FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-09-10** | Period of Report: **1999-07-31**
SEC Accession No. 0000950135-99-004380

FILER

HADCO CORP
CIK:**729533**| IRS No.: **042393279** | State of Incorp.:**MA** | Fiscal Year End: **1030**
Type: **10-Q** | Act: **34** | File No.: **000-12102** | Film No.: **99709864**
SIC: **3672** Printed circuit boards

Mailing Address
12A MONOR PARKWAY
SALEM NH 03079

Business Address
12A MANOR PKWY
SALEM NH 03079
6038988000

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended JULY 31, 1999

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

FOR THE TRANSITION PERIOD FROM _______ TO _______

COMMISSION FILE NUMBER 0-12102

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

MASSACHUSETTS	04-2393279
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
12A MANOR PARKWAY, SALEM, NEW HAMPSHIRE	03079
(Address of principal executive offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (603) 898-8000

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Registrant has 13,628,560 shares of Common Stock, $0.05 Par Value, outstanding at September 9, 1999.

HADCO CORPORATION AND SUBSIDIARIES

INDEX

<TABLE>
<CAPTION>

PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HADCO CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands, except per share data)

<TABLE>
<CAPTION>

<S>	July 31, 1999 (unaudited) <C>	October 31, 1998 <C>
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 12,254	$ 7,169
Accounts receivable, net of allowance for doubtful accounts of $1,644 in 1999 and $2,129 in 1998	123,330	111,094
Inventories	65,325	67,017
Deferred tax asset	17,156	17,156
Prepaid and other current assets	4,665	18,666
Total Current Assets	222,730	221,102
Property, Plant and Equipment, net	315,081	322,887
Acquired Intangible Assets, net	182,370	191,421
Other Assets	8,993	8,415
	$ 729,174	$ 743,825
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Short-term debt and current portion of long-term debt	$ 2,711	$ 4,377
Accounts payable	86,807	79,350
Accrued payroll and other employee benefits	30,934	26,529
Other accrued expenses	16,196	19,016
Total Current Liabilities	136,648	129,272
Long-Term Debt, net of current portion	313,768	354,291
Deferred Tax Liability	59,520	59,521
Other Long-Term Liabilities	9,192	9,192
Stockholders' Investment:		
Common stock, $.05 par value - Authorized - 50,000 shares Issued and outstanding - 13,625 in 1999 and 13,366 in 1998	683	669
Paid-in capital	179,348	173,906
Deferred compensation	(225)	(44)
Retained earnings	30,240	17,018
Total Stockholders' Investment	210,046	191,549
	$ 729,174	$ 743,825

</TABLE>

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

HADCO CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(unaudited)

<TABLE>
<CAPTION>

	Three Months Ended		Nine Months Ended	
	July 31, 1999	August 1, 1998	July 31, 1999	August 1, 1998
<S>	<C>	<C>	<C>	<C>
Net Sales	$252,361	$201,392	$743,926	$609,255
Cost of Sales	211,339	182,812	632,094	514,877
Gross Profit	41,022	18,580	111,832	94,378
Operating Expenses	23,097	21,324	67,201	60,635
Restructuring and Other Non-Recurring Charges	--	1,105	--	7,052
Write-off of Acquired In-Process Research and Development	--	--	--	63,050
Income (Loss) from Operations	17,925	(3,849)	44,631	(36,359)
Interest and Other Income, net	408	464	1,195	1,841
Interest Expense	(7,411)	(8,035)	(23,890)	(14,329)
Income (Loss) Before Provision for Income Taxes	10,922	(11,420)	21,936	(48,847)
Provision (Benefit) for Income Taxes	4,336	(4,540)	8,714	5,646
Net Income (Loss)	$ 6,586	$ (6,880)	$ 13,222	$(54,493)
Income (Loss) per Common and Common Equivalent Shares (Note 1)				
Basic	$ 0.49	$ (0.52)	$ 0.98	$ (4.14)
Diluted	$ 0.48	$ (0.52)	$ 0.96	$ (4.14)
Weighted Average Common and Common Equivalent Shares Outstanding (Note 1)				
Basic	13,576	13,255	13,504	13,172
Diluted	13,767	13,255	13,710	13,172

</TABLE>

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

HADCO CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

<TABLE>
<CAPTION>

	Nine Months Ended	
	July 31, 1999	August 1, 1998

<S> | <C> | <C>

Cash Flows From Operating Activities:		
Net income (loss)	$ 13,222	$ (54,493)
Adjustments to reconcile net income (loss) to net cash provided by Operating Activities:		
Depreciation, amortization, deferred compensation and deferred taxes	58,314	49,306
Director and officer stock grants	164	--
Write-off of acquired in-process research and development	--	63,050
Loss (Gain) on sale of fixed assets	(36)	1,977
Changes in assets and liabilities, net of acquisition -		
Decrease (Increase) in accounts receivable	(10,251)	4,332
Decrease (Increase) in inventories	1,539	(8,334)
Increase in prepaid expenses and other current assets	(1,504)	(9,605)
Decrease in refundable taxes	15,461	1,500
Decrease (Increase) in other assets	(1,887)	1,177
(Decrease) Increase in accounts payable and accrued expenses	9,045	(15,339)
Decrease in long-term liabilities	--	(22)
Net Cash Provided by Operating Activities	84,067	33,549
Cash Flows From Investing Activities:		
Purchases of property, plant and equipment	(41,976)	(68,873)
Proceeds from sale of property, plant and equipment	170	--
Acquisition of Continental Circuits Corp.	--	(192,532)
Net Cash Used in Investing Activities	(41,806)	(261,405)
Cash Flows From Financing Activities:		
Principal payments of long-term debt	(62,191)	(245,711)
Net proceeds from issuance of long-term debt	20,000	459,665
Proceeds from exercise of stock options	603	770
Proceeds from employee stock purchase plan	3,258	1,112
Proceeds from the sale of common stock	--	1,480
Tax benefit from exercise of stock options	1,154	1,740
Net Cash (Used in) Provided by Financing Activities	(37,176)	219,056
Net Increase (Decrease) in Cash, Cash Equivalents and Short-Term Investments	5,085	(8,800)
Cash, Cash Equivalents and Short-Term Investments, Beginning of Period	7,169	13,733
Cash, Cash Equivalents and Short-Term Investments, End of Period	$ 12,254	$ 4,933
Supplemental Disclosure of Cash Flow Information:		
Cash paid during period for:		
Interest	$ 27,635	$ 4,689
Income taxes (net of refunds)	$ 3,134	$ 11,636
Acquisition of Continental Circuits Corp. in 1998:		
Fair value of assets acquired		$ 137,623
Liabilities assumed		(66,381)
Cash paid		(186,083)
Acquisition costs incurred		(3,949)
Write-off of acquired in-process research and development		63,050
Goodwill		$ (55,740)

</TABLE>

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

HADCO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated condensed financial statements reflect the application of certain accounting policies as described in the accompanying notes to the consolidated condensed financial statements, as well as the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1998 and the Quarterly Reports on Form 10-Q for the fiscal quarters ended January 30, 1999 and May 1, 1999. These financial statements should be read in conjunction with the financial statements and related disclosures included in the above-referenced SEC filings.

INTERIM FINANCIAL STATEMENTS

The accompanying consolidated condensed balance sheet as of July 31, 1999, and the consolidated condensed statements of operations for the three and nine months ended July 31, 1999 and August 1, 1998 and the consolidated condensed statements of cash flows for the nine month periods ended July 31, 1999 and August 1, 1998 are unaudited, but in the opinion of management, include all adjustments (consisting only of normal, recurring adjustments) necessary for a fair presentation of results for these interim periods. Results of operations for the interim periods are not necessarily indicative of results to be expected for the entire year or any future period.

