

JABIL CIRCUIT INC
Form 10-Q
July 06, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended May 31, 2007

or

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

For the transition period from _____ to _____

Commission file number: 001-14063

JABIL CIRCUIT, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

10560 Dr. Martin Luther King, Jr. Street North, St. Petersburg, Florida 33716

(Address of principal executive offices) (Zip Code)

38-1886260
(I.R.S. Employer

Identification No.)

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(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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by checkmark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by checkmark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 26, 2007 there were 207,555,899 shares of the Registrant's Common Stock outstanding.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1: FINANCIAL STATEMENTS****JABIL CIRCUIT, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands)****(Unaudited)**

	May 31, 2007	August 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 558,358	\$ 773,563
Accounts receivable, net of allowance for doubtful accounts of \$10,984 at May 31, 2007 and \$5,801 at August 31, 2006	1,336,784	1,288,024
Inventories	1,446,505	1,452,737
Prepaid expenses and other current assets	213,380	121,843
Income taxes receivable	16,363	17,507
Deferred income taxes	22,088	25,291
Total current assets	3,593,478	3,678,965
Property, plant and equipment, net of accumulated depreciation of \$900,666 at May 31, 2007 and \$830,240 at August 31, 2006		
Goodwill	1,260,677	985,262
	1,123,167	608,067
Intangible assets, net of accumulated amortization of \$84,804 at May 31, 2007 and \$77,295 at August 31, 2006	155,284	80,707
Deferred income taxes	70,617	46,356
Other assets	16,445	12,373
Total assets	\$ 6,219,668	\$ 5,411,730

LIABILITIES AND STOCKHOLDERS EQUITY

Current liabilities:		
Current installments of notes payable, long-term debt and long-term lease obligations	\$ 939,571	\$ 63,813
Accounts payable	1,901,197	2,231,864
Accrued expenses	419,716	363,112
Income taxes payable	46,351	40,240
Deferred income taxes	2,384	2,305
Total current liabilities	3,309,219	2,701,334
Notes payable, long-term debt and long-term lease obligations, less current installments	384,463	329,520
Other liabilities	71,831	78,549
Deferred income taxes	13,883	7,846
Total liabilities	3,779,396	3,117,249

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Minority interest	8,148	
Stockholders' equity:		
Common stock	212	211
Additional paid-in capital	1,317,536	1,265,382
Retained earnings	1,134,238	1,116,035
Accumulated other comprehensive income	180,389	113,104
Treasury stock (at cost)	(200,251)	(200,251)
Total stockholders' equity	2,432,124	2,294,481
Total liabilities, minority interest and stockholders' equity	\$ 6,219,668	\$ 5,411,730

See accompanying notes to condensed consolidated financial statements.

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

(in thousands, except for per share data)

(Unaudited)

	Three months ended		Nine months ended	
	May 31, 2007	May 31, 2006	May 31, 2007	May 31, 2006
Net revenue	\$ 3,001,896	\$ 2,592,464	\$ 9,160,761	\$ 7,311,833
Cost of revenue	2,782,907	2,404,821	8,578,277	6,743,720
Gross profit	218,989	187,643	582,484	568,113
Operating expenses:				
Selling, general and administrative	140,733	93,536	370,464	275,141
Research and development	10,498	9,578	26,972	24,756
Amortization of intangibles	8,804	7,273	20,662	18,791
Restructuring and impairment charges	25,325		41,359	
Operating income	33,629	77,256	123,027	249,425
Other expense	3,809	3,505	3,113	8,399
Interest income	(4,042)	(4,977)	(10,312)	(15,605)
Interest expense	28,523	5,818	61,102	15,355
Income before income taxes and minority interest	5,339	72,910	69,124	241,276
Income tax (benefit) expense	(505)	8,684	8,104	31,139
Minority interest	(390)		(491)	
Net income	\$ 6,234	\$ 64,226	\$ 61,511	\$ 210,137
Earnings per share:				
Basic	\$ 0.03	\$ 0.31	\$ 0.30	\$ 1.01
Diluted	\$ 0.03	\$ 0.30	\$ 0.30	\$ 0.98
Common shares used in the calculations of earnings per share:				
Basic	203,728	210,441	203,396	207,598
Diluted	205,772	215,861	206,233	213,358

See accompanying notes to condensed consolidated financial statements.

Table of Contents**JABIL CIRCUIT, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(in thousands)****(Unaudited)**

	Three months ended		Nine months ended	
	May 31,	May 31,	May 31,	May 31,
	2007	2006	2007	2006
Net income	\$ 6,234	\$ 64,226	\$ 61,511	\$ 210,137
Other comprehensive income:				
Foreign currency translation adjustment, net of tax	41,082	31,462	67,285	34,423
Comprehensive income	\$ 47,316	\$ 95,688	\$ 128,796	\$ 244,560

Accumulated foreign currency translation gains were \$199.4 million at May 31, 2007 and \$132.1 million at August 31, 2006. Foreign currency translation adjustments primarily consist of adjustments to consolidate subsidiaries that use a local currency as their functional currency.

See accompanying notes to condensed consolidated financial statements.

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

	Nine months ended	
	May 31, 2007	May 31, 2006
Cash flows from operating activities:		
Net income	\$ 61,511	\$ 210,137
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	173,829	147,793
Recognition of deferred grant proceeds	(10)	(504)
Amortization of discount on note receivable		(1,402)
Minority interest	(491)	
Recognition of stock-based compensation	37,628	33,137
Deferred income taxes	(17,999)	(16,200)
Non-cash restructuring charges	41,359	
Provision for doubtful accounts	7,275	1,619
Excess tax benefit of options exercised	324	(12,425)
Loss/(gain) on sale of property	625	(2,333)
Change in operating assets and liabilities, exclusive of net assets acquired in business acquisitions:		
Accounts receivable	134,365	(155,350)
Inventories	118,644	(354,807)
Prepaid expenses and other current assets	(64,437)	(19,675)
Other assets	(1,177)	(1,112)
Accounts payable and accrued expenses	(554,625)	424,789
Income taxes payable	2,204	16,530
Net cash (used in) provided by operating activities	(60,975)	270,197
Cash flows from investing activities:		
Cash paid for business and intangible asset acquisitions, net of cash acquired	(771,361)	(162,836)
Acquisition of property, plant and equipment	(214,217)	(184,599)
Proceeds from sale of property and equipment	11,430	9,760
Net cash used in investing activities	(974,148)	(337,675)
Cash flows from financing activities:		
Borrowings under debt agreements	3,379,514	81,148
Payments toward debt agreements and capital lease obligations	(2,576,328)	(108,299)
Dividends paid to stockholders	(43,087)	
Net proceeds from issuance of common stock under option and employee purchase plans	14,521	123,705
Excess tax benefit of options exercised	(324)	12,425
Net cash provided by financing activities	774,296	108,979
Effect of exchange rate changes on cash	45,622	17,307

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Net (decrease) increase in cash and cash equivalents	(215,205)	58,808
Cash and cash equivalents at beginning of period	773,563	796,071
Cash and cash equivalents at end of period	\$ 558,358	\$ 854,879

See accompanying notes to condensed consolidated financial statements.

Table of Contents**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 accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America 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. Certain amounts in the prior periods' financial statements have been reclassified to conform to current period presentation. 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, 2006. Operating results for the nine-month period ended May 31, 2007 are not necessarily an indication of the results that may be expected for the fiscal year ending August 31, 2007.

