FORMFACTOR INC
Form 10-K/A
November 30, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K/A

Amendment No. 2

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 27, 2003

or

o **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: 000-50307

FormFactor, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-3711155**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

7005 Southfront Road, Livermore, California 94551

(Address of principal executive offices, including zip code)

(925) 290-4000

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

The aggregate market value of the registrant s common stock, par value $0.001 per share, held by non-affiliates of the registrant as of December 27, 2003, based on the closing sales price of the registrant s common stock on June 27, 2003, the last business day of the registrant s most recently completed second fiscal quarter, as reported by the Nasdaq National Market, was $355,194,087. Shares of the registrant s common stock held by each officer and director and each person who owns 5% or more of the outstanding common stock of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of the registrant s common stock, par value $0.001 per share, outstanding as of March 19, 2004 was 37,442,515 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive Proxy Statement for the 2004 Annual Meeting of Stockholders, which was filed within 120 days of the end of the fiscal year ended December 27, 2003, are incorporated by reference in the Form 10-K of the Registrant. Except with respect to information specifically incorporated by reference in the Form 10-K, the Proxy Statement is not deemed to be filed as a part of the Form 10-K of the Registrant.

EXPLANATORY NOTE

FormFactor is filing this Amendment No. 2 to its Annual Report on Form 10-K for the year ended December 27, 2003 to amend and restate its Form 10-K filed with the Securities and Exchange Commission on March 22, 2004, as amended by Amendment No. 1 to Form 10-K filed with the Securities and Exchange Commission on July 20, 2004. This Amendment No. 2 presents net income (loss) available to common stockholders and restates FormFactor s calculation of basic and diluted net income (loss) available to common stockholders per share for all fiscal periods preceding or including FormFactor s June 2003 initial public offering.

This restatement does not affect FormFactor s reported net income, or its balance sheet or cash flow statements for any period.

FormFactor did not previously reflect the impact of cumulative dividend rights and participating dividend rights of its redeemable convertible preferred stock in its calculation of net income (loss) available to common stockholders or in its calculation for either basic or diluted net income (loss) available to common stockholders per share, and has adjusted its calculations according to SFAS No. 128 Earnings Per Share and EITF Topic No. D-95, Effect of Participating Convertible Securities on the Computation of Basic Earnings per Share .

The adjustment relates to cumulative dividend rights of FormFactor s redeemable convertible, preferred stock Series B G and participating dividend rights of FormFactor s redeemable convertible preferred stock Series A G which were issued in years prior to FormFactor s initial public offering in June 2003. Such dividend rights impact the calculation of net income (loss) available to common stockholders and of basic and diluted net income (loss) available to common stockholders per share regardless of whether a dividend was declared or paid. The contractual cumulative dividend rights and the participating dividend rights need to be considered in the calculation of basic net income (loss) available to common stockholders per share. For the calculation of diluted net income (loss) available to common stockholders per share, the convertible securities are included using the if-converted method to the extent the effect is dilutive.

Please see Note 14 to the Notes to Consolidated Financial Statements contained in this Amendment No. 2 for further information regarding the revisions to FormFactor s financial results.

This Amendment No. 2 amends and restates the following items of the Registrant s Form 10-K: (i) Part II, Item 6 Selected Financial Data, (ii) Part II, Item 8 Consolidated Financial Statements and Supplementary Data, (iii) Part II, Item 9A Controls and Procedures and (iv) Part IV, Item 15 Exhibits, Financial Statement Schedules and Reports on Form 8-K.

All information in FormFactor s Annual Report on Form 10-K for the fiscal year ended December 27, 2003, as amended by Amendment No. 1 and this Amendment No. 2, speaks as of the date of the original filing of FormFactor s Form 10-K for such period and does not reflect any subsequent information or events, except as expressly noted in Amendment No. 1 and this Amendment No. 2 and except for Exhibits 23.01, 31.01, 31.02, and 32.01. References to Amendment No. 2, Amendment No. 1, Annual Report and Form 10-K in this Amendment No. 2 refer to FormFactor s Annual Report on Form 10-K for the fiscal year ended December 27, 2003, as amended.

All information contained in this Amendment No. 2 is subject to updating and supplementing as provided in FormFactor s reports, as amended, filed with the Securities and Exchange Commission subsequent to the date of the initial filing of Form Factor s Annual Report on Form 10-K for the fiscal year ended December 27, 2003.

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Form 10-K for the Fiscal Year Ended December 27, 2003

FormFactor, the FormFactor logo and its product and technology names, including MicroSpring, MicroForce, MicroLign, MOST and TRE, are trademarks or registered trademarks of FormFactor in the United States and other countries. All other trademarks, trade names or service marks appearing in this Annual Report on Form 10-K are the property of their respective owners.

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PART II

Item 6: ***Selected Financial Data***

The following selected consolidated financial data are derived from FormFactor s consolidated financial statements. This data should be read in conjunction with FormFactor s consolidated financial statements and the related notes included herein, and Item 7: Management s Discussion and Analysis of Financial Condition and Results of Operations included in Amendment No. 1 to Form 10-K filed July 20, 2004. The following selected consolidated financial data for the fiscal years ended December 27, 2003, December 28, 2002 and December 29, 2001 has been previously restated to reflect adjustments related to the amortization schedule of deferred stock-based compensation recorded in connection with its June 2003 initial public offering and to reflect a portion of its stock based compensation amortization in cost of revenues, as described in Amendment No. 1 to Form 10-K/A filed on July 20, 2004. All fiscal years have been restated herein to reflect adjustments related to the calculation of basic and diluted net income (loss) available to common stockholders per share and to revise the pro forma net income (loss) per share calculation and disclosure under SFAS No. 123, Accounting for Stock-based Compensation, to reflect changes to the net income available to common stockholders and to correct the amounts presented for stock-based compensation adjustments, as described in Note 14 of the Notes to Consolidated Financial Statements included in this Amendment No. 2 to Form 10-K.

	Fiscal Year Ended				
	Dec. 25, 1999	Dec. 30, 2000	Dec. 29, 2001	Dec. 28, 2002	Dec. 27, 2003
	As restated	As restated	As restated	As restated	As restated
	(In thousands, except per share data)				
Consolidated Statement of Operations Data:					
Revenues	$ 35,722	$ 56,406	$ 73,433	$ 78,684	$ 98,302
Cost of revenues	20,420	28,243	38,385	39,456	49,929
Stock-based compensation			73	426	612
Gross margin	15,302	28,163	34,975	38,802	47,761
Operating expenses					
Research and development	9,466	11,995	14,619	14,592	15,569
Selling, general and administrative	11,020	15,434	18,500	17,005	19,044
Stock-based compensation	341	259	601	2,039	2,550
Restructuring charges			1,380		
Total operating expenses	20,827	27,688	35,100	33,636	37,163
Operating income (loss)	(5,525)	475	(125)	5,166	10,598
Interest and other income (expense), net	(119)	1,719	477	642	1,566
Income (loss) before income taxes	(5,644)	2,194	352	5,808	12,164
Benefit (provision) for income taxes		(115)	(307)	3,558	(4,649)
Net income (loss)	(5,644)	2,079	45	9,366	7,515
Preferred stock dividend	(2,779)	(3,988)	(4,830)	(5,272)	(2,340)
Amount allocated to participating preferred stockholders				(3,479)	(10)
Net income (loss) available to common stockholders	$ (8,423)	$ (1,909)	$ (4,785)	$ 615	$ 5,165
Net income (loss) available to common stockholders per share:					
Basic	$ (3.28)	$ (0.57)	$ (1.19)	$ 0.14	$ 0.25
Diluted	$ (3.28)	$ (0.57)	$ (1.19)	$ 0.10	$ 0.19

Weighted-average number of shares used in per share calculation:					
Basic	2,571	3,370	4,032	4,413	21,012
Diluted	2,571	3,370	4,032	5,906	29,280
Consolidated Balance Sheet Data:					
Cash, cash equivalents, restricted cash and marketable securities	$ 19,248	$ 16,897	$ 27,576	$ 37,178	$181,820
Working capital	17,694	23,391	31,074	40,641	190,844
Total assets	38,332	47,499	62,264	77,955	237,165
Long-term debt, less current portion	2,183	521	1,167	625	
Redeemable convertible preferred stock and warrants	47,913	55,129	65,201	65,201	
Deferred stock-based compensation, net	(184)	(184)	(4,051)	(10,782)	(7,902)
Total stockholders equity (deficit)	(21,286)	(18,586)	(17,582)	(4,604)	215,014

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Item 8: ***Consolidated Financial Statements and Supplementary Data***
Consolidated Financial Statements

The consolidated financial statements of FormFactor required by this item are included in the section entitled Consolidated Financial Statements of this Annual Report on Form 10-K/A. See Item 15(a)(1) for a list of FormFactor s consolidated financial statements. The consolidated financial statements and related notes, including the selected quarterly financial data below, of FormFactor have been previously restated to reflect the adjustments related to the amortization schedule of deferred stock-based compensation recorded in connection with its June 2003 initial public offering and to reflect a portion of its stock-based compensation amortization in cost of revenues, as described in Amendment No. 1 to Form 10-K filed on July 20, 2004. The consolidated financial statements and related notes have been restated herein to reflect adjustments related to the calculation of basic and diluted net income (loss) available to common stockholders per share and to revise the pro forma net income (loss) per share calculation and disclosure under SFAS No. 123 Accounting for Stock-based Compensation to reflect changes to the net income available to common stockholders and to correct the amounts presented for stock-based compensation adjustments, as described in Note 14 of the Notes to Consolidated Financial Statements. Other than revisions to reflect such adjustments, the consolidated financial statements and related notes do not reflect any information or events subsequent to December 27, 2003.

Selected Quarterly Financial Data

The following selected quarterly financial data should be read in conjunction with FormFactor s consolidated financial statements included herein and the related notes and Item 7: Management s Discussion and Analysis of Financial Condition and Results of Operations included in Form 10-K/A Amendment No. 1 to Form 10-K filed July 20, 2004. The as reported amounts reflect the restatement as presented in Amendment No. 1 to Form 10-K. This information has been derived from unaudited consolidated financial statements of FormFactor that, in the Company s opinion, reflect all recurring adjustments necessary to fairly present this information when read in conjunction with FormFactor s consolidated financial statements and the related notes appearing in the section entitled Consolidated Financial Statements. The results of operations for any quarter are not necessarily indicative of the results to be expected for any future period.

	Mar. 31, 2001		June 30, 2001		Sept. 29, 2001		Dec. 29, 2001	
	As reported	As restated	As reported	As restated	As reported	As restated	As reported	As restated
	(In thousands, except per share data)							
Revenues	$19,849	$19,849	$21,507	$21,507	$16,021	$16,021	$16,056	$16,056
Cost of revenues	10,410	10,410	11,269	11,269	8,477	8,477	8,229	8,229
Stock-based compensation	2	2	13	13	23	23	35	35
Gross margin	9,437	9,437	10,225	10,225	7,521	7,521	7,792	7,792
Operating expenses:								
Research and development	4,073	4,073	4,323	4,323	3,054	3,054	3,169	3,169
Selling, general and administrative	4,730	4,730	5,230	5,230	4,344	4,344	4,196	4,196
Stock-based compensation*	61	61	92	92	161	161	287	287
Restructuring charges					1,380	1,380		

Total operating expenses	8,864	8,864	9,645	9,645	8,939	8,939	7,652	7,652
Operating income (loss)	573	573	580	580	(1,418)	(1,418)	140	140
Interest and other income, net	(74)	(74)	94	94	229	229	228	228
Income (loss) before income taxes	499	499	674	674	(1,189)	(1,189)	368	368
Benefit (provision) for income taxes	(435)	(435)	(588)	(588)	1,037	1,037	(321)	(321)
Net income (loss)	64	64	86	86	(152)	(152)	47	47
Preferred stock dividend		(1,114)		(1,114)		(1,285)		(1,317)
Net income (loss) available to common stockholders	$ 64	$ (1,050)	$ 86	$ (1,028)	$ (152)	$ (1,437)	$ 47	$ (1,270)
Net income (loss) available to common stockholders per share:								
Basic	$ 0.02	$ (0.28)	$ 0.02	$ (0.26)	$ (0.04)	$ (0.35)	$ 0.01	$ (0.30)
Diluted	$ 0.00	$ (0.28)	$ 0.00	$ (0.26)	$ (0.04)	$ (0.35)	$ 0.00	$ (0.30)
Weighted-average number of shares used in per share calculations:								
Basic	3,790	3,799	3,941	3,963	4,137	4,139	4,248	4,227
Diluted	27,915	3,799	28,423	3,963	4,137	4,139	29,033	4,227