INCOME (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE

A reconciliation of basic and diluted weighted average shares outstanding is as follows:

	Three Months Ended		Nine Months Ended	
	July 31, 1999	August 1, 1998	July 31, 1999	August 1, 1998
	(in thousands)			
Basic weighted average shares outstanding........	13,576	13,255	13,504	13,172
Weighted average common equivalent shares........	191	--	206	--
Diluted weighted average shares outstanding......	13,767	13,255	13,710	13,172

Diluted weighted average shares outstanding for the three month periods ended July 31, 1999 and August 1, 1998 do not include 411,480 and 1,357,035 common equivalent shares, respectively, as their effect would be anti-dilutive. Diluted weighted average shares outstanding for the nine month periods ended July 31, 1999 and August 1, 1998 do not include 694,099 and 1,357,035 common equivalent shares, respectively, as their effect would be anti-dilutive.

HADCO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

2. ACQUISITION

On March 20, 1998, the Company acquired all of the outstanding common stock of Continental Circuits Corp. ("Continental"). Unaudited pro forma operating results for the Company for the nine month period ended August 1, 1998, assuming the Continental Acquisition occurred on October 26, 1997, are as follows:

	Nine Months Ended	
	July 31, 1999	August 1, 1998
	(in thousands, except per share data)	
	Actual	Pro forma
Net Sales...	$743,926	$661,206
Net Income (Loss).....................................	$ 13,222	$ 1,139

Basic Net Income (Loss) Per Share	$ 0.98	$ 0.09
Diluted Net Income (Loss) Per Share	$ 0.96	$ 0.08

For purposes of these pro forma operating results, the acquired in-process R&D was assumed to have been written-off prior to October 26, 1997, so that the operating results presented include only recurring costs.

3. INVENTORIES

Inventories are stated at the lower of cost, first-in, first-out (FIFO), or market and consist of the following (in thousands):

	July 31, 1999	October 31, 1998
Raw Materials	$21,380	$25,856
Work-in-process	43,945	41,161
	$65,325	$67,017

4. LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	July 31, 1999	October 31, 1998
Variable Rate Mortgages	$ 663	$ 732
Revolving credit facility	110,000	150,000
9 1/2% Senior Subordinated Notes due 2008	199,405	199,354
Obligations under capital leases with interest rates ranging from 7% to 7.75%	6,411	8,582
	316,479	358,668
Less - Current portion	(2,711)	(4,377)
	$313,768	$354,291

HADCO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

4. LONG-TERM DEBT (CONTINUED)

The Company reduced the commitment under its Revolving Credit Facility from $300 million to $198.75 million effective May 14, 1999. Based on the amount outstanding under the Revolving Credit Facility as of July 31, 1999, the reduced commitment provides the Company with approximately $89 million of available borrowings.

5. SALE OF ASSETS

On April 30, 1999, the Company sold substantially all of the assets of its Dynaflex division for approximately $2.7 million. Dynaflex's assets, liabilities and operations were not significant to the Company. Accordingly, pro forma information has not been presented. Proceeds from the sale were received on May 3, 1999.

6. SUPPLEMENTAL GUARANTOR CONSOLIDATING CONDENSED FINANCIAL STATEMENTS

Basis of presentation. In connection with the acquisition of Continental Circuits Corp., which was initially financed with approximately $184 million of borrowings from the Company's line of credit, the Company sold on May 18, 1998 $200,000,000 of Senior Subordinated Notes due in 2008 bearing interest at 9 1/2 % (the Notes). The Notes are fully and unconditionally guaranteed on a senior subordinated basis, jointly and severally, by certain of the Company's direct wholly-owned domestic subsidiaries (the Guarantors). The Guarantors are Hadco Santa Clara, Inc., Hadco Phoenix, Inc., CCIR of Texas Corp., and CCIR of California Corp. The consolidating condensed financial statements of the Guarantors are presented below and should be read in connection with the Consolidated Condensed Financial Statements of the Company. Separate financial statements of the Guarantors are not presented because (i) the Guarantors are wholly-owned and have fully and unconditionally guaranteed the Notes on a joint and several basis and (ii) the Company's management has determined such separate financial statements are not material to investors and believes the consolidating condensed financial statements presented are more meaningful in understanding the financial position of the Guarantors.

There are no significant restrictions on the ability of the Guarantors to make distributions to the Company.

HADCO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

SUPPLEMENTAL GUARANTOR CONSOLIDATING CONDENSED FINANCIAL STATEMENTS

(Continued)

CONSOLIDATING CONDENSED BALANCE SHEET

(UNAUDITED)

<TABLE>
<CAPTION>

	As of July 31, 1999				
	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Parent Corporation	Elimination Entries	Consolidated Total
	(In Thousands, except per share data)				
	ASSETS				
<S>	<C>	<C>	<C>	<C>	<C>
Current Assets:					
Cash and cash equivalents	$ (181)	$ 552	$ 11,883	$ --	$ 12,254
Accounts receivable, net	54,944	7,902	60,484	--	123,330
Inventories	26,511	7,106	31,708	--	65,325
Deferred tax asset	--	--	17,156	--	17,156
Prepaid and other current assets	1,805	284	2,576	--	4,665
Total current assets	83,079	15,844	123,807	--	222,730
Property, Plant and Equipment, net	133,600	49,999	131,482	--	315,081
Intercompany Receivable	11,789	43	67,643	(79,475)	--
Investments in Subsidiaries	13,453	--	273,195	(286,648)	--
Acquired Intangible Assets, net	182,370	--	--	--	182,370
Other Assets	107	--	8,886	--	8,993
	$ 424,398	$ 65,886	$ 605,013	$ (366,123)	$ 729,174
	LIABILITIES AND STOCKHOLDERS' INVESTMENT				
Current Liabilities:					
Current portion of long-term debt	$ 2,089	$ 73	$ 549	$ --	$ 2,711
Accounts payable	32,520	5,073	49,214	--	86,807
Intercompany payable	33,301	46,174	--	(79,475)	--
Accrued payroll and other employee benefits	2,124	219	28,591	--	30,934
Other accrued expenses	33,431	124	(17,359)	--	16,196
Total current liabilities	103,465	51,663	60,995	(79,475)	136,648
Long-Term Debt, net of current portion	3,771	61	309,936	--	313,768
Deferred Tax Liability	44,676	--	14,844	--	59,520
Other Long-Term Liabilities	--	--	9,192	--	9,192

Stockholders' Investment:					
Common stock, $0.05 par value; Authorized - 50,000 shares Issued and outstanding - 13,625 in 1999	11	29,655	683	(29,666)	683
Paid-in capital	400,616	--	179,348	(400,616)	179,348
Deferred compensation	--	--	(225)	--	(225)
Retained earnings	(128,141)	(15,493)	30,240	143,634	30,240
Total stockholders' investment	272,486	14,162	210,046	(286,648)	210,046
	$ 424,398	$ 65,886	$ 605,013	$ (366,123)	$ 729,174

</TABLE>

HADCO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

SUPPLEMENTAL GUARANTOR CONSOLIDATING CONDENSED FINANCIAL STATEMENTS

(Continued)

