JABIL CIRCUIT INC
Form 10-Q
June 30, 2011

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended May 31, 2011

or

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

For the transition period from to

Commission File Number: 001-14063

JABIL CIRCUIT, INC.
(Exact name of registrant as specified in its charter)

Delaware	**38-1886260**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

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)

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

Indicate by check mark whether the registrant 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 þ No o

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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of June 22, 2011, there were 218,597,347 shares of the registrant s Common Stock outstanding.

JABIL CIRCUIT, INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION
Item 1: FINANCIAL STATEMENTS

JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	May 31, 2011 (Unaudited)	August 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 911,145	$ 744,329
Trade accounts receivable, net of allowance for doubtful accounts of $6,789 at May 31, 2011 and $13,939 at August 31, 2010	1,045,238	1,408,319
Inventories	2,257,984	2,094,135
Prepaid expenses and other current assets	807,666	349,165
Income taxes receivable	35,467	35,560
Deferred income taxes	19,040	22,510
Total current assets	5,076,540	4,654,018
Property, plant and equipment, net of accumulated depreciation of $1,322,531 at May 31, 2011 and $1,166,807 at August 31, 2010	1,593,406	1,451,392
Goodwill	33,943	28,455
Intangible assets, net of accumulated amortization of $124,274 at May 31, 2011 and $112,687 at August 31, 2010	95,137	104,113
Deferred income taxes	69,051	55,101
Other assets	87,491	74,668
Total assets	$ 6,955,568	$ 6,367,747
LIABILITIES AND EQUITY		
Current liabilities:		
Current installments of notes payable and long-term debt	$ 80,449	$ 167,566
Accounts payable	2,752,668	2,741,719
Accrued expenses	863,887	672,252
Income taxes payable	34,270	19,236
Deferred income taxes	4,584	4,401
Total current liabilities	3,735,858	3,605,174
Notes payable and long-term debt, less current installments	1,107,195	1,018,930
Other liabilities	69,713	63,058
Income tax liability	86,718	86,351
Deferred income taxes	6,709	1,462
Total liabilities	5,006,193	4,774,975

Commitments and contingencies		
Equity:		
Jabil Circuit, Inc. stockholders equity:		
Common stock, $0.001 par value, authorized 500,000,000 shares; 223,671,180 and 219,532,908 shares issued and 213,954,794 and 210,496,989 shares outstanding at May 31, 2011 and August 31, 2010, respectively	224	220
Additional paid-in capital	1,619,003	1,541,507
Retained earnings	342,725	123,303
Accumulated other comprehensive income	190,188	122,062
Treasury stock at cost, 9,716,386 shares at May 31, 2011 and 9,035,919 shares at August 31, 2010	(218,785)	(209,046)
Total Jabil Circuit, Inc. stockholders equity	1,933,355	1,578,046
Noncontrolling interests	16,020	14,726
Total equity	1,949,375	1,592,772
Total liabilities and equity	$ 6,955,568	$ 6,367,747

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		Nine months ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
Net revenue	$ 4,227,688	$ 3,455,578	$ 12,238,532	$ 9,548,478
Cost of revenue	3,909,312	3,193,464	11,313,165	8,831,842
Gross profit	318,376	262,114	925,367	716,636
Operating expenses:				
Selling, general and administrative	154,112	151,409	438,368	429,226
Research and development	6,544	6,331	18,825	21,453
Amortization of intangibles	5,187	6,206	16,821	19,954
Restructuring and impairment charges		1,635	628	5,705
Settlement of receivables and related charges			13,607	
Loss on disposal of subsidiaries			23,944	15,722
Operating income	152,533	96,533	413,174	224,576
Other expense	1,771	960	2,418	3,123
Interest income	(897)	(626)	(2,486)	(2,177)
Interest expense	25,149	19,503	73,088	59,649
Income before income tax	126,510	76,696	340,154	163,981
Income tax expense	22,222	24,009	72,737	52,591
Net income	104,288	52,687	267,417	111,390
Net (loss) income attributable to noncontrolling interests, net of income tax expense	(407)	656	642	1,241
Net income attributable to Jabil Circuit, Inc.	$ 104,695	$ 52,031	$ 266,775	$ 110,149
Earnings per share attributable to the stockholders of Jabil Circuit, Inc.:				
Basic	$ 0.49	$ 0.24	$ 1.24	$ 0.51
Diluted	$ 0.47	$ 0.24	$ 1.21	$ 0.51
Weighted average shares outstanding:				
Basic	215,705	213,881	215,092	214,051
Diluted	222,337	216,522	220,773	218,089
Cash dividends declared per common share	$ 0.07	$ 0.07	$ 0.21	$ 0.21

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		Nine months ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
Net income	$ 104,288	$ 52,687	$ 267,417	$ 111,390
Other comprehensive income:				
Foreign currency translation adjustment	25,552	(45,338)	61,548	(70,643)
Change in fair value of derivative instruments, net of tax	4,340	(1,711)	6,869	(1,877)
Amortization of (gain) loss on hedge arrangements, net of tax	(923)	641	(291)	3,178
Comprehensive income	133,257	6,279	335,543	42,048
Comprehensive (loss) income attributable to noncontrolling interests	(407)	656	642	1,241
Comprehensive income attributable to Jabil Circuit, Inc.	$ 133,664	$ 5,623	$ 334,901	$ 40,807

Accumulated foreign currency translation adjustments were $230.0 million at May 31, 2011 and $168.4 million at August 31, 2010. Foreign currency translation adjustments primarily consist of adjustments to consolidate subsidiaries that use a foreign currency as their functional currency.

See accompanying notes to Condensed Consolidated Financial Statements.

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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 Shares Outstanding	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Noncontrolling Interests	Total Equity
Balance at August 31, 2010	210,496,989	$ 220	$ 1,541,507	$ 123,303	$ 122,062	$ (209,046)	$ 14,726	$ 1,592,772
Shares issued upon exercise of stock options	857,664	1	12,128					12,129
Shares issued under employee stock purchase plan	506,250	1	5,648					5,649
Issuance and vesting of restricted stock awards	2,774,115	2	(2)					
Purchases of treasury stock under employee stock plans	(680,224)					(9,739)		(9,739)
Recognition of stock-based compensation			59,660					59,660
Tax benefit of options exercised			62					62
Declared dividends				(47,353)				(47,353)
Comprehensive income				266,775	68,126		642	335,543
Foreign currency adjustments attributable to noncontrolling interests							652	652
Balance at May 31, 2011	213,954,794	$ 224	$ 1,619,003	$ 342,725	$ 190,188	$ (218,785)	$ 16,020	$ 1,949,375

See accompanying notes to Condensed Consolidated Financial Statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine months ended	
	May 31, 2011	**May 31, 2010**
Cash flows from operating activities:		
Net income	$ 267,417	$ 111,390
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	234,312	211,943
Recognition of deferred grant proceeds	(1,466)	(1,467)
Amortization of loss on hedge arrangement	2,963	2,963
Amortization of debt issuance costs and discount	3,990	2,770
Write-off of debt issuance costs	219	
Recognition of stock-based compensation expense	59,854	67,980
Deferred income taxes	(2,305)	(8,230)
Restructuring and impairment charges	628	5,705
Provision for allowance for doubtful accounts and notes receivable	1,150	(222)
Excess tax benefit from options exercised	(178)	(118)
Loss on sale of property	3,061	4,607
Settlement of receivables and related charges	12,673	
Loss on disposal of subsidiaries	23,944	12,756
Change in operating assets and liabilities, exclusive of net assets acquired:		
Trade accounts receivable	100,226	(70,093)
Inventories	(187,146)	(607,742)
Prepaid expenses and other current assets	(145,384)	(126,005)
Other assets	(10,011)	1,556
Accounts payable and accrued expenses	148,289	509,838
Income taxes payable	12,181	24,545
Net cash provided by operating activities	524,417	142,176
Cash flows from investing activities:		
Cash paid for business and intangible asset acquisitions, net of cash acquired	3,985	
Acquisition of property, plant and equipment	(320,965)	(245,118)
Proceeds from sale of property, plant and equipment	13,669	7,257
Cost of receivables acquired, net of cash collections	(521)	
Proceeds on disposal of available for sale investments	5,800	
Net cash used in investing activities	(298,032)	(237,861)
Cash flows from financing activities:		
Borrowings under debt agreements	5,706,610	3,703,460
Payments toward debt agreements	(5,714,853)	(3,812,960)

Net proceeds from exercise of stock options and issuance of common stock under employee stock purchase plan	17,778	6,210
Treasury stock minimum tax withholding related to vesting of restricted stock	(9,739)	(5,487)
Dividends paid to stockholders	(45,306)	(44,901)
Bond issuance costs	(14,549)	
Net proceeds from issuance of ordinary shares of certain subsidiaries		586
Bank overdraft of subsidiary		9,665
Excess tax benefit from options exercised	179	118
Net cash used in financing activities	(59,880)	(143,309)
Effect of exchange rate changes on cash and cash equivalents	311	(36,929)
Net increase (decrease) in cash and cash equivalents	166,816	(275,923)
Cash and cash equivalents at beginning of period	744,329	876,272
Cash and cash equivalents at end of period	$ 911,145	$ 600,349

See accompanying notes to Condensed Consolidated Financial Statements.

JABIL CIRCUIT, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 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, 2010. Results for the three month and nine month periods ended May 31, 2011 are not necessarily an indication of the results that may be expected for the full fiscal year ending August 31, 2011.

Certain amounts in the prior periods financial statements have been reclassified to conform to the current period s presentation.

Note 2. Inventories

The components of inventories consist of the following (in thousands):

	May 31, 2011	August 31, 2010
Raw materials	$ 1,577,751	$ 1,509,886
Work in process	402,572	390,069
Finished goods	277,661	194,180
Total inventories	$ 2,257,984	$ 2,094,135

Note 3. Earnings Per Share and Dividends

a. Earnings Per Share

The Company calculates its basic earnings per share by dividing net income attributable to Jabil Circuit, Inc. by the weighted average number of common shares and participating securities outstanding during the period. In periods of a net loss, participating securities are not included in the basic loss per share calculation as such participating securities are not contractually obligated to fund losses. 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		Nine months ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
Numerator:				
Net income attributable to Jabil Circuit, Inc.	$ 104,695	$ 52,031	$ 266,775	$ 110,149
Denominator for basic and diluted earnings per share:				
Weighted-average common shares outstanding	213,862	209,813	212,876	209,121
Share-based payment awards classified as participating securities	1,843	4,068	2,216	4,930
Denominator for basic earnings per share	215,705	213,881	215,092	214,051

Dilutive common shares issuable under the employee stock purchase plan and upon exercise of stock options and stock appreciation rights	806	413	869	265
Dilutive unvested restricted stock awards	5,826	2,228	4,812	3,773
Denominator for diluted earnings per share	222,337	216,522	220,773	218,089
Earnings per share:				
Income attributable to the stockholders of Jabil Circuit, Inc.:				
Basic	$ 0.49	$ 0.24	$ 1.24	$ 0.51
Diluted	$ 0.47	$ 0.24	$ 1.21	$ 0.51

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For the three months and nine months ended May 31, 2011, options to purchase 4,107,337 and 4,120,993 shares of common stock, respectively, and 5,288,984 and 5,360,899 stock appreciation rights, respectively, were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive. For the three months and nine months ended May 31, 2010, options to purchase 5,204,495 and 6,319,622 shares of common stock, respectively, and 7,990,732 and 7,997,232 stock appreciation rights, respectively, were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive.

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 nine months ended May 31, 2011 and 2010:

	Dividend Information				
	Dividend Declaration Date	Dividend per Share	Total Cash Dividends Declared	Date of Record for Dividend Payment	Dividend Cash Payment Date
	(in thousands, except for per share data)				
Fiscal year 2011:	October 25, 2010	$0.07	$15,563	November 15, 2010	December 1, 2010
	January 25, 2011	$0.07	$15,634	February 15, 2011	March 1, 2011
	April 13, 2011	$0.07	$15,647	May 16, 2011	June 1, 2011
Fiscal year 2010:	October 22, 2009	$0.07	$15,186(1)	November 16, 2009	December 1, 2009
	January 22, 2010	$0.07	$15,238	February 16, 2010	March 1, 2010
	April 14, 2010	$0.07	$15,221	May 17, 2010	June 1, 2010

(1) Of the $15.2 million in total dividends declared during the first quarter of fiscal year 2010, $14.4 million was paid out of additional paid-in capital (which represents the amount of dividends declared in excess of the Company s retained earnings balance as of the date that the dividend was declared).

