SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2002

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM________ TO_________

COMMISSION FILE NUMBER 0-31051

SMTC CORPORATION

(Exact Name of Registrant as Specified in its Charter)

DELAWARE	98-0197680
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

635 HOOD ROAD
MARKHAM, ONTARIO, CANADA L3R 4N6

(Address of Principal Executive Offices) (Zip Code)

(905) 479-1810

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether SMTC Corporation: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes [X] No [ ].

As of March 31, 2002, SMTC Corporation had 23,190,370 shares of common stock, par value $0.01 per share, and one share of special voting stock, par value $0.01 per share, outstanding. As of March 31, 2002, SMTC Corporation's subsidiary, SMTC Manufacturing Corporation of Canada, had 5,499,409 exchangeable shares outstanding, each of which is exchangeable into one share of common stock of SMTC Corporation.

SMTC Corporation
Form 10-Q

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SMTC CORPORATION

Consolidated Balance Sheets
(Expressed in thousands of U.S. dollars)

PART I FINANCIAL INFORMATION

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ITEM 1. FINANCIAL STATEMENTS

<S>	March 31, 2002 (unaudited) <C>	December 31, 2001 <C>
ASSETS		
Current assets:		
Cash and short-term investments	$ 1,746	$ 12,103
Accounts receivable	77,343	81,374
Inventories (note 2)	90,805	80,900
Prepaid expenses	4,684	4,782
Income taxes recoverable	-	997
Deferred income taxes	632	632
	175,210	180,788
Capital assets	57,278	60,416
Goodwill	55,560	55,560
Other assets	11,364	11,538
Deferred income taxes	33,762	33,118
	$ 333,174	$ 341,420
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 61,751	$ 56,487
Accrued liabilities	45,832	36,276
Current portion of long-term debt (note 3)	13,750	12,500
Current portion of capital lease obligations	214	198

	121,547	105,461
Long-term debt (note 3)	98,702	110,297
Capital lease obligations	338	406
Deferred income taxes	595	595
Shareholders' equity:		
Capital stock	68,496	68,496
Loans receivable	(13)	(13)
Additional paid-in-capital	161,172	161,666
Warrants	494	-
Deficit	(118,157)	(105,488)
	111,992	124,661
	$ 333,174	$ 341,420

</TABLE>

See accompanying notes to consolidated financial statements.

SMTC CORPORATION

Consolidated Statements of Operations
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

(Unaudited)
<TABLE>
<CAPTION>

	Three months ended	
	March 31, 2002	April 1, 2001
	(restated)	
<S>	<C>	<C>
Revenue	$ 138,909	$ 197,812
Cost of sales (including restructuring charges) (note 7)	132,161	195,652
Gross profit	6,748	2,160
Selling, general and administrative expenses	7,090	9,425
Amortization	455	2,352
Restructuring charges (note 7)	-	15,559
Operating loss	(797)	(25,176)
Interest	2,315	2,892
Loss before income taxes and discontinued operations	(3,112)	(28,068)
Income tax recovery	(640)	(9,267)
Loss before discontinued operations	(2,472)	(18,801)
Loss from discontinued operations (note 8)	(10,197)	(1,211)

Net loss	$ (12,669)	$ (20,012)
Loss per share:		
Basic loss per share before discontinued operations	$ (0.09)	$ (0.67)
Loss from discontinued operations per share	(0.35)	(0.04)
Basic loss per share	$ (0.44)	$ (0.71)
Diluted loss per share	$ (0.44)	$ (0.71)
Weighted average number of common shares used in the calculations of loss per share:		
Basic	28,689,779	28,362,053
Diluted	28,689,779	28,362,053

</TABLE>

See accompanying notes to consolidated financial statements.

SMTC CORPORATION

Consolidated Statement of Changes in Shareholders' Equity
(Expressed in thousands of U.S. dollars)

Three months ended March 31, 2002
(Unaudited)

<TABLE>
<CAPTION>

	Capital stock	Warrants	Additional paid-in capital	Loans receivable	Deficit	Shareholders' equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 2001	$ 68,496	$ -	$ 161,666	$ (13)	$(105,488)	$ 124,661
Warrants issued	-	494	(494)	-	-	-
Net loss for the period	-	-	-	-	(12,669)	(12,669)
Balance, March 31, 2002	$ 68,496	$ 494	$ 161,172	$ (13)	$(118,157)	$ 111,992

</TABLE>

See accompanying notes to consolidated financial statements.

SMTC CORPORATION

Consolidated Statements of Cash Flows
(Expressed in thousands of U.S. dollars)

(Unaudited)

<TABLE>
<CAPTION>

Three months ended

	March 31, 2002	April 1, 2001
<S>	<C>	<C>
Cash provided by (used in):		
Operations:		
Net loss	$ (12,669)	$ (20,012)
Items not involving cash:		
Amortization	455	2,352
Depreciation	3,053	2,896
Deferred income tax benefit	(644)	(9,579)
Impairment of assets	1,129	5,023
Change in non-cash operating working capital:		
Accounts receivable	4,031	20,078
Inventories	(9,905)	33,730
Prepaid expenses	98	(1,196)
Accounts payable, accrued liabilities and income taxes recoverable	15,817	(44,565)
	1,365	(11,273)
Financing:		
Increase in long-term debt	-	18,482
Decrease in long-term debt	(10,345)	-
Principal payments on capital leases	(52)	(204)
Proceeds from issuance of common stock	-	313
Repayment of loans receivable	-	14
Debt issuance costs	(281)	-
	(10,678)	18,605
Investments:		
Purchase of capital assets	(1,044)	(8,330)
	(1,044)	(8,330)
Decrease in cash and cash equivalents	(10,357)	(998)
Cash and cash equivalents, beginning of period	12,103	2,698
Cash and cash equivalents, end of period	$ 1,746	$ 1,700

</TABLE>

See accompanying notes to consolidated financial statements.

SMTC CORPORATION

Consolidated Statements of Cash Flows (continued)
(Expressed in thousands of U.S. dollars)

(Unaudited)

<TABLE>
<CAPTION>

	Three months ended	
	March 31, 2002	April 1, 2001
<S>	<C>	<C>
Supplemental disclosures:		
Cash paid during the period:		
Income taxes	$ 601	$ 3,601

Interest	2,166	2,826

- --
</TABLE>

Cash and cash equivalents is defined as cash and short-term investments.

See accompanying notes to consolidated financial statements.

SMTC CORPORATION

Notes to Consolidated Financial Statements
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Three months ended March 31, 2002 and April 1, 2001
(Unaudited)

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1. Basis of presentation:

The Company's accounting principles are in accordance with accounting principles generally accepted in the United States.

The accompanying unaudited consolidated balance sheet as at March 31, 2002, the unaudited consolidated statements of operations for the three month periods ended March 31, 2002 and April 1, 2001, the unaudited consolidated statement of changes in shareholders' equity for the three month period ended March 31, 2002, and the unaudited consolidated statements of cash flows for the three month periods ended March 31, 2002 and April 1, 2001 have been prepared on substantially the same basis as the annual consolidated financial statements, except as described below. Management believes the consolidated financial statements reflect all adjustments, consisting only of normal recurring accruals, which are, in the opinion of management, necessary for a fair presentation of the Company's financial position, operating results and cash flows for the periods presented. The results of operations for the three month period ended March 31, 2002 are not necessarily indicative of results to be expected for the entire year. These unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the year ended December 31, 2001.

The unaudited interim consolidated financial statements are based upon accounting principles consistent with those described in the December 31, 2001 audited financial statements except as follows:

In July 2001, the FASB issued Statement No. 141, "Business Combinations" ("Statement 141"), and Statement No. 142, "Goodwill and Other Intangible Assets" ("Statement 142"). Statement 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, as well as all purchase method business combinations completed after June 30, 2001. Statement 141 also specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement 121. Upon adoption of Statements 141 and 142 in their entirety on January 1, 2002, the Company determined that there are no intangible assets relating to previous acquisitions that need to be reclassified and accounted for apart from goodwill under the provisions of those Statements.