CONSOLIDATING CONDENSED BALANCE SHEET

<TABLE>
<CAPTION>

	As of October 31, 1998				
	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Parent Corporation	Elimination Entries	Consolidated Total
	(In thousands, except per share data)				
	ASSETS				
<S>	<C>	<C>	<C>	<C>	<C>
Current Assets:					
Cash and cash equivalents	$ 836	$ 2	$ 6,331	$ --	$ 7,169
Accounts receivable, net	54,092	6,382	50,620	--	111,094
Inventories	24,984	5,560	36,473	--	67,017
Deferred tax asset	--	--	17,156	--	17,156
Prepaid and other current assets	999	227	17,440	--	18,666
Total current assets	80,911	12,171	128,020	--	221,102
Property, Plant and Equipment, net	138,912	49,029	134,946	--	322,887
Intercompany Receivable	--	160	91,463	(91,623)	--
Investments in Subsidiaries	17,895	--	267,882	(285,777)	--
Acquired Intangible Assets, net	191,421	--	--	--	191,421
Other Assets	686	--	7,729	--	8,415
	$ 429,825	$ 61,360	$ 630,040	$ (377,400)	$ 743,825
	LIABILITIES AND STOCKHOLDERS' INVESTMENT				
Current Liabilities:					
Current portion of long-term debt	$ 3,417	$ 158	$ 802	$ --	$ 4,377
Accounts payable	34,249	4,941	40,160	--	79,350
Intercompany payable	54,523	37,100	--	(91,623)	--
Accrued payroll and other employee benefits	3,465	160	22,904	--	26,529
Other accrued expenses	18,427	265	324	--	19,016
Total current liabilities	114,081	42,624	64,190	(91,623)	129,272
Long-Term Debt, net of current portion	3,796	230	350,265	--	354,291
Deferred Tax Liability	44,677	--	14,844	--	59,521
Other Long-Term Liabilities	--	--	9,192	--	9,192
Stockholders' Investment:					
Common stock, $.05 par value; Authorized - 50,000 shares Issued and outstanding - 13,366 in 1998	11	29,654	669	(29,665)	669
Paid-in capital	400,616	--	173,906	(400,616)	173,906
Deferred compensation	--	--	(44)	--	(44)

Retained earnings	(133,356)	(11,148)	17,018	144,504	17,018
Total stockholders' investment	267,271	18,506	191,549	(285,777)	191,549
	$ 429,825	$ 61,360	$ 630,040	$ (377,400)	$ 743,825

</TABLE>

HADCO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

SUPPLEMENTAL GUARANTOR CONSOLIDATING CONDENSED FINANCIAL STATEMENTS

(Continued)

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(unaudited)

<TABLE>
<CAPTION>

	For the Three Months Ended July 31, 1999				
	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Parent Corporation	Elimination Entries	Consolidated Total
			(In thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Net Sales	$ 113,971	$ 12,359	$ 126,031	$ --	$ 252,361
Cost of Sales	98,357	12,020	100,962	--	211,339
Gross Profit	15,614	339	25,069	--	41,022
Operating Expenses	5,350	763	16,984	--	23,097
Income (Loss) From Operations	10,264	(424)	8,085	--	17,925
Interest and Other Income	(284)	51	(209)	850	408
Interest Expense	(82)	(7)	(7,322)	--	(7,411)
Income (Loss) Before Provision for Income Taxes	9,898	(380)	554	850	10,922
Provision for Income Taxes	5,146	108	(918)	--	4,336
Equity in Income (Loss) of Subsidiary	(1,338)	--	4,264	(2,926)	--
Net Income (Loss)	$ 3,414	$ (488)	$ 5,736	$ (2,076)	$ 6,586

</TABLE>

<TABLE>
<CAPTION>

	For the Nine Months Ended July 31, 1999				
	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Parent Corporation	Elimination Entries	Consolidated Total
			(In thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Net Sales	$ 343,967	$ 34,583	$ 365,376	$ --	$ 743,926
Cost of Sales	304,773	34,436	292,885	--	632,094
Gross Profit	39,194	147	72,491	--	111,832
Operating Expenses	15,902	2,326	48,973	--	67,201
Income (Loss) From Operations	23,292	(2,179)	23,518	--	44,631
Interest and Other Income	(914)	(358)	794	1,673	1,195
Interest Expense	(297)	(12)	(23,581)	--	(23,890)
Income (Loss) Before Provision for Income Taxes	22,081	(2,549)	731	1,673	21,936
Provision for Income Taxes	12,424	220	(3,930)	--	8,714
Equity in Income (Loss) of Subsidiary	(4,442)	--	6,888	(2,446)	--
Net Income (Loss)	$ 5,215	$ (2,769)	$ 11,549	$ (773)	$ 13,222

</TABLE>

HADCO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

SUPPLEMENTAL GUARANTOR CONSOLIDATING CONDENSED FINANCIAL STATEMENTS

(Continued)

CONSOLIDATING CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

	For the Three Months Ended August 1, 1998				
	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Parent Corporation	Elimination Entries	Consolidated Total
			(In thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Net Sales	$ 94,699	$ 7,995	$ 98,698	$ --	$ 201,392
Cost of Sales	91,814	9,623	81,375	--	182,812
Gross Profit	2,885	(1,628)	17,323	--	18,580
Operating Expenses	5,329	850	15,145	--	21,324
Restructuring and Other Non-Recurring Charges	--	--	1,105	--	1,105
Income (Loss) From Operations	(2,444)	(2,478)	1,073	--	(3,849)
Interest and Other Income	(338)	1,049	(1,397)	1,150	464
Interest Expense	(251)	(8)	(7,776)	--	(8,035)
Income (Loss) Before Provision for Income Taxes	(3,033)	(1,437)	(8,100)	1,150	(11,420)
Provision (Benefit) for Income Taxes	302	161	(5,164)	161	(4,540)
Equity in Income (Loss) of Subsidiary	(2,748)	--	(4,933)	7,681	--
Net Income (Loss)	$ (6,083)	$ (1,598)	$ (7,869)	$ 8,670	$ (6,880)

</TABLE>

<TABLE>
<CAPTION>

	For the Nine Months Ended August 1, 1998				
	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Parent Corporation	Elimination Entries	Consolidated Total
			(In thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Net Sales	$ 239,537	$ 25,273	$ 344,445	$ --	$ 609,255
Cost of Sales	214,572	25,735	274,570	--	514,877
Gross Profit	24,965	(462)	69,875	--	94,378
Operating Expenses	12,773	2,686	45,176	--	60,635
Restructuring and Other Non-Recurring Charges	--	--	7,052	--	7,052
Write-off of Acquired In-Process Research and Development	63,050	--	--	--	63,050
Income (Loss) From Operations	(50,858)	(3,148)	17,647	--	(36,359)
Interest and Other Income	483	1,661	(2,155)	1,852	1,841
Interest Expense	(642)	(398)	(13,289)	--	(14,329)
Income (Loss) Before Provision for Income Taxes	(51,017)	(1,885)	2,203	1,852	(48,847)
Provision for Income Taxes	7,457	260	(2,331)	260	5,646
Equity in Income (Loss) of Subsidiary	(3,997)	--	(60,619)	64,616	--
Net Income (Loss)	$ (62,471)	$ (2,145)	$ (56,085)	$ 66,208	$ (54,493)

</TABLE>

HADCO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

SUPPLEMENTAL GUARANTOR CONSOLIDATING CONDENSED FINANCIAL STATEMENTS

(CONTINUED)

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	For the Nine Months Ended July 31, 1999				
	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Parent Corporation	Elimination Entries	Consolidated Total
	(In thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Net Cash Provided by Operating Activities	$ 14,303	$ 6,440	$ 61,651	$ 1,673	$ 84,067
Cash Flows from Investing Activities:					
Foreign Sales Corp. dividend	--	(1,673)	1,673	--	--
Purchase of property, plant and equipment	(14,097)	(5,648)	(22,231)	--	(41,976)
Proceeds from sale of property, plant and equipment	131	12	27	--	170
Investments in subsidiaries	--	1,673	--	(1,673)	--
Net cash used in investing activities	(13,966)	(5,636)	(20,531)	(1,673)	(41,806)
Cash Flows from Financing Activities:					
Principal payments of long-term debt	(1,354)	(254)	(60,583)	--	(62,191)
Proceeds from issuance of long-term debt	--	--	20,000	--	20,000
Proceeds from exercise of stock options	--	--	603	--	603
Proceeds from the Employee Stock Purchase Plan	--	--	3,258	--	3,258
Tax benefit from exercise of stock options	--	--	1,154	--	1,154
Net cash used in financing activities	(1,354)	(254)	(35,568)	--	(37,176)
Net Increase (Decrease) in Cash, Cash Equivalents and Short-Term Investments	(1,017)	550	5,552	--	5,085
Cash, Cash Equivalents and Short-Term Investments, Beginning of Period	836	2	6,331	--	7,169
Cash, Cash Equivalents and Short-Term Investments, End of Period	$ (181)	$ 552	$ 11,883	$ --	$ 12,254

