



KPMG LLP
Suite 1500
15 West South Temple
Salt Lake City, UT 84101-9901

Report of Independent Registered Public Accounting Firm

The Board of Directors
TTM Technologies, Inc.:

We have reviewed the condensed consolidated balance sheet of TTM Technologies, Inc. and subsidiaries (the Company) as of September 28, 2009, and the related condensed consolidated statements of operations and cash flows for the nine-month periods ended September 28, 2009 and September 29, 2008. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Salt Lake City, Utah
United States of America
November 6, 2009, except for
Note 16 entitled "Reconciliation to International
Financial Reporting Standards" as to which the
date is February 4, 2010.

TTM TECHNOLOGIES, INC.
Consolidated Condensed Balance Sheet
As of September 28, 2009
(Unaudited)

(In U.S. Dollars and in thousands, except per share data)

ASSETS

Current assets:

Cash and cash equivalents	\$199,318
Short-term investments	1,419
Accounts receivable, net of allowances of \$5,065	95,897
Inventories	61,722
Prepaid expenses and other current assets	2,427
Income taxes receivable	4,951
Assets held for sale	10,000
Deferred income taxes	<u>6,358</u>
Total current assets	<u>382,092</u>

Property, plant and equipment, net of accumulated depreciation of \$105,289	89,353
Debt issuance costs, net	3,672
Deferred income taxes	34,580
Goodwill	14,120
Definite-lived intangibles, net of accumulated amortization of \$20,135	16,000
Deposits and other non-current assets	<u>3,068</u>
	<u>\$542,885</u>

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.
Consolidated Condensed Balance Sheet (continued)
As of September 28, 2009
(Unaudited)

(In U.S. Dollars and in thousands, except per share data)

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 37,392
Accrued salaries, wages and benefits	21,716
Other accrued expenses	<u>3,860</u>
Total current liabilities	<u>62,968</u>

Convertible senior notes, net of discount	138,601
Other long-term liabilities	<u>4,484</u>
Total long-term liabilities	<u>143,085</u>

Commitments and contingencies (Note 9)

Stockholders' equity:

Common stock, \$0.001 par value; 100,000 shares authorized, 43,159 shares issued and outstanding	43
Additional paid-in capital	213,749
Retained earnings	119,916
Accumulated other comprehensive income	<u>3,124</u>
Total stockholders' equity	<u>336,832</u>
	<u><u>\$542,885</u></u>

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.
Consolidated Condensed Statements of Operations
For the Three Quarters Ended September 28, 2009 and September 29, 2008
(Unaudited)
(In U.S. Dollars and in thousands, except per share data)

	September 28, 2009	As Adjusted Note 2 September 29, 2008
Net sales	\$432,552	\$516,065
Cost of goods sold	<u>357,017</u>	<u>409,596</u>
Gross profit	<u>75,535</u>	<u>106,469</u>
Operating (income) expenses:		
Selling and marketing	20,037	23,016
General and administrative	25,460	25,315
Amortization of definite-lived intangibles	2,580	2,848
Restructuring charges	5,009	—
Impairment of long-lived assets	10,636	—
Metal reclamation	<u>—</u>	<u>(3,700)</u>
Total operating expenses	<u>63,722</u>	<u>47,479</u>
Operating income	<u>11,813</u>	<u>58,990</u>
Other income (expense):		
Interest expense	(8,396)	(8,288)
Interest income	356	1,147
Other, net	<u>96</u>	<u>(1,388)</u>
Total other expense, net	<u>(7,944)</u>	<u>(8,529)</u>
Income before income taxes	3,869	50,461
Income tax provision	<u>(1,379)</u>	<u>(18,184)</u>
Net income	<u>\$ 2,490</u>	<u>\$ 32,277</u>
Basic earnings per share	<u>\$ 0.06</u>	<u>\$ 0.76</u>
Diluted earnings per share	<u>\$ 0.06</u>	<u>\$ 0.75</u>

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.
Consolidated Condensed Statements of Cash Flows
For the Three Quarters Ended September 28, 2009 and September 29, 2008
(Unaudited)
(In U.S. Dollars and in thousands)

	September 28, 2009	As Adjusted Note 2 September 29, 2008
	<u> </u>	<u> </u>
Cash flows from operating activities:		
Net income	\$ 2,490	\$ 32,277
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	14,491	15,903
Amortization of definite-lived intangible assets	2,678	2,936
Amortization of convertible notes debt discount and debt issuance costs	4,059	4,106
Non-cash interest imputed on other long-term liabilities	112	94
Income tax benefit from restricted stock units released and common stock options exercised	(17)	(217)
Deferred income taxes	(1,078)	4,772
Stock-based compensation	4,698	3,861
Impairment of long-lived assets	10,636	—
Net loss on sale of property, plant and equipment	84	147
Changes in operating assets and liabilities:		
Accounts receivable, net	19,292	4,478
Inventories	9,273	(10,761)
Prepaid expenses and other current assets	154	(439)
Income taxes receivable	(2,165)	2,237
Accounts payable	(10,129)	(8,416)
Accrued salaries, wages and benefits and other accrued expenses	<u>2,717</u>	<u>1,913</u>
Net cash provided by operating activities	<u>57,295</u>	<u>52,891</u>

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.
Consolidated Condensed Statements of Cash Flows (continued)
For the Three Quarters Ended September 28, 2009 and September 29, 2008
(Unaudited)
(In U.S. Dollars and in thousands)

