SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2002

OR

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

FOR THE TRANSITION PERIOD FROM -------- TO ---------

COMMISSION FILE NUMBER 0-31051

SMTC CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	98-0197680
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

635 HOOD ROAD
MARKHAM, ONTARIO, CANADA L3R 4N6
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

(905) 479-1810
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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

As of June 30, 2002, SMTC Corporation had 23,196,443 shares of common stock, par value $0.01 per share, and one share of special voting stock, par value $0.01 per share, outstanding. As of June 30, 2002, SMTC Corporation's subsidiary, SMTC Manufacturing Corporation of Canada, had 5,493,336 exchangeable shares outstanding, each of which is exchangeable into one share of common stock of SMTC Corporation.

SMTC Corporation
Form 10-Q

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SMTC CORPORATION

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

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

	June 30, 2002	December 31, 2001
	(unaudited)	
Assets		
Current assets:		
Cash and short-term investments	$ 749	$ 12,103
Accounts receivable	80,984	81,374
Inventories (note 2)	81,245	80,900
Prepaid expenses	5,371	4,782
Income taxes recoverable	521	997
Deferred income taxes	632	632
	169,502	180,788
Capital assets	55,486	60,416
Goodwill	55,560	55,560
Other assets	12,513	11,538
Deferred income taxes	34,330	33,118
	$ 327,391	$ 341,420
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 62,216	$ 56,487
Accrued liabilities	39,866	36,276
Current portion of long-term debt (note 3)	15,000	12,500
Current portion of capital lease obligations	214	198
	117,296	105,461
Long-term debt (note 3)	99,036	110,297
Capital lease obligations	285	406
Deferred income taxes	595	595
Shareholders' equity:		
Capital stock	68,496	68,496
Loans receivable	(13)	(13)
Additional paid-in-capital	161,007	161,666
Warrants	659	--
Deficit	(119,970)	(105,488)
	110,179	124,661
	$ 327,391	$ 341,420

See accompanying notes to consolidated financial statements.

SMTC CORPORATION

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

(Unaudited)

<TABLE>
<CAPTION>

	Three months ended		Six months ended	
	June 30, 2002	July 1, 2001	June 30, 2002	July 1, 2001
		(restated, note 8)		(restated, note 8)
<S>	<C>	<C>	<C>	<C>
Revenue	$ 161,589	$ 149,928	$ 300,498	$ 347,740
Cost of sales (including restructuring charges) (note 7)	154,584	153,551	286,745	349,203
Gross profit (loss)	7,005	(3,623)	13,753	(1,463)
Selling, general and administrative expenses	6,218	7,906	13,308	17,331
Amortization	601	2,353	1,056	4,705
Restructuring charges (note 7)	--	--	--	15,559
Operating income (loss)	186	(13,882)	(611)	(39,058)
Interest	2,389	2,561	4,704	5,453
Loss before income taxes and discontinued operations	(2,203)	(16,443)	(5,315)	(44,511)
Income tax recovery	(390)	(3,435)	(1,030)	(12,702)
Loss before discontinued operations	(1,813)	(13,008)	(4,285)	(31,809)
Loss from discontinued operations (note 8)	--	(866)	(10,197)	(2,077)
Net loss	(1,813)	$ (13,874)	$ (14,482)	$ (33,886)
Loss per share:				
Basic loss per share before discontinued operations	$ (0.06)	$ (0.45)	$ (0.15)	$ (1.12)
Loss from discontinued operations per share	--	(0.03)	(0.35)	(0.07)
Basic loss per share	$ (0.06)	$ (0.48)	$ (0.50)	$ (1.19)
Diluted loss per share	$ (0.06)	$ (0.48)	$ (0.50)	$ (1.19)
Weighted average number of common shares used in the calculations of loss per share:				
Basic	28,689,779	28,689,779	28,689,779	28,525,916
Diluted	28,689,779	28,689,779	28,689,779	28,525,916

</TABLE>

See accompanying notes to consolidated financial statements.

SMTC CORPORATION

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

Six months ended June 30, 2002
(Unaudited)

<TABLE>
<CAPTION>

	Capital stock	Warrants	Additional paid-in capital	Loans receivable	Deficit	Shareholders' equity
Balance, December 31, 2001	$68,496	$ --	$161,666	$(13)	$(105,488)	$124,661
Warrants issued	--	659	(659)	--	--	--
Net loss for the period	--	--	--	--	(14,482)	(14,482)
Balance, June 30, 2002	$68,496	$659	$161,007	$(13)	$(119,970)	$110,179

</TABLE>

See accompanying notes to consolidated financial statements.

SMTC CORPORATION

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

(Unaudited)

<TABLE>
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	Three months ended		Six months ended	
	June 30, 2002	July 1, 2001	June 30, 2002	July 1, 2001
Cash provided by (used in):				
Operations:				
Net loss	$(1,813)	$(13,874)	$(14,482)	$(33,886)
Items not involving cash:				
Amortization	601	2,353	1,056	4,705
Depreciation	2,982	2,900	6,035	5,796
Deferred income tax benefit	(568)	(5,326)	(1,212)	(14,905)
Gain on disposition of assets	(25)	--	(25)	--
Impairment of assets	--	--	1,129	5,023
Change in non-cash operating working capital:				
Accounts receivable	(3,641)	63,065	390	83,143
Inventories	9,560	31,694	(345)	65,424
Prepaid expenses	(687)	(740)	(589)	(1,936)
Accounts payable, accrued liabilities and income taxes recoverable	(6,022)	(36,599)	9,795	(81,164)
	387	43,473	1,752	32,200
Financing:				
Increase (decrease) in long-term debt	1,584	(32,462)	(8,761)	(13,980)
Principal payments on capital leases	(53)	(49)	(105)	(253)
Loans to shareholders	--	(5,236)	--	(5,236)
Proceeds from issuance of common stock	--	--	--	313
Repayment of loans receivable	--	--	--	14
Debt issuance costs	(1,750)	--	(2,031)	--
	(219)	(37,747)	(10,897)	(19,142)
Investments:				
Purchase of capital assets	(1,266)	(5,870)	(2,310)	(14,200)
Proceeds from sale of capital assets	101	--	101	--
	(1,165)	(5,870)	(2,209)	(14,200)

Decrease in cash and cash equivalents	(997)	(144)	(11,354)	(1,142)
Cash and cash equivalents, beginning of period	1,746	1,700	12,103	2,698
Cash and cash equivalents, end of period	$ 749	$ 1,556	$ 749	$ 1,556

</TABLE>

See accompanying notes to consolidated financial statements.

SMTC CORPORATION

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

(Unaudited)

<TABLE>
<CAPTION>

	Three months ended		Six months ended	
	June 30, 2002	July 1, 2001	June 30, 2002	July 1, 2001
<S>	<C>	<C>	<C>	<C>
Supplemental disclosures:				
Cash paid during the period:				
Income taxes	$ 699	$ --	$1,300	$3,502
Interest	2,199	2,418	4,365	5,244
Non-cash investing activities:				
Cash released from escrow	--	3,125	--	3,125
Non-cash financing activities:				
Issuance of warrants	165	--	659	--

</TABLE>

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

See accompanying notes to consolidated financial statements.

SMTC CORPORATION

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

Three and six months ended June 30, 2002 and July 1, 2001
(Unaudited)

1. Basis of presentation:

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

The accompanying unaudited consolidated balance sheet as at June 30, 2002, the unaudited consolidated statements of operations for the three and six month periods ended June 30, 2002 and July 1, 2001, the unaudited consolidated statement of changes in shareholders' equity for the six month period ended June 30, 2002, and the unaudited consolidated statements of cash flows for the three and six month periods ended June 30, 2002 and July 1, 2001 have been prepared on substantially the same basis as the annual consolidated financial statements, except as described below. Management believes the consolidated financial statements reflect all adjustments, consisting only of normal recurring accruals, which are, in the opinion of management, necessary for a fair presentation of the Company's financial position, operating results and cash flows for the periods presented. The

results of operations for the three and six month periods ended June 30, 2002 are not necessarily indicative of results to be expected for the entire year. These unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the year ended December 31, 2001.

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

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

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1. Basis of presentation (continued):

In connection with the transitional goodwill impairment evaluation, Statement 142 requires the Company to perform an assessment of whether there is an indication that goodwill is impaired as of January 1, 2002. To accomplish this, the Company was required to identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill to those reporting units as of January 1, 2002. The Company has identified its reporting units to be consistent with its business units as defined in note 6, with the exception of the Boston, Massachusetts facility. This facility is not economically similar to the other US facilities and as a result, is a separate reporting unit. The Company has determined the fair value of each reporting unit and compared it to the reporting unit's carrying amount. The first step of the transitional goodwill impairment test has been completed and the Company has determined that there will be a goodwill impairment charge relating to the Canadian, US and Boston reporting units, which could be material, requiring the Company to perform the second step of the transitional impairment test. In the second step, the Company must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with Statement 141, to its carrying amount, both of which would be measured as of January 1, 2002. This second step is required to be completed as soon as possible, but no later than December 31, 2002. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in the Company's statements of operations.