Note 4. 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 $20.1 million and $59.9 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 for the three months and nine months ended May 31, 2011, respectively. The Company recorded tax effects related to the stock-based compensation expense of $0.8 million and $1.6 million, which is included in income tax expense within the Condensed Consolidated Statements of Operations for the three months and nine months ended May 31, 2011, respectively. Included in the compensation expense recognized by the Company are $0.9 million and $2.9 million related to the Company s employee stock purchase plan (ESPP) during the three months and nine months ended May 31, 2011, respectively. The Company recorded $27.5 million and $68.0 million of gross stock-based compensation expense, which is included in selling, general and administrative expenses within the Condensed Consolidated Statements of Operations for the three months and nine months ended May 31, 2010, respectively. The Company recorded tax effects related to the stock-based compensation expense of $0.7 million and $1.3 million, which is included in income tax expense within the Condensed Consolidated Statements of Operations for the three months and nine months ended May 31, 2010, respectively. Included in the compensation expense recognized by the Company are $0.8 million and $3.0 million related to the Company s ESPP during the three months and nine months ended May 31, 2010, respectively. The Company capitalizes stock-based compensation costs related to awards granted to employees whose compensation costs are directly attributable to the cost of inventory. At May 31, 2011 and August 31, 2010, $0.3 million and $0.2 million, respectively, of stock-based compensation costs were classified as inventories on the Condensed Consolidated Balance Sheets.

Cash received from exercises under all share-based payment arrangements, including the Company s ESPP, for the nine months ended May 31, 2011 and 2010 was $17.8 million and $6.2 million, respectively. The proceeds for the nine months ended May 31, 2011 and 2010 were offset by $9.7 million and $5.5 million, respectively, of restricted shares withheld by the Company to satisfy the minimum amount of its income tax withholding requirements. The market value of the restricted shares withheld was determined on the date that the restricted shares vested and resulted in the withholding of 680,224 shares and 350,747 shares of the Company s common stock during the nine months ended May 31, 2011 and 2010, respectively. The shares have been classified as treasury stock on the Condensed Consolidated Balance Sheets. The Company currently expects to satisfy share-based awards with registered shares available to be issued.

A new stock award and incentive plan (the 2011 Plan) was adopted by the Board of Directors during the first quarter of fiscal year 2011 and approved by the stockholders during the second quarter of fiscal year 2011. The 2011 Plan provides for the granting of restricted stock awards, restricted stock unit awards and other stock-based awards. The maximum aggregate number of shares that may be subject to awards under the 2011 Plan is 8,850,000. If any portion of an outstanding award that was granted under the 2002 Stock Incentive Plan (the 2002 Plan), which was terminated immediately upon the effectiveness of the 2011 Plan, for any reason expires or is terminated or canceled or forfeited on or after the date of termination of the 2002 Plan, the shares allocable to the expired, terminated, canceled, or forfeited portion of such 2002 Plan award shall be available for issuance under the 2011 Plan.

The current ESPP was adopted by the Company s Board of Directors during the first quarter of fiscal year 2002 and approved by the shareholders during the second quarter of fiscal year 2002. Initially there were 2,000,000 shares reserved under the current ESPP. An additional 2,000,000 shares and 3,000,000 shares were authorized for issuance under the current ESPP and approved by stockholders during the second quarter of fiscal years 2006 and 2009, respectively. A new ESPP was adopted by the Company s Board of Directors during the first quarter of fiscal year 2011 and approved by the shareholders during the second quarter of fiscal year 2011 with 6,000,000 shares authorized for issuance. The new ESPP will begin issuing shares after the purchase period ending June 30, 2011. The Company also adopted a tax advantaged sub-plan under the ESPP for its Indian employees. Shares are issued under the Indian sub-plan from the authorized shares under the ESPP.

a. Stock Option and Stock Appreciation Right Plans

The Company applies a lattice valuation model for stock options and stock appreciation rights granted (collectively known as Options), excluding those granted under the ESPP. The lattice valuation model is a more flexible analysis to value employee Options, as compared to a Black-Scholes model, because of its ability to incorporate inputs that change over time, such as volatility and interest rates, and to allow for actual exercise behavior of Option holders.

There were no options granted during the nine months ended May 31, 2011. The weighted-average grant-date fair value per share of Options granted during the nine months ended May 31, 2010 was $6.36. The total intrinsic value of Options exercised during the nine months ended May 31, 2011 and 2010 was $4.8 million and $0.3 million, respectively. As of May 31, 2011, there was $1.8 million of unrecognized compensation costs related to non-vested Options that is expected to be recognized over a weighted-average period of 1.1 years. The total fair value of Options vested during the nine months ended May 31, 2011 and 2010 was $6.2 million and $14.0 million, respectively.

Following are the grant date weighted-average and range assumptions, where applicable, used for each respective period:

	Three months ended		Nine months ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
Expected dividend yield	*	*	*	1.9%
Risk-free interest rate	*	*	*	0.1% to 3.4%
Weighted-average expected volatility	*	*	*	60.2%
Weighted-average expected life	*	*	*	5.6 years

* The Company did not grant Options during the three months ended May 31, 2011 and 2010 and the nine months ended May 31, 2011.

The following table summarizes Option activity from August 31, 2010 through May 31, 2011:

	Shares Available	Options	Aggregate Intrinsic Value	Weighted-Average Exercise	Weighted-Average Remaining Contractual

	for Grant	Outstanding	(in thousands)	Price	Life (years)
Balance at August 31, 2010	10,480,001	13,154,272	$ 95	$ 24.10	4.09
Shares no longer available for grant due to terminated 2002 Stock Plan	(5,896,748)				
Options authorized	8,850,000				
Options expired	(817,611)			$ 31.70	
Options granted					

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	Shares Available for Grant	Options Outstanding	Aggregate Intrinsic Value (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)
Options canceled	1,196,848	(1,196,848)		$ 25.61	
Restricted stock awards[1]	(4,686,743)				
Options exercised		(868,151)		$ 14.23	
Balance at May 31, 2011	9,125,747	11,089,273	$ 13,512	$ 24.25	3.8
Exercisable at May 31, 2011		10,816,915	$ 13,052	$ 24.37	3.7

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

b. Restricted Stock Awards

Certain key employees have been granted time-based, performance-based, and market-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 years and provide a range of vesting possibilities from 0% to 200%, depending on the level of achievement of the specified performance condition. The market-based restricted awards have a vesting condition that is tied to the Standard and Poor s 500 Composite Index (S&P).

The stock-based compensation expense for these restricted stock awards (including restricted stock and restricted stock units) is measured at fair value on the date of grant based on the number of shares expected to vest and the quoted market price of the Company s common stock. For restricted stock awards with performance conditions, stock-based compensation expense is originally based on the number of shares that would vest if the Company achieved 100% of the performance goal, which was the probable outcome at the grant date. Throughout the requisite service period, management monitors the probability of achievement of the performance condition. If it becomes probable, based on the Company s performance, that more or less than the current estimate of the awarded shares will vest, an adjustment to stock-based compensation expense will be recognized as a change in accounting estimate. For restricted stock awards with market conditions, the market conditions are considered in the grant date fair value of the award using a lattice model, which utilizes multiple input variables to determine the probability of the Company achieving the specified market conditions. Stock-based compensation expense related to an award with a market condition will be recognized over the requisite service period regardless of whether the market condition is satisfied, provided that the requisite service period has been completed.

At May 31, 2011, there was $82.9 million of total unrecognized stock-based compensation expense related to restricted stock awards granted under the 2002 Plan and 2011 Plan. This expense is expected to be recognized over a weighted-average period of 1.5 years.

The following table summarizes restricted stock activity from August 31, 2010 through May 31, 2011:

	Shares	Weighted - Average Grant-Date Fair Value
Non-vested balance at August 31, 2010	12,189,271	$ 13.13

Changes during the period			
Shares granted[1]	6,160,013	$	14.27
Shares vested	(2,678,115)	$	16.98
Shares forfeited	(1,473,270)	$	13.05
Non-vested balance at May 31, 2011	14,197,899	$	12.91

(1) Represents the maximum number of shares that can vest based on the achievement of certain performance criteria.

c. Employee Stock Purchase Plan

Employees are eligible to participate in the ESPP after 90 days of employment with the Company. The ESPP permits eligible employees to purchase common stock through payroll deductions, which may not exceed 10% of an employee s compensation, as

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defined in the ESPP, at a price equal to 85% of the fair value of the common stock at the beginning or end of the offering period, whichever is lower. The ESPP is intended to qualify under Section 423 of the Internal Revenue Code.

The maximum number of shares that a participant may purchase in an offering period is determined in June and December. As such, there were 506,250 and 740,720 shares purchased under the ESPP during the nine months ended May 31, 2011 and 2010, respectively. At May 31, 2011, a total of 6,297,969 shares had been issued under the ESPP.

The fair value of shares issued under the ESPP was estimated on the commencement date of each offering period using the Black-Scholes option pricing model. The following weighted-average assumptions were used in the model for each respective period:

	Three months ended		Nine months ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
Expected dividend yield	1.1%	0.8%	1.1%	0.8%
Risk-free interest rate	0.2%	0.2%	0.2%	0.2%
Weighted-average expected volatility	49.7%	49.0%	49.7%	49.0%
Expected life	.5 years	.5 years	.5 years	.5 years

Note 5. Concentration of Risk and Segment Data

a. Concentration of Risk

The Company operates in 24 countries worldwide. Sales to unaffiliated customers are based on the Company s location that provides the comprehensive electronics design, production and product management services. The following table sets forth external net revenue, net of intercompany eliminations, and long-lived asset information where individual countries represent a material portion of the total (in thousands):

	Three months ended		Nine months ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
External net revenue:				
Mexico	$ 944,212	$ 906,408	$ 2,903,047	$ 2,465,588
China	833,104	568,882	2,428,246	1,706,632
United States	601,659	541,154	1,746,466	1,479,988
Hungary	526,022	340,856	1,365,038	862,959
Malaysia	298,788	329,131	855,336	828,972
Singapore	285,334	9,054	648,944	13,380
Other	738,569	760,093	2,291,455	2,190,959
	$ 4,227,688	$ 3,455,578	$ 12,238,532	$ 9,548,478

	May 31, 2011	August 31, 2010
Long-lived assets:		
China	$ 542,334	$ 483,181
United States	260,088	255,108
Mexico	197,919	212,409
Poland	126,306	98,395
Taiwan	118,885	110,237
Malaysia	118,104	102,700
Other	358,850	321,930

	$ 1,722,486	$ 1,583,960

Total foreign source net revenue represented 85.8% and 85.7% of net revenue for the three months and nine months ended May 31, 2011, respectively, compared to 84.3% and 84.5% for the three months and nine months ended May 31, 2010, respectively.

Sales of the Company s products are concentrated among specific customers. For the nine months ended May 31, 2011, the Company s five largest customers accounted for approximately 48% of its net revenue and 48 customers accounted for approximately

90% of its net revenue. Sales to the above customers were reported in the Diversified Manufacturing Services (DMS), Enterprise & Infrastructure (E&I) and High Velocity Systems (HVS) segments.

Production levels for the DMS and HVS segments 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 and HVS segments 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 it 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. Management, including the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer evaluates performance and allocates resources on a segment basis. Prior to the first quarter of fiscal year 2011, the Company managed its business based on three segments, Electronic Manufacturing Services, Consumer and Aftermarket Services. On September 1, 2010, the Company reorganized 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 three segments DMS, E&I and HVS. All prior period disclosures below have been restated to reflect this change.

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 stock-based compensation expense, amortization of intangibles, restructuring and impairment charges, settlement of receivables and related charges, loss on disposal of subsidiaries, other expense, interest income, interest expense, income tax expense or adjustment for net income attributable to noncontrolling interests. Total segment assets are defined as trade accounts receivable, inventories, net customer-related machinery and equipment, intangible assets net of accumulated amortization and goodwill. All other non-segment assets are reviewed on a global basis by management.