	Mar. 30, 2002		**June 29, 2002**		**Sept. 28, 2002**		**Dec. 28, 2002**	
	As reported	**As restated**	**As reported**	**As restated**	**As reported**	**As restated**	**As reported**	**As restated**
	(In thousands, except per share data)							
Revenues	$17,288	$17,288	$18,510	$18,510	$20,729	$20,729	$22,157	$22,157
Cost of revenues	8,859	8,859	9,422	9,422	10,259	10,259	10,916	10,916
Stock-based compensation	58	58	102	102	139	139	127	127

Gross margin	8,371	8,371	8,986	8,986	10,331	10,331	11,114	11,114
Operating expenses:								
Research and development	3,249	3,249	3,579	3,579	3,828	3,828	3,936	3,936
Selling, general and administrative	3,992	3,992	4,172	4,172	4,265	4,265	4,576	4,576
Stock-based compensation*	258	258	546	546	613	613	622	622
Restructuring charges								
Total operating expenses	7,499	7,499	8,297	8,297	8,706	8,706	9,134	9,134
Operating income	872	872	689	689	1,625	1,625	1,980	1,980
Interest and other income, net	155	155	164	164	85	85	238	238
Income before income taxes	1,027	1,027	853	853	1,710	1,710	2,218	2,218
Benefit (provision) for income taxes	(332)	(332)	(485)	(485)	5,338	5,338	(963)	(963)
Net income	695	695	368	368	7,048	7,048	1,255	1,255
Preferred stock dividend		(1,318)		(1,318)		(1,318)		(1,318)
Amount allocated to participating preferred stockholders						(4,810)		
Net income (loss) available to common stockholders	$ 695	$ (623)	$ 368	$ (950)	$ 7,048	$ 920	$ 1,255	$ (63)
Net income (loss) available to common stockholders per share:								
Basic	$ 0.16	$ (0.14)	$ 0.08	$ (0.22)	$ 1.57	$ 0.21	$ 0.28	$ (0.01)
Diluted	$ 0.02	$ (0.14)	$ 0.01	$ (0.22)	$ 0.24	$ 0.17	$ 0.04	$ (0.01)
Weighted-average number of shares used in per share calculations:								
Basic	4,391	4,343	4,438	4,409	4,478	4,461	4,529	4,482
Diluted	29,847	4,343	29,599	4,409	29,671	5,273	29,090	4,482

	Mar. 29, 2003		June 28, 2003		Sept. 27, 2003		Dec. 27, 2003	
	As reported	As restated	As reported	As restated	As reported	As restated	As reported	As restated
	(In thousands, except per share data)							
Revenues	$18,669	$18,669	$22,094	$22,094	$26,076	$26,076	$31,463	$31,463
Cost of revenues	9,800	9,800	11,469	11,469	13,213	13,213	15,447	15,447
Stock-based compensation	138	138	150	150	163	163	161	161
Gross margin	8,731	8,731	10,475	10,475	12,700	12,700	15,855	15,855
Operating expenses:								
Research and development	3,525	3,525	3,831	3,831	3,966	3,966	4,247	4,247
Selling, general and administrative	4,013	4,013	4,478	4,478	4,980	4,980	5,573	5,573
Stock-based compensation	636	636	623	623	638	638	653	653
Restructuring charges								
Total operating expenses	8,174	8,174	8,932	8,932	9,584	9,584	10,473	10,473
Operating income	557	557	1,543	1,543	3,116	3,116	5,382	5,382
Interest and other income, net	129	129	131	131	520	520	786	786
Income before income taxes	686	686	1,674	1,674	3,636	3,636	6,168	6,168
Provision for income taxes	(263)	(263)	(642)	(642)	(1,395)	(1,395)	(2,349)	(2,349)
Net income	423	423	1,032	1,032	2,241	2,241	3,819	3,819
Preferred stock dividend		(1,318)		(1,022)				
Amount allocated to participating preferred stockholders				(10)				
Net income (loss) available to common stockholders	$ 423	$ (895)	$ 1,032	$	$ 2,241	$ 2,241	$ 3,819	$ 3,819

Net income (loss) available to common stockholders per share:								
Basic	$ 0.09	$ (0.20)	$ 0.09	$ 0.00	$ 0.07	$ 0.07	$ 0.11	$ 0.11
Diluted	$ 0.01	$ (0.20)	$ 0.03	$ 0.00	$ 0.06	$ 0.06	$ 0.10	$ 0.10
Weighted-average number of shares used in per share calculations:								
Basic	4,539	4,504	10,894	10,858	34,117	34,082	35,617	35,582
Diluted	29,070	4,504	31,358	10,858	38,044	37,090	39,608	38,789

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Item 9A. Controls and Procedures

Disclosure Control and Procedures

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, FormFactor s management, including its Chief Executive Officer and its Chief Financial Officer, conducted an evaluation as of the end of the period covered by this Annual Report on Form 10-K, of the effectiveness of FormFactor s disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer initially concluded that as of December 27, 2003, FormFactor s disclosure controls and procedures were effective in ensuring that information required to be disclosed in the reports that FormFactor files or submits under the Securities Exchange Act of 1934 are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms.

In the light of two restatements of previously issued financial statements, as described below, FormFactor s management, including its Chief Executive Officer, its Chief Financial Officer and its newly appointed President, as well as its Audit Committee, have concluded that a material weakness in internal control over financial reporting exists. Because of the importance of internal control over financial reporting to the effectiveness of a company s disclosure controls and procedures, FormFactor s management has concluded that its disclosure controls and procedures are not currently effective. To address the deficiency, FormFactor has taken and expects to take the steps described below.

Internal Control over Financial Reporting

Pursuant to the Public Company Accounting Oversight Board s Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements*, effective June 17, 2004, a restatement is by definition a significant deficiency in a company s internal control over financial reporting and is a strong indicator that a material weakness in internal control over financial reporting exists. Amendment No. 1 to FormFactor s Annual Report on Form 10-K restated its financial results for fiscal years 2001, 2002 and 2003 to reflect a change in the amortization schedule of deferred stock-based compensation recorded in connection with its June 2003 initial public offering and to reflect a portion of its stock-based compensation amortization in cost of revenues. This Amendment No. 2 to FormFactor s Annual Report on Form 10-K presents net income (loss) available to common stockholders and restates its basic and diluted net income (loss) available to common stockholders per share for fiscal years 1999 through 2003 and its pro forma net income (loss) calculation and the related per share amount disclosures under SFAS No. 123 Accounting for Stock-based Compensation , but does not affect FormFactor s reported net income, or its balance sheet or cash flow statements for any period.

Under applicable rules, management may not conclude that a company s internal control over financial reporting is effective if a material weakness exists. Given the nature of the two restatements, FormFactor believes that the material weakness relates to insufficient personnel resources and technical accounting expertise within its accounting function. FormFactor believes that it has already taken substantial steps toward remediation of this material weakness and is taking additional steps to cure the weakness. Prior to discovering the error giving rise to the second restatement, FormFactor had hired an internal audit director, a new tax director and an additional accounting manager. Since the promotion of Mr. Jens Meyerhoff from Chief Financial Officer to Chief Operating Officer in April of 2004, FormFactor has actively sought and continues to seek to hire a new Chief Financial Officer and to hire additional personnel in its accounting department in a challenging job market for such skills. FormFactor believes that these steps should adequately address the identified material weakness in control over financial reporting.

Section 404 Assessment

Section 404 of the Sarbanes-Oxley Act requires management s annual review and evaluation of our internal controls, and an attestation of the effectiveness of these controls by our independent registered public accountants beginning with our Form 10-K for the fiscal year ending on December 25, 2004. We are dedicating significant resources, including management time and effort, and incurring substantial costs in connection with our ongoing Section 404 assessment. We are currently documenting and testing our internal controls and considering whether any improvements are necessary for maintaining an effective control environment at our company. The evaluation of our internal controls is being conducted under the direction of our senior management in consultation with independent third party consulting firms. In addition, our management is regularly discussing the results of our testing and any proposed improvements to our control environment with our Audit Committee. We expect to assess our controls and procedures on a regular basis. We will continue to work to improve our controls and procedures, and to educate and train our employees on our existing controls and procedures in connection with our efforts to maintain an effective controls infrastructure at our company. Despite the mobilization of significant resources for our Section 404 assessment, we, however, cannot provide any assurance that we will timely complete the evaluation of our internal controls or that, even if we do complete the evaluation of our internal controls, we do so in time to permit our independent registered public accountants to test our controls and timely complete their attestation procedures of our controls in a manner that will allow us to comply with applicable SEC rules and regulations by the filing deadline for our Form 10-K for fiscal year 2004.

Limitations on Effectiveness of Controls

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. The design of any control system is based, in part, upon the benefits of the control system relative to its costs. Control systems can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. In addition, over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

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PART IV

Item 15: ***Exhibits, Financial Statement Schedules, and Reports on Form 8-K***

(a) The following documents are filed as part of this Annual Report on Form 10-K/A:

(1) Consolidated Financial Statements:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets
Consolidated Statements of Income
Consolidated Statements of Stockholders Equity (Deficit)
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

(2) Financial Statement Schedule:

Report of Independent Registered Public Accounting Firm
Schedule II Valuation and Qualifying Accounts

(3) Exhibits:

The exhibits listed in the accompanying Index to Exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K.

(b) Reports on Form 8-K

Date of Report	Item(s)	Description
10/16/03	7, 12	FormFactor announced earnings for the quarter ended September 27, 2003.
10/16/03	5, 7	FormFactor announced its intention to file a Form S-1 Registration Statement with the SEC for a proposed public follow-on offering.
10/20/03	5, 7	FormFactor announced the filing of a Form S-1 Registration Statement with the SEC for a proposed public follow-on offering.
11/04/03	5, 7	FormFactor announced the pricing of its public follow-on offering.

(c) Exhibits: The following exhibits are filed as part of this Annual Report on Form 10-K:

Exhibit Number	Exhibit Description
10.11(1)(3)	Key Management Bonus Plan (2004)
10.12(1)(3)	Sales Incentive Plan (first half 2004)
10.35(3)	Letter Agreement by and between Infineon Technologies Aktiengesellschaft and FormFactor dated December 10, 2003
10.45(1)(3)	Probe Card Purchase Agreement by and between Elpida Memory, Inc. and FormFactor dated April 1, 2002 and Agreement by and between Elpida Memory, Inc. and FormFactor dated August 18, 2003
23.01	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm
24.01(3)	Powers of Attorney
31.01	Certification of Chief Executive Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.02	

	Certification of Chief Financial Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.01(2)	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Confidential treatment has been requested for portions of this exhibit. These portions have been omitted from this Form 10-K and have been filed separately with the Securities and Exchange Commission.

(2) This exhibit shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

(3) Filed with initial filing of the Form 10-K on March 22, 2004

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Livermore, State of California, on the 30th day of November 2004.

FORMFACTOR, INC.

By: /s/ JENS MEYERHOFF

Jens Meyerhoff
Chief Operating Officer and
and Chief Financial Officer

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CONSOLIDATED FINANCIAL STATEMENTS

As required under Item 8: Consolidated Financial Statements and Supplementary Data, the consolidated financial statements of FormFactor are provided in this section as follows:

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of FormFactor, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of stockholders equity (deficit) and of cash flows present fairly, in all material respects, the financial position of FormFactor, Inc. (the Company) and its subsidiaries at December 28, 2002 and December 27, 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 27, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 14 to the accompanying consolidated financial statements, the Company has restated its consolidated financial statements for the fiscal years 2001, 2002 and 2003.

PricewaterhouseCoopers LLP

San Jose, California
March 17, 2004, except for Note 14,
as to which the date is November 29, 2004.

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FORMFACTOR, INC.