	September 28, 2009	As Adjusted Note 2 September 29, 2008
	<u> </u>	<u> </u>
Cash flows from investing activities:		
Purchase of property, plant and equipment and equipment deposits	(9,301)	(12,213)
Proceeds from sale of property, plant and equipment	663	136
Purchase of licensing agreement	(350)	—
Redesignation of cash and cash equivalents to short-term investments	—	(19,522)
Proceeds from redemption of short-term investments	<u>2,238</u>	<u>—</u>
Net cash used in investing activities	<u>(6,750)</u>	<u>(31,599)</u>
 Cash flows from financing activities:		
Proceeds from the issuance of convertible senior notes	—	175,000
Principal payments on long-term debt	—	(85,000)
Proceeds from exercise of common stock options	297	2,421
Payment of debt issuance costs	—	(5,751)
Proceeds from warrants	—	26,197
Payment of convertible note hedge	—	(38,257)
Excess income tax benefit from restricted stock units released and common stock options exercised	<u>17</u>	<u>217</u>
Net cash provided by financing activities	<u>314</u>	<u>74,827</u>
 Effect of foreign currency exchange rates on cash and cash equivalents	<u>(6)</u>	<u>670</u>
Net increase in cash and cash equivalents	50,853	96,789
Cash and cash equivalents at beginning of period	<u>148,465</u>	<u>18,681</u>
 Cash and cash equivalents at end of period	<u><u>\$199,318</u></u>	<u><u>\$115,470</u></u>
 Supplemental cash flow information:		
Cash paid for interest	\$ 2,855	\$ 3,169
Cash paid for income taxes	3,331	10,905

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.
Consolidated Condensed Statements of Cash Flows (continued)
For the Three Quarters Ended September 28, 2009 and September 29, 2008
(Unaudited)
(In U.S. Dollars and in thousands)

Supplemental disclosures of non-cash investing and financing activities:

During the second quarter in 2009, the Company commenced the process of selling the buildings at its Redmond, Washington production facility and as a result classified such assets to assets held for sale. See Note 7.

As of September 28, 2009 and September 29, 2008, accrued purchases of equipment totaled \$272 and \$1,964, respectively.

The Company recognized an unrealized loss on derivative instruments of \$108, net of tax, for the three quarters ended September 29, 2008.

See accompanying notes to consolidated condensed financial statements.

TTM TECHNOLOGIES, INC.

Notes to Consolidated Condensed Financial Statements (unaudited)

(Dollars and shares in U.S. Dollars and in thousands, except per share data)

(1) Nature of Operations and Basis of Presentation

TTM Technologies, Inc. (the Company or TTM) is a manufacturer of complex printed circuit boards (PCBs) used in sophisticated electronic equipment and provides backplane and sub-system assembly services for both standard and specialty products in defense and commercial operations. The Company sells to a variety of customers located both within and outside of the United States of America. The Company's customers include both original equipment manufacturers (OEMs) and electronic manufacturing services (EMS) companies. The Company's OEM customers often direct a significant portion of their purchases through EMS companies.

The accompanying consolidated condensed financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). 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. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the Company's consolidated condensed financial statements and accompanying notes. Actual results could differ materially from those estimates. 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 three quarters ended September 28, 2009 and September 29, 2008 contained 271 and 273 days, respectively.

In June 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (ASC). The ASC became the single source of authoritative, nongovernmental generally accepted accounting principles (GAAP) in the United States, other than guidance issued by the SEC. The ASC is effective for interim and annual periods ending after September 15, 2009. The adoption of ASC did not have a material impact on the Company's financial statements.

Certain reclassifications of prior year amounts have been made to conform to the current year presentation. Beginning in the second quarter of 2009, the Company reports gains and losses from the

sale or disposal of property, plant and equipment as a component of general and administrative expenses in the consolidated condensed statements of operations. Prior to the second quarter 2009, the gains and losses from the sale or disposal of property, plant and equipment were included as a component of cost of goods sold.

(2) Change in Method of Accounting for Convertible Senior Notes

On January 1, 2009, the Company adopted new authoritative guidance for convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) by separately accounting for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The Company has retrospectively applied this method of accounting back to the issuance date of convertible debt, which for the Company was May 2008. The impact of the retrospective application on the statement of operations for the three quarters ended September 29, 2008 is summarized below:

	As Originally Reported	Effect of Change	Adjusted as a result of the change in accounting method
	(in thousands, except per share data)		
Cost of goods sold	\$409,590	\$ 6	\$409,596
Interest expense	(6,679)	(1,609)	(8,288)
Income tax provision	(18,802)	618	(18,184)
Net income	33,274	(997)	32,277
Basic earnings per share	\$ 0.78	\$ (0.02)	\$ 0.76
Diluted earnings per share	\$ 0.77	\$ (0.02)	\$ 0.75

Further, the change in accounting method increased interest expense by approximately \$3,392, decreased net income by \$2,109 and decreased basic and dilutive earnings per share by \$0.05 for the three quarters ended September 28, 2009.

(3) Short-Term Investments

Short-term investments are comprised of an investment in The Reserve Primary Fund (Primary Fund), a money market fund that has suspended redemptions and is being liquidated. The Company records these investments as trading securities and at fair market value.

The Company has requested redemption of its remaining investment in the Primary Fund and during the three quarters ended September 28, 2009 received an additional distribution of funds in the amount of \$2,238. The Company expects continued distribution to occur as the Primary Fund's assets mature or are sold. The Company expects to recover the remaining carrying value in the Primary Fund as of September 28, 2009. The Company classified its investment in the Primary Fund as a short-term investment on the Company's consolidated condensed balance sheet at September 28, 2009. At September 28, 2009, the fair value of the Company's remaining investment in the Primary Fund was \$1,419. See Note 8.

