of the future undiscounted net cash flows in measuring whether our long-lived tangible assets and definite-lived intangible assets are recoverable. If forecasts and assumptions used to support the realizability of our long-lived assets change in the future, significant impairment charges could result that would adversely affect our results of operations and financial condition.

Deferred income tax assets are reviewed for recoverability and valuation allowances are provided, when necessary, to reduce deferred tax assets to the amounts expected to be realized. At March 29, 2004, we have a net deferred income tax asset of \$8.4 million, which is net of a valuation allowance of approximately \$17.9 million. Should our expectations of taxable income change in future periods, it may be necessary to adjust our valuation allowance, which could positively or negatively affect our results of operations in the period such a determination is made. In addition, we record income tax provision or benefit during interim periods at a rate that is based on expected results for the full year. If future changes in market conditions cause actual results for the year to be more

or less favorable than those expected, adjustments to the effective income tax rate could be required.

We are self-insured for group health insurance benefits provided to our employees, and purchase insurance to protect against claims at the individual and aggregate level. The insurance carrier adjudicates and processes employee claims and is paid a fee for these services. We reimburse our insurance carrier for paid claims subject to variable monthly limitations. We estimate our exposure for claims incurred but not paid at the end of each reporting period and use historical information supplied by our insurance carrier and broker to estimate our liability for these claims. This liability is subject to a total limitation that varies based on employee enrollment and factors that are established at each annual contract renewal. Our actual claims experience may differ from our estimates.

In connection with our acquisition of Advanced Circuits in December 2002, we became contractually responsible for the majority of a rebate obligation to a customer. The rebate is based on a percentage of net sales to this customer. We have made estimates regarding the amount and timing of future net sales to this customer and have applied a discount factor to those estimated rebates to estimate the present value of our obligation. We have also estimated that portion of the total obligation which we believe is a current liability. Based on our future net sales experience with this customer, we may change our estimate of the portion that is a current liability.

Results of Operations

First Fiscal Quarter 2004 Compared to the First Fiscal Quarter 2003

There were 89 and 90 days in the first fiscal quarters 2004 and 2003, respectively.

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

	Quarter Ended	
	March 31, 2003	March 29, 2004
Net sales.....	100.0%	100.0%
Cost of goods sold	88.6	70.0
Gross profit.....	<u>11.4</u>	<u>30.0</u>
Operating expenses:		
Selling and marketing	6.4	5.3
General and administrative	7.1	6.1
Amortization of definite-lived intangibles.....	0.8	0.5
Restructuring charges	0.5	—
Total operating expenses	<u>14.8</u>	<u>11.9</u>
Operating income (loss).....	(3.4)	18.1
Other income (expense):		
Interest expense	(0.4)	(0.2)
Amortization of debt issuance costs	(0.0)	(0.1)
Interest income and other, net.....	<u>0.2</u>	<u>0.2</u>
Income (loss) before income taxes and extraordinary item	(3.6)	18.0
Income tax benefit (provision).....	1.1	(6.7)
Income (loss) before extraordinary item.....	<u>(2.5)</u>	<u>11.3</u>
Extraordinary gain	2.1	—
Net income (loss).....	<u>(0.4)%</u>	<u>11.3%</u>

Net Sales

Net sales increased 45.6% from \$39.6 million in the first fiscal quarter 2003 to \$57.7 million in the first fiscal quarter 2004 due to increases in both price and production volume. Improving prices accounted for approximately 44% of the increase in total revenue. Prices improved due to a number of factors, including a continued strengthening of the economy in 2004, and a shift in mix to higher technology and shorter lead time products. We generally charge higher prices for printed circuit boards with time sensitive delivery requirements, high layer counts and other high-technology features because of both the higher material content and the greater level of skill required to manufacture these boards accurately. Increased production volume accounted for approximately 56% of the increase in revenue from the first fiscal quarter 2003 to the first fiscal quarter 2004. This volume increase resulted from higher demand from our customers.

Gross Profit

Cost of goods sold increased \$5.3 million, or 15.1%, from \$35.1 million for the first fiscal quarter 2003 to \$40.4 million for the first fiscal quarter 2004. Higher cost of goods sold resulted primarily from higher labor and materials costs associated with an increase in the number of printed circuit boards sold. As a percentage of net sales, cost of goods sold decreased from 88.6% for the first fiscal quarter 2003 to 70.0% for the first fiscal quarter 2004 due to greater labor and production efficiencies, lower materials costs, and improved absorption of manufacturing overhead.

As a result of the foregoing, gross profit increased \$12.8 million, or 281.8% from \$4.5 million for the first fiscal quarter 2003 to \$17.3 million for the first fiscal quarter 2004. Our gross margin improved from 11.4% in the first fiscal quarter 2003 to 30.0% in the first fiscal quarter 2004.