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

<TABLE>
<CAPTION>

	Three months ended	Six months ended

<S>	June 30, 2002 <C>	July 1, 2001 <C>	June 30, 2002 <C>	July 1, 2001 <C>
Net loss	$(1,813)	$(13,874)	$(14,482)	$(33,886)
Add back goodwill amortization, net of tax	--	1,692	--	3,384
Net loss before goodwill amortization	$(1,813)	$(12,182)	$(14,482)	$(30,502)
Basic and diluted loss per share:				
Net loss	$ (0.06)	$ (0.48)	$ (0.50)	$ (1.19)
Net loss before goodwill amortization	$ (0.06)	$ (0.42)	$ (0.50)	$ (1.07)

</TABLE>

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

Three and six months ended June 30, 2002 and July 1, 2001
(Unaudited)

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1. Basis of presentation (continued):

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

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

In April 2002, the FASB issued Statement No. 145, "Recission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections" ("Statement 145"), which provides for the recission of several previously issued accounting standards, new accounting guidance for the accounting for certain lease modifications and various technical corrections that are not substantive in nature to existing pronouncements. In addition, gains and losses from extinguishment of debt will not longer be classified as an extraordinary item. The Statement will be effective for fiscal 2003, with early adoption of the provisions related to the classification of gains and losses on extinguishment of debt encouraged. Upon adoption, enterprises must reclassify prior period items that do not meet the extraordinary item classification criteria in APB 30. The Company plans to adopt the provisions of Statement 145 in fiscal 2003 and expects no material effect as a result of this Statement except for the reclassification of prior period extraordinary items to ordinary income. In fiscal 1999 and 2000, $1,247 and $2,678 respectively, was booked as an extraordinary loss. These amounts will be reclassified to ordinary income.

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1. Basis of presentation (continued):

In July 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("Statement 146"). Statement 146 addresses financial accounting and reporting for costs associated with exit or disposal activities, and is effective for exit or disposal activities initiated after December 31, 2002 with early application encouraged. Statement 146 nullifies Emerging Issues Task Force Issue No. 94-3 ("EITF 94-3") "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in Restructuring)". The principal difference between Statement 146 and EITF 94-3 relates to the recognition of a liability for a cost associated with an exit or disposal activity. FAS 146 requires that the cost associated with an exit or disposal activity be recognized when the liability is incurred, whereas under EITF 94-3 the liability was recognized at the date of an entity's commitment to an exit plan. The Company is currently assessing the impact of this Statement.

2. Inventories:

	June 30, 2002	December 31, 2001
Raw materials	$46,282	$38,289
Work in process	20,279	24,984
Finished goods	13,399	16,230
Other	1,285	1,397
	$81,245	$80,900

3. Long-term debt:

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

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3. Long-term debt (continued):

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

The Company's activity levels have exceeded the plan that served as the

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

The Company was in compliance with the amended financial covenants at June 30, 2002 and accordingly the related debt is classified as long-term. The Company expects to continue to be in compliance with the amended financial covenants through December 31, 2002 based on the Company achieving the forecasts inherent in its current business plan. The Company believes the forecasts are based on reasonable assumptions and are achievable, however; the forecasts are dependent on a number of factors some of which are outside the control of the Company. These include, but are not limited to, general economic conditions and specifically the strength of the electronics industry and the related demand for the products and services by the Company's customers.

Effective January 1, 2003, the Company reverts back to the original credit agreement and at that time it is unlikely the Company will earn sufficient EBITDA (earnings before interest expense, income taxes, depreciation and amortization), using a twelve month trailing formula, to satisfy the requirements of that agreement. In the event of non-compliance, the Company's lenders have the ability to demand repayment of the outstanding amounts under the credit facility. The Company intends to seek an additional amendment to ensure continued compliance with its credit agreement.

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4. Loss per share:

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

<TABLE>
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	Three months ended		Six months ended	
	June 30, 2002	July 1, 2001	June 30, 2002	July 1, 2001
<S>	<C>	<C>	<C>	<C>
Numerator:				
Net loss before discontinued operations	$ (1,813)	$ (13,008)	$ (4,285)	$ (31,809)
Net loss	(1,813)	(13,874)	(14,482)	(33,886)
Denominator:				
Weighted-average shares - basic	28,689,779	28,689,779	28,689,779	28,525,916
Effect of dilutive securities:				
Employee stock options	--	--	--	--
Warrants	--	--	--	--
Weighted-average shares - diluted	28,689,779	28,689,779	28,689,779	28,525,916
Loss per share:				
Basic and diluted, before discontinued operations	$ (0.06)	$ (0.45)	$ (0.15)	$ (1.12)
Basic and diluted	$ (0.06)	$ (0.48)	$ (0.50)	$ (1.19)

</TABLE>

Options and warrants to purchase common stock were outstanding during the

three and six month periods ended June 30, 2002 and July 1, 2001 but were not included in the computation of diluted loss per share because their effect would be anti-dilutive on the loss per share for the periods.

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5. Income taxes:

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

6. Segmented information:

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

<TABLE>
<CAPTION>

	Three months ended June 30, 2002			Six months ended June 30, 2002		
	Total revenue	Intersegment revenue	Net external revenue	Total revenue	Intersegment revenue	Net external revenue
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United States	$142,588	$ (7,915)	$134,673	$265,900	$ (13,314)	$252,586
Canada	29,341	(3,893)	25,448	48,400	(5,947)	42,453
Europe	1,579	(266)	1,313	2,960	(501)	2,459
Mexico	42,164	(42,009)	155	94,474	(91,474)	3,000
	$215,672	$(54,083)	$161,589	$411,734	$(111,236)	$300,498
EBITA (before discontinued operations and restructuring charges):						
United States	$ (847)			$ (2,412)		
Canada	992			520		
Europe	(199)			(406)		
Mexico	841			2,743		
	787			445		
Interest	2,389			4,704		
Amortization	601			1,056		
Loss before income taxes, and discontinued operations	$ (2,203)			$ (5,315)		
Capital expenditures:						
United States	$ 689			$ 1,410		
Canada	469			543		
Europe	2			26		
Mexico	106			331		
	$ 1,266			$ 2,310		

</TABLE>

SMTC CORPORATION

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

Three and six months ended June 30, 2002 and July 1, 2001
(Unaudited)

- ---

6. Segmented information (continued):

	Three months ended July 1, 2001			Six months ended July 1, 2001		
	Total revenue	Intersegment revenue	Net external revenue	Total revenue	Intersegment revenue	Net external revenue
United States	$155,417	$(30,998)	$124,419	$313,892	$(38,414)	$275,478
Canada	15,739	(633)	15,106	42,680	(1,520)	41,160
Europe	5,252	(951)	4,301	9,946	(951)	8,995
Mexico	24,119	(18,017)	6,102	48,588	(26,481)	22,107
	$200,527	$(50,599)	$149,928	$415,106	$(67,366)	$347,740

	Three months ended July 1, 2001	Six months ended July 1, 2001
EBITA (before discontinued operations and restructuring charges):		
United States	$ 255	$ 1,687
Canada	(368)	212
Europe	501	1,316
Mexico	(2,873)	(6,065)
	(2,485)	(2,850)
Interest	2,561	5,453
Amortization	2,353	4,705
Restructuring charges	9,044	31,503
Loss before income taxes and discontinued operations	$(16,443)	$(44,551)
Capital expenditures:		
United States	$ 3,592	$ 8,221
Canada	809	1,565
Europe	220	243
Mexico	1,249	4,171
	$ 5,870	$ 14,200

SMTC CORPORATION

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

Three and six months ended June 30, 2002 and July 1, 2001
(Unaudited)

- ---

6. Segmented information (continued):

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

	Three months ended		Six months ended	
	June 30, 2002	July 1, 2001	June 30, 2002	July 1, 2001
Geographic revenue:				
United States	$120,806	$128,522	$234,617	$300,637
Canada	11,189	9,698	20,501	23,744
Europe	16,952	8,673	25,259	17,630
Asia	8,769	2,955	14,110	5,623
Mexico	3,873	80	6,011	106
	$161,589	$149,928	$300,498	$347,740

	June 30, 2002	December 31, 2001
Long-lived assets:		
United States	$ 71,223	$ 73,269
Canada	20,879	21,832
Europe	549	1,998
Mexico	18,395	18,877
	$111,046	$115,976

7. Restructuring charges:

During fiscal year 2001, in response to excess capacity caused by the slowing technology end market, the Company commenced a restructuring program aimed at reducing its cost structure. Accordingly, the Company recorded restructuring charges of $31,503 during the six months ended July 1, 2001 consisting of the costs associated with exiting or re-sizing facilities.