Subsequent to September 28, 2009, the Company received an additional distribution of funds in the amount of \$393.

(4) Inventories

Inventories as of September 28, 2009 consist of the following:

	September 28, 2009
	<u>(In thousands)</u>
Raw materials	\$ 22,418
Work-in-process	32,364
Finished goods	<u>6,940</u>
	<u>\$ 61,722</u>

(5) Convertible Senior Notes

In May 2008, the Company issued 3.25% Convertible Senior Notes (Convertible Notes) due May 15, 2015, in a public offering for an aggregate principal amount of \$175,000. The Convertible Notes bear interest at a rate of 3.25% per annum. Interest is payable semiannually in arrears on May 15 and November 15 of each year, beginning November 15, 2008. The Convertible Notes are senior unsecured obligations and rank equally to the Company's future unsecured senior indebtedness and senior in right of payment to any of the Company's future subordinated indebtedness. The liability and equity components of the Convertible Notes are separately accounted for as described in Note 2.

The Company received proceeds of \$169,249 after the deduction of offering expenses of \$5,751 upon issuance of the Convertible Notes. The Company has allocated the Convertible Notes offering costs to the liability and equity components in proportion to the allocation of proceeds and accounted for them as debt issuance costs and equity issuance costs, respectively. At September 28, 2009 the following summarizes the liability and equity components of the Convertible Notes:

	September 28, 2009
	<u>(In thousands)</u>
Liability components:	
Convertible Notes	\$175,000
Less: Convertible Notes unamortized discount	<u>(36,399)</u>
Convertible Notes, net of discount	<u>\$138,601</u>
Equity components:	
Additional paid-in capital:	
Embedded conversion option — Convertible Notes	\$ 43,000
Embedded conversion option — Convertible Notes issuance costs	<u>(1,413)</u>
	<u>\$ 41,587</u>

At September 28, 2009 remaining unamortized debt issuance costs included in other non-current assets were \$3,672 and are being amortized to interest expense over the term of the Convertible Notes. At September 28, 2009 the remaining amortization period for the unamortized Convertible Note discount and debt issuance costs was 5.63 years.

Additionally, the Company recognized total interest expense, before consideration of capitalized interest, on the Convertible Notes in the amount of \$8,325 and \$4,048 for the three quarters ended September 28, 2009 and September 29, 2008, respectively. The components of interest are as follows:

	Three Quarters Ended	
	September 28, 2009	September 29, 2008
	<u>(In thousands)</u>	
Contractual coupon interest	\$ 4,266	\$ 2,138
Amortization of Convertible Notes debt discount	3,687	1,735
Amortization of debt issuance costs	<u>372</u>	<u>175</u>
	<u>\$ 8,325</u>	<u>\$ 4,048</u>

Conversion

At any time prior to November 15, 2014, holders may convert their Convertible Notes into cash and, if applicable, into shares of the Company's common stock based on a conversion rate of 62.6449 shares of the Company's common stock per \$1 principal amount of Convertible Notes, subject to adjustment, under the following circumstances: (1) during any calendar quarter beginning after June 30, 2008 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days during the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day of such preceding calendar quarter; (2) during the five business day period after any 10 consecutive trading day period in which the trading price per note for each day of that 10 consecutive trading day period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on such day; or (3) upon the occurrence of specified corporate transactions described in the prospectus supplement. As of September 28, 2009, none of the conversion criteria had been met.

On or after November 15, 2014 until the close of business on the third scheduled trading day preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion, for each \$1 principal amount of notes, the Company will pay cash for the lesser of the conversion value or \$1 and shares of our common stock, if any, based on a daily conversion value calculated on a proportionate basis for each day of the 60 trading day observation period. Additionally, in the event of a fundamental change as defined in the prospectus supplement, or other conversion rate adjustments such as share splits or combinations, other distributions of shares, cash or other assets to stockholders, including self-tender transactions (Other Conversion Rate Adjustments), the conversion rate may be modified to adjust the number of shares per \$1 principal amount of the notes.

The maximum number of shares issuable upon conversion, including the effect of a fundamental change and subject to Other Conversion Rate Adjustments, would be 13,978.

Note Repurchase

The Company is not permitted to redeem the Convertible Notes at any time prior to maturity. In the event of a fundamental change or certain default events, as defined in the prospectus supplement, holders may require the Company to repurchase for cash all or a portion of their Convertible Notes at a price equal to 100% of the principal amount, plus any accrued and unpaid interest.

Convertible Note Hedge and Warrant Transaction

In connection with the issuance of the Convertible Notes, the Company entered into a convertible note hedge and warrant transaction (Call Spread Transaction), with respect to the Company's common stock. The convertible note hedge, which cost an aggregate \$38,257 and was recorded, net of tax, as a reduction of additional paid-in capital, consists of the Company's option to purchase up to 10,963 common stock shares at a price of \$15.96 per share. This option expires on May 15, 2015 and can only be executed upon the conversion of the above mentioned Convertible Notes. Additionally, the Company sold warrants to purchase 10,963 shares of the Company's common stock at a price of

\$18.15. This warrant transaction expires on August 17, 2015. The proceeds from the sale of warrants of \$26,197 was recorded as an addition to additional paid-in capital. The Call Spread Transaction has no effect on the terms of the Convertible Notes and reduces potential dilution by effectively increasing the conversion price of the Convertible Notes to \$18.15 per share of the Company's common stock.