The following table sets forth operating segment information (in thousands):

	Three months ended		**Nine months ended**	
	May 31, 2011	**May 31, 2010**	**May 31, 2011**	**May 31, 2010**
Net revenue				
DMS	$ 1,532,902	$ 1,064,315	$ 4,328,907	$ 2,968,920
E&I	1,382,633	1,197,479	3,783,550	3,138,725
HVS	1,312,153	1,193,784	4,126,075	3,440,833
	$ 4,227,688	$ 3,455,578	$ 12,238,532	$ 9,548,478

Segment income and reconciliation of income before income tax

	Three months ended		**Nine months ended**	
	May 31, 2011	**May 31, 2010**	**May 31, 2011**	**May 31, 2010**
DMS	$ 94,338	$ 61,107	$ 275,522	$ 160,489
E&I	54,052	56,795	163,410	133,601

HVS	29,383	13,959	89,096	39,847
Total segment income	177,773	131,861	528,028	333,937
Reconciling items:				
Stock-based compensation expense	20,053	27,487	59,854	67,980
Amortization of intangibles	5,187	6,206	16,821	19,954
Restructuring and impairment charges		1,635	628	5,705

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	Three months ended May 31, 2011	Three months ended May 31, 2010	Nine months ended May 31, 2011	Nine months ended May 31, 2010
Settlement of receivables and related charges			13,607	
Loss on disposal of subsidiaries			23,944	15,722
Other expense	1,771	960	2,418	3,123
Interest income	(897)	(626)	(2,486)	(2,177)
Interest expense	25,149	19,503	73,088	59,649
Income before income tax	$ 126,510	$ 76,696	$ 340,154	$ 163,981

	May 31, 2011	August 31, 2010
Total assets		
DMS	$ 2,331,431	$ 2,194,998
E&I	1,291,140	1,033,910
HVS	1,154,217	1,469,476
Other non-allocated assets	2,178,780	1,669,363
	$ 6,955,568	$ 6,367,747

Note 6. Commitments and Contingencies

a. Legal Proceedings

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.

b. Warranty Provision

The Company maintains a provision for limited warranty repair of shipped products, which is established under the terms of specific manufacturing contract agreements. The warranty liability is included in accrued expenses on the Condensed Consolidated Balance Sheets. The warranty period varies by product and customer industry sector. The provision represents management s estimate of probable liabilities, calculated as a function of sales volume and historical repair experience, for each product under warranty. The estimate is re-evaluated periodically for accuracy. A rollforward of the warranty liability for the nine months ended May 31, 2011 and 2010 is as follows (in thousands):

	Amount
Balance at August 31, 2010	$ 10,828
Accruals for warranties	5,762
Warranty liabilities acquired	3,986
Settlements	(6,900)
Balance at May 31, 2011	$ 13,676

	Amount
Balance at August 31, 2009	$ 14,280
Accruals for warranties	5,434
Settlements	(6,196)

Balance at May 31, 2010	$ 13,518

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Note 7. Goodwill and Other Intangible Assets

The Company performs a goodwill impairment analysis using the two-step method on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverability of goodwill is measured at the reporting unit level, which the Company has determined to be consistent with its operating segments, by comparing the reporting unit s carrying amount, including goodwill, to the fair value of the reporting unit. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired and a second step is performed to measure the amount of loss, if any.

The Company completed its annual impairment test for goodwill during the fourth quarter of fiscal year 2010 and determined the fair values of the reporting units were substantially in excess of the carrying values and that no impairment existed as of the date of the impairment test. For each annual impairment test the Company consistently determines the fair value of its reporting units based on an average weighting of both projected discounted future results and the use of comparative market multiples. On September 1, 2010, the Company reorganized its business into the DMS, E&I and HVS segments. In doing so, the Company reassigned its goodwill to the new reporting units (which are deemed to be consistent with the new segments) and was required to perform an interim goodwill impairment test based on these new reporting units. Based on this interim goodwill impairment test, the Company determined that the fair values of its new reporting units were substantially in excess of the carrying values and that no impairment existed as of the date of the interim impairment test.

The following table presents the changes in goodwill allocated to the Company s reportable segments during the nine months ended May 31, 2011 (in thousands):

	August 31, 2010				May 31, 2011		
Reportable Segment	Gross Balance	Accumulated Impairment Balance	Acquisitions & Adjustments	Foreign Currency Impact	Gross Balance	Accumulated Impairment Balance	Net Balance
DMS	$ 583,423	$ (558,768)	$	$ 554	$ 583,977	$ (558,768)	$ 25,209
E&I	335,584	(331,784)	4,128	806	340,518	(331,784)	8,734
HVS	132,269	(132,269)			132,269	(132,269)	
Total	$ 1,051,276	$ (1,022,821)	$ 4,128	$ 1,360	$ 1,056,764	$ (1,022,821)	$ 33,943

Intangible assets consist primarily of contractual agreements and customer relationships, which are being amortized on a straight-line basis over periods of up to 10 years, intellectual property which is being amortized on a straight-line basis over a period of up to five years and a trade name which has an indefinite life. The Company completed its annual impairment test for its indefinite-lived intangible asset during the fourth quarter of fiscal year 2010 and determined that no impairment existed as of the date of the impairment test. Significant judgments inherent in this analysis included assumptions regarding appropriate revenue growth rates, discount rates and royalty rates. No significant residual value is estimated for the amortizable intangible assets. The value of the Company s intangible assets purchased through business acquisitions is principally determined based on valuations of the net assets acquired. The following tables present the Company s total purchased intangible assets at May 31, 2011 and August 31, 2010 (in thousands):

May 31, 2011	Gross carrying amount	Accumulated amortization	Net carrying amount
Contractual agreements and customer relationships	$ 85,283	$ (51,217)	$ 34,066
Intellectual property	80,561	(73,057)	7,504
Trade name	53,567		53,567

Total	$ 219,411	$ (124,274)	$ 95,137

August 31, 2010	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Contractual agreements and customer relationships	$ 83,746	$ (43,698)	$ 40,048
Intellectual property	85,166	(68,989)	16,177
Trade name	47,888		47,888
Total	$ 216,800	$ (112,687)	$ 104,113

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The weighted-average amortization period for aggregate net intangible assets at May 31, 2011 is 7.6 years, which includes a weighted-average amortization period of 9.4 years for net contractual agreements and customer relationships and a weighted-average amortization period of 5.0 years for net intellectual property.

The estimated future amortization expense is as follows (in thousands):

Fiscal year ending August 31,	Amount
2011 (remaining three months)	$ 5,242
2012	13,470
2013	8,915
2014	7,684
2015	4,752
Thereafter	1,507
Total	$ 41,570

Note 8. Trade Accounts Receivable Securitization and Sale Programs

The Company regularly sells designated pools of trade accounts receivable under two asset-backed securitization programs, two trade accounts receivable sale programs and a factoring program.

a. Asset-Backed Securitization Program

In connection with the asset-backed securitization program, the Company regularly sells a designated pool of trade accounts receivable to a wholly-owned subsidiary, which in turn sells 100% of the eligible receivables to conduits, administered by unaffiliated financial institutions. This wholly-owned subsidiary is a separate bankruptcy-remote entity and its assets would be available first to satisfy the creditor claims of the conduits. As the receivables sold are collected, the wholly-owned subsidiary is able to sell additional receivables up to the maximum permitted amount under the program. Net cash proceeds of $300.0 million are available at any one time under the securitization program.

Prior to September 1, 2010, the transactions in this program were accounted for as sales under applicable accounting guidance. Effective September 1, 2010, the Company adopted new accounting guidance that resulted in more stringent conditions for reporting the transfer of a financial asset as a sale. As a result of the adoption of this new guidance, the accounts receivable transferred under this program no longer qualified for sale treatment and as such were accounted for as secured borrowings. During the first quarter of fiscal year 2011, this program was amended to again account for the transfers of the applicable accounts receivable as sales. Under the amended 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 by the conduits from available cash as payments on the receivables are collected. The securitization program requires compliance with several financial covenants including an interest coverage ratio and debt to EBITDA ratio, as defined in the securitization agreements. The securitization agreement, as amended on November 5, 2010, expires on November 4, 2011.

Net receivables sold under this program are excluded from trade 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. The wholly-owned subsidiary is assessed (i) a fee on the unused portion of the program of 0.50% per annum based on the average daily unused aggregate receivables sold during the period and (ii) a usage fee on the utilized portion of the program is equal to 0.95% per annum (inclusive of the unused fee) on the average daily outstanding aggregate receivables sold during the immediately preceding calendar month. The securitization conduits and the investors in the conduits have no recourse to the Company s assets for failure of debtors to pay when due.

The Company continues servicing the receivables sold and in exchange receives a servicing fee. Servicing fees recognized during the three months and nine months ended May 31, 2011 and 2010 were not material and are included in other expense within the Condensed Consolidated Statements of Operations. The Company does not record a servicing asset or liability as the Company estimates the fee it receives in return for its obligation to service these receivables is at fair value.

The Company sold $1.4 billion and $4.3 billion of eligible trade accounts receivable during the three months and nine months ended May 31, 2011, respectively. In exchange, the Company received cash proceeds of $1.1 billion and $4.0 billion during the three months and nine months ended May 31, 2011, respectively, and a net deferred purchase price receivable. At May 31, 2011, the deferred purchase price receivable totaled approximately $280.1 million, which was recorded initially at fair value as prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets. The deferred purchase price receivable was valued using unobservable inputs (Level 3 inputs), primarily discounted cash flows, and due to its credit quality and short-term maturity the fair value approximated book value.

The Company sold $1.1 billion and $3.6 billion of eligible trade accounts receivable during the three months and nine months ended May 31, 2010, respectively. In exchange, the Company received cash proceeds of $0.9 billion and $3.4 billion during the three months and nine months ended May 31, 2010, respectively, and retained an interest in the receivables of approximately $144.6 million at May 31, 2010.

The Company recognized pretax losses on the sales of receivables of approximately $0.8 million and $2.7 million during the three months and nine months ended May 31, 2011 compared to $0.9 million and $2.9 million during the three months and nine months ended May 31, 2010, respectively, which are recorded to other expense within the Condensed Consolidated Statements of Operations. Prior to execution of the previously discussed amendment, the Company recognized interest expense of approximately $0.5 million during the first quarter of fiscal year 2011 associated with the secured borrowings.

b. Foreign Asset-Backed Securitization Program

In connection with the foreign asset-backed securitization program, prior to May 11, 2011, certain of the Company s foreign subsidiaries sold, on an ongoing basis, an undivided interest in designated pools of trade accounts receivable to a special purpose entity, which in turn borrowed up to $100.0 million from an unaffiliated financial institution and granted a security interest in the accounts receivable as collateral for the borrowings. The securitization program was accounted for as a borrowing. The loan balance was calculated based on the terms of the securitization program agreements.

Effective May 11, 2011, the securitization program was amended to provide for the sale of 100% of the designated trade accounts receivable of the Company s foreign subsidiaries to the special purpose entity which in turn sells 100% of the receivables to an unaffiliated financial institution. Net cash proceeds of $200.0 million are available at any one time under the securitization program. As a result of the amendment, transfers of the receivables to the unaffiliated financial institution are accounted for as sales. Under the amended program, any portion of the purchase price for the receivables which is not paid in cash to the special purpose entity upon the sale taking place is recorded as a deferred purchase price receivable, which is paid to the special purpose entity as payments on the receivables are collected. The foreign-asset backed securitization program requires compliance with several covenants including limitations on certain corporate actions such as mergers and consolidations. The securitization agreement, as amended on May 11, 2011, expires on May 10, 2012.

As the Company has the power to direct the activities of the special purpose entity and the obligation to absorb the majority of the expected losses or the right to receive benefits from the transfer of trade accounts receivable into the special purpose entity it is deemed the primary beneficiary. Accordingly, the Company consolidates the special purpose entity (which was also the case prior to the amendment on May 11, 2011).