Note 2. Inventories

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

	May 31, 2007	August 31, 2006
Raw materials	\$ 975,005	\$ 1,011,450
Work-in-process	267,783	244,180
Finished goods	203,717	197,107
Total inventories	\$ 1,446,505	\$ 1,452,737

Table of Contents**Note 3. Earnings Per Share and Dividends****a. Earnings Per Share**

The following table sets forth the calculation of basic and diluted earnings per share (in thousands, except per share data):

	Three months ended		Nine months ended	
	May 31, 2007	May 31, 2006	May 31, 2007	May 31, 2006
Numerator:				
Net income	\$ 6,234	\$ 64,226	\$ 61,511	\$ 210,137
Denominator:				
Weighted-average common shares outstanding basic	203,728	210,441	203,396	207,598
Dilutive common shares issuable upon exercise of stock options and stock appreciation rights	1,712	5,160	2,297	5,544
Dilutive unvested common shares associated with restricted stock awards	332	260	540	216
Weighted-average common shares diluted	205,772	215,861	206,233	213,358
Earnings per share:				
Basic	\$ 0.03	\$ 0.31	\$ 0.30	\$ 1.01
Diluted	\$ 0.03	\$ 0.30	\$ 0.30	\$ 0.98

For the three months and nine months ended May 31, 2007 options to purchase 6,255,340 and 3,629,484 shares of common stock, respectively, were outstanding during the periods but were not included in the computation of diluted earnings per share because the options exercise prices were greater than the average market price of the common shares, and therefore, their effect would be anti-dilutive as calculated under the treasury method promulgated by the Statement of Financial Accounting Standard No. 128, *Earnings per Share* (SFAS 128). For the three months and nine months ended May 31, 2006, options to purchase 561,015 and 616,319 shares of common stock, respectively, were excluded for the same reason. In accordance with the contingently issuable shares provision of SFAS 128, 1,699,131 shares of performance-based, unvested common stock awards (restricted stock) granted in fiscal years 2006 and 2007 were not included in the calculation of earnings per share for the three months and nine months ended May 31, 2007, because all the necessary conditions for vesting have not been satisfied as of May 31, 2007. For the three months and nine months ended May 31, 2006, 769,726 shares of restricted stock were excluded for the same reason. In addition, for the three months and nine months ending May 31, 2007, 5,485,578 and 5,461,368 stock appreciation rights, respectively, were not included in the calculation of diluted earnings per share because the shares considered repurchased with assumed proceeds were greater than the shares issuable, and therefore, their effect would be anti-dilutive. For the three months and nine months ended May 31, 2006, 2,532,214 stock appreciation rights were excluded for the same reason.

b. Dividends

The following table sets forth certain information relating to our cash dividends paid or declared to common stockholders during the nine months ended May 31, 2007 and 2006.

Dividend Information

	Dividend declaration date	Dividend per share	Total of cash dividends paid (in thousands, except per share data)	Date of record for dividend payment	Dividend cash payment date
Fiscal year 2006:	May 4, 2006	\$ 0.07	\$ 14,855	May 15, 2006	June 1, 2006
	August 2, 2006	\$ 0.07	\$ 14,295	August 15, 2006	September 1, 2006

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Fiscal year 2007:	November 2, 2006	\$ 0.07	\$ 14,378	November 15, 2006	December 1, 2006
	January 22, 2007	\$ 0.07	\$ 14,414	February 15, 2007	March 1, 2007
	April 30, 2007	\$ 0.07	\$ 14,517	May 15, 2007	June 1, 2007

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Note 4. Stock-Based Compensation

Effective September 1, 2005, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123R, *Share-Based Payment*, (SFAS 123R) for its share-based compensation plans. The Company previously accounted for these plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, (APB 25) and related interpretations and disclosure requirements established by Statement of Financial Accounting Standard No. 123, *Accounting for Stock-Based Compensation*, (SFAS 123), as amended by Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*.

Under SFAS 123R, all share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as an expense in earnings over the requisite service period.

Upon the adoption of SFAS 123R, the Company changed its option valuation model from the Black-Scholes model to a lattice valuation model for all stock options and stock appreciation rights (collectively known as the Options), excluding those granted under the Company's Employee Stock Purchase Plan (ESPP), granted subsequent to August 31, 2005. The lattice valuation model is a more flexible analysis to value employee Options 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. The Company continues to use the Black-Scholes model for valuing the shares granted under the ESPP. Compensation for restricted stock awards 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. Compensation cost for all awards will be recognized in earnings, net of estimated forfeitures, on a straight-line basis over the requisite service period.

Under the provisions of SFAS 123R, the Company recorded \$11.2 million and \$27.9 million of stock compensation expense in the Condensed Consolidated Statements of Earnings for the three months and the nine months ended May 31, 2007, respectively, net of related tax effects of \$3.1 million and \$9.7 million, respectively. The Company recorded \$8.0 million and \$24.2 million of stock compensation expense in the Condensed Consolidated Statements of Earnings for the three months and nine months ended May 31, 2006, net of related tax effects of \$0.9 million and \$8.9 million, respectively. There were no capitalized stock-based compensation costs at May 31, 2007 or 2006.

During the three months ended May 31, 2007, the Company recorded an additional \$5.1 million of compensation expense in the Condensed Consolidated Statement of Earnings, as a result of additional 2006 personal tax liabilities incurred by certain option holders who have exercised Section 409A Affected Options as defined under Internal Revenue Code Section 409A. See Note 2 Stock Option Litigation and Restatements to the Consolidated Financial Statements in the Annual Report on Form 10-K for the fiscal year ended August 31, 2006 for further discussion surrounding Section 409A Affected Options.

The fair-value method is applied to non-employee awards in accordance with SFAS 123R. The measurement date for equity awards granted to non-employees is the earlier of the performance commitment date or the date the services required under the arrangement have been completed. The Company generally considers the measurement date for such non-employee awards to be the date that the award has vested. The Company re-measures the awards at each interim reporting period between the grant date and the measurement date. Non-employee awards are classified as liabilities on the Condensed Consolidated Balance Sheet and are therefore remeasured at each interim reporting period until the options are exercised, cancelled or expire unexercised. At May 31, 2007, \$0.5 million related to non-employee stock option awards was classified as a liability on the Company's Condensed Consolidated Balance Sheet. The Company recognized an insignificant charge in the Condensed Consolidated Statement of Earnings related to remeasuring the awards for the three months and nine months ended May 31, 2007.

As a result of the Company meeting specific performance goals, as defined in certain stock option agreements, the vesting of 600,000 Options was accelerated in the first quarter of fiscal year 2006. The vesting acceleration resulted in the recognition of approximately \$7.7 million in compensation expense during fiscal year 2006 that would have otherwise been recognized in fiscal years 2007 through 2010.

Cash received from Options exercises under all share-based payment arrangements, including the Company's ESPP, for the nine months ended May 31, 2007 and 2006 was \$14.5 million and \$123.7 million, respectively. The Company currently expects to satisfy share-based awards with registered shares available to be issued.

As described in Note 6 Commitments and Contingencies, the Company is involved in shareholder derivative actions, a putative shareholder class action and a Securities and Exchange Commission (SEC) Informal Inquiry, and has received a subpoena from the U.S. Attorney's office for the Southern District of New York in connection with certain historical stock option grants. In response to the derivative actions, a Special Committee of the Company's Board of

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Directors has been appointed to review the allegations in such actions. The Company has cooperated and intends to continue to cooperate with the special board committee, the SEC and the U.S. Attorney's office. The Company cannot, however, predict the outcome of those investigations.

a. Stock Option and Stock Appreciation Right Plans

The Company's 1992 Stock Option Plan (the "1992 Plan") provided for the granting to employees of incentive stock options within the meaning of Section 422 of the Internal Revenue Code and for the granting of non-statutory stock options to employees and consultants of the Company. A total of 23,440,000 shares of common stock were reserved for issuance under the 1992 Plan. The 1992 Plan was adopted by the Board of Directors in November of 1992 and was terminated in October 2001 with the remaining shares transferred into a new plan created in fiscal year 2002.

In October 2001, the Company established a new Stock Option Plan (the "2002 Incentive Plan"). The 2002 Incentive Plan was adopted by the Board of Directors in October 2001 and approved by the stockholders in January 2002. The 2002 Incentive Plan provides for the granting of Section 422 Internal Revenue Code and non-statutory stock options, as well as restricted stock, stock appreciation rights and other stock-based awards. The 2002 Incentive Plan has a total of 26,608,726 shares reserved for grant, including 2,608,726 shares that were transferred from the 1992 Plan when it was terminated in October 2001, 10,000,000 shares authorized in January 2004 and 7,000,000 shares authorized in January 2006. The Company also adopted sub-plans under the 2002 Incentive Plan for its United Kingdom employees (the "CSOP Plan") and for its French employees (the "FSOP Plan"). The CSOP Plan and FSOP Plan are tax advantaged plans for the Company's United Kingdom and French employees, respectively. Shares are issued under the CSOP Plan and FSOP Plan from the authorized shares under the 2002 Incentive Plan.

The 2002 Incentive Plan provides that the exercise price of Options generally shall be no less than the fair market value of shares of common stock on the date of grant. Exceptions to this general rule apply to grants of stock appreciation rights, grants of Options intended to preserve the economic value of stock option and other equity-based interests held by employees of acquired entities, and grants of Options intended to provide a material inducement for a new employee to commence employment with the Company. It is and has been the Company's intention for the exercise price of Options granted under the 2002 Incentive Plan to be at least equal to the fair market value of shares of common stock on the date of grant. However, as discussed in Note 2 "Stock Option Litigation and Restatements" to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2006, a certain number of Options have been identified that had a measurement date based on the date that the Compensation Committee or management (as appropriate) decided to grant the Options, instead of the date that the terms of such grants became final, and, therefore, the related Options had an exercise price less than the fair market value of shares of common stock on the final date of measurement.