</TABLE>

HADCO CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

SUPPLEMENTAL GUARANTOR CONSOLIDATING CONDENSED FINANCIAL STATEMENTS

(Continued)

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	For the Nine Months Ended August 1, 1998				
	Guarantor	Non-Guarantor	Parent	Elimination	Consolidated

	Subsidiaries	Subsidiaries	Corporation	Entries	Total
			(In thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Net Cash Provided by (Used in) Operating Activities	$ 58,314	$ 18,681	$ (45,038)	$ 1,592	$ 33,549
Cash Flows from Investing Activities:					
Foreign Sales Corp. dividend	--	(1,852)	1,852	--	--
Purchase of property, plant and equipment	(17,637)	(18,940)	(32,296)	--	(68,873)
Investments in subsidiaries	727	1,852	(987)	(1,592)	--
Acquisition of Continental Circuits Corp., net of cash acquired	--	--	(192,532)	--	(192,532)
Net cash used in investing activities	(16,910)	(18,940)	(223,963)	(1,592)	(261,405)
Cash Flows from Financing Activities:					
Principal payments of long-term debt	(38,302)	(51)	(207,358)	--	(245,711)
Proceeds from issuance of long-term debt	--	--	459,665	--	459,665
Proceeds from exercise of stock options	--	--	770	--	770
Tax benefit from exercise of options	--	--	1,740	--	1,740
Proceeds from the sale of common stock	--	--	2,592	--	2,592
Net cash (used in) provided by financing activities	(38,302)	(51)	257,409	--	219,056
Net Increase (Decrease) in Cash, Cash Equivalents and Short-Term Investments	3,102	(310)	(11,592)	--	(8,800)
Cash, Cash Equivalents and Short-Term Investments, Beginning of Period	(1,603)	2,249	13,087	--	13,733
Cash, Cash Equivalents and Short-Term Investments, End of Period	$ 1,499	$ 1,939	$ 1,495	$ --	$ 4,933

</TABLE>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Except for the historical information contained in this Quarterly Report on Form 10-Q, the matters discussed below or elsewhere in this Quarterly Report on Form 10-Q are forward-looking statements that involve risks and uncertainties. Hadco Corporation makes such forward-looking statements under the provisions of the "Safe Harbor" section of the Private Securities Litigation Reform Act of 1995. Any forward-looking statements should be considered in light of the factors described below in this Item 2 and under "Year 2000 Readiness Disclosure Statement" and "Factors That May Affect Future Results" below. Actual results may vary materially from those projected, anticipated or indicated in any forward-looking statements. In this Quarterly Report on Form 10-Q, the words "anticipates," "believes," "expects," "intends," "future," "could," "may," and similar words or expressions (as well as other words or expressions referencing future events, conditions or circumstances) identify forward-looking statements.

As used herein, the terms "Company" and "Hadco," unless otherwise indicated or the context otherwise requires, refer to Hadco Corporation and its subsidiaries. On March 20, 1998, the Company acquired all of the outstanding capital stock of Continental Circuits Corp. (the "Continental Acquisition"). Unless otherwise indicated or the context otherwise requires, the results of Continental's operations and other financial information relating to Continental since March 20, 1998 are included in the Company's historical consolidated financial information presented herein.

RESULTS OF OPERATIONS

THIRD QUARTER

Net sales for the third quarter of 1999 increased 25.3% over the same period in 1998. Printed circuit net sales increased from $166.8 million in the third quarter of 1998 to $209.5 million in the comparable period in 1999. Net sales of printed circuits increased due to higher unit shipments, partially offset by a 1.6 % decrease in average pricing for the third quarter of 1999 over the same period in 1998. The shift in mix towards higher priced printed circuits with more layers and greater densities partially offset the reduction in price. Backplane and system assembly net sales increased $8.2 million from the third quarter of 1998 to $42.8 million in the comparable period in 1999. Backplane and system assembly net sales increased due to higher production volume and shipments.

The gross profit margin increased to 16.3% of net sales in the third quarter of 1999 from 9.2% in the comparable period in fiscal 1998. Lower unit costs through improved production efficiencies and improved capacity utilization increased gross margin by 8.4 percentage points. Lower pricing on printed circuits offset the increase in gross margin by 1.3 percentage points, resulting in an overall increase in gross margin of 7.1 percentage points.

Operating expenses increased by $1.8 million in the third quarter of fiscal 1999 over the same period in 1998. The increase was primarily due to higher selling expenses from expanded sales coverage. Operating expenses as a percent of net sales decreased to 9.2% for the third quarter of fiscal 1999 versus 10.6% for the same period in 1998 due to increased net sales and the relatively fixed nature of the Company's operating expenses.

The Company includes in operating expenses actual expenditures and accruals, based on estimates, for environmental matters. To the extent Hadco believes circumstances warrant, it will continue to accrue amounts and charge to operations cost estimates relating to environmental matters.

Interest expense decreased in the third quarter of 1999 as compared to the third quarter of 1998 due to lower average outstanding debt balances during the third quarter of 1999 as compared to the third quarter of 1998.

YEAR TO DATE

Net sales for the nine months ended July 31, 1999 increased 22.1% over the comparable prior year period. The increase resulted from several factors including the Continental Acquisition, which added $58.0 million to printed circuit net sales in the nine month period. Excluding the Continental Acquisition, printed circuit net sales increased $33.3 million due to higher unit shipments and a shift in mix towards higher priced printed circuits with more layers and greater densities. This increase was partially offset by an 8.0 % decline in average pricing for printed circuits. Backplane and system assembly net sales increased $43.4 million to $135.9 million. Backplane and system assembly net sales increased due to higher production volume and shipments.

The gross profit margin decreased to 15.0% in the nine months ended July 31, 1999 from 15.5% in the comparable period in fiscal 1998. Improved production efficiencies from printed circuit operations caused gross margins to increase by 4.0 percentage points, but this was more than offset by lower pricing on printed circuits which caused gross margins to decrease by 4.5 percentage points.

Operating expenses increased by $6.6 million for the first nine months of fiscal 1999 over the same period in 1998. The increase was due to increased expense for the amortization of goodwill and purchased intangibles from the Continental Acquisition, and higher selling expenses from expanded sales coverage. Operating expenses as a percent of net sales decreased to 9.0% for the first nine months of fiscal 1999 versus 10.0% for the same period in 1998 due to increased net sales and the relatively fixed nature of the Company's operating expenses.

Income from operations for the nine months ended August 1, 1998 was reduced by $63 million due to the non-recurring write-off of acquired in-process research and development recorded in connection with the Continental Acquisition. The remaining goodwill and purchased intangibles will be amortized over 12 to 30 years, with an average amortization life of 17 years. In addition, income from operations for the nine months ended August 1, 1998, was reduced by approximately $7.1 million for restructuring and other non-recurring charges related to the consolidation of the Company's East Coast Tech Center operations.

Excluding the non-recurring write-off and restructuring charges, income from operations increased as a percent of net sales to 6.0% for the nine months ended July 31, 1999 from 5.5% in the comparable period in fiscal 1998. The increase results primarily from the same factors affecting gross profit margins, offset slightly by increased expenses for the amortization of goodwill and purchased intangibles from the Continental Acquisition.

Interest income decreased for the nine months ended July 31, 1999 as compared to the nine months ended August 1, 1998 due to lower average cash balances available for investing. Interest expense increased in the nine months ended July 31, 1999 as compared to the nine months ended August 1, 1998 due to an increase in outstanding debt to finance the Continental Acquisition.

INCOME TAXES

The Company provides for income taxes on an interim basis using its anticipated effective annual income tax rate. The Company anticipates an effective annual income tax rate for fiscal 1999 of 39.75%, which is slightly less than the combined federal and state statutory rates. The anticipated effective rate was increased by amortization of goodwill (which is not tax deductible), offset by the benefit of the Company's foreign sales corporation and various state investment tax credits. The effective tax rate for fiscal 1999 is based on current tax laws.