The improvement in our gross margin was due largely to higher prices as well as greater labor efficiency and increased absorption of fixed costs. Printed circuit board manufacturing is a multi-step process that requires a certain level of equipment and staffing for even minimal production volumes. As production increases, our employees are able to work more efficiently and produce more printed circuit boards without incurring significant cost increases. However, at higher capacity utilization rates, additional employees and capital may be required. These gains in efficiency helped offset the increased costs related to our shift toward more complex work characterized by higher layer count. Our average layer count increased from 13.2 in the first fiscal quarter 2003 to 14.7 in the first fiscal quarter 2004.

Operating Expenses

Sales and marketing expenses increased \$0.5 million from \$2.5 million, or 6.4% of net sales, for the first fiscal quarter 2003 to \$3.0 million, or 5.3% of net sales, for the first fiscal quarter 2004. The increase in expenses resulted primarily from additional commission expense related to the increase in net sales. The decrease as a percentage of net sales resulted from improved absorption of fixed selling costs.

General and administrative expenses increased \$0.7 million from \$2.8 million, or 7.1% of net sales, for the first fiscal quarter 2003 to \$3.5 million, or 6.1% of net sales, for the first fiscal quarter 2004. The increase in expenses resulted primarily from higher incentive compensation expense and an increase in the bad debt provision partially offset by elimination of transition expenses associated with the Advanced Circuits integration which were incurred in the first fiscal quarter 2003. General and administrative expenses decreased as a percentage of net sales due to the relatively fixed nature of these expenses and our higher sales base.

Restructuring charges of \$0.2 million recorded in the first fiscal quarter 2003 related primarily to severance and other exit costs associated with eliminating 45 positions at our Redmond, Washington facility. These expenses were paid in 2003.

Income Taxes

The provision for income taxes increased from a \$0.5 million benefit for the first fiscal quarter 2003 to a \$3.9 million provision for the first fiscal quarter 2004. The income tax benefit in the first fiscal quarter 2003 resulted from a pretax loss before extraordinary item, and the income tax provision in the first fiscal quarter 2004 resulted from pretax income. Our effective tax rate for the first fiscal quarter 2004 was approximately 37%. Our effective tax rate is primarily impacted by state income taxes, which vary due to the sales and profitability mix among our

facilities as well as certain non-deductible items, and state income tax credits. We record income tax expense or benefit at a rate that is based on expected results for the year. If future changes in market conditions cause actual results for the year to be more or less favorable than those expected, adjustments to the effective income tax rate could be required.

Extraordinary Gain

In the first fiscal quarter 2003, we recorded an extraordinary gain of \$0.8 million after resolving certain contingencies concerning the fair value of certain assets acquired and liabilities assumed as part of our acquisition of Advanced Circuits, including the settlement of a claim for a working capital adjustment. See Note 7 to our Consolidated Condensed Financial Statements for a description of the extraordinary gain.

Liquidity and Capital Resources

Our principal sources of liquidity have been cash provided by operations, proceeds from our public offerings and proceeds from employee exercises of stock options. Our principal uses of cash have been to meet debt service requirements, finance capital expenditures and fund working capital requirements. We anticipate that these uses will continue to be the principal demands on our cash in the future. As of March 29, 2004, we had working capital of approximately \$62.4 million compared to \$52.4 million at December 31, 2003. The increase in working capital is primarily attributable to increases in cash and cash equivalents and accounts receivable.

Our 2004 capital plan is expected to total approximately \$20 million and reflects capacity expansion at all three of our facilities. The capital plan includes \$10 million for the first phase of our planned Chippewa Falls facility expansion. In addition to this planned expansion, our capital plan for 2004 includes \$10 million that primarily will fund capital equipment purchases to increase capacity and expand our technological capabilities throughout our facilities. The second phase of our Chippewa Falls capacity expansion, not currently included in the 2004 capital plan, would cost approximately \$4 million and would be made as demand and market conditions warrant. This second phase could be completed within three to six months of determining to proceed and will be revisited on a regular basis throughout 2004 and in future periods.

The following table provides information on future payments under the Company's credit facility, future minimum lease payments under non-cancelable operating leases and other long-term liabilities as of March 29, 2004 (in thousands):

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	\$ 7,777	\$ 4,444	\$ 3,333	\$ —	\$ —
Operating leases.....	2,501	371	537	212	1,381
Other long-term liabilities(1)...	2,832	1,129	1,703	—	—
Total contractual obligations ...	\$ 13,110	\$ 5,944	\$ 5,573	\$ 212	\$ 1,381

(1) Our balance sheet reflects these other long-term liabilities at their net present value.

Based on our current level of operations, we believe that cash generated from operations, available cash and amounts available under our senior credit facility will be adequate to meet our currently anticipated debt service requirements, capital expenditures and working capital needs for the next 12 months and beyond. Our principal liquidity needs for periods beyond the next 12 months are for the cost of repaying the remaining balance of our senior term loan, other contractual obligations and for the second phase of our planned Chippewa Falls expansion described above.

Net cash provided by operating activities was \$7.5 million in the first fiscal quarter 2004, compared to \$7.8 million in the first fiscal quarter 2003. Our first fiscal quarter 2004 operating cash flow of \$7.5 million primarily reflects net income of \$6.5 million, \$2.3 million of depreciation and amortization, and a \$3.7 million decrease in deferred income taxes, partially offset by a net increase in working capital of \$5.1 million, excluding cash and short-term investments.

