

JABIL CIRCUIT INC
Form 10-Q
April 07, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 28, 2015

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: 001-14063

JABIL CIRCUIT, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
10560 Dr. Martin Luther King, Jr. Street North, St. Petersburg, Florida 33716
(Address of principal executive offices) (Zip Code)
(727) 577-9749
(Registrant's telephone number, including area code)

38-1886260
(I.R.S. Employer
Identification No.)

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of March 27, 2015, there were 193,762,026 shares of the registrant's Common Stock outstanding.

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Table of Contents**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements****JABIL CIRCUIT, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except for share data)

	February 28, 2015 (Unaudited)	August 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 966,414	\$ 1,000,249
Accounts receivable, net of allowance for doubtful accounts of \$8,840 at February 28, 2015 and \$1,994 at August 31, 2014	1,269,171	1,208,516
Inventories	2,105,183	2,008,077
Prepaid expenses and other current assets	935,063	1,057,562
Deferred income taxes	66,351	64,944
Assets of discontinued operations		19,669
Total current assets	5,342,182	5,359,017
Property, plant and equipment, net of accumulated depreciation of \$2,063,804 at February 28, 2015 and \$1,923,750 at August 31, 2014	2,435,704	2,271,705
Goodwill	383,492	383,644
Intangible assets, net of accumulated amortization of \$182,791 at February 28, 2015 and \$171,490 at August 31, 2014	235,102	244,056
Deferred income taxes	85,026	92,702
Other assets	96,650	128,622
Total assets	\$ 8,578,156	\$ 8,479,746
LIABILITIES AND EQUITY		
Current liabilities:		
Current installments of notes payable, long-term debt and capital lease obligations	\$ 11,258	\$ 12,960
Accounts payable	3,087,905	3,060,814
Accrued expenses	1,325,792	1,235,106
Deferred income taxes	785	5,094
Liabilities of discontinued operations		7,123
Total current liabilities	4,425,740	4,321,097
Notes payable, long-term debt and capital lease obligations, less current installments	1,662,778	1,669,585
Other liabilities	73,597	79,471

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Income tax liabilities	92,243	87,555
Deferred income taxes	59,829	61,670
Total liabilities	6,314,187	6,219,378
Commitments and contingencies		
Equity:		
Jabil Circuit, Inc. stockholders' equity:		
Preferred stock, \$0.001 par value, authorized 10,000,000 shares; no shares issued and no shares outstanding		
Common stock, \$0.001 par value, authorized 500,000,000 shares; 245,962,356 and 243,930,983 shares issued and 193,749,894 and 194,113,850 shares outstanding at February 28, 2015 and August 31, 2014, respectively	246	244
Additional paid-in capital	1,916,255	1,874,219
Retained earnings	1,340,972	1,245,772
Accumulated other comprehensive (loss) income	(578)	86,962
Treasury stock at cost, 52,212,462 and 49,817,133 shares at February 28, 2015 and August 31, 2014, respectively	(1,012,330)	(965,369)
Total Jabil Circuit, Inc. stockholders' equity	2,244,565	2,241,828
Noncontrolling interests	19,404	18,540
Total equity	2,263,969	2,260,368
Total liabilities and equity	\$ 8,578,156	\$ 8,479,746

See accompanying notes to Condensed Consolidated Financial Statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except for per share data)

(Unaudited)

	Three months ended		Six months ended	
	February 28, 2015	February 28, 2014	February 28, 2015	February 28, 2014
Net revenue	\$ 4,309,323	\$ 3,577,315	\$ 8,859,741	\$ 7,920,026
Cost of revenue	3,941,504	3,364,165	8,108,935	7,372,625
Gross profit	367,819	213,150	750,806	547,401
Operating expenses:				
Selling, general and administrative	210,326	164,522	424,705	306,992
Research and development	6,501	6,604	12,506	15,658
Amortization of intangibles	5,783	6,180	11,373	12,501
Restructuring and related charges	20,358	32,203	32,616	53,206
Operating income	124,851	3,641	269,606	159,044
Other expense	1,665	1,850	3,359	3,027
Interest income	(1,916)	(341)	(3,617)	(1,049)
Interest expense	32,048	31,858	63,888	65,163
Income (loss) from continuing operations before tax	93,054	(29,726)	205,976	91,903
Income tax expense	35,272	2,539	75,061	22,215
Income (loss) from continuing operations, net of tax	57,782	(32,265)	130,915	69,688
Discontinued operations:				
(Loss) income from discontinued operations, net of tax	(4,562)	2,704	(3,709)	18,816
Loss on sale of discontinued operations, net of tax	(947)	(8,955)	(2,557)	(8,955)
Discontinued operations, net of tax	(5,509)	(6,251)	(6,266)	9,861
Net income (loss)	52,273	(38,516)	124,649	79,549
Net income attributable to noncontrolling interests, net of tax	321	151	535	294
Net income (loss) attributable to Jabil Circuit, Inc.	\$ 51,952	\$ (38,667)	\$ 124,114	\$ 79,255
Earnings (loss) per share attributable to the stockholders of Jabil Circuit, Inc.:				

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Basic:

Income (loss) from continuing operations, net of tax	\$ 0.30	\$ (0.16)	\$ 0.67	\$ 0.34
Discontinued operations, net of tax	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ 0.05
Net income (loss)	\$ 0.27	\$ (0.19)	\$ 0.64	\$ 0.39

Diluted:

Income (loss) from continuing operations, net of tax	\$ 0.29	\$ (0.16)	\$ 0.67	\$ 0.34
Discontinued operations, net of tax	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ 0.05
Net income (loss)	\$ 0.27	\$ (0.19)	\$ 0.63	\$ 0.38

Weighted average shares outstanding:

Basic	193,561	205,251	193,531	205,005
Diluted	195,473	205,251	195,534	206,892
Cash dividends declared per common share	\$ 0.08	\$ 0.08	\$ 0.16	\$ 0.16

See accompanying notes to Condensed Consolidated Financial Statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(Unaudited)

	Three months ended		Six months ended	
	February 28,	February 28,	February 28,	February 28,
	2015	2014	2015	2014
Net income (loss)	\$ 52,273	\$ (38,516)	\$ 124,649	\$ 79,549
Other comprehensive income:				
Foreign currency translation adjustment, net of tax	(46,903)	2,063	(81,609)	11,247
Changes in fair value of derivative instruments, net of tax	(8,406)	(2,916)	(10,358)	(1,494)
Reclassification of net losses realized and included in net income related to derivative instruments, net of tax	4,388	1,510	4,072	3,570
Unrealized gain on available for sale securities, net of tax	633		355	
Total other comprehensive (loss) income	(50,288)	657	(87,540)	13,323
Comprehensive income (loss)	\$ 1,985	\$ (37,859)	\$ 37,109	\$ 92,872
Comprehensive income attributable to noncontrolling interests	321	151	535	294
Comprehensive income (loss) attributable to Jabil Circuit, Inc.	\$ 1,664	\$ (38,010)	\$ 36,574	\$ 92,578

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents**JABIL CIRCUIT, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(in thousands, except for share data)

(Unaudited)

	Jabil Circuit, Inc. Stockholders Equity								
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income		Treasury Stock	Noncontrolling Interests	Total Equity
	Shares Outstanding	Par Value			(Loss)	Stock			
Balance at August 31, 2014	194,113,850	\$ 244	\$ 1,874,219	\$ 1,245,772	\$ 86,962	\$ (965,369)	\$ 18,540	\$ 2,260,368	
Shares issued upon exercise of stock options	3,478								
Shares issued under employee stock purchase plan	505,151	1	8,996					8,997	
Vesting of restricted stock awards	1,522,744	1	(1)						
Purchases of treasury stock under employee stock plans	(372,665)					(6,921)		(6,921)	
Treasury shares purchased	(2,022,664)					(40,040)		(40,040)	
Recognition of stock-based compensation			33,039					33,039	
Excess tax benefit of stock awards			2					2	
Declared dividends				(28,914)				(28,914)	
Comprehensive income				124,114	(87,540)		535	37,109	

Acquisition of noncontrolling interests								329	329
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Balance at February 28, 2015	193,749,894	246	\$ 1,916,255	\$ 1,340,972	\$ (578)	\$ (1,012,330)	\$ 19,404	\$ 2,263,969
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See accompanying notes to Condensed Consolidated Financial Statements.

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	Six months ended	
	February 28, 2015	February 28, 2014
Cash flows from operating activities:		
Net income	\$ 124,649	\$ 79,549
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	249,441	247,169
Restructuring and related charges	3,867	24,915
Recognition of stock-based compensation expense and related charges	32,982	(7,821)
Deferred income taxes	(1,370)	(28,265)
Loss on sale of property, plant and equipment	12,185	3,574
Other, net	13,177	6,840
Change in operating assets and liabilities, exclusive of net assets acquired:		
Accounts receivable	(97,859)	187,030
Inventories	(112,993)	342,794
Prepaid expenses and other current assets	105,311	215,376
Other assets	24,067	(22,448)
Accounts payable, accrued expenses and other liabilities	171,968	(914,097)
Net cash provided by operating activities	525,425	134,616
Cash flows from investing activities:		
Proceeds from sale of discontinued operations, net of cash	9,663	
Acquisition of property, plant and equipment	(468,207)	(286,349)
Cash paid for business and intangible asset acquisitions, net of cash acquired	(11,897)	
Proceeds from sale of property, plant and equipment	4,629	12,945
Other, net	4,894	
Net cash used in investing activities	(460,918)	(273,404)
Cash flows from financing activities:		
Borrowings under debt agreements	3,352,676	3,789,192
Payments toward debt agreements	(3,358,147)	(3,860,319)
Payments to acquire treasury stock	(40,040)	(64,051)
Dividends paid to stockholders	(32,078)	(35,792)
Treasury stock minimum tax withholding related to vesting of restricted stock	(6,921)	(32,845)
Other, net	9,061	4,908

Net cash used in financing activities	(75,449)	(198,907)
Effect of exchange rate changes on cash and cash equivalents	(22,893)	1,451
Net decrease in cash and cash equivalents	(33,835)	(336,244)
Cash and cash equivalents at beginning of period	1,000,249	1,011,373
Cash and cash equivalents at end of period	\$ 966,414	\$ 675,129

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents**JABIL CIRCUIT, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****1. Basis of Presentation**

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary to present fairly the information set forth therein have been included. The accompanying unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and footnotes included in the Annual Report on Form 10-K of Jabil Circuit, Inc. (the Company) for the fiscal year ended August 31, 2014. Results for the six month period ended February 28, 2015 are not necessarily an indication of the results that may be expected for the full fiscal year ending August 31, 2015. We have made certain reclassification adjustments to conform prior period amounts to the current presentation, including adjustments related to discontinued operations and the change in reportable segments. See Note 2 Discontinued Operations and Note 6 Concentration of Risk and Segment Data for further details.

2. Discontinued Operations

On December 17, 2013, the Company announced that it entered into a stock purchase agreement with iQor Holdings, Inc. (iQor) for the sale of Jabil s Aftermarket Services (AMS) business for consideration of \$725.0 million, which consists of \$675.0 million in cash and an aggregate liquidation preference value of \$50.0 million in Senior Non-Convertible Cumulative Preferred Stock of iQor that accretes dividends at an annual rate of 8 percent and is redeemable in nine years or upon a change in control. The final purchase price was reduced by \$99.2 million for cash, indebtedness, taxes, interest and certain working capital accounts of the Company s AMS business, and this adjustment is subject to final reconciliation in relation to the purchase price for the Malaysian operations. Also, as part of this transaction, the Company is subject to a limited covenant not to compete. On April 1, 2014, the Company completed the sale of the AMS business except for the Malaysian operations, for which the sale was completed on December 31, 2014. In connection with the AMS transaction, the Company entered into a transition services agreement effective April 1, 2014 to provide certain administrative services to facilitate the orderly transfer of the business operations to iQor. This agreement is not material and the continuing cash flows are not significant. As of February 28, 2015, AMS meets the criteria for discontinued operations reporting because the Company does not have any significant continuing involvement in the operations of AMS after the disposal transaction and the operations and cash flows of AMS have been eliminated from the ongoing operations of the Company as a result of the disposal transaction.

For all periods presented, the operating results associated with this business have been reclassified into (loss) income from discontinued operations, net of tax in the Condensed Consolidated Statements of Operations. The following table provides a summary of AMS amounts included in discontinued operations (in thousands):

Three months ended		Six months ended	
February 28,	February 28,	February 28,	February 28,
2015	2014	2015	2014

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Net revenue	\$ 3,634	\$ 224,040	\$ 14,624	\$ 492,771
(Loss) income from discontinued operations, before tax	\$ (4,571)	6,569	\$ (3,707)	23,786
Income tax (benefit) expense	(9)	3,865	2	4,970
(Loss) income from discontinued operations, net of tax	\$ (4,562)	\$ 2,704	\$ (3,709)	\$ 18,816
Loss on sale of discontinued operations, before tax	\$ (372)	\$ (8,955)	\$ (1,982)	\$ (8,955)
Income tax expense	575		575	
Loss on sale of discontinued operations, net of tax	\$ (947)	\$ (8,955)	\$ (2,557)	\$ (8,955)
Discontinued operations, net of tax	\$ (5,509)	\$ (6,251)	\$ (6,266)	\$ 9,861

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The Company calculates its basic earnings per share by dividing net income (loss) attributable to Jabil Circuit, Inc. by the weighted average number of common shares outstanding during the period. The Company's diluted earnings per share is calculated in a similar manner, but includes the effect of dilutive securities. To the extent these securities are anti-dilutive, they are excluded from the calculation of diluted earnings per share. The following table sets forth the calculations of basic and diluted earnings per share attributable to the stockholders of Jabil Circuit, Inc. (in thousands, except earnings per share data):

	Three months ended		Six months ended	
	February 28,	February 28,	February 28,	February 28,
	2015	2014	2015	2014
Numerator:				
Income (loss) from continuing operations, net of tax	\$ 57,782	\$ (32,265)	\$ 130,915	\$ 69,688
Net income attributable to noncontrolling interests, net of tax	321	151	535	294
Income (loss) from continuing operations attributable to Jabil Circuit, Inc., net of tax	57,461	(32,416)	130,380	69,394
Discontinued operations attributable to Jabil Circuit, Inc., net of tax	(5,509)	(6,251)	(6,266)	9,861
Net income (loss) attributable to Jabil Circuit, Inc.	\$ 51,952	\$ (38,667)	\$ 124,114	\$ 79,255
Denominator for basic and diluted earnings per share:				
Denominator for basic earnings per share	193,561	205,251	193,531	205,005
Dilutive common shares issuable under the employee stock purchase plan and upon exercise of stock options and stock appreciation rights	99		70	120
Dilutive unvested restricted stock awards	1,813		1,933	1,767
Denominator for diluted earnings per share	195,473	205,251	195,534	206,892
Earnings (loss) per share attributable to the stockholders of Jabil Circuit, Inc.:				
Basic:				
Income (loss) from continuing operations, net of tax	\$ 0.30	\$ (0.16)	\$ 0.67	\$ 0.34

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Discontinued operations, net of tax	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ 0.05
Net income (loss)	\$ 0.27	\$ (0.19)	\$ 0.64	\$ 0.39
Diluted:				
Income (loss) from continuing operations, net of tax	\$ 0.29	\$ (0.16)	\$ 0.67	\$ 0.34
Discontinued operations, net of tax	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ 0.05
Net income (loss)	\$ 0.27	\$ (0.19)	\$ 0.63	\$ 0.38

For the three months and six months ended February 28, 2015, options to purchase 3,889 and 438,731 shares of common stock, respectively, and 3,662,024 and 3,712,421 stock appreciation rights, respectively, were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive.

No potential common shares relating to outstanding stock awards have been included in the computation of diluted earnings per share as a result of the Company's net loss for the three months ended February 28, 2014. The Company accordingly excluded from the computation of diluted earnings per share 3,737,859 restricted stock awards, options to purchase 1,721,068 shares of common stock and 4,172,787 stock appreciation rights. For the six months ended February 28, 2014, options to purchase 2,159,270 shares of common stock and 4,200,998 stock appreciation rights were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive.

Table of Contents**b. Dividends**

The following table sets forth certain information relating to the Company's cash dividends declared to common stockholders of the Company during the six months ended February 28, 2015 and 2014 (in thousands, except for per share data):

	Dividend Declaration Date	Dividend per Share	Total of Cash Dividends Declared	Date of Record for Dividend Payment	Dividend Cash Payment Date
Fiscal Year 2015:	October 16, 2014	\$ 0.08	\$ 15,973	November 14, 2014	December 1, 2014
	January 21, 2015	0.08	16,020	February 13, 2015	March 2, 2015
Fiscal Year 2014:	October 17, 2013	\$ 0.08	\$ 17,221	November 15, 2013	December 2, 2013
	January 22, 2014	0.08	16,976	February 14, 2014	March 3, 2014

4. Inventories

Inventories consist of the following (in thousands):

	February 28, 2015	August 31, 2014
Raw materials	\$ 1,163,834	\$ 1,096,299
Work in process	551,722	537,033
Finished goods	389,627	374,745
Total inventories	\$ 2,105,183	\$ 2,008,077

5. Stock-Based Compensation

The Company recognizes stock-based compensation expense, reduced for estimated forfeitures, on a straight-line basis over the requisite service period of the award, which is generally the vesting period for outstanding stock awards. The Company recorded \$15.0 million and \$33.0 million of stock-based compensation expense gross of tax effects, which is included in selling, general and administrative expenses within the Condensed Consolidated Statements of Operations during the three months and six months ended February 28, 2015, respectively. The Company recorded tax benefits related to the stock-based compensation expense of \$0.1 million and \$0.5 million, which is included in income tax expense within the Condensed Consolidated Statements of Operations for the three months and six months ended February 28, 2015, respectively. The Company recorded \$14.7 million and \$(7.9) million of stock-based compensation expense gross of tax effects, which is included in selling, general and administrative expenses within the Condensed Consolidated Statements of Operations during the three months and six months ended February 28, 2014, respectively. During the six months ended February 28, 2014, the Company recorded a \$38.4 million reversal to stock-based compensation expense due to decreased expectations for the vesting of certain restricted stock awards. The Company recorded tax benefits related to the stock-based compensation expense of \$0.5 million, which is included in income tax expense within the Condensed Consolidated Statements of Operations for each of the three months and six months ended February 28, 2014.