Net receivables sold under this program are excluded from trade 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. The special purpose entity is assessed (i) a fee in an amount equal to 0.45% per annum multiplied by the maximum aggregate invested amount during the period and (ii) a fee on the average amount outstanding under the program during the period multiplied by the applicable rate in effect for the period (i.e. LIBOR for U.S. dollars and EURIBOR for euros) plus a 0.45% per annum margin. The unaffiliated financial institution has no recourse to the Company s assets for failure of debtors to pay when due.

The Company continues servicing the receivables in the program and in exchange receives a servicing fee. Servicing fees recognized during the three months and nine months ended May 31, 2011 and 2010 were not material and are included in interest expense up through the amendment date of May 11, 2011 and in other expense subsequent to May 11, 2011 within the Condensed Consolidated Statements of Operations. The Company does not record a servicing asset or liability on the Condensed Consolidated Balance Sheets as the Company estimates the fee it receives in return for its obligation to service these receivables is at fair value.

Subsequent to the amendment on May 11, 2011 through May 31, 2011, the Company sold (including amounts transferred into the program on the amendment date) $352.8 million of eligible trade accounts receivable. In exchange, the Company received cash proceeds of $258.9 million during the same period, and a net deferred purchase price receivable. At May 31, 2011, the deferred purchase price receivable totaled approximately $93.9 million, which was recorded initially at fair value as prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets. The deferred purchase price receivable was valued using unobservable inputs (Level 3 inputs), primarily discounted cash flows, and due to its credit quality and short-term maturity the fair value approximated book value. The resulting losses on the sales of the receivables subsequent to the amendment on May 11, 2011 through May 31, 2011 were $0.5 million and were recorded to other expense within the Condensed Consolidated Statements of Operations.

Prior to execution of the previously discussed amendment, the Company recognized interest expense of approximately $0.3 million and $0.9 million for the three months and nine months ended May 31, 2011 associated with the secured borrowings.

At May 31, 2010, the Company had $58.1 million of secured borrowings outstanding under the program. In addition, the Company incurred interest expense of $0.4 million and $1.8 million recorded in the Condensed Consolidated Statements of Operations during the three months and nine months ended May 31, 2010.

c. 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. The factoring of trade accounts receivable under this agreement is accounted for as a sale. Proceeds on 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 April 2011, the factoring agreement was extended through September 30, 2011, at which time it is expected to automatically renew for an additional six-month period.

The receivables sold pursuant to this factoring agreement are excluded from trade 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. The Company continues to service, administer and collect the receivables sold under this program. Servicing fees recognized during the three months and nine months ended May 31, 2011 and 2010 were not material, and were recorded to other expense within the Condensed Consolidated Statements of Operations. The Company does not record a servicing asset or liability on the Condensed Consolidated Balance Sheets as the Company estimates the fee it receives in return for its obligation to service these receivables is at fair value. The third party purchaser has no recourse to the Company s assets for failure of debtors to pay when due.

The Company sold $14.4 million and $50.6 million of trade accounts receivable during the three months and nine months ended May 31, 2011, respectively, and in exchange, received cash proceeds of $14.3 million and $50.5 million, respectively. The resulting losses on the sales of trade accounts receivables sold under this factoring agreement for the three months and nine months ended May 31, 2011 were not material, and were recorded to other expense within the Condensed Consolidated Statements of Operations. The Company sold $20.8 million and $68.9 million of trade accounts during the three months and nine months ended May 31, 2010, respectively, and in exchange, received cash proceeds of $20.8 million and $68.8 million, respectively. The resulting losses on the sales of trade accounts receivables sold under this factoring agreement for the three months and nine months ended May 31, 2010 were not material, and were recorded to other expense within the Condensed Consolidated Statements of Operations.

d. Trade Accounts Receivable Sale Programs

In fiscal year 2010, the Company entered into two separate uncommitted accounts receivable sale agreements with banks which originally allowed the Company and certain of its subsidiaries to elect to sell and the banks to elect to purchase at a discount, on an ongoing basis, up to a maximum of $150.0 million and $75.0 million of specific trade accounts receivable at any one time. The sale programs have been amended to increase the facility limits from $150.0 million to $200.0 million and from $75.0 million to $175.0 million of specific trade accounts receivable at any one time. The programs are accounted for as sales. Net receivables sold under the programs are excluded from trade 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. The $200.0 million sale program was amended on May 27, 2011. The terms of the agreement were amended such that the program no longer has a defined termination date and either party can elect to cancel the agreement at any time with notification. The $175.0 million sale program expires on August 24, 2011. The Company continues servicing the receivables in the program. Servicing fees recognized during the three months and nine months ended May 31, 2011 and 2010 were not material and are included in other expense within the Condensed Consolidated Statements of Operations. The Company does not record a servicing asset or liability on the Condensed Consolidated Balance Sheets as the Company estimates the fee it receives in return for its obligation to service these receivables is at fair value.

During the three and nine months ended May 31, 2011, the Company sold $697.8 million and $1.8 billion of trade accounts receivable under these programs, respectively. In exchange, the Company received cash proceeds of

$697.3 million and $1.8 billion, respectively. The resulting losses on the sales of trade accounts receivable for the three months and nine months ended May 31, 2011, were not material and were recorded to other expense within the Condensed Consolidated Statements of Operations. During the three and nine months ended May 31, 2010, the Company sold $43.5 million of trade accounts receivable under these programs. In exchange, the Company received cash proceeds of $43.5 million. The resulting losses on the sales of trade accounts receivable for the three months and nine months ended May 31, 2010, were not material and were recorded to other expense within the Condensed Consolidated Statements of Operations.

Note 9. Retirement 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, which provides benefits based on average employee earnings over a three-year service period preceding retirement and (b) primarily unfunded retirement plans mainly in Austria, France, Germany, Japan, Poland, Taiwan and The Netherlands and which provide benefits based upon years of service and compensation at retirement.

There are no domestic pension or postretirement benefit plans maintained by the Company.

The components of net periodic benefit cost (gain) for the Company s pension plans are as follows (in thousands):

	Three months ended		Nine months ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
Service cost	$ 376	$ 364	$ 1,136	$ 1,152
Interest cost	1,441	1,353	4,259	4,338
Expected long-term return on plan assets	(1,118)	(1,000)	(3,315)	(3,212)
Amortization of prior service cost	(6)	(26)	(19)	(87)
Recognized actuarial loss	447	292	1,453	932
Curtailment gain			(1,874)	
Net periodic benefit cost (gain)	$ 1,140	$ 983	$ 1,640	$ 3,123

During the nine months ended May 31, 2011, the Company made contributions of approximately $2.8 million to its defined benefit pension plans. The Company presently anticipates total fiscal year 2011 contributions to approximate $3.6 million to $4.2 million.

Note 10. Notes Payable and Long-Term Debt

Notes payable and long-term debt outstanding at May 31, 2011 and August 31, 2010 are summarized below (in thousands):

	May 31, 2011	August 31, 2010
7.750% Senior Notes due 2016	$ 303,072	$ 301,782
8.250% Senior Notes due 2018	397,426	397,140
5.625% Senior Notes due 2020 (a)	400,000	
Borrowings under credit facilities	78,000	73,750
Borrowings under loans (b)	2,449	342,380
Securitization program obligations		71,436
Miscellaneous borrowings	2	8
Fair value adjustment (c)	6,695	
Total notes payable and long-term debt	1,187,644	$ 1,186,496
Less current installments of notes payable and long-term debt	80,449	167,566
Notes payable and long-term debt, less current installments	$ 1,107,195	$ 1,018,930

The $400.0 million of 5.625% senior unsecured notes (the 5.625% Senior Notes), $312.0 million of 7.750% senior unsecured notes (the 7.750% Senior Notes) and $400.0 million of 8.250% senior unsecured notes (the 8.250% Senior Notes) outstanding are carried at the principal amount of each note, less any unamortized discount. The estimated fair value of these senior notes was approximately $401.0 million, $352.6 million and $464.0 million, respectively, at May 31, 2011. The fair value estimates are based upon observable market data (Level 2 criteria).

a. 5.625% Senior Notes Offering

During the first quarter of fiscal year 2011, the Company issued the ten-year publicly registered 5.625% Senior Notes at par. The net proceeds from the offering of $400.0 million were used to fully repay the term portion of its credit facility dated as of July 19, 2007 and partially repay amounts outstanding under the Company s foreign asset-backed securitization program. The 5.625% Senior Notes mature on December 15, 2020. Interest on the 5.625% Senior Notes is payable semiannually on June 15 and December 15 of each year, beginning on June 15, 2011. The 5.625% Senior Notes are the Company s senior unsecured obligations and rank equally with all other existing and future senior unsecured debt obligations. The Company is subject to covenants such as limitations on its and/or its subsidiaries ability to: consolidate or merge with, or convey, transfer or lease all or substantially all of the Company s assets to, another person; create certain liens; enter into sale and leaseback transactions; create, incur, issue, assume or guarantee any funded debt (which only applies to the Company s restricted subsidiaries); and guarantee any of the Company s indebtedness (which only applies to the Company s subsidiaries). The Company is also subject to a covenant requiring its repurchase of the 5.625% Senior Notes upon a change of control repurchase event.

b. Amended and Restated Credit Facility

On December 7, 2010, the Company amended and restated its five-year $800.0 million revolving credit facility (the Amended and Restated Credit Facility). The Amended and Restated Credit Facility provides for a revolving credit in the amount of $1.0 billion, subject to potential uncommitted increases up to $1.3 billion, and expires on December 7, 2015. Interest and fees on the Amended and Restated Credit Facility advances are based on the Company s non-credit enhanced long-term senior unsecured debt rating as determined by S&P and Moody s. Interest is charged at a rate equal to either 0.40% to 1.50% above the base rate or 1.40% to 2.50% above the Eurocurrency rate, where the base rate represents the greatest of Citibank, N.A. s prime rate, 0.50% above the federal funds rate or 1.0% above one-month LIBOR, and the Eurocurrency rate represents the adjusted London Interbank Offered Rate for the applicable interest period, each as more fully described in the Agreement. Fees include a facility fee based on the revolving credit commitments of the lenders and a letter of credit fee based on the amount of outstanding letters of credit. The Company, along with its subsidiaries, are subject to the following financial covenants: (1) a maximum ratio of (a) Debt (as defined in the credit agreement) to (b) Consolidated EBITDA (as defined in the credit agreement) and (2) a minimum ratio of (a) Consolidated EBITDA to (b) interest payable on, and amortization of debt discount in respect of, debt and loss on sales of trade accounts receivables pursuant to our securitization program. In addition, the Company is subject to other covenants, such as: limitation upon liens; limitation upon mergers, etc.; limitation upon accounting changes; limitation upon subsidiary debt; limitation upon sales, etc. of assets; limitation upon changes in nature of business; payment restrictions affecting subsidiaries; compliance with laws, etc.; payment of taxes, etc.; maintenance of insurance; preservation of corporate existence, etc.; visitation rights; keeping of books; maintenance of properties, etc.; transactions with affiliates; and reporting requirements.

c. Fair Value Adjustment

This amount represents the fair value hedge accounting adjustment related to the 7.750% Senior Notes. For further discussion of the Company s fair value hedges, see Note 11 Derivative Financial Instruments and Hedging Activities to the Condensed Consolidated Financial Statements.

Note 11. 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 a risk management tool to mitigate the potential impact of certain market risks. The primary market risks managed by the Company through the use of derivatives 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 accumulated other comprehensive income (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 currently in earnings.

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 assesses, both at inception and at least quarterly thereafter, 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

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Forward contracts are put in place to manage the foreign currency risk associated with various commitments arising from trade accounts receivable, trade accounts payable and fixed purchase obligations. A hedging relationship existed that related to certain anticipated foreign currency denominated revenues and expenses, with an aggregate notional amount outstanding of $176.0 million and $67.1 million at May 31, 2011 and 2010, 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 June 1, 2011 and April 30, 2012.

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 May 31, 2011 and 2010 was $686.9 million and $320.8 million, respectively.