Net cash provided by investing activities was \$0.02 million in the first fiscal quarter 2004, compared to net cash used in investing activities of \$0.7 million in the first fiscal quarter 2003. In the first fiscal quarter 2004, we

purchased \$2.9 million of property, plant and equipment and had a net decrease in short-term investments of \$2.9 million.

Net cash provided by financing activities was \$0.9 million in the first fiscal quarter 2004 compared to \$0.1 million in the first fiscal quarter 2003. Our first fiscal quarter 2004 financing net cash flow reflects net proceeds of \$0.9 million from employee stock option exercises.

We have a term loan with a remaining balance of \$7.8 million that is payable in equal quarterly installments through September 30, 2005. We have a committed revolving loan facility of \$25.0 million with a final maturity date of September 29, 2005. We may prepay the term loan and borrow, repay and reborrow under the revolving loan facility at any time. The term loan and the revolving loan bear interest at rates ranging from LIBOR plus 1.5% to 2.5% or the Alternate Base Rate (as defined in the credit agreement) plus 0.5% to 1.0%. The amount added to the LIBOR rate or the Alternative Base Rate varies depending upon the Company's leverage ratio as defined in the agreement. As of March 29, 2004, the term loan had a weighted average interest rate of 2.71%. Our borrowings under the revolving facility are subject to a borrowing base or formula that is based on our accounts receivable and inventory. As of March 29, 2004 we had no outstanding revolving loan balances and had \$22.6 million of available borrowing capacity. We pay quarterly a commitment fee ranging from 0.30% to 0.45% on the unused revolving commitment amount. The credit facility is secured by substantially all of our assets and contains financial covenants customary for this type of financing. As of March 29, 2004, we were in compliance with the covenants.

Foreign Currency Exchange Risk

All of our sales are denominated in U.S. dollars, and as a result, we have relatively little exposure to foreign currency exchange risk with respect to sales made.

Impact of Inflation

We believe that our results of operations are not dependent upon moderate changes in the inflation rate as we expect that we will be able to pass along component price increases to our customers.

Seasonality

We have historically experienced lower sales in our second and third fiscal quarters due to patterns in the capital budgeting and purchasing cycles of our customers and the end markets they serve. In particular, this effect is caused by the seasonality of our high-end computing segment and customer quick-turn ordering patterns. We expect to mitigate the impact of seasonality through diversification of our customer base.

Recently Issued Accounting Standards

In January 2003, the FASB issued Financial Interpretation No. 46 ("FIN No. 46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51," which addresses the consolidation by business enterprises of variable interest entities as defined therein and applies immediately to variable interests in variable interest entities created or obtained after January 31, 2003. With respect to variable interest entities created before January 31, 2003, in December 2003 the FASB issued FIN No. 46R which, among other things, revised the implementation date to first fiscal years or interim periods ending March 15, 2004, with the exception of Special Purpose Entities ("SPEs"). The consolidation requirements apply to all SPEs in the first fiscal year or interim period ending after December 15, 2003. We have determined that we do not have any variable interest entities or SPEs and accordingly, the adoption of FIN No. 46 did not impact us and the adoption of FIN No. 46R in the first quarter of 2004 did not impact us.

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the factors described below, in addition to those discussed elsewhere in this report, in analyzing an investment in our common stock. If any of the events described below occurs, our business, financial condition and results of operations would likely suffer, the trading price of our common stock could fall, and you could lose all or part of the money you paid for our common stock.

In addition, the following factors could cause our actual results to differ materially from those projected in our forward-looking statements, whether made in this 10-Q, our annual or quarterly reports to shareholders, future press releases, SEC filings or orally, whether in presentations, responses to questions or otherwise.

We are heavily dependent upon the worldwide electronics industry, which suffered a significant downturn in demand in 2001 and 2002, resulting in excess manufacturing capacity, increased price competition and slower moving inventories. This global slowdown decreased demand for our manufacturing services and lowered our sales and gross margins.

A majority of our revenues are generated from the electronics industry, which is characterized by intense competition, relatively short product life cycles and significant fluctuations in product demand. Furthermore, the industry is subject to economic cycles and recessionary periods and has been negatively impacted by a contraction in the U.S. economy and worldwide electronics market. Moreover, due to the uncertainty in the end markets served by most of our customers, we have a low level of visibility with respect to future financial results. A lasting economic recession, excess manufacturing capacity or a decline in the electronics industry could negatively impact our business, results of operations and financial condition. Our net sales declined from \$129.0 million in 2001 to \$89.0 million in 2002 due to these factors. While the electronics industry has seen improvements from the recent downturn, and we experienced sequential quarterly increases in our net sales during 2003 and the first fiscal quarter 2004, this trend may not continue. A future decline in our net sales could harm our profitability and results of operations and could require us to record an additional valuation allowance against our deferred tax assets or recognize an impairment of our long-lived assets including goodwill and other intangible assets.

