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

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

Form 10-Q/A
Amendment No. 1

(Mark one)

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

For the quarterly period ended June 26, 2004

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)

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

The number of shares of the registrant s common stock, par value $0.001 per share, outstanding as of July 31, 2004 was 37,886,653 shares.

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EXPLANATORY NOTE

FormFactor is filing this Amendment No. 1 to its Quarterly Report on Form 10-Q for the three and six month periods ended June 26, 2004 to amend and restate certain portions of its Form 10-Q filed with the Securities and Exchange Commission on August 9, 2004. This Amendment No. 1 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 the three and six month periods ended June 28, 2003.

The 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 the 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 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 10 to the Notes to Consolidated Financial Statements contained in this Amendment No. 1 for further information regarding the revisions to FormFactor s financial results.

This Amendment No. 1 amends and restates the following items of the initial filing of the Registrant s Form 10-Q: (i) Part I, Item 1 Unaudited Condensed Consolidated Financial Statements, (ii) Part I, Item 4 Controls and Procedures and (iii) Part II, Item 6 Exhibits.

All information in FormFactor s Quarterly Report on Form 10-Q for the three and six month periods ended June 26, 2004, as amended by this Amendment No. 1, speaks as of the date of the original filing of FormFactor s Form 10-Q for such period and does not reflect any subsequent information or events, except as expressly noted in this Amendment No. 1 and except for Exhibits 31.01, 31.02, and 32.01. References to Annual Report, Form 10-K and Form 10-K/A in this Amendment No. 1 refer to FormFactor s Annual Report on Form 10-K for the fiscal year ended December 27, 2003, as amended. References to Quarterly Report and Form 10-Q in this Amendment No. 1, refer to FormFactor s Quarterly Report on Form 10-Q for the three and six month periods ended June 26, 2004, as amended.

All information contained in this Amendment No. 1 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 FormFactor s Quarterly Report on Form 10-Q for the three and six month periods ended June 26, 2004.

FormFactor, Inc.
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PART I. FINANCIAL INFORMATION

Item 1. ***Unaudited Condensed Consolidated Financial Statements***

FORMFACTOR, INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS

(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 28, 2003	June 26, 2004	June 28, 2003	June 26, 2004
	As restated		As restated	
Revenues	$22,094	$43,154	$40,763	$80,272
Cost of revenues	11,469	20,158	21,269	38,184
Stock-based compensation	150	157	288	312
Gross margin	10,475	22,839	19,206	41,776
Operating expenses:				
Research and development (1)	3,831	4,516	7,356	8,865
Selling, general and administrative (1)	4,478	6,862	8,491	12,736
Stock-based compensation	623	564	1,259	1,116
Total operating expenses	8,932	11,942	17,106	22,717
Operating income	1,543	10,897	2,100	19,059
Interest income	174	572	336	1,105
Interest expense	(14)		(27)	
Other expense, net	(29)	(247)	(49)	(642)
	131	325	260	463
Income before income taxes	1,674	11,222	2,360	19,522
Provision for income taxes	(642)	(4,466)	(905)	(7,663)

Net income	1,032	6,756	1,455	11,859
Preferred stock dividend	(1,022)		(2,340)	
Amount allocated to participating preferred stockholders	(10)			
Net (loss) income available to common stockholders	$	$ 6,756	$ (885)	$ 11,859
Net income (loss) available to common stockholders per share:				
Basic	$ 0.00	$ 0.18	$ (0.12)	$ 0.32
Diluted	$ 0.00	$ 0.17	$ (0.12)	$ 0.29
Weighted-average number of shares used in per share calculations:				
Basic	10,858	37,381	7,681	37,308
Diluted	10,858	40,609	7,681	40,388

(1) Amounts exclude stock-based compensation expense as follows:				
Research and development	202	226	422	390
Selling, general and administrative	421	338	837	726
Total	$ 623	$ 564	$ 1,259	$ 1,116