With respect to any participant who owns stock representing more than 10% of the voting power of all classes of stock of the Company, the exercise price of any incentive stock option granted is to equal at least 110% of the fair market value on the grant date and the maximum term of the option may not exceed five years. The term of all other Options under the 2002 Incentive Plan may not exceed ten years. Beginning in fiscal year 2006, Options will generally vest at a rate of one-twelfth fifteen months after the grant date with an additional one-twelfth vesting at the end of each three-month period thereafter, becoming fully vested after a 48-month period. Prior to this change, Options generally vested at a rate of 12% after the first six months and 2% per month thereafter, becoming fully vested after a 50-month period.

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The following table summarizes Option activity from September 1, 2006 through May 31, 2007:

	Shares Available for Grant	Options Outstanding	Aggregate Intrinsic Value (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life
Balance at September 1, 2006	9,791,070	14,869,773		\$ 22.76	6.51
Options authorized					
Options expired	54,380	(54,380)		\$ 22.74	
Options granted	(3,364,484)	3,364,484		\$ 28.86	
Options cancelled	368,598	(368,598)		\$ 27.99	
Restricted stock awards (1)	(3,220,660)				
Options exercised		(567,595)		\$ 14.43	
Balance at May 31, 2007	3,628,904	17,243,684	\$ 40,118	\$ 24.05	6.46
Exercisable at May 31, 2007		12,110,588	\$ 40,076	\$ 21.80	5.39

(1) Represents the maximum number of shares that can be issued based on the achievement of certain performance criteria. The weighted-average grant-date fair value per share of Options granted during the nine months ended May 31, 2007 and 2006 was \$13.11 and \$16.39, respectively. The total intrinsic value of Options exercised during the nine months ended May 31, 2007 and 2006 was \$6.7 million and \$119.0 million, respectively.

As of May 31, 2007, there was \$55.4 million of unrecognized compensation costs related to non-vested Options that is expected to be recognized over a weighted-average period of 2.0 years. The total fair value of Options vested during the nine months ended May 31, 2007 and 2006 was \$9.5 million and \$22.9 million, respectively.

The Company changed the valuation model used for estimating the fair value of Options granted in the first quarter of fiscal year 2006, from the Black-Scholes model to the lattice valuation model. The lattice valuation model is a more flexible analysis to value employee Options 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. The Company used historical data to estimate the Option exercise and employee departure behavior used in the lattice valuation model. The expected term of Options granted is derived from the output of the option pricing model and represents the period of time that Options granted are expected to be outstanding. The risk-free rate for periods within the contractual term of the Options is based on the U.S. Treasury yield curve in effect at the time of grant. The volatility used for the lattice model is a constant volatility for all periods within the contractual term of the Option. The constant volatility is an average of implied volatilities from traded options and historical volatility corresponding to the contractual term of the Option. The expected dividend yield of Options granted is derived based on the expected annual dividend yield over the expected life of the option expressed as a percentage of the stock price on the date of grant.

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

	Three months ended		Nine months ended	
	May 31, 2007	May 31, 2006	May 31, 2007	May 31, 2006
Expected dividend yield	1.1%	0.0%	1.0%	0.0%
Risk-free interest rate	4.7% to 5.1%	4.7% to 5.1%	4.7% to 5.1%	3.7% to 5.1%
Weighted-average expected volatility	48.8%	45.7%	49.0%	49.1%
Weighted-average expected life	5.5 years	6.1 years	5.5 years	6.0 years

b. Stock Purchase and Award Plans

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The Company's 1992 Employee Stock Purchase Plan (the 1992 Purchase Plan) was adopted by the Board of Directors in November 1992 and approved by the stockholders in December 1992. A total of 5,820,000 shares of common stock were reserved for issuance under the 1992 Purchase Plan. As of May 31, 2007 a total of 5,279,594 shares had been issued under the 1992 Purchase Plan. The 1992 Purchase Plan was terminated in October 2001.

In October 2001, the Board of Directors adopted a new Employee Stock Purchase Plan (the 2002 Purchase Plan) and, together with the 1992 Purchase Plan, the Purchase Plans), which was approved by the stockholders in January

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2002. Initially there were 2,000,000 shares reserved under the 2002 Purchase Plan. An additional 2,000,000 shares were authorized for issuance under the 2002 Purchase Plan and approved by stockholders in January 2006. The Company also adopted a sub-plan under the 2002 Purchase Plan for its Indian employees. The Indian sub-plan is a tax advantaged plan for the Company's Indian employees. Shares are issued under the Indian sub-plan from the authorized shares under the 2002 Purchase Plan. As of May 31, 2007, a total of 2,283,029 shares had been issued under the 2002 Purchase Plan.

Employees are eligible to participate in the Purchase Plans after 90 days of employment with the Company. The Purchase Plans permit eligible employees to purchase common stock through payroll deductions, which may not exceed 10% of an employee's compensation, as defined, at a price equal to 85% of the fair market value of the common stock at the beginning or end of the offering period, whichever is lower. The Purchase Plans are intended to qualify under section 423 of the Internal Revenue Code. Unless terminated sooner, the 2002 Purchase Plan will terminate on October 17, 2011.

Awards under the 2002 Purchase Plan are generally granted in June and December. As such, there were no stock purchases under the Purchase Plans during the three months ended May 31, 2007 and 2006. There were 312,485 and 217,380 shares purchased under the Purchase Plans for the nine months ended May 31, 2007 and 2006, respectively.

The fair value of shares issued under the Purchase Plans 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:

	Nine months ended	
	May 31, 2007	May 31, 2006
Expected dividend yield	1.1%	0.0%
Risk-free interest rate	5.1%	4.4%
Weighted-average expected volatility	32.2%	20.7%
Expected life	0.5 years	0.5 years

In February 2001, the Company adopted a new Stock Award Plan. The purpose of the Stock Award Plan was to provide incentives to attract and retain key employees to the Company, to motivate such persons to stay with the Company, and to increase their efforts to make the business of the Company more successful. A total of 100,000 shares of common stock were registered for issuance under the Stock Award Plan. In October 2005, the Board of Directors approved the termination of the Stock Award Plan. As of October 31, 2005, 11,650 shares had been issued to employees under the Stock Award Plan, of which 5,000 shares had lapsed, leaving 88,350 unissued shares. On November 16, 2005, the Company filed a post-effective amendment to Form S-8 to deregister the 88,350 unissued shares.

c. Restricted Stock Awards

In fiscal year 2005, the Company granted restricted stock to certain key employees pursuant to the 2002 Stock Incentive Plan. The shares granted in fiscal year 2005 will vest after five years, but may vest earlier if specific performance criteria are met.

In fiscal years 2006 and 2007 the Company granted certain restricted stock awards that have certain performance conditions that will be measured on August 31, 2008 and August 31, 2009, respectively, which provide a range of vesting possibilities from 0% to 200%. Accordingly, the fair value of the awards is measured on the date of grant and recognized over the requisite service period based on the number of shares that would vest if the Company achieves 100% of the performance goal. If it becomes probable, based on the Company's performance, that more than 100% of the awarded shares will vest, additional compensation cost will be recognized. Alternatively, if the performance goals are not met, any recognized compensation cost will be reversed. In addition to restricted stock awards that have certain performance conditions, the Company has also granted certain restricted stock awards that will vest over time.

The following table summarizes restricted stock activity from September 1, 2006 through May 31, 2007. The number of shares presented below represents the maximum number of shares that can vest based on the achievement of certain performance criteria.

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	Shares	Weighted - Average Grant-Date Fair Value
Nonvested balance at September 1, 2006	2,083,752	\$ 29.78
Changes during the period		
Shares granted	3,298,860	\$ 26.47
Shares vested	(115,150)	\$ 24.94
Shares forfeited	(78,200)	\$ 33.47
Nonvested balance at May 31, 2007	5,189,262	\$ 27.73

As of May 31, 2007, there was \$67.9 million of total unrecognized compensation cost related to restricted stock awards granted under the Plan. That cost is expected to be recognized over a weighted-average period of 1.7 years.

Note 5. Segment Information

Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information* (SFAS 131), establishes standards for reporting information about segments in financial statements. 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, product management and after-market services. Management, including the Chief Executive Officer, evaluates performance and allocates resources on a geographic basis for manufacturing operating segments and on a global basis for the services operating segment. Accordingly, Jabil's operating segments consist of four segments: Americas, Europe, Asia and Services to reflect how the Company manages its business. The services operating segment, which includes the Company's after-market, design and enclosure integration services, does not meet the requirements of a reportable operating segment and is therefore combined with the Company's other non-segment activities, where applicable, in the disclosures below. As a result of the Company's acquisition of Taiwan Green Point Enterprises Co., Ltd. (Green Point) in the second quarter of fiscal year 2007, the Company determined that Green Point financial information should be reported in the Asia operating segment in accordance with SFAS 131. See Note 9 Business Acquisitions for further discussion of the Green Point acquisition.