SMTC CORPORATION

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars, except share quantities and per share amounts)

Three months ended March 31, 2002 and April 1, 2001
(Unaudited)

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1. Basis of presentation (continued):

In connection with the transitional goodwill impairment evaluation, Statement 142 requires the Company to perform an assessment of whether there is an indication that goodwill is impaired as of January 1, 2002. To accomplish this, the Company must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill to those reporting units as of January 1, 2002. The Company has until June 30, 2002 to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company must perform the second step of the transitional impairment test. In the second step, the Company must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with Statement 141, to its carrying amount, both of which would be measured as of January 1, 2002. This second step is required to be completed as soon as possible, but no later than December 31, 2002. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in the Company's statements of operations.

Because of the extensive effort needed to comply with adopting Statement 142, the Company has not estimated the impact of this Statement on its financial statements, beyond discontinuing goodwill amortization and assessing the classification of intangibles. The change to a methodology that assesses fair value by reporting unit could result in an impairment charge.

Effective January 1, 2002, the Company had unamortized goodwill of $55,560, which is no longer being amortized. This change in accounting policy is not applied retroactively and the amounts presented for prior periods have not been restated for this change. The impact of this change is as follows:

<TABLE>
<CAPTION>

	Three months ended	
	March 31, 2002	April 1, 2001
<S>	<C>	<C>
Net loss	$ (12,669)	$ (20,012)
Add back goodwill amortization, net of tax	-	1,692
Net loss before goodwill amortization	(12,669)	(18,320)
Basic and diluted loss per share:		
Net loss	$ (0.44)	$ (0.71)
Net loss before goodwill amortization	$ (0.44)	$ (0.65)

</TABLE>

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1. Basis of presentation (continued):

   In October 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("Statement 144"), which supersedes both Statement 121 and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" ("Opinion 30"), for the disposal of a segment of a business (as previously defined in that Opinion). Statement 144 retains the fundamental provisions in Statement 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale. Statement 144 retains the basic provisions of Opinion 30 on how to present discontinued operations in the income statement but broadens that presentation to include a component of an entity (rather than a segment of a business). The Company adopted Statement 144 for the quarter ending March 31, 2002 and presented the closure of its Cork facility and the related charges as discontinued operations.

   In August 2001, the FASB issued Statement No. 143 "Accounting for Asset Retirement Obligations" which requires that the fair value of an asset retirement obligation be recorded as a liability, at fair value, in the period in which the Company incurs the obligation. The Statement is effective for fiscal 2003 and the Company expects no material effect as a result of this Statement.

2. Inventories:

	March 31, 2002	December 31, 2001
Raw materials	$ 48,129	$ 38,289
Work in process	27,561	24,984
Finished goods	13,805	16,230
Other	1,310	1,397
	$ 90,805	$ 80,900

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3. Long-term debt:

The Company has incurred recent operating losses, which resulted in its non-compliance with certain financial covenants contained in its current credit agreement as at September 30, 2001. On November 19, 2001, the Company and its lending group signed a definitive term sheet for an agreement under which certain terms of the current credit facility would be revised and the non-compliance as at September 30, 2001 would be waived. The final amended agreement was signed on February 11, 2002 and is consistent with the terms and conditions in the term sheet. The revised terms establish amended financial and other covenants covering the period up to December 31, 2002, based on the Company's current business plan. During this time period, the facility bears interest at the U.S. base rate plus 2.5%.

The Company was in compliance with the amended financial covenants at March 31, 2002. Continued compliance with the amended financial covenants through December 31, 2002 is dependent on the Company achieving the forecasts inherent in its current business plan. The Company believes the forecasts are based on reasonable assumptions and are achievable however, the forecasts are dependent on a number of factors some of which are outside the control of the Company. These include, but are not limited to, general economic conditions and specifically the strength of the electronics industry and the related demand for the products and services by the Company's customers. In the event of non-compliance, the Company's lenders have the ability to demand repayment of the outstanding amounts under the amended credit facility.

Prior to taking steps to place the subsidiary that operates the Cork facility in voluntary liquidation (note 8), the Company and its lending group executed an amendment to the credit facility to waive the default that would have been caused by this action and amend the agreement to permit such facility closure.

The Company's activity levels have exceeded the plan that served as the basis for the Company's amended financial covenants. The Company and its lending group agreed in April 2002 to further amend the credit agreement to increase the Company's permitted loan balances to correspond to its higher working capital needs.

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4. Loss per share:

The following table sets forth the calculation of basic and diluted loss per common share:
<TABLE>
<CAPTION>

	Three months ended	
	March 31,	April 1,

	2002	2001
Numerator:		
Net loss before discontinued operations	$ (2,472)	$ (18,801)
Net loss	(12,669)	(20,012)
Denominator:		
Weighted-average shares - basic	28,689,779	28,362,053
Effect of dilutive securities:		
Employee stock options	-	-
Warrants	-	-
Weighted-average shares - diluted	28,689,779	28,362,053
Loss per share:		
Basic and diluted, before discontinued operations	$ (0.09)	$ (0.67)
Basic and diluted	$ (0.44)	$ (0.71)

Options and warrants to purchase common stock were outstanding during the three month periods ended March 31, 2002 and April 1, 2001 but were not included in the computation of diluted loss per share because their effect would be anti-dilutive on the loss per share for the periods.

5. Income taxes:

The Company's effective tax rate differs from the statutory rate primarily due to losses not tax effected in certain jurisdictions.

6. Segmented information:

The Company derives its revenue from one dominant industry segment, the electronics manufacturing services industry. The Company is operated and managed geographically and has eight facilities in the United States, Canada, Europe and Mexico. The Company monitors the performance of its geographic operating segments based on EBITA (earnings before interest, taxes and amortization) before restructuring charges and discontinued operations. Discontinued operations in the first quarter of 2002 relates to the Cork, Ireland facility (note 8), which was previously included in the results of the European segment. Intersegment adjustments reflect intersegment sales that are generally recorded at prices that approximate arm's-length transactions. Information about the operating segments is as follows:

Three months ended March 31, 2002			Three months ended April 1, 2001		
Total	Intersegment	Net external	Total	Intersegment	Net external

	revenue	revenue	revenue	revenue	revenue	revenue
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United States	$ 123,312	$ (5,399)	$ 117,913	$ 158,475	$ (7,416)	$ 151,059
Canada	19,059	(2,054)	17,005	26,941	(887)	26,054
Europe	1,381	(235)	1,146	4,694	-	4,694
Mexico	52,310	(49,465)	2,845	24,469	(8,464)	16,005
	$ 196,062	$ (57,153)	$ 138,909	$ 214,579	$ (16,767)	$ 197,812

<CAPTION>

EBITA (before discontinued operations and restructuring charges):

<S>	<C>	<C>
United States	$ (1,565)	$ 1,432
Canada	(472)	580
Europe	(207)	815
Mexico	1,902	(3,192)
	(342)	(365)
Interest	2,315	2,892
Amortization	455	2,352
Earnings before income taxes, restructuring charges and discontinued operations	$ (3,112)	$ (5,609)
Capital expenditures:		
United States	$ 721	$ 4,629
Canada	74	756
Europe	24	23
Mexico	225	2,922
	$ 1,044	$ 8,330

</TABLE>

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6. Segmented information (continued):

The following enterprise-wide information is provided. Geographic revenue information reflects the destination of the product shipped. Long-lived assets information is based on the principal location of the asset.

	Three months ended	
	March 31, 2002	April 1, 2001
Geographic revenue:		
United States	$ 113,811	$ 172,115
Canada	9,312	14,046
Europe	8,307	8,957
Asia	5,341	2,668
Mexico	2,138	26

	$ 138,909	$ 197,812

	March 31, 2002	December 31, 2001
Long-lived assets:		
United States	$ 72,213	$ 73,269
Canada	21,201	21,832
Europe	721	1,998
Mexico	18,703	18,877
	$ 112,838	$ 115,976

7. Restructuring charges:

During fiscal year 2001, in response to excess capacity caused by the slowing technology end market, the Company commenced a restructuring program aimed at reducing its cost structure. Accordingly, the Company recorded restructuring charges of $22,459 during the first quarter of 2001 consisting of the costs associated with existing or re-sizing facilities.