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

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FORMFACTOR, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)
(Unaudited)

	December 27, 2003	June 26, 2004
	As restated	
ASSETS		
Current assets:		
Cash and cash equivalents	$116,305	$ 73,310
Marketable securities	62,965	101,354
Accounts receivable, net of allowance for doubtful accounts of $103 in 2003 and $98 in 2004	19,698	34,168
Inventories, net	8,025	9,605
Deferred tax assets	2,825	2,773
Prepaid expenses and other current assets	2,744	2,507
Total current assets	212,562	223,717
Restricted cash	2,550	2,550
Property and equipment, net	20,495	38,315
Deferred tax assets	1,202	1,202
Other assets	356	331
Total assets	$237,165	$266,115
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 10,579	$ 15,138
Accrued liabilities	10,134	13,381
Deferred revenue and customer advances	1,005	1,564
Total current liabilities	21,718	30,083
Deferred revenue and customer advances	433	314
Total liabilities	22,151	30,397

Commitments and contingencies (Note 7)		
Stockholders equity:		
Common stock, $0.001 par value	37	38
Additional paid-in capital	226,592	233,567
Notes receivable from stockholders	(661)	
Deferred stock-based compensation	(7,902)	(6,131)
Accumulated other comprehensive loss	(4)	(567)
Retained earnings (accumulated deficit)	(3,048)	8,811
Total stockholders equity	215,014	235,718
Total liabilities and stockholders equity	$237,165	$266,115

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

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FORMFACTOR, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Six Months Ended	
	June 28, 2003	**June 26, 2004**
	As restated	
Cash flows from operating activities:		
Net income	$ 1,455	$ 11,859
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,570	2,752
Stock-based compensation expense	1,547	1,428
Deferred tax assets		52
Tax benefit from employee stock option plans		2,579
Interest income from stockholders notes receivable	(110)	
Reduction in allowance for doubtful accounts	(50)	(5)
Provision for excess and obsolete inventories	1,251	1,362
Loss on disposal of property and equipment	10	
Changes in assets and liabilities:		
Accounts receivable	(168)	(14,467)
Inventories	(3,437)	(2,942)
Prepaid and other current assets	2,095	244
Accounts payable	(296)	772
Accrued liabilities	(1,306)	3,234
Deferred revenues	(644)	439
Net cash provided by operating activities	2,917	7,307
Cash flows from investing activities:		
Acquisition of property and equipment, net	(2,039)	(16,774)
Purchase of marketable securities	(6,771)	(91,644)
Proceeds from maturities of marketable securities	7,529	52,716
Restricted cash	2,835	
Other assets	10	
Net cash provided by (used in) investing activities	1,564	(55,702)
Cash flows from financing activities:		

Proceeds from issuance of common stock, net	82,647	4,740
Repayment of notes receivable from stockholders	2,021	661
Repurchase of common stock	(200)	
Proceeds from issuance of bank line of credit	1,000	
Repayment of notes payable and bank line of credit	(1,125)	
Net cash provided by financing activities	84,343	5,401
Effect of exchange rate changes on cash and cash equivalents	4	(1)
Net increase (decrease) in cash and cash equivalents	88,828	(42,995)
Cash and cash equivalents, beginning of the period	26,786	116,305
Cash and cash equivalents, end of the period	$115,614	$ 73,310
Supplemental disclosure of significant non-cash investing activities:		
Purchases of property and equipment through accounts payable	$	$ 3,788

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

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FORMFACTOR, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1 Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of FormFactor, Inc. and its subsidiaries (the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, the interim financial statements do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 26, 2004 are not necessarily indicative of the results that may be expected for the year ending December 25, 2004, or for any other period. The balance sheet at December 27, 2003 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements and notes should be read with the financial statements and notes thereto for the year ended December 27, 2003 included in the Company s Annual Report on Form 10-K/A Amendment No. 2 for the year ended December 27, 2003, filed with the Securities and Exchange Commission.