Net revenue for the three geographic manufacturing operating segments are attributed to the region in which the product is manufactured or service is performed. The services provided, manufacturing processes, class of customers and order fulfillment processes are similar and generally interchangeable across the manufacturing operating segments. Net revenue for the services operating segment are on a global basis. An operating segment's performance is evaluated based upon its pre-tax operating contribution, or segment income. Segment income is defined as net revenue less cost of revenue and segment selling, general and administrative expenses, and does not include research and development costs, intangible amortization, stock-based compensation expense, restructuring and impairment charges, other expense, interest income, interest expense or income taxes. Segment income also does not include an allocation of corporate selling, general and administrative expenses, as management does not use this information to measure the performance of the operating segments. Transactions between operating segments are generally recorded at amounts that approximate arm's length.

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

	Three months ended		Nine months ended	
	May 31,	May 31,	May 31,	May 31,
	2007	2006	2007	2006
Net revenue				
Americas	\$ 1,150,599	\$ 1,004,381	\$ 3,547,617	\$ 2,755,054
Europe	712,674	783,863	2,667,062	2,227,278
Asia	990,888	700,486	2,520,868	2,043,698
Other non-reportable operating segment	147,735	103,734	425,214	285,803

\$ 3,001,896 \$ 2,592,464 \$ 9,160,761 \$ 7,311,833

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	Three months ended May 31,		Nine months ended May 31,	
	2007	2006	2007	2006
Depreciation expense				
Americas	\$ 14,403	\$ 15,242	\$ 44,190	\$ 45,218
Europe	12,264	10,859	36,385	35,165
Asia	21,273	10,522	51,873	30,091
Other	7,108	6,634	20,719	18,528
	\$ 55,048	\$ 43,257	\$ 153,167	\$ 129,002

	2007	2006	2007	2006
Segment income and reconciliation of income before income taxes and minority interest				
Americas	\$ 55,067	\$ 30,901	\$ 144,683	\$ 129,430
Europe	9,661	60,883	85,701	146,484
Asia	78,203	48,733	183,570	160,772
Other non-reportable operating segment	4,485	84	(1,590)	5,514
<i>Total segment income</i>	147,416	140,601	412,364	442,200
Reconciling items:				
Amortization of intangibles	8,804	7,273	20,662	18,791
Restructuring and impairment charges	25,325		41,359	
Other expense	3,809	3,505	3,113	8,399
Net interest (income) expense	24,481	841	50,790	(250)
Other non-allocated charges	79,658	56,072	227,316	173,984
Income before income taxes and minority interest	\$ 5,339	\$ 72,910	\$ 69,124	\$ 241,276

	2007	2006	2007	2006
Capital expenditures				
Americas	\$ 5,915	\$ 15,406	\$ 28,769	\$ 53,018
Europe	37,541	11,723	86,850	36,178
Asia	33,984	29,225	91,541	66,351
Other	10,599	8,667	27,339	29,052
	\$ 88,039	\$ 65,021	\$ 234,499	\$ 184,599

	May 31, 2007	August 31, 2006
Property, plant and equipment, net		
Americas	\$ 269,932	\$ 295,474
Europe	258,942	210,143
Asia	554,942	307,571
Other	176,861	172,074
	\$ 1,260,677	\$ 985,262

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	May 31, 2007	August 31, 2006
<u>Total assets</u>		
Americas	\$ 1,376,697	\$ 1,544,218
Europe	1,408,541	1,606,528
Asia	2,958,379	1,814,434
Other	476,051	446,550
	\$ 6,219,668	\$ 5,411,730

Total restructuring and impairment costs of \$25.3 million and \$41.4 million were charged against earnings during the three months and nine months ended May 31, 2007. Approximately \$6.8 million, \$14.9 million, \$3.1 million and \$0.5 million of restructuring and impairment costs were incurred during the three months ended May 31, 2007 in the Americas, Europe, Asia and other non-reportable operating segments, respectively. Approximately \$15.1 million, \$19.2 million, \$3.5 million and \$3.6 million of restructuring and impairment costs were incurred during the nine months ended May 31, 2007 in the Americas, Europe, Asia and other non-reportable operating segments, respectively. See Note 7 Restructuring and Impairment Charges for discussion of the Company's restructuring plan initiated in fiscal year 2006. There were no restructuring and impairment costs incurred during the three months ended May 31, 2006.

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Included in the capital expenditures disclosure above, is a \$20.3 million non-cash purchase of certain software license agreements. Refer to Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources for discussion of these agreements.

Foreign source revenue represented 78.4% and 78.4% of net revenue for the three months and nine months ended May 31, 2007, respectively, compared to 83.1% and 83.5% for the three months and nine months ended May 31, 2006, respectively.

Note 6. Commitments and Contingencies***a. Legal Proceedings***

On April 26, 2006, a shareholder derivative lawsuit was filed in State Circuit Court in Pinellas County, Florida on behalf of Mary Lou Gruber, a purported shareholder of the Company, naming the Company as a nominal defendant, and naming certain of its officers, Scott D. Brown, Executive Vice President, Mark T. Mondello, Chief Operating Officer, and Timothy L. Main, Chief Executive Officer, President and a Board member, as well as certain of its Directors, Mel S. Lavitt, William D. Morean, Frank A. Newman, Steven A. Raymund and Thomas A. Sansone, as defendants (the Initial Action). Mr. Morean and Mr. Sansone were the Company's previous Chief Executive Officer and President, respectively (such two individuals, with the defendant officers, collectively, the Officer Defendants). The Initial Action alleged that the named defendant officers and directors breached certain of their fiduciary duties to the Company in connection with certain stock option grants between August 1998 and October 2004. Specifically, it alleged that the defendant directors (other than Mr. Morean and Mr. Main), in their capacity as members of the Company's Board of Director Audit or Compensation Committee, at the behest of the Officer Defendants, backdated Company stock option grants to make it appear they were granted on a prior date when the Company's stock price was lower. The Initial Action alleged that such alleged backdated options unduly benefited the Officer Defendants, resulted in the Company issuing materially inaccurate and misleading financial statements and caused millions of dollars of damages to the Company. The Initial Action also sought to have the Officer Defendants disgorge certain options they received, including the proceeds of options exercised, as well as certain equitable relief and attorney's fees and costs.

On May 2, 2006, the Company was notified by the Staff of the Securities and Exchange Commission (the SEC) of an informal inquiry concerning the Company's stock option grant practices. On May 3, 2006, the Company's Board of Directors had a meeting, which had been arranged prior to the SEC contacting the Company, to discuss the Initial Action. At that meeting, the Board of Directors appointed the Special Committee to review the allegations in the Initial Action. On May 10, 2006, the law firms representing the plaintiff in the Initial Action, along with two additional law firms, representing a purported shareholder of the Company, Robert Barone, filed a lawsuit in State Circuit Court in Pinellas County, Florida that was nearly identical to the Initial Action (with the Initial Action, collectively, the State Derivative Actions). On May 17, 2006, the Company received a subpoena from the U.S. Attorney's office for the Southern District of New York requesting certain stock option related material. On July 12, 2006, the parties to the State Derivative Actions filed a stipulation and proposed order of consolidation, which also appointed co-lead counsel. The Court signed the order on July 17, 2006, consolidated the cases under the caption *In re Jabil Derivative Litigation*, No. 06-2917 CI-08 (the Consolidated State Derivative Action), and ordered that the complaint filed in the Initial Action would become the operative complaint. The Company has entered into a stipulation extending its time to respond to the Consolidated State Derivative Action until September 10, 2007.

Two federal derivative suits were also filed in the United States District Court for the Middle District of Florida, Tampa Division, on July 10, 2006 and December 6, 2006 respectively (collectively, the Federal Derivative Actions). The complaints assert virtually identical factual allegations and claims as in the State Derivative Actions. On January 26, 2007, the District Court consolidated the two Federal Derivative Actions under the caption *In re Jabil Circuit Options Backdating Litigation*, 8:06-cv-01257 (the Consolidated Federal Derivative Action) and appointed co-lead counsel. The Company has entered into a stipulation extending its time to respond to the Consolidated Federal Derivative Action until September 10, 2007.