The following table details the components of the restructuring charge recorded in the first quarter of 2001:

<TABLE>
<CAPTION>

<S>	<C> Three months ended April 1, 2001
Inventory write-downs included in cost of sales	$ 6,900
Lease and other contract obligations	5,178
Severance	2,331
Asset impairment	5,023
Other facility exit costs	3,027
	15,559
	$ 22,459

</TABLE>

The following table details the related amounts included in accrued liabilities as at March 31, 2002:

	Accrual at December 31, 2001	Cash payments	Accrual at March 31, 2002
Lease and other contract obligations	$ 6,164	(1,459)	$ 4,705
Severance	625	(494)	131
Other facility exit costs	773	(118)	655
	$ 7,562	(2,071)	$ 5,491

8. Discontinued Operations:

In February, 2002 the main customer of the Cork, Ireland facility was placed into administration as part of a financial restructuring. As a result, on March 19, 2002, the Company announced that it was closing the Cork, Ireland facility and that it was taking steps to place the subsidiary that operates that facility in voluntary administration. During the first quarter of 2002, the Company recorded a charge of $9,717 related to the closure of the facility. The Company placed the subsidiary in voluntary administration by the end of the first quarter.

The following amounts are included in the loss from discontinued operations:

	Three months ended March 31, 2002	Three months ended April 1, 2001
Revenue	$ 5,035	$ 3,103
Loss from discontinued operations:		
Operating loss before restructuring charges	$ 480	$ 1,016
Restructuring charges	-	195
Cost of closing the facility	9,717	-
Loss from discontinued operations	$ 10,197	$ 1,211

Included in the cost of closing the facility of $9,717 are the write-off of the net assets of $6,717 (comprised of capital assets of $1,129 and net working capital of $5,588) and other costs associated with exiting the facility of $3,000. Included in the other costs is severance of $1,350 related to the termination of all employees. The severance amount was unpaid at the end of the first quarter.

9. Comparative figures:

Certain 2001 comparative figures have been restated to separately disclose the results of discontinued operations of the Cork, Ireland facility.

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

SELECTED CONSOLIDATED FINANCIAL DATA

The consolidated financial statements and our selected consolidated financial data have been prepared in accordance with United States GAAP.

Consolidated Statement of Operations Data:
(in millions, except per share amounts)

<TABLE>
<CAPTION>

	Three months ended	
	March 31, 2002	April 1, 2001
<S>	<C>	<C>
Revenue	$ 138.9	$ 197.8
Cost of sales (including restructuring charges of Snil for the three months ended March 31, 2002 and $6.9 million for the three months ended April 1, 2001)(a)	132.2	195.6
Gross profit	6.7	2.2
Selling, general and administrative expenses	7.1	9.5
Amortization	0.4	2.3
Restructuring charges (a)	-	15.6
Operating loss	(0.8)	(25.2)
Interest	2.3	2.9
Loss before income taxes and discontinued operations	(3.1)	(28.1)
Income tax recovery	(0.6)	(9.3)
Loss before discontinued operations	(2.5)	(18.8)
Loss from discontinued operations (b)	(10.2)	(1.2)
Net loss	$ (12.7)	$ (20.0)
Net loss per common share:		
Basic before discontinued operations	$ (0.09)	$ (0.67)
Loss from discontinued operations	(0.35)	(0.04)
Basic	$ (0.44)	$ (0.71)
Diluted	$ (0.44)	$ (0.71)
Weighted average number of shares outstanding:		
Basic	28.7	28.4
Diluted	28.7	28.4

</TABLE>

(a) During fiscal year 2001, in response to excess capacity caused by the slowing technology end market, the Company commenced a restructuring program aimed at reducing its cost structure. Accordingly, the Company recorded restructuring charges of $22.5 million for the three months ended April 1, 2001, consisting of the costs associated with exiting or re-sizing facilities. Refer to note 7 to our consolidated financial statements.

(b) In February, 2002 the main customer of the Cork, Ireland facility was placed into administration as part of a financial restructuring. As a result, on March 19, 2002, the Company announced that it was closing the Cork, Ireland facility and that it was taking steps to place the subsidiary that operates that facility in voluntary administration. Refer to note 8 to our consolidated financial statements.

Consolidated Adjusted Net Earnings (Loss):
(in millions, except per share amounts)

<TABLE>
<CAPTION>

	Three months ended	
	March 31, 2002	April 1, 2001
<S>	<C>	<C>
Net loss	$ (12.7)	$ (20.0)
Adjustments:		
Discontinued operations	10.2	1.2
Amortization of goodwill	-	2.1
Restructuring and other charges	-	22.5
Income tax effect	-	(7.7)
Adjusted net loss	$ (2.5)	$ (1.9)
Adjusted net loss per common share:		
Basic		
Diluted	$ (0.09)	$ (0.07)
	$ (0.09)	$ (0.07)
Weighted average number of shares outstanding:		
Basic		
Diluted	28.7	28.4
	28.7	28.4

</TABLE>

The Company has provided information on adjusted net earnings to supplement its GAAP financial information. Adjusted net earnings do not have any standardized meaning prescribed by GAAP and are no necessarily comparable to similar measures presented by other issuers. The Company believes that adjustet net earnings is a meaningful measure of operating performance due to the history of acquisitions and recend restructurings. Adjusted net earnings exclude the effects of discontinued operations, amortization ot intangible assets and goodwill, restructuring and other charges (most significantly the write-down of goodwill, the cost associated with closing facilities, inventory and accounts receivable exposures anf severance costs) and income tax adjustments. Adjusted net earnings are not a measure of operatind performance or profitability under U.S. GAAP or Canadian GAAP and should not be considered in isolation og as a substitute for net earnings prepared in accordance with U.S. GAAP or Canadian GAAP.

Consolidated Balance Sheet Data:
(in millions)

<TABLE>
<CAPTION>

	March 31, 2002	December 31, 2001

<S>	<C>	<C>
Cash	$ 1.7	$ 12.1
Working capital	53.7	75.3
Total assets	333.2	341.4
Total debt, including current maturities	112.5	122.8
Shareholders' equity	112.0	124.7

</TABLE>

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We provide advanced electronics manufacturing services, or EMS, to electronics industry original equipment manufacturers, or OEMs, worldwide. Our full range of value-added services include product design, procurement, prototyping, advanced cable and harness interconnect, high-precision enclosures, printed circuit board assembly, test, final system build, comprehensive supply chain management, packaging, global distribution and after sales support.

During fiscal year 2001, in response to excess capacity caused by the slowing technology end market, we commenced a restructuring program aimed at reducing our cost structure. Actions taken by management to improve capacity utilization included closing our Denver, Colorado assembly facility and our Haverhill, Massachusetts interconnect facility, re-sizing our Mexico and Ireland facilities and addressing our excess equipment. Accordingly, we recorded restructuring charges of $67.6 million pre-tax (consisting of a write-down of goodwill and other intangible assets and the costs associated with exiting or re-sizing facilities) and other charges of $27.3 million pre-tax (consisting of accounts receivable, inventory and asset impairment charges).

As a result of restructuring actions and market conditions we incurred a significant operating loss during 2001, which resulted in our non-compliance with certain financial covenants contained in our credit agreement as at September 30, 2001. On November 19, 2001, we and our lending group signed a definitive term sheet for an agreement under which certain terms of the current credit facility would be revised and the non-compliance as at September 30, 2001 would be waived. In February 2002, we and our lending group executed an amendment to our credit facility, substantially consistent with the term sheet, to waive the September 30, 2001 defaults and to revise the covenant tests to be consistent with both current revenues and the forecast for 2002. (See Liquidity and Capital Resources).

In addition, in February, 2002 the main customer of our Cork, Ireland facility was placed into administration as part of a financial restructuring. As a result, on March 19, 2002, we announced that we were closing our Cork, Ireland facility and that we were taking steps to place the subsidiary that operates that facility in voluntary administration. During the first quarter of 2002, we recorded a charge of $9.7 million related to the closure of the facility.

Prior to taking steps to place the subsidiary that operates the Cork facility in voluntary liquidation, we and our lending group executed an amendment to our credit facility to waive the default that would have been caused by this action and amend the agreement to permit such facility closure.

The Company's activity levels have exceeded the plan that served as the basis for the Company's amended financial covenants. The Company and its lending group agreed in April 2002 to further amend the credit agreement to increase the Company's permitted loan balances to correspond to its higher working capital needs.