(6) Comprehensive Income

The components of accumulated other comprehensive income generally include foreign currency translation adjustments and unrealized gains and losses on effective cash flow hedges. The computation of comprehensive income was as follows:

	<u>Three Quarters Ended</u>	
	<u>September 28, 2009</u>	<u>September 29, 2008</u>
	(In thousands)	
Net income	\$ 2,490	\$ 32,277
Other comprehensive income:		
Foreign currency translation adjustments, net of tax (benefit) of \$(26) and \$1,026 for the three quarters ended September 28, 2009 and September 29, 2008, respectively	(42)	1,726
Unrealized loss on effective cash flow hedges, net of tax benefit of \$64 for the three quarters ended September 29, 2008	—	(108)
Less: reclassification adjustment for losses realized in net earnings net of tax of \$442 for the three quarters ended September 29, 2008	—	752
Net	—	644
Total other comprehensive income (loss), net of tax	<u>(42)</u>	<u>2,370</u>
Comprehensive income	<u>\$ 2,448</u>	<u>\$ 34,647</u>

(7) Restructuring Charges and Impairment of Long-lived Assets

On January 15, 2009, the Company announced its plan to close its Redmond, Washington facility and lay off approximately 370 employees at this site. In addition, the Company laid off about 140 employees at various other U.S. facilities on January 15, 2009. On September 1, 2009, the Company announced its plan to close its Hayward and Los Angeles, California facilities and lay off approximately 340 employees. The Company has recorded \$5,009 consisting of \$4,271 for the PCB Manufacturing segment and \$738 for the Backplane Assembly segment, in separation costs related to these restructurings for the three quarters ended September 28, 2009, respectively. These separation charges have been classified as restructuring charges in the consolidated condensed statement of operations. As of September 28, 2009, \$2,227 of accrued separation costs remain for approximately

317 employees yet to be separated. The Company expects the remaining employees to be separated and remaining accrued restructuring costs to be paid by the first quarter of 2010. Accrued restructuring costs are included as a component of accrued salaries, wages and benefits in the consolidated condensed balance sheet.

Additionally, the Company expects to incur contract termination costs ranging from \$1,000 to \$2,000 related to closures of its leased manufacturing facilities between fourth quarter of 2009 and first quarter of 2010. The estimated contract termination costs relate primarily to the PCB Manufacturing segment.

The below table shows the utilization of the accrued restructuring costs during the three quarters ended September 28, 2009:

	<u>(In thousands)</u>
Accrued at December 31, 2008	\$ —
Estimated severance charges	5,009
Amount paid	<u>(2,782)</u>
Accrued at September 28, 2009	<u>\$ 2,227</u>

The Company recorded the impairment of certain long-lived assets, including assets held for sale, for its Redmond, Washington, Dallas, Oregon, and two California facilities in the amount of \$10,636 for the three quarters ended September 28, 2009. The impairment for the Redmond, Washington and the two California facilities of \$8,386 for the three quarters ended September 28, 2009, is directly related to facility closures and consisted of buildings and machinery and equipment. Additionally, during the three quarters ended September 28, 2009, the Company reduced the carrying value of the Dallas, Oregon facility, which is classified as an asset held for sale, by \$2,250 to record the estimated fair value less costs to sell given current market conditions. These charges are presented as impairment of long-lived assets in the Company's consolidated condensed statement of operations. The Redmond, Washington and Los Angeles, California facilities are part of the Company's PCB Manufacturing segment, while the Hayward, California facility is part of the Backplane Assembly segment.

During the second quarter 2009, the Company also commenced the process of selling the buildings at the Redmond, Washington facility and therefore classified \$9,000, representing the lesser of carrying value or fair value less costs to sell, to assets held for sale, (Note 8).

(8) Fair Value Measures

Fair Value of Financial Instruments

During the second quarter of 2009, the Company adopted new authoritative guidance requiring disclosures about the fair value of financial instruments for interim reporting periods.

The carrying amount and estimated fair value of the Company's financial instruments at September 28, 2009 was as follows:

	<u>September 28, 2009</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>
	(In thousands)	
Short-term investments	\$ 1,419	\$ 1,419
Convertible senior notes	138,601	172,847

The fair value of the convertible senior notes was estimated based on quoted market prices at the end of the reporting period.

Fair Value Measures

The Company measures at fair value its financial and non-financial assets by using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price, based on the highest and best use of the asset or liability. The levels of the fair value hierarchy are:

Level 1 — Quoted market prices in active markets for identical assets or liabilities;

Level 2 — Significant other observable inputs (e.g., quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs); and

Level 3 — Unobservable inputs in which there is little or no market data, which require the reporting unit to develop its own assumptions.

At September 28, 2009, the following financial asset was measured at fair value on a recurring basis using the type of inputs shown:

	<u>September 28, 2009</u>	<u>Fair Value Measurements Using:</u>		
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
		(In thousands)		
Short-term investments	\$1,419	—	—	\$1,419

The Company values its short-term investments using some market data, specific management assumptions and other relevant information generated by market transactions involving identical or similar comparable investments.

The changes in financial assets classified as Level 3 inputs as of September 28, 2009 were as follows:

	<u>(In thousands)</u>
Fair Value Measurement using Significant Unobservable Inputs (Level 3)	
Beginning balance at December 31, 2008	\$ 3,657
Transfers to level 3	—
Settlement	(2,238)
Changes in fair value included in earnings	—
Ending balance at September 28, 2009	<u>\$ 1,419</u>

The majority of the Company's non-financial instruments, which include goodwill, intangible assets, inventories, and property, plant and equipment, are not required to be carried at fair value on a recurring basis. However, if certain triggering events occur (or at least annually for goodwill) such that a non-financial instrument is required to be evaluated for impairment, a resulting asset impairment would require that the non-financial instrument be recorded at the lower of its historical cost or its fair value.