On September 18, 2006, a putative shareholder class action was filed in the United States District Court for the Middle District of Florida, Tampa Division encaptioned *Edward J. Goodman Life Income Trust v. Jabil Circuit, Inc., et al.*, No. 8:06-cv-01716 against the Company and various present and former officers and directors, including Forbes I.J. Alexander, Scott D. Brown, Laurence S. Grafstein, Mel S. Lavitt, Chris Lewis, Timothy Main, Mark T. Mondello, William D. Morean, Lawrence J. Murphy, Frank A. Newman, Steven A. Raymund, Thomas A. Sansone and Kathleen Walters on behalf of a proposed class of plaintiffs comprised of persons that purchased shares of the Company between September 19,

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2001 and June 21, 2006. The complaint asserted claims under Section 10(b) of the Securities and Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, as well as under Section 20(a) of that Act. The complaint alleged that the defendants had engaged in a scheme to fraudulently backdate the grant dates of options for various senior officers and directors, causing the Company's financial statements to understate management compensation and overstate net earnings, thereby inflating the Company's stock price. In addition, the complaint alleged that the Company's proxy statements falsely stated that the Company had adhered to its option grant policy of granting options at the closing price of the Company's shares on the trading date immediately prior to the date of the grant. A second putative class action, containing virtually identical legal claims and allegations of fact, encaptioned *Steven M. Noe v. Jabil Circuit, Inc., et al.*, No., 8:06-cv-01883, was filed on October 12, 2006. The two actions were consolidated into a single proceeding (the Consolidated Class Action) and on January 18, 2007, the Court appointed The Laborers Pension Trust Fund for Northern California and Pension Trust Fund for Operating Engineers as lead plaintiffs in the action. On March 5, 2007, the lead plaintiffs filed a consolidated class action complaint (the Consolidated Class Action Complaint). The Consolidated Class Action Complaint is purported to be brought on behalf of all persons who purchased the Company's publicly traded securities between September 19, 2001 and December 21, 2006, and names the Company and certain of its current and former officers, including Forbes I.J. Alexander, Scott D. Brown, Wesley B. Edwards, Chris A. Lewis, Mark T. Mondello, Robert L. Paver and Ronald J. Rapp, as well as certain of the Company's Directors, Mel S. Lavitt, William D. Morean, Frank A. Newman, Laurence S. Grafstein, Steven A. Raymund, Lawrence J. Murphy, Kathleen A. Walters and Thomas A. Sansone, as defendants. The Consolidated Class Action Complaint alleged violations of Sections 10(b), 20(a), and 14(a) of the Securities and Exchange Act and the rules promulgated thereunder. It contained allegations of fact and legal claims similar to the original putative class actions and, in addition, alleged that the defendants failed to timely disclose the facts and circumstances that led the Company, on June 12, 2006, to announce that it was lowering its prior guidance for net earnings for the third quarter of fiscal year 2006. On April 30, 2007, Plaintiffs filed a First Amended Consolidated Class Action Complaint asserting claims substantially similar to the Consolidated Class Action Complaint it replaced but adding additional allegations relating to the restatement of earnings previously announced in connection with the correction of errors in the calculation of compensation expense for certain stock option grants. The Company filed a motion to dismiss the First Amended Consolidated Class Action Complaint on June 29, 2007.

The Special Committee of the Board has conducted its investigation and analysis of the claims asserted in the derivative actions and has concluded that the evidence does not support a finding of intentional manipulation of stock option grant pricing by any member of management. In addition, the Special Committee concluded that it is not in the Company's best interests to pursue the derivative actions. The Special Committee identified certain factors related to the Company's controls surrounding accounting for option grants that contributed to the accounting errors that led to the restatement. The Company is cooperating fully with the Board's Special Committee, the SEC and the U.S. Attorney's office. As mentioned in the Explanatory Note in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2006, the Company has also provided the SEC with the report of independent counsel to the Audit Committee that has reviewed certain historical recognition of revenue by the Company. The Company cannot predict what effect such reviews may have. See Risk Factors We are involved in reviews of our historical stock option grant practices and We are involved in a review of our recognition of revenue for certain historical transactions.

The Company is party to certain other lawsuits in the ordinary course of business. Management 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 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 reevaluated periodically for accuracy. The balance of the warranty liability and warranty expense was insignificant for all periods presented.

Note 7. Restructuring and Impairment Charges

In conjunction with the restructuring plan that was approved by the Company's Board of Directors in the fourth quarter of fiscal year 2006 (the 2006 Restructuring Plan), the Company charged an additional \$25.3 million and \$41.4 million of restructuring and impairment costs against earnings during the three months and nine months ended May 31, 2007, respectively. The restructuring and impairment charge for the three months ended May 31, 2007 of \$25.3 million, includes \$12.3 million related to employee severance and benefits costs, \$0.5 million related to lease commitments, \$12.0 million related to fixed asset impairments and \$0.5 million related to other restructuring costs. The restructuring and impairment charge for the nine months ended May 31, 2007 of \$41.4 million, includes \$20.0 million related to employee severance and benefits costs, \$2.7 million related to lease commitments, \$17.9 million related to fixed asset impairments and \$0.8 million related to other restructuring costs. There were no charges incurred during the three months and nine months ended May 31, 2006.

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Employee severance and termination benefit costs of \$12.3 million and \$20.0 million recorded in the three months and nine months ended May 31, 2007, respectively, are related to the elimination of approximately 4,000 and 7,000 employees, respectively, across all functions of the business in manufacturing facilities in the Americas, Europe and Asia. Lease commitment costs of \$0.5 million and \$2.7 million recorded in the three months and nine months ended May 31, 2007, respectively, primarily relate to future lease payments for facilities that were vacated in Europe and the Americas. The Company performed an impairment assessment on fixed assets held by each facility that was significantly impacted by the restructuring program and recorded a fixed asset impairment charge of \$12.0 million and \$17.9 million during the three months and nine months ended May 31, 2007, respectively.

The tables below set forth the significant components and activity in the restructuring program during the three months and nine months ended May 31, 2007 and 2006, (in thousands):

Restructuring Activity Three Months Ended May 31, 2007

	Liability Balance at February 28, 2007	Restructuring Related Charges	Asset Impairment Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at May 31, 2007
Employee severance and termination benefits	\$ 35,898	\$ 12,252	\$ 632	\$ (11,155)	\$ 37,627
Lease costs	9,622	552	32	(1,610)	8,596
Fixed asset impairment		12,047	(12,047)		
Other	773	474	(291)	(82)	874
Total	\$ 46,293	\$ 25,325	\$ (11,674)	\$ (12,847)	\$ 47,097

Restructuring Activity Three Months Ended May 31, 2006⁽¹⁾

	Liability Balance at February 28, 2006	Restructuring Related Charges	Asset Impairment Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at May 31, 2006
Employee severance and termination benefits	\$	\$	\$	\$	\$
Lease costs	2,680			(1,192)	1,488
Fixed asset impairment					
Other					
Total	\$ 2,680	\$	\$	\$ (1,192)	\$ 1,488

Restructuring Activity Nine Months Ended May 31, 2007

	Liability Balance at August 31, 2006	Restructuring Related Charges	Asset Impairment Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at May 31, 2007
Employee severance and termination benefits	\$ 66,252	\$ 19,952	\$ 2,134	\$ (50,711)	\$ 37,627
Lease costs	10,108	2,693	107	(4,312)	8,596
Fixed asset impairment		17,872	(17,872)		
Other	749	842	(247)	(470)	874

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Total	\$	77,109	\$	41,359	\$	(15,878)	\$	(55,493)	\$	47,097
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	Liability Balance at August 31, 2005	Restructuring Related Charges	Asset Impairment Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at May 31, 2006
Employee severance and termination benefits	\$	\$	\$	\$	\$
Lease costs	4,924			(3,436)	1,488
Fixed asset impairment					
Other					
Total	\$ 4,924	\$	\$	\$ (3,436)	\$ 1,488

(1) The activity relates to historical restructuring plans. As of August 31, 2006, there was no liability relating to the historical restructuring plans recorded.