Note 2 Significant Accounting Policies

The Company s significant accounting policies are disclosed in the Company s Annual Report on Form 10-K for the year ended December 27, 2003, as amended, filed with the Securities and Exchange Commission. The Company s significant accounting policies have not materially changed during the three months ended June 26, 2004, with the exception for adoption of Emerging Issues Task Force (EITF) Statement No. 03-06, as described in Note 10.

Note 3 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 inventory levels and future sales forecasts.

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

	December 27, 2003	June 26, 2004
Raw materials	$3,128	$4,481
Work-in-progress	4,628	4,965
Finished goods	269	159
	$8,025	$9,605

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Note 4 Warranty

The Company offers warranties on certain products and records a liability for the estimated future costs associated with customer 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 is as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 28, 2003	June 26, 2004	June 28, 2003	June 26, 2004
Beginning balance	$ 536	$ 446	$ 679	$ 446
Reserve for warranties issued during the period	268	230	465	426
Settlements made during the period	(268)	(182)	(608)	(378)
Ending balance	$ 536	$ 494	$ 536	$ 494

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FORMFACTOR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 5 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 the pro forma information required under SFAS No. 123 (SFAS No. 123), Accounting for Stock-Based Compensation as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. The Company uses the Black-Scholes option pricing model to compute its pro forma option expense.

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 stockholders per share would have been changed to the pro-forma amounts as follows:

	Three Months Ended		Six Months Ended	
	June 28, 2003	June 26, 2004	June 28, 2003	June 26, 2004
	As restated	As restated	As restated	As restated
	(In thousands, except per share amounts)			
Reported net income (see Note 10)	$ 1,032	$ 6,756	$ 1,455	$ 11,859
Add: Stock-based employee compensation expense included in reported net income available to common stockholders, net of tax	602	555	1,202	1,086
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of tax	(1,154)	(2,361)	(2,290)	(4,678)
Pro forma net income	$ 480	$ 4,950	$ 367	$ 8,267
Net income (loss) available to common stockholders per share:				
Basic:				
As reported	$ 0.00	$ 0.18	$ (0.12)	$ 0.32
Pro forma	$ (0.05)	$ 0.13	$ (0.26)	$ 0.22
Diluted:				
As reported	$ 0.00	$ 0.17	$ (0.12)	$ 0.29
Pro forma	$ (0.05)	$ 0.12	$ (0.26)	$ 0.21

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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 (loss) per share may not be representative for future periods. The weighted-average assumptions used are as follows:

	Three Months Ended		Six Months Ended	
	June 28, 2003	June 26, 2004	June 28, 2003	June 26, 2004
Stock Options				
Dividend yield				
Risk-free interest rate	2.70%	3.68%	2.70%	3.43%
Expected life (in years)	5	5	5	5
Expected volatility	67%	67%	67%	67%
ESPP				
Dividend yield				
Risk-free interest rate		0.89%		0.89%
Expected life (in years)		0.5		0.5
Expected volatility		67%		67%

The weighted-average per share grant date fair value of options granted during the three and six months ended June 28, 2003 was $4.32 and $4.40, and was $8.74 and $8.10 for the three and six months ended June 26, 2004, respectively. The weighted-average per share estimated fair value of purchase rights granted under the 2002 Employee Stock Purchase Plan was $7.18 for the three and six months ended June 26, 2004.