During the three quarters ended September 28, 2009, the Company reviewed for impairment the carrying value of the Redmond, Washington, Hayward and Los Angeles, California production facilities' assets that may not be recoverable as a result of the closure of the facilities. The Company also reviewed for impairment its Dallas, Oregon facility, which is classified as an asset held for sale. The Company evaluates regularly whether events and circumstances have occurred that indicate possible impairment and relies on a number of factors, including operating results, business plans, economic projections, and anticipated future cash flows. During the three quarters ended September 28, 2009, the Redmond, Washington, and two California facilities were impaired by \$8,386 and the carrying value of such assets were reduced to their fair value. Because the primary determination of fair value was management's review of current auction rates of similar assets, the resulting fair value is considered a Level 2 input.

Additionally, assets held for sale, consisting of buildings at the Company's Dallas, Oregon and Redmond, Washington facilities, are carried at the lesser of carrying value or fair value less costs to sell. During the three quarters ended September 28, 2009, the Dallas, Oregon facility was impaired by \$2,250 and the carrying value of this asset was reduced to its fair value. Fair value is remeasured on a periodic basis and is primarily determined using appraisals and comparable prices of similar assets, which are considered to be Level 2 inputs.

(9) Commitments and Contingencies

Legal Matters

Prior to the Company's acquisition of Tyco Printed Circuit Group LP (PCG) in October 2006, PCG made legal commitments to the U.S. Environmental Protection Agency (U.S. EPA) and the State of Connecticut regarding settlement of enforcement actions against the PCG operations in Connecticut. On August 17, 2004, PCG was sentenced for Clean Water Act violations and was ordered to pay a \$6,000 fine and an additional \$3,700 to fund environmental projects designed to improve the environment for Connecticut residents. In September 2004, PCG agreed to a stipulated judgment with the Connecticut Attorney General's office and the Connecticut Department of Environmental Protection (Connecticut DEP) under which PCG paid a \$2,000 civil penalty and agreed to implement capital improvements of \$2,400 to reduce the volume of rinse water discharged from its manufacturing facilities in Connecticut. The obligations to the U.S. EPA were completed as of July 1, 2009. The Connecticut DEP obligation involves the installation of rinse water recycling systems at the Stafford, Connecticut facilities. As of September 28, 2009, one recycling system was completed and placed into operation, and approximately \$661 remains to be expended in the form of capital improvements to meet the second rinse water recycling system requirement. The Company has assumed these legal commitments as part of its purchase of PCG. Failure to meet either commitment could result in further costly enforcement actions.

The Company is subject to various other legal matters, which it considers normal for its business activities. While the Company currently believes that the amount of any ultimate potential loss for known matters would not be material to the Company's financial condition, the outcome of these actions is inherently difficult to predict. In the event of an adverse outcome, the ultimate potential loss could have a material adverse effect on the Company's financial condition or results of operations in a particular period. The Company has accrued amounts for its loss contingencies which are probable and estimable at September 28, 2009.

Environmental Matters

The process to manufacture PCBs requires adherence to city, county, state and federal environmental regulations regarding the storage, use, handling and disposal of chemicals, solid wastes and other hazardous materials as well as air quality standards. Management believes that its facilities comply in all material respects with environmental laws and regulations. The Company has in the past received certain notices of violations and has been required to engage in certain minor corrective activities. There can be no assurance that violations will not occur in the future.

The Company is involved in various stages of investigation and cleanup related to environmental remediation at various production sites. The Company currently estimates that it will incur total remediation costs of \$913 over the next 12 to 84 months related to three Connecticut production sites and one Washington production site.

For the Connecticut production sites, the Company is in various stages of investigation and cleanup related to environmental remediation matters for two of the sites and is investigating a third site. The ultimate cost of site cleanup is difficult to predict given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations, and alternative cleanup methods. The third Connecticut site is being investigated under Connecticut's Land Transfer Act. The Company concluded that it was probable that it would incur remedial costs for these sites of approximately \$776 as of September 28, 2009 the liability for which is included in other long-term liabilities. This accrual was discounted at 8% per annum based on the Company's best estimate of the liability, which the Company estimated as ranging from \$839 to \$1,274 on an undiscounted basis.

For the Washington production site, the Company discovered copper contamination in the soil and groundwater that exceeded state and city standard levels. The Company engaged a consultant to investigate the underlying soil and groundwater and determined that such contamination was limited. The contaminated soil was removed and groundwater treatment installed as of September 28, 2009. The Company is taking voluntary cleanup actions to remediate both the soil and groundwater and has a remaining accrual of \$137 for such remediation costs as of September 28, 2009.

The liabilities recorded do not take into account any claims for recoveries from insurance or third parties and none are anticipated. These costs are mostly comprised of estimated consulting costs to evaluate potential remediation requirements, completion of the remediation, and monitoring of results achieved. As of September 28, 2009, the Company anticipates paying these costs ratably over the next 12 to 84 months, which timeframes vary by site. Subject to the imprecision in estimating future environmental remediation costs, the Company does not expect the outcome of the environmental remediation matters, either individually or in the aggregate, to have a material adverse effect on its financial position, results of operations, or cash flows.