The tables below set forth the significant components and activity in the restructuring program by reportable segment during the three months and nine months ended May 31, 2007 and 2006, (in thousands):

Restructuring Activity – Three Months Ended May 31, 2007

	Liability Balance at February 28, 2007	Restructuring Related Charges	Asset Impairment Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at May 31, 2007
Americas	\$ 7,882	\$ 6,833	\$ (2,435)	\$ (3,054)	\$ 9,226
Europe	34,717	14,911	(7,549)	(8,997)	33,082
Asia	162	3,074	(1,763)	(52)	1,421
Other	3,532	507	73	(744)	3,368
Total	\$ 46,293	\$ 25,325	\$ (11,674)	\$ (12,847)	\$ 47,097

Restructuring Activity – Three Months Ended May 31, 2006⁽¹⁾

	Liability Balance at February 28, 2006	Restructuring Related Charges	Asset Impairment Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at May 31, 2006
Americas	\$ 2,680	\$	\$	\$ (1,192)	\$ 1,488
Europe					
Asia					
Other					
Total	\$ 2,680	\$	\$	\$ (1,192)	\$ 1,488

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Restructuring Activity - Nine Months Ended May 31, 2007

	Liability Balance at August 31, 2006	Restructuring Related Charges	Asset Impairment Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at May 31, 2007
Americas	\$ 10,511	\$ 15,141	\$ (6,363)	\$ (10,063)	\$ 9,226
Europe	63,733	19,144	(7,723)	(42,072)	33,082
Asia	368	3,475	(1,794)	(628)	1,421
Other	2,497	3,599	2	(2,730)	3,368
Total	\$ 77,109	\$ 41,359	\$ (15,878)	\$ (55,493)	\$ 47,097

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	Liability Balance at August 31, 2005	Restructuring Related Charges	Asset Impairment Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at May 31, 2006
Americas	\$ 4,924	\$	\$	\$ (3,436)	\$ 1,488
Europe					
Asia					
Other					
Total	\$ 4,924	\$	\$	\$ (3,436)	\$ 1,488

(1) The activity relates to historical restructuring plans. As of August 31, 2006, there was no liability relating to the historical restructuring plans recorded.

At May 31, 2007, liabilities of approximately \$36.1 million and \$7.0 million related to the 2006 Restructuring Plan are expected to be paid out within one year and two years, respectively. The remaining liability of \$4.0 million for the charge related to a certain lease commitment is expected to be paid out primarily during fiscal years 2009 through 2011.

In relation to the 2006 Restructuring Plan, the Company currently expects to recognize approximately \$200.0 to \$250.0 million in total restructuring and impairment costs, of which a total of \$160.4 million has been recognized through May 31, 2007. Additional costs related to the restructuring plan are expected to be incurred over the course of fiscal years 2007 and 2008. The \$200.0 to \$250.0 million estimated range includes pre-tax restructuring charges related to employee severance and benefit costs, contract termination costs, fixed asset impairment costs, and other related restructuring costs, as well as valuation allowances against net deferred tax assets for certain plants impacted by the current restructuring plan. See Note 5 - Income Taxes to the Consolidated Financial Statements in the Annual Report on Form 10-K for the fiscal year ended August 31, 2006 for further discussion surrounding significant portions of the deferred tax assets and deferred tax liabilities.

Note 8. Goodwill and Other Intangible Assets

The Company accounts for its intangible assets in accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). In accordance with this standard, the Company is required to perform a goodwill impairment test at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from estimated future cash flows. The Company completed the annual impairment test during the fourth quarter of fiscal year 2006 and determined that no impairment existed as of the date of the impairment test. Recoverability of goodwill is measured at the reporting unit level, which the Company has determined to be consistent with its operating segments as defined in Note 5 - Segment Information, by comparing the reporting unit's carrying amount, including goodwill, to the fair market value of the reporting unit, based on projected discounted future results. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired and a second test is performed to measure the amount of impairment loss, if any. To date, the Company has not recognized an impairment of its goodwill.

All of the Company's intangible assets, other than goodwill, are subject to amortization over their estimated useful lives. Intangible assets are comprised primarily of contractual agreements and customer relationships, which are being amortized on a straight-line basis over periods of up to ten years. No significant residual value is estimated for the intangible assets. The value of the Company's intangible assets purchased through business acquisitions are principally determined based on third-party valuations of the net assets acquired. Currently, the Company is in the process of finalizing the value of intangible assets resulting from the Taiwan Green Point Enterprises Co., Ltd. (Green Point) acquisition consummated in the second quarter of fiscal year 2007. See Note 9 - Business Acquisitions for further discussion of recent acquisitions. The following tables present the Company's total purchased intangible assets at May 31, 2007 and August 31, 2006 (in thousands):

May 31, 2007

Gross carrying	Accumulated amortization	Net carrying
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	amount		amount
Contractual agreements & customer relationships	\$ 154,931	\$ (76,875)	\$ 78,056
Intellectual property	85,157	(7,929)	77,228
Total	\$ 240,088	\$ (84,804)	\$ 155,284

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	Gross carrying amount	Accumulated amortization	Net carrying amount
August 31, 2006			
Contractual agreements & customer relationships	\$ 155,084	\$ (76,329)	\$ 78,755
Intellectual property	2,918	(966)	1,952
Total	\$ 158,002	\$ (77,295)	\$ 80,707

The weighted-average amortization period for aggregate intangible assets at May 31, 2007 is 6.1 years, which includes a weighted-average amortization period of 7.1 years for contractual agreements and customer relationships and a weighted-average amortization period of 4.2 years for intellectual property.

Intangible asset amortization for the three months and nine months ended May 31, 2007 was approximately \$8.8 million and \$20.7 million, respectively. Intangible asset amortization for the three months and nine months ended May 31, 2006 was approximately \$7.3 million and \$18.8 million, respectively.

The increase in the gross carrying amount of the Company's purchased intangible assets at May 31, 2007 was the result of the Green Point acquisition in the second quarter of fiscal year 2007, partially offset by the write-off of certain fully amortized intangible assets.

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

Fiscal year ending August 31,	Amount
2007 (remaining three months)	\$ 8,693
2008	32,487
2009	28,920
2010	25,926
2011	21,682
Thereafter	37,576
Total	\$ 155,284

The following table presents the changes in goodwill allocated to the Company's reportable segments during the nine months ended May 31, 2007 (in thousands):

Reportable Segment	Balance at August 31, 2006	Acquisitions and purchase accounting adjustments	Foreign currency impact	Balance at May 31, 2007
Americas	\$ 119,850	\$ (78)	\$ 2,057	\$ 121,829
Europe	189,441		7,825	197,266
Asia	273,435	510,921	(5,957)	778,399
Other non-reportable segment	25,341	128	204	25,673
Total	\$ 608,067	\$ 510,971	\$ 4,129	\$ 1,123,167

Note 9. Business Acquisitions*a. Business Acquisitions*

The Company has made a number of acquisitions that were accounted for under the purchase method of accounting. Accordingly, the operating results of each acquired business are included in the Consolidated Financial Statements of the Company from the respective date of acquisition. In accordance with SFAS 142, goodwill related to the Company's business acquisitions is not being amortized and is tested for impairment

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annually during the fourth quarter of each fiscal year and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows.

During the three months ended February 28, 2006, the Company made several immaterial business acquisitions, which were accounted for under the purchase method of accounting. Total consideration paid for these business acquisitions was approximately \$12.2 million. Based on final third-party valuations, which were completed in the first quarter of fiscal year 2007, the combined purchase price of the acquisitions resulted in purchased intangible assets of approximately \$2.4 million and goodwill of approximately \$1.5 million. The purchased intangible assets (other than goodwill) are being amortized over various periods ranging from three to ten years.

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During the three months ended May 31, 2006, the Company made an immaterial business acquisition, which was accounted for under the purchase method of accounting. Total purchase consideration for this business acquisition was approximately \$10.2 million, based on foreign currency rates at the date of acquisition. Based on a final third-party valuation, which was completed in the third quarter of fiscal year 2007, the purchase consideration resulted in purchased intangible assets of \$1.4 million, goodwill of approximately \$0.5 million and purchased in-process research and development of \$0.3 million. The purchased intangible assets, including intellectual property and a customer relationship, are being amortized over a period of three years and five years, respectively. The purchased in-process research and development was immediately charged to research and development expense in the Condensed Consolidated Statement of Earnings during the fourth quarter of fiscal year 2006.

Pro forma results of operations, in respect to the acquisitions described above that were consummated in fiscal year 2006, have not been presented because the effect of these acquisitions was not material on either an individual or an aggregate basis.

b. Celetronix Acquisition

During the third quarter of fiscal year 2005, the Company entered into several related agreements with Celetronix. The agreements included, but were not limited to, a loan agreement and an agreement and plan of amalgamation (*Original Agreement*). Under the terms of the loan agreement, the Company agreed, subject to various conditions, to loan Celetronix a maximum amount of \$25.0 million, of which \$15.0 million was disbursed upon execution of the agreements. The remaining \$10.0 million principal under the loan agreement was transferred to an escrow agent to be disbursed to Celetronix only upon satisfaction of various requirements as defined in the related escrow agreement. These requirements were satisfied during the fourth quarter of fiscal year 2005 and the remaining \$10.0 million principal was disbursed to Celetronix. The loan, which was evidenced by a promissory note, accrued interest at a stated rate of 2.5% per annum from the disbursement date. The principal was due and payable in a single payment on November 1, 2006 and interest was payable annually in arrears on November 1 of each year.