Corporate History

SMTC Corporation, or SMTC, is the result of the July 1999 combination of the former SMTC Corporation, or Surface Mount, and HTM Holdings, Inc., or HTM. Upon completion of the combination and concurrent recapitalization, the former stockholders of HTM held approximately 58.0% of the outstanding shares of

SMTC. We have accounted for the combination under the purchase method of accounting as a reverse acquisition of Surface Mount by HTM. Because HTM acquired Surface Mount for accounting purposes, HTM's assets and liabilities are included in our consolidated financial statements at their historical cost and the comparative figures for the periods prior to the combination reflect the results of operations of HTM. The results of operations of Surface Mount are included in our consolidated financial statements from the date of the combination. Surface Mount was established in Toronto, Ontario in 1985. HTM was established in Denver, Colorado in 1990. SMTC was established in Delaware in 1998.

The July 1999 combination of Surface Mount and HTM provided us with increased customer relationships. Collectively, since 1995 we have completed the following seven acquisitions:

- Radian Electronics' operations, which enabled our expansion into Austin, Texas, and established our relationship with Dell, in 1996;
- Ogden Atlantic Design's operations in Charlotte, North Carolina, which provided us with a facility in a major technology center in the Southeastern United States, in 1997;
- Ogden International Europe's operations in Cork, Ireland, which expanded our global presence into Europe, in 1998 (which we have subsequently closed);
- Zenith Electronics' facility in Chihuahua, Mexico, which expanded our cost-effective manufacturing capabilities, in July 1999;
- W.F. Wood, based outside Boston, Massachusetts, which provided us with a manufacturing presence in the Northeastern United States, expanded our value-added services to include high precision enclosures capabilities, and added EMC and Sycamore Networks as customers, in September 1999;
- Pensar Corporation, located in Appleton, Wisconsin, which provided us with a wide range of electronics and design manufacturing services, on July 27, 2000 and concurrent with the closing of the initial offering; and
- Qualtron Teoranta, with sites in both Donegal, Ireland and Haverhill, Massachusetts, which allowed us to expand our ability to provide customers with a broad range of services focusing on fiber optic connector assemblies and volume cable assemblies, on November 22, 2000.

In addition, we completed the following financing activities in 2000:

Initial Public Offering

- On July 27, 2000, we completed an initial public offering of our common stock in the United States and the exchangeable shares of our subsidiary, SMTC Manufacturing Corporation of Canada, in Canada, raising net proceeds (not including proceeds from the sale of shares upon the exercise of the underwriters' over-allotment option) of $157.1 million;
- Concurrent with the effectiveness of the initial public offering, we completed a share capital reorganization;
- In connection with the initial public offering, we entered into an amended and restated credit agreement with our lenders, which provided for an initial term loan of $50.0 million and revolving credit loans, swing line loans and letters of credit up to $100.0 million;
- On July 27, 2000, we paid a fee of $1.8 million to terminate a

management agreement under which we paid quarterly fees of approximately $0.2 million; and

- On August 18, 2000, we sold additional shares of common stock upon exercise of the underwriters' over-allotment option, raising net proceeds of $24.6 million.

Pre Initial Public Offering

- In May 2000, we issued senior subordinated notes to certain shareholders for proceeds of $5.0 million, which were repaid with the proceeds of our initial public offering;

- On May 18, 2000, we issued 41,667 warrants for $2.5 million cash consideration in connection with the May 2000 issue of $5.0 million in senior subordinated notes; and

- On July 3, 2000, we issued demand notes in the aggregate principal amount of $9.9 million, which were repaid with the proceeds of our initial public offering.

Results of Operations

We currently provide turnkey manufacturing services to the majority of our customers. Turnkey manufacturing services typically result in higher revenue and higher gross profits but lower gross profit margins when compared to consignment services.

Our contractual arrangements with our key customers generally provide a framework for our overall relationship with our customer. Revenue is recognized upon shipment to the customer as performance has occurred, all customer specified acceptance criteria have been tested and met, and the earnings process is considered complete. Actual production volumes are based on purchase orders for the delivery of products. These orders typically do not commit to firm production schedules for more than 30 to 90 days in advance. In order to minimize inventory risk, we generally order materials and components only to the extent necessary to satisfy existing customer forecasts or purchase orders. Fluctuations in material costs are typically passed through to customers. We may agree, upon request from our customers, to temporarily delay shipments, which causes a corresponding delay in our revenue recognition. Ultimately, however, our customers are generally responsible for all goods manufactured on their behalf.

Our fiscal year end is December 31. The consolidated financial statements of SMTC, are prepared in accordance with United States GAAP.

The following table sets forth certain operating data expressed as a percentage of revenue for the periods ended:

<TABLE>
<CAPTION>

	Three months ended	
	March 31, 2002	April 1, 2001
<S>	<C>	<C>
Revenue	100.0%	100.0%
Cost of sales (including restructuring charges of $nil for the three months ended March 31, 2002 and $6.9 million for the three months ended April 1, 2001)	95.1	98.9
Gross profit	4.9	1.1
Selling, general and administrative expenses	5.1	4.8
Amortization	0.4	1.2
Restructuring charges	-	7.8
Operating loss	(0.6)	(12.7)
Interest	1.6	1.5
Loss before income taxes and discontinued	(2.2)	(14.2)

operations		
Income tax recovery	(0.4)	(4.7)
Loss before discontinued operations	(1.8)	(9.5)
Loss from discontinued operations	(7.3)	(0.6)
Net loss	(9.1)%	(10.1)%

</TABLE>

Quarter ended March 31, 2002 compared to the quarter ended April 1, 2001

Revenue

Revenue decreased $58.9 million, or 29.8%, from $197.8 million in the first quarter of 2001 to $138.9 million in the first quarter of 2002. The decrease in revenue is due to the effects of the general decline in the technology market. During the first quarter of 2002, we recorded approximately $10.0 million of sales of raw materials inventory to customers, which carried no margin, compared to $11.6 million of such sales for the same period in 2001.

Revenue from IBM of $36.4 million and Alcatel of $19.8 million for the first quarter of 2002 was 26.2% and 14.2%, respectively, of total revenue for the period. Revenue from IBM of $30.5 million, Dell of $22.4 million and Alcatel of $20.1 million for the first quarter of 2001 was 15.4%, 11.3% and 10.2%, respectively, of total revenue for the period. No other customers represented more than 10% of revenue in either period.

In the first quarter of 2002, 62.9% of our revenue was generated from operations in the United States, 26.7% from Mexico, 9.7% from Canada and 0.7% from Europe. In the first quarter of 2001, 73.8% of our revenue was generated from operations in the United States, 11.4% from Mexico, 12.6% from Canada, and 2.2% from Europe. We expect to continue to increase the portion of revenue attributable to our Chihuahua facility, with the transfer of certain production from other facilities and with the addition of new business and increased volume from our current business.

Gross Profit

Gross profit increased $4.5 million from $2.2 million, or 1.1% of revenue, for the three months ended April 1, 2001 to $6.7 million, or 4.9% of revenue, for the three months ended March 31, 2002. The improvement in the gross profit is due to the $6.9 million portion of our restructuring charge related to a write-down of inventory in connection with the closure of our Denver facility, recorded during the first quarter of 2001. Excluding the $6.9 million restructuring charge recorded in the first quarter of 2001, the gross profit was $9.1 million or 4.6% of revenue. The Company writes down estimated obsolete or excess inventory for the difference between the cost of inventory and estimated market value based upon customer forecasts and the ability to sell back inventory to customers or suppliers. If these assumptions change, additional write-downs may be required.

Selling, General & Administrative Expenses

Selling, general and administrative expenses decreased $2.4 million from $9.5 million for the first quarter of 2001 to $7.1 million for the first quarter of 2002. This decrease is due to the closure of our Denver and Haverhill facilities and our continued focus on reducing selling, general and administrative expenses.

The Company determines the allowance for doubtful accounts for estimated credit losses based on the financial condition of its customers, concentration of credit risk and industry conditions.

As a percentage of revenue, selling, general and administrative expenses increased from 4.8% for the first quarter of 2001 to 5.1% for the first quarter of 2002 due to the lower sales base in the first quarter of 2002.