Standby Letters of Credit

The Company maintains two letters of credit: a \$1,000 standby letter of credit expiring February 28, 2010 related to the lease of one of its production facilities and a \$764 standby letter of credit expiring December 31, 2009 associated with its insured workers compensation program.

(10) Earnings Per Share

The following is a reconciliation of the numerator and denominator used to calculate basic earnings per share and diluted earnings per share for the quarter and three quarters ended September 28, 2009 and September 29, 2008:

	Three Quarters Ended	
	September 28, 2009	September 29, 2008
	(In thousands, except per share amounts)	
Net income	<u>\$ 2,490</u>	<u>\$ 32,277</u>
Weighted average shares outstanding	43,048	42,637
Dilutive effect of stock options and restricted stock units	<u>410</u>	<u>362</u>
Diluted shares	<u>43,458</u>	<u>42,999</u>
Earnings per share:		
Basic	<u>\$ 0.06</u>	<u>\$ 0.76</u>
Dilutive	<u>\$ 0.06</u>	<u>\$ 0.75</u>

Stock options and restricted stock units to purchase 2,223 and 1,848 shares of common stock for the three quarters ended September 28, 2009 and September 29, 2008, respectively, were not considered in calculating diluted earnings per share because the options' exercise price or the total expected proceeds under the treasury stock method for stock options or restricted stock units was greater than the average market price of common shares during those periods and, therefore, the effect would be anti-dilutive.

Additionally, for the three quarters ended September 28, 2009, the effect of 10,963 shares of common stock related to the Company's Convertible Notes and the effect of 21,926 warrants to purchase shares of the Company's common stock were not included in the computation of dilutive earnings per share because the conversion price of the Convertible Notes and the strike price of the warrants to purchase the Company's common stock were greater than the average market price of common shares during those periods and, therefore, the effect would be anti-dilutive.

(11) Stock-Based Compensation

Stock-based compensation expense is recognized in the accompanying consolidated condensed statements of operations as follows:

	Three Quarters Ended	
	September 28, 2009	September 29, 2008
	(In thousands)	
Cost of goods sold	\$ 1,263	\$ 1,011
Selling and marketing	413	307
General and administrative	<u>3,022</u>	<u>2,543</u>
Stock-based compensation expense recognized	4,698	3,861
Income tax benefit recognized	<u>(1,602)</u>	<u>(1,339)</u>
Total stock-based compensation expense after income taxes	<u><u>\$ 3,096</u></u>	<u><u>\$ 2,522</u></u>

The Company granted 83 and 110 stock option awards during the three quarters ended September 28, 2009 and September 29, 2008, respectively, with an estimated weighted average fair value per share option of \$4.52 and \$6.81, respectively. The fair value for stock options granted is calculated using the Black-Scholes option-pricing model on the date of grant. For the three quarters ended September 28, 2009 and for the three quarters ended September 29, 2008, the following assumptions were used in determining the fair value:

	Three Quarters Ended	
	September 28, 2009	September 29, 2008
Risk-free interest rate	2.4%	2.9%
Dividend yield	—	—
Expected volatility	60%	69%
Expected term in months	66	66

The Company determines the expected term of its stock option awards separately for employees and directors based on a periodic review of its historical stock option exercise experience. This calculation excludes pre-vesting forfeitures and uses assumed future exercise patterns to account for option holders' expected exercise and post-vesting termination behavior for outstanding stock options over their remaining contractual terms. Expected volatility is calculated using the Company's historical stock price to calculate expected volatility over the expected term of each grant. The risk-free interest rate for the expected term of each option granted is based on the U.S. Treasury yield curve in effect at the time of grant. As of September 28, 2009, \$1,427 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 0.7 years.

Additionally, the Company granted 684 and 504 restricted stock units for the three quarters ended September 28, 2009 and September 29, 2008, respectively. The units granted were estimated to have a weighted-average fair value per unit of \$4.54 and \$11.46 for the three quarters ended September 28, 2009 and September 29, 2008, respectively. The fair value for restricted stock units granted during the period is based on the closing share price on the date of grant. As of September 28, 2009, \$5,473 of total unrecognized compensation cost related to restricted stock units is expected to be recognized over a weighted-average period of 0.8 years.

(12) Asset Retirement Obligations

The Company has recorded estimated asset retirement obligations related to the restoration of its leased manufacturing facilities to shell condition upon termination of the leases in place at those facilities and for removal of asbestos at its owned Stafford, Connecticut and Santa Clara, California manufacturing plants. These obligations were acquired in connection with the Company's October 2006 acquisition of PCG. The adjustment to estimated asset retirement obligations and related assets for the Hayward and Los Angeles, California manufacturing facilities in the amount of \$691 were recorded for estimated asset retirement obligations in the third quarter 2009 related to restoration of the Company's leased manufacturing facilities to shell condition, due to changes in the expected timing and amount of cash flows. The change in estimate was recorded as an addition to the corresponding asset, which was subsequently determined to be impaired (Note 7).

Activity related to asset retirement obligations is as follows and is included in other long-term liabilities:

	<u>(In thousands)</u>
Asset retirement obligations at December 31, 2008	\$ 1,384
Accretion expense	58
Adjustment to estimate	<u>691</u>
Asset retirement obligations at September 28, 2009	<u><u>\$ 2,133</u></u>

(13) Concentration of Credit Risk

In the normal course of business, the Company extends credit to its customers, which are concentrated primarily in the computer and electronics instrumentation and aerospace/defense 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 also considers the credit risk profile of the entity from which the receivable is due in further evaluating collection risk.

As of September 28, 2009, the Company's 10 largest customers in the aggregate accounted for 59% of total accounts receivable. 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.