Note 6 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):

	Three Months Ended		Six Months Ended	
	June 28, 2003	June 26, 2004	June 28, 2003	June 26, 2004
As restated				

			As restated	
Basic net income (loss) per share (See Note 10)				
Numerator:				
Net income (loss) available to common stockholders	$	$ 6,756	$ (885)	$11,859
Denominator:				
Weighted-average common stock outstanding	11,032	37,522	7,858	37,381
Less weighted-average shares subject to repurchase	(174)	(141)	(177)	(73)
Weighted-average shares used in computing basic net income (loss) per share	10,858	37,381	7,681	37,308

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	Three Months Ended		Six Months Ended	
	June 28, 2003	June 26, 2004	June 28, 2003	June 26, 2004
	As restated		As restated	
Diluted net income (loss) per share				
Numerator:				
Net income (loss) available to common stockholders	$	$ 6,756	$ (885)	$11,859
Denominator:				
Weighted-average shares used in computing basic net income (loss) per share	10,858	37,381	7,681	37,308
Add stock options, warrants and common stock subject to repurchase		3,228		3,080
Weighted-average shares used in computing diluted net income (loss) per share	10,858	40,609	7,681	40,388

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

	Three Months Ended		Six Months Ended	
	June 28, 2003	June 26, 2004	June 28, 2003	June 26, 2004
	(In thousands)			
Options to purchase common stock	6,075	125	6,075	619
Warrants	119		119	
Convertible preferred stock	23,003		23,003	

Note 7 Commitments and Contingencies

From time to time, the Company may be subject to legal proceedings and claims in the ordinary course of business. As of the filing date of this quarterly report, the Company was not involved in any material legal proceedings, other than as set forth below.

On February 24, 2004, the Company filed in the Seoul Southern District Court, located in Seoul, South Korea, two separate complaints against Phicom Corporation, 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. In March 2004, Phicom filed in the Korean Intellectual Property Office invalidity actions challenging the validity of some or all of the claims of each of the Company s four Korean patents at issue.

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FORMFACTOR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The Company from time to time in the ordinary course of its business enters into contractual arrangements with third parties under which the Company has agreed to defend, indemnify and hold the third party harmless from and against certain losses. 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 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 obligations due to the varying terms of such obligations, the history of prior indemnification claims and the unique facts and circumstances involved in each particular contractual arrangement and in each potential future claim for indemnification. The Company has not had any claims for indemnification under these arrangements, nor has it had a history of indemnifying third parties. The Company has not recorded any liabilities for these indemnification arrangements in the Company s condensed consolidated balance sheet as of June 26, 2004.

Note 8 Stockholders Equity

Comprehensive Income (Loss)

Comprehensive income (loss) includes foreign currency translation adjustments and unrealized gains (losses) on marketable securities, the impact of which has been excluded from net income and reflected as components of equity.

Components of accumulated other comprehensive income were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 28, 2003	June 26, 2004	June 28, 2003	June 26, 2004
	As restated		As restated	
Net income	$1,032	$6,756	$1,455	$11,859
Change in unrealized gain (loss) on marketable securities, net of tax		(631)		(539)
Foreign currency translation adjustments	19	(4)	9	(24)
Comprehensive income	$1,051	$6,121	$1,464	$11,296

Components of accumulated comprehensive loss were as follows:

	December 27, 2003	June 26, 2004
	(In thousands)	
Unrealized gain on marketable securities, net of tax	$ 47	$ (492)
Cumulative translation adjustments	(51)	(75)
Accumulated other comprehensive income (loss)	$ (4)	$ (567)

Note 9 Derivative Financial Instruments

The Company purchases forward exchange contracts to hedge certain existing foreign currency denominated accounts receivable. These hedges do not qualify for hedge accounting treatment per the provisions of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities. The Company recognizes gains or losses from the fluctuation in foreign exchange rates and the valuation of these hedge contracts in other expense. The Company does not use derivative financial instruments for trading or speculative purposes.

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FORMFACTOR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

As of June 26, 2004, the Company had seven forward exchange contracts outstanding, allowing the Company to sell 0.7 billion Yen for $6.2 million with contract rates ranging from 108.30 Yen to 114.82 Yen per U.S. dollar. The estimated fair value for these contracts was $6.4 million as of June 26, 2004. These contracts are due between July and October 2004.