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The following table summarizes shares available for grant and stock option and stock appreciation right activity from August 31, 2014 through February 28, 2015:

	Shares Available for Grant	Options Outstanding	Average Intrinsic Value (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)
Balance at August 31, 2014	10,823,646	5,432,002	\$ 400	\$ 26.32	1.52
Options granted	(435,000)	435,000		\$ 18.49	
Options canceled	1,768,092	(1,768,092)		\$ 24.73	
Restricted stock awards granted ^(a)	(4,046,572)				
Options exercised		(47,311)		\$ 19.86	
Balance at February 28, 2015	8,110,166	4,051,599	\$ 2,208	\$ 26.25	2.14
Exercisable at February 28, 2015		4,051,599	\$ 2,208	\$ 26.25	2.14

^(a) Represents the maximum number of shares that can be issued based on the achievement of certain performance criteria.

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The following table summarizes restricted stock activity from August 31, 2014 through February 28, 2015:

	Shares	Weighted-Average Grant-Date Fair Value
Unvested balance at August 31, 2014	9,800,942	\$ 19.89
Changes during the period		
Shares granted ^(a)	5,226,492	\$ 18.59
Shares vested	(1,522,744)	\$ 19.61
Shares forfeited	(1,179,920)	\$ 19.67
Unvested balance at February 28, 2015	12,324,770	\$ 19.42

^(a) For those shares granted that are based on the achievement of certain performance criteria, represents the maximum number of shares that can vest.

Certain key employees have been granted time-based and performance-based restricted stock awards. The time-based restricted awards granted generally vest on a graded vesting schedule over three years. The performance-based restricted awards generally vest on a cliff vesting schedule over three to five years and provide a range of vesting possibilities of up to a maximum of 100% or 150%, depending on the specified performance condition and the level of achievement obtained. During the six months ended February 28, 2015 and 2014, the Company awarded approximately 2.7 million and 1.8 million time-based restricted stock units, respectively, and 1.7 million and 1.6 million performance-based restricted stock units, respectively.

At February 28, 2015, there was \$79.8 million of total unrecognized stock-based compensation expense related to restricted stock awards. This expense is expected to be recognized over a weighted-average period of 1.6 years.

6. Concentration of Risk and Segment Data

a. Concentration of Risk

Sales of the Company's products are concentrated among specific customers. During the six months ended February 28, 2015, the Company's five largest customers accounted for approximately 51% of its net revenue and 74 customers accounted for approximately 90% of its net revenue. Sales to these customers were reported in the Electronics Manufacturing Services (EMS) and Diversified Manufacturing Services (DMS) operating segments.

The Company procures components from a broad group of suppliers. Almost all of the products manufactured by the Company require one or more components that are available from only a single source.

Production levels for a portion of the DMS segment are subject to seasonal influences. The Company may realize greater net revenue during its first fiscal quarter due to higher demand for consumer related products manufactured in the DMS segment during the holiday selling season. Therefore, quarterly results should not be relied upon as necessarily being indicative of results for the entire fiscal year.

b. Segment Data

Operating segments are defined as components of an enterprise that engage in business activities from which they may earn revenues and incur expenses; for which separate financial information is available; and whose operating results are regularly reviewed by the chief operating decision maker to assess the performance of the individual segment and make decisions about resources to be allocated to the segment.

The Company derives its revenue from providing comprehensive electronics design, production and product management services. The chief operating decision maker evaluates performance and allocates resources on a segment basis. Prior to the first quarter of fiscal year 2015, the Company's operating segments consisted of three segments DMS, Enterprise & Infrastructure and High Velocity Systems. On September 1, 2014, the Company changed its reporting structure to align with the chief operating decision maker's management of resource allocation and performance assessment. Accordingly, the Company's operating segments now consist of two segments EMS and DMS, which are also the Company's reportable segments. All prior period disclosures presented have been restated to reflect this change.

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The EMS segment is focused around leveraging IT, supply chain design and engineering, technologies largely centered on core electronics, sharing of the Company's large scale manufacturing infrastructure and the ability to serve a broad range of end markets. The EMS segment includes customers primarily in the automotive, computing, digital home, energy, industrial, networking, printing, storage and telecommunications industries. The DMS segment is focused on providing engineering solutions, heavy participation in consumer markets, access to higher growth markets and a focus on material sciences and technologies. The DMS segment includes customers primarily in the consumer lifestyles, healthcare, mobility and packaging industries.

On April 1, 2014, the Company completed the sale of the AMS business except for the Malaysian operations, for which the sale was completed on December 31, 2014. The AMS business was included in the DMS segment, and the results of operations of this business are classified as discontinued operations for all periods presented. See Note 2 Discontinued Operations for further details.

Net revenue for the operating segments is attributed to the segment in which the service is performed. An operating segment's performance is evaluated based on its pre-tax operating contribution, or segment income. Segment income is defined as net revenue less cost of revenue, segment selling, general and administrative expenses, segment research and development expenses and an allocation of corporate manufacturing expenses and selling, general and administrative expenses, and does not include amortization of intangibles, stock-based compensation expense and related charges, restructuring and related charges, distressed customer charges, acquisition costs and certain purchase accounting adjustments, loss on disposal of subsidiaries, settlement of receivables and related charges, impairment of notes receivable and related charges, goodwill impairment charges, income (loss) from discontinued operations, gain (loss) on sale of discontinued operations, other expense, interest income, interest expense, income tax expense or adjustment for net income (loss) attributable to noncontrolling interests. Total segment assets are defined as accounts receivable, inventories, net customer-related property, plant and equipment, intangible assets net of accumulated amortization and goodwill. All other non-segment assets are reviewed on a global basis by management. Transactions between operating segments are generally recorded at amounts that approximate arm's length.

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The following tables set forth operating segment information (in thousands):

	Three months ended		Six months ended	
	February 28,	February 28,	February 28,	February 28,
	2015	2014	2015	2014
Net revenue				
EMS	\$ 2,625,871	\$ 2,472,050	\$ 5,259,388	\$ 5,236,209
DMS	1,683,452	1,105,265	3,600,353	2,683,817
	\$ 4,309,323	\$ 3,577,315	\$ 8,859,741	\$ 7,920,026
Segment income and reconciliation of income before tax				
EMS	\$ 54,733	\$ 48,778	\$ 117,315	\$ 126,372
DMS	111,227	11,640	229,291	94,187
<i>Total segment income</i>	\$ 165,960	\$ 60,418	\$ 346,606	\$ 220,559
Reconciling items:				
Amortization of intangibles	5,783	6,180	11,373	12,501
Stock-based compensation expense and related charges	14,968	14,652	33,011	(7,934)
Restructuring and related charges	20,358	32,203	32,616	53,206
Distressed customer charges		3,742		3,742
Other expense	1,665	1,850	3,359	3,027
Interest income	(1,916)	(341)	(3,617)	(1,049)
Interest expense	32,048	31,858	63,888	65,163
Income (loss) from continuing operations before tax	\$ 93,054	\$ (29,726)	\$ 205,976	\$ 91,903

	February 28, 2015	August 31, 2014
Total assets		
EMS	\$ 2,514,968	\$ 2,300,262
DMS	3,487,630	3,460,769
Other non-allocated assets	2,575,558	2,699,046
Assets of discontinued operations		19,669
	\$ 8,578,156	\$ 8,479,746

As of February 28, 2015, the Company operated in 24 countries worldwide. Sales to unaffiliated customers are based on the Company's location that maintains the customer relationship and transacts the external sale. Total foreign net revenue represented 86.7% and 87.5% of net revenue during the three months and six months ended February 28, 2015, respectively, compared to 83.3% and 84.6% of net revenue during the three months and six months ended

February 28, 2014, respectively.

7. Notes Payable, Long-Term Debt and Capital Lease Obligations

Notes payable, long-term debt and capital lease obligations outstanding at February 28, 2015 and August 31, 2014 are summarized below (in thousands):

	February 28, 2015	August 31, 2014
7.750% Senior Notes due 2016	\$ 309,518	\$ 308,659
8.250% Senior Notes due 2018	398,856	398,665
5.625% Senior Notes due 2020	400,000	400,000
4.700% Senior Notes due 2022	500,000	500,000
Borrowings under credit facilities	948	1,685
Borrowings under loans ^(a)	32,683	38,207
Capital lease obligations	28,768	30,879
Fair value adjustment related to terminated interest rate swaps on the 7.750% Senior Notes	3,263	4,450
Total notes payable, long-term debt and capital lease obligations	1,674,036	1,682,545
Less current installments of notes payable, long-term debt and capital lease obligations	11,258	12,960
Notes payable, long-term debt and capital lease obligations, less current installments	\$ 1,662,778	\$ 1,669,585

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The \$312.0 million of 7.750% senior unsecured notes, \$400.0 million of 8.250% senior unsecured notes, \$400.0 million of 5.625% senior unsecured notes and \$500.0 million of 4.700% senior unsecured notes outstanding are carried at the principal amount of each note, less any unamortized discount. The estimated fair values of these senior notes were approximately \$335.4 million, \$461.0 million, \$432.2 million and \$518.8 million, respectively, at February 28, 2015. The fair value estimates are based upon observable market data (Level 2 criteria).

- (a) During the third quarter of fiscal year 2012, the Company entered into a master lease agreement with a variable interest entity (the VIE) whereby it sells to and subsequently leases back from the VIE up to \$60.0 million in certain machinery and equipment for a period of up to five years. In connection with this transaction, the Company holds a variable interest in the VIE, which was designed to hold debt obligations payable to third-party creditors. The proceeds from such debt obligations are utilized to finance the purchase of the machinery and equipment that is then leased by the Company. The Company is the primary beneficiary of the VIE as it has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Therefore, the Company consolidates the financial statements of the VIE and eliminates all intercompany transactions. At February 28, 2015, the VIE had approximately \$33.1 million of total assets, of which approximately \$32.5 million was comprised of a note receivable due from the Company, and approximately \$32.3 million of total liabilities, of which approximately \$32.3 million were debt obligations to the third-party creditors (as the VIE has utilized approximately \$32.3 million of the \$60.0 million debt obligation capacity). The third-party creditors have recourse to the Company's general credit only in the event that the Company defaults on its obligations under the terms of the master lease agreement. In addition, the assets held by the VIE can be used only to settle the obligations of the VIE.

8. Trade Accounts Receivable Securitization and Sale Programs

The Company regularly sells designated pools of trade accounts receivable under two asset-backed securitization programs, a factoring agreement and three uncommitted trade accounts receivable sale programs (collectively referred to herein as the programs). The Company continues servicing the receivables sold and in exchange receives a servicing fee under each of the programs. Servicing fees related to each of the programs recognized during the three months and six months ended February 28, 2015 and 2014 were not material. The Company does not record a servicing asset or liability on the Condensed Consolidated Balance Sheets as the Company estimates that the fee it receives to service these receivables approximates the fair market compensation to provide the servicing activities.

Transfers of the receivables under the programs are accounted for as sales and, accordingly, net receivables sold under the programs are excluded from accounts receivable on the Condensed Consolidated Balance Sheets and are reflected as cash provided by operating activities on the Condensed Consolidated Statements of Cash Flows.

a. Asset-Backed Securitization Programs

The Company continuously sells designated pools of trade accounts receivable under its North American asset-backed securitization program, currently scheduled to expire on October 20, 2017 (as the program was renewed on October 21, 2014), and its foreign asset-backed securitization program, currently scheduled to expire on May 15, 2015, (collectively referred to herein as the asset-backed securitization programs) to special purpose entities, which in turn sell 100% of the receivables to conduits administered by unaffiliated financial institutions (for the North American asset-backed securitization program) and an unaffiliated financial institution (for the foreign asset-backed

securitization program). The special purpose entity in the North American asset-backed securitization program is a wholly-owned subsidiary of the Company. The special purpose entity in the foreign asset-backed securitization program is a separate bankruptcy-remote entity whose assets would be first available to satisfy the creditor claims of the unaffiliated financial institution. The Company is deemed the primary beneficiary of this special purpose entity as the Company has both the power to direct the activities of the entity that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive the benefits that could potentially be significant to the entity from the transfer of the trade accounts receivable into the special purpose entity. Accordingly, the special purpose entities associated with these asset-backed securitization programs are included in the Company's Condensed Consolidated Financial Statements. Any portion of the purchase price for the receivables which is not paid in cash upon the sale taking place is recorded as a deferred purchase price receivable, which is paid as payments on the receivables are collected. Net cash proceeds of up to a maximum of \$200.0 million and \$175.0 million for

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the North American and foreign asset-backed securitization programs, respectively, are available at any one time. The Company increased its facility limit for the foreign asset-backed securitization program from \$75.0 million to \$175.0 million during the second quarter of fiscal year 2015.

In connection with the asset-backed securitization programs, the Company sold \$1.8 billion and \$3.7 billion of eligible trade accounts receivable during the three months and six months ended February 28, 2015, respectively. In exchange, the Company received cash proceeds of \$1.4 billion and \$3.3 billion during the three months and six months ended February 28, 2015, respectively, (of which approximately \$3.6 million and \$5.9 million, respectively, represented new transfers and the remainder represented proceeds from collections reinvested in revolving-period transfers) and a deferred purchase price receivable. The Company sold \$2.0 billion and \$4.2 billion of eligible trade accounts receivable during the three months and six months ended February 28, 2014, respectively. In exchange, the Company received cash proceeds of \$1.6 billion and \$3.8 billion during the three months and six months ended February 28, 2014, respectively, (which represented proceeds from collections reinvested in revolving-period transfers as there were no new transfers during these periods) and a deferred purchase price receivable. At February 28, 2015 and 2014, the deferred purchase price receivables recorded in connection with the asset-backed securitization programs totaled approximately \$420.5 million and \$420.0 million, respectively.

The Company recognized pretax losses on the sales of receivables under the asset-backed securitization programs of approximately \$0.7 million and \$1.6 million during the three months and six months ended February 28, 2015, respectively, and approximately \$0.9 million and \$1.9 million during the three months and six months ended February 28, 2014, respectively, which are recorded to other expense within the Condensed Consolidated Statements of Operations.

The deferred purchase price receivables recorded under the asset-backed securitization programs are recorded initially at fair value as prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets and are valued using unobservable inputs (Level 3 inputs), primarily discounted cash flows, and due to their credit quality and short-term maturity the fair values approximated book values. The unobservable inputs consist of estimated credit losses and estimated discount rates, which both have an immaterial impact on the fair value calculations of the deferred purchase price receivables.

b. Trade Accounts Receivable Factoring Agreement

In connection with a factoring agreement, the Company transfers ownership of eligible trade accounts receivable of a foreign subsidiary without recourse to a third party purchaser in exchange for cash. Proceeds from the transfer reflect the face value of the account less a discount. The discount is recorded as a loss to other expense within the Condensed Consolidated Statements of Operations in the period of the sale. In October 2014, the factoring agreement was extended through March 31, 2015, at which time it was automatically renewed for an additional six-month period.

The Company sold \$0.4 million of trade accounts receivable during each of the three months and six months ended February 28, 2015, compared to \$0.6 million and \$1.1 million during the three months and six months ended February 28, 2014, respectively. In exchange, the Company received cash proceeds of \$0.4 million during each of the three months and six months ended February 28, 2015, compared to \$0.6 million and \$1.1 million during the three months and six months ended February 28, 2014, respectively. The resulting losses on the sales of trade accounts receivables sold under this factoring agreement during the three months and six months ended February 28, 2015 and 2014 were not material, and were recorded to other expense within the Condensed Consolidated Statements of Operations.

c. Trade Accounts Receivable Sale Programs

In connection with three separate trade accounts receivable sale agreements with unaffiliated financial institutions, the Company may elect to sell, at a discount, on an ongoing basis, up to a maximum of \$450.0 million, \$150.0 million and \$100.0 million, respectively, of specific trade accounts receivable at any one time. The \$450.0 million trade accounts receivable sale agreement is an uncommitted facility that was amended during the first quarter of fiscal year 2015 to increase the uncommitted capacity from \$350.0 million to \$450.0 million and is scheduled to expire on November 1, 2015, although any party may elect to terminate the agreement upon 15 days prior notice. The \$450.0 million trade accounts receivable sale agreement will be automatically extended each year until August 31, 2017, unless any party gives no less than 30 days prior notice that the agreement should not be extended. The \$150.0 million trade accounts receivable sale agreement is an uncommitted facility that is subject to expiration on August 31, 2015. The \$100.0 million trade accounts receivable sale agreement is an uncommitted facility that is scheduled to expire on November 1, 2015, although any party may elect to terminate the agreement upon 15 days prior notice. The \$100.0 million trade accounts receivable sale agreement will be automatically extended each year until November 1, 2018, unless any party gives no less than 30 days prior notice that the agreement should not be extended.

During the three months and six months ended February 28, 2015, the Company sold \$0.5 billion and \$1.0 billion of trade accounts receivable under these programs, respectively, compared to \$0.4 billion and \$1.0 billion during the three months and six months ended February 28, 2014, respectively. In exchange, the Company received cash proceeds of \$0.5 billion and \$1.0 billion

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during the three months and six months ended February 28, 2015, respectively, compared to \$0.4 billion and \$1.0 billion during the three months and six months ended February 28, 2014, respectively. The resulting losses on the sales of trade accounts receivable during the three months and six months ended February 28, 2015 and 2014 were not material, and were recorded to other expense within the Condensed Consolidated Statements of Operations.