LIQUIDITY AND CAPITAL RESOURCES

Net cash flow from operations increased $51.8 million in the first nine months of fiscal 1999 versus the comparable prior year period. The increase is a result of a $14.0 million increase in income tax refunds, improved working capital management which generated $26.0 million of cash flow, and an $11.8 million increase in earnings before non-cash items. The increase in earnings is attributable to higher net sales and improved production efficiencies.

Cash used in investing activities decreased by $218.3 million in the first nine months of fiscal 1999 versus the comparable prior year period. This decrease is a result of reduced capital expenditures and the lack of acquisition investments in the current period.

The increase in net cash flow from operations, combined with the decrease in investing activities, provided cash used to reduce debt. During the first nine months of fiscal 1999, debt was reduced by $42.2 million.

The Company expects to reduce future reliance on debt financing and reduce the costs associated with maintaining the Revolving Credit Facility. The Revolving Credit Facility commitment was reduced from $288.75 million to $198.75 million on May 14, 1999. The reduced commitment provides the Company with approximately $89 million of available borrowings.

The Company believes that cash generated from operations will be sufficient to fund anticipated working capital, capital expenditure and debt payment requirements through fiscal year 2000. Because the Company's capital requirements cannot be predicted with certainty, there is no assurance that the Company will not require additional financing during this period. There is no assurance that any additional financing will be available on terms satisfactory to the Company or not disadvantageous to the Company's security holders.

The Company believes the ultimate disposition of known environmental matters will not have a material adverse effect upon the liquidity, capital resources, business or consolidated financial position of the Company. However, one or more of such environmental matters could have a significant negative impact on the Company's consolidated financial results for a particular reporting period.

YEAR 2000 READINESS DISCLOSURE STATEMENT

The Company has completed an internal assessment of its operations to determine the extent to which the Company may be adversely affected by Year 2000 issues. This internal assessment has included both Information Technology (IT) systems and non-IT systems.

The critical software systems used by the Company to run its business include MFG/PRO, PeopleSoft, Oracle, and Corsair. The Company believes that none of these applications have date related processing issues. The Company has experienced and may continue to experience interfacing problems when upgrades are received from the vendors of these software programs.

The Company has completed testing of its various IT systems, running programs with dates including and after the Year 2000. During these tests the Company has not experienced problems processing data or effecting transactions. There can be no assurance, however, that the Company's testing of its IT systems was sufficient to discover all Year 2000 issues. Year 2000 issues not discovered by the Company could have a material adverse effect on the Company's business, results of operations and financial condition.

One of the Company's manufacturing sites has not yet completed installation of the Year 2000 compliant MFG/PRO system in all portions of its operations. Installation is anticipated to be completed by October 31, 1999. There can be no assurance, however, that installation will be completed by January 1, 2000. If the installation is not completed by that date, the site could experience disruptions in its operations.

YEAR 2000 READINESS DISCLOSURE STATEMENT(CONTINUED)

The Company's internal assessment of manufacturing equipment for Year 2000 compliance was done on a plant-by-plant basis and was completed in May 1999. Currently, the Company believes that the software in a certain piece of equipment in the Company's manufacturing systems is not Year 2000 compliant. According to the vendor, an upgrade currently exists to address the Year 2000 issue in this software. The Company has completed the installation of this software upgrade in the equipment at one of its facilities and has successfully completed the testing of this upgrade at such facility. The equipment vendor has begun installing such software upgrade in equipment at the Company's other facilities. The Company expects the vendor to complete installation of the software upgrade on all affected equipment by September 30, 1999. There can be no assurance that this upgrade will be Year 2000 compliant or that it will be installed on a timely basis.

The Company has surveyed its suppliers to determine their Year 2000 compliance status. Thus far, the Company has received responses from approximately 96% of all active suppliers surveyed. The Company has been working with its key suppliers to obtain more detailed information about their compliance status, and has performed on-site assessments of certain critical suppliers. The Company intends to use the information gathered in these assessments to eliminate use of non-compliant suppliers and to create contingency plans for addressing potential supply disruptions. The Company anticipates completion of detailed contingency plans with respect to its supply chain by October 31, 1999.

In June 1999, the Company conducted business continuity/contingency plan development training for all facilities. The Company expects that all business continuity/contingency plans will be completed by September 30, 1999 for its internal operations.

To date, approximately 28,000 hours of employee time have been devoted to Year 2000 issues and approximately $5.4 million has been expended in systems upgrades directly relating to Year 2000. The source of these funds is the working capital of the Company. Present estimates for further expenditures of both employee time and expenses to address Year 2000 matters are between 2,000 and 3,500 hours and between $100,000 and $250,000. There can be no assurance that the Company's costs relating to its Year 2000 compliance will not be greater than that currently expected.

A software or system Year 2000 compliance failure, with respect to the Company's internal systems and software or that of third party service providers or major customers, could prevent the Company from fulfilling customer orders. Any such failure, if not quickly remedied, would have a material adverse effect on the Company's business, results of operations, and financial condition. The lost revenues that would result from the Company's inability to operate even one of its major volume manufacturing plants for any significant period of time would have a material adverse effect on the Company.

The Company could face an even greater risk of significant damages if the Company were to be found responsible for the shutdown of one of its customers' facilities. This could occur if the Company was unable to supply parts integral to the end products manufactured by the Company's customers. In such circumstances, the legal liability of the Company could have a material adverse effect on the Company's business, results of operations, and financial condition.

FACTORS THAT MAY AFFECT FUTURE RESULTS

This Quarterly Report on Form 10-Q contains various "forward-looking" statements within the meaning of the Securities Litigation Reform Act of 1995, including, but not limited to, those concerning gross and operating margins, Year 2000 readiness and compliance, the sufficiency of the Company's working capital, and environmental matters. In this Form 10-Q, the words "anticipates," "believes," "expects," "intends," "future," "could," "may," and similar words and expressions (as well as other words or expressions referencing future events, conditions or circumstances) identify forward-looking statements. Such forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or indicated in the forward-looking statements. Potential risks and uncertainties include, but are not limited to, such factors as: the Company's dependence on the electronics industry; fluctuations in quarterly

FACTORS THAT MAY AFFECT FUTURE RESULTS (CONTINUED)

operating results; the variability of customer orders; significant portions of released backlog may be subject to cancellation or postponement without penalty; the effect of unforeseen problems in the Company's computer systems and those of third parties with which the Company deals, specifically those related to "Year 2000" issues; the effect of acquisitions on the Company; the ability of the Company to compete successfully in the future; the rapid technological change and continuing process development that characterizes the Company's markets; manufacturing process disruptions; the operation of the Company's Malaysia facility; the effect of economic turmoil, currency devaluations and financial market instability in Asia on the Company; the Company's significant customer concentration; the Company's ability to obtain, integrate, manage and utilize manufacturing capacity; the Company's ability to manage its growth; environmental matters; the availability of raw materials and components and price fluctuations in such materials and components; the Company's dependence on key personnel; the Company's ability to protect its intellectual property; and certain anti-takeover provisions applicable to the Company. Further information on factors that could cause actual results to differ from those anticipated is detailed in various publicly available documents filed by the Company from time to time with the Securities and Exchange Commission. Such information includes, but is not limited to, those factors appearing under the caption "Factors That May Affect Future Results" and elsewhere in the Company's Annual Report on Form 10-K for the year ended October 31, 1998. Any forward-looking statement should be considered in light of these factors.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

DERIVATIVE FINANCIAL INSTRUMENTS, OTHER FINANCIAL INSTRUMENTS, AND DERIVATIVE COMMODITY INSTRUMENTS

At July 31, 1999, the Company did not participate in any derivative financial instruments, or other financial and commodity instruments for which fair value disclosure would be required under SFAS No. 107. The Company holds no investment securities which would require disclosure of market risk.