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 May 31, 2011, aggregated by the level in the fair-value hierarchy within which those measurements fall (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Forward foreign exchange contracts	$	$ 9,871	$	$ 9,871
Liabilities:				
Forward foreign exchange contracts		(4,724)		(4,724)
Total	$	$ 5,147	$	$ 5,147

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 value of the Company s derivative instruments located on the Condensed Consolidated Balance Sheets utilized for foreign currency risk management purposes at May 31, 2011 (in thousands):

	Fair Values of Derivative Instruments At May 31, 2011			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Forward foreign exchange contracts	Prepaid expenses and other current assets	$3,571	Accrued expense	$ 93
Derivatives not designated as hedging instruments				
Forward foreign exchange contracts	Prepaid expenses and other current assets	$6,300	Accrued expense	$4,631

The following table presents the fair value of the Company s derivative instruments located on the Condensed Consolidated Balance Sheets utilized for foreign currency risk management purposes at August 31, 2010 (in thousands):

	Fair Values of Derivative Instruments At August 31, 2010			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Forward foreign exchange contracts	Prepaid expenses and other current assets	$ 669	Accrued expense	$1,046
Derivatives not designated as hedging instruments				
Forward foreign exchange contracts	Prepaid expenses and other current assets	$4,814	Accrued expense	$3,268

The following table presents the impact that changes in fair value of derivatives utilized for foreign currency risk management purposes and designated as hedging instruments had on AOCI and earnings during the nine months ended May 31, 2011 (in thousands):

Derivatives in Cash Flow Hedging Relationship for the Nine Months Ended May 31, 2011	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Forward foreign exchange contracts	$ 1,624	Revenue	$ 1,506	Revenue	$ 344
Forward foreign exchange contracts	$ 4,212	Cost of revenue	$ 1,423	Cost of revenue	$ 345
Forward foreign exchange contracts	$ 1,033	Selling, general and administrative	$ 482	Selling, general and administrative	$ 200

The following table presents the impact that changes in fair value of derivatives utilized for foreign currency risk management purposes and designated as hedging instruments had on AOCI and earnings during the nine months ended May 31, 2010 (in thousands):

			Amount of Gain	Location of Gain (Loss) Recognized in	Amount of Gain (Loss) Recognized

Derivatives in Cash Flow Hedging Relationship for the Nine Months Ended May 31, 2010	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	(Loss) Reclassified from AOCI into Income (Effective Portion)	Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Forward foreign exchange contracts	$ (11,484)	Revenue	$ (11,484)	Revenue	$ 42
Forward foreign exchange contracts	$ 9,635	Cost of revenue	$ 11,498	Cost of revenue	$ 2,437
Forward foreign exchange contracts	$ (14)	Selling, general and administrative	$ (14)	Selling, general and administrative	$ 29

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As of May 31, 2011, the Company estimates that it will reclassify into earnings during the next 12 months existing gains related to foreign currency risk management hedging arrangements of approximately $2.9 million from the amounts recorded in AOCI as the anticipated cash flows occur.

The following table presents the impact that changes in fair value of derivatives utilized for foreign currency risk management purposes and not designated as hedging instruments had on earnings during the nine months ended May 31, 2011 (in thousands):

Derivatives not designated as hedging instruments	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative for the Nine months ended May 31, 2011
Forward foreign exchange contracts	Cost of revenue	$ (2,483)

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 receives fixed rate interest payments and pays interest at a variable rate based on LIBOR plus a spread. The effect of these swaps is 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 are recorded to interest expense and offset changes in the fair value of the hedged portion of the underlying 7.750% Senior Notes. The fair value of the interest rate swaps, based on observable market data (Level 2), was $6.7 million as of May 31, 2011 and was recorded to other assets on the Company s Condensed Consolidated Balance Sheets. As of May 31, 2010, the Company had not entered into these interest rate swaps so there were no amounts outstanding.

The gains (losses) on the interest rate swaps and the underlying 7.750% Senior Notes recorded to interest expense within the Company s Condensed Consolidated Statement of Operations were as follows (in thousands):

	Gain/(Loss) for the Three months ended		Gain/(Loss) for the Nine months ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
Interest Rate Swaps	$ 6,111	$	$ 6,695	$
7.750% Senior Notes	$(6,111)	$	$(6,695)	$

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 following table presents the impact that changes in the fair value of the derivative utilized for interest rate risk management and designated as a hedging instrument had on AOCI and earnings for the nine months ended May 31, 2011 (in thousands):

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Derivatives in Cash Flow Hedging Relationship for the Nine Months Ended May 31, 2011	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Interest rate swap	$	Interest expense	$ (2,963)	Interest expense	$

The following table presents the impact that changes in the fair value of the derivative utilized for interest rate risk management and designated as a hedging instrument had on AOCI and earnings for the nine months ended May 31, 2010 (in thousands):

Derivatives in Cash Flow Hedging Relationship for the Nine Months Ended May 31, 2010	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Interest rate swap	$ (13)	Interest expense	$ (3,178)	Interest expense	$

As of May 31, 2011, the Company estimates that it will reclassify into earnings during the next 12 months existing losses related to interest rate risk management hedging arrangements of approximately $4.0 million from the amounts recorded in AOCI as the anticipated cash flows occur.

The following table presents the changes related to cash flow hedges included in AOCI net of tax for the nine months ended May 31, 2011 and 2010 (in thousands):

		Nine months ended May 31, 2011
Accumulated comprehensive loss, August 31, 2010	$	(16,086)
Net gain for the period		6,869
Net gain transferred to earnings		(291)
Accumulated comprehensive loss, May 31, 2011	$	(9,508)

		Nine months ended May 31, 2010
Accumulated comprehensive loss, August 31, 2009	$	(18,861)
Net loss for the period		(1,877)
Net loss transferred to earnings		3,178
Accumulated comprehensive loss, May 31, 2010	$	(17,560)

Note 12. Income Taxes

The Internal Revenue Service (IRS) completed its field examination of the Company s tax returns for the fiscal years 2003 through 2005 and issued a Revenue Agent s Report (RAR) on April 30, 2010 proposing adjustments primarily related to the IRS contentions that (1) certain corporate expenses relate to services provided to foreign affiliates and therefore must be charged to those affiliates, and (2) valuable intangible property was transferred to certain foreign affiliates without charge. If the IRS ultimately prevails in its positions, the Company s income tax payment due for the fiscal years 2003 through 2005 would be approximately an additional $69.3 million before utilization of any tax attributes arising in periods subsequent to fiscal year 2005. In addition, the IRS will likely make similar claims in future audits with respect to these types of transactions (at this time, determination of the additional income tax due for these later years is not practicable). Also, the IRS has proposed interest and penalties on the Company with respect to fiscal years 2003 through 2005, and the Company anticipates the IRS may seek to impose interest and penalties in subsequent years with respect to the same types of issues.

The Company disagrees with the proposed adjustments and is vigorously contesting this matter through applicable IRS and judicial procedures, as appropriate. As the final resolution of the proposed adjustments remains uncertain, the Company continues to provide for the uncertain tax position based on the more likely than not standards. Accordingly, the Company did not record any significant additional tax liabilities related to this RAR on the Condensed Consolidated Balance Sheets for the nine months ended May

31, 2011. While the resolution of the issues may result in tax liabilities, interest and penalties, which are significantly higher than the amounts provided for this matter, management currently believes that the resolution will not have a material effect on the Company s financial position or liquidity. Despite this belief, an unfavorable resolution, particularly if the IRS successfully asserts similar claims for later years, could have a material effect on the Company s results of operations and financial condition (particularly during the quarter in which any adjustment is recorded or any tax is due or paid).

Note 13. Loss on Disposal of Subsidiaries

a. Jabil Circuit Automotive, SAS

During the first quarter of fiscal year 2010, the Company sold its subsidiary, Jabil Circuit Automotive, SAS, an automotive electronics manufacturing subsidiary located in Western Europe to an unrelated third party. As a result of this sale, the Company recorded a loss on disposition of $15.7 million during the first quarter of fiscal year 2010, which included transaction-related costs of approximately $4.2 million. These costs are recorded to loss on disposal of subsidiaries within the Condensed Consolidated Statements of Operations, which is a component of operating income. Jabil Circuit Automotive had net revenue and an operating loss of $15.5 million and $1.4 million, respectively from the beginning of the 2010 fiscal year through the date of disposition.

b. French and Italian Subsidiaries

During the fourth quarter of fiscal year 2010, the Company sold F-I Holding Company, which directly or indirectly wholly owns Competence France Holdings SAS, a French entity which wholly owns Competence France SAS, and Competence EMEA S.r.l., an Italian entity which wholly owns Competence Italia S.r.l. (Competence France Holdings SAS, Competence France SAS, Competence EMEA S.r.l. and Competence Italia S.r.l. are collectively referred to as the Competence Sites herein), to an unrelated third party. Divested operations, inclusive of four sites and approximately 1,500 employees, had net revenues and an operating loss of $298.6 million and $39.6 million, respectively, from the beginning of the 2010 fiscal year through the date of disposition.

In connection with this transaction, the Company provided an aggregate $25.0 million working capital loan to the disposed operations and agreed to provide for the aggregate potential reimbursement of up to $10.0 million in restructuring costs dependent upon the occurrence of certain future events. The working capital loan bears interest on a quarterly basis at LIBOR plus 500 basis points and is repayable over approximately 44 months dependent upon the achievement of certain specified quarterly financial results of the disposed operations, which if not met, would result in the forgiveness of all or a portion of the loan. Accordingly, dependent on the occurrence of such future events, the Company could have incurred up to an additional $28.5 million of charges. As a result of this sale, the Company recorded a loss on disposition of $8.9 million during the fourth quarter of fiscal year 2010, which included transaction-related costs of $1.7 million and a charge of $6.5 million in order to record the working capital loan at its respective fair value at August 31, 2010 based upon a discounted cash flow analysis (Level 3). These costs were recorded to loss on disposal of subsidiaries within the Consolidated Statements of Operations during the fourth quarter of fiscal year 2010, which is a component of operating income.

During the second quarter of fiscal year 2011, the Company recorded an additional loss on disposal of subsidiaries of $18.5 million within the Condensed Consolidated Statement of Operations to fully write off the remaining balance of the working capital loan as it was deemed no longer collectible by the Company. In addition, the Company recorded a charge of $5.4 million to loss on disposal of subsidiaries within the Condensed Consolidated Statement of Operations during the second quarter of fiscal year 2011, as it was determined that a purchase price related receivable that was due from the third party purchaser was no longer collectible. Refer to Note 14 Business Acquisitions for further discussion on the subsequent acquisition of the French and Italian operations.

Note 14. Business Acquisitions

During the second quarter of fiscal year 2011, the Company completed its acquisition of F-I Holding Company, which directly or indirectly wholly owns the Competence Sites. The Competence Sites were former operations of the Company and were previously disposed of during the fourth quarter of fiscal year 2010. Refer to Note 13 Loss on Disposal of Subsidiaries for further discussion of the previous disposition. In order to reestablish viable operations, including the preservation of the Company s relationship with certain global customers that the Company continued to serve outside of its former French and Italian operations and jobs of former employees, the Company acquired the entities owning the Competence Sites following multiple breaches by the third party purchaser. The acquisition added approximately 1,500 employees to the Company.

In exchange for cash of approximately $0.5 million and certain mutual conditional releases, the Company acquired a 100% equity interest in the Competence Sites. Simultaneously, with this transaction, the Company recorded a settlement of pre-existing receivables and other relationships with a fair value of $22.3 million that were outstanding at the time of acquisition.

During the second quarter of fiscal year 2011, immediately prior to the acquisition of the Competence Sites, the Company recognized a charge of $12.7 million in order to record $35.0 million in receivables and other relationships with the Competence Sites at their respective fair values. This charge is included in settlement of receivables and related charges within the Condensed Consolidated Statement of Operations for the nine months ended May 31, 2011. The fair values of these receivables and other obligations were determined based on the probability evaluation of multiple scenarios under which the Competence Sites could settle these liabilities.

Pursuant to the acquisition method of accounting for business combinations, the Company has recognized acquisition costs and other related charges of $0.9 million to settlement of receivables and related charges within the Condensed Consolidated Statement of Operations during the second quarter of fiscal year 2011.