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

	Three months ended July 1, 2001	Six months ended July 1, 2001
Inventory write-downs included in cost of sales	$9,044	$15,944
Lease and other contract obligations	--	5,178
Severance	--	2,331
Asset impairment	--	5,023
Other facility exit costs	--	3,027
	--	15,559
	$9,044	$31,503

The following table details the related amounts included in accrued liabilities as at June 30, 2002:

	Accrual at March 31, 2002	Cash payments	Accrual at June 30, 2002

Lease and other contract obligations	$4,705	(808)	$3,897
Severance	131	(41)	90
Other facility exit costs	655	(34)	621
	$5,491	(883)	$4,608

8. Discontinued Operations:

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

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

	Three months ended		Six months ended	
	June 30, 2002	July 1, 2001	June 30, 2002	July 1, 2001
Revenue	$--	$1,947	$5,035	$5,050

<TABLE>
<CAPTION>

	Three months ended		Six months ended	
	June 30, 2002	July 1, 2001	June 30, 2002	July 1, 2001
<S>	<C>	<C>	<C>	<C>
Loss from discontinued operations:				
Operating loss before restructuring charges	$--	$866	$ 480	$1,882
Restructuring charges	--	--	--	195
Cost of closing the facility	--	--	9,717	--
Loss from discontinued operations	$--	$866	$10,197	$2,077

</TABLE>

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

Three and six months ended June 30, 2002 and July 1, 2001
(Unaudited)

- --

8. Discontinued Operations (continued):

The following table details the related amounts included in accrued liabilities as at June 30, 2002:

	Accrual at March 31, 2002	Cash payments	Accrual at June 30, 2002
Lease and other contract obligations	$ 323	--	$ 323
Severance	1,350	(1,055)	295
Other facility exit costs	1,327	(121)	1,206
	$3,000	(1,176)	$1,824

9. Comparative figures:

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

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

SELECTED CONSOLIDATED FINANCIAL DATA

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

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

(Unaudited)

<TABLE>
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	Three months ended		Six months ended	
	June 30, 2002	July 1, 2001	June 30, 2002	July 1, 2001
<S>	<C>	<C>	<C>	<C>
Revenue	$161.6	$149.9	$300.5	$347.7
Cost of sales (including restructuring charges of $nil for the three and six months ended June 30, 2002 and $9.0 million and $15.9 million for the three and six months ended July 1, 2001)(a)	154.6	153.5	286.8	349.1
Gross profit (loss)	7.0	(3.6)	13.7	(1.4)
Selling, general and administrative expenses	6.2	7.9	13.3	17.4
Amortization	0.6	2.4	1.0	4.7
Restructuring charges (a)	--	--	--	15.6
Operating income (loss)	0.2	(13.9)	(0.6)	(39.1)
Interest	2.4	2.5	4.7	5.4
Loss before income taxes and discontinued operations	(2.2)	(16.4)	(5.3)	(44.5)
Income tax recovery	(0.4)	(3.4)	(1.0)	(12.7)
Loss before discontinued operations	(1.8)	(13.0)	(4.3)	(31.8)
Loss from discontinued operations (b)	--	(0.9)	(10.2)	(2.1)
Net loss	$ (1.8)	$(13.9)	$(14.5)	$(33.9)

Net loss per common share:				
Basic before discontinued operations	$(0.06)	$(0.45)	$(0.15)	$(1.12)
Loss from discontinued operations	--	(0.03)	(0.35)	(0.07)
Basic	$(0.06)	$(0.48)	$(0.50)	$(1.19)
Diluted	$(0.06)	$(0.48)	$(0.50)	$(1.19)
Weighted average number of shares outstanding:				
Basic	28.7	28.7	28.7	28.5
Diluted	28.7	28.7	28.7	28.5

</TABLE>

(a) During fiscal year 2001, in response to excess capacity caused by the slowing technology end market, the Company commenced a restructuring program aimed at reducing its cost structure. Accordingly, the Company recorded restructuring charges of $22.5 million for the three months ended April 1, 2001 and $9.0 million for the three months ended July 1, 2001, consisting of the costs associated with exiting or re-sizing facilities. Refer to note 7 to our consolidated financial statements.

(b) In February, 2002 the main customer of the Cork, Ireland facility was placed into administration as part of a financial restructuring. As a result, on March 19, 2002, the Company announced that it was closing the

Cork, Ireland facility and that it was taking steps to place the subsidiary that operates that facility in voluntary administration. Refer to note 8 to our consolidated financial statements.

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

(Unaudited)

<TABLE>
<CAPTION>

	Three months ended		Six months ended	
	June 30, 2002	July 1, 2001	June 30, 2002	July 1, 2001
<S>	<C>	<C>	<C>	<C>
Net loss	$ (1.8)	$(13.9)	$(14.5)	$(33.9)
Adjustments:				
Discontinued operations	--	0.9	10.2	2.1
Amortization of goodwill	--	2.1	--	4.2
Restructuring and other charges	--	9.0	--	31.5
Income tax effect	--	(2.2)	--	(9.9)
Adjusted net loss	$ (1.8)	$ (4.1)	$ (4.3)	$ (6.0)
Adjusted net loss per common share:				
Basic	$(0.06)	$(0.14)	$(0.15)	$(0.21)
Diluted	$(0.06)	$(0.14)	$(0.15)	$(0.21)
Weighted average number of shares outstanding:				
Basic	28.7	28.7	28.7	28.5
Diluted	28.7	28.7	28.7	28.5

</TABLE>

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

Consolidated Balance Sheet Data:

(in millions)

	June 30, 2002 (Unaudited)	December 31, 2001
Cash	$ 0.8	$ 12.1
Working capital	52.2	75.3
Total assets	327.4	341.4
Total debt, including current maturities	114.0	122.8
Shareholders' equity	110.2	124.7

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

Overview

We provide advanced electronics manufacturing services, or EMS, to electronics industry original equipment manufacturers, or OEMs, primarily in the networking, industrial and communications market segments. We service our customers through eight manufacturing and technology centers strategically located in key technology corridors in the United States, Canada, Europe and the cost-effective location of Mexico. Our full range of value-added supply chain services include product design, procurement, prototyping, cable and harness interconnect, high precision enclosures, printed circuit board assembly, test, final system build, comprehensive supply chain management, packaging, global distribution and after-sales support.

We have customer relationships with industry leading OEMs such as IBM and Alcatel. We developed these relationships by capitalizing on the continuing trend of OEMs to outsource manufacturing services to consolidate their supply base and to form long-term strategic partnerships with selected high quality EMS providers. We work closely with our customers and are highly responsive to them throughout the design, manufacturing and distribution process, providing services that allow them to focus on their core competencies of sales, marketing and research and development. We seek to grow our business through the addition of new, high quality customers and the expansion of our relationships with existing customers.

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

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

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

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

The Company's activity levels have exceeded the plan that served as the basis for the Company's amended financial covenants. The Company and its lending group agreed in April 2002 to further amend the credit agreement to

increase the Company's permitted loan balances to correspond to its higher working capital needs.

Corporate History

SMTC Corporation is the result of the July 1999 combination of the former SMTC Corporation, or Surface Mount, and HTM Holdings, Inc., or HTM. Surface Mount was established in Toronto, Ontario in 1985. HTM was established in Denver, Colorado in 1990. SMTC was established in Delaware in 1998. Combining

Surface Mount and HTM provided us with increased strategic and operational scale and greater geographic breadth. After the combination, we purchased Zenith Electronics' facility in Chihuahua, Mexico, which expanded our cost-effective manufacturing capabilities in an important geographic region. In September 1999, we established a manufacturing presence in the Northeastern United States and expanded our value-added services to include high precision enclosure capabilities by acquiring Boston, Massachusetts based W.F. Wood. In July 2000, we acquired Pensar Corporation, an EMS company specializing in design engineering and headquartered in Appleton, Wisconsin. In November 2000, we acquired Qualtron Teoranta, a provider of specialized cable and harness interconnect assemblies, based in Donegal, Ireland and with a subsidiary in Haverhill, Massachusetts.

On July 27, 2000, we consummated an initial public offering of 6,625,000 shares of our common stock and 4,375,000 exchangeable shares of our subsidiary SMTC Manufacturing Corporation of Canada, or SMTC Canada. Each exchangeable share of SMTC Canada is exchangeable at the option of the holder at any time into one share of our common stock, subject to compliance with applicable securities laws.

On August 18, 2000, we sold an additional 1,650,000 shares of common stock upon exercise of the underwriters' over-allotment option.

Results of Operations

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

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

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

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

(Unaudited)

<TABLE>
<CAPTION>

	Three months ended		Six months ended	
	June 30, 2002	July 1, 2001	June 30, 2002	July 1, 2001
<S>	<C>	<C>	<C>	<C>
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of sales (including restructuring charges of $nil for the				

three and six months ended June 30, 2002 and $9.0 million and $15.9 million for the three and six months ended July 1, 2001)	95.7	102.4	95.4	100.4
Gross profit (loss)	4.3	(2.4)	4.6	(0.4)
Selling, general and administrative expenses	3.8	5.3	4.5	5.0
Amortization	0.4	1.6	0.3	1.3
Restructuring charges	--	--	--	4.5
Operating income (loss)	0.1	(9.3)	(0.2)	(11.2)
Interest	1.5	1.6	1.6	1.6
Loss before income taxes and discontinued operations	(1.4)	(10.9)	(1.8)	(12.8)
Income tax recovery	(0.3)	(2.2)	(0.4)	(3.7)
Loss before discontinued operations	(1.1)	(8.7)	(1.4)	(9.1)
Loss from discontinued operations	--	(0.6)	(3.4)	(0.6)
Net loss	(1.1)%	(9.3)%	(4.8)%	(9.7)%

</TABLE>

Quarter ended June 30, 2002 compared to the quarter ended July 1, 2001

Revenue

Revenue increased $11.7 million, or 7.8%, from $149.9 million in the second quarter of 2001 to $161.6 million in the second quarter of 2002 as the Company began production on new program wins. During the second quarter of 2002, we recorded approximately $8.0 million of sales of raw materials inventory to customers, which carried no margin, compared to $10.4 million of such sales for the same period in 2001.