During periods of excess global printed circuit board manufacturing capacity, our gross margins may fall and/or we may have to incur restructuring charges if we choose to reduce the capacity of or close any of our facilities.

Due to fluctuations in demand, our facilities have operated below capacity as recently as the second quarter of 2003. When we experience excess capacity, our sales revenues may not fully cover our fixed overhead expenses, and our gross margins will fall. In addition, we generally schedule our quick-turn production facilities at less than full capacity to retain our ability to respond to unexpected additional quick-turn orders. However, if these orders are not received, we may forego some production and could experience continued excess capacity. Our planned expansion of our Chippewa Falls facility would exacerbate any excess capacity issues if demand for services does not increase to the levels that we anticipate.

If we conclude we have significant long-term excess capacity, we may decide to cancel or delay our planned Chippewa Falls facility expansion, permanently close one or more of our facilities and lay off some of our employees. Closures or lay-offs could result in our recording restructuring charges such as severance, other exit costs and asset impairments, as we did in the second and fourth fiscal quarters 2002 due to the restructuring and subsequent closure of our Burlington, Washington facility and in the first fiscal quarter 2003 due to the lay off of employees at our Redmond, Washington facility.

We are dependent upon a small number of OEM customers for a large portion of our net sales, and a decline in sales to major customers could harm our results of operations.

A small number of customers are responsible for a significant portion of our net sales. Our five largest OEM customers accounted for approximately 26% of our net sales in 2002, approximately 52% of our net sales in 2003 and approximately 54% of our net sales in the first fiscal quarter 2004. Our 2003 increase in customer concentration was due primarily to our acquisition of Advanced Circuits, which has a small number of large customers. If our customers fail to place orders with us at past levels, it would harm our business, results of

operations and financial condition. We expect a significant portion of our net sales will continue to be generated by a small number of customers.

Our customer concentration could fluctuate depending on future customer requirements, which will depend in large part on market conditions in the electronics industry segments in which our customers participate. The loss of one or more major customers or a decline in sales to our major customers could significantly harm our business, results of operations and financial condition and lead to declines in the trading price of our common stock. In addition, we generate significant accounts receivable in connection with providing manufacturing services to our customers. If one or more of our significant customers were to become insolvent or were otherwise unable to pay for the manufacturing services provided by us, our results of operations would be harmed.

We compete against manufacturers in Asia, where production costs are lower. These competitors may gain market share in our key market segments, which may have an adverse effect on the pricing of our products.

We may be at a competitive disadvantage with respect to price when compared to manufacturers with lower cost facilities in Asia and other locations. We believe price competition from printed circuit board manufacturers in Asia and other locations with lower production costs may play an increasing role in the market. We do not have offshore facilities in lower cost locations such as Asia. While historically our competitors in these locations have produced less technologically advanced printed circuit boards, they continue to expand their capacity with advanced equipment to produce higher technology printed circuit boards. In addition, fluctuations in foreign currency exchange rates may benefit these offshore competitors. As a result, these competitors may gain market share, which may force us to lower our prices, reducing our gross margins.

We are exposed to the credit risk of some of our customers and to credit exposures in weakened markets.

Most of our sales are on an “open credit” basis, with standard industry payment terms. We monitor individual customer payment capability in granting such open credit arrangements, seek to limit such open credit to amounts we believe the customers can pay, and maintain reserves we believe are adequate to cover exposure for doubtful accounts. During periods of economic downturn in the electronics industry and the global economy, our exposure to credit risks from our customers increases. Although we have programs in place to monitor and mitigate the associated risks, such programs may not be effective in reducing our credit risks.

Our 10 largest customers accounted for approximately 42% of our net sales in 2002, approximately 64% of our net sales in 2003 and approximately 66% of our net sales in the first fiscal quarter 2004. Our OEM customers often direct a significant portion of their purchases through a relatively limited number of EMS companies. Our contractual relationship is typically with the EMS companies, who are obligated to pay us for our products. Because we expect our OEM customers to continue to direct our sales to EMS companies, we expect to continue to be subject to the credit risk of a limited number of customers. This concentration of customers exposes us to increased credit risks. If one or more of our significant customers were to become insolvent or were otherwise unable to pay us, our results of operations would be harmed.

Some of our customers are EMS companies located abroad, and our exposure to these foreign customers increased as a result of our December 2002 acquisition of Advanced Circuits. Our foreign sales are denominated in U.S. dollars, and are typically on the same “open credit” basis and terms described above. Our foreign receivables are expected to continue to grow as a percentage of our total receivables. We do not utilize credit insurance as a risk management tool.

We have expanded our operations through acquisitions, and we may have trouble integrating acquisitions. Acquisitions involve numerous risks.

As part of our business strategy, we expect that we will continue to grow by pursuing acquisitions of businesses, technologies, assets or product lines that complement or expand our existing business. We currently have no commitments or agreements to acquire any business. Our existing credit facility restricts our ability to acquire the assets or business of other companies and, accordingly, will require us to obtain the consent of our lenders and could require us to pay significant fees, become subject to reduced liquidity, or become subject to additional or more restrictive covenants in order to consummate such acquisitions. Consequently, we may not be able to identify suitable acquisition candidates or finance and complete transactions that we choose to pursue.