Amortization

Amortization of intangible assets of $0.4 million for the first quarter of 2002 included the amortization of $0.3 million of deferred finance costs related to the establishment of our senior credit facility in July 2000 and subsequent amendments, and $0.1 million of deferred equipment lease costs. The costs associated with our amended and restated senior credit facility are being amortized over the remaining term of the debt.

Amortization of intangible assets of $2.3 million for the first quarter of 2001 included the amortization of $0.6 million of goodwill related to the combination of Surface Mount and HTM, $0.4 million of goodwill related to the acquisition of W.F. Wood, $0.7 million related to the acquisition of Pensar and $0.4 million related to the

acquisition of Qualtron. Amortization of intangible assets for the first quarter of 2001 also included the amortization of $0.1 million of deferred finance costs related to the establishment of our senior credit facility in July 2000 and subsequent amendments, and $0.1 million of deferred equipment lease costs.

Recent accounting pronouncements have changed the way we account for goodwill by requiring us to no longer amortize goodwill. (See Recent Accounting Pronouncements).

Restructuring Charges

During fiscal year 2001, in response to excess capacity caused by the slowing technology end market, the Company commenced a restructuring program aimed at reducing its cost structure. Accordingly, the Company recorded restructuring charges of $22.5 million during the first quarter of 2001 consisting of the costs associated with existing or re-sizing facilities. There were no restructuring charges in the first quarter of 2002.

The following table details the components of the restructuring charge recorded in the first quarter of 2001:

(in millions)	Three months ended April 1, 2001
Inventory write-downs included in cost of sales	$ 6.9
Lease and other contract obligations	5.2
Severance	2.4
Asset impairment	5.0
Other facility exit costs	3.0
	15.6
	$ 22.5

The write-down of inventory of $6.9 million is associated with the closure of the assembly facility in Denver.

Lease and other contractual obligations of $5.2 million include the costs associated with decommissioning, exiting and subletting the Denver facility and the costs of exiting equipment and facility leases at various other locations.

Severance costs of $2.4 million are associated with the closure of the Denver assembly facility and the re-sizing of the Mexican facilities. The severance costs relate to all 429 employees at the Denver facility and 847 plant and operational employees at the Mexico facility.

Asset impairment charges of $5.0 million reflect the write-down of certain long-lived assets, primarily at the Denver location, that became impaired as a result of the rationalization of facilities. The asset impairment was determined based on undiscounted projected future net cash flows relating to the assets resulting in a write-down to estimated salvage values.

Other facility exit costs include personnel costs and other fees directly related to exit activities at the Denver location.

The major components of the restructuring are estimated to be complete during fiscal year 2002. The restructuring charges are based on certain estimates and assumptions using the best available information at the time and are subject to change.

Interest Expense

Interest expense decreased $0.6 million from $2.9 million for the first quarter of 2001 to $2.3 million for the first quarter of 2002 due to lower average debt outstanding during the first quarter of 2002 combined with lower interest rates. Lower working capital requirements during the first quarter of 2002 resulted in lower average debt outstanding. Interest expense for the first quarter of 2001 included a charge of $0.5 million related to the change in the fair value of interest rates swaps in place at that time, offset by $0.6 million of interest capitalized on construction in progress. The weighted average interest rates with respect to the debt for the first quarter of 2001 and 2002 were 8.7% and 7.2%, respectively.

Income Tax Expense

For the first quarter ended March 31, 2002 an income tax recovery of $0.6 million was recorded on a pre-tax loss before discontinued operations of $3.1 million resulting in an effective tax recovery rate of 19.4%, as losses in certain jurisdictions were not tax effected due to the uncertainty of our ability to utilize such losses.

For the first quarter ended April 1, 2001, an income tax recovery of $9.3 million on a pre-tax loss before discontinued operations of $28.1 million, resulting in an effective tax rate of 33.1% as losses in certain jurisdictions were not tax effected due to the uncertainty of our ability to utilize such losses. We also are unable to deduct $1.0 million of goodwill amortization.

At December 31, 2001, the Company had total net operating loss carryforwards of approximately $105.0 million of which $3.0 million and $88.0 million will begin to expire in 2013 and 2022, respectively. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of its deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Management considers the scheduled reversal of deferred tax liabilities, change of control limitations, projected future taxable income and tax planning strategies in making this assessment. Based upon consideration of these factors, management believes the recorded valuation allowance related to the loss carryforwards is appropriate. However, in the event that actual results differ from estimates or management adjusts these estimates in future periods, the Company may need to establish an additional valuation allowance, which could materially impact its financial position and results of operations.

Discontinued Operations

In February, 2002 the main customer of our Cork, Ireland facility was placed into administration as part of a financial restructuring. As a result, on March 19, 2002, we announced that we were closing our Cork, Ireland facility and that we were taking steps to place the subsidiary that operates that facility in voluntary administration. During the first quarter of 2002, we recorded a charge of $9.7 million related to the closure of the facility. The Company placed the subsidiary in voluntary administration by the end of the first quarter.

The following amounts are included in the loss from discontinued operations:

<TABLE>
<CAPTION>

(in millions)	Three months ended March 31, 2002	Three months ended April 1, 2001
<S>	<C>	<C>
Revenue	$ 5.0	$ 3.1
Loss from discontinued operations:		
Operating loss before restructuring charges	$ 0.5	$ 1.0
Restructuring charges	-	0.2
Cost of closing the facility	9.7	-
Loss from discontinued operations	$ 10.2	$ 1.2

</TABLE>

Included in the cost of closing the facility of $9.7 million are the write-off of the net assets of $6.7 million (comprised of capital assets of $1.1 million and net working capital of $5.6 million) and other costs associated with exiting the facility of $3.0 million. Included in the other costs is severance of $1.3 million related to the termination of all employees. The severance amount was unpaid at the end of the fiscal quarter.

Liquidity and Capital Resources

Our principal sources of liquidity are cash provided from operations and borrowings under our senior credit facility. In the past, we have also relied on our access to the capital markets. Our principal uses of cash have been to finance mergers and acquisitions, to meet debt service requirements and to finance capital expenditures and working capital requirements. We anticipate our principal uses of cash in the future will be to meet debt service requirements and to finance capital expenditures and working capital requirements.

Three months ended March 31, 2002 Liquidity: Net cash provided by operating activities for the first quarter of 2002 was $1.4 million. Lower levels of activity and our continued focus on improving our balance sheet metrics led to reduced working capital usage. Our net cash cycle improved from 83 days for the first quarter of 2001 to 47 days for the fourth quarter of 2001 to 39 days for the first quarter of 2002. Accounts receivable days sales outstanding improved from 79 days in the first quarter of 2001 to 56 days in the fourth quarter of 2001 to 50 days in the first quarter of 2002.

Net cash used by financing activities for the quarter ended March 31, 2002 was $10.7 million due to the repayment of long-term debt of $10.3 million, the repayment of capital leases of $0.1 million and the costs associated with the amendment to our credit agreement of $0.3 million.

Net cash used in investing activities for the quarter ended March 31, 2002 was $1.0 million due to the purchase of capital assets.

Three months ended April 1, 2001 Liquidity: Net cash used for operating activities for the three months ended April 1, 2001 was $11.3 million. The growth of both existing and new customers during fiscal year 2000 led to our increased working capital needs.

Net cash provided by financing activities for the three months ended April 1, 2001 was $18.6 million due to an increase in long-term debt of $18.5 million and the proceeds from issuance of capital stock on the exercise of options of $0.3 million, which was offset by repayment of capital leases of $0.2 million.

Net cash used in investing activities for the three months ended April 1, 2001 was $8.3 million due to the purchase of capital assets.

Capital Resources

As a result of restructuring actions and market conditions we incurred a significant operating loss during 2001, which resulted in our non-compliance with certain financial covenants contained in our credit agreement as at September 30, 2001. On November 19, 2001, we and our lending group signed a definitive term sheet for an agreement under which certain terms of the current credit facility would be revised and the non-compliance as at September 30, 2001 would be waived. In February 2002, we and our lending group executed an amendment to our credit facility, substantially consistent with the term sheet, to waive the September 30, 2001 defaults and to revise the covenant tests to be consistent with both current revenues and the forecast for 2002.