CONSOLIDATED BALANCE SHEETS

	December 28, 2002	December 27, 2003
	As restated	As restated
	(In thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 26,786	$ 116,305
Marketable securities	7,557	62,965
Accounts receivable, net of allowance for doubtful accounts of $253 in 2002 and $103 in 2003	11,986	19,698
Inventories, net	4,230	8,025
Deferred tax assets	2,680	2,825
Prepaid expenses and other current assets	3,463	2,744
Total current assets	56,702	212,562
Restricted cash	2,835	2,550
Property and equipment, net	16,538	20,495
Deferred tax assets	1,396	1,202
Other assets	484	356
Total assets	$ 77,955	$ 237,165
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS EQUITY (DEFICIT)		
Current liabilities:		
Bank line of credit	$ 375	$
Notes payable, current portion	500	
Accounts payable	6,712	10,579
Accrued liabilities	7,681	10,134
Deferred revenue and customer advances	793	1,005
Total current liabilities	16,061	21,718
Notes payable, less current portion	625	
Deferred revenue and customer advances	672	433
Total liabilities	17,358	22,151
Commitments and contingencies (Note 6)		
Redeemable convertible preferred stock, $0.001 par value:		
Authorized: 23,126,983 shares for 2002 and none in 2003		
Issued and outstanding: 23,002,626 shares in 2002 and none in 2003 (Liquidation preferences: $66,263 at December 28, 2002 and none at December 27, 2003)	64,895	
Redeemable convertible preferred stock warrants	306	
	65,201	
Stockholders equity (deficit):		
Preferred stock, $0.001 par value:		
Authorized: 10,000,000 shares		
Issued and outstanding: none in 2002 and 2003		

Common stock, $0.001 par value:		
Authorized: 250,000,000 shares		
Issued and outstanding: 4,680,118 shares in 2002 and 36,808,906 shares in 2003	5	37
Additional paid-in capital	20,183	226,592
Notes receivable from stockholders	(3,447)	(661)
Deferred stock-based compensation, net	(10,782)	(7,902)
Accumulated other comprehensive loss		(4)
Accumulated deficit	(10,563)	(3,048)
Total stockholders equity (deficit)	(4,604)	215,014
Total liabilities, redeemable convertible preferred stock and stockholders equity (deficit)	$ 77,955	$237,165

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

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FORMFACTOR, INC.

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended		
	December 29, 2001	**December 28, 2002**	**December 27, 2003**
	As restated	**As restated**	**As restated**
		(In thousands, except per share data)	
Revenues	$73,433	$78,684	$98,302
Cost of revenues	38,385	39,456	49,929
Stock-based compensation	73	426	612
Gross margin	34,975	38,802	47,761
Operating expenses:			
Research and development(1)	14,619	14,592	15,569
Selling, general and administrative(1)	18,500	17,005	19,044
Stock-based compensation	601	2,039	2,550
Restructuring charges	1,380		
Total operating expenses	35,100	33,636	37,163
Operating income	(125)	5,166	10,598
Interest income	989	808	1,041
Interest expense	(170)	(79)	(38)
Other income (expense), net	(342)	(87)	563
	477	642	1,566
Income before income taxes	352	5,808	12,164
Benefit (provision) for income taxes	(307)	3,558	(4,649)
Net income	45	9,366	7,515
Preferred stock dividend	(4,830)	(5,272)	(2,340)
Amount allocated to participating preferred stockholders		(3,479)	(10)
Net income (loss) available to common stockholders	$ (4,785)	$ 615	$ 5,165
Net income (loss) available to common stockholders per share:			
Basic	$ (1.19)	$ 0.14	$ 0.25
Diluted	$ (1.19)	$ 0.10	$ 0.19
Weighted-average number of shares used in per share calculations:			
Basic	4,032	4,413	21,012
Diluted	4,032	5,906	29,280

(1) Amounts exclude stock-based compensation, as follows:

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

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FORMFACTOR, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)

For the Years Ended December 29, 2001,
December 28, 2002 and December 27, 2003

	Common Stock		Additional Paid-in Capital	Notes Receivable from Stockholders	Deferred Stock-based Compensation	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount						
				(In thousands, except share data)				
Balances, December 30, 2000	4,458,287	$ 4	$ 5,529	$ (3,961)	$ (184)	$	$ (19,974)	$ (18,586)
Issuance of common stock pursuant to exercise of options for cash and notes receivable	168,229	1	340	(43)				298
Issuance of common stock for services provided	2,462		15					15
Repurchase of common stock for cash and in connection with cancellation of notes receivable from stockholders	(50,528)		(214)	186				(28)
Deferred stock-based compensation			4,541		(4,541)			
Recognition of stock-based compensation					674			674
Net income							45	45
Balances, December 29, 2001, as restated	4,578,450	5	10,211	(3,818)	(4,051)		(19,929)	(17,582)
Repayment of notes receivable from stockholders				26				26
Issuance of common stock pursuant to exercise of options for cash	223,113		1,070					1,070
Issuance of common stock for services provided	7,538		57					57
Repurchase of common stock for cash and in connection with cancellation of notes receivable from stockholders	(128,983)		(351)	345				(6)
Deferred stock-based compensation, net of cancellations			9,196		(9,196)			
Recognition of stock-based compensation					2,465			2,465
Net income							9,366	9,366
Balances, December 28, 2002, as restated	4,680,118	5	20,183	(3,447)	(10,782)		(10,563)	(4,604)
Repurchase of common stock	(100,000)		(200)					(200)
Issuance of common stock in connection with initial public offering and follow-on offering, net of issuance costs	8,755,171	9	137,826					137,835
Conversion of redeemable convertible preferred stock into common stock upon initial public offering	23,002,626	23	64,872					64,895
Conversion of redeemable convertible preferred stock warrants into common stock warrants			306					306

Issuance of common stock pursuant to net exercise of common stock warrants	45,338							
Repayment of notes receivable from stockholders				2,786				2,786
Issuance of common stock pursuant to exercise of options for cash	425,653		1,655					1,655
Tax benefit from exercise of common stock options			1,668					1,668
Deferred stock-based compensation, net of cancellations			282		(282)			
Recognition of deferred stock-based compensation					3,162			3,162
Components of other comprehensive income:								
Change in unrealized gain on marketable securities, net of tax						47		47
Translation adjustments						(51)		(51)
Net income							7,515	7,515
Comprehensive income								7,511
Balances, December 27, 2003, as restated	36,808,906	$ 37	$ 226,592	$ (661)	$ (7,902)	$ (4)	$ (3,048)	$ 215,014

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

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FORMFACTOR, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended		
	December 29, 2001	December 28, 2002	December 27, 2003
	As restated	As restated (In thousands)	As restated
Cash flows from operating activities:			
Net income	$ 45	$ 9,366	$ 7,515
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,745	5,392	5,147
Stock-based compensation expense	674	2,465	3,162
Common stock issued for services provided	15	57	
Deferred tax assets		(4,076)	49
Tax benefits from employee stock option plans			1,668
Interest income from stockholders notes receivable	(257)	(238)	(160)
Provision for doubtful accounts	(166)	(161)	(150)
Provision for excess and obsolete inventories	969	(1,157)	1,959
Loss on disposal of property and equipment	194	322	10
Non-cash restructuring expenses	277		
Changes in assets and liabilities:			
Accounts receivable	501	38	(7,547)
Inventories	(522)	(683)	(5,755)
Prepaids and other current assets	(268)	(1,412)	918
Accounts payable	1,246	1,163	3,842
Accrued liabilities	2,307	1,832	2,342
Deferred revenues	501	(55)	(28)
Net cash provided by operating activities	10,261	12,853	12,972
Cash flows from investing activities:			
Acquisition of property and equipment	(9,356)	(4,177)	(9,080)
Purchase of marketable securities	(17,865)	(23,136)	(153,641)
Proceeds from maturities of marketable securities	15,817	22,590	98,280
Restricted cash		(2,835)	285
Other assets	(203)	63	83
Net cash used in investing activities	(11,607)	(7,495)	(64,073)
Cash flows from financing activities:			
Proceeds from issuance of redeemable convertible preferred stock, net	10,072		
Proceeds from issuance of common stock, net	298	1,070	139,490
Repayment of notes receivable from stockholders		26	2,786
Repurchase of common stock	(28)	(6)	(200)
Proceeds from issuance of notes payable	2,000		
Proceeds from issuance of bank line of credit		375	1,000
Repayment of notes payable	(2,365)	(602)	(1,125)
Repayment of bank line of credit			(1,375)
Net cash provided by financing activities	9,977	863	140,576

Effect of exchange rate changes on cash and cash Equivalents			44
Net increase in cash and cash equivalents	8,631	6,221	89,519
Cash and cash equivalents, beginning of year	11,934	20,565	26,786
Cash and cash equivalents, end of year	$ 20,565	$ 26,786	$ 116,305
Non-cash financing activities:			
Common stock issued for notes receivable	$ 43	$	$
Repurchase of common stock in connection with cancellation of notes receivable from stockholders	$ 186	$ 345	$ 200
Conversion of redeemable convertible preferred stock and warrants to common stock	$	$	$ 65,201
Deferred stock-based compensation	$ 4,541	$ 9,196	$ 282
Supplemental disclosure of cash flow information:			
Interest paid	$ 170	$ 79	$ 38
Income taxes paid	$ 271	$ 179	$ 2,573

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

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FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Formation and Business of the Company:

FormFactor, Inc. (the Company) was incorporated on April 15, 1993 to design, develop, manufacture, sell and support precision, high performance advanced semiconductor wafer probe cards. The Company is based in Livermore, California, home to its corporate offices, research and development, and manufacturing locations. The Company has offices in California, Japan, Hungary, Germany and South Korea.

The accompanying financials have been restated from those previously issued (see Note 14).

Initial Public Offering

The Securities and Exchange Commission declared the Company s first registration statement, which the Company filed on Form S-1 (Registration No. 333-86738) under the Securities Act of 1933 in connection with the initial public offering of its common stock, effective on June 11, 2003. Under this registration statement, the Company registered 6,900,000 shares of its common stock, including 900,000 shares subject to the underwriter s over-allotment option, with an aggregate public offering price of $96,600,000. The Company registered 6,505,305 of these shares on its behalf and 394,695 of these shares on behalf of certain stockholders of the Company, including a director and certain officers of the Company.

In June 2003 the Company completed its initial public offering in which it sold 5,605,305 shares of the Company s common stock that it registered on its behalf and 394,695 shares on behalf of the selling stockholders. The shares were sold for the aggregate public offering price of $84,000,000. The underwriters exercised their over-allotment option to purchase 900,000 shares on June 20, 2003 and in connection with the option s exercise, the Company sold 900,000 shares for the aggregate public offering price of $12,600,000. The sale of shares of common stock by the Company, including the sale of 900,000 shares pursuant to the exercise of the over-allotment option by the underwriters, resulted in aggregate gross proceeds of approximately $91,100,000, approximately $6,400,000 of which the Company applied to underwriting discounts and commissions and approximately $2,700,000 of which the Company applied to related costs. As a result, the Company received approximately $82,000,000 of the offering proceeds.

The sale of shares of common stock by the selling stockholders resulted in aggregate gross proceeds of approximately $5,500,000, approximately $2,700,000 of which the selling stockholders paid to the Company to repay loans from the Company and approximately $387,000 of which the selling stockholders applied to underwriting discounts and commissions. As result, the selling stockholders received approximately $2,400,000 of the offering proceeds.

Follow-On Public Offering

The Securities and Exchange Commission declared the Company s follow-on registration statement, which the Company filed on Form S-1 (Registration No. 333-109815) under the Securities Act of 1933 in connection with the follow-on public offering of its common stock, effective on November 4, 2003. Under this registration statement, the Company and certain stockholders of the Company offered 5,750,000 shares of the Company s common stock, including 750,000 shares subject to the underwriters over-allotment option, with an aggregate public offering price of $149,500,000. The Company registered 2,249,866 of these shares, including 750,000 shares subject to the underwriters over-allotment option, on its behalf and 3,500,134 of these shares on behalf of certain stockholders of the Company, including certain officers of the Company and an officer who is also a director of the Company.

On November 10, 2003, the Company completed its follow-on offering in which it sold 2,249,866 shares of its common stock and the selling stockholders sold 3,500,134 shares of the Company s common stock. The sale of shares of common stock by the Company, including the sale of 750,000 shares pursuant to the exercise of the over-allotment option by the underwriters, resulted in aggregate gross proceeds of approximately $58,500,000, approximately $2,600,000 of which the Company applied to underwriting discounts and commissions. As a result, the Company received approximately $55,900,000 of the offering proceeds.