9. Accumulated Other Comprehensive Income

The following table sets forth the changes in accumulated other comprehensive income (AOCI), net of tax, by component from August 31, 2014 to February 28, 2015 (in thousands):

	Foreign Currency Translation Adjustment	Derivative Instruments	Actuarial Loss	Prior Service Cost	Unrealized Gain (Loss) on Available for Sale Securities	Total
Balance at August 31, 2014	\$ 123,411	\$ 4,572	\$ (40,704)	\$ 1,196	\$ (1,513)	\$ 86,962
Other comprehensive income before reclassifications	(81,609)	(10,358)			355	(91,612)
Amounts reclassified from AOCI		4,072				4,072
Other comprehensive (loss) income	(81,609)	(6,286)			355	(87,540)
Balance at February 28, 2015	\$ 41,802	\$ (1,714)	\$ (40,704)	\$ 1,196	\$ (1,158)	\$ (578)

The portions of AOCI reclassified into earnings during the three months and six months ended February 28, 2015 and 2014 were not material, and were classified as components of net revenue, cost of revenue, selling, general and administrative expense, income from discontinued operation, net of tax, and interest expense.

10. Postretirement and Other Employee Benefits

The Company sponsors defined benefit pension plans in several countries in which it operates. The pension obligations relate primarily to the following: (a) a funded retirement plan in the United Kingdom and (b) both funded and unfunded retirement plans mainly in Austria, France, Germany, The Netherlands, Poland, and Taiwan and which provide benefits based upon years of service and compensation at retirement.

The following table provides information about net periodic benefit cost for the pension plans during the three months and six months ended February 28, 2015 and 2014 (in thousands):

	Three months ended		Six months ended	
	February 28, 2015	February 28, 2014	February 28, 2015	February 28, 2014
Service cost	\$ 265	\$ 312	\$ 547	\$ 621
Interest cost	1,415	1,703	2,883	3,368
Expected long-term return on plan assets	(1,470)	(1,539)	(2,991)	(3,038)

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Recognized actuarial loss	497	659	1,012	1,309
Amortization of prior service cost	(38)	(62)	(79)	(123)
Net periodic benefit cost	\$ 669	\$ 1,073	\$ 1,372	\$ 2,137

During the six months ended February 28, 2015, the Company made contributions of approximately \$1.7 million to its defined benefit pension plans. The Company expects to make total cash contributions of between \$3.4 million and \$4.2 million to its funded pension plans during the fiscal year ended August 31, 2015.

11. Commitments and Contingencies

The Company is party to certain lawsuits in the ordinary course of business. The Company does not believe that these proceedings, individually or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or cash flows.

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As of September 1, 2014, the Company's operating segments consist of the EMS and DMS segments. As a result of the change in reportable segments, the goodwill assigned to the reporting units did not change, and an interim goodwill impairment test was not required. The following table presents the changes in goodwill allocated to the Company's reportable segments, EMS and DMS, during the six months ended February 28, 2015 (in thousands):

Reportable Segment	August 31, 2014				February 28, 2015		
	Gross Balance	Accumulated Impairment Balance	Acquisitions & Adjustments	Foreign Currency Impact	Gross Balance	Accumulated Impairment Balance	Net Balance
EMS	\$ 474,305	\$ (464,053)	\$ 3,558	\$ (953)	\$ 476,910	\$ (464,053)	\$ 12,857
DMS	929,161	(555,769)		(2,757)	926,404	(555,769)	370,635
Total	\$ 1,403,466	\$ (1,019,822)	\$ 3,558	\$ (3,710)	\$ 1,403,314	\$ (1,019,822)	\$ 383,492

13. Derivative Financial Instruments and Hedging Activities

The Company is directly and indirectly affected by changes in certain market conditions. These changes in market conditions may adversely impact the Company's financial performance and are referred to as market risks. The Company, where deemed appropriate, uses derivatives as risk management tools to mitigate the potential impact of certain market risks. The primary market risks managed by the Company through the use of derivative instruments are foreign currency fluctuation risk and interest rate risk.

All derivative instruments are recorded gross on the Condensed Consolidated Balance Sheets at their respective fair values. The accounting for changes in the fair value of a derivative instrument depends on the intended use and designation of the derivative instrument. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative and the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in current earnings. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is initially reported as a component of AOCI, net of tax, and is subsequently reclassified into the line item within the Condensed Consolidated Statements of Operations in which the hedged items are recorded in the same period in which the hedged item affects earnings. The ineffective portion of the gain or loss is recognized immediately in current earnings. For derivative instruments that are not designated as hedging instruments, gains and losses from changes in fair values are recognized in earnings. Cash receipts and cash payments related to derivative instruments are recorded in the same category as the cash flows from the items being hedged on the Condensed Consolidated Statements of Cash Flows.

For derivatives accounted for as hedging instruments, the Company formally designates and documents, at inception, the financial instruments as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. In addition, the Company formally performs an assessment, both at inception and at least quarterly thereafter, to determine whether the financial instruments used in hedging transactions are effective at offsetting changes in the cash flows on the related underlying exposures.

a. Foreign Currency Risk Management

Forward contracts are put in place to manage the foreign currency risk associated with anticipated foreign currency denominated revenues and expenses. A hedging relationship existed with an aggregate notional amount outstanding of \$567.6 million and \$626.9 million at February 28, 2015 and August 31, 2014, respectively. The related forward foreign exchange contracts have been designated as hedging instruments and are accounted for as cash flow hedges. The forward foreign exchange contract transactions will effectively lock in the value of anticipated foreign currency denominated revenues and expenses against foreign currency fluctuations. The anticipated foreign currency denominated revenues and expenses being hedged are expected to occur between March 1, 2015 and November 30, 2015.

In addition to derivatives that are designated and qualify for hedge accounting, the Company also enters into forward contracts to economically hedge transactional exposure associated with commitments arising from trade accounts receivable, trade accounts payable, fixed purchase obligations and intercompany transactions denominated in a currency other than the functional currency of the respective operating entity. The aggregate notional amount of these outstanding contracts at February 28, 2015 and August 31, 2014 was \$1.3 billion and \$1.2 billion, respectively.

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The following table presents the Company's assets and liabilities related to forward foreign exchange contracts measured at fair value on a recurring basis as of February 28, 2015, aggregated by the level in the fair-value hierarchy in which those measurements are classified (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Forward foreign exchange contracts	\$	7,873		\$ 7,873
Liabilities:				
Forward foreign exchange contracts		(15,687)		(15,687)
Total	\$	(7,814)		\$ (7,814)

The Company's forward foreign exchange contracts are measured on a recurring basis at fair value, based on foreign currency spot rates and forward rates quoted by banks or foreign currency dealers.

The following table presents the fair values of the Company's derivative instruments located on the Condensed Consolidated Balance Sheets utilized for foreign currency risk management purposes at February 28, 2015 and August 31, 2014 (in thousands):

		Fair Values of Derivative Instruments			
		Asset Derivatives		Liability Derivatives	
		Balance Sheet Location	Fair Value at	Balance Sheet Location	Fair Value at
		February 28, 2015	August 31, 2014	February 28, 2015	August 31, 2014
Derivatives designated as hedging instruments:					
Forward foreign exchange contracts	Prepaid expenses and other current assets	\$ 1,929	\$ 6,089	Accrued expenses	\$ 5,410 \$ 1,460
Derivatives not designated as hedging instruments:					
Forward foreign exchange contracts	Prepaid expenses and other current assets	\$ 5,944	\$ 7,995	Accrued expenses	\$ 10,277 \$ 2,186

As of February 28, 2015 and August 31, 2014, the Company also included gains and losses in AOCI related to changes in fair value of its derivatives utilized for foreign currency risk management purposes and designated as hedging instruments. These gains and losses were not material and the portion that is expected to be reclassified into earnings during the next 12 months will be classified as components of net revenue, cost of revenue and selling, general and administrative expense. The gains and losses recognized in earnings due to hedge ineffectiveness and the amount excluded from effectiveness testing were not material for all periods presented and are included as components of net revenue, cost of revenue, selling, general and administrative expense and income from discontinued operations, net of tax.

The Company recognized gains and losses in earnings related to changes in fair value of derivatives utilized for foreign currency risk management purposes and not designated as hedging instruments during the three months and six months ended February 28, 2015 and 2014. These amounts were not material and were recognized as components of cost of revenue.

b. Interest Rate Risk Management

The Company periodically enters into interest rate swaps to manage interest rate risk associated with the Company's borrowings.

Fair Value Hedges

During the second quarter of fiscal year 2011, the Company entered into a series of interest rate swaps with an aggregate notional amount of \$200.0 million designated as fair value hedges of a portion of the Company's 7.750% Senior Notes. Under these interest rate swaps, the Company received fixed rate interest payments and paid interest at a variable rate based on LIBOR plus a spread. The effect of these swaps was to convert fixed rate interest expense on a portion of the 7.750% Senior Notes to floating rate interest expense. Gains and losses related to changes in the fair value of the interest rate swaps were recorded to interest expense and offset changes in the fair value of the hedged portion of the underlying 7.750% Senior Notes.

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During the fourth quarter of fiscal year 2011, the Company terminated the interest rate swaps entered into in connection with the 7.750% Senior Notes with a fair value of \$12.2 million, including accrued interest of \$0.6 million at August 31, 2011. The portion of the fair value that is not accrued interest is recorded as a hedge accounting adjustment to the carrying amount of the 7.750% Senior Notes and is being amortized as a reduction to interest expense over the remaining term of the 7.750% Senior Notes. The Company recorded \$1.2 million in amortization as a reduction to interest expense during the six months ended February 28, 2015. At February 28, 2015 and August 31, 2014, the unamortized hedge accounting adjustment recorded is \$3.3 million and \$4.5 million, respectively, in the Condensed Consolidated Balance Sheets.

Cash Flow Hedges

During the fourth quarter of fiscal year 2007, the Company entered into forward interest rate swap transactions to hedge the fixed interest rate payments for an anticipated debt issuance, which was the issuance of the 8.250% Senior Notes. The swaps were accounted for as a cash flow hedge and had a notional amount of \$400.0 million. Concurrently with the pricing of the 8.250% Senior Notes, the Company settled the swaps by its payment of \$43.1 million. The ineffective portion of the swaps was immediately recorded to interest expense within the Condensed Consolidated Statements of Operations. The effective portion of the swaps is recorded on the Company's Condensed Consolidated Balance Sheets as a component of AOCI and is being amortized to interest expense within the Company's Condensed Consolidated Statements of Operations over the life of the 8.250% Senior Notes, which is through March 15, 2018. The effective portions of the swaps amortized to interest expense during the three months and six months ended February 28, 2015 and 2014 were not material. Existing losses related to interest rate risk management hedging arrangements that are expected to be reclassified into earnings during the next 12 months are not material.

Table of Contents**14. Restructuring and Related Charges*****a. 2014 Restructuring Plan***

In conjunction with the restructuring plan that was approved by the Company's Board of Directors during the first quarter of fiscal year 2014 (the 2014 Restructuring Plan), the Company charged \$27.9 million and \$42.5 million of restructuring and related charges to the Condensed Consolidated Statement of Operations during the three months and six months ended February 28, 2014, respectively. The 2014 Restructuring Plan was intended to address the termination of the Company's business relationship with BlackBerry Limited. The restructuring and related charges during the three months and six months ended February 28, 2014 include cash costs of \$4.0 million and \$16.4 million related to employee severance and benefit costs, respectively, \$1.4 million and \$1.7 million related to lease costs, respectively, and \$0.2 million and \$1.5 million of other related costs, respectively, as well as non-cash costs of \$22.3 million and \$22.9 million related to asset write-off costs, respectively. These restructuring and related charges associated with the 2014 Restructuring Plan were assigned fully to the EMS reportable segment. The Company completed the restructuring activities under this plan during the fourth quarter of fiscal year 2014 and does not expect to incur any additional costs under the 2014 Restructuring Plan. See Note 6 Concentration of Risk and Segment Data for further details on the change in reportable segments.

The table below sets forth the significant components and activity in the 2014 Restructuring Plan during the three months and six months ended February 28, 2014 (in thousands):

2014 Restructuring Plan Three Months Ended February 28, 2014

	Liability Balance at November 30, 2013	Restructuring Related Charges	Asset Write-off Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2014
Employee severance and benefit costs	\$ 4,773	\$ 3,994	\$	\$ (5,350)	\$ 3,417
Lease costs		1,381			1,381
Asset write-off costs		22,321	(22,321)		
Other related costs	1,324	169	(27)	(130)	1,336
Total	\$ 6,097	\$ 27,865	\$ (22,348)	\$ (5,480)	\$ 6,134

2014 Restructuring Plan Six Months Ended February 28, 2014

	Liability Balance at August 31, 2013	Restructuring Related Charges	Asset Write-off Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2014
	\$	\$ 16,373	\$ 63	\$ (13,019)	\$ 3,417

Employee severance and benefit costs					
Lease costs		1,738		(357)	1,381
Asset write-off costs		22,884	(22,884)		
Other related costs		1,493	(27)	(130)	1,336
Total	\$	\$ 42,488	\$ (22,848)	\$ (13,506)	\$ 6,134

b. 2013 Restructuring Plan

In conjunction with the restructuring plan that was approved by the Company's Board of Directors in fiscal year 2013 (the 2013 Restructuring Plan), the Company charged \$20.6 million and \$34.1 million of restructuring and related charges to the Condensed Consolidated Statement of Operations during the three months and six months ended February 28, 2015, respectively, compared to \$4.3 million and \$10.7 million during the three months and six months ended February 28, 2014, respectively. The 2013 Restructuring Plan is intended to better align the Company's manufacturing capacity in certain geographies and to reduce the Company's worldwide workforce in order to reduce operating expenses. These restructuring activities are intended to address current market conditions and customer requirements. The restructuring and related charges during the three months and six months ended February 28, 2015 include cash costs of \$18.6 million and \$25.2 million related to employee severance and benefit costs, respectively, \$0.8 million and \$2.8 million related to lease costs, respectively, and \$0.6 million and \$1.1 million of other related costs, respectively, as well as non-cash costs of \$0.6 million and \$5.0 million related to asset write-off costs, respectively. The restructuring and related charges during the three months and six months ended February 28, 2014 include cash costs of \$1.4 million and \$7.7 million related to employee severance and benefit costs, respectively, \$0.4 million related to lease costs and \$0.5 million and \$0.6 million of other related costs, respectively, as well as non-cash costs of \$2.0 million related to asset write-off costs.

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The Company currently expects to recognize approximately \$179.0 million, excluding the restructuring and related charges previously incurred for the AMS discontinued operations, in pre-tax restructuring and other related costs primarily over the course of the Company's fiscal years 2013, 2014 and 2015 under the 2013 Restructuring Plan. Since the inception of the 2013 Restructuring Plan, a total of \$150.0 million of restructuring and related costs have been recognized. Of the \$150.0 million recognized to date, \$113.3 million was allocated to the EMS segment, \$28.1 million was allocated to the DMS segment and \$8.6 million was not allocated to a segment. A majority of the total restructuring costs are expected to be related to employee severance and benefit arrangements. The charges related to the 2013 Restructuring Plan, excluding asset write-off costs, are currently expected to result in cash expenditures in a range of \$131.0 million to \$151.0 million that are payable primarily over the course of the Company's fiscal years 2013, 2014 and 2015. The exact amount and timing of these charges and cash outflows, as well as the estimated cost ranges by category type, have not been finalized. Much of the 2013 Restructuring Plan as discussed reflects the Company's intention only and restructuring decisions, and the timing of such decisions, at certain plants are still subject to the finalization of timetables for the transition of functions and consultation with the Company's employees and their representatives.

The tables below set forth the significant components and activity in the 2013 Restructuring Plan during the three months and six months ended February 28, 2015 and 2014 (in thousands):

2013 Restructuring Plan Three Months Ended February 28, 2015

	Liability Balance at November 30, 2014	Restructuring Related Charges	Asset Write-off Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2015
Employee severance and benefit costs	\$ 33,230	\$ 18,597	\$ (2,121)	\$ (13,550)	\$ 36,156
Lease costs	1,979	816	(26)	(366)	2,403
Asset write-off costs		581	(581)		
Other related costs	444	646	(45)	(139)	906
Total	\$ 35,653	\$ 20,640	\$ (2,773)	\$ (14,055)	\$ 39,465

2013 Restructuring Plan Six Months Ended February 28, 2015

	Liability Balance at August 31, 2014	Restructuring Related Charges	Asset Write-off Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2015
Employee severance and benefit costs	\$ 45,246	\$ 25,202	\$ (3,911)	\$ (30,381)	\$ 36,156
Lease costs	18	2,777	(26)	(366)	2,403
Asset write-off costs		4,987	(4,987)		

Other related costs	257	1,143	(63)	(431)	906
Total	\$ 45,521	\$ 34,109	\$ (8,987)	\$ (31,178)	\$ 39,465

2013 Restructuring Plan Three Months Ended February 28, 2014

	Liability Balance at November 30, 2013	Restructuring Related Charges	Asset Write-off Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2014
Employee severance and benefit costs	\$ 57,740	\$ 1,391	\$ 542	\$ (6,076)	\$ 53,597
Lease costs		387		(25)	362
Asset write-off costs		2,013	(2,013)		
Other related costs	55	547		(536)	66
Total	\$ 57,795	\$ 4,338	\$ (1,471)	\$ (6,637)	\$ 54,025

2013 Restructuring Plan Six Months Ended February 28, 2014

	Liability Balance at August 31, 2013	Restructuring Related Charges	Asset Write-off Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2014
Employee severance and benefit costs	\$ 55,188	\$ 7,685	\$ 1,930	\$ (11,206)	\$ 53,597
Lease costs	251	387		(276)	362
Asset write-off costs		2,013	(2,013)		
Other related costs		633		(567)	66
Total	\$ 55,439	\$ 10,718	\$ (83)	\$ (12,049)	\$ 54,025

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The tables below set forth the significant components and activity in the 2013 Restructuring Plan by reportable segment during the three months and six months ended February 28, 2015 and 2014 (in thousands):

2013 Restructuring Plan Three Months Ended February 28, 2015

	Liability Balance at November 30, 2014	Restructuring Related Charges	Asset Write-off Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2015
EMS	\$ 29,568	\$ 20,102	\$ (2,682)	\$ (11,630)	\$ 35,358
DMS	5,066	475	(91)	(1,749)	3,701
Other	1,019	63		(676)	406
Total	\$ 35,653	\$ 20,640	\$ (2,773)	\$ (14,055)	\$ 39,465

2013 Restructuring Plan Six Months Ended February 28, 2015

	Liability Balance at August 31, 2014	Restructuring Related Charges	Asset Write-off Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2015
EMS	\$ 35,504	\$ 31,850	\$ (8,841)	\$ (23,155)	\$ 35,358
DMS	8,268	424	(146)	(4,845)	3,701
Other	1,749	1,835		(3,178)	406
Total	\$ 45,521	\$ 34,109	\$ (8,987)	\$ (31,178)	\$ 39,465

2013 Restructuring Plan Three Months Ended February 28, 2014

	Liability Balance at November 30, 2013	Restructuring Related Charges	Asset Write-off Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2014
EMS	\$ 46,885	\$ (4,103)	\$ 322	\$ (2,506)	\$ 40,598
DMS	10,728	8,050	(1,793)	(3,736)	13,249
Other	182	391		(395)	178
Total	\$ 57,795	\$ 4,338	\$ (1,471)	\$ (6,637)	\$ 54,025

2013 Restructuring Plan Six Months Ended February 28, 2014

	Liability Balance at August 31, 2013	Restructuring Related Charges	Asset Write-off Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at February 28, 2014
EMS	\$ 45,999	\$ (1,416)	\$ 1,635	\$ (5,620)	\$ 40,598
DMS	9,407	10,430	(1,718)	(4,870)	13,249
Other	33	1,704		(1,559)	178
Total	\$ 55,439	\$ 10,718	\$ (83)	\$ (12,049)	\$ 54,025

15. Business Acquisitions

During the three months ended February 28, 2015, the Company completed an acquisition which was deemed to be immaterial. The purchase price of this acquisition totaled approximately \$12.0 million in cash and has been accounted for as a business combination using the acquisition method of accounting. Pro forma information has not been provided as the acquisition is not deemed to be significant.