The amended financial covenants included in the revised credit facility include monthly and quarterly minimum cumulative consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) targets, a maximum daily and monthly revolving credit loan balance based on accounts receivable and inventory levels and maximum quarterly capital expenditures. The Company's activity levels have exceeded the plan that served as the basis for these amended financial covenants. Accordingly, the Company and its lending group agreed in April 2002 to further amend the credit agreement to increase the Company's permitted loan balances to correspond to its higher working capital needs. The Company was in compliance with the amended financial covenants at December 31, 2001, and at month's end on January 27, 2002 and February 24, 2002, March 31, 2002 and April 30, 2002. Continued compliance with the amended financial covenants through December 31, 2002, the end of the amendment period, is dependent on the Company achieving its forecasts inherent in our current business plan. The Company believes the forecasts are based on reasonable assumptions and are achievable, however, the forecasts are dependent on a number of factors, some of which are outside the control of the Company. These include, but are not limited to, general economic conditions and specifically the strength of the electronics industry and the related demand for products and services by the Company's customers.

During the amendment period, the facility bears interest at the U.S. base rate as defined in the credit agreement plus 2.5%. As at March 31, 2002, we had borrowed $112.5 million under this facility.

In connection with the amendments, the Company agreed to issue to the lenders warrants to purchase common stock of the Company at an exercise price equal to the fair market value (defined as average of the last reported sales price of the common stock of the company for twenty consecutive trading days commencing 22 trading days before the date in question) at the date of the grant for 1.5% of the total outstanding shares on February 11, 2002 and 0.5% of the total outstanding shares on April 30, 2002. If an event of default occurs during the period from the effective amendment date to December 31, 2002, and has been continuing for more than 30 days, the lenders will receive warrants to purchase an additional 1% of the total outstanding shares at an exercise price equal to the fair market value (as defined above) at the date of grant. If all amounts outstanding under the credit agreement are repaid in full on or before March 31, 2003, all warrants received by the lenders, other than the warrants received on February 11, 2002 and April 30, 2002, shall be returned to the Company. The warrants will not be tradable separate from the related debt until the later of December 31, 2002 or nine months after the issuance of the warrants being transferred. After the debt under the credit agreement has been paid in full, the Company may repurchase the warrants or warrant shares at a price that values the warrant shares at three times the exercise price.

The Company also paid amendment fees of $1.5 million comprised of $0.7 million representing 0.5% of the lender's commitments under the revolving credit facilities and term loans outstanding at February 11, 2002 and other amendment related fees of $0.8 million. The Company may be required to pay default fees if it violates certain

covenants after the effective date of the February 2002 amendment. The amendment fees and the fair value of the warrants in connection with amending the agreement have been accounted for as deferred financing fees.

In March 2002, we and our lenders executed an amendment to our credit facility to waive the default that would have been caused by placing the subsidiary that operates the Cork, Ireland facility in voluntary liquidation. We paid $0.1 million in amendment fees in connection with such amendment.

In connection with the April 30, 2002 amendment, we paid approximately $0.1 million in amendment fees.

Our management believes that cash generated from operations, available cash and amounts available under our senior credit facility will be adequate to meet our debt service requirements, capital expenditures and working capital needs at our current level of operations and organic growth, although no assurance can be given in this regard, particularly with respect to amounts available under our credit facility, as discussed above. There can be no assurance that our business will generate sufficient cash flow from operations or that future borrowings will be available to enable us to service our indebtedness. Our future operating performance and ability to service or refinance indebtedness will be subject to future economic conditions and to financial, business and other factors, certain of which are beyond our control.

Recently Issued Accounting Standards

In July 2001, the FASB issued Statement No. 141, "Business Combinations" ("Statement 141"), and Statement No. 142, "Goodwill and Other Intangible Assets" ("Statement 142"). Statement 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, as well as all purchase method business combinations completed after June 30, 2001. Statement 141 also specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement 121. Upon adoption of Statements 141 and 142 in their entirety on January 1, 2002, the Company determined that there are no intangible assets relating to previous acquisitions that need to be reclassified and accounted for apart from goodwill under the provisions of those Statements.

In connection with the transitional goodwill impairment evaluation, Statement 142 requires the Company to perform an assessment of whether there is an indication that goodwill is impaired as of January 1, 2002. To accomplish this, the Company must identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill to those reporting units as of January 1, 2002. The Company has until June 30, 2002 to determine the fair value of each reporting unit and compare it to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company must perform the second step of the transitional impairment test. In the second step, the Company must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with Statement 141, to its carrying amount, both of which would be measured as of January 1, 2002. This second step is required to be completed as soon as possible, but no later than December 31, 2002. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in the Company's statements of operations.

Because of the extensive effort needed to comply with adopting Statement 142, the Company has not estimated the impact of this Statement on its financial statements, beyond discontinuing goodwill amortization and assessing the classification of intangibles. The change to a methodology that assesses fair value by reporting unit could result in an impairment charge.

Effective January 1, 2002, the Company had unamortized goodwill of $55.6 million, which is no longer being amortized. This change in accounting policy is not applied retroactively and the amounts presented for prior periods have not been restated for this change. The impact of this change is as follows:

<TABLE>
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<S> <C> <C>

	Three months ended	
(in millions, except per share amounts)	March 31, 2002	April 1, 2001
Net loss	$ (12.7)	$ (20.0)
Add back goodwill amortization, net of tax	-	1.7
Net loss before goodwill amortization	(12.7)	(18.3)
Basic and diluted loss per share:		
Net loss	$ (0.44)	$ (0.71)
Net loss before goodwill amortization	$ (0.44)	$ (0.65)

</TABLE>

In October 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("Statement 144"), which supersedes both Statement 121 and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" ("Opinion 30"), for the disposal of a segment of a business (as previously defined in that Opinion). Statement 144 retains the fundamental provisions in Statement 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale. Statement 144 retains the basic provisions of Opinion 30 on how to present discontinued operations in the income statement but broadens that presentation to include a component of an entity (rather than a segment of a business). The Company adopted Statement 144 for the quarter ending March 31, 2002 and presented the closure of its Cork facility and the related charges as discontinued operations.

In August 2001, the FASB issued Statement No. 143 "Accounting for Asset Retirement Obligations" which requires that the fair value of an asset retirement obligation be recorded as a liability, at fair value, in the period in which the Company incurs the obligation. The Statement is effective for fiscal 2003 and the Company expects no material effect as a result of this Statement.

FORWARD-LOOKING STATEMENTS

A number of the matters and subject areas discussed in this Form 10-Q are forward-looking in nature. The discussion of such matters and subject areas is qualified by the inherent risks and uncertainties surrounding future expectations generally; these expectations may differ materially from SMTC's actual future experience involving any one or more of such matters and subject areas. SMTC cautions readers that all statements other than statements of historical facts included in this quarterly Form 10-Q regarding SMTC's financial position and business strategy may constitute forward-looking statements. All of these forward-looking statements are based upon estimates and assumptions made by SMTC's management, which although believed to be reasonable, are inherently uncertain. Therefore, undue reliance should not be placed on such estimates and statements. No assurance can be given that any of such estimates or statements will be realized, and it is likely that actual results will differ materially from those contemplated by such forward-looking statements. Factors that may cause such differences include: (1) increased competition; (2) increased costs; (3) the inability to implement our business plan and maintain covenant compliance under our credit agreement; (4) the loss or retirement of key members of management; (5) increases in SMTC's cost of borrowings or lack of availability of additional debt or equity capital on terms considered reasonable by management; (6) adverse state, federal or foreign legislation or regulation or adverse determinations by regulators; (7) changes in general economic conditions in the markets in which SMTC may compete and fluctuations in demand in the electronics industry; (8) the inability to manage inventory levels efficiently in light of changes in market conditions; and (9) the inability to sustain historical margins as the industry develops. SMTC has attempted to identify certain of the factors that it currently believes may cause actual future experiences to differ from SMTC's current expectations regarding the relevant matter or subject area. In addition to the items specifically discussed in

the foregoing, SMTC's business and results of operations are subject to the risks and uncertainties described under the heading "Factors That May Affect Future Results" below. The operations and results of SMTC's business may also be subject to the effect of other risks and uncertainties. Such risks and uncertainties include, but are not limited to, items described from time to time in SMTC's reports filed with the Securities and Exchange Commission.