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FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The sale of shares of common stock by the selling stockholders resulted in aggregate gross proceeds of approximately $91,000,000, of which $4,100,000 was applied to underwriting discounts and commissions. As a result, the selling stockholders received approximately $86,900,000 of the offering proceeds.

Note 2 Summary of Significant Accounting Policies:

Basis of Consolidation and Foreign Currency Translation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany balances and transactions have been eliminated.

Transaction gains and losses resulting from the process of remeasuring into the United States of America dollar the foreign currency financial statements of the Company s wholly owned subsidiaries, for which the United States of America dollar is the functional currency, are included in operations. For the Company s international subsidiaries which use their local currency as their functional currency, assets and liabilities are translated at exchange rates in effect at the balance sheet date and revenue and expense accounts at average exchange rates during the period. Resulting translation adjustments are recorded directly to accumulated other comprehensive income.

Use of Estimates

In accordance with accounting principles generally accepted in the United States of America, management utilizes certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The primary estimates underlying the Company s financial statements include allowance for doubtful accounts receivable, reserves for product warranty, reserves for obsolete and slow moving inventory, income taxes and accrual for other liabilities. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original or remaining maturities of three months or less, at the date of purchase, to be cash equivalents. Cash and cash equivalents include money market and various deposit accounts.

Marketable Securities

The Company has classified its marketable securities as available-for-sale. All marketable securities represent the investment of funds available for current operations, notwithstanding their contractual maturities. Such marketable securities are recorded at fair value and unrealized gains and losses are recorded as a separate component of stockholders equity (deficit) until realized. Realized gains and losses on sale of all such securities are reported in earnings, computed using the specific identification cost method. Both realized and unrealized gains have not been significant to date.

Restricted Cash

Under the terms of one of its facility leases, the Company provides security to the landlord in the form of six letters of credit totaling $2,830,000 (see Note 5). In July 2002, the letters of credit were secured by a certificate of deposit of $2,835,000, which was classified as restricted cash as of December 28, 2002. In June 2003, the letters of credit were secured by a deposit in a money market account of $2,550,000, which has been classified as restricted cash as of December 27, 2003.

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FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Inventories

Inventories are stated at the lower of cost (principally standard cost which approximates actual cost on a first-in, first-out basis) or market value. Reserves for potentially excess and obsolete inventory are made based on management s analysis of inventory levels and future sales forecasts.

The Company designs, manufactures and sells a fully custom product into a market that has been subject to cyclicality and significant demand fluctuations. Probe cards are complex products, custom to a specific chip design and have to be delivered on lead-times shorter than most manufacturers cycle times. It is therefore common to start production and to acquire production materials ahead of the receipt of an actual purchase order. Probe cards are manufactured in low volumes, therefore, material purchases are often subject to minimum purchase order quantities in excess of the actual demand. These factors make inventory valuation adjustments part of the normally occurring cost of revenue. The aggregate inventory valuation adjustments equal the additions to the inventory reserves and were $4,504,000, $1,279,000 and $3,687,000 for the years ended December 29, 2001, December 28, 2002, and for December 27, 2003, respectively. The Company retains the excess inventory until the customer s design is discontinued. The inventory may be used to satisfy customer warranty demand. When the customer s design is discontinued, the Company disposes of any excess inventory. The Company wrote-off inventories of $3,535,000 in fiscal year 2001 and $2,436,000 in fiscal year 2002 but did not write-off any inventories in fiscal year 2003.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided on a straight-line method over the estimated useful lives of the assets, generally two to five years. Leasehold improvements are amortized over their estimated useful lives or the term of the related lease, whichever is less. Upon sale or retirement of assets, the cost and related accumulated depreciation or amortization are removed from the balance sheet and the resulting gain or loss is reflected in operations.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

The Company accounts for impairment of long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets . SFAS No. 144 establishes a uniform accounting model for long-lived assets to be disposed of. SFAS No. 144 also requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Warranty Accrual

The Company offers warranties on certain products and records a liability for the estimated future costs associated with warranty claims, which is based upon historical experience and the Company s estimate of the level of future costs. Warranty costs are reflected in the income statement as a cost of revenues. A reconciliation of the changes in the Company s warranty liability for the year ending December 28, 2002 and December 27, 2003 follows (in thousands):

Warranty accrual at December 29, 2001	$ 430
Reserve for warranties issued during the year	1,688
Settlements made during the year	(1,439)
Warranty accrual at December 28, 2002	679
Reserve for warranties issued during the year	722
Settlements made during the year	(955)
Warranty accrual at December 27, 2003	$ 446

Management believes that the accrual balance at December 27, 2003 is adequate to cover estimated future costs associated with warranty claims.

Concentration of Credit Risk and Other Risks and Uncertainties

The Company maintains its cash, cash equivalents and marketable securities in accounts with three major financial institutions in the United States of America and in countries where subsidiaries operate. Deposits in these banks may exceed the amounts of insurance provided on such deposits. The Company has not experienced any losses on its deposits of cash and cash equivalents.

Carrying amounts of certain of the Company s financial instruments including cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their short maturities. Based on borrowing rates currently available to the Company for loans with similar terms, the carrying value of notes payable and the bank line of credit at December 28, 2002 approximate fair value. Estimated fair values for marketable securities, which are separately disclosed elsewhere, are based on quoted market prices for the same or similar instruments.

The Company markets and sells its products to a narrow base of customers and generally does not require collateral. In fiscal year 2001, four customers accounted for approximately 26%, 20%, 16% and 12% of revenues. In fiscal year 2002, three customers accounted for approximately 27%, 21% and 20% of revenues. In fiscal 2003, four customers accounted for approximately 30%, 13%, 12% and 10% of revenues. At December 28, 2002, three customers accounted for approximately 26%, 25% and 19% of accounts receivable. At December 27, 2003, three customers accounted for approximately 38%, 10% and 10% of accounts receivable.

The Company operates in the intensely competitive semiconductor industry, primarily dynamic random access memory, or DRAM, which has been characterized by price erosion, rapid technological change, short product life, cyclical market patterns and heightened foreign and domestic competition. Significant technological changes in the industry could affect operating results adversely.

Certain components that meet the Company s requirements are available only from a limited number of suppliers. The rapid rate of technological change and the necessity of developing and manufacturing products with short lifecycles may intensify these risks. The inability to obtain components as required, or to develop alternative sources, if and as required in the future, could result in delays or reductions in product shipments,

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FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

which in turn could have a material adverse effect on the Company s business, financial condition, and results of operations.

Revenue Recognition

The Company recognizes revenue upon shipment where there is a contract or purchase order, the fee is fixed or determinable and where collectibility of the resulting receivable is reasonably assured. Revenues from product sales to customers other than distributors are recognized upon shipment and reserves are provided for estimated returns and allowances. Although the Company s distributor has no price protection rights or rights to return product, other than for warranty claims, the Company defers recognition of revenue from its distributor until the distributor confirms an order from its customer, given the lack of visibility into the distributor s inventory levels. Revenues from the licensing of the Company s design and manufacturing technology are recognized over the term of the license agreement or when the significant contractual obligations have been fulfilled.

Research and Development

Research and development costs are charged to operations as incurred.

Advertising Costs

Advertising costs, included in sales and marketing expenses, are expensed as incurred. Advertising expenses in fiscal years 2001, 2002 and 2003 were approximately $328,000, $114,000 and $210,000 respectively.

Income Taxes

The Company accounts for income taxes under the provisions of SFAS No. 109, Accounting for Income Taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Segments

The Company operates in one segment for the design, development, manufacture, sale and support of precision, high performance advanced semiconductor wafer probe cards, using one measurement of profitability to manage its business.

Stock-based Compensation

The Company uses the intrinsic value method of Accounting Principles Board Opinion No. 25 (APB No. 25), Accounting for Stock Issued to Employees, in accounting for its employee stock options, and presents disclosure of pro forma information required under SFAS No. 123 (SFAS No. 123), Accounting for Stock-Based Compensation.

Had compensation cost for the Company s stock option grants to employees been determined based on the fair values of the stock option at the date of grant consistent with the provisions of SFAS No. 123, the Company s net income and net income (loss) available to common

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

stockholders per share would have been changed to the pro-forma amounts as follows (in thousands, except per share data):

	Years Ended		
	December 29, 2001	December 28, 2002	December 27, 2003
	As restated	As restated	As restated
Reported net income (see Note 14)	$ 45	$ 9,366	$ 7,515
Add: Stock-based employee compensation expense included in reported net income available to common stockholders, net of tax	331	1,910	2,440
Deduct: Total stock-based employee compensation expense determined under the minimum and fair value based methods for all awards, net of tax	(1,181)	(3,615)	(7,375)
Pro forma net income (loss)	$ (805)	$ 7,661	$ 2,580
Net income (loss) available to common stockholders per share			
Basic:			
As reported	$ (1.19)	$ 0.14	$ 0.25
Pro forma	$ (1.40)	$ 0.08	$ 0.01
Diluted:			
As reported	$ (1.19)	$ 0.10	$ 0.19
Pro forma	$ (1.40)	$ 0.06	$ 0.01

The Company has adopted the disclosure only provisions of SFAS No. 123. Prior to the Company s initial public offering, the Company calculated the fair value of each option on the date of grant using the minimum value method as prescribed by SFAS No. 123. Therefore, the pro forma net income and pro forma net income per share may not be representative for future periods. The assumptions used in computing minimum value and fair value are as follows:

	Stock Options Years Ended			ESPP Year Ended
	December 29, 2001	December 28, 2002	December 27, 2003	December 27, 2003
		As restated		
Risk-free interest rate	4.58%	4.48%	3.00%	0.89%
Expected life (in years)	5	5	5	0.5
Dividend yield				
Expected volatility		67%	67%	67%

The weighted-average per share grant date fair value of options granted during the years ended December 29, 2001, December 28, 2002 and December 27, 2003 was $3.59, $7.77 and $8.76, respectively. The weighted average estimated fair value of purchase rights granted under the

2002 Employee Stock Purchase Plan was $6.39 per share for fiscal 2003.

The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force (EITF) Issue No. 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services which require that such equity instruments are recorded at their fair value on the measurement date. The measurement of stock-based compensation is subject to periodic adjustment as the underlying equity instruments vest.

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FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net Income (Loss) Per Share

Basic net income (loss) available to common stockholders per share is computed by dividing the net income (loss) available to common stockholders by the weighted-average number of common shares outstanding for the period. The net income (loss) available to common stockholders is calculated by deducting the cumulative preferred stock dividends, if any, and dividends allocable to participating preferred stockholders, if any, from net income (loss) to determine the net income (loss) available to common stockholders.

Diluted net income (loss) available to common stockholders per share is computed giving effect to all potential dilutive common stock, including options, warrants and common stock subject to repurchase using the treasury stock method and all convertible securities using the if-converted method to the extent the effect is dilutive.

A reconciliation of the numerator and denominator used in the calculation of basic and diluted net income (loss) available to common stockholders per share follows (in thousands):

	Years Ended		
	December 29, 2001	**December 28, 2002**	**December 27, 2003**
	As restated	**As restated**	**As restated**
Basic net income (loss) per share (see Note 14)			
Numerator:			
Net income (loss) available to common stockholders	$(4,785)	$ 615	$ 5,165
Denominator:			
Weighted-average common stock outstanding	4,519	4,638	21,180
Less: Weighted-average shares subject to repurchase	(487)	(225)	(168)
Weighted-average shares used in computing basic net income (loss) per share	4,032	4,413	21,012
Diluted net income (loss) per share			
Numerator:			
Net income (loss) available to common stockholders	$(4,785)	$ 615	$ 5,165
Add preferred dividends for each Series considered dilutive			310
Net income (loss) available to common stockholders	$(4,785)	$ 615	$ 5,475
Denominator:			
Weighted-average shares used in computing basic net income (loss) per share	4,032	4,413	21,012
Add stock options, warrants and common stock subject to repurchase		1,493	2,422
Add convertible preferred shares for each Series considered dilutive			5,846
Weighted-average shares used in computing diluted net income (loss) per share	4,032	5,906	29,280

The following outstanding options, warrants and convertible preferred stock were excluded from the computation of diluted net income (loss) per share as they had an antidilutive effect (in thousands):

	December 29, 2001	December 28, 2002	December 27, 2003
	As restated	**As restated**	**As restated**
Options to purchase common stock	4,162	1,439	1,122
Warrants	133	46	
Convertible preferred stock	22,995	22,999	17,156

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Comprehensive Income (Loss)

Comprehensive income (loss) includes foreign currency translation adjustments and unrealized gains (losses) on available-for-sale securities, the impact of which has been excluded from net income and reflected as components of equity. The component of comprehensive income (loss) is reported on the Company s consolidated statements of stockholders equity (deficit).