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16. New Accounting Guidance

Recently Issued Accounting Guidance

During the third quarter of fiscal year 2014, the FASB issued an accounting standard which will supersede existing revenue recognition guidance under current U.S. GAAP. The new standard is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The accounting standard is effective for the Company in the first quarter of fiscal year 2018. Companies may use either a full retrospective or a modified retrospective approach to adopt this standard and management is currently evaluating which transition approach to use. The Company is currently in the process of assessing what impact this new standard may have on its Condensed Consolidated Financial Statements.

17. Income Taxes

The effective tax rate differed from the U.S. federal statutory rate of 35% during the three months and six months ended February 28, 2015 and 2014 primarily due to: (a) a partial valuation allowance release related to the U.S. deferred tax assets in the first quarter of fiscal year 2014; (b) income in tax jurisdictions with lower statutory tax rates than the U.S.; (c) tax incentives granted to sites in Brazil, Malaysia, Poland, Singapore and Vietnam; (d) losses in tax jurisdictions with existing valuation allowances; and (e) a tax benefit from revaluing deferred tax assets related to the enactment of the Mexico 2014 tax reform in the second quarter of fiscal year 2014. The material tax incentives expire at various dates through 2020. Such tax incentives are subject to conditions with which the Company expects to continue to comply.

18. Subsequent Events

The Company has evaluated subsequent events that occurred through the date of the filing of the Company's second quarter of fiscal year 2015 Form 10-Q. No significant events occurred subsequent to the balance sheet date and prior to the filing date of this report that would have a material impact on the Condensed Consolidated Financial Statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

References in this report to the Company, Jabil, we, our, or us mean Jabil Circuit, Inc. together with its subsidiaries, except where the context otherwise requires. This Quarterly Report on Form 10-Q contains certain statements that are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act) which are made in reliance upon the protections provided by such acts for forward-looking statements. These forward-looking statements (such as when we describe what will, may, or should occur, what we plan, intend, estimate, believe, expect or anticipate will occur, and other similar statements) include, but are not limited to, statements regarding future sales and operating results, potential risks pertaining to these future sales and operating results, future prospects, anticipated benefits of proposed (or future) acquisitions, dispositions and new facilities, growth, the capabilities and capacities of business operations, any financial or other guidance and all statements that are not based on historical fact, but rather reflect our current expectations concerning future results and events. We make certain assumptions when making forward-looking statements, any of which could prove inaccurate, including, but not limited to, statements about our future operating results and business plans. Therefore, we can give no assurance that the results implied by these forward-looking statements will be realized. Furthermore, the inclusion of forward-looking information should not be regarded as a representation by the Company or any other person that future events, plans or expectations contemplated by the Company will be achieved. The ultimate correctness of these forward-looking statements is dependent upon a number of known and unknown risks and events, and is subject to various uncertainties and other factors that may cause our actual results, performance or achievements to be different from any future results, performance or achievements expressed or implied by these statements. The following important factors, among others, could affect future results and events, causing those results and events to differ materially from those expressed or implied in our forward-looking statements:

business conditions and growth or declines in our customers industries, the electronic manufacturing services industry and the general economy;

variability of our operating results;

our dependence on a limited number of major customers;

any potential future termination, or substantial winding down, of significant customer relationships;

availability of components;

our dependence on certain industries;

the susceptibility of our production levels to the variability of customer requirements, including seasonal influences on the demand for certain end products;

our substantial international operations, and the resulting risks related to our operating internationally, including weak global economic conditions, instability in global credit markets, governmental restrictions on the transfer of funds to us from our operations outside the U.S. and unfavorable fluctuations in currency exchange rates;

the potential consolidation of our customer base, and the potential movement by some of our customers of a portion of their manufacturing from us in order to more fully utilize their excess internal manufacturing capacity;

our ability to successfully negotiate definitive agreements and consummate acquisitions, and to integrate operations following the consummation of acquisitions;

our ability to successfully negotiate definitive agreements and consummate dispositions, and to disentangle operations following the consummation of dispositions;

our ability to take advantage of our past, current and possible future restructuring efforts to improve utilization and realize savings and whether any such activity will adversely affect our cost structure, our ability to service customers and our labor relations;

our ability to maintain our engineering, technological and manufacturing process expertise;

other economic, business and competitive factors affecting our customers, our industry and our business generally; and

other factors that we may not have currently identified or quantified.

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For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations sections contained in this document, as well as our Annual Report on Form 10-K for the fiscal year ended August 31, 2014, any subsequent reports on Form 10-Q and Form 8-K and other filings with the Securities and Exchange Commission (the SEC). Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements.

All forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this Quarterly Report on Form 10-Q, and we do not undertake any obligation to publicly update or correct any forward-looking statements to reflect events or circumstances that subsequently occur, or of which we hereafter become aware. You should read this document and the documents that we incorporate by reference into this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We may not update these forward-looking statements, even if our situation changes in the future. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

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

We are one of the leading providers of worldwide electronic manufacturing services and solutions. We provide comprehensive electronics design, production and product management services to companies in the aerospace, automotive, computing, defense, digital home, energy, healthcare, industrial, instrumentation, lifestyles, mobility, mold, networking, packaging, peripherals, storage, telecommunications and wearable technology industries. We serve our customers primarily with dedicated business units that combine highly automated, continuous flow manufacturing with advanced electronic design and design for manufacturability. We currently depend, and expect to continue to depend, upon a relatively small number of customers for a significant percentage of our revenue, net of estimated return costs (net revenue). Based on net revenue, for the six months ended February 28, 2015, our largest customers include Apple, Inc., Cisco Systems, Inc., Ericsson, General Electric Company, Hewlett-Packard Company, Ingenico S.A., NetApp, Inc., Sony Mobile Communications, Inc., Valeo S.A. and Zebra Technologies Corporation. For the six months ended February 28, 2015, we had net revenues of approximately \$8.9 billion and net income attributable to Jabil Circuit, Inc. of approximately \$124.1 million.

We offer our customers comprehensive electronics design, production and product management services that are responsive to their manufacturing and supply chain management needs. Our business units are capable of providing our customers with varying combinations of the following services:

integrated design and engineering;

component selection, sourcing and procurement;

automated assembly;

design and implementation of product testing;

parallel global production;

enclosure services;

systems assembly, direct order fulfillment and configure to order; and

injection molding, metal, plastics, precision machining and automation.

We currently conduct our operations in facilities that are located in Austria, Belgium, Brazil, China, France, Germany, Hungary, India, Ireland, Israel, Italy, Japan, Malaysia, Mexico, The Netherlands, Poland, Russia, Scotland, Singapore, South Korea, Taiwan, Ukraine, the U.S. and Vietnam. Our global manufacturing production sites allow customers to manufacture products simultaneously in the optimal locations for their products. Our services allow customers to reduce manufacturing costs, improve supply-chain management, reduce inventory obsolescence, lower transportation costs and reduce product fulfillment time. We have identified our global presence as a key to assessing our business opportunities.

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As of September 1, 2014, we are reporting our business in the following two segments: Electronics Manufacturing Services (EMS) and Diversified Manufacturing Services (DMS). Our EMS segment is focused around leveraging IT, supply chain design and engineering, technologies largely centered on core electronics, sharing of our large scale manufacturing infrastructure and the ability to serve a broad range of end markets. Our EMS segment includes customers primarily in the automotive, computing, digital home, energy, industrial, networking, printing, storage and telecommunications industries. Our DMS segment is focused on providing engineering solutions, heavy participation in consumer markets, access to higher growth markets and a focus on material sciences and technologies. Our DMS segment includes customers primarily in the consumer lifestyles, healthcare, mobility and packaging industries.

The industry in which we operate is composed of companies that provide a range of design and manufacturing services to companies that utilize electronics components. The industry experienced rapid change and growth through the 1990s as an increasing number of companies chose to outsource an increasing portion, and, in some cases, all of their manufacturing requirements. In mid-2001, the industry's revenue declined as a result of significant cut-backs in customer production requirements, which was consistent with the overall downturn in the technology sector at the time. In response to this downturn in the technology sector, we implemented restructuring programs to reduce our cost structure and further align our manufacturing capacity with the geographic production demands of our customers. Industry revenues generally began to stabilize in 2003 and companies began to turn more to outsourcing versus internal manufacturing. In addition, the number of industries serviced, as well as the market penetration in certain industries, by electronic manufacturing service providers has increased over the past several years. In mid-2008, the industry's revenue declined when a deteriorating macro-economic environment resulted in illiquidity in global credit markets and a significant economic downturn in the North American, European and Asian markets. In response to this downturn, and the termination of our business relationship with BlackBerry Limited, we implemented additional restructuring programs, including the restructuring plans that were approved by our Board of Directors in the first quarter of fiscal year 2014 (the 2014 Restructuring Plan) and in fiscal year 2013 (the 2013 Restructuring Plan), to reduce our cost structure and further align our manufacturing capacity with the geographic production demands of our customers.

We will continue to monitor the current economic environment and its potential impact on both the customers that we serve as well as our end-markets and closely manage our costs and capital resources so that we can respond appropriately as circumstances continue to change.

Summary of Results

The following table sets forth, for the three months and six months ended February 28, 2015 and 2014, certain key operating results and other financial information (in thousands, except per share data):

	Three months ended		Six months ended	
	February 28, 2015	February 28, 2014	February 28, 2015	February 28, 2014
Net revenue	\$ 4,309,323	\$ 3,577,315	\$ 8,859,741	\$ 7,920,026
Gross profit	\$ 367,819	\$ 213,150	\$ 750,806	\$ 547,401
Operating income	\$ 124,851	\$ 3,641	\$ 269,606	\$ 159,044
Net income (loss) attributable to Jabil Circuit, Inc.	\$ 51,952	\$ (38,667)	\$ 124,114	\$ 79,255
Net earnings (loss) per share - basic	\$ 0.27	\$ (0.19)	\$ 0.64	\$ 0.39
	\$ 0.27	\$ (0.19)	\$ 0.63	\$ 0.38

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Net earnings (loss) per share -
diluted

Cash dividend per share - declared	\$	0.08	\$	0.08	\$	0.16	\$	0.16
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Management regularly reviews financial and non-financial performance indicators to assess the Company's operating results.

The following table sets forth, for the quarterly periods indicated, certain of management's key financial performance indicators:

	Three Months Ended			
	February 28, 2015	November 30, 2014	August 31, 2014	May 31, 2014
Sales cycle	4 days	4 days	2 days	3 days
Inventory turns (annualized)	7 turns	8 turns	8 turns	8 turns
Days in accounts receivable	27 days	31 days	27 days	24 days
Days in inventory	48 days	45 days	48 days	47 days
Days in accounts payable	71 days	72 days	73 days	68 days

The sales cycle is calculated as the sum of days in accounts receivable and days in inventory, less the days in accounts payable; accordingly, the variance in the sales cycle quarter over quarter is a direct result of changes in these indicators. During the three months ended February 28, 2015, days in accounts receivable decreased 4 days to 27 days as compared to the prior sequential quarter primarily due to the timing of sales and collections activity. During the three months ended February 28, 2015, days in inventory increased 3 days to 48 days as compared to the prior sequential quarter largely to support expected EMS sales levels in the third quarter of fiscal year 2015. During the three months ended February 28, 2015, days in accounts payable decreased 1 day to 71 days from the prior sequential quarter primarily due to the timing of purchases and cash payments for purchases during the quarter. During the three months ended February 28, 2015, inventory turns, on an annualized basis, remained relatively consistent at 7 turns from the prior sequential quarter. The sales cycle was 4 days during the three months ended February 28, 2015. The changes in the sales cycle are due to the changes in accounts receivable, accounts payable and inventory that are discussed above.

Critical Accounting Policies and Estimates

The preparation of our Condensed Consolidated Financial Statements and related disclosures in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that our estimates and assumptions are reasonable under the circumstances; however, actual results may vary from these estimates and assumptions under different future circumstances. For further discussion of our significant accounting policies, refer to Note 1

Description of Business and Summary of Significant Accounting Policies to the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates in our Annual Report on Form 10-K for the fiscal year ended August 31, 2014.

Recent Accounting Pronouncements

See Note 16 New Accounting Guidance to the Condensed Consolidated Financial Statements for a discussion of recent accounting guidance.

Table of Contents**Results of Operations**

The following table sets forth, for the three months and six months ended February 28, 2015 and 2014, certain statements of operations data expressed as a percentage of net revenue:

	Three months ended		Six months ended	
	February 28,	February 28,	February 28,	February 28,
	2015	2014	2015	2014
Net revenue	100.0%	100.0%	100.0%	100.0%
Cost of revenue	91.5	94.0	91.5	93.0
Gross profit	8.5	6.0	8.5	7.0
Operating expenses:				
Selling, general and administrative	4.8	4.6	4.9	3.9
Research and development	0.2	0.2	0.1	0.2
Amortization of intangibles	0.1	0.2	0.1	0.2
Restructuring and related charges	0.5	0.9	0.4	0.7
Operating income	2.9	0.1	3.0	2.0
Other expense	0.0	0.0	0.0	0.0
Interest income	(0.0)	(0.0)	(0.0)	(0.0)
Interest expense	0.7	0.9	0.7	0.8
Income (loss) from continuing operations before tax	2.2	(0.8)	2.3	1.2
Income tax expense	0.9	0.1	0.8	0.3
Income (loss) from continuing operations, net of tax	1.3	(0.9)	1.5	0.9
Discontinued operations:				
(Loss) income from discontinued operations, net of tax	(0.1)	0.1	(0.1)	0.2
Loss on sale of discontinued operations, net of tax	(0.0)	(0.3)	(0.0)	(0.1)
Discontinued operations, net of tax	(0.1)	(0.2)	(0.1)	0.1
Net income (loss)	1.2	(1.1)	1.4	1.0
Net income attributable to noncontrolling interests, net of tax	0.0	0.0	0.0	0.0
Net income (loss) attributable to Jabil Circuit, Inc.	1.2%	(1.1)%	1.4%	1.0%

The Three Months And Six Months Ended February 28, 2015 Compared to the Three Months And Six Months Ended February 28, 2014

Net Revenue. Net revenue increased 20.5% to \$4.3 billion during the three months ended February 28, 2015, compared to \$3.6 billion during the three months ended February 28, 2014. Specifically, the DMS segment revenues increased 52.3% primarily as a result of increased revenues from customers within our mobility business due to strengthened end user product demand. EMS segment revenues increased 6.2%, which was primarily attributable to increased revenues from customers within our telecommunications and networking businesses, partially offset by reductions in the sale of mobility handsets as a result of our disengagement from BlackBerry Limited.

Net revenue increased 11.9% to \$8.9 billion during the six months ended February 28, 2015, compared to \$7.9 billion during the six months ended February 28, 2014. Specifically, the DMS segment revenues increased 34.2% primarily as a result of increased revenues from customers within our mobility business due to strengthened end user product demand. EMS segment revenues remained relatively consistent, which was primarily attributable to reductions in the sale of mobility handsets as a result of our disengagement from BlackBerry Limited, offset by increased revenues from customers within our telecommunications and networking businesses.

Generally, we assess revenue on a global customer basis regardless of whether the growth is associated with organic growth or as a result of an acquisition. Accordingly, we do not differentiate or report separately revenue increases generated by acquisitions as opposed to existing business. In addition, the added cost structures associated with our acquisitions have historically been relatively insignificant when compared to our overall cost structure.

The distribution of revenue across our segments has fluctuated, and will continue to fluctuate, as a result of numerous factors, including but not limited to the following: fluctuations in customer demand as a result of recessionary conditions; efforts to de-

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emphasize the economic performance of certain portions of our business; seasonality in our business; business growth from new and existing customers; specific product performance; and any potential termination, or substantial winding down, of significant customer relationships. As discussed in the Overview section, as of September 1, 2014, we are reporting our business in the following two segments – EMS and DMS. In conjunction with this reorganization, there have been certain reclassifications made within the reported segments.

On April 1, 2014, we completed the sale of our Aftermarket Services (AMS) business except for the Malaysian operations, for which the sale was completed on December 31, 2014. The AMS business was included in the DMS segment, and the results of operations of this business are classified as discontinued operations for all periods presented. See Note 2 – Discontinued Operations to the Condensed Consolidated Financial Statements for further details.

The following table sets forth, for the periods indicated, revenue by segment expressed as a percentage of net revenue:

	Three months ended		Six months ended	
	February 28, 2015	February 28, 2014	February 28, 2015	February 28, 2014
EMS	61%	69%	59%	66%
DMS	39%	31%	41%	34%
Total	100%	100%	100%	100%

Foreign source revenue represented 86.7% and 87.5% of our net revenue for the three months and six months ended February 28, 2015, respectively, compared to 83.3% and 84.6% of net revenue for the three months and six months ended February 28, 2014. We currently expect our foreign source revenue to remain relatively consistent as compared to current levels over the course of the next 12 months.