FACTORS THAT MAY AFFECT FUTURE RESULTS

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

We are exposed to general economic conditions, which could have a material adverse impact on our business, operating results and financial condition.

As a result of recent unfavorable economic conditions and reduced capital spending, our sales have declined from 2001 to 2002. In particular, sales to OEMs in the telecommunications and networking industries worldwide were impacted during the second half of 2001. If economic conditions worsen, we may experience a material adverse impact on our business, operating results and financial condition.

A majority of our revenue comes from a small number of customers; if we lose any of our largest customers, our revenue could decline significantly.

Our two largest customers during the first quarter of 2002 were IBM and Alcatel, which represented approximately 26.2% and 14.2%, respectively, of our total revenue for that period. Our top ten largest customers (including IBM and Alcatel) collectively represented approximately 76% of our total revenue during the first quarter of 2002. We expect to continue to depend upon a relatively small number of customers for a significant percentage of our revenue. In addition to having a limited number of customers, we manufacture a limited number of products for each of our customers. If we lose any of our largest customers or any product line manufactured for one of our largest customers, we could experience a significant reduction in our revenue. Also, the insolvency of one or more of our largest customers or the inability of one or more of our largest customers to pay for its orders could decrease revenue. As many of our costs and operating expenses are relatively fixed, a reduction in net revenue can decrease our profit margins and adversely affect our business, financial condition and results of operations.

Our industry is very competitive and we may not be successful if we fail to compete effectively.

The electronics manufacturing services (EMS) industry is highly competitive. We compete against numerous domestic and foreign EMS providers including Celestica Inc., Flextronics International Ltd., Jabil Circuit, Inc., SCI Systems, Inc. and Solectron Corporation. In addition, we may in the future encounter competition from other large electronics manufacturers that are selling, or may begin to sell, electronics manufacturing services. Many of our competitors have international operations, and some may have substantially greater manufacturing, financial research and development and marketing resources and lower cost structures than we do. We also face competition from the manufacturing operations of current and potential customers, which are continually evaluating the merits of manufacturing products internally versus the advantages of using external manufacturers.

We may experience variability in our operating results, which could negatively impact the price of our shares.

Our annual and quarterly results have fluctuated in the past. The reasons for these fluctuations may similarly affect us in the future. Historically, our calendar fourth quarter revenue has been highest and our calendar first quarter revenue has been lowest. Prospective investors should not rely on results of operations in any past period to indicate what our results will be for any future period. Our operating results may fluctuate in the future as a result of many factors, including:

- variations in the timing and volume of customer orders relative to our manufacturing capacity;

- variations in the timing of shipments of products to customers;

- introduction and market acceptance of our customers' new products;

- changes in demand for our customers' existing products;

- the accuracy of our customers' forecasts of future production requirements;

- effectiveness in managing our manufacturing processes and inventory levels;

- changes in competitive and economic conditions generally or in our customers' markets;

- changes in the cost or availability of components or skilled labor; and

- the timing of, and the price we pay for, acquisitions and related integration costs.

In addition, most of our customers typically do not commit to firm production schedules more than 30 to 90 days in advance. Accordingly, we cannot forecast the level of customer orders with certainty. This makes it difficult to schedule production and maximize utilization of our manufacturing capacity. In the past, we have been required to increase staffing, purchase materials and incur other expenses to meet the anticipated demand of our customers. Sometimes anticipated orders from certain customers have failed to materialize, and sometimes delivery schedules have been deferred as a result of changes in a customer's business needs. Any material delay, cancellation or reduction of orders from our largest customers could cause our revenue to decline significantly. In addition, as many of our costs and operating expenses are relatively fixed, a reduction in customer demand can decrease our gross margins and adversely affect our business, financial condition and results of operations. On other occasions, customers have required rapid and unexpected increases in production, which have placed burdens on our manufacturing capacity.

Any of these factors or a combination of these factors could have a material adverse effect on our business, financial condition and results of operations.

We are dependent upon the electronics industry, which produces technologically advanced products with short life cycles.

Substantially all of our customers are in the electronics industry, which is characterized by intense competition, short product life-cycles and significant fluctuations in product demand. In addition, the electronics industry is generally subject to rapid technological change and product obsolescence. If our customers are unable to create products that keep pace with the changing technological environment, their products could become obsolete and the demand for our services could significantly decline. Our success is largely dependent on the success achieved by our customers in developing and marketing their products. Furthermore, this industry is subject to economic cycles and has in the past experienced downturns. A continued recession or a downturn in the electronics industry would likely have a material adverse effect on our business, financial condition and results of operations.

Shortage or price fluctuation in component parts specified by our customers could delay product shipment and affect our profitability.

A substantial portion of our revenue is derived from "turnkey" manufacturing. In turnkey manufacturing, we provide both the materials and the manufacturing services. If we fail to manage our inventory effectively, we may bear the risk of fluctuations in materials costs, scrap and excess inventory,

all of which can have a material adverse effect on our business, financial condition and results of operations. We are required to forecast our future inventory needs based upon the anticipated demands of our customers. Inaccuracies in making these forecasts or estimates could result in a shortage or an excess of materials. In addition, delays, cancellations or reductions of orders by our customers could result in an excess of materials. A shortage of materials could lengthen production schedules and

increase costs. An excess of materials may increase the costs of maintaining inventory and may increase the risk of inventory obsolescence, both of which may increase expenses and decrease profit margins and operating income.

Many of the products we manufacture require one or more components that we order from sole-source suppliers. Supply shortages for a particular component can delay productions of all products using that component or cause cost increases in the services we provide. In addition, in the past, some of the materials we use, such as memory and logic devices, have been subject to industry-wide shortages. As a result, suppliers have been forced to allocate available quantities among their customers and we have not been able to obtain all of the materials desired. Our inability to obtain these needed materials could slow production or assembly, delay shipments to our customers, increase costs and reduce operating income. Also, we may bear the risk of periodic component price increases. Accordingly, some component price increases could increase costs and reduce operating income. Also we rely on a variety of common carriers for materials transportation, and we route materials through various world ports. A work stoppage, strike or shutdown of a major port or airport could result in manufacturing and shipping delays or expediting charges, which could have a material adverse effect on our business, financial condition and results of operations.

We have experienced significant growth and significant retrenchment in a short period of time.

Since 1995, we have completed seven acquisitions. Acquisitions may involve numerous risks, including difficulty in integrating operations, technologies, systems, and products and services of acquired companies; diversion of management's attention and disruption of operations; increased expenses and working capital requirements; entering markets in which we have limited or no prior experience and where competitors in such markets have stronger market positions; and the potential loss of key employees and customers of acquired companies. In addition, acquisitions may involve financial risks, such as the potential liabilities of the acquired businesses, the dilutive effect of the issuance of additional equity securities, the incurrence of additional debt, the financial impact of transaction expenses and the amortization of goodwill and other intangible assets involved in any transactions that are accounted for using the purchase method of accounting, and possible adverse tax and accounting effects.

In 2001 we implemented a restructuring plan that called for significant retrenchment. We closed our Denver and Haverhill facilities and resized operations in Mexico and Ireland in an effort to reduce our cost structure. In February, 2002 the main customer of our Cork, Ireland facility was placed into administration as part of a financial restructuring. As a result, on March 19, 2002, we announced that we were closing our Cork, Ireland facility and that we were taking steps to place the subsidiary that operates that facility in voluntary administration. Retrenchment has caused, and is expected to continue to cause, strain on our infrastructure, including our managerial, technical and other resources. We may experience inefficiencies as we integrate operations from closed facilities to currently operating facilities and may experience delays in meeting the needs of transferred customers. In addition, we are reducing the geographic dispersion of our operations which may make it harder for us to compete and may cause us to lose customers. The loss of customers could have a material adverse effect on our business, financial condition and results of operations.

We have a limited history of owning and operating our acquired businesses on a consolidated basis. There can be no assurance that we will be able to meet performance expectations or successfully integrate our acquired businesses on a timely basis without disrupting the quality and reliability of service to our customers or diverting management resources. Our rapid growth and subsequent retrenchment has placed and will continue to place a significant

strain on management, on our financial resources, and on our information, operating and financial systems. If we are unable to manage effectively, it may have a material adverse effect on our business, financial condition and results of operations.