Our acquisition of companies and businesses and expansion of operations involve risks, including the following:

- the potential inability to identify assets best suited to our business plan;
- the potential inability to successfully integrate acquired operations and businesses or to realize anticipated synergies, economies of scale or other expected value;
- diversion of management's attention from normal daily operations of the business;
- difficulties in managing production and coordinating operations at new sites;
- the potential inability to retain existing customers of acquired companies when we desire to do so;
- insufficient revenues to offset increased expenses associated with acquisitions;
- the potential need to restructure, modify or terminate customer relationships of the acquired company;
- an increased concentration of business from existing or new customers; and
- the potential loss of key employees of acquired operations.

Acquisitions may cause us to:

- issue common stock that would dilute our current shareholders' percentage ownership;
- assume liabilities;
- record goodwill and non-amortizable intangible assets that will be subject to impairment testing and potential periodic impairment charges;
- enter markets in which we have limited or no prior experience;
- incur amortization expenses related to certain intangible assets;
- incur large and immediate write-offs;
- incur costs whether or not a proposed acquisition is consummated;
- incur unanticipated costs; or
- become subject to litigation and environmental issues.

Acquisitions of high-technology companies are inherently risky, and no assurance can be given that our previous or future acquisitions will be successful and will not harm our business, operating results or financial condition. Failure to manage and successfully integrate acquisitions we make could harm our business and operating results in a material way. Even when an acquired company has already developed and marketed products, product enhancements may not be made in a timely fashion. In addition, unforeseen issues might arise with respect to such products after the acquisition.

If we are unable to respond to rapid technological change and process development, we may not be able to compete effectively.

The market for our manufacturing services is characterized by rapidly changing technology and continual implementation of new production processes. The future success of our business will depend in large part upon our

ability to maintain and enhance our technological capabilities, to manufacture products that meet changing customer needs, and to successfully anticipate or respond to technological changes on a cost-effective and timely basis. We expect that the investment necessary to maintain our technological position will increase as customers make demands for products and services requiring more advanced technology on a quicker turnaround basis. We may not be able to raise additional funds in order to respond to technological changes as quickly as our competitors.

In addition, the printed circuit board industry could encounter competition from new or revised manufacturing and production technologies that render existing manufacturing and production technology less competitive or obsolete. We may not respond effectively to the technological requirements of the changing market. If we need new technologies and equipment to remain competitive, the development, acquisition and implementation of those technologies and equipment may require us to make significant capital investments.

Competition in the printed circuit board market is intense, and we could lose market share if we are unable to maintain our current competitive position in end markets using our quick-turn, high technology and high-mix manufacturing services.

The printed circuit board industry is intensely competitive, highly fragmented and rapidly changing. We expect competition to continue, which could result in price reductions, reduced gross margins and loss of market share. Our principal domestic competitors include DDi, Endicott Interconnect Technologies, Merix, Sanmina-SCI and Tyco. In addition, we increasingly compete on an international basis and new and emerging technologies may result in new competitors entering our markets.

Many of our competitors and potential competitors have a number of significant advantages over us, including:

- greater financial and manufacturing resources that can be devoted to the development, production and sale of their products;
- more established and broader sales and marketing channels;
- more manufacturing facilities worldwide, some of which are closer in proximity to OEMs;
- manufacturing facilities which are located in countries with lower production costs;
- ability to add additional capacity faster or more efficiently;
- preferred vendor status with existing and potential customers;
- greater name recognition; and
- larger customer bases.

In addition, these competitors may respond more quickly to new or emerging technologies, or adapt more quickly to changes in customer requirements and devote greater resources to the development, promotion and sale of their products than we do. We must continually develop improved manufacturing processes to meet our customers' needs for complex products, and our manufacturing process technology is generally not subject to significant proprietary protection. During recessionary periods in the electronics industry, our strategy of providing quick-turn services, an integrated manufacturing solution and responsive customer service may take on reduced importance to our customers. As a result, we may need to compete more on the basis of price, which could cause our margins to decline. Periodically, printed circuit board manufacturers experience overcapacity. Overcapacity, combined with weakness in demand for electronic products, results in increased competition and price erosion for printed circuit boards.

Our quarterly results of operations are often subject to demand fluctuations and seasonality. With a high level of fixed operating costs, even small revenue shortfalls would decrease our gross margins and potentially cause the trading price of our common stock to decline.

Our quarterly results of operations fluctuate for a variety of reasons, including:

- timing of orders from and shipments to major customers;
- the levels at which we utilize our manufacturing capacity;
- price competition;
- changes in our mix of revenues generated from quick-turn versus standard delivery time services;
- expenditures or write-offs, including those related to acquisitions, facility restructurings or asset impairments; and
- expenses relating to expanding existing manufacturing facilities.