Gross Profit. Gross profit increased to \$367.8 million (8.5% of net revenue) and \$750.8 million (8.5% of net revenue) during the three months and six months ended February 28, 2015, respectively, compared to \$213.2 million (6.0% of net revenue) and \$547.4 million (7.0% of net revenue) during the three months and six months ended February 28, 2014, respectively. The increase in gross profit on an absolute basis and as a percentage of net revenue is primarily due to increased revenue from certain of our existing customers within the DMS segment, as well as an increased focus on controlling costs and improving productivity.

Selling, General and Administrative. Selling, general and administrative expenses increased to \$210.3 million (4.8% of net revenue) and \$424.7 million (4.9% of net revenue) during the three months and six months ended February 28, 2015, respectively, compared to \$164.5 million (4.6% of net revenue) and \$307.0 million (3.9% of net revenue) during the three months and six months ended February 28, 2014, respectively. The increase on an absolute basis and as a percentage of net revenue during the three months ended February 28, 2015 as compared to the three months ended February 28, 2014 was the result of an increase in salary and salary related expenses, as well as other costs, to support the continued growth of our business. The increase on an absolute basis and as a percentage of net revenue during the six months ended February 28, 2015 as compared to the six months ended February 28, 2014 was the result of increases in salary and salary related expenses and other costs to support the continued growth of our business, as well as a \$38.4 million reversal to stock-based compensation expense during the first quarter of fiscal year 2014 due to decreased expectations for the vesting of certain restricted stock awards.

Research and Development. Research and development expenses decreased to \$6.5 million (0.2% of net revenue) and \$12.5 million (0.1% of net revenue) during the three months and six months ended February 28, 2015, respectively, compared to \$6.6 million (0.2% of net revenue) and \$15.7 million (0.2% of net revenue) during the three months and six months ended February 28, 2014, respectively. Research and development expenses remained relatively consistent during the three months ended February 28, 2015 compared to the three months ended February 28, 2014. The decrease during the six months ended February 28, 2015 compared to the six months ended February 28, 2014 was primarily the result of the timing of research and development spending for projects in targeted growth sectors.

Amortization of Intangibles. Amortization of intangibles remained relatively consistent over the prior periods at \$5.8 million and \$11.4 million during the three months and six months ended February 28, 2015, respectively, compared to \$6.2 million and \$12.5 million during the three months and six months ended February 28, 2014, respectively.

Restructuring and Related Charges.

a. 2014 Restructuring Plan

We recorded \$27.9 million and \$42.5 million of restructuring and related charges during the three months and six months ended February 28, 2014, respectively. We have completed our restructuring activities under this plan and do not expect to incur any additional costs under the 2014 Restructuring Plan.

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In conjunction with the 2013 Restructuring Plan, we charged \$20.6 million and \$34.1 million of restructuring and related charges to the Condensed Consolidated Statements of Operations during the three months and six months ended February 28, 2015, respectively, compared to \$4.3 million and \$10.7 million during the three months and six months ended February 28, 2014, respectively. The 2013 Restructuring Plan is intended to better align our manufacturing capacity in certain geographies and to reduce our worldwide workforce in order to reduce operating expenses. These restructuring activities are intended to address current market conditions and customer requirements. The restructuring and related charges during the three months and six months ended February 28, 2015 include cash costs of \$18.6 million and \$25.2 million related to employee severance and benefit costs, respectively, \$0.8 million and \$2.8 million related to lease costs, respectively, and \$0.6 million and \$1.1 million of other related costs, respectively, as well as non-cash costs of \$0.6 million and \$5.0 million related to asset write-off costs, respectively. The restructuring and related charges during the three months and six months ended February 28, 2014 include cash costs of \$1.4 million and \$7.7 million related to employee severance and benefit costs, respectively, \$0.4 million related to lease costs and \$0.5 million and \$0.6 million of other related costs, respectively, as well as non-cash costs of \$2.0 million related to asset write-off costs.

During the three months and six months ended February 28, 2015, \$14.1 million and \$31.2 million, respectively, was paid related to the 2013 Restructuring Plan. At February 28, 2015, accrued liabilities of approximately \$38.6 million related to the 2013 Restructuring Plan are expected to be paid over the next twelve months.

We currently expect to recognize approximately \$179.0 million, excluding the restructuring and related charges previously incurred for the AMS discontinued operations, in pre-tax restructuring and other related costs over the course of fiscal years 2013, 2014 and 2015 under the 2013 Restructuring Plan. While we expect the total amount of pre-tax restructuring and other related costs will be \$179.0 million, we can only provide estimate ranges for certain of the major types of costs associated with the action: \$123.0 million to \$143.0 million of employee severance and benefit costs; \$28.0 million to \$48.0 million of asset write-off costs; \$3.0 million of contract termination costs and \$5.0 million of other related costs. Since the inception of the 2013 Restructuring Plan, a total of \$150.0 million of restructuring and related costs have been recognized. A majority of the total restructuring costs are expected to be related to employee severance and benefit arrangements. The charges related to the 2013 Restructuring Plan, excluding asset write-off costs, are currently expected to result in cash expenditures in a range of \$131.0 million to \$151.0 million that will be payable primarily over the course of our fiscal years 2013, 2014 and 2015. The exact amount and timing of these charges and cash outflows, as well as the estimated cost ranges by category type, have not been finalized. Much of the 2013 Restructuring Plan as discussed reflects our intention only and restructuring decisions, and the timing of such decisions, at certain plants are still subject to the finalization of timetables for the transition of functions and consultation with our employees and their representatives.

Upon its completion, the 2013 Restructuring Plan is expected to yield annualized cost savings of approximately \$78.1 million. The expected avoided annual costs consist of a reduction in employee related expenses of \$73.8 million, a reduction in depreciation expense associated with asset disposals of \$3.1 million, and a reduction in rent expense associated with leased buildings that have been vacated of approximately \$1.2 million. The majority of these annual cost savings are expected to be reflected as a reduction in cost of revenue as well as a reduction of selling, general and administrative expense. These annual costs savings are expected to be partially offset by decreased revenues and incremental costs expected to be incurred by those plants to which certain production will be shifted. After considering these partial cost savings offsets, we expect to realize annual cost savings of approximately \$65.0 million.

Other Expense. Other expense remained relatively consistent for the three months and six months ended February 28, 2015 at \$1.7 million and \$3.4 million, respectively, compared to \$1.9 million and \$3.0 million for the three months

and six months ended February 28, 2014, respectively.

Interest Income. We recorded interest income of \$1.9 million and \$3.6 million during the three months and six months ended February 28, 2015, respectively, compared to \$0.3 million and \$1.0 million during the three months and six months ended February 28, 2014, respectively. The increase was primarily due to dividends (which are treated as interest income) on the Senior Non-Convertible Cumulative Preferred Stock received in connection with the sale of the AMS business on April 1, 2014.

Interest Expense. Interest expense remained relatively consistent over the prior periods at \$32.0 million and \$63.9 million during the three months and six months ended February 28, 2015, respectively, compared to \$31.9 million and \$65.2 million during the three months and six months ended February 28, 2014, respectively.

Income Tax Expense. Income tax expense reflects an effective tax rate of 37.9% and 36.4% for the three months and six months ended February 28, 2015, respectively, compared to an effective tax rate of (8.5)% and 24.2% for the three months and six months ended February 28, 2014, respectively.

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The effective tax rate for the three months ended February 28, 2015 increased from the effective tax rate for the three months ended February 28, 2014 primarily due to the loss from continuing operations before tax during the three months ended February 28, 2014, and a tax benefit from revaluing deferred tax assets related to the enactment of the Mexico 2014 tax reform during fiscal year 2014.

The effective tax rate for the six months ended February 28, 2015 increased from the effective tax rate for the six months ended February 28, 2014 primarily due to the tax benefit from revaluing deferred tax assets related to the enactment of the Mexico 2014 tax reform during fiscal year 2014, the reversal of stock-based compensation expense with minimal related tax expense during fiscal year 2014, and a partial valuation allowance release related to the U.S. deferred tax assets during fiscal year 2014.

The effective tax rate differed from the U.S. federal statutory rate of 35% during the three months and six months ended February 28, 2015 and 2014 due to: (a) a partial valuation allowance release related to the U.S. deferred tax assets in the first quarter of fiscal year 2014; (b) income in tax jurisdictions with lower statutory tax rates than the U.S.; (c) tax incentives granted to sites in Brazil, Malaysia, Poland, Singapore and Vietnam; (d) losses in tax jurisdictions with existing valuation allowances; and (e) a tax benefit from revaluing deferred tax assets related to the enactment of the Mexico 2014 tax reform in the second quarter of fiscal year 2014. The material tax incentives expire at various dates through 2020. Such tax incentives are subject to conditions with which we expect to continue to comply.

Non-U.S. GAAP Core Financial Measures

The following discussion and analysis of our financial condition and results of operations include certain non-U.S. GAAP financial measures as identified in the reconciliation below. The non-U.S. GAAP financial measures disclosed herein do not have standard meaning and may vary from the non-U.S. GAAP financial measures used by other companies or how we may calculate those measures in other instances from time to time. Non-U.S. GAAP financial measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with U.S. GAAP. Also, our core financial measures should not be construed as an inference by us that our future results will be unaffected by those items which are excluded from our core financial measures.

Management believes that the non-U.S. GAAP core financial measures set forth below are useful to facilitate evaluating the past and future performance of our ongoing manufacturing operations over multiple periods on a comparable basis by excluding the effects of the amortization of intangibles, stock-based compensation expense and related charges, restructuring and related charges, distressed customer charges, acquisition costs and certain purchase accounting adjustments, loss on disposal of subsidiaries, settlement of receivables and related charges, impairment of notes receivable and related charges, goodwill impairment charges, income (loss) from discontinued operations, gain (loss) on sale of discontinued operations and certain other expenses, net of tax and certain deferred tax valuation allowance charges. Among other uses, management uses non-U.S. GAAP core financial measures as a factor in determining certain employee performance when determining incentive compensation.

We are reporting core operating income and core earnings to provide investors with an additional method for assessing operating income and earnings, by presenting what we believe are our core manufacturing operations. A significant portion (based on the respective values) of the items that are excluded for purposes of calculating core operating income and core earnings also impacted certain balance sheet assets, resulting in a portion of an asset being written off without a corresponding recovery of cash we may have previously spent with respect to the asset. In the case of restructuring and related charges, we may be making associated cash payments in the future. In addition, although, for purposes of calculating core operating income and core earnings, we exclude stock-based compensation expense (which we anticipate continuing to incur in the future) because it is a non-cash expense, the associated stock

issued may result in an increase in our outstanding shares of stock, which may result in the dilution of our stockholders' ownership interest. We encourage you to evaluate these items and the limitations for purposes of analysis in excluding them.

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Included in the table below is a reconciliation of the non-U.S. GAAP financial measures to the most directly comparable U.S. GAAP financial measures as provided in our Condensed Consolidated Financial Statements (in thousands):

	Three months ended		Six months ended	
	February 28, 2015	February 28, 2014	February 28, 2015	February 28, 2014
Operating income (U.S. GAAP)	\$ 124,851	\$ 3,641	\$ 269,606	\$ 159,044
Amortization of intangibles	5,783	6,180	11,373	12,501
Stock-based compensation expense and related charges	14,968	14,652	33,011	(7,934)
Restructuring and related charges	20,358	32,203	32,616	53,206
Distressed customer charges		3,742		3,742
Core operating income (Non-U.S. GAAP)	\$ 165,960	\$ 60,418	\$ 346,606	\$ 220,559
Net income (loss) attributable to Jabil Circuit, Inc. (U.S. GAAP)	\$ 51,952	\$ (38,667)	\$ 124,114	\$ 79,255
Amortization of intangibles, net of tax	5,781	8,250	11,365	9,423
Stock-based compensation expense and related charges, net of tax	14,827	14,192	32,527	(8,413)
Restructuring and related charges, net of tax	20,248	27,892	32,196	45,589
Distressed customer charges, net of tax		2,337		2,337
Acquisition costs and certain purchase accounting adjustments, net of tax ^(a)				(9,064)
Loss (income) from discontinued operations, net of tax	4,562	(2,704)	3,709	(18,816)
Loss on sale of discontinued operations, net of tax	947	8,955	2,557	8,955
Core earnings (Non-U.S. GAAP)	\$ 98,317	\$ 20,255	\$ 206,468	\$ 109,266
Net earnings (loss) per share (U.S. GAAP):				
Basic	\$ 0.27	\$ (0.19)	\$ 0.64	\$ 0.39
Diluted	\$ 0.27	\$ (0.19)	\$ 0.63	\$ 0.38
Core earnings per share (Non-U.S. GAAP):				
Basic	\$ 0.51	\$ 0.10	\$ 1.07	\$ 0.53
Diluted	\$ 0.50	\$ 0.10	\$ 1.06	\$ 0.53

Weighted average shares outstanding used in the calculations of earnings per share (U.S. GAAP):

Basic	193,561	205,251	193,531	205,005
Diluted	195,473	205,251	195,534	206,892

Weighted average shares outstanding used in the calculations of earnings per share (Non-U.S. GAAP):

Basic	193,561	205,251	193,531	205,005
Diluted	195,473	206,622	195,534	206,892

- (a) This tax benefit relates to the partial release of the U.S. valuation allowance due to the U.S. deferred tax liabilities from the Nypro acquisition, which represent future sources of taxable income to support the realization of the deferred tax assets.

Core operating income increased 174.7% to \$166.0 million and 57.1% to \$346.6 million during the three months and six months ended February 28, 2015, respectively, compared to \$60.4 million and \$220.6 million during the three months and six months ended February 28, 2014, respectively. Core earnings increased 385.4% to \$98.3 million and 89.0% to \$206.5 million during the three months and six months ended February 28, 2015, respectively, compared to \$20.3 million and \$109.3 million during the three months and six months ended February 28, 2014, respectively. These variances were the result of the same factors described above in Management's Discussion and Analysis of Financial Condition and Results of Operations – The Three Months And Six Months Ended February 28, 2015 Compared to the Three Months And Six Months Ended February 28, 2014.

Table of Contents**Acquisitions and Expansion**

As discussed in Note 15 **Business Acquisitions** to the Condensed Consolidated Financial Statements, we completed an acquisition during the three months ended February 28, 2015. Acquisitions are accounted for as business combinations using the acquisition method of accounting. Our Condensed Consolidated Financial Statements include the operating results of each business from the date of acquisition. See **Risk Factors** We have on occasion not achieved, and may not in the future achieve, expected profitability from our acquisitions; and some divestitures may adversely affect our financial condition, results of operations or cash flows.

Seasonality

Production levels for a portion of the DMS segment are subject to seasonal influences. We may realize greater net revenue during our first fiscal quarter due to higher demand for consumer related products manufactured in the DMS segment during the holiday selling season. Therefore, quarterly results should not be relied upon as necessarily being indicative of results for the entire fiscal year.

Liquidity and Capital Resources

At February 28, 2015, our principal sources of liquidity consisted of cash, available borrowings under our credit facilities, our asset-backed securitization programs, our trade accounts receivable factoring agreement and our uncommitted trade accounts receivable sale programs.

Cash Flows

The following table sets forth selected consolidated cash flow information during the six months ended February 28, 2015 and 2014 (in thousands):

	Six months ended	
	February 28, 2015	February 28, 2014
Net cash provided by operating activities	\$ 525,425	\$ 134,616
Net cash used in investing activities	(460,918)	(273,404)
Net cash used in financing activities	(75,449)	(198,907)
Effect of exchange rate changes on cash and cash equivalents	(22,893)	1,451
Net decrease in cash and cash equivalents	\$ (33,835)	\$ (336,244)

Net cash provided by operating activities during the six months ended February 28, 2015 was approximately \$525.4 million. This resulted primarily from net income of \$124.6 million, \$249.4 million in non-cash depreciation and amortization expense, a \$172.0 million increase in accounts payable, accrued expenses and other liabilities and a \$105.3 million decrease in prepaid expenses and other current assets; which were partially offset by a \$113.0 million increase in inventories and a \$97.9 million increase in accounts receivable. The increase in accounts payable and accrued expenses was primarily driven by the timing of purchases and cash payments as well as advanced deposits made from customers. The decrease in prepaid expenses and other current assets was primarily due to decreases in the deferred purchase price receivable under our asset-backed securitization programs due to an increase in funding

provided by the unaffiliated conduits and financial institutions. The increase in inventories was primarily to support expected EMS revenue levels in the third quarter of fiscal year 2015. The increase in accounts receivable was primarily driven by the timing of sales and collections activity coupled with higher sales levels.

Net cash used in investing activities during the six months ended February 28, 2015 was \$460.9 million. This consisted primarily of capital expenditures of \$468.2 million principally for machinery and equipment for new business particularly within our DMS segment, maintenance levels of machinery and equipment and information technology infrastructure upgrades.

Net cash used in financing activities during the six months ended February 28, 2015 was \$75.4 million. This resulted from our receipt of approximately \$3.4 billion of proceeds from borrowings under existing debt agreements, which primarily included an aggregate of \$3.2 billion of borrowings under the Amended and Restated Credit Facility. This was offset by repayments in an aggregate amount of approximately \$3.4 billion, which primarily included an aggregate of \$3.2 billion of repayments under the Amended and Restated Credit Facility. In addition, during the six months ended February 28, 2015 we paid \$40.0 million, including commissions, to repurchase 2,022,664 of our common shares, we paid \$32.1 million in dividends to stockholders and we paid \$6.9 million (or 372,665 of our common shares) to the IRS on behalf of certain employees to satisfy minimum tax obligations related to the vesting of certain restricted stock awards (as consideration for these payments to the IRS, we withheld \$6.9 million of employee-owned common stock related to this vesting).