Revenue from Dell of $40.2 million, IBM of $26.1 million and Alcatel of $16.2 million for the second quarter of 2002 was 24.9%, 16.2% and 10.0%, respectively, of total revenue for the period. Revenue from Dell of $15.9 million and IBM of $22.1 million for the second quarter of 2001 was 10.6% and 14.7%, respectively, of total revenue for the period. No other customers represented more than 10% of revenue in either period. During the second quarter of 2002, the Company informed Dell of its intention to terminate its supply agreement with Dell, and to end production over the next quarter. The Company's decision was taken after a review of the Company's return on capital requirements indicated that the customer's programs were not generating sufficient returns and, at the same time, were utilizing a disproportionate amount of working capital. The Company expects lower revenues in the third quarter of 2002, as the Company exits Dell, which is expected to be offset by reduced expense levels and reduced working capital usage.

In the second quarter of 2002, 66.1% of our revenue was generated from operations in the United States, 19.6% from Mexico, 13.6% from Canada and 0.7% from Europe. In the second quarter of 2001, 77.5% of our revenue was generated from operations in the United States, 12.0% from Mexico, 7.8% from Canada, and

2.7% from Europe. We expect to continue to increase the portion of revenue attributable to our Chihuahua facility, with the transfer of certain production from other facilities and with the addition of new business and increased volume from our current business.

Gross Profit

Gross profit increased $10.6 million from a loss of $3.6 million for the second quarter of 2001 to $7.0 million, or 4.3% of revenue, for the second quarter of 2002. The improvement in the gross profit is due to the higher sales base, better utilization of the fixed and variable costs and to a $9.0 million restructuring charge related to a write-down of inventory in connection with the closure of our Denver facility, recorded during the second quarter of 2001. Excluding the $9.0 million restructuring charge recorded in the second quarter of 2001, the gross profit was $5.4 million or 3.6% of revenue. The Company writes down estimated obsolete or excess inventory for the difference between the cost of inventory and estimated market value based on customer forecasts and the ability to sell back inventory to customers or suppliers. If actual market conditions or our customers' product demands are less favorable than those projected, additional provisions may be required.

Selling, General & Administrative Expenses

Selling, general and administrative expenses decreased $1.7 million from $7.9 million for the second quarter of 2001 to $6.2 million for the second quarter of 2002. This decrease is due to the closure of our Denver and Haverhill facilities and our continued focus on reducing selling, general and administrative expenses.

As a percentage of revenue, selling, general and administrative expenses decreased from 5.3% for the second quarter of 2001 to 3.8% for the second quarter of 2002 due to the higher sales base earned in the second quarter of 2002 and the effects realized from the continued focus on reducing selling, general and administrative expenses.

Amortization

Amortization of intangible assets of $0.6 million for the second quarter of 2002 included the amortization of $0.5 million of deferred finance costs related to the establishment of our senior credit facility in July 2000 and subsequent amendments, and $0.1 million of deferred equipment lease costs. The costs associated with our amended and restated senior credit facility are being amortized over the remaining term of the debt.

Amortization of intangible assets of $2.4 million for the second quarter of 2001 included the amortization of $0.6 million of goodwill related to the combination of Surface Mount and HTM, $0.4 million of goodwill related to the acquisition of W.F. Wood, $0.7 million related to the acquisition of Pensar and $0.4 million related to the acquisition of Qualtron. Amortization of intangible assets for the second quarter of 2001 also included the amortization of $0.2 million of deferred finance costs related to the establishment of our senior credit facility in July 2000 and subsequent amendments, and $0.1 million of deferred equipment lease costs.

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

Restructuring Charges

During fiscal year 2001, in response to excess capacity caused by the slowing technology end market, the Company commenced a restructuring program aimed at reducing its cost structure. Accordingly, the Company recorded restructuring charges of $9.0 million during the second quarter of 2001 consisting of the write-down of inventory associated with the closure of the assembly facility in Denver. There were no restructuring charges in the second quarter of 2002.

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

Interest Expense

Interest expense decreased $0.1 million from $2.5 million for the second quarter of 2001 to $2.4 million for the second quarter of 2002. The weighted average interest rates with respect to the debt for the second quarter of 2001 and 2002 were 8.5% and 7.2%, respectively.

Income Tax Expense

For the second quarter of 2002, an income tax recovery of $0.4 million was recorded on a pre-tax loss before discontinued operations of $2.2 million resulting in an effective tax recovery rate of 18.2%, as losses in certain jurisdictions were not tax effected due to the uncertainty of our ability to utilize such losses.

For the second quarter of 2001, an income tax recovery of $3.4 million on a pre-tax loss before discontinued operations of $16.4 million, resulting in an effective tax rate of 20.7% as losses in certain jurisdictions were not tax effected due to the uncertainty of our ability to utilize such losses. We also are unable to deduct $1.0 million of goodwill amortization.

At December 31, 2001, the Company had total net operating loss carryforwards of approximately $105.0 million of which $3.0 million and $88.0 million will begin to expire in 2013 and 2022, respectively. In assessing the realization of deferred tax assets, management considers whether it is more

likely than not that some portion or all of its deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Management considers the scheduled reversal of deferred tax liabilities, change of control limitations, projected future taxable income and tax planning strategies in making this assessment. Based upon consideration of these factors, management believes the recorded valuation allowance related to the loss carryforwards is appropriate. However, in the event that actual results differ from estimates or management adjusts these estimates in future periods, the Company may need to establish an additional valuation allowance, which could materially impact its financial position and results of operations.

Discontinued Operations

In February, 2002 the main customer of our Cork, Ireland facility was placed into administration as part of a financial restructuring. As a result, on March 19, 2002, we announced that we were closing our Cork, Ireland facility and that we were taking steps to place the subsidiary that operates that facility in voluntary administration. During the first quarter of 2002, we recorded a charge of $9.7 million related to the closure of the facility. The Company placed the subsidiary in voluntary administration by the end of the first quarter. Severance of $1.5 million and other facility exit costs of $0.1 million were paid out during the second quarter of 2002.

Included in the loss from discontinued operations for the three months ended July 1, 2001 is revenue of $1.9 million.

Six months ended June 30, 2002 compared to the six months ended July 1, 2001

Revenue

Revenue decreased $47.2 million, or 13.6%, from $347.7 million for the six months ended July 1, 2001 to $300.5 million for the six months ended June 30, 2002. The decrease in revenue is due primarily to the effects of the general decline in the technology market. During the first six months of 2002, we recorded approximately $17.9 million of sales of raw materials inventory to customers, which carried no margin, compared to $22.0 million of such sales for the same period in 2001.

Revenue from IBM of $62.5 million, Dell of $52.3 million and Alcatel of $36.0 million for the first six months of 2002 was 20.8%, 17.4% and 12.0%, respectively, of total revenue for the period. Revenue from IBM of $52.6 million and Dell of $38.3 million for the first six months of 2001 was 15.1% and 11.0%, respectively, of total revenue for the period. No other customers represented more than 10% of revenue in either period. During the second quarter of 2002, the Company informed Dell of its intention to terminate its supply agreement with Dell, and to end production over the next quarter. The Company's decision was taken after a review of the Company's return on capital requirements indicated that the customer's programs were not generating sufficient returns and, at the same time, were utilizing a disproportionate amount of working capital. The Company expects lower revenues in the third quarter of 2002, as the Company exits Dell, which is expected to be offset by reduced expense levels and reduced working capital usage.

In the first six months of 2002, 64.6% of our revenue was generated from operations in the United States, 23.0% from Mexico, 11.7% from Canada and 0.7% from Europe. In the first six months of 2001, 75.6% of our revenue was generated from operations in the United States, 11.7% from Mexico, 10.3% from Canada, and 2.4% from Europe. We expect to continue to increase the portion of revenue attributable to our Chihuahua facility, with the transfer of certain production from other facilities and with the addition of new business and increased volume from our current business.

Gross Profit

Gross profit increased $15.1 million from a loss of $1.4 million for the six months ended July 1, 2001 to $13.7 million, or 4.6% of revenue, for the six months ended June 30, 2002. The improvement in the gross profit is due to the $15.9 million portion of our restructuring charge related to a write-down of inventory in connection with the closure of our Denver facility, recorded during the first six months of 2001. Excluding the $15.9 million restructuring charge recorded in the first six months of 2001, the gross profit was $14.5 million or 4.2% of revenue. The Company writes down estimated obsolete or excess inventory for the difference between the cost of inventory and estimated market value based on customer forecasts and the ability to sell back inventory to customers or suppliers. If actual market conditions or our customers' product demands are less favorable than those projected, additional provisions may be required.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased $4.1 million from $17.4 million for the six months ended July 1, 2001 to $13.3 million for the six months ended June 30, 2002. This decrease is due to the closure of our Denver and Haverhill facilities and our continued focus on reducing selling, general and administrative expenses.

As a percentage of revenue, selling, general and administrative expenses decreased from 5.0% for the first six months of 2001 to 4.5% for the first six months of 2002 due to our continued focus on reducing selling, general and administrative expenses.

Amortization

Amortization of intangible assets of $1.0 million for the first six months of 2002 included the amortization of $0.8 million of deferred finance costs related to the establishment of our senior credit facility in July 2000 and subsequent amendments, and $0.2 million of deferred equipment lease costs. The costs associated with our amended and restated senior credit facility are being amortized over the remaining term of the debt.

Amortization of intangible assets of $4.7 million for the first six months of 2001 included the amortization of $1.2 million of goodwill related to the combination of Surface Mount and HTM, $0.8 million of goodwill related to the acquisition of W.F. Wood, $1.4 million related to the acquisition of Pensar and $0.8 million related to the acquisition of Qualtron. Amortization of intangible assets for the first six months of 2001 also included the amortization of $0.3 million of deferred finance costs related to the establishment of our senior credit facility in July 2000 and subsequent amendments, and $0.2 million of deferred equipment lease costs.