A significant portion of our operating expenses is relatively fixed in nature, and planned expenditures are based in part on anticipated orders. Accordingly, unexpected revenue shortfalls may decrease our gross margins. In addition, we have experienced sales fluctuations due to seasonal patterns in the capital budgeting and purchasing cycles as well as inventory management practices of our customers and the end markets we serve. In particular, the seasonality of the computer industry and quick-turn ordering patterns impact the overall printed circuit board industry. These seasonal trends have caused fluctuations in our quarterly operating results in the past and may continue to do so in the future. Results of operations in any quarterly period should not be considered indicative of the results to be expected for any future period. In addition, our future quarterly operating results may fluctuate and may not meet the expectations of securities analysts or investors. If this occurs, the trading price of our common stock would likely decline.

Because we sell on a purchase order basis, we are subject to uncertainties and variability in demand by our customers, which could decrease revenues and harm our operating results.

We sell to customers on a purchase order basis rather than pursuant to long-term contracts. Our quick-turn orders are subject to particularly short lead times. Consequently, our net sales are subject to short-term variability in demand by our customers. Customers submitting a purchase order may cancel, reduce or delay their order for a variety of reasons. The level and timing of orders placed by our customers vary due to:

- customer attempts to manage inventory;
- changes in customers' manufacturing strategies, such as a decision by a customer to either diversify or consolidate the number of printed circuit board manufacturers used or to manufacture its own products internally;
- variation in demand for our customers' products; and
- changes in new product introductions.

We have periodically experienced terminations, reductions and delays in our customers' orders. Further terminations, reductions or delays in our customers' orders could harm our business, results of operations and financial condition.

The increasing prominence of EMS providers in the printed circuit board industry could reduce our gross margins, potential sales and customers.

Our sales to EMS providers increased from approximately 28% of our net sales in 2002 to approximately 61% of our net sales in 2003 and approximately 70% of our net sales in the first fiscal quarter 2004. EMS providers source on a global basis to a greater extent than OEMs. The growth of EMS providers increases the purchasing power of such providers and could result in increased price competition, or the loss of existing OEM customers. In addition, some EMS providers, including several of our customers, have the ability to directly manufacture printed circuit boards. If a significant number of our other EMS customers were to acquire the ability to directly

manufacture printed circuit boards, our customer base may shrink, and our business and net sales may decline substantially. Moreover, if any of our OEM customers outsource the production of printed circuit boards to these EMS providers, our business, results of operations and financial condition may be harmed.

If we were to increase our amortization of definite-lived intangible assets as a result of additional acquisitions, our earnings could be negatively impacted. Similarly, if we were to revalue our existing intangible assets downward, our operating results would be harmed.

As of March 29, 2004, our consolidated balance sheet reflected \$75.8 million of goodwill and intangible assets. We evaluate whether events and circumstances have occurred that indicate the remaining balance of goodwill and intangible assets may not be recoverable. When factors indicate that assets should be evaluated for possible impairment, we may be required to reduce the carrying value of our goodwill and intangible assets, which could harm our results during the periods in which such a reduction is recognized. Our goodwill and intangible assets may increase in future periods if we consummate other acquisitions. Amortization or impairment of these additional intangibles would, in turn, harm our earnings.

We rely on suppliers for the timely delivery of raw materials used in manufacturing our printed circuit boards, and an increase in industry demand or the presence of a shortage for these raw materials may increase the price of these raw materials and reduce our gross margins. If a raw material supplier fails to satisfy our product quality standards, it could harm our customer relationships.

To manufacture our printed circuit boards, we use raw materials such as laminated layers of fiberglass, copper foil and chemical solutions, which we order from our suppliers. Although we have preferred suppliers for most of our raw materials, the materials we use are generally readily available in the open market, and numerous other potential suppliers exist. However, from time to time manufacturers of products that also use these raw materials increase their demand for these materials and, as a result, the prices of these materials increase. During these periods of increased demand, our gross margins may decrease as we have to pay more for our raw materials. If a raw material supplier fails to satisfy our product quality standards, it could harm our customer relationships. Suppliers may from time to time extend lead times, limit supplies or increase prices due to capacity constraints or other factors, which could harm our ability to deliver our products on a timely basis.

Damage to our manufacturing facilities could increase our costs of doing business and adversely affect our ability to deliver our manufacturing services on a timely basis.

We have three manufacturing facilities, which are located in Chippewa Falls, Wisconsin; Redmond, Washington; and Santa Ana, California. The destruction or closure of any of our manufacturing facilities for a significant period of time as a result of fire, explosion, blizzard, act of war or terrorism, flood, tornado, earthquake, lightning or other natural disaster could increase our costs of doing business and harm our ability to deliver our manufacturing services on a timely basis and, consequently, our operating results.

Our manufacturing processes depend on the collective industry experience of our employees. If these employees were to leave us, our manufacturing processes may suffer and we may not be able to compete effectively.

We have limited patent or trade secret protection for our manufacturing process. We rely on the collective experience of our employees in the manufacturing process to ensure we continuously evaluate and adopt new technologies in our industry. Although we are not dependent on any one employee or a small number of employees, if a significant number of our employees involved in our manufacturing process were to leave our employment and we were not able to replace these people with new employees with comparable experience, our manufacturing processes may suffer as we may be unable to keep up with innovations in the industry. As a result, we may lose our ability to continue to compete effectively.