PRIMARY MARKET RISK EXPOSURES

The Company's primary market risk exposures are in the areas of interest rate risk and foreign currency exchange rate risk. The Company incurs interest expense on loans made under the Credit Facility at interest rates which are fixed for a maximum of six months. At July 31, 1999, the Company's outstanding borrowings on the Credit Facility were $110 million, at a weighted average interest rate of 6.54 %. This interest rate is based on the Eurodollar rate, and was fixed until August 25, 1999, at which time the Company again fixed the rate for a period of one month. The Eurodollar Rate is subject to market risks and will fluctuate.

Substantially all of the Company's business outside the United States is conducted in U.S. dollar denominated transactions. The Company does operate a volume manufacturing facility in Malaysia. Some of the expenses of this facility are denominated in Malaysian ringgits. Expenses denominated in ringgits include local salaries and wages, utilities and some operating supplies. The Company also funds a small sales office in Ireland where expenses are incurred in British Pounds, Irish Punts and Eurodollars. However, the Company believes that the operating expenses currently incurred in foreign currencies are immaterial, and therefore any associated market risk is unlikely to have a material adverse effect on the Company's business, results of operations or financial condition.

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

(a) Exhibits

*10.1 Executive Agreement dated August 10, 1999 between the Registrant and Christopher T. Mastrogiacomo.

27. Financial Data Schedule

* Indicates a management contract or any compensatory plan, contract or arrangement required to be filed as an exhibit pursuant to Item 6(a).

(b) Reports on Form 8-K None

SIGNATURE

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

Hadco Corporation

/s/ F. Gordon Bitter

Date: September 9, 1999 By: ______________________________

F. Gordon Bitter
Senior Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)

EXHIBIT 10.1

EXECUTIVE AGREEMENT

Executive Agreement made as of this 10th day of August 1999, by and between Hadco Corporation, a Massachusetts corporation with a principal place of business at 12A Manor Parkway, Salem, New Hampshire 03079 (the "Company") and CHRISTOPHER T. MASTROGIACOMO, an individual residing at 26 ARROWHEAD DRIVE, BEDFORD, NH (the "Executive").

WHEREAS, the Company desires to employ the Executive upon the terms and conditions hereinafter set forth; and

WHEREAS, the Executive desires to be employed upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. EMPLOYMENT. The Company agrees to employ the Executive on a full-time basis, subject to the terms and conditions set forth herein, and the Executive agrees to accept such full time employment upon said terms and conditions. The Executive's employment shall be subject to the standard terms and conditions and policies applicable to all employees of the Company, as such terms and policies may exist from time to time.

2. TERM. The term of employment under this Agreement ("the Term") shall commence on the date hereof and shall continue for an indefinite term, subject to mutual agreement between the Executive and the Company.

3. DUTIES. The Executive shall serve the Company in such senior executive capacity or capacities, and with such duties, as shall be designated by the Company from time to time, subject to and under the supervision of the Company's Board of Directors.

4. COMPENSATION. The Company shall pay the Executive a Base Salary at the same rate as currently paid such Executive, provided that such rate may be increased from time to time by the Company in its discretion. The Executive shall be accorded such benefits as are customarily enjoyed by executives of the Company, and shall be entitled to participate in any executive incentive compensation or bonus plan approved by the Board of Directors or the Compensation Committee thereof. The Company may, from time to time, in its discretion, grant stock options or other equity compensation to the Executive.

5. NON-COMPETITION; NON-SOLICITATION.

a. NON-COMPETE. The Executive acknowledges that he/she has gained or will gain extensive and valuable experience and knowledge in the business conducted by the Company and has had or will have extensive contacts with the customers, suppliers, investors, and/or consultants of the Company. The Executive recognizes that it is critical to the ongoing success

of the Company that it preserve its goodwill and protect its proprietary rights and its other important business interests.

Accordingly, the Executive agrees that he/she will not, while employed by the Company during the Term hereof and for a period of one year thereafter (or, in the event of the Company's termination of the Executive without cause or if the Executive's employment is terminated by him/her for Good Reason (as defined herein) or by the Company within six months before or within twenty-four (24) months after a Change of Control (as defined herein), for such longer period during which the Executive is receiving compensation pursuant to the provisions of Section 8 hereof), directly or indirectly, engage in (whether as an officer, employee, consultant, director, proprietor, agent, partner or otherwise) or have an ownership interest in, or participate in the financing, operation, management or control of, any person, firm, corporation or business engaged in competition with the Company, any of its affiliates, its parent or subsidiaries in the business of manufacture or sale of printed circuit boards, backpanels, backplanes and/or box build assembly products, or in the development of technology for such businesses; provided, however, that these restrictions shall only apply to the Executive's activities post-termination of employment with persons, firms, corporations or businesses with annual gross revenues in a competing business, as defined herein, (in the aggregate with its affiliated entities) in excess of one hundred million United States dollars. It is agreed that ownership of no more than 4.9% of the outstanding voting stock of a publicly traded corporation shall not constitute a violation of this provision. In recognition of the fact that the Company's business is global, the territory to which the restrictions contained in this Section 5(a) shall apply shall be worldwide.

The Company may waive the foregoing restrictions or their application in any particular circumstance and may condition any such waiver upon receipt of assurances satisfactory to the Company, from the Executive and/or others, that the Executive's proposed activity will not adversely affect the Company's goodwill, proprietary rights or other important business interests.

b. NON-SOLICITATION. While actively employed by the Company during the Term hereof and for a period of one year thereafter (or, in the event of the Company's termination of the Executive without cause or if the Executive's employment is terminated by him/her for Good Reason (as defined herein) or by the Company within six (6) months before or within twenty-four (24) months after a Change of Control (as defined herein), for such longer period during which the Executive is receiving compensation pursuant to the provisions of Section 8 hereof), the Executive agrees that he/she shall not solicit any persons or companies who were customers, suppliers or business patronage of the Company or its affiliates, parent or subsidiaries during the Term or prior thereto, if such solicitation is for the purpose of, or results in, competition with the Company, any of its affiliates, its parent or subsidiaries; nor will he/she solicit for any purpose the employment of any employees of the Company, any of its affiliates, its parent or subsidiaries while actively employed by the Company during the Term hereof and for a period of one year thereafter.

c. CONFIDENTIAL INFORMATION. The Executive acknowledges that he/she may receive, or contribute to the production of, Confidential Information. For purposes of this Agreement, the Executive agrees that "Confidential Information" shall mean information or material proprietary to the Company, its affiliates, its parent, or any of its direct or indirect subsidiaries, or designated

as Confidential Information by such entities and not generally known by personnel not employed by or affiliated with one or more of such entities, which the Executive develops or of or to which the Executive may obtain knowledge or access through or as a result of the relationship with the Company, its affiliates, its parent or any of its direct or indirect subsidiaries (including information conceived, originated, discovered or developed in whole or in part by the Executive). Confidential Information also includes but is not limited to, the following types of information and other information of a similar nature (whether or not reduced to writing) related to the Company's business, or that of its affiliates, its parent or any of its direct or indirect subsidiaries: discoveries, inventions, ideas, concepts, research, development, processes, procedures, "know-how", formulae, marketing techniques and materials, marketing and development plans, business methods of operation, financial information, employee compensation, and computer programs and systems. Confidential Information also includes any information described above which the Company, its affiliates, its parent, or any of its direct or indirect subsidiaries obtained from another party and which the Company, its affiliates, its parent, or any of its direct and indirect subsidiaries treats as proprietary or confidential, or designates as Confidential Information, whether or not owned by or developed by the Company, its affiliates, its parent, or any of its direct or indirect subsidiaries. The Executive acknowledges that the Confidential Information derives independent economic value, actual or potential, from not being generally known to, and not being readily accessible by proper means by, other persons who can obtain economic value from its disclosure or use. Information publicly known without breach of this Agreement that is generally employed by the trade at or after the time the Executive first learns of such information, or generic information or knowledge which the Executive would have learned in the course of similar employment or work elsewhere in the trade, shall not be deemed part of the Confidential Information. The Executive further agrees:

(1) To furnish the Company on demand, and at any time during or within one year after termination of employment, a complete list of the names and addresses of all present, former and potential suppliers, customers and other contacts gained while an Executive of the Company in the Executive's possession, whether or not in the possession or within the knowledge of the Company.