Recent Accounting Pronouncements

In December 2003, the Financial Accounting Standards Board (FASB) issued a revised FASB Interpretation No. 46 (FIN 46R), Consolidation of Variable Interest Entities, an interpretation of ARB No. 51. The FASB published the revision to clarify and amend some of the original provisions of FIN 46, which was issued in January 2003, and to exempt certain entities from its requirements. A variable interest entity (VIE) refers to an entity subject to consolidation according to the provisions of this Interpretation. FIN 46R applies to entities whose equity investment at risk is insufficient to finance that entity s activities without receiving additional subordinated financial support provided by any parties, including equity holders, or where the equity investors (if any) do not have a controlling financial interest. FIN 46R provides that if an entity is the primary beneficiary of a VIE, the assets, liabilities, and results of operations of the VIE should be consolidated in the entity s financial statements. In addition, FIN 46R requires that both the primary beneficiary and all other enterprises with a significant variable interest in a VIE provide additional disclosures. The provisions of FIN 46R are effective for the Company s fiscal 2004 first quarter. The Company does not expect the adoption of FIN 46R to have a material impact on the Company s financial position or results of operations.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 Balance Sheet Components:

Marketable securities at December 27, 2003 consisted of the following (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Corporate bonds and notes	$17,137	$ 5	$ (4)	$17,138
Municipal bonds	29,782	9	(12)	29,779
U.S. government agencies	16,000	48		16,048
Total	$62,919	$ 62	$(16)	$62,965

Marketable securities at December 28, 2002 consisted of the following (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Corporate bonds and notes	$1,510	$ 2	$	$1,512
Foreign Debt Securities	1,503	1		1,504
Municipal bonds	1,043			1,043
U.S. government agencies	3,494	4		3,498
Total	$7,550	$ 7	$	$7,557

Contractual maturities of marketable securities as of December 27, 2003 were as follows (in thousands):

	Cost	Market Value
Due in one year or less	$14,148	$14,139
Due after one through three years	48,771	48,826
	$62,919	$62,965

For fiscal 2001 and 2002 gross realized gains on sales or maturities of marketable securities were not material. For fiscal 2003, the Company did not incur any gains or losses on sales or maturities of marketable securities.

Inventories, net of reserves, consisted of the following (in thousands):

	December 28,	December 27,

	2002	2003
Raw materials	$1,520	$3,128
Work-in-progress	2,319	4,628
Finished goods	391	269
	$4,230	$8,025

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FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property and equipment consisted of the following (in thousands):

	December 28, 2002	December 27, 2003
Machinery and equipment	$ 19,265	$ 24,768
Computer equipment and software	6,046	6,866
Furniture and fixtures	682	632
Leasehold improvements	3,047	3,127
Construction-in-progress	5,046	7,770
	34,086	43,163
Less: Accumulated depreciation and amortization	(17,548)	(22,668)
	$ 16,538	$ 20,495

Depreciation and amortization of property and equipment for the years ended December 29, 2001, December 28, 2002 and December 27, 2003 was approximately $4,433,000, $5,315,000 and $5,086,000, respectively.

Accrued liabilities consisted of the following (in thousands):

	December 28, 2002	December 27, 2003
	As restated	As restated
Accrued compensation and benefits	$4,746	$ 6,949
Accrued commissions	402	387
Other accrued expenses	2,533	2,798
	$7,681	$10,134

Note 4 Restructuring Charges and Expenses:

During fiscal 2001, the Company recorded a restructuring charge of approximately $1,400,000. The Company implemented the restructuring plan to better align the infrastructure with the market conditions in the semiconductor industry and to further focus the Company on the wafer probe card business. The restructuring charge consisted of $880,000 for headcount reductions covering 14 employees in research and development, 23 employees in operations and 17 employees in selling, general and administrative. The majority of the affected employees were based in Livermore, California. Further, the Company recorded $223,000 for the consolidation of excess facilities and $277,000 for asset write-offs, primarily for property and equipment. The consolidation of excess facilities included the closure of certain corporate facilities that had been vacated. The charge of $223,000 primarily related to lease termination and noncancelable lease costs. Property and equipment that was disposed of resulted in a charge of $277,000 and primarily consisted of leasehold improvements for the excess facilities. As of December 28, 2002, the restructuring plan had been fully executed and there were no remaining payments to be made in respect of the restructuring.

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FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Information related to the restructuring plan follows (in thousands):

	Workforce Reductions	Lease Contractual Commitments	Facilities	Total
Restructuring provisions at August 16, 2001	$ 880	$ 223	$ 277	$ 1,380
Utilized:				
Non-cash			(277)	(277)
Cash	(615)	(47)		(662)
Restructuring liability at December 29, 2001	265	176		441
Utilized:				
Cash	(265)	(176)		(441)
Restructuring liability at December 28, 2002	$	$	$	$

Note 5 Notes Payable and Bank Line of Credit:

In March 2001, the Company entered into a financing agreement with Comerica Bank which provided for total borrowings up to $16,000,000. The terms of the agreement provide for a revolving line of credit, up to the commitment amount of $12,000,000 for working capital requirements and the issuance of letters of credit, an equipment line of credit, which provided for borrowings up to $2,000,000, and a term loan of $2,000,000, to be used only to consolidate and refund other existing long-term debt. The Company executed the term loan of $2,000,000, and as of December 28, 2002, had an outstanding balance of $1,125,000. In March 2002, the Company drew down $375,000 against the equipment line of credit. Borrowings under the equipment line of credit accrued interest at an annual rate of 4.25%. As of December 28, 2002, the Company had an outstanding balance of $375,000 under the equipment line of credit, which has been classified as a current liability. In addition, six letters of credit totaling $2,830,000 have been issued to the lessor of the Company s facilities. All borrowings under the financing agreements are collateralized by all of the Company s assets.

In February 2003, the Company amended and restated its loan and security agreement with Comerica Bank. The loan and security agreement provided a revolving line of credit to allow for a maximum commitment amount of up to $16,000,000. In April 2003, the Company borrowed $1,000,000 under the revolving line of credit to pay down the outstanding amounts under the expiring equipment line of credit and term loan under the Company s prior agreement with Comerica Bank. The Company repaid the outstanding amounts under the line of credit in September 2003 and the restated loan and security agreement with Comerica Bank was terminated in December 2003.

Note 6 Commitments and Contingencies:

Environmental Matters

The Company is subject to U.S. federal and state and foreign governmental laws and regulations relating to the protection of the environment. Management believes that the Company complies with all material environmental laws and regulations that apply to the Company. In May 2003, the Company received a Notice of Violation from the Bay Area Air Quality Management District, or BAAQMD, regarding its record keeping relating to its usage of wipe cleaning solvent. The Company introduced corrective action to prevent any continued or recurrent record keeping violation, and the Company resolved the Notice of Violation with a monetary payment that was not significant. In connection with an inspection conducted in August 2003 of the Company s facilities, the Company received in December 2003 an Inspection Report from the Department of Toxic Substances Control, or DTSC. The DTSC report reflects certain violations that had not been previously addressed by the Company in correspondence with the DTSC. The Company promptly took appropriate steps to address all of the violations

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FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

noted, believes that all such violations were addressed, and sent correspondence to the DTSC confirming such corrective steps. At the present time it is not clear whether any monetary penalty will be imposed by the DTSC for the violations, and if so, the relative significance of the penalty. In January 2004, the Company received a Notice of Violation from the BAAQMD for Failure to Meet Permit Condition during a routine inspection of the Company s facilities conducted by an Inspector with the Compliance & Enforcement Division of the BAAQMD. The January BAAQMD Notice reflects that the Company recently exceeded permissible usage limits on its solvent bench operations. The limit was exceeded only recently, in November 2003. The Company has identified appropriate corrective action and it is also continuing its efforts to get the permit modified to reflect the current usage requirements. Notwithstanding the Company s contemplated corrective action, the January BAAQMD Notice remains unresolved and the Company may be subject to a penalty based upon the unresolved matters set forth in the January BAAQMD Notice. In view of the May BAQMD Notice discussed above and the fact that a payment was associated with the resolution thereof, the Company presently believes that it is likely that the January BAAQMD Notice will result in the imposition of a monetary penalty. At the present time it is not clear whether any monetary payment would be significant.

It is possible that in the future, the Company may receive environmental violation notices, and that final resolution of the violations identified by these notices could harm its operating results. New laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination at the Company s or others sites or the imposition of new cleanup requirements could have a negative effect on the Company s operating results.

Leases

The Company leases its facilities under various operating leases which expire through December 2012. In addition to the base rental, the Company is responsible for certain taxes, insurance and maintenance costs. Under the terms of the lease agreements, the Company has the option to extend the term leases. As of December 27, 2003, aggregate future minimum lease payments are as follows (in thousands):

2004	$ 3,419
2005	2,569
2006	2,487
2007	2,572
2008	2,660
Thereafter	11,160
	$24,867

Rent expense for the years ended December 29, 2001, December 28, 2002 and December 27, 2003 was approximately $1,016,000, $2,902,000 and $3,417,000, respectively.

Indemnification Arrangements

The Company enters into indemnification arrangements with third parties, including customers, business partners and lessors, from time to time in the ordinary course of its business. Under these arrangements, the Company has agreed to defend, indemnify and hold the third party harmless from and against losses arising from a breach of representations or covenants of the Company, from claims of intellectual property infringement, or from other claims concerning the Company s products made against those third parties. These arrangements may limit the time within which an indemnification claim can be made, the type of the claim and the total amount that the Company can be required to pay in connection with the indemnification obligation. In addition, the Company has entered into indemnification agreements with its

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

directors and officers, and the Company s bylaws contain indemnification obligations in favor of the Company s directors, officers and agents. It is not possible to determine or reasonably estimate the maximum potential amount of future payments under these indemnification arrangements due to the varying terms of such arrangements, the history of prior indemnification claims and the unique facts and circumstances involved in each particular arrangement and in each potential future claim for indemnification. The Company is not aware of any requests for indemnification under these arrangements. The Company has not recorded any liabilities for these indemnification arrangements on the Company s consolidated balance sheet as of December 27, 2003.

Legal Matters

On February 24, 2004, the Company filed in the Seoul Southern District Court, located in Seoul, South Korea, two separate complaints against Phicom Corporation (Phicom), a Korean corporation, alleging infringement of a total of four Korean patents issued to the Company. One complaint alleges that Phicom is infringing the Company s Korean Patent Nos. 252,457, entitled Method of Fabricating Interconnections Using Cantilever Elements and Sacrificial Substrates, and 324,064, entitled Contact Tip Structures for Microelectronic Interconnection Elements and Methods of Making Same. The other complaint alleges Phicom is infringing the Company s Korean Patent Nos. 278,342, entitled Method of Altering the Orientation of Probe Elements in a Probe Card Assembly, and 399,210, entitled Probe Card Assembly. Both of the complaints seek injunctive relief. The court actions are a part of the Company s ongoing efforts to protect the intellectual property embodied in its proprietary technology, including its MicroSpring interconnect technology. The Company could incur material expenses in these litigations.

From time to time, the Company may become involved in litigation relating to additional claims arising from the ordinary course of business. Other than previously disclosed, management of the Company is not currently aware of any matters that will have a material adverse affect on the financial position, results of operations or cash flows of the Company.

Note 7 Redeemable Convertible Preferred Stock:

From April through December 1995, the Company sold 6,389,103 shares of Series A redeemable convertible preferred stock to new investors for net cash proceeds of $349,000.

In December 1995, the Company sold 3,448,293 shares of Series B redeemable convertible preferred stock to new investors for net cash proceeds of $2,967,000.

From May through July 1996, the Company sold 3,298,161 shares of Series C redeemable convertible preferred stock to existing and 60% to new investors for net cash proceeds of $5,426,000.

From April 1997 through October 1998, the Company sold 5,552,973 shares of Series D redeemable convertible preferred stock to existing and 84% to new investors for net cash proceeds of $19,221,000. In October 2000, the Company issued an additional 326,545 shares of Series D redeemable convertible preferred stock pursuant to the exercise of a warrant. In June 2002, the Company issued an additional 8,083 shares of Series D redeemable convertible preferred stock pursuant to the exercise of a warrant.