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We may need to finance day-to-day working capital needs, as well as future growth and any corresponding working capital needs, with additional borrowings under our Amended and Restated Credit Facility (which is further discussed in the following paragraphs) and our other revolving credit facilities described below, as well as additional public and private offerings of our debt and equity. Currently, we have a shelf registration statement with the SEC registering the potential sale of an indeterminate amount of debt and equity securities in the future, from time-to-time over the three years following the registration, to augment our liquidity and capital resources. The current shelf registration statement will expire in the first quarter of fiscal year 2018 at which time we currently anticipate filing a new shelf registration statement. Any future sale or issuance of equity or convertible debt securities could result in dilution to current or future shareholders. Further, we may issue debt securities that have rights and privileges senior to those of holders of ordinary shares, and the terms of this debt could impose restrictions on operations, increase debt service obligations, limit our flexibility as a result of debt service requirements and restrictive covenants, potentially negatively affect our credit ratings, and limit our ability to access additional capital or execute our business strategy. We continue to assess our capital structure and evaluate the merits of redeploying available cash to reduce existing debt or repurchase common shares.

We regularly sell designated pools of trade accounts receivable under two asset-backed securitization programs, a factoring agreement and three uncommitted trade accounts receivable sale programs (collectively referred to herein as the programs). Transfers of the receivables under the programs are accounted for as sales and, accordingly, net receivables sold under the programs are excluded from accounts receivable on the Condensed Consolidated Balance Sheets and are reflected as cash provided by operating activities on the Condensed Consolidated Statements of Cash Flows. Discussion of each of the programs is included in the following paragraphs. In addition, refer to Note 8 Trade Accounts Receivable Securitization and Sale Programs to the Condensed Consolidated Financial Statements for further details on the programs.

Also, as described in Note 2 Discontinued Operations to the Condensed Consolidated Financial Statements, on April 1, 2014, we completed the sale of our AMS business except for the Malaysian operations, for which the sale was completed on December 31, 2014. We completed these sales for consideration of \$725.0 million, which consisted of \$675.0 million in cash and an aggregate liquidation preference value of \$50.0 million in Senior Non-Convertible Cumulative Preferred Stock of iQor that accretes dividends at an annual rate of 8 percent and is redeemable in nine years or upon a change in control. As a result of the sale, we have additional funds to finance certain of our needs.

a. Asset-Backed Securitization Programs

We continuously sell designated pools of trade accounts receivable under our asset-backed securitization programs to special purpose entities, which in turn sell 100% of the receivables to conduits administered by unaffiliated financial institutions (for the North American asset-backed securitization program) and an unaffiliated financial institution (for the foreign asset-backed securitization program). Any portion of the purchase price for the receivables which is not paid in cash upon the sale taking place is recorded as a deferred purchase price receivable, which is paid from available cash as payments on the receivables are collected. Net cash proceeds up to a maximum of \$200.0 million for the North American asset-backed securitization program, currently scheduled to expire on October 20, 2017 (as the program was renewed on October 21, 2014), are available at any one time. Net cash proceeds up to a maximum of \$175.0 million for the foreign asset-backed securitization program, currently scheduled to expire on May 15, 2015, are available at any one time. We increased our facility limit for the foreign asset-backed securitization program from \$75.0 million to \$175.0 million during the second quarter of fiscal year 2015.

In connection with our asset-backed securitization programs, at February 28, 2015, we had sold \$779.2 million of eligible trade accounts receivable, which represents the face amount of total sold outstanding receivables at that date. In exchange, we received cash proceeds of \$358.7 million and a deferred purchase price receivable. At February 28, 2015, the deferred purchase price receivable in connection with the asset-backed securitization programs totaled \$420.5 million. The deferred purchase price receivable was recorded initially at fair value as prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets.

b. Trade Accounts Receivable Factoring Agreement

In connection with a factoring agreement, we transfer ownership of eligible trade accounts receivable of a foreign subsidiary without recourse to a third party purchaser in exchange for cash. Proceeds from the transfer reflect the face value of the account less a discount. In October 2014, the factoring agreement was extended through March 31, 2015, at which time it was automatically renewed for an additional six-month period.

During each of the three months and six months ended February 28, 2015, we sold \$0.4 million of trade accounts receivable under the factoring agreement and received cash proceeds of \$0.4 million during each of the three months and six months ended February 28, 2015.

Table of Contents***c. Trade Accounts Receivable Sale Programs***

In connection with three separate trade accounts receivable sale agreements with unaffiliated financial institutions, we may elect to sell, at a discount, on an ongoing basis, up to a maximum of \$450.0 million, \$150.0 million and \$100.0 million, respectively, of specific trade accounts receivable at any one time. The \$450.0 million trade accounts receivable sale agreement is an uncommitted facility that was amended during the first quarter of fiscal year 2015 to increase the uncommitted capacity from \$350.0 million to \$450.0 million and is scheduled to expire on November 1, 2015, although any party may elect to terminate the agreement upon 15 days prior notice. The \$450.0 million trade accounts receivable sale agreement will be automatically extended each year until August 31, 2017, unless any party gives no less than 30 days prior notice that the agreement should not be extended. The \$150.0 million trade accounts receivable sale agreement is an uncommitted facility that is subject to expiration on August 31, 2015. The \$100.0 million trade accounts receivable sale agreement is an uncommitted facility that is scheduled to expire on November 1, 2015, although any party may elect to terminate the agreement upon 15 days prior notice. The \$100.0 million trade accounts receivable sale agreement will be automatically extended each year until November 1, 2018, unless any party gives no less than 30 days prior notice that the agreement should not be extended.

During the three months and six months ended February 28, 2015, we sold \$0.5 billion and \$1.0 billion of trade accounts receivable under these programs, respectively, and we received cash proceeds of \$0.5 billion and \$1.0 billion during the three months and six months ended February 28, 2015, respectively.

Notes payable, long-term debt and capital lease obligations outstanding at February 28, 2015 and August 31, 2014 are summarized below (in thousands):

	February 28, 2015	August 31, 2014
7.750% Senior Notes due 2016	\$ 309,518	\$ 308,659
8.250% Senior Notes due 2018	398,856	398,665
5.625% Senior Notes due 2020	400,000	400,000
4.700% Senior Notes due 2022	500,000	500,000
Borrowings under credit facilities	948	1,685
Borrowings under loans	32,683	38,207
Capital lease obligations	28,768	30,879
Fair value adjustment related to terminated interest rate swaps on the 7.750% Senior Notes	3,263	4,450
Total notes payable, long-term debt and capital lease obligations	1,674,036	1,682,545
Less current installments of notes payable, long-term debt and capital lease obligations	11,258	12,960
Notes payable, long-term debt and capital lease obligations, less current installments	\$ 1,662,778	\$ 1,669,585

At February 28, 2015 and August 31, 2014, we were in compliance with all covenants under the Amended and Restated Credit Facility and our asset-backed securitization programs.

Uses

On October 16, 2014 and January 21, 2015, our Board of Directors approved payment of a quarterly dividend of \$0.08 per share to shareholders of record as of November 14, 2014 and February 13, 2015, respectively. Of the total cash dividend declared on October 16, 2014 of \$16.0 million, \$15.5 million was paid on December 1, 2014. The remaining \$0.5 million is related to dividend equivalents on unvested restricted stock units that will be payable at the time the awards vest. Of the total cash dividend declared on January 21, 2015 of \$16.0 million, \$15.5 million was paid on March 2, 2015. The remaining \$0.5 million is related to dividend equivalents on unvested restricted stock units that will be payable at the time the awards vest. We currently expect to continue to declare and pay regular quarterly dividends of an amount similar to our past declarations. However, the declaration and payment of future dividends are discretionary and will be subject to determination by our Board of Directors each quarter following its review of our financial performance.

In the fourth quarter of fiscal year 2014, our Board of Directors authorized the repurchase of up to \$100.0 million of our common shares during the twelve month period following their authorization. We repurchased 2.0 million shares for approximately \$40.0 million during the first quarter of fiscal year 2015, which utilized the remaining amount outstanding of the \$100.0 million authorized by our Board of Directors.

Our working capital requirements and capital expenditures could continue to increase in order to support future expansions of our operations through construction of greenfield operations or acquisitions. It is possible that future expansions may be significant and may require the payment of cash. Future liquidity needs will also depend on fluctuations in levels of inventory and shipments, changes in customer order volumes and timing of expenditures for new equipment.

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At February 28, 2015, we had approximately \$966.4 million in cash and cash equivalents. As our growth remains predominantly outside of the United States, a significant portion of such cash and cash equivalents are held by our foreign subsidiaries. We estimate that approximately \$771.0 million of the cash and cash equivalents held by our foreign subsidiaries could not be repatriated to the United States without potential income tax consequences.

For discussion of our cash management and risk management policies see [Quantitative and Qualitative Disclosures About Market Risk](#).

We have increased our capital expenditures in an effort to accelerate growth and currently anticipate that during the next 12 months, our capital expenditures will be in the range of \$650.0 million to \$750.0 million, principally for expansion in Asia and infrastructure; investments in our DMS operations, specifically our mobility, healthcare, packaging and lifestyles and wearables businesses; and to support ongoing business in the EMS segment. Additionally, our capital expenditures will be used to expand our capabilities and invest in new non-traditional end markets. The amounts used to fund such capital expenditures will not be available to be deployed elsewhere by us. We believe that our level of resources, which include cash on hand, available borrowings under our revolving credit facilities, additional proceeds available under our trade accounts receivable securitization programs and potentially available under our uncommitted trade accounts receivable sale programs and funds provided by operations, will be adequate to fund these capital expenditures, the payment of any declared quarterly dividends, any potential acquisitions and our working capital requirements for the next 12 months.

Our \$200.0 million North American asset-backed securitization program is scheduled to expire on October 20, 2017, and our \$175.0 million foreign asset-backed securitization program is scheduled to expire on May 15, 2015. We may be unable to renew either of these programs. The \$450.0 million trade accounts receivable sale agreement is an uncommitted facility that was amended during the first quarter of fiscal year 2015 and is scheduled to expire on November 1, 2015, although any party may elect to terminate the agreement upon 15 days prior notice. The \$450.0 million trade accounts receivable sale agreement will be automatically extended each year until August 31, 2017, unless any party gives no less than 30 days prior notice that the agreement should not be extended. The \$150.0 million trade accounts receivable sale agreement is an uncommitted facility that is subject to expiration on August 31, 2015. The \$100.0 million trade accounts receivable sale agreement is an uncommitted facility that is scheduled to expire on November 1, 2015, although any party may elect to terminate the agreement upon 15 days prior notice. The \$100.0 million trade accounts receivable sale agreement will be automatically extended each year until November 1, 2018, unless any party gives no less than 30 days prior notice that the agreement should not be extended. We can offer no assurance under the uncommitted sales programs that if we attempt to sell receivables under such programs in the future that we will receive funding from the associated banks which would require us to utilize other available sources of liquidity, including our revolving credit facilities.

Should we desire to consummate significant additional acquisition opportunities or undertake significant additional expansion activities, our capital needs would increase and could possibly result in our need to increase available borrowings under our revolving credit facilities or access public or private debt and equity markets. There can be no assurance, however, that we would be successful in raising additional debt or equity on terms that we would consider acceptable. See [Risk Factors](#) [Our amount of debt could significantly increase in the future](#).

Contractual Obligations

Our contractual obligations for short and long-term debt arrangements and capital lease obligations; future interest on notes payable, long-term debt and capital lease obligations; future minimum lease payments under non-cancelable operating lease arrangements; non-cancelable purchase order obligations for property, plant and equipment; pension and postretirement contributions and payments and capital commitments as of February 28, 2015 are summarized

below. While, as disclosed below, we have certain non-cancelable purchase order obligations for property, plant and equipment, we generally do not enter into non-cancelable purchase orders for materials until we receive a corresponding purchase commitment from our customer. Non-cancelable purchase orders do not typically extend beyond the normal lead time of several weeks at most. Purchase orders beyond this time frame are typically cancelable.

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	Payments due by period (in thousands)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Notes payable, long-term debt and capital lease obligations ^(a)	\$ 1,670,773	\$ 11,258	\$ 335,064	\$ 401,126	\$ 923,325
Future interest on notes payable, long-term debt and capital lease obligations ^(b)	465,920	106,254	171,877	96,806	90,983
Operating lease obligations	419,903	91,431	132,458	80,240	115,774
Non-cancelable purchase order obligations ^(c)	288,360	282,382	5,978		
Pension and postretirement contributions and payments ^(d)	11,701	4,229	1,301	1,860	4,311
Capital commitments ^(e)	500	500			
Total contractual cash obligations ^(f)	\$ 2,857,157	\$ 496,054	\$ 646,678	\$ 580,032	\$ 1,134,393

- (a) The above table excludes a \$3.3 million fair value adjustment related to the former interest rate swap on the 7.750% Senior Notes.
- (b) At February 28, 2015, our notes payable, long-term debt and capital lease obligations pay interest at predominantly fixed rates.
- (c) Consists of purchase commitments entered into as of February 28, 2015 for property, plant and equipment pursuant to legally enforceable and binding agreements.
- (d) Includes the estimated company contributions to funded pension plans for the annualized six month period following the second quarter of fiscal year 2015 and the expected benefit payments for unfunded pension and postretirement plans through 2024. These future payments are not recorded on the Condensed Consolidated Balance Sheets but will be recorded as incurred.
- (e) During the first quarter of fiscal year 2009, we committed \$10.0 million to an independent private equity limited partnership which invests in companies that address resource limits in energy, water and materials. Of that amount, we have invested \$9.5 million as of February 28, 2015.
- (f) At February 28, 2015, we have \$7.4 million and \$92.2 million recorded as a current and a long-term liability, respectively, for uncertain tax positions. We are not able to reasonably estimate the timing of payments, or the amount by which our liability for these uncertain tax positions will increase or decrease over time, and accordingly, this liability has been excluded from the above table.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Risks

We transact business in various foreign countries and are, therefore, subject to risk of foreign currency exchange rate fluctuations. We enter into forward contracts to economically hedge transactional exposure associated with commitments arising from trade accounts receivable, trade accounts payable, intercompany transactions and fixed purchase obligations denominated in a currency other than the functional currency of the respective operating entity. We do not, and do not intend to use derivative financial instruments for speculative purposes. All derivative instruments are recorded on our Condensed Consolidated Balance Sheets at their respective fair values. At February 28, 2015, except for certain foreign currency contracts with a notional amount outstanding of \$567.6 million and a fair value of \$1.9 million recorded in prepaid expenses and other current assets and \$5.4 million recorded in

accrued expenses, the forward contracts have not been designated as accounting hedges and, therefore, changes in fair value are recorded within our Condensed Consolidated Statements of Operations.

The aggregate notional amount of outstanding contracts at February 28, 2015 that are not designated as accounting hedges was \$1.3 billion. The fair values of these contracts amounted to a \$5.9 million asset recorded in prepaid expenses and other current assets and a \$10.3 million liability recorded to accrued expenses on our Condensed Consolidated Balance Sheets.

The forward contracts (both those that are designated as accounting hedging instruments and those that are not) will generally expire in less than three months, with ten months being the maximum term of the contracts outstanding at February 28, 2015. The change in fair value related to contracts designated as accounting hedging instruments will be reflected in the revenue or expense line in which the underlying transaction occurs within our Condensed Consolidated Statements of Operations. The change in fair value related to contracts not designated as accounting hedging instruments will be reflected in cost of revenue within our Condensed Consolidated Statements of Operations. The forward contracts are denominated in Brazilian reais, British pounds, Chinese yuan renminbi, Euros, Hungarian forints, Indian rupees, Japanese yen, Malaysian ringgits, Mexican pesos, Polish zlotys, Russian rubles, Singapore dollar, Swedish kronor, Swiss francs, Taiwan dollars and U.S. dollars.

Based on our overall currency rate exposures as of February 28, 2015, including the derivative financial instruments intended to hedge the nonfunctional currency-denominated monetary assets and liabilities, an immediate 10% hypothetical change of foreign currency exchange rates would not have a material effect on our Condensed Consolidated Financial Statements.

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Interest Rate Risk

A portion of our exposure to market risk for changes in interest rates relates to our domestic investment portfolio. We do not, and do not intend to, use derivative financial instruments for speculative purposes. We place cash and cash equivalents with various major financial institutions. We protect our invested principal funds by limiting default risk, market risk and reinvestment risk. We mitigate these risks by generally investing in investment grade securities and by frequently positioning the portfolio to try to respond appropriately to a reduction in credit rating of any investment issuer, guarantor or depository to levels below the credit ratings dictated by our investment policy. The portfolio typically includes only marketable securities with active secondary or resale markets to ensure portfolio liquidity. At February 28, 2015, there were no significant outstanding investments.

During the second quarter of fiscal year 2011, we entered into a series of interest rate swaps with an aggregate notional amount of \$200.0 million designated as fair value hedges of a portion of our 7.750% Senior Notes. Under these interest rate swaps, we received fixed rate interest payments and paid interest at a variable rate based on LIBOR plus a spread. The effect of these swaps was to convert fixed rate interest expense on a portion of the 7.750% Senior Notes to floating rate interest expense. Gains and losses related to changes in the fair value of the interest rate swaps were recorded to interest expense and offset changes in the fair value of the hedged portion of the underlying 7.750% Senior Notes.

During the fourth quarter of fiscal year 2011, we terminated the interest rate swaps entered into in connection with the 7.750% Senior Notes with a fair value of \$12.2 million, including accrued interest of \$0.6 million at August 31, 2011. The portion of the fair value that is not accrued interest is recorded as a hedge accounting adjustment to the carrying amount of the 7.750% Senior Notes and is being amortized as a reduction to interest expense over the remaining term of the 7.750% Senior Notes. At February 28, 2015, the hedge accounting adjustment recorded is \$3.3 million in the Condensed Consolidated Balance Sheets.