The related *Original Agreement* granted the Company an option to acquire all of the outstanding stock of Celetronix through amalgamation with a newly-formed subsidiary of the Company (*the purchase option*). The purchase option, which was granted upon execution of the loan agreement for no additional consideration, allowed the Company to demand the amalgamation at any time prior to a specific date. The *Original Agreement* also dictated the initial and contingent purchase consideration payable by the Company upon exercise of the purchase option. Based on the terms of the *Original Agreement*, the purchase option was to expire on November 1, 2005, subject to certain potential limited extensions. Prior to November 1, 2005, the Company began negotiations toward a potential amendment to the *Original Agreement* to reduce the minimum purchase price and modify certain other terms of the agreement. A first amendment to the *Original Agreement* extended the expiration date of the purchase option to November 15, 2005. A second amendment to the *Original Agreement* further extended the expiration date of the purchase option to December 2, 2005. Subsequent to November 30, 2005, the December 2, 2005 expiration date set forth in the *Original Agreement* occurred. The Company and Celetronix continued negotiations on the potential transaction and signed a third amendment to the *Original Agreement* that extended the purchase option expiration date to January 13, 2006.

On January 11, 2006, the Company and Celetronix entered into a new agreement and plan of amalgamation (*Revised Agreement*) to supersede the *Original Agreement*, as amended. The *Revised Agreement* was similar to the *Original Agreement*; however, it reflected a reduced purchase price, eliminated the potential contingent consideration payable, and modified certain other terms of the *Original Agreement*. Based on the terms of the *Revised Agreement*, the amalgamation could occur when certain conditions were satisfied.

On March 31, 2006 the Company consummated the acquisition of Celetronix pursuant to the *Revised Agreement*. The Company acquired the Celetronix operations, excluding the memory business, in an effort to expand its presence in India and enhance customer and industry sector diversification by adding additional competencies in the consumer and peripherals industry sectors. The acquisition was accounted for under the purchase method of accounting. The purchase consideration for the transaction included approximately \$152.9 million in cash paid at closing and for professional fees; the \$3.8 million purchase option and \$23.8 million related to the note receivable owed from Celetronix that was recorded in the Company's current assets at the acquisition date; approximately \$30.2 million outstanding accounts receivable owed from Celetronix to the Company as of the acquisition date; the assumption of certain liabilities; and certain other items. Based on a final third-party valuation, which was completed in the third quarter of fiscal year 2007, the purchase consideration resulted in purchased intangible assets of \$29.3 million and goodwill of \$209.9 million. The purchased intangible assets, including intellectual property and a customer relationship, are being amortized over a period of three years and ten years, respectively.

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Pro forma results of operations have not been presented because the effect of this acquisition was not material on an individual basis or an aggregate basis when combined with the acquisitions consummated in fiscal year 2006 as discussed above.

c. Green Point Acquisition

On November 22, 2006, the Company entered into a merger agreement with Taiwan Green Point Enterprises Co., Ltd. (Green Point), pursuant to which Green Point agreed to merge with and into an existing Jabil entity in Taiwan. The legal merger was primarily achieved through a tender offer that the Company made to acquire 100% of the outstanding shares of Green Point for 109.0 New Taiwan dollars per share. The tender offer was launched on November 23, 2006 and remained open for a period of 50 days. During the tender offer period, the Company acquired approximately 260.9 million shares, representing 97.6% of the outstanding shares of Green Point. On January 16, 2007, the Company paid cash of approximately \$870.7 million (in U.S. dollars) to acquire the tendered shares.

Subsequent to the completion of the tender offer and prior to the completion of the legal merger, the Company acquired approximately 2.1 million Green Point shares in block trades for a price of 109.0 New Taiwan dollars per share (or approximately \$7.0 million in U.S. dollars). On April 24, 2007, pursuant to the November 22, 2006 merger agreement, the Company acquired the approximately 4.1 million remaining outstanding Green Point shares that were not tendered during the tender offer period, for 109.0 New Taiwan dollars per share (or approximately \$13.3 million in U.S. dollars).

The financial results of Green Point were included in the Company's Consolidated Financial Statements beginning on January 16, 2007. The Company recorded a minority interest in its Consolidated Financial Statements from January 16, 2007 through April 24, 2007 related to the remaining 2.4% of Green Point outstanding shares that it acquired on April 24, 2007.

Green Point specializes in the design and production of advanced plastics and metals for the mobile products market. The Company acquired these operations to enhance its position in the mobile products market and to offer end-to-end capability with long-term growth prospects. The acquisition was accounted for under the purchase method of accounting. Financial results of the acquired operations have been included in the Company's Consolidated Balance Sheet and Consolidated Statement of Earnings beginning in the second quarter of fiscal year 2007.

The purchase consideration for the transaction included approximately \$901.0 million in cash paid to complete the merger with Green Point and for professional fees; the assumption of certain liabilities; and certain other items. The purchase consideration is subject to change depending on the final purchase accounting adjustments. Based on a preliminary third-party valuation, which is expected to be completed no later than the second quarter of fiscal year 2008, the Company recorded purchased amortizable intangible assets of \$96.5 million, purchased intangibles with an indefinite life of \$47.0 million, and goodwill of \$463.2 million, based on exchange rates at the date of acquisition. The purchased intangible assets, including intellectual property and a customer relationship, are being amortized over periods of three to seven years.

Financial information related to the Green Point business is included in the Asia operating segment. Refer to Note 5 Segment Information for further details.

The unaudited pro forma results presented below include the effects of the acquisition as if it had been consummated at the beginning of the year and the period prior to acquisition. Pro forma adjustments arise due to additional amortization on estimated identifiable intangible assets and additional interest on the unsecured bridge credit agreement that was entered into to acquire Green Point. The unaudited pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been consummated at the beginning of the year prior to acquisition. The financial information presented below for the three months ended May 31, 2007 reflects actual results of operations as Green Point was acquired for the full three month period.

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	Three months ended		Nine months ended	
	May 31,	May 31,	May 31,	May 31,
	2007 (unaudited) Actual	2006 (unaudited) Pro Forma	2007 (unaudited) Pro Forma	2006 (unaudited) Pro Forma
Net revenue	\$ 3,001,896	\$ 2,713,944	\$ 9,423,443	\$ 7,645,694
Income before taxes	\$ 5,339	\$ 63,287	\$ 75,557	\$ 218,520
Net income	\$ 6,234	\$ 53,688	\$ 64,686	\$ 186,240
Earnings per common share:				
Basic	\$ 0.03	\$ 0.26	\$ 0.32	\$ 0.90
Diluted	\$ 0.03	\$ 0.25	\$ 0.31	\$ 0.87

Note 10. Accounts Receivable Securitization**a. Asset-Backed Securitization Program**

In February 2004, the Company entered into an asset-backed securitization program with a bank, which originally provided for net cash proceeds at any one time of an amount up to \$100.0 million on the sale of eligible accounts receivable of certain domestic operations. As a result of an amendment in April 2004, the program was increased to an amount up to \$120.0 million of net cash proceeds at any one time. As a result of a second amendment in February 2005, the program was renewed and increased to an amount up to \$145.0 million of net cash proceeds at any one time. The program was increased to an amount up to \$175.0 million of net cash proceeds at any one time by a third amendment in May 2005. A fourth amendment in November 2005 increased the program to an amount up to \$250.0 million of net cash proceeds at any one time. As a result of a fifth amendment in February 2006, the program was renewed. The program was increased up to an amount of \$325.0 million of net cash proceeds at any one time as a result of a sixth amendment in October 2006. As a result of a seventh amendment in February 2007, the program was renewed. The sale of receivables under this securitization program is accounted for in accordance with Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (a replacement of FASB Statement No. 125)*. Under the agreement, the Company continuously sells a designated pool of trade accounts receivable to a wholly-owned subsidiary, which in turn sells an ownership interest in the receivables to a conduit, administered by an unaffiliated financial institution. This wholly-owned subsidiary is a separate bankruptcy-remote entity and its assets would be available first to satisfy the creditor claims of the conduit. As the receivables sold are collected, the Company is able to sell additional receivables up to the maximum permitted amount under the program. 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, as amended. The securitization agreement, as amended, expires in February 2008 and may be extended on an annual basis.