The acquisition of the Competence entities has been accounted for as a business combination using the acquisition method. Assets acquired of $130.9 million and liabilities assumed of $108.1 million were recorded at their estimated fair values as of the acquisition date. The excess of purchase price over the tangible assets and assumed liabilities of $5.1 million, based on the exchange rate on the date of acquisition, was recorded as goodwill. The preliminary allocation of the purchase price was based upon a preliminary valuation of certain assets acquired and liabilities assumed and the Company s estimates and assumptions are subject to change. The primary areas of the preliminary purchase price allocation that are not yet finalized relate to the fair value of certain tangible assets and liabilities acquired and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date and to finalize the purchase price allocation in the fourth quarter of fiscal year 2011.

Note 15. New Accounting Guidance

During the first quarter of fiscal year 2010, the Financial Accounting Standards Board (the FASB) issued new accounting guidance for revenue arrangements with multiple deliverables. This guidance impacts the determination of when the individual deliverables included in a multiple-element arrangement may be treated as separate units of accounting. Additionally, this new accounting guidance modifies the manner in which the transaction consideration is allocated across the separately identified deliverables by no longer permitting the residual method of allocating arrangement consideration. The new guidance was effective for the Company prospectively for revenue arrangements entered into or materially modified beginning during the first quarter of fiscal year 2011. The adoption of this guidance did not have a significant impact on the Company s Condensed Consolidated Financial Statements.

During the fourth quarter of fiscal year 2009, the FASB amended its guidance on accounting for variable interest entities (VIE). The new accounting guidance resulted in a change in the Company s accounting policy effective September 1, 2010. Among other things, the new guidance requires a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE, requires continuous assessments of whether an enterprise is the primary beneficiary of a VIE, enhances disclosures about an enterprise s involvement with a VIE and amends certain guidance for determining whether an entity is a VIE. Under the new guidance, a VIE must be consolidated if the enterprise has both (a) the power to direct the activities of the VIE that most significantly impact the entity s economic performance and (b) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The adoption of this guidance did not have a significant impact on the Company s Condensed Consolidated Financial Statements.

During the fourth quarter of fiscal year 2009, the FASB issued new accounting guidance on accounting for transfers of financial assets. This new guidance became effective for the Company on September 1, 2010. This guidance amends previous guidance by eliminating the concept of a qualifying special-purpose entity, creating more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifying other sale-accounting criteria and changing the initial measurement of a transferor s interest in transferred financial assets. Additionally, the guidance requires extensive new disclosure regarding an entity s involvement in a transfer of financial assets. As a result of the adoption of this new guidance, the accounts receivable transferred under the asset-backed securitization program, prior to amendment on November 5, 2010, no longer qualified for sale treatment and as such were accounted for as secured borrowings. During the first quarter of fiscal year 2011, the program was amended to again be accounted for as a sale. The amended program allows the Company to regularly sell a designated pool of trade accounts receivable to a wholly-owned subsidiary, which in turn sells 100% of the eligible receivables to conduits, administered by unaffiliated financial institutions. Refer to Note 8 Trade Accounts Receivable Securitization and Sale Programs.

During the fourth quarter of fiscal year 2010, the FASB issued new disclosure guidance related to the credit quality of financing receivables and the allowance for credit losses. This new guidance became effective for the Company during the second quarter of fiscal year 2011. This guidance requires companies to provide more information about the credit quality of their financing receivables

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in the disclosures to the financial statements including, but not limited to, significant purchases and sales of financing receivables, aging information and credit quality indicators. This accounting guidance did not have a significant impact on the Company s Condensed Consolidated Financial Statements.

Note 16. Subsequent Events

The Company has evaluated subsequent events that occurred through the date of the filing of the Company s third quarter of fiscal year 2011 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, 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;*
- *availability of components;*
- *our dependence on certain industries;*
- *our production levels are subject 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;*
- *the ongoing situation in Japan, as a result of the recent earthquake and tsunami, and its effects on our Japanese facility, supply chain, shipping costs, customers and suppliers;*
- *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 dispositions and acquisitions, and to integrate operations following the consummation of acquisitions;*

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.

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, 2010, any subsequent reports on Form 10-Q and Form 8-K and other filings with the Securities and Exchange Commission. 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, consumer, defense, industrial, instrumentation, medical, networking, peripherals, solar, storage and telecommunications 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 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 nine months ended May 31, 2011 our largest customers currently include Agilent Technologies, Apple Inc., Cisco Systems, Inc., Ericsson, General Electric Company, Hewlett-Packard Company, International Business Machines Corporation, NetApp, Inc., Pace plc and Research in Motion Limited. For the nine months ended May 31, 2011, we had net revenues of approximately $12.2 billion and net income attributable to Jabil Circuit, Inc. of approximately $266.8 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
- aftermarket services.

We currently conduct our operations in facilities that are located in Austria, Belgium, Brazil, China, England, France, Germany, Hungary, India, Ireland, Italy, Japan, Malaysia, Mexico, The Netherlands, Poland, Russia, Scotland, Singapore, Taiwan, Turkey, 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 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.

On September 1, 2010, we reorganized our business into the following three segments: Diversified Manufacturing Services (DMS), Enterprise & Infrastructure (E&I) and High Velocity Systems (HVS). Our DMS segment is composed of dedicated resources to manage higher complexity global products in regulated industries and bring materials and process technologies including design and aftermarket services to our global customers. Our E&I and HVS segments offer integrated global supply chain solutions designed to provide cost effective solutions for our customers. Our E&I segment is focused on our customers primarily in the computing, storage, networking and telecommunication sectors. Our HVS segment is focused on the particular needs of the consumer products industry, including mobility, display, set-top boxes and peripheral products such as printers and point of sale terminals.

The industry in which we operate is composed of companies that provide a range of manufacturing and design 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 the overall credit markets and a significant economic downturn in the North American, European and Asian markets. In response to this downturn, we implemented additional restructuring programs to reduce our cost structure and further align our manufacturing capacity with the geographic production demands of our customers.

Though significant uncertainty remains regarding the extent and timing of the economic recovery, we continue to see signs of stabilization as the overall credit markets have significantly improved and it appears that the global economic stimulus programs put in place are having a positive impact, particularly in China. 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. We will also continue to monitor the ongoing situation in Japan, as a result of the recent earthquake and tsunami, and its effects on our Japanese facility, supply chain, shipping costs, customers and suppliers.

Summary of Results

Net revenues for the third quarter of fiscal year 2011 increased approximately 22.3% to $4.2 billion compared to $3.5 billion for the same period of fiscal year 2010. These increases are primarily due to increased revenue from certain of our existing customers, including new program wins with these customers, as certain of our customers confidence in their markets strengthen and their end-customers demand levels increase.

The following table sets forth, for the three month and nine month periods indicated, certain key operating results and other financial information (in thousands, except per share data).

	Three months ended		**Nine months ended**	
	May 31, 2011	**May 31, 2010**	**May 31, 2011**	**May 31, 2010**
Net revenue	$4,227,688	$3,455,578	$12,238,532	$9,548,478
Gross profit	$ 318,376	$ 262,114	$ 925,367	$ 716,636
Operating income	$ 152,533	$ 96,533	$ 413,174	$ 224,576
Net income attributable to Jabil Circuit, Inc.	$ 104,695	$ 52,031	$ 266,775	$ 110,149
Income per share basic	$ 0.49	$ 0.24	$ 1.24	$ 0.51
Income per share diluted	$ 0.47	$ 0.24	$ 1.21	$ 0.51
Cash dividend per share declared	$ 0.07	$ 0.07	$ 0.21	$ 0.21

Key Performance Indicators

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			
	May 31, 2011	**February 28, 2011**	**November 30, 2010**	**August 31, 2010**
Sales cycle	11 days	11 days	16 days	17 days
Inventory turns	7 turns	7 turns	7 turns	7 turns
Days in trade accounts receivable	22 days	24 days	26 days	33 days
Days in inventory	52 days	53 days	52 days	53 days

Days in accounts payable	63 days	66 days	62 days	69 days

The sales cycle is calculated as the sum of days in trade 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 May 31, 2011, days in trade accounts receivable decreased two days to 22 days as compared to the prior sequential quarter as a result of the amendment to our foreign asset-backed securitization program, which resulted in the receivables being sold to a third party financial institution, and no longer being recognized in trade accounts receivable. Previously the program was accounted for as a secured borrowing and the transferred receivables were recorded in trade accounts receivable. See Note 8 Trade Accounts Receivable Securitization and Sales Programs to the Condensed Consolidated Financial Statements for further details. During the three months ended May 31, 2011, days in inventory decreased one day to 52 days as compared to the prior sequential quarter largely due to increased sales activity during the quarter. Inventory turns remained constant at seven turns as compared to the prior sequential quarter. During the three months ended May 31, 2011, days in accounts payable decreased three days to 63 days as compared to the prior sequential quarter, as a result of the timing of purchases and cash payments during the quarter.

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. We have identified the following critical accounting policies that affect the more significant judgments and estimates used in the preparation of our Condensed Consolidated Financial Statements. 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 in our Annual Report on Form 10-K for the fiscal year ended August 31, 2010.

Revenue Recognition

We derive revenue principally from manufacturing services related to electronic equipment built to customer specifications. We also derive revenue to a lesser extent from aftermarket services, design services and excess inventory sales. Revenue from manufacturing services and excess inventory sales is generally recognized, net of estimated product return costs, when goods are shipped; title and risk of ownership have passed; the price to the buyer is fixed or determinable; and recoverability is reasonably assured. Aftermarket service related revenue is recognized upon completion of the services. Design service related revenue is generally recognized upon completion and acceptance by the respective customer. We assume no significant obligations after product shipment.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts related to receivables not expected to be collected from our customers. This allowance is based on management s assessment of specific customer balances, considering the age of receivables and financial stability of the customer. If there is an adverse change in the financial condition and circumstances of our customers, or if actual defaults are higher than provided for, an addition to the allowance may be necessary.

Inventory Valuation

We purchase inventory based on forecasted demand and record inventory at the lower of cost or market. Management regularly assesses inventory valuation based on current and forecasted usage, customer inventory-related contractual obligations and other lower of cost or market considerations. If actual market conditions or our customers product demands are less favorable than those projected, additional valuation adjustments may be necessary.

Long-Lived Assets

We review property, plant and equipment and amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of property, plant and equipment is measured by comparing its carrying value to the undiscounted projected cash flows that the asset(s) or asset group(s) are expected to generate. If the carrying amount of an asset or an asset group is not recoverable, we recognize an impairment loss based on the excess of the carrying amount of the long-lived asset over its respective fair value, which is generally determined as either the present value of estimated future cash flows or the appraised value. The impairment analysis is based on significant assumptions of future results made by management, including revenue and cash flow projections. Circumstances that may lead to impairment of property, plant and equipment include unforeseen decreases in future performance or industry demand and the restructuring of our operations resulting from a change in our business strategy or adverse economic conditions.

We have recorded intangible assets, including goodwill, in connection with business acquisitions. Estimated useful lives of amortizable intangible assets are determined by management based on an assessment of the period over which the asset is expected to contribute to future cash flows. The fair value of acquired amortizable intangible assets impacts the amounts recorded as goodwill.

We perform a goodwill impairment analysis using the two-step method on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverability of goodwill is measured at the reporting unit level, which we have determined to be consistent with our operating segments, by comparing the reporting unit s carrying amount, including goodwill, to the fair value of the reporting unit. We determine the fair value of our reporting units based on an average weighting of both projected discounted future results and the use of comparative market multiples. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired and a second test is performed to measure the amount of loss, if any.

We completed our annual impairment test for goodwill during the fourth quarter of fiscal year 2010 and determined that the fair values of our reporting units are substantially in excess of the carrying values and that no impairment existed as of the date of the impairment test. In addition, on September 1, 2010, we reorganized our business into the DMS, E&I and HVS segments. In doing so, we reassigned goodwill to the new reporting units (which are deemed to be consistent with our segments) and were required to perform an interim goodwill impairment test based on these new reporting units. Based on this interim goodwill impairment test, we determined that the fair values of our new reporting units are substantially in excess of the carrying values and no impairment existed as of the date of the interim impairment test.