From August through October 1999, the Company sold 2,666,666 shares of Series E redeemable convertible preferred stock to existing and 80% to new investors for net cash proceeds of $19,950,000.

From September through November 2000, the Company sold 633,130 shares of Series F redeemable convertible preferred stock to existing and 94% to new investors for net cash proceeds of $6,910,000.

From July through September 2001, the Company sold 679,672 shares of Series G redeemable convertible preferred stock to an existing and 98% to new investors for net cash proceeds of $10,072,000.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 29, 2001, the redeemable convertible preferred stock comprised (in thousands, except share and per share data):

	Number of Shares Authorized	Number of Shares Issued and Outstanding	Proceeds, Net of Issuance Cost	Liquidation Preference Per Share	Annual Dividends Per Share
Series A	6,389,103	6,389,103	$ 349	$	$0.0424
Series B	3,527,258	3,448,293	2,967	0.87	0.0696
Series C	3,300,000	3,298,161	5,426	1.65	0.1320
Series D	6,376,812	5,879,518	19,221	3.45	0.2760
Series E	2,866,667	2,666,666	19,950	7.50	0.6000
Series F	750,000	633,130	6,910	11.00	0.8800
Series G	1,470,000	679,672	10,072	15.00	1.2000
	24,679,840	22,994,543	$64,895		

As of December 28, 2002 the redeemable convertible preferred stock comprised (in thousands, except share and per share data):

	Number of Shares Authorized	Number of Shares Issued and Outstanding	Proceeds, Net of Issuance Cost	Liquidation Preference Per Share	Annual Dividends Per Share
Series A	6,389,103	6,389,103	$ 349	$	$0.0424
Series B	3,521,020	3,448,293	2,967	0.87	0.0696
Series C	3,298,161	3,298,161	5,426	1.65	0.1320
Series D	5,893,731	5,887,601	19,221	3.45	0.2760
Series E	2,666,666	2,666,666	19,950	7.50	0.6000
Series F	678,630	633,130	6,910	11.00	0.8800
Series G	679,672	679,672	10,072	15.00	1.2000
	23,126,983	23,002,626	$64,895		

The holders of Series B, Series C, Series D, Series E, Series F and Series G redeemable convertible preferred stock are entitled to receive the above annual dividends which are cumulative, accrue quarterly, and are payable when and as declared by the Board of Directors. After payment of the dividends on the Series B, Series C, Series D, Series E, Series F and Series G redeemable convertible preferred stock, holders of Series A redeemable convertible preferred stock are entitled to receive non-cumulative annual dividends as stated above, when and as declared by the Board of Directors. No dividends can be paid on common stock until the dividends on the redeemable convertible preferred stock have been paid in full. In addition, each share of redeemable convertible preferred stock will participate on a pro rata basis with any dividends payable to holders of common stock on an as-converted basis. Upon the closing of the Company s initial public offering in June 2003, all outstanding shares of redeemable convertible preferred stock converted into an equal number of shares of common stock.

Note 8 Stockholders Equity (Deficit):

Preferred Stock

The Company has authorized 10,000,000 shares of undesignated preferred stock, $0.001 par value, none of which is issued and outstanding. The Company s Board of Directors shall determine the rights, preferences, privileges and restrictions of the preferred stock, including dividends rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of any series.

Common Stock

Each share of common stock has the right to one vote. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to the prior rights of holders of all classes of stock outstanding having priority rights as to dividends. No dividends have been declared or paid as of December 27, 2003.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During fiscal 2001 and 2002, the Company issued fully vested unrestricted common stock in exchange for goods or services from non-employees. The Company believes that the fair value of the common stock is more reliably measurable than the fair value of the consideration received. The Company has measured these transactions using the fair value of the unrestricted common stock at the time of issuance and has recognized the related expenses immediately.

Warrants

In connection with a financing agreement entered into by the Company in April 1996, the Company issued warrants to purchase an aggregate of 72,727 shares of Series B redeemable convertible preferred stock, now common stock, at an exercise price of $1.65 per share. These warrants expire in June 2008. The value of these warrants determined using a Black-Scholes model was not material.

In September 2000, the Company entered into a seven year technology license agreement to transfer technology to a related party. In connection with the license agreement, the Company issued a warrant to purchase 45,500 shares of Series F redeemable convertible preferred stock, now common stock, at an exercise price of $11.00 per share. The warrant was fully vested upon grant and nonforfeitable. This warrant is exercisable on September 22, 2005 and would have become exercisable earlier with respect to 22,750 shares on March 22, 2003 if, on or before that date, the warrant holder had achieved specified commercial milestones. Further, the warrant will become exercisable immediately with respect to all 45,500 shares if the warrant holder has achieved certain higher commercial milestones. As of December 27, 2003, no shares are exercisable. This warrant expires upon the earlier of September 23, 2005 or immediately prior to an acquisition of the Company. The Company reserved 45,500 shares of common stock in the event of exercise. The fair value of this warrant, estimated on the date of grant using a Black-Scholes model, of $306,220 has been capitalized as an other asset, and is being amortized against revenue using the straight-line method over the expected life of the technology of five years. The assumptions used in the calculation were: dividend yield of 0%; expected volatility of 67%; an expected term of 5 years; risk free interest rate of 6.00%.

Stock Option Plans

The Company has reserved shares of common stock for issuance under the 1996 Stock Option Plan, Incentive Option Plan and Management Incentive Option Plan (the Plans). Under all Plans, the Board of Directors may issue incentive stock options to employees and nonqualified stock options and stock purchase rights to consultants or employees of the Company. The Board of Directors has the authority to determine to whom options will be granted, the number of shares, the term and exercise price (which cannot be less than fair market value at date of grant for incentive stock options or 85% of fair market value for nonqualified stock options). If an employee owns stock representing more than 10% of the outstanding shares, the price of each share shall be at least 110% of the fair market value, as determined by the Board of Directors. Generally, all options are immediately exercisable and vest 25% on the first anniversary of the vesting commencement date and on a monthly basis thereafter for a period of an additional three years. The options have a maximum term of ten years. Unvested option exercises are subject to repurchase upon termination of the holder s status as an employee or consultant. At December 28, 2002 and December 27, 2003, 189,849 shares of common stock and 154,811 shares of common stock, respectively, were subject to the Company s right of repurchase.

On April 18, 2002, the Board of Directors adopted the 2002 Equity Incentive Plan (2002 Plan), which became effective upon the effective date of the initial public offering of the Company s common stock. The 2002 Plan provides for the grant of both incentive stock options and nonqualified stock options, restricted stock and stock bonuses. The incentive stock options may be granted to the employees and the nonqualified stock options, and all awards other than incentive stock options, may be granted to employees, officers, directors and consultants. The exercise price of incentive stock options must be at least equal to the fair market value of common stock on the date of grant.

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FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The exercise price of incentive stock options granted to 10% stockholders must be at least equal to 110% of the fair market value of common stock on the date of grant and vest over 5 years. Options granted under the 2002 Plan are exercisable as determined by the Board of Directors, and generally expire ten years from date of grant. The Company has reserved 500,000 shares of common stock for issuance under the 2002 Plan plus any shares which have been reserved but not issued under the Company s existing Plans, plus any shares repurchased at the original purchase price and any options which expire, thereafter. With the effectiveness of the 2002 Plan, the Company will not grant any options under the 1996 Stock Option Plan, the Incentive Option Plan and the Management Incentive Option Plan. In addition, on each January 1, the number of shares available for issuance under the 2002 Plan will be increased by an amount equal to 5.0% of the outstanding shares of common stock on the preceding day.

Activity under the Plans and the 2002 Plan is set forth below (in thousands, except share and per share data):

		Outstanding Options			
	Shares Available	Number of Shares	Exercise Price	Aggregate Price	Weighted Average Exercise Price
Balances, December 30, 2000	687,730	3,264,581	$ 0.10-$6.00	$ 13,698	$ 4.20
Additional shares reserved	1,840,000				
Options granted	(1,952,073)	1,952,073	6.00-6.50	12,308	6.31
Options exercised		(168,229)	0.10-6.00	(341)	2.03
Options canceled/shares repurchased	922,278	(885,971)	0.50-6.50	(4,444)	5.02
Balances, December 29, 2001	1,497,935	4,162,454	0.10-6.50	21,221	5.10
Additional shares reserved	3,500,000				
Options granted	(1,999,243)	1,999,243	6.50-8.00	13,364	6.68
Options exercised		(223,113)	0.10-6.50	(1,070)	4.79
Options canceled	234,559	(234,559)	1.50-8.00	(1,390)	5.93
Balances, December 28, 2002	3,233,251	5,704,025	0.10-8.00	32,125	5.63
Additional shares reserved	500,000				
Options granted	(1,807,547)	1,807,547	6.50-26.07	29,571	16.36
Options exercised		(425,653)	0.10-9.00	(1,655)	3.89
Options canceled	399,996	(399,996)	2.50-19.50	(2,575)	6.44
Balances, December 27, 2003	2,325,700	6,685,923	$ 0.10-$26.07	$ 57,466	$ 8.60

The number of options outstanding and vested at December 28, 2002 was 1,691,430 shares.

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FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The options outstanding and vested by exercise price at December 27, 2003 are as follows:

	Options Outstanding			Options Vested	
Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number Vested	Weighted Average Exercise Price
$0.10	15,000	1.40	$ 0.10	15,000	$ 0.10
$0.17	12,002	3.27	0.17	12,002	0.17
$0.50	11,319	3.84	0.50	11,319	0.50
$0.80	76,120	3.98	0.80	76,120	0.80
$1.25	9,150	4.29	1.25	9,150	1.25
$1.50	52,253	4.81	1.50	52,253	1.50
$2.50	12,388	5.22	2.50	12,388	2.50
$3.25	561,662	5.45	3.25	524,224	3.25
$3.75 $5.00	23,754	5.68	4.11	23,754	4.11
$5.50	824,260	6.66	5.50	624,101	5.50
$6.00	651,896	7.10	6.00	461,903	6.00
$6.50	2,471,992	8.16	6.50	349,566	6.50
$7.50 $8.00	224,904	8.37	7.89	92,466	7.87
$9.00	299,701	9.39	9.00	769	9.00
$14.00	314,586	9.45	14.00	314,586	14.00
$17.95 $19.43	158,650	9.61	18.62	5,208	18.72
$19.50	838,586	9.63	19.50	6,899	19.50
$19.67 $26.07	127,700	9.79	20.98		
	6,685,923			2,591,708	

Deferred stock-based compensation (As restated see Note 14)

During fiscal 2001 and fiscal 2002, and through the Company s initial public offering in June 2003, the Company issued options to certain employees under the Plan with exercise prices below the deemed fair market value of the Company s common stock at the date of grant. In accordance with the requirements of APB No. 25, the Company has recorded deferred stock-based compensation for the difference between the exercise price of the stock option and the deemed fair market value of the Company s stock at the grant. This deferred stock-based compensation is amortized to expense on a straight-line basis from the date of grant through the vesting period, generally four years to five years. During the years ended December 29, 2001, December 28, 2002, and December 27, 2003, the Company has recorded deferred stock-based compensation related to these options in the amounts of $4,266,000, $9,153,000 and $282,000, net of cancellations, respectively, of which $674,000, $2,465,000 and $3,162,000 had been amortized to expense during fiscal 2001, 2002 and 2003, respectively.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock-based compensation expense related to stock options granted to non-employees is recognized on a straight-line basis, as the stock options are earned. During fiscal 2001, the Company issued options to non-employees. The options generally vest ratably over four years. The values attributable to these options are amortized over the service period and the unvested portion of these options were remeasured at each vesting date. The Company believes that the fair value of the stock options is more reliably measurable than the fair value of the services received. The fair value of the stock options granted were revalued at each reporting date using the Black-Scholes option pricing model as prescribed by SFAS No. 123 using the following assumptions:

	Year Ended December 29, 2001
Risk-free interest rate	5.75%
Expected life (in years)	10
Dividend yield	
Expected volatility	67%

The stock-based compensation expense will fluctuate as the deemed fair market value of the common stock fluctuates. In connection with the grant of stock options to non-employees, the Company recorded deferred stock-based compensation of $259,000, $91,000 and none for the years ended December 29, 2001, December 28, 2002, and for December 27, 2003, respectively. Stock-based compensation expenses related to options granted to non-employees were allocated to research and development, selling, general and administrative expenses as follows (in thousands):

	Years Ended	
	December 29, 2001	December 28, 2002
Research and development	$ 70	$
Selling, general and administrative	204	42
	$274	$ 42

2002 Employee Stock Purchase Plan

On April 18, 2002, the Board of Directors approved the 2002 Employee Stock Purchase Plan (2002 ESPP). The 2002 ESPP is designed to enable eligible employees to purchase shares of common stock at a discount on a periodic basis through payroll deductions or through a single lump sum cash payment in the case of the first offering period. Except for the first offering period which had a seven-month duration, each offering period will be for two years and will consist of four six-month purchase periods. The price of the common stock purchased shall be 85% of the lesser of the fair market value of the common stock on the first day of the applicable offering period or the last day of each purchase period. 1,500,000 shares of common stock are reserved for issuance under the 2002 ESPP and will be increased on each January 1 by an amount equal to 1.0% of the outstanding shares of common stock on the preceding day. No shares were purchased under the 2002 ESPP as of December 27, 2003.