(14) Segment Information

The operating segments reported below are the Company's segments for which separate financial information is available and upon which operating results are evaluated by the chief operating decision maker on a timely basis to assess performance and to allocate resources. The Company has two reportable segments: PCB Manufacturing and Backplane Assembly. These reportable segments are each managed separately as they distribute and manufacture distinct products with different production processes. Each reportable segment operates predominantly in the same industry with production facilities that produce similar customized products for its customers and use similar means of product distribution. PCB Manufacturing fabricates printed circuit boards, and Backplane Assembly is a contract manufacturing business that specializes in assembling backplanes and sub-system assemblies.

The Company evaluates segment performance based on operating segment income, which is operating income before amortization of intangibles. Interest expense and interest income are not presented by segment since they are not included in the measure of segment profitability reviewed by the chief operating decision maker. All inter-company transactions, including sales of PCBs from the PCB Manufacturing segment to the Backplane Assembly segment, have been eliminated.

	Three Quarters Ended	
	September 28, 2009	September 29, 2008
	(In thousands)	
Net Sales:		
PCB Manufacturing	\$378,065	\$446,304
Backplane Assembly	<u>77,975</u>	<u>92,984</u>
Total sales	456,040	539,288
Inter-company sales	<u>(23,488)</u>	<u>(23,223)</u>
Total net sales	<u>\$432,552</u>	<u>\$516,065</u>
Operating Segment Income:		
PCB Manufacturing	\$ 13,219	\$ 54,765
Backplane Assembly	<u>1,174</u>	<u>7,073</u>
Total operating segment income	14,393	61,838
Amortization of intangibles	<u>(2,580)</u>	<u>(2,848)</u>
Total operating income	11,813	58,990
Total other expense	<u>(7,944)</u>	<u>(8,529)</u>
Income before income taxes	<u>\$ 3,869</u>	<u>\$ 50,461</u>

The Company's customers include both OEMs and EMS companies. The Company's OEM customers often direct a significant portion of their purchases through EMS companies.

For the three quarters ended September 28, 2009, no one customer accounted for 10% of net sales. For the three quarters ended September 29, 2008, one customer accounted for approximately 13% of net sales. Sales to the Company's 10 largest customers for the three quarters ended September 28, 2009 and September 29, 2008 were 53% and 50%, respectively. 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 on the Company's financial condition and results of operations.

(15) Metal Reclamation

During the three quarters ended 2008, the Company recognized \$3,700 of income related to a pricing reconciliation of metal reclamation activity attributable to a single vendor. As a result of the pricing reconciliation, the Company discovered that the vendor had inaccurately compensated the Company for gold reclamations over the last several years.

(16) Reconciliation to International Financial Reporting Standards

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which differs in some significant respects from International Financial Reporting Standards as promulgated by the International Accounting Standards Board (IFRS).

The effect on the Company's financial information arising from significant differences between U.S. GAAP and IFRS is as follows:

September 28, 2009

	Unadjusted U.S. GAAP balance sheet	IFRS adjustments	IFRS balance sheet
(in U.S. Dollars and in thousands)			
ASSETS			
Current assets:			
Cash and cash equivalents	\$199,318	—	\$199,318
Short-term investments	1,419	—	1,419
Accounts receivable, net	95,897	—	95,897
Inventories	61,722	—	61,722
Prepaid expenses and other current assets	2,427	—	2,427
Income taxes receivable	4,951	—	4,951
Asset held for sale	10,000	—	10,000
Deferred income taxes (e)	6,358	\$ (6,358)	—
Total current assets	<u>382,092</u>		<u>375,734</u>
Property, plant and equipment	89,353	—	89,353
Debt issuance costs, net (a)	3,672	(3,672)	—
Long-term derivative (c)	—	16,595	16,595
		(b), (c), (d),	
Deferred income taxes (e)	34,580	2,420	37,000
Goodwill	14,120	—	14,120
Definite-lived intangibles	16,000	—	16,000
Deposits and other non-current assets	3,068	—	3,068
	<u>\$542,885</u>		<u>\$551,870</u>

September 28, 2009

		Unadjusted		
		U.S. GAAP balance sheet	IFRS adjustments	
(in U.S. Dollars and in thousands)				
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable		\$ 37,392	—	\$ 37,392
Accrued salaries, wages and benefits	(b)	21,716	\$ 409	22,125
Other accrued expenses	(d)	<u>3,860</u>	1,117	<u>4,977</u>
Total current liabilities		<u>62,968</u>		<u>64,494</u>
Convertible senior notes	(a), (c)	138,601	450	139,051
Long-term derivative	(c)	—	25,253	25,253
Other long-term liabilities		<u>4,484</u>	—	<u>4,484</u>
Total long-term liabilities		<u>143,085</u>		<u>168,788</u>
Stockholders' equity:				
Common stock		43	—	43
Additional paid-in capital	(b), (c)	213,749	(23,663)	190,086
Retained earnings	(b), (c), (d)	119,916	5,419	125,335
Accumulated other comprehensive income		<u>3,124</u>	—	<u>3,124</u>
Total stockholders' equity		<u>336,832</u>		<u>318,588</u>
		<u>\$542,885</u>		<u>\$551,870</u>