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

Restructuring Charges

During fiscal year 2001, in response to excess capacity caused by the slowing technology end market, the Company commenced a restructuring program aimed at reducing its cost structure. Accordingly, the Company recorded restructuring charges of $31.5 million during the first six months of 2001 consisting of the costs associated with exiting or re-sizing facilities. There were no restructuring charges in the first six months of 2002.

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

(in millions)	Six months ended July 1, 2001
Inventory write-downs included in cost of sales	$15.9
Lease and other contract obligations	5.2
Severance	2.4
Asset impairment	5.0
Other facility exit costs	3.0
	15.6
	$31.5

The write-down of inventory of $15.9 million is associated with the closure of the assembly facility in Denver.

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

Severance costs of $2.4 million are associated with the closure of the

Denver assembly facility and the re-sizing of the Mexican facilities. The severance costs relate to all 429 employees at the Denver facility and 847 plant and operational employees at the Mexico facility.

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

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

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

Interest Expense

Interest expense decreased $0.7 million from $5.4 million for the six months ended July 1, 2001 to $4.7 million for the six months ended June 30, 2002 due to lower average debt outstanding during the first two quarters of 2002 combined with lower interest rates. The weighted average interest rates with respect to the debt for the first six months of 2001 and 2002 were 8.3% and 7.2%, respectively.

Income Tax Expense

For the six months ended June 30, 2002, an income tax recovery of $1.0 million was recorded on a pre-tax loss before discontinued operations of $5.3 million resulting in an effective tax recovery rate of 18.9%, as losses in certain jurisdictions were not tax effected due to the uncertainty of our ability to utilize such losses.

For the six months ended July 1, 2001, an income tax recovery of $12.7 million on a pre-tax loss before discontinued operations of $44.5 million, resulting in an effective tax rate of 28.5% as losses in certain jurisdictions were not tax effected due to the uncertainty of our ability to utilize such losses. We also are unable to deduct $2.0 million of goodwill amortization.

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

Discontinued Operations

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

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

(in millions)	Six months ended June 30, 2002	July 1, 2001
Revenue	$ 5.0	$5.1

Loss from discontinued operations:		
Operating loss before restructuring charges	$ 0.5	$1.9
Restructuring charges	--	0.2
Cost of closing the facility	9.7	--
Loss from discontinued operations	$10.2	$2.1

Included in the cost of closing the facility of $9.7 million are the write-off of the net assets of $6.7 million (comprised of capital assets of $1.1 million and net working capital of $5.6 million) and other costs

associated with exiting the facility of $3.0 million. Included in the other costs is severance of $1.3 million related to the termination of all employees. Severance of $1.1 million and other facility exit costs of $0.1 million were paid out during the second quarter of 2002.

Liquidity and Capital Resources

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

During the second quarter of 2002, the Company informed Dell of its intention to terminate its supply agreement with Dell, and to end production over the next quarter. The Company's decision was taken after a review of the Company's return on capital requirements indicated that the customer's programs were not generating sufficient returns and, at the same time, were utilizing a disproportionate amount of working capital. The Company expects lower revenues in the third quarter of 2002, as the Company exits Dell, which is expected to be offset by reduced expense levels and reduced working capital usage.

Six months ended June 30, 2002 Liquidity: Net cash provided by operating activities for the first six months of 2002 was $1.8 million. Our net cash cycle improved from 78 days for the second quarter of 2001 and 39 days for the first quarter of 2002 to 33 days for the second quarter of 2002. Accounts receivable days sales outstanding improved from 67 days in the second quarter of 2001 to 50 days in the first quarter of 2002 to 46 days in the second quarter of 2002.

Net cash used in financing activities for the six months ended June 30, 2002 was $10.9 million due to the repayment of long-term debt of $8.8 million, the repayment of capital leases of $0.1 million and the costs associated with the amendment to our credit agreement of $2.0 million.

Net cash used in investing activities for the six months ended June 30, 2002 was $2.2 million due to the purchase of capital assets of $2.3 million, offset by proceeds from the sale of capital assets of $0.1 million.

Six months ended July 1, 2001 Liquidity: Net cash generated from operating activities for the six months ended July 1, 2001 was $32.2 million.

Net cash used in financing activities for the six months ended July 1, 2001 was $19.1 million due to the repayment of long-term debt of $14.0 million, the repayment of capital leases of $0.2 million, the funding of loans to shareholders of $5.2 million, offset by proceeds from the issuance of common stock on the exercise of options of $0.3 million.

Net cash used in investing activities for the six months ended July 1, 2001 was $14.2 million due to the purchase of capital assets.

Capital Resources

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

September 30, 2001 defaults and to revise the covenant tests to be consistent with both current revenues and the forecast for 2002.

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

Effective January 1, 2003, the Company reverts back to the original credit agreement and at that time it is unlikely the Company will earn sufficient EBITDA (earnings before interest expense, income taxes, depreciation and amortization), using a twelve month trailing formula, to satisfy the requirements of the agreement. In the event of non-compliance, the Company's lenders have the ability to demand repayment of the outstanding amounts under the credit facility. Though the Company intends to seek an additional amendment to ensure continued compliance with its credit agreement, there can be no assurance that an amendment will be obtained on acceptable terms or at all.

During the amendment period, the facility bears interest at the U.S. base rate as defined in the credit agreement plus 2.5%. As at June 30, 2002, we had borrowed $114.0 million under this facility.

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

The Company also paid amendment fees of $1.5 million comprised of $0.7 million representing 0.5% of the lender's commitments under the revolving credit facilities and term loans outstanding at February 11, 2002 and other amendment related fees of $0.8 million. The Company may be required to pay default fees if it violates certain covenants after the effective date of the February 2002 amendment. The amendment fees and the fair value of the warrants in connection with amending the agreement have been accounted for as deferred financing fees.

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

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

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

Recently Issued Accounting Standards

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

In connection with the transitional goodwill impairment evaluation, Statement 142 requires the Company to perform an assessment of whether there is an indication that goodwill is impaired as of January 1, 2002. To accomplish this, the Company was required to identify its reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill to those reporting units as of January 1, 2002. The Company has identified its reporting units to be consistent with its business units as defined in note 6, with the exception of the Boston, Massachusetts facility. This facility is not economically similar to the other US facilities and as a result, is a separate reporting unit. The Company has determined the fair value of each reporting unit and compared it to the reporting unit's carrying amount. The first step of the transitional goodwill impairment test has been completed and the Company has determined that there will be a goodwill impairment charge relating to the Canadian, US and Boston reporting units, which could be material, requiring the Company to perform the second step of the transitional impairment test. In the second step, the Company must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with Statement 141, to its carrying amount, both of which would be measured as of January 1, 2002. This second step is required to be completed as soon as possible, but no later than December 31, 2002. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in the Company's statements of operations.

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

<TABLE>
<CAPTION>

	Three months ended		Six months ended	
	June 30,	July 1,	June 30,	July 1,
(in millions, except per share amounts)	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>
Net loss	$ (1.8)	$(13.9)	$(14.5)	$(33.9)
Add back goodwill amortization, net of tax	--	1.7	--	3.4
Net loss before goodwill amortization	$ (1.8)	$(12.1)	$(14.5)	$(30.5)

Basic and diluted loss per share:

Net loss	$(0.06)	$(0.48)	$(0.50)	$(1.19)

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>	<C>
Net loss before goodwill amortization	$(0.06)	$(0.42)	$(0.50)	$(1.07)

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</TABLE>

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

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

In April 2002, the FASB issued Statement No. 145, "Recission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections" ("Statement 145"), which provides for the recission of several previously issued accounting standards, new accounting guidance for the accounting for certain lease modifications and various technical corrections that are not substantive in nature to existing pronouncements. In addition, gains and losses from extinguishment of debt will not longer be classified as an extraordinary item. The Statement will be effective for fiscal 2003, with early adoption of the provisions related to the classification of gains and losses on extinguishment of debt encouraged. Upon adoption, enterprises must reclassify prior period items that do not meet the extraordinary item classification criteria in APB 30. The Company plans to adopt the provisions of Statement 145 in fiscal 2003 and expects no material effect as a result of this Statement except for the reclassification of prior period extraordinary items to ordinary income. In fiscal 1999 and 2000, $1,247 and 2,678 respectively, was booked as an extraordinary loss. These amounts will be reclassified to ordinary income.

In July 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("Statement 146"). Statement 146 addresses financial accounting and reporting for costs associated with exit or disposal activities, and is effective for exit or disposal activities initiated after December 31, 2002 with early application encouraged. Statement 146 nullifies Emerging Issues Task Force Issue No. 94-3 ("EITF 94-3") "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in Restructuring)". The principal difference between Statement 146 and EITF 94-3 relates to the recognition of a liability for a cost associated with an exit or disposal activity. FAS 146 requires that the cost associated with an exit or disposal activity be recognized when the liability is incurred, whereas under EITF 94-3 the liability was recognized at the date of an entity's commitment to an exit plan. The Company is currently assessing the impact of this Statement.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 describes the significant

accounting policies and methods used in the preparation of our consolidated financial statements. The following critical accounting policies are impacted significantly by judgments, assumptions and estimates used in the preparation of financial statements. We believe the following

critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Allowance for Doubtful Accounts

The Company determines the allowance for doubtful accounts for estimated credit losses based on the financial condition of its customers, concentration of credit risk, historical experience, industry conditions and the age of past due receivables. Unanticipated changes in the liquidity or financial position of our customers may require additional provisions for doubtful accounts.