We may be exposed to intellectual property infringement claims by third parties which could be costly to defend, could divert management's attention and resources and, if successful, could result in liability.

We could be subject to legal proceedings and claims for alleged infringement by us of third party proprietary rights, such as patents, from time to time in the ordinary course of business. For example, in the past we were informed that our prior use of a chemical solution in our manufacturing process may have infringed upon the intellectual property rights of the holder of the patent of the chemical solution. Although no legal action has been

taken against us, any claims relating to this alleged infringement, even if not meritorious, could result in costly litigation and divert management's attention and resources. In addition, if we are unsuccessful in disputing this assertion, we could be required to pay royalties or damages for our past use of the chemical solution. Finally, it is possible that the circuit board designs and other specifications supplied to us by our customers might infringe the patents or other intellectual property rights of third parties, in which case our manufacture of printed circuit boards according to such designs and specifications could expose us to legal proceedings for allegedly aiding and abetting the violation, as well as to potential liability for the infringement. If we do not prevail in any litigation as a result of any of the above or related allegations, our business may be harmed.

Our business may suffer if any of our key senior executives discontinues employment with us or if we are unable to recruit and retain highly skilled engineering and sales staff.

Our future success depends to a large extent on the services of our key managerial employees, particularly Kenton Alder, our chief executive officer. We may not be able to retain our executive officers and key personnel or attract additional qualified management in the future. Our business also depends on our continuing ability to recruit, train and retain highly qualified employees, particularly engineering and sales and marketing personnel. The competition for these employees is intense, and the loss of these employees could harm our business. Further, our ability to successfully integrate acquired companies depends in part on our ability to retain key management and existing employees at the time of the acquisition.

Products we manufacture may contain design or manufacturing defects, which could result in reduced demand for our services and liability claims against us.

We manufacture products to our customers' specifications, which are highly complex and may contain design or manufacturing errors or failures despite our quality control and quality assurance efforts. Defects in the products we manufacture, whether caused by a design, manufacturing or materials failure or error, may result in delayed shipments, customer dissatisfaction, or a reduction or cancellation of purchase orders. If these defects occur either in large quantities or too frequently, our business reputation may be impaired. In connection with our acquisition of Advanced Circuits in December 2002, our sales mix shifted towards standard delivery time products, which have larger production runs and thereby increase our exposure to these types of defects. Since our products are used in products that are integral to our customers' businesses, errors, defects or other performance problems could result in financial or other damages to our customers beyond the cost of the printed circuit board, for which we may be liable. Although our invoices and sales arrangements generally contain provisions designed to limit our exposure to product liability and related claims, existing or future laws or unfavorable judicial decisions could negate these limitation of liability provisions. Product liability litigation against us, even if it were unsuccessful, would be time consuming and costly to defend.

Our failure to comply with the requirements of environmental laws could result in fines and revocation of permits necessary to our manufacturing processes.

Our operations are regulated under a number of federal, state and foreign environmental and safety laws and regulations that govern, among other things, the discharge of hazardous materials into the air and water, as well as the handling, storage and disposal of such materials. These laws and regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act, as well as analogous state and foreign laws. Compliance with these environmental laws is a major consideration for us because our manufacturing processes use and generate materials classified as hazardous such as ammoniacal etching solutions, copper and nickel. Because we use hazardous materials and generate hazardous wastes in our manufacturing processes, we may be subject to potential financial liability for costs associated with the investigation and remediation of our own sites, or sites at which we have arranged for the disposal of hazardous wastes, if such sites become contaminated. Even if we fully comply with applicable environmental laws and are not directly at fault for the contamination, we may still be liable. The wastes we generate include spent ammoniacal etching solutions, metal stripping solutions and hydrochloric acid solution containing palladium; waste water which contains heavy metals, acids, cleaners and conditioners; and filter cake from equipment used for on-site waste treatment. We believe that our operations substantially comply with all applicable environmental laws. However, any material violations of environmental laws by us could subject us to revocation of our effluent discharge permits. Any such revocations could require us to cease or limit production at one or more of our facilities, and harm our business, results of operations and financial condition. Even if we ultimately prevail, environmental lawsuits against us would be time consuming and costly to defend.

Environmental laws could also become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with violation. We operate in environmentally sensitive locations and we are subject to potentially conflicting and changing regulatory agendas of political, business and environmental groups. Changes or restrictions on discharge limits, emissions levels, material storage, handling or disposal might require a high level of unplanned capital investment and/or relocation. It is possible that environmental compliance costs and penalties from new or existing regulations may harm our business, results of operations and financial condition.

If our net earnings do not continue to recover or we are not able to predict with a reasonable degree of probability that they will continue, we may have to record an additional valuation allowance against our net deferred tax assets.

As of March 29, 2004, we had net deferred tax assets of approximately \$8.4 million. If we should determine that it is more likely than not that we will not generate taxable income in sufficient amounts to be able to use our net deferred tax assets, we would be required to increase our current valuation allowance against these deferred tax assets. This would result in an additional income tax provision and a deterioration of our results of operations.