We pay interest on several of our outstanding borrowings at interest rates that fluctuate based upon changes in various base interest rates. There were \$0.1 million in borrowings outstanding under these facilities at February 28, 2015. See Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources and Note 7—Notes Payable, Long-Term Debt and Capital Lease Obligations to the Condensed Consolidated Financial Statements for additional information regarding our outstanding debt obligations. The effect of an immediate hypothetical 10% change in variable interest rates would not have a material effect on our Condensed Consolidated Financial Statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation required by Rules 13a-15 and 15d-15 under the Exchange Act (the Evaluation), under the supervision and with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15 and 15d-15 under the Exchange Act (Disclosure Controls) as of February 28, 2015. Based on the Evaluation, our CEO and CFO concluded that the design and operation of our Disclosure Controls were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) accumulated and communicated to our senior management, including our CEO and CFO, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

For our fiscal quarter ended February 28, 2015, we did not identify any modifications to our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Many of the components of our internal controls over financial reporting are evaluated on an ongoing basis by our finance organization to ensure continued compliance with the Exchange Act. The overall goals of these various evaluation activities are to monitor our internal controls over financial reporting and to modify them as necessary. We intend to maintain our internal controls over financial reporting as dynamic processes and procedures that we adjust as circumstances merit, and we have reached our conclusions set forth above, notwithstanding certain improvements and modifications.

Limitations on the Effectiveness of Controls and Other Matters

Our management, including our CEO and CFO, does not expect that our Disclosure Controls and internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls may be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

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The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Notwithstanding the foregoing limitations on the effectiveness of controls, we have nonetheless reached the conclusions set forth above on our disclosure controls and procedures and our internal control over financial reporting.

CEO and CFO Certifications

Exhibits 31.1 and 31.2 are the Certifications of the CEO and the CFO, respectively. The Certifications are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (the "Section 302 Certifications"). This Item of this report, which you are currently reading is the information concerning the Evaluation referred to in the Section 302 Certifications and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are party to certain lawsuits in the ordinary course of business. We do not believe that these proceedings, individually or in the aggregate, will have a material adverse effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

As referenced, this Quarterly Report on Form 10-Q includes certain forward-looking statements regarding various matters. The ultimate correctness of those forward-looking statements is dependent upon a number of known and unknown risks and events, and is subject to various uncertainties and other factors that may cause our actual results, performance or achievements to be different from those expressed or implied by those statements. Undue reliance should not be placed on those forward-looking statements. The following important factors, among others, as well as those factors set forth in our other Securities and Exchange Commission (SEC) filings from time to time, could affect future results and events, causing results and events to differ materially from those expressed or implied in our forward-looking statements.

Our operating results may fluctuate due to a number of factors, many of which are beyond our control.

Our annual and quarterly operating results are affected by a number of factors, including:

adverse changes in current macro-economic conditions, both in the U.S. and internationally;

how well we execute on our strategy and operating plans, and the impact of changes in our business model;

the level and timing of customer orders;

the level of capacity utilization of our manufacturing facilities and associated fixed costs, including instances where we maintain manufacturing facilities and associated fixed costs in anticipation of future customer orders and the actual orders never occur, are at lower than anticipated levels and/or occur later than expected;

the composition of the costs of revenue between materials, labor and manufacturing overhead;

price competition;

changes in demand for our products or services, as well as the volatility of these changes;

changes in demand in our customers' end markets, as well as the volatility of these changes;

our exposure to financially troubled customers;

any potential future termination, or substantial winding down, of significant customer relationships;

our level of experience in manufacturing particular products;

the degree of automation used in our assembly process;

the efficiencies achieved in managing inventories and property, plant and equipment;

significant costs incurred in acquisitions and other transactions that are immediately expensed in the quarter in which they occur;

fluctuations in materials costs and availability of materials;

adverse changes in political conditions, both in the U.S. and internationally, including among other things, adverse changes in tax laws and rates (and government interpretations thereof), adverse changes in trade policies and adverse changes in fiscal and monetary policies;

seasonality in customers' product demand;

the timing of expenditures in anticipation of increased sales, customer product delivery requirements and shortages of components or labor;

changes in stock-based compensation expense due to changes in the expected vesting of performance-based equity awards comprising a portion of such stock-based compensation expense; and

failure to comply with foreign laws, which could result in increased costs and/or taxes.

The volume and timing of orders placed by our customers vary due to variation in demand for our customers' products; our customers' attempts to manage their inventory; electronic design changes; changes in our customers' manufacturing strategies; and acquisitions of or consolidations among our customers. In addition, our sales associated with consumer related products are subject to

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seasonal influences. We may realize greater revenue during our first fiscal quarter due to higher demand for consumer related products during the holiday selling season. In the past, changes in customer orders that reduce net revenue have had a significant effect on our results of operations as a result of our overhead remaining relatively fixed while our net revenue decreased. Any one or a combination of these factors could adversely affect our annual and quarterly results of operations in the future. See Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations.

Because we depend on a limited number of customers, a reduction in sales to any one of our customers could cause a significant decline in our revenue.

During the six months February 28, 2015, our five largest customers accounted for approximately 51% of our net revenue and 74 customers accounted for approximately 90% of our net revenue. In some instances, particular manufacturing services we provide for such customers represent a significant portion of the overall revenue we receive from that customer. We currently depend, and expect to continue to depend, upon a relatively small number of customers for a significant percentage of our net revenue and upon their growth, viability and financial stability. We have recently experienced increased dependence and expect this dependence to continue. If any of those customers experience a decline in the demand (anticipated or unanticipated) for one or more of their products due to economic or other forces, they may reduce their purchases from us or terminate their relationship with us. Our customers' industries have experienced rapid technological change, shortening of product life cycles, consolidation, and pricing and margin pressures. Consolidation among our customers may further reduce the number of customers that generate a significant percentage of our net revenue and exposes us to increased risks relating to dependence on a small number of customers. A significant reduction in sales to any of our customers or a customer exerting significant pricing and margin pressures on us, which have occurred in certain instances in the past and which are exacerbated for larger customers, could have a material adverse effect on our results of operations. In the past, we have incurred certain inventory write-offs and equipment write-offs and some of our customers have terminated their manufacturing arrangements with us or have significantly reduced or delayed the volume of design, production or product management services ordered from us, including moving a portion of their manufacturing from us in order to more fully utilize their excess internal manufacturing capacity, which could again happen in the future. In other cases, we have terminated customer manufacturing arrangements. A terminated customer manufacturing arrangement (whether terminated by the customer or by us) or a reduction in manufacturing services ordered from us can result in one or more of the following adverse effects: a decline in revenue; less revenue to absorb fixed costs and overhead; charges for bad debts, inventory write-offs, equipment write-offs and lease write-offs; other potential disengagement costs; a decrease in inventory turns; an increase in days in inventory and an increase in days in accounts receivable. We often, however, have an indemnification remedy which can mitigate some of these adverse effects if the customer has sufficient funds to satisfy any such indemnification liability. Some of the risks described above may not only exist with respect to a particular customer, but also with respect to manufacturing services with respect to a particular customer product for larger customers where a significant portion of the overall revenue we receive from such customer relates to such services for such product. Accordingly, if any of our customers' products experience a decline in demand (anticipated or unanticipated), the applicable customer may reduce their purchases from us or terminate their relationship with us. This could have a material adverse effect on our results of operations.

During past economic cycles, our revenue declined as consumers and businesses postponed spending in response to tighter credit, negative financial news, declines in income or asset values or general uncertainty about global economic conditions. These economic conditions had a negative impact on our results of operations and similar conditions may exist in the future. We cannot assure you that present or future customers will not terminate their design, production and product management services arrangements with us or significantly change, reduce or delay the amount of services ordered from us. If they do, it could have a material adverse effect on our results of operations. In addition, if one or more of our customers were to become insolvent or otherwise were unable to pay for the services

provided by us on a timely basis, or at all, our operating results and financial condition could be adversely affected. Also, our operating results and financial condition could be adversely affected by the potential recovery by the bankruptcy estate of amounts previously paid to us by a customer that later became insolvent that are deemed a preference under bankruptcy law. Such adverse effects could include one or more of the following: a decline in revenue, less revenue to absorb fixed costs and overhead, a charge for bad debts, a charge for inventory write-offs, a charge for equipment write-offs, a charge for lease write-offs, a decrease in inventory turns, an increase in days in inventory and an increase in days in accounts receivable.

Certain of the industries to which we provide services have experienced significant financial difficulty during the recent recession, with some of the participants filing for bankruptcy. Such significant financial difficulty has negatively affected our business and, if further experienced by one or more of our customers, may further negatively affect our business due to the decreased demand of these financially distressed customers, the potential inability of these companies to make full payment on amounts owed to us, or both. See Management's Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors. We face certain risks in collecting our trade accounts receivable.

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Our customers face numerous competitive challenges, such as decreasing demand from their customers, rapid technological change and short life cycles for their products, which may materially adversely affect their business, and also ours.

Factors affecting the industries that utilize our services in general, and our customers specifically, could seriously harm our customers and, as a result, us. These factors include:

recessionary periods in our customers' markets, as well as in the global economy in general;

the inability of our customers to adapt to rapidly changing technology and evolving industry standards, which may contribute to short product life cycles or shifts in our customers' strategies;

the inability of our customers to develop and market their products, some of which are new and untested;

the potential that our customers' products become commoditized or obsolete;

the failure of our customers' products to gain widespread commercial acceptance;

increased competition among our customers and their respective competitors which may result in a loss of business or a reduction in pricing power for our customers; and

new product offerings by our customers' competitors may prove to be more successful than our customers' product offerings.

Also, our Diversified Manufacturing Services (DMS) segment is highly dependent on the consumer products industry. This business is very competitive (both for us and our customers) and often subject to shorter product lifecycles, shifting end-user preferences, higher revenue volatility and programs that may be shifted among competitors in our industry that may impact customer orders thus reducing net revenue and our ability to cover fixed costs. As a result, these risks heighten our exposure to this end market which could adversely affect our results of operations.

At times our customers have been, and may be in the future, unsuccessful in addressing these competitive challenges, or any others that they may face, and their business has been, and may be in the future, materially adversely affected. As a result, the demand for our services has at times declined and may decline in the future. Even if our customers are successful in responding to these challenges, their responses may have consequences which affect our business relationships with our customers (and possibly our results of operations) by altering our production cycles and inventory management.

The success of our business is dependent on both our ability to independently keep pace with technological changes and competitive conditions in our industry, and also our ability to effectively adapt our services in response to our customers keeping pace with technological changes and competitive conditions in their respective industries.

If we are unable to offer technologically advanced, cost effective, quick response manufacturing services that are differentiated from our competition, demand for our services will decline. In addition, if we are unable to offer services in response to our customers' changing requirements, then demand for our services will also decline. A substantial portion of our net revenue is derived from our offering of complete service solutions for our customers. For example, if we fail to maintain high-quality design and engineering services, our net revenue may significantly decline.

Consolidation in industries that utilize our services may adversely affect our business.

Consolidation in industries that utilize our services may further increase as companies combine to achieve further economies of scale and other synergies, which could result in an increase in excess manufacturing capacity as companies seek to divest manufacturing operations or eliminate duplicative product lines. Excess manufacturing capacity may increase pricing and competitive pressures for our industry as a whole and for us in particular. Consolidation could also result in an increasing number of very large companies offering products in multiple industries. The significant purchasing power and market power of these large companies could increase pricing and competitive pressures for us. If one of our customers is acquired by another company that does not rely on us to provide services and has its own production facilities or relies on another provider of similar services, we may lose that customer's business. Such consolidation among our customers may further reduce the number of customers that generate a significant percentage of our net revenue and exposes us to increased risks relating to dependence on a small number of customers. Any of the foregoing results of industry consolidation could adversely affect our business.

Most of our customers do not commit to long-term production schedules, which makes it difficult for us to schedule production and capital expenditures, and to maximize the efficiency of our manufacturing capacity.

The volume and timing of sales to our customers may vary due to:

variation in demand for our customers' products;

our customers' attempts to manage their inventory;

electronic design changes;

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changes in our customers' manufacturing strategy;

customer requirements to relocate our manufacturing operations or to transfer our manufacturing from one facility to another; and

acquisitions of or consolidations among customers.

Due in part to these factors, most of our customers do not commit to firm production schedules for more than one quarter. Our inability to forecast the level of customer orders for a customer's products with certainty makes it difficult to schedule production and maximize utilization of manufacturing capacity. In the past, we have been required to increase staffing and other expenses in order to meet the anticipated demand of our customers or a customer's specific product. Anticipated orders from many of our customers have, in the past, failed to materialize, delivery schedules have been deferred or production has unexpectedly decreased, slowed down or stopped as a result of changes in our customers' business needs, thereby adversely affecting our results of operations. On other occasions, our customers have required rapid increases in production, which have placed an excessive burden on our resources. Such customer order fluctuations and deferrals have had a material adverse effect on us in the past and we may experience such effects in the future. See Management's Discussion and Analysis of Financial Condition and Results of Operations. In addition to our difficulty in forecasting customer orders, we sometimes experience difficulty forecasting the timing of our receipt of revenue and earnings following commencement of providing manufacturing services for an additional product for new or existing customers. The necessary process to begin this commencement of manufacturing can take from several months to more than a year before production begins. Delays in the completion of this process can delay the timing of our sales and related earnings. In addition, because we make capital expenditures during this ramping process and do not typically recognize revenue until after we produce and ship the customer's products, any delays or unanticipated costs in the ramping process may have a significant adverse effect on our cash flows and our results of operations, particularly when our contractual or legal remedies are insufficient to avoid or mitigate such unanticipated costs which can be exacerbated with large customers. These difficulties can be exacerbated when providing services for a specific customer product from which we generate a significant amount of our revenue.

Our customers may cancel their orders, change production quantities, delay production or change their sourcing strategy.

Our industry must provide increasingly rapid product turnaround for its customers. We generally do not obtain firm, long-term purchase commitments from our customers for any of their products and we continue to experience reduced lead-times in customer orders. Customers have previously canceled their orders, changed production quantities, delayed production and changed their sourcing strategy for a number of reasons with respect to one or more of their products, and may do one or more of these in the future. Such changes, delays and cancellations have led to, and may lead in the future to a decline in our production and our possession of excess or obsolete inventory that we may not be able to sell to customers or third parties. This has resulted in, and could result in future additional, write downs of inventories that have become obsolete or exceed anticipated demand or net realizable value. These risks, although we attempt to negotiate contractual language with our customers to avoid or mitigate them, may be exacerbated when the inventory is for a specific product that represents a significant amount of our revenue.

The success of one or more of our customers' products in the market affects our business. Cancellations, reductions, delays or changes in sourcing strategy with respect to one or more significant products by a significant customer or by a group of customers have negatively impacted, and could further negatively impact in the future, our operating results by reducing the number of products that we sell, delaying the payment to us for inventory that we purchased and reducing the use of our manufacturing facilities which have associated fixed costs not dependent on our level of

revenue.

In addition, we make significant decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimate of customer requirements for one or more of their products. The following factors, among others, reduce our ability to accurately estimate future customer requirements, forecast operating results and make production planning decisions: the short-term nature of our customers' commitments for us to build their products; their uncertainty about, among other things, future economic conditions and other events, such as natural disasters; and the possibility of rapid changes in demand for one or more of their products.

On occasion, customers may require rapid increases in production for one or more of their products, which can stress our resources and reduce operating margins. In addition, because many of our costs and operating expenses are relatively fixed, a reduction in customer demand, particularly a reduction in demand for any particular customer product that represents a significant amount of our revenue, can harm our gross profits and operating results.

We depend on a limited number of suppliers for components that are critical to our manufacturing processes. A shortage of these components or an increase in their price could interrupt our operations and reduce our profits, increase our inventory carrying costs, increase our risk of exposure to inventory obsolescence and cause us to purchase components of a lesser quality.

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Most of our significant long-term customer contracts permit quarterly or other periodic adjustments to pricing based on decreases and increases in component prices and other factors; however, we typically bear the risk of component price increases that occur between any such re-pricings or, if such re-pricing is not permitted, during the balance of the term of the particular customer contract. Accordingly, certain component price increases could adversely affect our gross profit margins.

Almost all of the products we manufacture require one or more components that are only available from a single source. Some of these components are allocated from time to time in response to supply shortages. In some cases, supply shortages will substantially curtail production of all assemblies using a particular component. A supply shortage can also increase our cost of goods sold, as a result of our having to pay higher prices for components in limited supply, and cause us to have to redesign or reconfigure products to accommodate a substitute component. At various times industry-wide shortages of electronic components have occurred, particularly of semiconductor, relay and capacitor products. We believe these past shortages were due to increased economic activity following recessionary conditions. In addition, natural disasters and global events could cause material shortages. In the past, such circumstances have produced insignificant levels of short-term interruption of our operations, but could have a material adverse effect on our results of operations in the future. Portions of the Dodd-Frank Act require some companies, including ours, to conduct due diligence, make disclosures and file reports regarding the source of certain minerals that may be contained in their products that are originating from the Democratic Republic of Congo (DRC) and adjoining countries. These requirements may decrease the supply of such minerals, increase their cost and/or disrupt our supply chain if we decide, or are instructed by our customers, to obtain components from different suppliers.

Our production of a customer's product could be negatively impacted by any quality or reliability issues with any of our component suppliers. The financial condition of our suppliers could affect their ability to supply us with components and their ability to satisfy any warranty obligations they may have, which could have a material adverse effect on our operations.

If a component shortage is threatened or we anticipate one, we may purchase such component early to avoid a delay or interruption in our operations. A possible result of such an early purchase is that we may incur additional inventory carrying costs, for which we may not be compensated, and have a heightened risk of exposure to inventory obsolescence, the cost of which may not be recoverable from our customers. Such costs would adversely affect our gross profit and net income. A component shortage may also require us to look to second tier vendors or to procure components through brokers with whom we are not familiar. These components may be of lesser quality than those we have historically purchased and could cause us to incur costs to bring such components up to our typical quality levels or to replace defective ones. See Management's Discussion and Analysis of Financial Condition and Results of Operations and Business Components Procurement.

Introducing new business models or programs requiring implementation of new competencies, such as new process technologies and our development of new products or services for customers, could affect our operations and financial results.

The introduction of new business models or programs requiring implementation or development of new competencies, such as new process technology within our operations and our independent development of new products or services for customers, presents challenges in addition to opportunities. The success of new business models or programs depends on a number of factors including, but not limited to, timely and successful product development (by us and/or our customer), market acceptance, our ability to manage the risks associated with new product production ramp-up, the effective management of purchase commitments and inventory levels in line with anticipated product demand, our development or acquisition of appropriate intellectual property, the availability of supplies in adequate quantities and

at appropriate costs to meet anticipated demand, and the risk that new products may have quality or other defects in the early stages of introduction. Accordingly, we cannot determine in advance the ultimate result of new business models or programs.