Notes receivable

In fiscal 2000 and 2001, the Company received full recourse notes receivable from certain employees in exchange for common stock. The notes bear interest at the applicable market interest rate, ranging from 4.46% to 6.60%, and have due dates through May 2007. Under the terms of the full recourse notes receivable, the Company may proceed against any assets of the holder of the notes, or against the collateral securing the notes, or both, in event of default. The notes are collateralized by the underlying shares of common stock. During fiscal 2003, the majority

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

of the notes receivable had been fully paid.

Note 9 Income Taxes:

The components of income before income taxes were as follows (as restated see Note 14):

	Years Ended		
	December 29, 2001	December 28, 2002	December 27, 2003
		(in thousands)	
U.S.	$(1,170)	$ 7,013	$13,025
Foreign	1,522	(1,205)	(861)
	$ 352	$ 5,808	$12,164

The components of the provision (benefit) for income taxes are as follows (as restated see Note 14):

	Years Ended		
	December 29, 2001	December 28, 2002	December 27, 2003
		(in thousands)	
Current:			
Federal	$158	$ 385	$3,031
State	108	(14)	2
Foreign	41	143	158
	307	514	3,191
Deferred:			
Federal		(2,457)	1,085
State		(1,615)	373
		(4,072)	1,458
Total provision (benefit) for income taxes	$307	$(3,558)	$4,649

At December 27, 2003, the Company had state net operating loss carryforward of approximately $825,000 available to offset future taxable income. This carryforward begins to expire in 2006 unless utilized.

At December 27, 2003, the Company had research credit carryforwards of approximately $108,000 and $1,126,000 for federal and state income tax purposes, respectively. If not utilized, the federal carryforwards will expire in various amounts beginning in 2021. The state research credit can be carried forward indefinitely.

Under the Internal Revenue Code, as amended, and similar state provisions, certain substantial changes in the Company s ownership could result in an annual limitation on the amount of credit net operating loss and carryforwards that can be utilized in future years to offset future taxable income. Annual limitations may result in the expiration of net operating loss and credit carryforwards before they are used.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Components of the Company s deferred tax assets are as follows (as restated See Note 14):

	December 28, 2002	December 27, 2003
	(in thousands)	
Net operating losses	$ 37	$ 38
Tax credits	2,297	845
Depreciation and amortization	(196)	(59)
Non-statutory stock options	437	1,052
Other reserves and accruals	1,501	2,151
	$4,076	$4,027

Management periodically evaluates the recoverability of the deferred tax assets and recognizes the tax benefit only as reassessment demonstrates that they are realizable. At such time, if it is determined that it is more likely than not that the deferred tax assets are realizable, the valuation allowance will be adjusted. As of December 28, 2002 and December 27, 2003, the Company has not provided a valuation allowance because it believes it is more likely than not that all deferred tax assets will be realized in the foreseeable future.

Tax benefits of $1,668,000 in fiscal 2003 associated with the exercise of employee stock options and other employee stock programs were allocated to stockholders equity.

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision (benefit) for income taxes consisted of:

	Years Ended		
	December 29, 2001	December 28, 2002	December 27, 2003
	As restated	As restated	As restated
Federal statutory rate	34.0%	34.0%	35.0%
State taxes and credits, net of federal benefit	(124.3)	1.7	3.0
Non-deductible deferred stock-based compensation	47.3	8.2	4.4
No tax benefit of foreign losses	290.9	55.5	3.0
Extraterritorial income exclusion	(55.4)	(3.3)	(4.4)
Tax credits	(209.4)	(5.9)	(2.7)
Change in valuation allowance	100.4	(156.7)	
Permanent items and other	3.7	5.3	0.1
Total	87.2%	(61.2)%	38.4%

Note 10 Employee Benefit Plan:

In 1996, the Company adopted a retirement plan which is qualified under Section 401(k) of the Internal Revenue Code of 1986. Eligible employees may make voluntary contributions to the retirement plan of up to 25% of their annual compensation, not to exceed the statutory amount, and the Company may make matching contributions. The Company made no contributions to the retirement plan in fiscal 2001, 2002 and 2003.

Note 11 Operating Segment and Geographic Information:

The Company operates in one segment regarding the design, development, manufacture, sale and support of precision, high performance advanced semiconductor wafer probe cards. In accordance with SFAS No. 131 (SFAS No. 131), Disclosures About Segments of an Enterprise and Related Information, the Company s chief operating decision-maker has been identified as the President and Chief Executive Officer, who reviews operating results to make decisions about allocating resources and assessing performance for the entire company. Since the Company operates in one segment and in one group of similar products and services, all financial segment and product line information

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

required by SFAS No. 131 can be found in the consolidated financial statements.

As of December 28, 2002 and December 27, 2003, 97% and 96% of long-lived assets are maintained in the United States of America, respectively.

The following table summarizes revenue by geographic region based upon invoicing location:

	Years Ended		
	December 29, 2001	**December 28, 2002**	**December 27, 2003**
North America	52.7%	55.6%	50.1%
Taiwan	26.4	20.9	13.5
Japan	6.9	7.1	20.1
Asia (excluding Japan and Taiwan)	0.2	0.9	6.0
Europe	13.8	15.5	10.3
Total	100.0%	100.0%	100.0%

Revenues to Intel Corporation represented 12% of the Company s fiscal 2001 revenues, 27% of fiscal 2002 revenues and 30% of fiscal 2003 revenues. Revenues to Spirox Corporation represented 26% of the Company s fiscal 2001 revenues, 21% of fiscal 2002 revenues and 13% of fiscal 2003 revenues.

Revenues to Infineon Technologies AG represented 16% of the Company s fiscal 2001 revenues, 20% of fiscal 2002 revenues and 10% of fiscal 2003 revenues.

Samsung Electronic Industries Co., Ltd. represented 20% of the Company s fiscal 2001 revenues. Elpida represented 12% of the Company s fiscal 2003 revenues. No other customer represented greater than 10% of the Company s revenues in fiscal 2001, 2002 and 2003.

Note 12 Related Party Transactions:

The Company provided services or sold products to related parties, who are also stockholders of the Company s common stock. For the years ended December 29, 2001, December 28, 2002 and December 27, 2003 revenue recognized from these related parties was $46,042,000, $50,639,000 and 42,676,000, respectively. At December 28, 2002 and December 27, 2003, the Company had accounts receivable of $8,593,000 and $3,707,752, respectively, from these related parties.

The Company purchased inventories from related parties, and paid commissions to related parties, who are also stockholders of the Company s common stock. For the years ended December 29, 2001, December 28, 2002 and December 27, 2003, transactions with these related parties were $11,458,000, $9,767,000 and $13,155,000, respectively. At December 28, 2002 and December 27, 2003, the Company had accounts payable of $2,903,000 and $2,627,000, respectively, to these related parties.

In July 2003, the Company purchased approximately $3,151,000 of manufacturing equipment from a company where one of the members of the Company s Board of Directors is also an officer of that company. This transaction was negotiated at arms length and the supplier was selected after a comprehensive, competitive bidding process. As of December 27, 2003 the Company had no unpaid amounts with respect to this equipment purchase.

FORMFACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13 Subsequent Events:

In January and February 2004, three stockholders, fully repaid outstanding notes receivables in the amount of $661,000. As of February 21, 2004 the Company no longer has any notes receivables from stockholders outstanding.

In February 2004, a contractor at the Company s manufacturing facility discharged certain diesel fuel mixed with water into a storm drain. The Company notified the appropriate agencies, assisted in their investigation and in the activities of a third party to assist with the cleanup activities. The Company has not yet been notified as to whether any financial penalties will be imposed based upon the incident and, if imposed, whether such penalties would be significant.

In March 2004, the Company entered into three forward exchange contracts to hedge a portion of, but not all, existing and anticipated foreign currency transactions denominated in Japanese Yen expected to occur within six months. These outstanding foreign currency forward exchange contracts allow the Company to sell 605,500,000 Yen for $5,400,000 with contract rates ranging from 112.49 Yen to 112.62 Yen per U.S. dollar. These contracts expire on various dates through July 2004. The Company does not use derivative financial instruments for trading or speculative purposes.

Note 14 Restatement of Financial Statements:

The Company is restating its financial results for fiscal years 2001, 2002 and 2003 to reflect an adjustment to its calculation of basic and diluted net income (loss) per share available to common stockholders.

The restatement does not affect the Company s reported net income or its balance sheet or cash flow statements for any period.

The Company did not previously reflect the impact of cumulative dividend rights and participating dividend rights of its redeemable convertible preferred stock in its calculation for either basic or diluted net income (loss) available to common stockholders per share and has adjusted its calculations according to SFAS No. 128 Earnings Per Share and EITF Topic No. D-95, Effect of Participating Convertible Securities on the Computation of Basic Earnings per Share .

The adjustment relates to cumulative dividend rights of the Company s redeemable, convertible preferred stock Series B G and participating dividend rights of the Company s redeemable, convertible preferred stock Series A G, which were issued in years prior to the Company s initial public offering in June 2003. Such dividend rights impact the calculation of basic and diluted net income (loss) per share available to common stockholders regardless of whether a dividend was declared or paid. The contractual cumulative dividend rights and the participating dividend rights need to be considered in the calculation of basic net income (loss) per share available to common stockholders. For the calculation of diluted net income (loss) available to common stockholders per share, the convertible securities are included using the if-converted method to the extent the effect is dilutive. In conjunction with this restatement, the Company has also revised its pro forma net income (loss) calculation and the related per share amount disclosures under SFAS No. 123 Accounting for Stock based Compensation to reflect changes to the net income (loss) available to common stockholders and to correct the amounts presented for the stock-based compensation pro forma adjustments (the net effect of the change in the pro forma adjustments was to increase the pro forma net loss for fiscal 2001 by $797,000 and decrease the pro forma net income for fiscal 2002 and 2003 by $2.2 million and $4.9 million, respectively).

	Year Ended December 29, 2001	
	As reported(1)	**As restated**
	(In thousands, except per share amounts)	
Net income	$ 45	$ 45
Preferred stock dividend		(4,830)
Net income (loss) available to common stockholders	$ 45	$ (4,785)
Net income (loss) available to common stockholders per share:		
Basic	$ 0.01	$ (1.19)
Diluted	$	$ (1.19)
Weighted-average number of shares used in per share calculations:		
Basic	4,029	4,032
Diluted	28,649	4,032

	Year Ended December 28, 2002	
	As reported(1)	**As restated**
	(In thousands, except per share amounts)	
Net income	$ 9,366	$ 9,366
Preferred stock dividend		(5,273)
Amount allocated to participating preferred stockholders		(3,478)

Net income available to common stockholders	$ 9,366	$ 615
Net income available to common stockholders per share:		
Basic	$ 2.11	$ 0.14
Diluted	$ 0.32	$ 0.10
Weighted-average number of shares used in per share calculations:		
Basic	4,448	4,413
Diluted	29,251	5,906

	Year Ended December 27, 2003	
	As reported[(1)]	As restated
	(In thousands, except per share amounts)	
Net income	$ 7,515	$ 7,515
Preferred stock dividend		(2,340)
Amount allocated to participating preferred stockholders		(10)
Net income available to common stockholders	$ 7,515	$ 5,165
Net income available to common stockholders per share:		
Basic	$ 0.36	$ 0.25
Diluted	$ 0.22	$ 0.19
Weighted-average number of shares used in per share calculations:		
Basic	21,047	21,012
Diluted	34,374	29,280

1) Amounts were previously restated in Amendment No. 1 to the Company s Form 10-K filed July 20, 2004 to reflect adjustments to the amortization schedule of deferred stock-based compensation and the related income taxes for fiscal years 2001, 2002, and 2003 resulting in a decrease in net income of $205,000, $1.0 million and $1.0 million and diluted earnings per share of $0.01, $0.03 and $0.03, respectively. Deferred stock-based compensation, deferred tax assets and accumulated deficit in the consolidated balance sheets for December 28, 2002 and December 27, 2003 were restated for the impact of these adjustments.