If we are unable to respond to rapidly changing technology and process development, we may not be able to compete effectively.

The market for our products and services is characterized by rapidly changing technology and continuing process development. The future success of our business will depend in large part upon our ability to maintain and enhance our technological capabilities, to develop and market products and services that meet changing customer

needs, and to successfully anticipate or respond to technological changes on a cost-effective and timely basis. In addition, the EMS industry could in the future encounter competition from new or revised technologies that render existing technology less competitive or obsolete or that reduce the demand for our services. There can be no assurance that we will effectively respond to the technological requirements of the changing market. To the extent we determine that new technologies and equipment are required to remain competitive, the development, acquisition and implementation of such technologies and equipment may require us to make significant capital investments. There can be no assurance that capital will be available for these purposes in the future or that investments in new technologies will result in commercially viable technological processes.

Our business will suffer if we are unable to attract and retain key personnel and skilled employees.

We depend on the services of our key senior executives, including Paul Walker, Philip Woodard, Gary Walker and Derrick D'Andrade. Our business also depends on our ability to continue to recruit, train and retain skilled employees, particularly executive management, engineering and sales personnel. Recruiting personnel in our industry is highly competitive. In addition, our ability to successfully implement our business plan depends in part on our ability to retain key management and existing employees. There can be no assurance that we will be able to retain our executive officers and key personnel or attract qualified management in the future. In connection with our restructuring, we significantly reduced our workforce. If we receive a significant volume of new orders, we may have difficulty recruiting skilled workers back into our workforce to respond to such orders and accordingly may experience delays that could adversely effect our ability to meet customers' delivery schedules.

Risks particular to our international operations could adversely affect our overall results.

Our success will depend, among other things, on successful expansion into new foreign markets in order to offer our customers lower cost production options. Entry into new foreign markets may require considerable management time as well as start-up expenses for market development, hiring and establishing office facilities before any significant revenue is generated. As a result, operations in a new foreign market may operate at low profit margins or may be unprofitable.

Revenue generated outside of the United States and Canada was approximately 11.3% in 2001. International operations are subject to inherent risks, including:

- fluctuations in the value of currencies and high levels of inflation;

- longer payment cycles and greater difficulty in collecting amounts receivable;

- unexpected changes in and the burdens and costs of compliance with a variety of foreign laws;

- political and economic instability;

- increases in duties and taxation;

- inability to utilize net operating losses incurred by our foreign operations to reduce our U.S. and Canadian income taxes;

- imposition of restrictions on currency conversion or the transfer of funds;

- trade restrictions; and

- dependence on key customers.

We are subject to a variety of environmental laws, which expose us to potential financial liability.

Our operations are regulated under a number of federal, state, provincial, local and foreign environmental and safety laws and regulations, which 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. Compliance with these environmental laws is a major consideration for us because we use metals and other hazardous materials in our manufacturing processes. We may be liable under environmental laws for the cost of cleaning up properties we own or operate if they are or become contaminated by the release of hazardous materials, regardless of whether we caused such release. In addition we, along with any other person who arranges for the disposal of our wastes, may be liable for costs associated with an investigation and remediation of 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. In the event of a contamination or violation of environmental laws, we could be held liable for damages including fines, penalties and the costs of remedial actions and could also be subject to revocation of our discharge permits. Any such revocations could require us to cease or limit production at one or more of our facilities, thereby having a material adverse effect on our operations. Environmental laws could also become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with any violation, which could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATED TO OUR CAPITAL STRUCTURE

Our indebtedness could adversely affect our financial health and severely limit our ability to plan for or respond to changes in our business.

At March 31, 2002, we had $112.5 million of indebtedness under our senior credit facility. This debt could have adverse consequences for our business, including:

- We will be more vulnerable to adverse general economic conditions;

- We will be required to dedicate a substantial portion of our cash flow from operations to repayment of debt, limiting the availability of cash for other purposes;

- We may have difficulty obtaining financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;

- We may have limited flexibility in planning for, or reacting to, changes in our business and industry;

- We could be limited by financial and other restrictive covenants in our credit arrangements in our borrowing of additional funds; and

- We may fail to comply with the covenants under which we borrowed our indebtedness which could result in an event of

default. If an event of default occurs and is not cured or waived, it could result in all amounts outstanding, together with accrued interest, becoming immediately due and payable. If we were unable to repay such amounts, the lenders could proceed against any collateral granted to them to secure that indebtedness.

There can be no assurance that our leverage and such restrictions will not materially adversely affect our ability to finance our future operations or capital needs or to engage in other business activities. In addition, our ability to pay principal and interest on our indebtedness to meet our financial and restrictive covenants and to satisfy our other debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, certain of which are beyond our control, as well as the availability of revolving credit borrowings under our senior credit facility or successor facilities.

The terms of our credit agreement impose significant restrictions on our ability to operate.

The terms of our current credit agreement restrict, among other things, our ability to incur additional indebtedness, complete acquisitions, pay dividends or make certain other restricted payments, consummate certain asset sales, enter into certain transactions with affiliates, merge, consolidate or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our assets. We are also required to maintain specified financial ratios and satisfy certain monthly and quarterly financial condition tests, which further restrict our ability to operate as we choose. As at September 30, 2001, we were in violation of financial covenants contained in our credit agreement. Such violation was waived and the credit agreement was amended to provide financial covenants consistent with our current revenues and our forecast for 2002. As a result of our non-compliance, customers may lose confidence in us and reduce or eliminate their orders with us, which may have a material adverse effect on our business, financial condition and results of operations.

Substantially all of our assets and those of our subsidiaries are pledged as security under our senior credit facility.

Investment funds affiliated with Bain Capital, LLC, investment funds affiliated with Celerity Partners, Inc., Kilmer Electronics Group Limited and certain members of management have significant influence over our business, and could delay, deter or prevent a change of control or other business combination.

Investment funds affiliated with Bain Capital, LLC, investment funds affiliated with Celerity Partners, Inc., Kilmer Electronics Group Limited and certain members of management held approximately 13.4%, 12.1%, 7.1% and 16.7%, respectively, of our outstanding shares as of March 15, 2002. In addition, two of the nine directors who serve on our board are representatives of the Bain funds, two are representatives of the Celerity funds, one is a representative of Kilmer Electronics Group Limited and two are members of management. By virtue of such stock ownership and board representation, the Bain funds, the Celerity funds, Kilmer Electronics Group Limited and certain members of management have a significant influence over all matters submitted to our stockholders, including the election of our directors, and exercise significant control over our business policies and affairs. Such concentration of voting power could have the effect of delaying, deterring or preventing a change of control or other business combination that might otherwise be beneficial to our stockholders.

Provisions in our charter documents and state law may make it harder for others to obtain control of us even though some stockholders might consider such a development favorable.

Provisions in our charter, by-laws and certain provisions under Delaware law may have the effect of delaying or preventing a change of control or changes in our management that stockholders consider favorable or beneficial. If a change of control or change in management is delayed or prevented, the

market price of our shares could suffer.

Item 3: Quantitative and Qualitative Disclosure about Market Risk

Interest Rate Risk

Our senior credit facility bears interest at a floating rate. The weighted average interest rate on our senior credit facility for the quarter ended March 31, 2002 was 7.2%. Our debt of $112.5 million bore interest at 7.3% on March 31, 2002 based on the U.S. base rate. If the U.S. base rate increased by 10% our interest rate would have risen to 7.7% and our interest expense would have increased by approximately $0.1 million for the first quarter of 2002.

Foreign Currency Exchange Risk

Most of our sales and purchases 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.

PART II OTHER INFORMATION

ITEM 5. OTHER INFORMATION

The Company announced in a press release on March 28, 2002 that the Board of Directors had appointed Khalil Barsoum to the Board to fill the vacancy created by the resignation of Anthony Sigel from the Board.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) List of Exhibits: None.

(b) Reports on Form 8-K: None.

SIGNATURES

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

SMTC CORPORATION

By: /s/ Paul Walker

Name: Paul Walker
Title: President and CEO

By: /s/ Frank Burke

Name: Frank Burke
Title: Chief Financial Officer

Date: May 15, 2002