	For the three quarters ended					
	September 28, 2009			September 29, 2008		
	Unadjusted U.S. GAAP statement of operations	IFRS adjustments	Adjusted IFRS statement of operations	Unadjusted U.S. GAAP statement of operations	IFRS adjustments	Adjusted IFRS statement of operations
	(in U.S. Dollars and in thousands)					
Net Sales	\$432,552	—	\$432,552	\$516,065	—	\$516,065
Cost of goods sold	357,017	\$ (102)	356,915	409,596	\$ 207	409,803
Gross profit	<u>75,535</u>		<u>75,637</u>	<u>106,469</u>		<u>106,262</u>
Operating expenses:						
Selling and marketing	20,037	(9)	20,028	23,016	84	23,100
General and administrative	25,460	(325)	25,135	25,315	344	25,659
Amortization of definite-lived intangibles	2,580	—	2,580	2,848	—	2,848
Restructuring charges	5,009	1,117	6,126	—	—	—
Impairment of goodwill and long-lived assets	10,636	—	10,636	—	—	—
Metal reclamation	—	—	—	(3,700)	—	(3,700)
Total operating expenses	<u>63,722</u>		<u>64,505</u>	<u>47,479</u>		<u>47,907</u>
Operating (loss) income	<u>11,813</u>		<u>11,132</u>	<u>58,990</u>		<u>58,355</u>
Other income (expense):						
Interest expense	(8,396)	353	(8,043)	(8,288)	159	(8,129)
Interest income	356	—	356	1,147	—	1,147
Other, net	96	(8,214)	(8,118)	(1,388)	13,676	12,288
Total other (expense) income, net	<u>(7,944)</u>		<u>(15,805)</u>	<u>(8,529)</u>		<u>5,306</u>
(Loss) income before income taxes	3,869		(4,673)	50,461		63,661
Income tax benefit (provision)	(1,379)	3,760	2,381	(18,184)	(5,625)	(23,809)
Net (loss) income	<u>\$ 2,490</u>		<u>\$ (2,292)</u>	<u>\$ 32,277</u>		<u>\$ 39,852</u>

Notes to the financial information prepared in accordance with IFRS:

(a) Debt issuance costs

Under U.S. GAAP, debt issuance costs directly attributable to the issuance of a financial instrument are capitalized as an asset and subsequently amortized to expense over the period of the underlying financial instrument using the effective interest method, adjusted to give effect to any early repayments in accordance with U.S. GAAP. IFRS requires that transaction costs directly attributable to the issuance of a financial instrument should be included in the initial measurement of the instrument and subsequently amortized to expense over the period of the underlying financial instrument using the effective interest method, adjusted to give effect to any early repayments. Accordingly, a reclassification was reflected to present debt issuance costs as a component of the underlying financial instruments.

(b) Share based payments

U.S. GAAP allows share based compensation expense to be recognized on a straight line or graded vesting basis when grants have multiple vesting periods. The Company utilizes the straight line basis and recognizes share based compensation expense evenly over the service period. Additionally, employer payroll taxes recognized associated with share based compensation are estimated based on a percentage of the straight line compensation expense with adjustments at time of exercise or release of shares. Deferred taxes and income tax benefits related to share based compensation are calculated by applying the current period's effective tax rate to the amount of share based compensation expense recognized each period with adjustments resulting from cancellation, forfeiture, exercise or release of shares.

IFRS requires share based compensation expense to be recognized on a graded vesting basis whereby a portion of the current and future installments are recognized as expense in proportion to the services performed. Associated employer payroll taxes are recognized at the end of each reporting period using the close stock price. Deferred taxes and income tax benefits related to share based compensation are calculated based on the amount of tax deduction to which the Company will be entitled, which is estimated at each reporting period based on the information available at the reporting date, including share price, exercise year and exercise price and number of awards expected to be exercised or released.

Accordingly, share based compensation expense, employer payroll taxes and related deferred tax assets have been adjusted to meet IFRS requirements.

(c) Convertible senior note embedded conversion option, call options and warrants

Under U.S. GAAP, the Company accounts for its convertible debt by separately accounting for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. Additionally, in connection with the issuance of the Convertible Notes, the Company entered into a convertible note hedge and a warrant transaction with respect to the Company's common stock which were recorded in equity as adjustments to additional paid-in-capital.

Under IFRS, financial instruments with cash settlement options and other derivative characteristics, such as the Company's Convertible Notes, are bifurcated into a debt and derivative component. Additionally, financial instruments, such as the Company's convertible note hedge and warrant transaction, which are settled in the Company's own equity with variable share settlement provisions, are classified as derivatives. Derivatives are recognized as either assets or liabilities in the balance sheet at their respective fair values.

Accordingly, the Company's convertible debt, convertible note hedge, and warrant transaction have been adjusted to meet IFRS requirements.

(d) Restructuring charges

The Company's restructuring charges consist of employee separation costs, which have been accrued in accordance with U.S. GAAP. Additionally, under U.S. GAAP, contract termination costs are accrued at the cease-use date.

IFRS requires accrual of all restructuring costs at the time the plan is completed and communicated and include costs such as employee separation and contract termination costs. Accordingly, an adjustment to recognized contract termination costs was reflected.

(e) Presentation of deferred income taxes

Under U.S. GAAP, deferred taxes are classified as either current or non-current according to the classification of the related asset or liability giving rise to the temporary difference. Under IFRS, deferred taxes are classified as non-current, even though it may be expected that some part of the tax balance will reverse within 12 months of the reporting date. Accordingly, a reclassification was reflected to present deferred taxes as non-current.

(17) Subsequent Events

During the second quarter 2009, the Company implemented the new authoritative guidance regarding accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The authoritative guidance sets forth:

- the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements;
- the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and
- the disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

There were no material subsequent events which required examination or evaluation through November 6, 2009, the date the Company's consolidated condensed financial statements were issued.