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Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

To the Board of Directors
of FormFactor, Inc.:

Our audits of the consolidated financial statements referred to in our report dated March 17, 2004, except for Note 14, as to which the date is November 29, 2004, appearing in this Annual Report on Form 10-K/A also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K/A. In our opinion, the financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

San Jose, California
March 17, 2004

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SCHEDULE II

FORMFACTOR, INC.

VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 29, 2001, December 28, 2002 and December 27, 2003
(in thousands)

Description	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
Allowance for doubtful accounts receivable				
Year ended December 29, 2001	$ 580	$	$ 166	$ 414
Year ended December 28, 2002	$ 414	$ 165	$ 326	$ 253
Year ended December 27, 2003	$ 253	$	$ 150	$ 103
Reserve for excess and obsolete inventory				
Year ended December 29, 2001	$7,647	$4,504	$3,535	$8,616
Year ended December 28, 2002	$8,616	$1,279	$2,436	$7,459
Year ended December 27, 2003	$7,459	$3,687	$1,728	$9,418
Allowance against deferred tax assets				
Year ended December 29, 2001	$8,749	$ 312	$	$9,061
Year ended December 28, 2002	$9,061	$	$9,061	$
Year ended December 27, 2003	$	$	$	$

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INDEX TO EXHIBITS

Set forth below is a list of exhibits that are being filed or incorporated by reference into this Report on Form 10-K:

		Incorporated by Reference				
Exhibit Number	Exhibit Description	Form	File No.	Date of First Filing	Exhibit Number	Filed Herewith
3.01	Amended and Restated Certificate of Incorporation of the Registrant as filed with the Delaware Secretary of State on June 17, 2003.	S-1	333-109815	10/20/03	3.01	
3.02	Amended and Restated Bylaws of the Registrant.	S-1	333-109815	10/20/03	3.02	
4.01	Specimen Common Stock Certificate.	S-1/A	333-86738	5/28/02	4.01	
4.02	Sixth Amended and Restated Rights Agreement by and among the Registrant and certain stockholders of the Registrant dated July 13, 2001.	S-1	333-86738	4/22/02	4.02	
4.03	Stockholders Agreement by and among the Registrant, Dr. Igor Y. Khandros, Susan Bloch and Richard Hoffman dated February 9, 1994.	S-1	333-86738	4/22/02	4.03	
4.04	Stockholders Agreement by and among the Registrant, Dr. Igor Y. Khandros, Susan Bloch and Milton Ohring dated April 11, 1994.	S-1	333-86738	4/22/02	4.04	
4.05	Stockholders Agreement by and among the Registrant, Dr. Igor Y. Khandros, Susan Bloch and Benjamin Eldridge dated August 12, 1994.	S-1	333-86738	4/22/02	4.05	
4.06	Stockholders Agreement by and among the Registrant, Dr. Igor Y. Khandros, Susan Bloch and Charles Baxley, P.C. dated September 8, 1994.	S-1	333-86738	4/22/02	4.06	
10.01	Form of Indemnity Agreement.	S-1/A	333-86738	5/28/02	10.01	
10.02	1995 Stock Plan, and form of option grant.	S-1	333-86738	4/22/02	10.02	
10.03	1996 Stock Option Plan, and form of option grant.	S-1	333-86738	4/22/02	10.03	
10.04	Incentive Option Plan, and form of option grant.	S-1	333-86738	4/22/02	10.04	
10.05	Management Incentive Option Plan, and form of option grant.	S-1	333-86738	4/22/02	10.05	
10.06	2002 Equity Incentive Plan, and forms of option grant.	S-1/A	333-86738	6/10/03	10.06	
10.07	2002 Employee Stock Purchase Plan.	S-1/A	333-86738	6/10/03	10.07	
10.08	Key Management Bonus Plan (2003).	S-1/A	333-86738	6/10/03	10.08.1	
10.09	Sales Incentive Plan (first half 2003).	S-1/A	333-86738	6/10/03	10.09.1	
10.10	Sales Incentive Plan (second half 2003).	S-1	333-109815	10/20/03	10.10	
10.11*	Key Management Bonus Plan (2004).	10-K		3/22/04	10.11	
10.12*	Sales Incentive Plan (first half 2004).	10-K		3/22/04	10.12	
10.13	Employment Offer Letter dated October 29, 1998 to Yoshikazu Hatsukano.	S-1	333-86738	4/22/02	10.11	

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		Incorporated by Reference				
Exhibit Number	**Exhibit Description**	**Form**	**File No.**	**Date of First Filing**	**Exhibit Number**	**Filed Herewith**
10.14	Lease by and between Paul E. Iacono and the Registrant dated June 26, 1995.	S-1	333-86738	4/22/02	10.12	
10.15	First Option to Extend Lease Term by and between Paul E. Iacono and the Registrant dated October 4, 2002 for the Lease between the parties dated June 26, 1995.	S-1/A	333-86738	12/18/02	10.12.1	
10.16	Lease by and between Paul E. Iacono and the Registrant dated April 12, 1996.	S-1	333-86738	4/22/02	10.13	
10.17	First Option to Extend Lease Term by and between Paul E. Iacono and the Registrant dated October 4, 2002 for the Lease between the parties dated April 12, 1996.	S-1/A	333-86738	12/18/02	10.13.1	
10.18	Lease by and between Paul E. Iacono and the Registrant dated November 20, 1996.	S-1	333-86738	4/22/02	10.14	
10.19	First Option to Extend Lease Term by and between Paul E. Iacono and the Registrant dated October 4, 2002 for the Lease between the parties dated November 20, 1996.	S-1/A	333-86738	12/18/02	10.14.1	
10.20	Lease by and between Paul E. Iacono and the Registrant dated April 24, 1997.	S-1	333-86738	4/22/02	10.15	
10.21	First Option to Extend Lease Term by and between Paul E. Iacono and the Registrant dated October 4, 2002 for the Lease between the parties dated April 24, 1997.	S-1/A	333-86738	12/18/02	10.15.1	
10.22	Lease by and between Richard K. and Pamela K. Corbett, Robert and Cheryl Rumberger, Connie Duke and the Registrant dated March 12, 1998.	S-1	333-86738	4/22/02	10.16	
10.23	First Amendment to Standard Industrial/ Single Tenant Lease Net by and between Richard K. Corbett and Pamela K. Corbett, Robert Rumberger and Cheryl Rumberger, and the Registrant dated April 30, 2003.	S-1/A	333-86738	5/21/03	10.16.1	
10.24	Lease by and between L One and the Registrant dated March 25, 1998.	S-1	333-86738	4/22/02	10.17	
10.25	Pacific Corporate Center Lease by and between Greenville Investors, L.P. and the Registrant dated May 3, 2001.	S-1/A	333-86738	6/10/03	10.18	
10.26	First Amendment to Pacific Corporate Center Lease by and between Greenville Investors, L.P. and the Registrant dated January 31, 2003.	S-1/A	333-86738	5/07/03	10.18.1	
10.27	Pacific Corporate Center Lease by and between Greenville Investors, L.P. and the Registrant dated May 3, 2001.	S-1/A	333-86738	6/10/03	10.19	
10.28	First Amendment to Pacific Corporate Center Lease by and between Greenville Investors, L.P. and the Registrant dated January 31, 2003.	S-1/A	333-86738	5/07/03	10.19.1	

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		Incorporated by Reference				
Exhibit Number	Exhibit Description	Form	File No.	Date of First Filing	Exhibit Number	Filed Herewith
10.29	Pacific Corporate Center Lease by and between Greenville Investors, L.P. and the Registrant dated May 3, 2001.	S-1/A	333-86738	6/10/03	10.20	
10.30	First Amendment to Pacific Corporate Center Lease by and between Greenville Investors, L.P. and the Registrant dated January 31, 2003.	S-1/A	333-86738	5/07/03	10.20.1	
10.31	Third Amended and Restated Loan and Security Agreement by and between Comerica Bank California and the Registrant dated February 21, 2003.	S-1/A	333-86738	5/07/03	10.29	
10.32	Basic Purchase Agreement by and among Infineon Technologies Aktiengesellschaft, Whiteoak Semiconductor Partnership, Promos Technologies Inc. and the Registrant dated July 9, 1999.	S-1/A	333-86738	6/10/03	10.22	
10.33	Letter Agreement by and between Infineon Technologies Aktiengesellschaft and the Registrant dated July 19, 2002.	S-1/A	333-86738	5/07/03	10.22.1	
10.34	Letter Agreement by and between Infineon Technologies Aktiengesellschaft and the Registrant dated July 1, 2003.	S-1	333-109815	10/20/03	10.22.2	
10.35	Letter Agreement by and between Infineon Technologies Aktiengesellschaft and the Registrant dated December 10, 2003.	10-K		3/22/04	10.35	
10.36	Authorized International Distributor Agreement by and between Spirox Corporation and the Registrant dated June 1, 2000.	S-1/A	333-86738	6/10/03	10.23	
10.37	Amendment No. 1 to Authorized International Distributor Agreement by and between Spirox Corporation and the Registrant dated July 1, 2003.	S-1	333-109815	10/20/03	10.23.1	
10.38	Probecard Purchase Agreement by and between Samsung Electronics Industries Co., Ltd. and the Registrant dated November 22, 2000.	S-1/A	333-86738	6/10/03	10.24	
10.39	Agreement by and between Samsung Electronics Industries Co., Ltd. and the Registrant dated October 31, 2001, Agreement by and between Samsung Electronics Industries Co., Ltd. and the Registrant dated January 10, 2002, and Agreement by and between Samsung Electronics Industries Co., Ltd. and the Registrant dated January 22, 2003.	S-1/A	333-86738	6/10/03	10.24.1	

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		Incorporated by Reference				
Exhibit Number	**Exhibit Description**	**Form**	**File No.**	**Date of First Filing**	**Exhibit Number**	**Filed Herewith**
10.40	Intel Corporation Purchase Agreement Capital Equipment and Services by and between Intel Corporation and the Registrant dated January 8, 2001, and as amended on January 22, 2001, on March 1, 2001, and on April 1, 2001.	S-1/A	333-86738	6/10/03	10.25	
10.41	Amendment to Intel Corporation Purchase Agreement by and between Intel Corporation and the Registrant dated May 22, 2002.	S-1/A	333-86738	5/07/03	10.25.1	
10.42	Amendment to Intel Corporation Purchase Agreement by and between Intel Corporation and the Registrant dated June 30, 2002.	S-1	333-109815	10/20/03	10.25.2	
10.43	Production and Development Materials and Services Purchase Agreement by and between Harbor Electronics and the Registrant dated April 17, 2002.	S-1/A	333-86738	6/10/03	10.27	
10.44	Production and Development Materials and Services Purchase Agreement by and between NTK Technologies and the Registrant dated June 25, 2002.	S-1/A	333-86738	6/10/03	10.28	
10.45*	Probe Card Purchase Agreement by and between Elpida Memory, Inc. and the Registrant dated April 1, 2002 and Agreement by and between Elpida Memory, Inc. and the Registrant dated August 18, 2003.	10-K		3/22/04	10.45	
21.01	List of the Registrant s subsidiaries.	S-1	333-86738	4/22/02	21.01	
23.01	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.					X
24.01	Powers of Attorney	10-K		3/22/04		
31.01	Certification of Chief Executive Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.02	Certification of Chief Financial Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.01**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X

* Confidential treatment has been requested for portions of this exhibit. These portions have been omitted from this Form 10-K and have been filed separately with the Securities and Exchange Commission.

** This exhibit shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities

Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.