It is unlikely you would be able to recover damages from Arthur Andersen LLP.

In June 2002, Arthur Andersen was convicted of federal obstruction of justice charges in connection with its destruction of documents related to Enron Corp. and subsequently ceased conducting business. In order to include audited financial statements in an annual report on Form 10-K or a registration statement, we are required to obtain a consent from the independent public accountants who reported on the financial statements. Arthur Andersen cannot provide consents to include financial statements reported on by them in our annual report on Form 10-K or registration statements. The report covering the financial statements for our year ended December 31, 2001 was previously issued by Arthur Andersen and has not been reissued by them. Because we are unable to obtain a consent from Arthur Andersen to the inclusion or incorporation by reference in any registration statement of their report covering the financial statements for the year ended December 31, 2001, you will be unable to sue Arthur Andersen under Section 11 of the Securities Act for material misstatements or omissions. Since Arthur Andersen has ceased conducting business, it is unlikely you would be able to recover damages from Arthur Andersen for any claim against them.

Item 3. Quantitative And Qualitative Disclosures About Market Risk

Interest Rate Risk. Our senior credit facility bears interest at floating rates.

The revolving loan bears interest ranging from 1.5% to 2.5% per annum plus the applicable LIBOR or from 0.5% to 1.0% per annum plus the Alternate Base Rate, as defined in the agreement governing the amended and restated credit facility. As of March 29, 2004, the term loan had an outstanding balance of \$7.8 million and an interest rate of 2.71%. Therefore, a 10% change in interest rates is not expected to materially affect the interest expense to be incurred on this facility during such period.

Item 4. Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 29, 2004. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of March 29, 2004. There have been no significant changes in our internal control over financial reporting or in other factors that could significantly affect our internal control over financial reporting subsequent to the date we carried out our evaluation.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

During 2001, we were advised that we were added as a defendant in a patent infringement lawsuit filed in 2001 in the U.S. District Court for the District of Arizona by Lemelson Medical, Education and Research Foundation, Limited Partnership. The suit alleges that we have infringed certain "bar code," "machine vision" and other patents owned by the plaintiff and seeks injunctive relief, unspecified damages for the alleged infringements and payment of the plaintiff's attorneys' fees. In March 2002, the lawsuit was stayed pending the outcome of *Symbol Technologies, et al. v. Lemelson* in the U.S. District Court for the District Court of Nevada, in which a declaratory relief suit filed by certain manufacturers challenged the validity, enforceability and infringement of Lemelson's "bar code" and "machine vision" patents. As a result of the stay, we have not filed an answer to the complaint nor has any discovery been conducted. In January 2004, the Nevada court found the Lemelson patents, including those patents asserted by the Lemelson Foundation against us in the Arizona case, to be invalid, not infringed and unenforceable. The Lemelson Foundation has the right to appeal the Nevada court's judgment. Although the ultimate outcome of this matter is not currently determinable, we believe we have meritorious defenses to these allegations and do not expect this litigation to materially impact our business, results of operations or financial condition. However, there can be no assurance that the ultimate resolution of this matter will not have a material adverse effect on our results of operations for any quarter.

Item 2. Changes in Securities and Use of Proceeds

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits –

Exhibit Number	Exhibits
31.1	CEO Certification Pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
31.2	CFO Certification Pursuant to Section 302 of the Sarbanes – Oxley Act of 2002.
32.1	CEO Certification Pursuant to Section 906 of the Sarbanes – Oxley Act of 2002.
32.2	CFO Certification Pursuant to Section 906 of the Sarbanes – Oxley Act of 2002.

(b) On January 9, 2004, we filed a Current Report on Form 8-K in connection with a presentation made at the Sixth Annual Needham & Company Growth Conference held on January 8, 2004.

(c) On January 28, 2004, we filed a Current Report on Form 8-K announcing our earnings for the fourth quarter and year ended December 31, 2003

(d) On February 3, 2004, we filed a Current Report on Form 8-K in connection with our press release announcing the establishment of 10b5-1 sales plans by certain of its officers.

SIGNATURES

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.

TTM Technologies, Inc.

Dated: May 10, 2004

/s/ Kenton K. Alder

Kenton K. Alder

President and Chief Executive Officer

Dated: May 10, 2004

/s/ Stacey M. Peterson

Stacey M. Peterson

Chief Financial Officer and Secretary

CERTIFICATION

I, Kenton K. Alder, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TTM Technologies, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrants as of, and for, the periods presented in this 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-15(e) and 15d-15(e)):
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2004

/s/ Kenton K. Alder
Kenton K. Alder
*President and Chief Executive Officer (Principal
Executive Officer)*

CERTIFICATION

I, Stacey M. Peterson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TTM Technologies, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrants as of, and for, the periods presented in this 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-15(e) and 15d-15(e)):
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2004

/s/ Stacey M. Peterson
Stacey M. Peterson
*Chief Financial Officer & Secretary (Principal
Financial and Accounting Officer)*