Inventory Valuation

Inventories are valued on a first-in, first-out basis at the lower of cost and replacement cost for raw materials and at the lower of cost and net realizable value for work in progress and finished goods. Inventories include an application of relevant overhead. Our industry is characterized by rapid technological change, short-term customer commitments and rapid changes in demand. The Company writes down estimated obsolete or excess inventory for the difference between the cost of inventory and estimated market value based on customer forecasts and the ability to sell back inventory to customers or suppliers. If actual market conditions or our customers' product demands are less favorable than those projected, additional provisions may be required.

Restructuring and Other Charges

In response to excess capacity caused by the slowing technology end market, the Company recorded restructuring and other charges aimed at reducing its cost structure. In connection with exit activities, the Company recorded charges for inventory write-downs, employee termination costs, lease and other contractual obligations, long-lived asset impairment and other exit-related costs. These charges were incurred pursuant to formal plans developed by management. The recognition of restructuring and other charges required the Company to make certain judgments and estimates regarding the nature, timing and amount of costs associated with the planned exit activities. The estimates of future liabilities may change, requiring the recording of additional charges or the reduction of liabilities already recorded. At the end of each reporting period, the Company evaluates the remaining accrued balances to ensure that no excess accruals are retained and the utilization of the provision are for their intended purposed in accordance with the developed exit plans.

Long-lived Assets

The Company reviews property and equipment for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of property and equipment is measured by comparing the carrying amount of the assets to the projected discounted cash flows the assets are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair market value.

In accordance with Statement of Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets", we evaluate goodwill for impairment, on at least an annual basis and whenever events or circumstances indicate that the carrying amount may not be recoverable from its estimate future cash flows. Recoverability of goodwill is measured at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit, based on projected discounted future cash flows. The Company must make estimates in the calculation of projected discounted future cash flows including estimates of future economic and business conditions, changes in technology and customer orders. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired and a second test is performed to measure the amount of impairment loss, if any. Adverse changes in the technology end market, customer demand and other market conditions could result in future impairments of goodwill. There can be no assurances that future goodwill impairment tests will not result in a charge.

FORWARD-LOOKING STATEMENTS

A number of the matters and subject areas discussed in this Form 10-Q are forward-looking in nature. The discussion of such matters and subject areas is qualified by the inherent risks and uncertainties surrounding

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

FACTORS THAT MAY AFFECT FUTURE RESULTS

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

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

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

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

Our three largest customers during the second quarter of 2002 were Dell, IBM and Alcatel, which represented approximately 24.9%, 16.2% and 10.0%, respectively, of our total revenue for that period. Our top ten largest customers (including Dell, IBM and Alcatel) collectively represented approximately 81% of our total revenue during the second quarter of 2002. During the second quarter of 2002, the Company informed Dell of its intention to terminate its supply agreement with them, and to end production with Dell over the next quarter. The Company expects lower revenues in the third quarter of 2002, as the Company exits Dell. The Company's decision was taken after a review of the Company's return on capital requirements indicated that the customer's programs were not generating sufficient returns and, at the same time, were utilizing a disproportionate amount of working capital. We expect to continue to depend upon a relatively small number of customers for a significant percentage of our revenue. In addition to having a limited number of customers, we manufacture a limited number of products for each of our customers. If we lose any of our largest customers or any product line manufactured for one of our largest customers, we could experience a significant reduction in our revenue. Also, the insolvency of one or more of our largest customers or the inability of one or more of our largest customers to pay for its orders could decrease revenue. As many of our costs and operating expenses are relatively fixed, a reduction in net revenue can decrease our profit margins and adversely affect our business, financial condition and results of operations.

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

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

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

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

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

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

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

- changes in demand for our customers' existing products;

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

- effectiveness in managing our manufacturing processes and inventory levels;

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

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

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

In addition, most of our customers typically do not commit to firm production schedules more than 30 to 90 days in advance. Accordingly, we cannot forecast the level of customer orders with certainty. During 2001 and 2002, many customers have placed orders on short notice for delivery in the last month of each fiscal quarter. This makes it difficult to schedule production and maximize utilization of our manufacturing capacity. In the past, we have been required to increase staffing, purchase materials and incur other expenses to meet the anticipated demand of our customers. Sometimes anticipated orders from certain customers have failed to materialize, and sometimes delivery schedules have been deferred as a result of changes in a customer's business needs. Any material delay, cancellation or reduction of orders from our largest customers could cause our revenue to decline significantly. In addition, as many of our costs and operating expenses are relatively fixed, a reduction in customer demand can decrease our gross margins and adversely affect our business, financial condition and results of operations. On other occasions, customers have required rapid and unexpected increases in production, which have placed burdens on our manufacturing capacity.

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

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

Substantially all of our customers are in the electronics industry,

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

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

A substantial portion of our revenue is derived from "turnkey" manufacturing. In turnkey manufacturing, we provide both the materials and the manufacturing services. If we fail to manage our inventory effectively, we may bear the risk of fluctuations in materials costs, scrap and excess inventory, all of which can have a material adverse effect on our business, financial condition and results of operations. We are required to forecast our future inventory needs based upon the anticipated demands of our customers. Inaccuracies in making these forecasts or estimates could result in a shortage or an excess of materials. In addition, delays, cancellations or reductions of orders by our customers could result in an excess of materials. A shortage of materials could lengthen production schedules and increase costs. An excess of materials may increase the costs of maintaining inventory and may increase the risk of inventory obsolescence, both of which may increase expenses and decrease profit margins and operating income.

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

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

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

In 2001 we implemented a restructuring plan that called for significant retrenchment. We closed our Denver and Haverhill facilities and resized operations in Mexico and Ireland in an effort to reduce our cost structure. In February, 2002 the main customer of our Cork, Ireland facility was placed into administration as part of a financial restructuring. As a result, on March 19, 2002, we announced that we were closing our Cork,

Ireland facility and that we were taking steps to place the subsidiary that operates that facility in voluntary administration. Retrenchment has caused, and is expected to continue to cause, strain on our infrastructure, including our managerial, technical and other resources. We may experience inefficiencies as

we integrate operations from closed facilities to currently operating facilities and may experience delays in meeting the needs of transferred customers. In addition, we are reducing the geographic dispersion of our operations, which may make it harder for us to compete and may cause us to lose customers. The loss of customers could have a material adverse effect on our business, financial condition and results of operations.

We have a limited history of owning and operating our acquired businesses on a consolidated basis. There can be no assurance that we will be able to meet performance expectations or successfully integrate our acquired businesses on a timely basis without disrupting the quality and reliability of service to our customers or diverting management resources. Our rapid growth and subsequent retrenchment has placed and will continue to place a significant strain on management, on our financial resources, and on our information, operating and financial systems. If we are unable to manage effectively, it may have a material adverse effect on our business, financial condition and results of operations.

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

The market for our products and services is characterized by rapidly changing technology and continuing process development. The future success of our business will depend in large part upon our ability to maintain and enhance our technological capabilities, to develop and market products and services that meet changing customer needs, and to successfully anticipate or respond to technological changes on a cost-effective and timely basis. In addition, the EMS industry could in the future encounter competition from new or revised technologies that render existing technology less competitive or obsolete or that reduce the demand for our services. There can be no assurance that we will effectively respond to the technological requirements of the changing market. To the extent we determine that new technologies and equipment are required to remain competitive, the development, acquisition and implementation of such technologies and equipment may require us to make significant capital investments. There can be no assurance that capital will be available for these purposes in the future or that investments in new technologies will result in commercially viable technological processes.

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

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

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

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

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

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

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

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

- political and economic instability;

- increases in duties and taxation;

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

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

- trade restrictions; and

- dependence on key customers.

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

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

RISKS RELATED TO OUR CAPITAL STRUCTURE

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

At June 30, 2002, we had $114.0 million of indebtedness under our senior credit facility. This debt could have adverse consequences for our business, including:

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

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

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

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

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

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

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

Effective January 1, 2003, the Company reverts back to the original credit agreement and at that time it is unlikely the Company will earn sufficient EBITDA (earnings before interest expense, income taxes, depreciation and amortization), using a twelve month trailing formula, to satisfy the requirements of the agreement. In the event of non-compliance, the Company's lenders have the ability to demand repayment of the outstanding amounts under the credit facility. Though the Company intends to seek an additional amendment to ensure continued compliance with its credit agreement, there can be no assurance that an amendment will be obtained on acceptable terms or at all.

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

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

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

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

Investment funds affiliated with Bain Capital, LLC, investment funds affiliated with Celerity Partners, Inc., Kilmer Electronics Group Limited and certain members of management held approximately 13.4%, 12.1%, 7.1% and 16.7%, respectively, of our outstanding shares as of June 30, 2002. In addition, two of the nine directors who serve on our board are representatives of the Bain funds, two are representatives of the Celerity funds, one is a representative of Kilmer Electronics Group Limited and two are members of management. By virtue of such stock ownership and board representation, the Bain funds, the Celerity funds, Kilmer Electronics Group Limited and certain members of management have a significant influence over all matters submitted to

our stockholders, including the election of our directors, and exercise significant control over our business policies and affairs. Such concentration of voting power could have the effect of delaying, deterring or preventing a change of control or other business combination that might otherwise be beneficial to our stockholders.