As a result, we must make long-term investments, develop or obtain appropriate intellectual property and commit significant resources before knowing whether our assumptions will accurately reflect customer demand for our products and services. After the development of a new business model or program, we must be able to manufacture appropriate volumes quickly and at low costs. To accomplish this, we endeavor to accurately forecast volumes, mixes of products and configurations that meet customer requirements; however, we may not succeed at doing so. Any delay in development or production could harm our competitive position. We may not meet our customers' expectations or otherwise execute properly, timely, or in a cost-efficient manner, which could damage our customer relationships and result in remedial costs or the loss of our invested capital and anticipated revenues and profits. In addition, the early stages of these types of new business models or programs can be less efficient, and less profitable, than those of mature programs and/or programs developed in collaboration with customers who have experience with outsourcing. Also, restrictions imposed by certain customers prevent us from fully pursuing other business in such customers' industries or other business that would compete with such customers' technologies.

While we attempt to negotiate contractual terms to avoid or mitigate some of these potential costs or losses, we are not always successful. Also, in certain instances, a customer contract does not exist or its language does not cover a particular situation, so we have to rely on non-contractual legal remedies. In these situations, we must negotiate a manner to address the situation as costs or

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losses occur which carries with it the potential risk to lose customers and/or revenue. In addition, as we have experienced on occasion, there are risks of market acceptance and product performance that could result in less demand than anticipated and our having excess capacity, which could lead to significant unrecovered costs for us. The failure to ensure that our agreed terms appropriately reflect the anticipated costs, risks, and rewards of such an opportunity could adversely affect our profitability.

Customer relationships with emerging companies may present more risks than with established companies.

Customer relationships with emerging companies, an area of increasing activity for us, present special risks because such companies do not have an extensive product history. As a result, there is less demonstration of market acceptance of their products making it harder for us to anticipate needs and requirements than with established customers. In addition, due to their relatively recent entrance into the commercial market, additional funding for such companies may be more difficult to obtain and these customer relationships may not continue or materialize to the extent we planned or we previously experienced. As a result of many start-up customers' lack of prior operations and unproven product markets, our credit risk, especially in trade accounts receivable and inventories, and the risk that these customers will be unable to fulfill their potentially significant obligation to indemnify us from various liabilities are potentially increased. We sometimes offer these customers extended payment terms, loans, services and other support that may increase our financial exposure. These risks are also heightened by the tightening of financing for start-up customers. Although we perform ongoing credit evaluations of our customers and adjust our allowance for doubtful accounts receivable for all customers, including start-up customers, based on the information available for review, these allowances may not be adequate. This risk may exist for any new emerging company customers in the future. Also, as a result of, among other things, these emerging companies tending to be smaller and less financially secure, we have faced and may face in the future increased litigation risk from these companies.

In addition, we have been investing directly in certain of these emerging company customers which, along with extended payment terms, loans, other financial accommodations such as not requiring customers to cover certain costs that we typically require customers to pay, services and other support we may provide, may exacerbate the risks described in this Risk Factor. Risks related to these investments may also include one or more of the following: substantial selling, general and administrative expenses; substantial capital expenses or investments; losses or impairments that may be reflected in our net income item of our Statement of Operations; and an inability to recover a partial or full amount of any investments we make in these smaller, emerging companies.

We compete with numerous other diversified manufacturing service providers, electronic manufacturing services and design providers and others, including our current and potential customers who may decide to manufacture some or all of their products internally.

Our business is highly competitive. We compete against numerous domestic and foreign diversified manufacturing service providers, electronic manufacturing services and design providers. In addition, past consolidation in our industry has resulted in larger and more geographically diverse competitors who have significant combined resources with which to compete against us. Also, we may in the future encounter competition from other large electronic manufacturers, and manufacturers that are focused solely on design and manufacturing services, that are selling, or may begin to sell diversified manufacturing services or electronic manufacturing services. Most of our competitors have international operations and significant financial resources and some have substantially greater manufacturing, research and development (R&D) and marketing resources than we have. These competitors may:

respond more quickly to new or emerging technologies;

have greater name recognition, critical mass and geographic market presence;

be better able to take advantage of acquisition opportunities;

adapt more quickly to changes in customer requirements;

devote greater resources to the development, promotion and sale of their services;

be better positioned to compete on price for their services, as a result of any combination of lower labor costs, lower components costs, lower facilities costs, lower operating costs or lower taxes; and

have excess capacity, and be better able to utilize such excess capacity, which may reduce the cost of their product or service.

We also face competition from the manufacturing operations of our current and potential customers, who are continually evaluating the merits of manufacturing products internally against the advantages of outsourcing. In the past, some of our customers moved a portion of their manufacturing from us in order to more fully utilize their excess internal manufacturing capacity.

We may be operating at a cost disadvantage compared to competitors who (a) have greater direct buying power from component suppliers, distributors and raw material suppliers, (b) have lower cost structures as a result of their geographic location or the services they provide, (c) are willing to make sales or provide services at lower margins than we do (including relationships where our competitors are willing to accept a lower margin from certain of their customers for whom they perform other higher margin business)

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or (d) have increased their vertical capabilities, thereby potentially providing them greater cost savings. As a result, competitors may procure a competitive advantage and obtain business from our customers. Our manufacturing processes are generally not subject to significant proprietary protection. In addition, companies with greater resources or a greater market presence may enter our market or increase their competition with us. We also expect our competitors to continue to improve the performance of their current products or services, to reduce the sales prices of their current products or services and to introduce new products or services that may offer greater performance and improved pricing. Any of these developments could cause a decline in our sales, loss of market acceptance of our products or services, compression of our profits or loss of our market share.

The economies of the U.S., Europe and certain countries in Asia are, or have been, in a recession.

There was an erosion of global consumer confidence amidst concerns over declining asset values, inflation, volatility in energy costs, geopolitical issues, the availability and cost of credit, high unemployment, and the stability and solvency of financial institutions, financial markets, businesses, and sovereign nations. These concerns slowed global economic growth and resulted in recessions in many countries, including in the U.S., Europe and certain countries in Asia. Even though we have seen signs of an overall economic recovery in the U.S., Europe and Asia, such recovery may be weak and/or short-lived and recessionary conditions may return, which could significantly affect the U.S. and international debt and capital markets, as well as the demand for the products of certain of our customers.

If any of these potential negative economic conditions occur, a number of negative effects on our business could result, including customers or potential customers reducing or delaying orders, increased pricing pressures, the insolvency of key suppliers, which could result in production delays, the inability of customers to obtain credit, and the insolvency of one or more customers. Thus, these economic conditions (1) could negatively impact our ability to (a) forecast customer demand, (b) effectively manage inventory levels, including our ability to limit our possession of excess or obsolete inventory and (c) collect receivables in a timely manner, if at all; (2) could increase our need for cash; and (3) have negatively impacted, and could negatively impact in the future, our net revenue and profitability and the value of certain of our properties and other assets. Depending on the length of time that these conditions exist, they may cause future additional negative effects, including some of those listed above.

The financial markets have experienced significant turmoil, which may adversely affect financial arrangements we may need to enter into, refinance or repay.

Credit market turmoil effects could negatively impact the counterparties to our forward foreign exchange contracts and trade accounts receivable securitization and sale programs; our lenders under Jabil Circuit, Inc.'s (the "Company") five year unsecured credit facility amended as of July 25, 2014 (the "Amended and Restated Credit Facility"); and our lenders under various foreign subsidiary credit facilities. These potential negative impacts could potentially limit our ability to borrow under these financing agreements, contracts, facilities and programs. In addition, if we attempt to obtain future additional financing, such as renewing or refinancing our \$200.0 million North American asset-backed securitization program expiring on October 20, 2017, our \$175.0 million foreign asset-backed securitization program expiring on May 15, 2015, our \$450.0 million uncommitted trade accounts receivable sale program expiring on November 1, 2015 (though either party can elect to terminate the agreement upon 15 days prior notice and the agreement will be automatically extended each year through August 31, 2017 unless any party gives no less than 30 days prior notice that the agreement should not be extended), our \$150.0 million uncommitted trade accounts receivable sale program subject to expiration on August 31, 2015, or our \$100.0 million uncommitted trade accounts receivable program expiring on November 1, 2015 (though either party can elect to cancel the agreement by giving prior written notification to the other party of no less than 15 days and the agreement may be automatically extended each year through November 1, 2018), the effects of the credit market turmoil could negatively impact our ability to obtain such financing. Finally, the credit market turmoil has negatively impacted certain of our customers and certain

of their customers. These impacts could have several consequences which could have a negative effect on our results of operations, including one or more of the following: a negative impact on our liquidity, including potentially insufficient cash flows to support our operations; a decrease in demand for our services; a decrease in demand for our customers' products; and bad debt charges or inventory write-offs.

Our business could be adversely affected by any delays, or increased costs, resulting from issues that our common carriers are dealing with in transporting our materials, our products, or both.

We rely on a variety of common carriers to transport our materials from our suppliers to us, and to transport our products from us to our customers. Problems suffered by any of these common carriers, whether due to a natural disaster, labor problem, increased energy prices, criminal activity or some other issue, could result in shipping delays, increased costs, or other supply chain disruptions, and could therefore have a material adverse effect on our operations.

We derive a majority of our revenue from our international operations, which may be subject to a number of risks and often require more management time and expense to achieve profitability than our domestic operations.

We derived 86.7% and 87.5% of net revenue from international operations during the three months and six months ended February 28, 2015, respectively, compared to 83.3% and 84.6% during the three months and six months ended February 28, 2014.

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respectively. At February 28, 2015, we operate outside the U.S. in Vienna, Austria; Hasselt, Belgium; Belo Horizonte and Manaus, Brazil; Beijing, Chengdu, Hong Kong, Huangpu, Kunshan, Nanjing, Shanghai, Shenzhen, Suzhou, Tianjin, Wuxi and Yantai, China; Brest and Chartres, France; Jena and Knittlingen, Germany; Nagyigmánd, Szombathely and Tiszaujvaros, Hungary; Mumbai and Ranjangaon, India; Bray and Waterford, Ireland; Tel Aviv, Israel; Marcianise, Italy; Gotemba and Hachioji, Japan; Penang, Malaysia; Chihuahua, Guadalajara and Tijuana, Mexico; Kwidzyn, Poland; Moscow and Tver, Russia; Ayr and Livingston, Scotland; Tampines, Singapore; Seoul, South Korea; Changhua, Hsinchu, Taichung and Taipei, Taiwan; Venray, The Netherlands; Uzhgorod, Ukraine; and Ho Chi Minh City, Vietnam. We continually consider additional opportunities to make foreign acquisitions and construct and open new foreign facilities. Our international operations are, have been and may be subject to a number of risks, including:

difficulties in staffing and managing foreign operations;

less flexible employee relationships that can be difficult and expensive to terminate due to, among other potential reasons, burdensome labor laws and regulations;

rising labor costs (including the introduction or expansion of certain social programs), in particular within the lower-cost regions in which we operate, due to, among other things, demographic changes and economic development in those regions, which we may be unable to recover in our pricing to our customers;

labor unrest and dissatisfaction, including potential labor strikes;

increased scrutiny by the media and other third parties of labor practices within our industry (including but not limited to working conditions, compliance with employment and labor laws and compensation) which may result in allegations of violations, more stringent and burdensome labor laws and regulations, increased strictness and inconsistency in the enforcement and interpretation of such laws and regulations, higher labor costs, and/or loss of revenues if our customers become dissatisfied with our labor practices and diminish or terminate their relationship with us;

burdens of complying with a wide variety of foreign laws, including those relating to export and import duties, domestic and foreign import and export controls (including the International Traffic in Arms Regulations and the Export Administration Regulations (EAR)), regulation by the United States Department of Commerce's Bureau of Industry and Security under the EAR), trade barriers (including tariffs and quotas), environmental policies and privacy issues, and local statutory corporate governance related to conducting business in foreign jurisdictions;

less favorable, or relatively undefined, intellectual property laws;

unexpected changes in regulatory requirements and laws or government or judicial interpretations of such regulatory requirements and laws and adverse trade policies, and adverse changes to any of the policies of either the U.S. or any of the foreign jurisdictions in which we operate;

adverse changes in tax rates and the manner in which the U.S. and other countries tax multinational companies or interpret their tax laws (see Risk Factors We are subject to the risk of increased taxes);

inability to utilize net operating losses incurred by our foreign operations against future income in the same jurisdiction;

political and economic instability and unsafe working conditions (including acts of terrorism, widespread criminal activities and outbreaks of war);

risk of governmental expropriation of our property;

inadequate infrastructure for our operations (e.g., lack of adequate power, water, transportation and raw materials);

legal or political constraints on our ability to maintain or increase prices;

governmental restrictions on the transfer of funds to us from our operations outside the U.S.;

health concerns and related government actions;

coordinating our communications and logistics across geographic distances and multiple time zones;

longer customer payment cycles and difficulty collecting trade accounts receivable;

fluctuations in currency exchange rates, which could affect local payroll and other expenses (see Risk Factors We are subject to risks of currency fluctuations and related hedging operations); and

economies that are emerging or developing or that may be subject to greater currency volatility, negative growth, high inflation, limited availability of foreign exchange and other risks (see Risk Factors The economies of the U.S., Europe and certain countries in Asia are, or have been, in a recession).

These factors may harm our results of operations. Also, any measures that we may implement to reduce risks of our international operations may not be effective and may require significant management time and effort. In our experience, entry into new international markets requires considerable management time as well as start-up expenses for market development, hiring and establishing facilities before any significant revenue is generated. As a result, initial operations in a new market may operate at low margins or may be unprofitable.

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Another significant legal risk resulting from our international operations is the risk of non-compliance with the U.S. Foreign Corrupt Practices Act (FCPA) and the United Kingdom Bribery Act (ACT). In many foreign countries, particularly in those with developing economies, it may be a local custom that businesses operating in such countries engage in business practices that are prohibited by the FCPA, the ACT or other U.S. or foreign laws and regulations. Although we have implemented policies and procedures designed to cause compliance with the FCPA, the ACT and similar laws, there can be no assurance that all of our employees and agents, as well as those companies to which we outsource certain of our business operations, will not take actions in violation of our policies. Any such violation, even if prohibited by our policies, could have a material adverse effect on our operations.

If we do not manage our growth effectively, our profitability could decline.

Areas of our business at times experience periods of rapid growth which can place considerable additional demands upon our management team and our operational, financial and management information systems. Our ability to manage growth effectively requires us to continue to implement and improve these systems; avoid cost overruns; maintain customer, supplier and other favorable business relationships during possible transition periods; efficiently and effectively dedicate resources to existing customers; acquire or construct additional facilities; occasionally transfer operations to different facilities; acquire equipment in anticipation of demand; continue to develop the management skills of our managers and supervisors; adapt relatively quickly to new markets or technologies and continue to train, motivate and manage our employees. Our failure to effectively manage growth could have a material adverse effect on our results of operations. See Management's Discussion and Analysis of Financial Condition and Results of Operations.

We have on occasion not achieved, and may not in the future achieve, expected profitability from our acquisitions; and some divestitures may adversely affect our financial condition, results of operations or cash flows.

We cannot assure you that we will be able to successfully integrate the operations and management of our recent acquisitions. Similarly, we cannot assure you that we will be able to (1) identify future strategic acquisitions and adequately conduct due diligence, (2) consummate these potential acquisitions on favorable terms, if at all, or (3) if consummated, successfully integrate the operations and management of future acquisitions. Acquisitions involve significant risks, which could have a material adverse effect on us including:

Financial risks, such as (1) the payment of a purchase price that exceeds the future value that we may realize from the acquired operations and businesses; (2) an increase in our expenses and working capital requirements, which could reduce our return on invested capital; (3) potential known and unknown liabilities of the acquired businesses, as well as contractually-based time and monetary limitations on a seller's obligation to indemnify us for such liabilities; (4) costs associated with integrating acquired operations and businesses; (5) the dilutive effect of the issuance of any additional equity securities we issue as consideration for, or to finance, the acquisition; (6) the incurrence of additional debt; (7) the financial impact of incorrectly valuing goodwill and other intangible assets involved in any acquisitions, potential future impairment write-downs of goodwill and indefinite life intangibles and the amortization of other intangible assets; (8) possible adverse tax and accounting effects; and (9) the risk that we spend substantial amounts purchasing these manufacturing facilities and assume significant contractual and other obligations with no guaranteed levels of revenue or that we may have to close or sell acquired facilities at our cost, which may include substantial employee severance costs and asset write-offs, which have resulted, and may result, in our incurring significant losses.

Operating risks, such as (1) the diversion of management's attention to the assimilation of the acquired businesses; (2) the risk that the acquired businesses will fail to maintain the quality of services that we have historically provided; (3) the need to implement financial and other systems and add management resources; (4) the need to maintain customer, supplier or other favorable business relationships of acquired operations and restructure or terminate unfavorable relationships; (5) the potential for deficiencies in internal controls of the acquired operations; (6) the inability to attract and retain the employees necessary to support the acquired businesses; (7) potential inexperience in a line of business that is either new to us or that has become materially more significant to us as a result of the transaction; (8) unforeseen difficulties (including any unanticipated liabilities) in the acquired operations; (9) the impact on us of any unionized work force we may acquire or any labor disruptions that might occur; and (10) the possibility that the acquired business's past transactions or practices before our acquisition may lead to future commercial or regulatory risks.

In addition, divestitures involve significant risks (some of which are present in our sale of our Aftermarket Services (AMS) business on April 1, 2014), which could have a material adverse effect on us including: we may not be able to identify acceptable buyers; we may divest a business at a price or on terms that are different than anticipated; we may lose key employees; divestitures could adversely affect our profitability and, under certain circumstances, require us to record impairment charges or a loss as a result of the transaction; completing divestitures requires expenses and management effort; we may become subject to indemnity obligations and/or remain liable or contingently liable for obligations related to the divested