Restructuring and Impairment Charges

We have recognized restructuring and impairment charges related to reductions in workforce, re-sizing and closure of certain facilities and the transition of production from certain facilities into other new and existing facilities. These charges were recorded pursuant to formal plans developed and approved by management and our Board of Directors. The recognition of restructuring and impairment charges requires that we make certain judgments and estimates regarding the nature, timing and amount of costs associated with these plans. The estimates of future liabilities may change, requiring additional restructuring and impairment charges or the reduction of liabilities already recorded. At the end of each reporting period, we evaluate the remaining accrued balances to ensure that no excess accruals are retained and the utilization of the provisions are for their intended purpose in accordance with the restructuring programs.

Retirement Benefits

We have pension and postretirement benefit costs and liabilities in certain foreign locations that are developed from actuarial valuations. Actuarial valuations require management to make certain judgments and estimates of discount rates, compensation rate increases and return on plan assets. We evaluate these assumptions on a regular basis taking into consideration current market conditions and historical market data. The discount rate is used to state expected future cash flows at a present value on the measurement date. This rate represents the market rate for high-quality fixed income investments. A lower discount rate increases the present value of benefit obligations and increases pension expense. When considering the expected long-term rate of return on pension plan assets, we take into account current and expected asset allocations, as well as historical and expected returns on plan assets. Other assumptions include demographic factors such as retirement, mortality and turnover. For further discussion of our pension and postretirement benefits, refer to Note 9 Retirement Benefits to the Condensed Consolidated Financial Statements.

Income Taxes

We estimate our income tax provision in each of the jurisdictions in which we operate, a process that includes estimating exposures related to examinations by taxing authorities. We must also make judgments regarding the ability to realize the deferred tax assets. The carrying value of our net deferred tax assets is based on our belief that it is more likely than not that we will generate sufficient future taxable income in certain jurisdictions to realize these deferred tax assets. A valuation allowance has been established for deferred tax assets that we do not believe meet the more likely than not criteria. We assess whether an uncertain tax position taken or expected to be taken in a tax return meets the threshold for recognition and measurement in the Condensed Consolidated Financial Statements. Our judgments regarding future taxable income as well as tax positions taken or expected to be taken in a tax return may change due to changes in market conditions, changes in tax laws or other factors. If our assumptions and consequently our estimates change in the future, the valuation allowances and/or tax reserves established may be increased or decreased, resulting in a respective increase or decrease in income tax expense.

The Internal Revenue Service (IRS) completed its field examination of our tax returns for the fiscal years 2003 through 2005 and issued a Revenue Agent s Report (RAR) on April 30, 2010 proposing adjustments primarily related to the IRS contentions that (1) certain corporate expenses relate to services provided to foreign affiliates and therefore must be charged to those affiliates, and (2) valuable intangible property was transferred to certain foreign affiliates without charge. If the IRS ultimately prevails in its positions, our income tax payment due for the fiscal years 2003 through 2005 would be approximately an additional $69.3 million before utilization of any tax attributes arising in periods subsequent to fiscal year 2005. In addition, the IRS will likely make similar claims in future audits with respect to these types of transactions (at this time, determination of the additional income tax due for these later years is not practicable). Also, the IRS has proposed interest and penalties on us with respect to fiscal years 2003 through 2005, and we anticipate the IRS may seek to impose interest and penalties in subsequent years with respect to the same types of issues.

We disagree with the proposed adjustments and are vigorously contesting this matter through applicable IRS and judicial procedures, as appropriate. As the final resolution of the proposed adjustments remains uncertain, we continue to provide for the uncertain tax position based on the more likely than not standards. Accordingly, we did not record any significant additional tax liabilities related to this RAR on the Condensed Consolidated Balance Sheets for the nine months ended May 31, 2011. While the resolution of the issues may result in tax liabilities, interest and penalties, which are significantly higher than the amounts provided for this matter, management currently believes that the resolution will not have a material effect on our financial position or liquidity. Despite this belief, an unfavorable resolution, particularly if the IRS successfully asserts similar claims for later years, could have a material effect on our results of operations and financial condition (particularly during the quarter in which any adjustment is recorded or any tax is due or paid). For further discussion related to our income taxes, refer to Note 12 Income Taxes to the Condensed Consolidated Financial Statements, Risk Factors We are subject to the risk of increased taxes and Note 4 Income Taxes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended August 31, 2010.

Stock-Based Compensation

We recognize stock-based compensation expense within our Condensed Consolidated Statements of Operations related to stock appreciation rights using a lattice model to determine the fair value. Option pricing models require the input of subjective assumptions, including the expected life of the option or stock appreciation right, risk-free rate, expected dividend yield and the price volatility of the underlying stock. Judgment is also required in estimating the number of stock awards that are expected to vest as a result of satisfaction of time-based vesting schedules or the achievement of certain performance or market conditions. If actual results or future changes in estimates differ significantly from our current estimates, stock-based compensation expense could increase or decrease. For further discussion of our stock-based compensation, refer to Note 4 Stock-Based Compensation to the Condensed Consolidated Financial Statements.

Recent Accounting Guidance

See Note 15 New Accounting Guidance to the Condensed Consolidated Financial Statements for a discussion of recent accounting guidance.

Results of Operations

The following table sets forth, for the periods indicated, certain statements of operations data expressed as a percentage of net revenue:

	Three months ended		Nine months ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
Net revenue	100.0%	100.0%	100.0%	100.0%
Cost of revenue	92.5%	92.4%	92.4%	92.5%
Gross profit	7.5%	7.6%	7.6%	7.5%
Operating expenses:				
Selling, general and administrative	3.6%	4.4%	3.6%	4.4%
Research and development	0.2%	0.2%	0.2%	0.2%
Amortization of intangibles	0.1%	0.2%	0.1%	0.2%
Restructuring and impairment charges				0.1%
Settlement of receivables and related charges			0.1%	
Loss on disposal of subsidiaries			0.2%	0.2%
Operating income	3.6%	2.8%	3.4%	2.4%
Other expense				
Interest income				
Interest expense	0.6%	0.6%	0.6%	0.6%
Income before income tax	3.0%	2.2%	2.8%	1.8%
Income tax expense	0.5%	0.7%	0.6%	0.6%

Net income	2.5%	1.5%	2.2%	1.2%
Net (loss) income attributable to noncontrolling interests, net of income tax expense				
Net income attributable to Jabil Circuit, Inc.	2.5%	1.5%	2.2%	1.2%

For the Three Months and Nine Months Ended May 31, 2011 Compared to the Three Months and Nine Months Ended May 31, 2010

Net Revenue. Our net revenue for the three months ended May 31, 2011 increased 22.3% to $4.2 billion up from $3.5 billion for the three months ended May 31, 2010. Specific increases include a 94% increase in the sale of specialized services products; a 23% increase in the sale of instrumentation and healthcare products; a 15% increase in the sale of industrial and CleanTech products; a 15% increase in the sale of E&I products; and a 10% increase in the sale of HVS products.

Our net revenue for the nine months ended May 31, 2011 increased 28.2% to $12.2 billion up from $9.5 billion for the nine months ended May 31, 2010. Specific increases include a 77% increase in the sale of specialized services products; a 39% increase in the sale of instrumentation and healthcare products; a 21% increase in the sale of industrial and CleanTech products; a 21% increase in the sale of E&I products; and a 20% increase in the sale of HVS products.

These increases for the three months and nine months ended May 31, 2011 are primarily due to increased revenue from certain of our existing customers, including new program wins with these customers, as certain of our customers confidence in their markets strengthen and their end-customers demand levels increase. These drivers of the net revenue increases may be negatively impacted by the ongoing situation in Japan (resulting from the recent earthquake and tsunami), and its effects on our Japanese facility, supply chain, shipping costs, customers and suppliers.

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 sectors 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 recent recessionary conditions; efforts to de-emphasize the economic performance of certain sectors, most specifically, our former automotive sector; seasonality in our business; and business growth from new and existing customers. As discussed in the Overview section, on September 1, 2010, we reorganized our business into the following three segments: DMS, E&I and HVS. In conjunction with this reorganization, there have been certain reclassifications made within the reported sectors.

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

	Three months ended		Nine months ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
DMS				
Specialized Services	17%	11%	16%	11%
Industrial & CleanTech	12%	13%	12%	13%
Instrumentation & Healthcare	7%	8%	7%	7%
Total DMS	**36%**	**32%**	**35%**	**31%**
Total E&I	**33%**	**34%**	**31%**	**33%**
Total HVS	**31%**	**34%**	**34%**	**36%**
Total	**100%**	**100%**	**100%**	**100%**

Foreign source revenue represented 85.8% and 85.7% of net revenue for the three months and nine months ended May 31, 2011, respectively. This is compared to 84.3% and 84.5% of net revenue for the three months and nine months ended May 31, 2010, respectively. We currently expect our foreign source revenue to slightly increase as compared to current levels over the course of the next twelve months.

Gross Profit. Gross profit increased to $318.4 million (7.5% of net revenue) and $925.4 million (7.6% of net revenue) for the three months and nine months ended May 31, 2011, respectively, from $262.1 million (7.6% of net revenue) and $716.6 million (7.5% of net revenue) for the three months and nine months ended May 31, 2010, respectively. The increases in gross profit on an absolute basis and as a percentage of net revenue for the three months and nine months ended May 31, 2011 versus the same period during the prior fiscal year were primarily due to increased revenue from certain of our existing customers, including new program wins with these customers, as certain of our customers confidence in their markets strengthen and their end-customers demand levels increase which allow us to better utilize capacity and absorb fixed costs, an increased focus on controlling costs and improving productivity and additional growth in the DMS segment, which typically has higher margins than the E&I and HVS segments.

Selling, General and Administrative. Selling, general and administrative expenses increased to $154.1 million (3.6% of net revenue) for the three months ended May 31, 2011 from $151.4 million (4.4% of net revenue) for the three months ended May 31, 2010. This increase was largely due to additional salary expense associated with increased headcount, partially offset by a decrease in stock-based compensation expense of $7.4 million. The decrease in stock-based compensation expense was largely due to a cumulative adjustment recorded during the three months ended May 31, 2010 for certain performance-based restricted stock awards that were anticipated to vest at 110% versus 40%, as previously estimated, whereas a corresponding adjustment to increase stock-based compensation expense did not occur during the three months ended May 31, 2011.

Selling, general and administrative expenses increased to $438.4 million (3.6% of net revenue) for the nine months ended May 31, 2011 from $429.2 million (4.4% of net revenue) for the nine months ended May 31, 2010. This increase was largely due to additional salary and salary related expense associated with increased headcount, partially offset by a decrease in stock-based compensation expense of $8.1 million. The decrease in stock-based compensation expense was due largely to recognizing less stock-based compensation expense associated with stock appreciation right (SARs) awards during the nine months ended May 31, 2011 as compared to the nine months ended May 31, 2010 as we have not granted such awards since fiscal year 2008.

Research and Development. Research and development expenses remained relatively consistent at $6.5 million (0.2% of net revenue) for the three months ended May 31, 2011 as compared with $6.3 million (0.2% of net revenue) for the three months ended May 31, 2010. Research and development expenses decreased to $18.8 million (0.2% of net revenue) for the nine months ended May 31, 2011 from $21.5 million (0.2% of net revenue) for the nine months ended May 31, 2010. The decrease for the nine months ended May 31, 2011 was primarily due to a greater portion of engineering resources working on customer funded design projects.

Amortization of Intangibles. We recorded $5.2 million and $16.8 million of amortization of intangible assets for the three months and nine months ended May 31, 2011, respectively, compared to $6.2 million and $20.0 million for the three months and nine months ended May 31, 2010, respectively. The decrease is primarily attributable to certain intangible assets that became fully amortized since May 31, 2010. For additional information regarding purchased intangibles, see Note 7 Goodwill and Other Intangible Assets to the Condensed Consolidated Financial Statements.

Restructuring and Impairment Charges.

a. 2009 Restructuring Plan

Upon the approval by our Board of Directors, we initiated a restructuring plan during the second quarter of fiscal year 2009 (the 2009 Restructuring Plan). We have substantially completed restructuring activities under this plan and do not expect to incur any additional costs under the 2009 Restructuring Plan.