Note 10 Restatement of Financial Statement

The Company is restating its financial results for the three and six month periods ended June 28, 2003 to reflect an adjustment to its calculation of basic and diluted net income (loss) available to common stockholders per share.

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) 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. 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 for all periods (the net effect of the change in the pro forma adjustments was to decrease the pro forma net income for the three and six months ended June 28, 2003 by $214,000 and $446,000, respectively, and to decrease the pro forma net income for the three and six months ended June 26, 2004 by $492,000 and $1,362,000 respectively).

	Three Months Ended	
	June 28, 2003	June 28, 2003
	As reported[1]	As restated
	(In thousands, except per share amounts)	
Net income	$ 1,032	$ 1,032
Preferred stock dividend	(1,032)	(1,022)
Amount allocated to participating preferred stockholders		(10)

Net income available to common stockholders	$	$
Net income available to common stockholders per share:		
Basic	$ 0.00	$ 0.00
Diluted	$ 0.00	$ 0.00
Weighted-average number of shares used in per share calculations:		
Basic	10,894	10,858
Diluted	31,358	10,858

	Six Months Ended	
	June 28, 2003	**June 28, 2003**
	As reported(1)	**As restated**
	(In thousands, except per share amounts)	
Net income	$ 1,455	$ 1,455
Preferred stock dividend	(1,455)	(2,340)
Net income (loss) available to common stockholders	$ 0	$ (885)
Net income (loss) per share:		
Basic	$ 0.00	$ (0.12)
Diluted	$ 0.00	$ (0.12)
Weighted-average number of shares used in per share calculations:		
Basic	7,725	7,681
Diluted	30,169	7,681

1) As reported in the Quarterly Report on Form 10-Q for the quarter ended June 26, 2004 filed on August 9, 2004 amounts were previously restated to reflect adjustments to the amortization schedule of deferred stock-based compensation and the related income taxes for the three and six month periods ended June 28, 2003 resulting in a decrease in net income of $255,000 and $531,000 and a decrease in diluted net income per share of $0.01 and $0.02.

Note 11 Recent Accounting Pronouncements

In March 2004, the EITF issued Statement No. 03-06 Participating Securities and the Two Class Method under FAS Statement 128 Earnings per Share . EITF Statement No. 03-06 addresses a number of questions regarding the computation of earnings per share by companies that have issued securities other than common stock that contractually entitle the holder to participate in dividends and earnings of the company when, and if, it declares dividends on its common stock. It requires that undistributed earnings for the period be allocated to a participating security based on the contractual participation rights of the security to share in those earnings as if all the earnings for the period had been distributed in calculating earnings per share. It requires that prior period earnings per share

amounts be restated to ensure comparability year over year. The adoption of EITF No. 03-6 had no impact on the Company s earnings per share (after giving effect to the restatement described above) as the Company had included its redeemable convertible preferred stock as participating securities in prior periods. All of the redeemable convertible preferred stock was converted to common stock in connection with the Company s IPO in June 2003.

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Item 4. ***Controls and Procedures***

Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, FormFactor s management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation as of the end of the period covered by this quarterly report on Form 10-Q, 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 Chief Financial Officer concluded that as of June 26, 2004, FormFactor s disclosure controls and procedures were effective for ensuring that information required to be disclosed in the reports that FormFactor files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms. 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. This Amendment No. 1 to FormFactor s Quarterly Report on Form 10-Q restates its financial results for the three months and six months ended June 26, 2004 to reflect the impact of cumulative dividend and participation rights of its redeemable convertible preferred stock in the calculation of its basic and diluted net income (loss) per common share.

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. 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 II. OTHER INFORMATION

Item 6. Exhibits

The following exhibits are filed herewith:

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
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

SIGNATURE

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

FORMFACTOR, INC.

By: /s/ JENS MEYERHOFF

Jens Meyerhoff
Chief Operating Officer and
Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

November 30, 2004

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