(2) That all notes, memoranda, electronic storage, documentation and records in any way incorporating or reflecting any Confidential Information shall belong exclusively to the Company, and the Executive agrees to turn over all copies of such materials in the Executive's control to the Company upon request and upon termination of the Executive's employment with the Company.

(3) That while employed by the Company and indefinitely after termination of employment for any reason, the Executive will hold in confidence and not directly or indirectly reveal, report, publish, disclose or transfer any of the Confidential Information to any person or entity, or utilize any of the Confidential Information for any purpose, except in the course of the Executive's work for the Company.

(4) That any idea in whole or in part conceived of or made by the Executive during the Term of his/her employment with the Company which relates directly or indirectly to the Company's current or planned line of business and is made through the use of any of the Confidential Information or any of the Company's equipment, facilities, trade secrets or time, or which results from any work performed by the Executive for the Company, shall belong exclusively to the Company and shall be deemed a part of the Confidential Information for purposes of this Agreement. The Executive hereby assigns and agrees to assign to the Company

all rights in and to such Confidential Information whether for purposes of obtaining patent or copyright protection or otherwise. The Executive shall acknowledge and deliver to the Company, without charge to the Company (but at its expense) such written instruments and do such other acts, including giving testimony in support of the Executive's authorship or inventorship, as the case may be, necessary in the opinion of the Company to obtain patents or copyrights or to otherwise protect or vest in the Company the entire right and title in and to the Confidential Information. If disclosure of any Confidential Information is requested or required by judicial or governmental order, the Executive shall promptly notify the Company of receipt of the judicial or governmental order and shall take reasonable steps to assist the Company in contesting such order and/or in protecting the Company's rights prior to disclosure.

d. INJUNCTIONS. It is agreed that the restrictions contained in this Section 5 are reasonable, but it is recognized that damages in the event of the breach of any of the restrictions will be difficult or impossible to ascertain; and, therefore, the Executive agrees that, in addition to, and without limiting any other right or remedy the Company may have, the Company shall have the right to an injunction against the Executive issued by a court of competent jurisdiction enjoining any such breach.

e. PART OF CONSIDERATION. The Executive also agrees, acknowledges, covenants, represents and warrants that he/she is fully and completely aware that, and further understands that, the foregoing restrictive covenants are an essential part of the consideration for the Company entering into this Agreement and that the Company is entering into this Agreement in full reliance on these acknowledgments, covenants, representations and warranties.

f. TIME AND TERRITORY REDUCTION. If the period of time or territory described above are held to be in any respect an unreasonable restriction, it is agreed that the court so holding may reduce the territory to which the restriction pertains or the period of time in which it operates or may reduce both such territory and such period, to the minimum extent necessary to render such provision enforceable.

g. SURVIVAL. The obligations described in this Section 5 shall survive any termination of this Agreement, or any termination of the employment relationship created hereunder.

6. TERMINATION. Notwithstanding any other provision of this Agreement, the Company shall have the right to terminate the Executive's employment, with or without cause, at any time. For purposes of this Agreement, the Company shall have "cause" to terminate the Executive in the event of: (a) the willful and continued failure by the Executive to substantially perform his/her duties, after demand for substantial performance is delivered by the Company to the Executive identifying with specificity the grounds for the Company's' belief that the Executive has not substantially performed his/her duties; (b) the permanent physical or mental incapacity of the Executive; (c) the commission by the Executive of any act of fraud or embezzlement relating to the property of the Company and/or the services to be provided by the Executive; or (d) the Executive's unauthorized disclosure or use of proprietary confidential information of the Company or the Executive's engaging in competition with the Company.

7. CHANGE OF CONTROL. In the event the Executive's employment with the Company is terminated by the Company within six (6) months prior to or within twenty-four (24) months after a Change of Control (as defined herein) or in the event the Executive terminates his/her employment for Good Reason (as defined herein) within twenty-four (24) months after a Change of Control (as defined

herein), the Executive shall be treated as if his/her employment were terminated by the Company without cause. Without limiting the generality of the foregoing, in such circumstances, the Executive shall receive from the Company all compensation described in Section 8 hereof, for the period of time and subject to the limitations provided in such Section. Once the Executive becomes entitled to receive benefits under this Section 7, then such benefits shall continue until paid in full, subject to the terms and conditions stated herein, notwithstanding the Executive's subsequent death, in which case payments shall be made to the Executive's estate. A Change of Control, as used herein, shall mean any sale of all or substantially all of the assets of the Company, or any merger, consolidation or tender offer in respect of which the stockholders holding all of the Company's outstanding voting securities immediately prior to the consummation thereof hold less than 50% of all of the Company's outstanding voting securities immediately after such consummation. The Executive shall have Good Reason to terminate his/her employment with the Company within twenty-four (24) months after a Change of Control if, without his/her prior written consent, he/she suffers (a) any significant diminution in position, duties, responsibilities, authority, title or office as in effect immediately prior to the Change of Control; (b) any reduction in his/her Base Salary as in effect on the date hereof or as the same may be increased prior to the Change of Control; (c) the failure by the Company to continue in effect, at a coverage or benefit level of at least 90% of that in effect immediately prior to the Change of Control of the Company, any benefit or compensation plan; (d) any requirement by the Company that the Executive perform his/her principal duties for the Company at a location more than 30 miles radius from the location at which the Executive performed such duties immediately prior to the Change in Control; or (e) any requirement by the Company that the Executive engage in business travel to a significantly greater extent than immediately prior to the Change of Control; provided, however, that the Executive shall not be entitled to benefits under this provision unless he/she gives notice to the Company within 180 days of when the Executive first becomes aware of such diminution, reduction, failure, or requirement, as the case may be.

8. THE COMPANY'S OBLIGATIONS AFTER TERMINATION. In the event of the Company's termination of the Executive's employment without cause, or in the event of the Executive's termination of his/her employment for Good Reason (as defined herein) or by the Company within six months before or within twenty-four (24) months after a Change of Control (as defined herein), and so long as the Executive has not breached any obligation of the Executive under Section 5 hereof, the Company shall continue to pay to the Executive and provide for the benefit of the Executive certain items of compensation, as set forth below, for a period equal to one (1) year plus one (1) month for each full year of consecutive service completed by the Executive prior to the date of termination (including service prior to the date of execution of this Agreement); provided, however, that the Executive shall be entitled to a maximum of twenty-four (24) months of compensation. Once the Executive becomes entitled to receive benefits under this Section 8, then such benefits shall continue until paid in full, subject to the terms and conditions stated herein, notwithstanding the Executive's subsequent death, in which case payments shall be made to the Executive's estate. For purposes of this Agreement, the Executive's starting date of service to the Company is March 14, 1988.

The compensation to be provided to the Executive pursuant to the terms of this Section are as follows:

(a) Base salary at the rate in effect as of the date of termination;
(b) Health insurance, life insurance, disability insurance and reimbursement of the cost of tax or financial planning assistance up to a maximum of $1200 per year; and
(c) Outplacement services.