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

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

Item 3: Quantitative and Qualitative Disclosure about Market Risk

Interest Rate Risk

Our senior credit facility bears interest at a floating rate. The weighted average interest rate on our senior credit facility for the quarter ended June 30, 2002 was 7.2%. Our debt of $114.0 million bore interest at 7.3% on June 30, 2002 based on the U.S. base rate. If the U.S. base rate increased by 10% our interest rate would have risen to 7.7% and our interest expense would have increased by approximately $0.1 million for the second quarter of 2002.

Foreign Currency Exchange Risk

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

PART II OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

(a) The Company held its annual meeting on May 7, 2002.

(b) At the annual meeting, stockholders elected Messrs. Khalil Barsoum, Mark Benham and William Brock as directors. Messrs. Stephen Adamson, Michael Griffiths, Blair Hendrix, Ian Loring, Gary Walker and Paul Walker continued serving their terms of office as directors after the annual meeting.

(c) Results of annual meeting votes:

Proposal	For	Withheld
To elect as director Khalil Barsoum to hold office until the 2005 annual meeting of stockholders and in accordance with the by-laws of the Company	20,053,889	39,024
To elect as director Mark Benham to hold office until the 2005 annual meeting of stockholders and in accordance with the by-laws of the Company	20,054,124	38,789
To elect as director William Brock to hold office until the 2005 annual meeting of stockholders and in accordance with the by-laws of the Company	20,053,889	39,024

ITEM 5. OTHER INFORMATION.

Accompanying this Quarterly Report on Form 10-Q are the certificates of the Chief Executive Officer and Chief Financial Officer required by Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, copies of which are furnished as exhibits to this report.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) List of Exhibits:

10.1 Seventh Amendment and Fourth Waiver dated as of April 30, 2002 to the Amended and Restated Credit and Guarantee Agreement.

10.2 Amendment No. 1 dated as of April 30, 2002 to Warrant Agreement between the Company and Mellon Investor Services LLC.

99.1 Certification of Paul Walker, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated August 14, 2002.

99.2 Certification of Frank Burke, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated August 14, 2002.

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

SIGNATURES

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

SMTC CORPORATION

By: /s/ Paul Walker

Name: Paul Walker
Title: President and CEO

By: /s/ Frank Burke

Name: Frank Burke
Title: Chief Financial Officer

Date: August 14, 2002

EXHIBIT INDEX

Exhibit Number	Document
10.1	Seventh Amendment and Fourth Waiver dated as of April 30, 2002 to the Amended and Restated Credit and Guarantee Agreement.
10.2	Amendment No. 1 dated as of April 30, 2002 to Warrant Agreement between the Company and Mellon Investor Services LLC.
99.1	Certification of Paul Walker, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated August 14, 2002.
99.2	Certification of Frank Burke, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated August 14, 2002.

EXHIBIT 10.1

SEVENTH AMENDMENT AND FOURTH WAIVER

SEVENTH AMENDMENT AND FOURTH WAIVER, dated as of April 30, 2002 (this "Amendment"), to and under the Amended and Restated Credit and Guarantee Agreement, dated as of July 27, 2000 (as heretofore amended, supplemented or otherwise modified, the "Credit Agreement"), among SMTC Corporation ("Holdings"), HTM Holdings, Inc. (the "U.S. Borrower"), SMTC Manufacturing Corporation of Canada (the "Canadian Borrower"; together with the U.S. Borrower, the "Borrowers"), the several banks and other financial institutions or entities from time to time parties thereto (the "Lenders"), Lehman Brothers Inc., as advisor, lead arranger and book manager, The Bank of Nova Scotia, as syndication agent, Lehman Commercial Paper Inc., as general administrative agent (in such capacity, the "General Administrative Agent"), The Bank of Nova Scotia, as Canadian administrative agent, Lehman Commercial Paper Inc., as collateral monitoring agent, and General Electric Capital Corporation, as documentation agent.

W I T N E S S E T H:

WHEREAS, Holdings and the Borrowers requested that the Lenders agree to amend certain of the provisions of the Credit Agreement upon the terms and subject to the conditions set forth below; and

WHEREAS, the Required Lenders have consented to the requested amendments in the manner set forth below;

NOW, THEREFORE, in consideration of the premises and the material covenants herein contained, the parties hereto hereby agree as follows:

1. Defined Terms. Terms used herein and defined in the Credit Agreement are used herein as therein defined.

2. Waiver of Defaults or Events of Default. The Lenders hereby waive the Defaults and Events of Default arising by reason of (a) the failure of Holdings and the Borrowers to comply with the provisions of Sections 10.14(c) and (d) of the Credit Agreement for any period prior to the Effective Date (as defined below) with respect to the accounts listed on Schedule A hereof, (b) any representation and warranty made by any Borrower, in connection with any extension of credit under the Credit Agreement prior to the Effective Date, to the effect that no Default or Event of Default had occurred by reason of the failure of Holdings and the Borrowers to comply with the provisions of Sections 10.14(c) and (d) of the Credit Agreement with respect to the accounts listed on Schedule A hereof or (c) any failure of Holdings or any Borrower to give notice under the Credit Agreement of the failure of Holdings and the Borrowers to comply with the provisions of Sections 10.14(c) and (d) of the Credit Agreement with respect to the accounts listed on Schedule A hereof; provided that the foregoing waiver is conditioned upon Holdings and the Borrowers being in compliance with Sections 10.14(c) and (d) of the Credit Agreement on or before May 10, 2002.

3. Amendment to Section 11.1(f) to the Credit Agreement (Maximum Outstanding Extensions of Credit). Section 11.1(f) is hereby amended by:

(a) amending paragraph (i) thereof by deleting each reference therein to "Schedule 11.1(f)" and inserting in lieu thereof a reference to "Schedule 11.1(f)(i)";

(b) amending paragraph (ii) thereof by deleting such paragraph in its entirety and inserting in lieu thereof the following:

"(ii) On any day (other than the last day) of any month set forth on Schedule 11.1(f)(ii), permit the Total Revolving Extensions of Credit to exceed the lesser of (A) the Borrowing Base in effect on such day and (B) the amount set forth on Schedule 11.1(f)(ii) for the last day of such month."; and

(c) amending paragraph (iii) thereof by adding at the end of clause

(A) therein immediately before the comma therein "(other than any such Event of Default that has been waived (whether by waiver under or amendment to this Agreement) by the Lenders pursuant to Section 15.1)".

4. Amendment to Section 11.1(g) of the Credit Agreement (Minimum Availability Test). Section 11.1(g) of the Credit Agreement is hereby amended by deleting "$20,000,000" therein and inserting in lieu thereof "the amount set forth opposite the last day of such month on Schedule 11.1(g)".

5. Amendment to Section 11.8 of the Credit Agreement (Limitation on Investments). Section 11.8(n) of the Credit Agreement is hereby amended by adding at the end thereof the following: "provided that no additional loans shall be permitted pursuant to this clause (n) on and after April 30, 2002;".

6. Amendment to Section 11.10 of the Credit Agreement (Limitation on Transactions with Affiliates). Section 11.10 of the Credit Agreement is hereby amended by deleting clause (viii) in the second sentence thereof and substituting in lieu thereof the following: "(viii) payments for services rendered or loans to employees or consultants which are approved by the Board of Directors of Holdings in good faith, provided that no additional loans shall be permitted pursuant to this clause (viii) on and after April 30, 2002,".

7. Amendment to Schedule 11.1(e) to the Credit Agreement (Minimum Cumulative Consolidated EBITDA). Schedule 11.1(e) to the Credit Agreement is hereby amended by replacing such schedule in its entirety with a new Schedule 11.1(e) in the form attached to this Amendment as Annex A.

8. Amendment to Schedule 11.1(f) to the Credit Agreement (Maximum Outstanding Extensions of Credit). Schedule 11.1(f) to the Credit Agreement is hereby deleted in its entirety.

9. Addition of New Schedules to the Credit Agreement. The Credit Agreement is hereby amended by adding Schedules 11.1(f)(i), 11.1(f)(ii) and 11.1(g) thereto in the forms attached to this Amendment as Annexes B, C and D, respectively.

10. Effectiveness. This Amendment shall become effective on the date of satisfaction of the following conditions precedent (the "Effective Date"):

(a) The General Administrative Agent shall have received counterparts of this Amendment, duly executed and delivered by Holdings and each of the Borrowers.

(b) The General Administrative Agent shall have received executed Lender Consent Letters, substantially in the form of Exhibit A hereto ("Lender Consent Letters"), from Lenders constituting the Required Lenders.

(c) The General Administrative Agent shall have received an executed Acknowledgment and Consent (i) in the form set forth at the end of this Amendment, from each Loan Party other than the Borrowers and any Loan Party party to the Canadian Facility Guarantees (the "Canadian Guarantors") and (ii) in form and substance reasonably satisfactory to the Canadian Administrative Agent, from each Canadian Guarantor.

(d) Holdings and the Warrant Agent (as defined in the Warrant Agreement) shall have executed and delivered an amendment to the Warrant Agreement in the form attached hereto as Annex E and the Warrants required to have been issued pursuant to such amendment on the Effective Date shall have been issued (whether or not certificates therefor have been delivered).

(e) All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Amendment shall be satisfactory in form and substance to the General Administrative Agent.

(f) The Lenders and the General Administrative Agent shall have received all fees required to be paid, and all expenses for which invoices have been presented, on or before the Effective Date.