We did not record any restructuring and impairment costs during the three months ended May 31, 2011, compared to charges of $1.6 million recorded during the three months ended May 31, 2010. During the nine months ended May 31, 2011, we reversed $0.1 million of previously recognized restructuring and impairment costs, compared to charges of $5.4 million of restructuring and impairment costs recorded during the nine months ended May 31, 2010. The reversals related to the 2009 Restructuring Plan incurred during the nine months ended May 31, 2011 are primarily related to revised estimates for lease commitment costs.

At May 31, 2011, accrued liabilities of approximately $0.1 million related to the 2009 Restructuring Plan are expected to be paid over the next fiscal quarter.

As of May 31, 2011, the 2009 Restructuring Plan is expected to yield annualized cost savings of approximately $55.6 million, which we are now fully realizing. The majority of these annual cost savings are expected to be reflected as a reduction in cost of revenue, with a small portion being reflected as a reduction of selling, general and administrative expense. These expected annualized cost savings reflect a reduction in employee expense of approximately $42.4 million, a reduction in depreciation expense of approximately $5.9 million, a reduction in lease commitment costs of approximately $0.1 million, a reduction of other manufacturing costs of approximately $3.8 million and a reduction of selling, general and administrative expenses of approximately $3.4 million.

As part of the 2009 Restructuring Plan, we have determined that it was more likely than not that certain deferred tax assets would not be realized as a result of the contemplated restructuring activities. Therefore, we recorded a valuation allowance of $14.8 million on net deferred tax assets related to the 2009 Restructuring Plan. The valuation allowance is excluded from the restructuring and impairment charges incurred through May 31, 2011 as it was recorded to income tax expense within our Condensed Consolidated Statements of Operations.

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b. 2006 Restructuring Plan

Upon the approval by our Board of Directors, we initiated a restructuring plan during the fourth quarter of fiscal year 2006 (the 2006 Restructuring Plan). We have substantially completed restructuring activities under this plan and do not expect to incur any additional costs under the 2006 Restructuring Plan.

We did not record any restructuring and impairment costs during the three months ended May 31, 2011, compared to charges of $0.1 million recorded during the three months ended May 31, 2010. During the nine months ended May 31, 2011, we recorded approximately $0.7 million of restructuring and impairment costs, compared to charges of $0.3 million of restructuring and impairment charges recorded during the nine months ended May 31, 2010. The restructuring and impairment costs for the nine months ended May 31, 2011 are primarily related to lease commitment costs.

At May 31, 2011, liabilities of approximately $0.5 million related to the 2006 Restructuring Plan are expected to be paid out over the next twelve months. The remaining liability of $2.1 million relates primarily to the charge for employee severance and termination benefits payments.

Settlement of Receivables and Related Charges. We recorded a loss on settlement of receivables and related charges of $13.6 million for the nine months ended May 31, 2011. During the second quarter of fiscal year 2011, we completed our acquisition of F-I Holding Company, which directly or indirectly wholly owns Competence France Holdings SAS, a French entity which wholly owns Competence France SAS, and Competence EMEA S.r.l., an Italian entity which wholly owns Competence Italia S.r.l. (Competence France Holdings SAS, Competence France SAS, Competence EMEA S.r.l. and Competence Italia S.r.l. are collectively referred to as the Competence Sites herein). The Competence Sites were our former operations and were previously disposed of on July 16, 2010. Refer to Note 13 Loss on Disposal of Subsidiaries to the Condensed Consolidated Financial Statements for further details.

During the second quarter of fiscal year 2011, immediately prior to the acquisition of the Competence Sites, we recognized a charge of $12.7 million in order to record $35.0 million in receivables and other relationships with the Competence Sites at their respective fair values. In addition, we recognized acquisition costs and other related charges of $0.9 million during the second quarter of fiscal year 2011 . Refer to Note 14 Business Acquisitions to the Condensed Consolidated Financial Statements for further details.

Loss on Disposal of Subsidiaries. We recorded a loss on disposal of subsidiaries of $23.9 million for the nine months ended May 31, 2011 and $15.7 million for the nine months ended May 31, 2010.

During the first quarter of fiscal year 2010, we sold the operations of Jabil Circuit Automotive, SAS, an automotive electronic manufacturing subsidiary located in Western Europe to an unrelated third party. In connection with this sale, we recorded a loss on disposition of approximately $15.7 million, which includes approximately $4.2 million in transaction costs incurred in connection with the sale during the three months ended November 30, 2009.

During the fourth quarter of fiscal year 2010, we sold F-I Holding Company, which directly or indirectly wholly owns the Competence Sites, to an unrelated third party. In connection with this transaction, we provided an aggregate $25.0 million working capital loan to the disposed operations and agreed to provide for the aggregate potential reimbursement of up to $10.0 million in restructuring costs dependent upon the occurrence of certain future events. During the second quarter of fiscal year 2011, we recorded a charge of $18.5 million to loss on disposal of subsidiaries within the Condensed Consolidated Statement of Operations to fully write-off the remaining balance of the working capital loan as we deemed it no longer collectible. In addition, we recorded a charge of $5.4 million during the second quarter of fiscal year 2011 to write off a purchase price related receivable that we were due from the third party purchaser as it was deemed no longer collectible. Refer to Note 13 Loss on Disposal of Subsidiaries to the Condensed Consolidated Financial Statements for further discussion.

Other Expense. We recorded other expense of $1.8 million and $2.4 million during the three months and nine months ended May 31, 2011, respectively, as compared to $1.0 million and $3.1 million for the three months and nine months ended May 31, 2010, respectively. The increase in other expense for the three months ended May 31, 2011 as compared to the three months ended May 31, 2010, was primarily due to fees incurred in connection with the amendment to our foreign asset-backed securitization program during the third quarter of fiscal year 2011. See Note 8 Trade Accounts Receivable Securitization and Sales Programs to the Condensed Consolidated Financial Statements for further details. The decrease in other expense for the nine months ended May 31, 2011 as compared to the nine months ended May 31, 2010, was primarily due to an incremental gain that we recognized of $1.2 million associated with the purchase of receivables from an unrelated third party and an incremental gain of $0.4 million associated with the sale of an available-for-sale security during the nine months ended May 31, 2011. In addition, for a portion of the nine months ended May 31, 2011, $0.5 million related to the loss under the non-foreign asset-backed securitization program was recorded to interest expense instead of other expense as the program was accounted for as a secured borrowing during a portion of that time.

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Interest Income. Interest income remained relatively constant at $0.9 million and $2.5 million for the three months and nine months ended May 31, 2011, respectively, compared to $0.6 million and $2.2 million for the three months and nine months ended May 31, 2010.

Interest Expense. Interest expense increased to $25.1 million and $73.1 million for the three months and nine months ended May 31, 2011, respectively, from $19.5 million and $59.6 million for the three months and nine months ended May 31, 2010, respectively. The increase was primarily due to interest associated with the issuance of our 5.625% Senior Notes during the first quarter of fiscal year 2011 and the refinancing of the credit facility dated as of July 19, 2007 (the Old Credit Facility) at market rates during the second quarter of fiscal year 2011.

Income Taxes. Income tax expense reflects an effective tax rate of 17.6% and 21.4% for the three months and nine months ended May 31, 2011, respectively, compared to an effective tax rate of 31.3% and 32.1% for the three months and nine months ended May 31, 2010, respectively. The effective tax rate for the three months ended May 31, 2011 differs from the effective tax rate for the three months ended May 31, 2010 predominantly due to the amount of earnings and the mix of tax rates in the various jurisdictions in which we do business. The effective tax rate for the nine months ended May 31, 2011 differs from the effective tax rate for the nine months ended May 31, 2010 predominantly due to the amount of earnings and the mix of tax rates in the various jurisdictions in which we do business and the sale of a French subsidiary in fiscal year 2010, partially offset by the acquisition of previously divested operations during the second quarter of fiscal year 2011. Most of our international operations have historically been taxed at a lower rate than in the U.S., primarily due to tax incentives granted to our sites in Brazil, China, Hungary, Malaysia, Poland, Singapore and Vietnam. 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. See Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Income Taxes , Risk Factors We are subject to the risk of increased taxes and Note 4 Income Taxes the Consolidated Financial Statements in the Annual Report on Form 10-K for the fiscal year ended August 31, 2010 for further discussion.

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 impairment charges, settlement of receivables and related charges and loss on disposal of subsidiaries. Among other uses, management uses non-U.S. GAAP core financial measures as a factor in determining 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, presenting what we believe are our core manufacturing operations. Most of the items that are excluded for purposes of calculating core operating income and core earnings also impacted certain balance sheet assets, resulting in all or 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 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.

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):

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	Three months ended May 31, 2011	Three months ended May 31, 2010	Nine months ended May 31, 2011	Nine months ended May 31, 2010
Operating income (U.S. GAAP)	$ 152,533	$ 96,533	$ 413,174	$ 224,576
Amortization of intangibles	5,187	6,206	16,821	19,954
Stock-based compensation and related charges	20,053	27,487	59,854	67,980
Restructuring and impairment charges		1,635	628	5,705
Settlement of receivables and related charges			13,607	
Loss on disposal of subsidiaries			23,944	15,722
Core operating income (Non-U.S. GAAP)	$ 177,773	$ 131,861	$ 528,028	$ 333,937
Net income attributable to Jabil Circuit, Inc. (U.S. GAAP)	$ 104,695	$ 52,031	$ 266,775	$ 110,149
Amortization of intangibles, net of tax	5,174	6,191	16,785	19,919
Stock-based compensation and related charges, net of tax	19,268	26,825	58,279	66,713
Restructuring and impairment charges, net of tax		1,693	628	5,777
Settlement of receivables and related charges			13,607	
Loss on disposal of subsidiaries, net of tax			23,944	15,722
Core earnings (Non-U.S. GAAP)	$ 129,137	$ 86,740	$ 380,018	$ 218,280
Earnings per share: (U.S. GAAP)				
Basic	$ 0.49	$ 0.24	$ 1.24	$ 0.51
Diluted	$ 0.47	$ 0.24	$ 1.21	$ 0.51
Core earnings per share: (Non-U.S. GAAP)				
Basic	$ 0.60	$ 0.41	$ 1.77	$ 1.02
Diluted	$ 0.58	$ 0.40	$ 1.72	$ 1.00
Common shares used in the calculations of earnings per share (U.S. GAAP & Non-U.S. GAAP):				
Basic	215,705	213,881	215,092	214,051
Diluted	222,337	216,522	220,773	218,089

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Core operating income for the three months ended May 31, 2011 increased 34.8% to $177.8 million compared to $131.9 million for the three months ended May 31, 2010. Core operating income for the nine months ended May 31, 2011 increased 58.1% to $528.0 million compared to $333.9 million for the nine months ended May 31, 2010. Core earnings for the three months ended May 31, 2011 increased 48.9% to $129.1 million compared to $86.7 million for the three months ended May 31, 2010. Core earnings for the nine months ended May 31, 2011 increased 74.1% to $380.0 million compared to $218.3 million for the nine months ended May 31, 2010. These increases were the result of the same factors described above in Management s Discussion and Analysis of Financial Condition and Results of Operations For the Three Months and Nine Months Ended May 31, 2011 Compared to the Three Months and Nine Months Ended May 31, 2010 Gross Profit.

Acquisitions and Expansion

As discussed in Note 13 Loss on Disposal of Subsidiaries and Note 14 Business Acquisitions to the Condensed Consolidated Financial Statements, we completed our acquisition of the Competence Sites in France and Italy during the second quarter of fiscal year 2011. The Competence Sites were our former operations and were previously disposed of during the fourth quarter of fiscal year 2010. This acquisition, along with acquisitions in prior years, were accounted for 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.

Seasonality

Production levels for the DMS and HVS segments 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 and HVS segments during the holiday selling season. Therefore, quarterly results should not be relied upon as necessarily being indicative of results for the entire fiscal year.

Dividends

The following table sets forth certain information relating to our cash dividends declared to common stockholders during fiscal years 2011 and 2010:

Dividend Information

	Dividend Declaration Date	Dividend per Share	Total Cash Dividends Declared	Date of Record for Dividend Payment	Dividend Cash Payment Date
		(in thousands, except for per share data)			
Fiscal year 2011:	October 25, 2010	$0.07	$15,563	November 15, 2010	December 1, 2010
	January 25, 2011	$0.07	$15,634	February 15, 2011	March 1, 2011