In addition, the Executive shall be paid (i) a pro-rated incentive amount based on the portion of the then current fiscal year completed at the time of termination compared to the Executive's expected incentive compensation for such year at the target level of such incentive compensation program for the Executive, and (ii) all deferred compensation then maintained in the Executive's account, including without limitation all restricted stock, all in accordance with the options for payment which may then be available for payment of such deferred compensation to eligible employees. The payments described in clauses (i) and (ii) of this Section 8 shall be paid promptly after termination of employment. The payments to be made by the Company to the Executive pursuant to the provisions of paragraph (a) of this Section 8 shall be made on whatever the then customary payment schedule is for compensation of executive employees of the Company (i.e. monthly, bi-weekly, or the like). However, the payments under paragraphs (a) and (b) shall be not be considered employee compensation or be subject to tax withholding by the Company; rather they shall be made in exchange for the Executive's covenant not to compete, as set forth in Section 5(a) hereof. If, at any time, the payments made under paragraphs (a) and (b) are determined by any state or federal taxing authority to be employee compensation, then the Company agrees to pay its share of FICA and Medicare tax on such payments, plus any interest or penalty that may be due as a result of the taxing authority's determination and that relates to the Company's unpaid tax. In the event the Executive secures a new employment position during the period of the Company's continuing payment of compensation to him/her, the Executive shall promptly notify the Company of the commencement of the new employment position and shall inform the Company of the extent to which benefits to be provided by the Company hereunder are duplicative of benefits then available to the Executive through his/her new employment position. To the extent that the benefits to be provided by the Company hereunder are duplicative, the Company shall be entitled to cease provision of such benefits. Nothing contained herein shall, however, be construed as reducing the obligation of the Company to continue to make Base Salary payments or to pay the incentive compensation and deferred compensation amounts due to the Executive as provided herein.

If the payments provided for in this Agreement, together with any other payments or benefits which the Executive has the right to receive from the Company (or its affiliates, its parent or subsidiaries), would constitute an "excess parachute payment" (as defined in Section 280G of the Internal Revenue Code), the Executive shall receive either: (x) all compensation and benefits provided for him or her under this Agreement, or (y) the maximum of compensation and benefits that will avoid an excess parachute payment under Section 280G; whichever would provide the greater after-tax benefit to the Executive. In the event that clause (y) provides the greater after-tax benefit, the Executive shall be entitled to select the items to be abated. If the

Executive is to receive the clause (y) benefits and through error or otherwise the Executive receives payments, together with other payments the Executive has the right to receive from the Company (or its affiliates, its parents or subsidiaries) in excess of 2.99 times the Executive's base amount, the Executive agrees to immediately repay the excess to the Company upon notification that an overpayment has been made. If the Company has previously issued a W-2 statement to the Executive and the taxing authorities with respect to these payments and/or withheld taxes from the Executive based on these payments, then the Company agrees to promptly issue a corrected W-2 to the Executive and the taxing authorities and/or to refund the excess withheld taxes to the Executive, as the case may be.

9. FUNDING OF COMPANY'S OBLIGATIONS. In the event of a Change of Control, the Company agrees, prior to consummation of the transaction constituting the Change of Control, to create a so-called Rabbi Trust and to fund said Rabbi Trust with an amount equal to all amounts which may become due to the Executive under this Agreement as a result of the Change of Control. Without limiting the generality of the foregoing, the funding shall include all amounts which may become due to the Executive in the event of his/her subsequent termination of employment within twenty-four (24) months of the Change of Control, including without limitation, all deferred compensation amounts then deferred for the Executive.

10. GOVERNING LAW AND VENUE. This Agreement shall be construed and enforced in accordance with the substantive law of the Commonwealth of Massachusetts, without giving effect to its conflicts of law principles. The parties agree that any litigation pertaining to this Agreement shall be maintained exclusively in the courts of general jurisdiction located in Massachusetts, and each party agrees to submit to the jurisdiction and venue of any such court. Notwithstanding the foregoing, the Company shall be entitled to file litigation against the Executive in any jurisdiction where the Company deems it necessary or advisable to do so in order to enforce the provisions of Section 5 hereof.

11. CONSTRUCTION. The language in all parts of the Agreement shall in all cases be construed as a whole according to its fair meaning and not strictly for or against either party. The section headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement. All terms used in one number or gender shall be construed to include any other number or gender as the context may require. The parties agree that each party has reviewed this Agreement and has had the opportunity to have counsel review the same and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply to the interpretation of this Agreement or any amendment thereof.

12. NONDELEGABILITY OF THE EXECUTIVE'S RIGHTS AND ASSIGNMENT RIGHTS OF THE COMPANY. The obligations, rights and benefits of the Executive hereunder are personal and may not be delegated, assigned or transferred in any manner whatsoever, nor are such obligations, rights or benefits subject to involuntary alienation, assignment or transfer. This Agreement may be assigned by the Company to its parent or any subsidiary or affiliate, and shall be assigned automatically to any entity merging with or acquiring the Company or its parent or business of the Company. Without limiting the generality of the foregoing, the Company agrees to require any purchaser of all or substantially all its assets to agree to perform the Company's obligations under this Agreement.

Any successor to the Company, whether by assignment or otherwise, shall be considered the Company for purposes of this Agreement.

13. SEVERABILITY. If any term or provision of this Agreement is declared by a court of competent jurisdiction to be invalid or unenforceable for any reason, this Agreement shall remain in full force and effect, and the parties will request the court to (a) modify the invalid or unenforceable provision to the minimum extent necessary to make it valid and enforceable, or (b) if the court determines that such a modification is not possible, interpret this Agreement as if such invalid or unenforceable provisions were not a part hereof.

14. NOTICES. All notices required or permitted hereunder shall be in writing and shall be deemed duly given, upon receipt, if either personally delivered, sent by certified mail, return receipt requested, or sent by a nationally recognized overnight courier service, addressed to the parties as follows:

If to the Company: Hadco Corporation
12A Manor Parkway
Salem, NH 03079
Attn: General Counsel

With a copy to: Hamilton & Dahmen, LLP
73 Tremont Street
Boston, MA 02108

If to the Executive: Christopher T. Mastrogiacomo
26 Arrowhead Drive
Bedford, NH 03110

or to such other addresses either party may provide to the other in accordance with this Section.

15. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof (i.e. the Executive's employment by the Company) and supercedes all prior or contemporaneous employment agreements and understandings or agreements in regard to the Executive's employment. No modification or addition to this Agreement shall be valid unless in writing, specifically referring to this Agreement and signed by both parties hereto. No waiver of any rights under this Agreement shall be valid unless in writing and signed by the party to be charged with such waiver. No waiver of any term or condition contained in this Agreement shall be deemed or construed as a further or continuing waiver of such term or condition, unless the waiver specifically provides otherwise.

IN WITNESS WHEREOF, the parties have set their hands as the day and year first above written.

HADCO Corporation

/s/ Patricia Randall

Witness

/s/ Andrew E. Lietz

Its President
Duly Authorized

Executive

/s/ Patricia Randall

Witness

/s/ Christopher T. Mastrogiacomo

Christopher T. Mastrogiacomo

Employment/Executive Agreement

<TABLE> <S> <C>

<ARTICLE> 5

<S> <C>
<PERIOD-TYPE> 3-MOS
<FISCAL-YEAR-END> OCT-30-1999
<PERIOD-END> JUL-31-1999
<CASH> 12,254
<SECURITIES> 0
<RECEIVABLES> 124,974
<ALLOWANCES> 1,644
<INVENTORY> 65,325
<CURRENT-ASSETS> 222,730
<PP&E> 673,995
<DEPRECIATION> 358,914
<TOTAL-ASSETS> 729,174
<CURRENT-LIABILITIES> 136,648
<BONDS> 313,768
<PREFERRED-MANDATORY> 0
<PREFERRED> 0
<COMMON> 683
<OTHER-SE> 209,363
<TOTAL-LIABILITY-AND-EQUITY> 729,174
<SALES> 743,926
<TOTAL-REVENUES> 745,121
<CGS> 632,094
<TOTAL-COSTS> 699,295
<OTHER-EXPENSES> 0
<LOSS-PROVISION> 0
<INTEREST-EXPENSE> 23,890
<INCOME-PRETAX> 21,936
<INCOME-TAX> 8,714
<INCOME-CONTINUING> 13,222
<DISCONTINUED> 0
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> 13,222
<EPS-BASIC> 0.98
<EPS-DILUTED> 0.96

</TABLE>