(g) The General Administrative Agent shall have received from Holdings, for the account of each Lender, an amendment fee equal to such

Lender's pro rata portion of $77,288.00.

11. Representations and Warranties. After giving effect to the amendments contained herein, on the Effective Date, Holdings and each of the Borrowers hereby confirms, reaffirms and restates the representations and warranties set forth in Section 8 of the Credit Agreement, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date; provided that each reference in such Section 8 to "this Agreement" shall be deemed to be a reference both to this Amendment and to the Credit Agreement as amended and modified by this Amendment.

12. Continuing Effect; No Other Amendments. Except as expressly amended hereby, all of the terms and provisions of the Credit Agreement and the other Loan Documents are and shall remain in full force and effect.

13. No Default. No Default or Event of Default shall have occurred and be continuing as of the Effective Date after giving effect to this Amendment.

14. Counterparts. This Amendment may be executed in any number of counterparts by the parties hereto, each of which shall be an original, and all of which when taken together shall constitute one and the same instrument. Delivery of an executed counterpart by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

15. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective proper and duly authorized officers as of the day and year first above written.

SMTC CORPORATION

By: /s/ Frank Burke

Name: Frank Burke
Title: Chief Financial Officer and Treasurer

HTM HOLDINGS, INC.

By: /s/ Frank Burke

Name: Frank Burke
Title: Authorized Signatory

SMTC MANUFACTURING CORPORATION OF CANADA

By: /s/ Frank Burke

Name: Frank Burke
Title: Authorized Signatory

LEHMAN COMMERCIAL PAPER INC., as
General Administrative Agent

By: /s/ G. Andrew Keith

Name: G. Andrew Keith
Title: Authorized Signatory

ACKNOWLEDGMENT AND CONSENT

Each of the undersigned parties to the Amended and Restated Guarantee and Collateral Agreement, dated as of July 27, 2000, as amended, supplemented or otherwise modified from time to time, made by the undersigned in favor of Lehman Commercial Paper Inc., as General Administrative Agent, for the benefit of the Lenders, hereby (a) consents to the transactions contemplated by the Seventh Amendment and Fourth Waiver to and under the Amended and Restated Credit and Guarantee Agreement and (b) acknowledges and agrees that the guarantees and grants of security interests contained in such Amended and Restated Guarantee and Collateral Agreement and in the other Security Documents are, and shall remain, in full force and effect after giving effect to the Seventh Amendment and Fourth Waiver and all prior modifications to the Amended and Restated Credit and Guarantee Agreement.

SMTC MANUFACTURING CORPORATION OF CALIFORNIA
SMTC MANUFACTURING CORPORATION OF COLORADO
SMTC MANUFACTURING CORPORATION OF MASSACHUSETTS
SMTC MANUFACTURING CORPORATION OF NORTH CAROLINA
SMTC MANUFACTURING CORPORATION OF TEXAS
SMTC MANUFACTURING CORPORATION OF WISCONSIN
SMTC MEX HOLDINGS, INC.
QUALTRON, INC.

By: /s/ Frank Burke

Name: Frank Burke
Title: Authorized Signatory

EXHIBIT 10.2
EXECUTION COPY

AMENDMENT NO. 1 to WARRANT AGREEMENT

THIS AMENDMENT NO. 1 TO WARRANT AGREEMENT, dated as of April 30, 2002 (this "Amendment") is made by and between SMTC Corporation, a Delaware corporation (the "Company"), and Mellon Investor Services LLC, a New Jersey limited liability company, as Warrant Agent (the "Warrant Agent").

WHEREAS, the Company and the Warrant Agent are parties to that certain Warrant Agreement, dated as of February 8, 2002 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Warrant Agreement");

WHEREAS, the Company and the Warrant Agent agree, subject to the terms and conditions set forth below, to amend the Warrant Agreement as provided below, in connection with the Seventh Amendment, dated April 30, 2002, to and under the Amended and Restated Credit and Guarantee Agreement, dated as of July 27, 2000 (as amended, supplemented and otherwise modified from time to time, the "Credit Agreement"), among the Company, HTM Holdings, Inc., SMTC Manufacturing Corporation of Canada, the several banks and other financial institutions or entities from time to time parties thereto (the "Lenders"), Lehman Brothers Inc., as advisor, lead arranger and book manager, The Bank of Nova Scotia, as syndication agent, Lehman Commercial Paper Inc., as general administrative agent, The Bank of Nova Scotia, as Canadian administrative agent, Lehman Commercial Paper Inc., as collateral monitoring agent and General Electric Capital Corporation, as documentation agent.;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Company and the Warrant Agent hereby agree as follows:

1. Amendment to Section 5: Registration of Transfers and Exchanges.

(a) The fifth paragraph of Section 5 of the Warrant Agreement is hereby deleted in its entirety.

(b) Section 5 of the Warrant Agreement is hereby amended by deleting the words "Series B or" from the sixth paragraph thereof.

2. Amendment to Section 6: Issuance of Warrants; Terms of Warrants; Exercise of Warrants.

(a) Clause (b)(i) of the first paragraph of Section 6 of the Warrant Agreement is hereby amended by replacing "December 31, 2002" with "April 30, 2002" therein.

(b) The third paragraph of Section 6 of the Warrant agreement is hereby amended by replacing the words "date hereof" in the fourth line thereof with "Issue Date of such Warrant".

(c) The third paragraph of Section 6 of the Warrant agreement is hereby amended by replacing the words "Exercise Period" in the eighth line thereof with "exercise period".

(d) The fourth paragraph of Section 6 of the Warrant Agreement is hereby amended by (i) deleting the words "Series B Warrants and" in the second and fourth lines thereof; and (ii) deleting the words "Series B Warrants or" in the fifth line thereof.

(e) The fifth paragraph of Section 6 of the Warrant Agreement is hereby deleted in its entirety.

3. Amendment to Section 22: Counterparts. Section 22 of the Warrant Agreement is hereby amended by adding at the end thereof the following:

"SECTION 23. Amendment and Exchange of Warrant Certificates. All Warrants issued and outstanding at the time of any amendments to this Warrant Agreement

shall be deemed amended in accordance with such amendments thereto. The Company, at its expense, shall issue and the Warrant Agent shall countersign, in exchange and substitution for and upon cancellation of any existing Warrant Certificates presented to the Company or the Warrant Agent, a new Warrant Certificate of like tenor, representing an equivalent number of Warrants and the terms of the amended Warrant Agreement.

SECTION 24. Notice of Amendments. Promptly after the execution by the Company and the Warrant Agent of any amendments pursuant to Section 17, the Company or the Warrant Agent shall give notice thereof to the Warrant holders affected, in the manner provided for in Section 12.".

4. Amendment to Exhibit A of the Warrant Agreement (Form of Series A Warrant Certificate).

(a) Exhibit A (Face) is hereby amended by deleting the fourth paragraph of the legends thereon.

(b) Exhibit A (Reverse) is hereby amended by replacing "(the "Warrant Agreement")" in the first paragraph thereof with the following:

"(as amended, amended and restated, supplemented or otherwise modified from time to time, the "Warrant Agreement")"

(c) Exhibit A (Reverse), paragraph six is hereby deleted in its entirety.

5. Amendment to Exhibit B of the Warrant Agreement (Form of Series B Warrant Certificate).

(a) Exhibit B (Face) is hereby amended by replacing the reference to "December 31, 2007" with "April 30, 2007" in the second paragraph of the legends thereon.

(b) Exhibit B (Face) is hereby amended by replacing the reference to "September 30, 2003" with "January 31, 2003" in the third paragraph of the legends thereon.

(c) Exhibit B (Face) is hereby amended by deleting the fourth paragraph of the legends thereon.

(d) Exhibit B (Face), paragraphs one and three are hereby amended by replacing all references to "December 31, 2007" with "April 30, 2007" therein.

(e) Exhibit B (Reverse), paragraphs one and two are hereby amended by replacing all references to "December 31, 2007" with "April 30, 2007" therein.

(f) Exhibit B (Reverse) is hereby amended by replacing "(the "Warrant Agreement")" in the first paragraph thereof with the following:

"(as amended, amended and restated, supplemented or otherwise modified from time to time, the "Warrant Agreement")"

(g) Exhibit B (Reverse), paragraph six is hereby deleted in its entirety.

(h) Exhibit B (Reverse), paragraph seven is hereby deleted in its entirety.

6. Counterparts. This Amendment may be executed in any number of counterparts by the parties hereto, each of which shall be an original, and all of which when taken together shall constitute one and the same instrument. Delivery of an executed counterpart by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

7. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed, as of the day and year first above written.

SMTC CORPORATION

By /s/ Frank Burke

Name: Frank Burke
Title: Chief Financial Officer and Treasurer

MELLON INVESTOR SERVICES LLC

By /s/ Cynthia Pacolay

Name: Cynthia Pacolay
Title: Vice President

Exhibit 99.1

CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as chief executive officer of SMTC Corporation (the "Company"), does hereby certify that to the undersigned's knowledge:

1) the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2002 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2002 fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Paul Walker

Paul Walker
President and Chief Executive Officer

Dated: August 14, 2002

Exhibit 99.2

CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as chief financial officer of SMTC Corporation (the "Company"), does hereby certify that to the undersigned's knowledge:

3) the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2002 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

4) the information contained in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2002 fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Frank Burke

Frank Burke
Chief Financial Officer

Dated: August 14, 2002