Based on the Company's delayed filing of the Annual Report on Form 10-K for the fiscal year ended August 31, 2006, as well as the delayed filings of the Company's Forms 10-Q for the fiscal quarters ended November 30, 2006 and February 28, 2007, on January 11, 2007, the purchasing bank under the Company's asset-backed securitization program agreed to waive the requirement that the Company deliver to the bank its quarterly and annual financial statements until the earlier of May 3, 2007 or 45 days after the Company receives a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding. A second waiver was received on May 2, 2007 in which the purchasing bank agreed (i) to waive the requirement that the Company deliver to the bank its annual financial statements until the earlier of July 2, 2007 or 45 days after the Company receives a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding and (ii) to waive the requirement that the Company deliver to the bank its quarterly financial statements until the earlier of August 1, 2007 or 45 days after the Company receives a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding. As a result of the Company's filing of its Annual Report on Form 10-K for the fiscal year ended August 31, 2006, as well as the filing of the Company's Forms 10-Q for the fiscal quarters ended November 30, 2006 and February 28, 2007, the Company has cured all alleged defaults described above. See Note 2 "Stock Option Litigation and Restatements" in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2006 for further discussion on the delayed filings of the Company's financial statements.

For each pool of eligible receivables sold to the conduit, the Company retains a percentage interest in the face value of the receivables, which is calculated based on the terms of the agreement. Net receivables sold under this program are excluded from accounts receivable on the Consolidated Balance Sheet and are reflected as cash provided by operating activities on the Consolidated Statement of Cash Flows. The

Company continues to service, administer and collect the

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receivables sold under this program. The Company pays facility fees of 0.15% per annum of 102% of the average purchase limit and program fees of up to 0.15% of average outstanding amounts. The investors and the securitization conduit have no recourse to the Company's assets for failure of debtors to pay when due.

At May 31, 2007, the Company had sold \$404.6 million of eligible accounts receivable, which represents the face amount of total outstanding receivables at that date. In exchange, the Company received cash proceeds of \$288.6 million and retained an interest in the receivables of approximately \$116.0 million. In connection with the securitization program, the Company recognized pretax losses on the sale of receivables of approximately \$3.8 million and \$11.5 million during the three months and nine months ended May 31, 2007, respectively, and approximately \$3.5 million and \$8.4 million during the three months and nine months ended May 31, 2006, respectively, which are recorded as an other expense on the Condensed Consolidated Statement of Earnings.

b. Accounts Receivable Factoring Agreement

In October 2004, the Company entered into an agreement with an unrelated third-party for the factoring of specific accounts receivable of a foreign subsidiary. The factoring of accounts receivable under this agreement is accounted for as a sale in accordance with SFAS 140. Under the terms of the factoring agreement, the Company transfers ownership of eligible accounts receivable without recourse to the third-party purchaser in exchange for cash. Proceeds on the transfer reflect the face value of the account less a discount. The discount is recorded as a loss on the Condensed Consolidated Statement of Earnings in the period of the sale. The factoring agreement expired in March 2007 and was extended for a six month period.

The receivables sold pursuant to this factoring agreement are excluded from accounts receivable on the Condensed Consolidated Balance Sheet and are reflected as cash provided by operating activities on the Condensed Consolidated Statement of Cash Flows. The Company continues to service, administer and collect the receivables sold under this program. The third-party purchaser has no recourse to the Company's assets for failure of debtors to pay when due.

At May 31, 2007, the Company had sold \$24.6 million of accounts receivable, which represents the face amount of total outstanding receivables at that date. In exchange, the Company received cash proceeds of \$24.6 million. The resulting loss on the sale of accounts receivable under this factoring agreement were insignificant for the three and nine months ended May 31, 2007 and 2006.

Note 11. Pension and Other Postretirement Benefits

During the first quarter of fiscal year 2002, the Company established a defined benefit pension plan for all permanent employees of Jabil Circuit UK Limited. This plan was established in accordance with the terms of the business sale agreement with Marconi Communications plc (Marconi). The benefit obligations and plan assets from the terminated Marconi plan were transferred to the newly established defined benefit plan. The plan, which is closed to new participants, provides benefits based on average employee earnings over a three-year service period preceding retirement. The Company's policy is to contribute amounts sufficient to meet minimum funding requirements as set forth in U.K. employee benefit and tax laws plus such additional amounts as are deemed appropriate by the Company. Plan assets are held in trust and consist of equity and debt securities.

As a result of acquiring various operations in Austria, Brazil, France, Germany, India, Japan, the Netherlands, Poland, and Taiwan, the Company assumed primarily unfunded retirement benefits to be paid based upon years of service and compensation at retirement. All permanent employees meeting the minimum service requirement are eligible to participate in the plans. Through the Philips acquisition in fiscal year 2003, the Company also assumed post-retirement medical benefit plans.

The Company uses a May 31 measurement date for substantially all of the above referenced plans. The following table provides information about net periodic benefit cost for the Company's pension plans for the periods indicated (in thousands of dollars):

	Three months ended		Nine months ended	
	May 31, 2007	May 31, 2006	May 31, 2007	May 31, 2006
Service cost	\$ 481	\$ 432	\$ 1,421	\$ 1,279
Interest cost	1,575	1,171	4,650	3,469
Expected long-term return on plan assets	(1,198)	(994)	(3,538)	(2,945)
Net curtailment (gain)/loss				

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Recognized actuarial loss	354	136	1,045	403
Net periodic benefit cost	\$ 1,212	\$ 745	\$ 3,578	\$ 2,206

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For the nine months ended May 31, 2007, the Company has made contributions of approximately \$3.3 million to its defined benefit pension plans. The Company presently anticipates total fiscal year 2007 contributions to approximate \$4.0 million to \$4.5 million.

The following table provides information about net periodic benefit cost for the Company's other benefit plans for the periods indicated (in thousands of dollars):

	Three months ended		Nine months ended	
	May 31, 2007	May 31, 2006	May 31, 2007	May 31, 2006
Service cost	\$ 137	\$ 83	\$ 395	\$ 241
Interest cost	26	21	77	61
Expected long-term return on plan assets				
Net curtailment (gain)/loss				
Recognized actuarial (gain)/loss	1	(1)	4	(2)
Net periodic benefit cost	\$ 164	\$ 103	\$ 476	\$ 300

Note 12. Significant Changes to Notes Payable, Long-Term Debt and Long-Term Lease Obligations

During the second quarter of fiscal year 2007, the Company entered into a \$1.0 billion unsecured bridge credit agreement with a syndicate of banks (the Bridge Facility). The Bridge Facility expires on December 20, 2007. Of the Bridge Facility, \$900.0 million is designated for use as a one-time borrowing (which may be paid down in increments) to finance the tender offer for and merger with Green Point and to pay related costs and expenses. The remaining \$100.0 million of the Bridge Facility is a revolving facility to be used for general corporate purposes. Interest and fees on Bridge Facility advances are based on the Company's unsecured long-term indebtedness rating as determined by Standard & Poor's Rating Service and Moody's Investor Service. Interest is charged at either a rate equal to 0% to 0.75% above the base rate or a rate equal to 0.55% to 1.75% above the Eurocurrency rate, where the base rate represents the greater of Citibank, N.A.'s prime rate or 0.50% plus the federal funds rate, and the Eurocurrency rate represents the applicable London Interbank Offered Rate, each as more fully defined in the Bridge Facility. The applicable margin for the base rate and the Eurocurrency rate may be increased by 0.25% or 0.50% per annum, depending on the length of time that the Bridge Facility remains outstanding. Fees include unused commitment fees based on the amount of each lender's commitment minus the principal amount of any outstanding advances made by the lender. Based on the Company's current unsecured long-term indebtedness rating as determined by Standard & Poor's Rating Service and Moody's Investor Service, the current rate of interest on a full Eurocurrency rate draw would be the base rate or 0.875% above the Eurocurrency rate, as defined above. The Bridge Facility requires compliance with several financial covenants, including an indebtedness to EBITDA ratio and an interest coverage ratio, as defined by the Bridge Facility. The Bridge Facility also requires compliance with certain operating covenants, which limits, among other things, the incurrence of additional indebtedness. See Risk Factors We must refinance or repay our Bridge Facility on or before December 20, 2007 which will require additional financing that we cannot assure you will be available to us on attractive terms unless we issue additional equity.

On various dates during the nine months ended May 31, 2007, the Company borrowed a total of approximately \$1.0 billion on the Bridge Facility to fund the acquisition of Green Point. The Company repaid \$160.0 million of borrowings on the revolving facility portion of the Bridge Facility during the same period. At May 31, 2007, borrowings of \$871.0 million remained outstanding under this facility.

Through the acquisition of Green Point the Company assumed certain liabilities, including short and long term debt obligations totaling approximately \$102.2 million at the date of acquisition. At May 31, 2007, approximately \$5.8 million of debt is outstanding under these short term facilities, with current interest rates ranging from 2.1% to 5.3%. The long term debt obligations include mortgage and credit facilities with various banks in Taiwan and China. The long term facilities are denominated in US dollars and New Taiwan dollars, and incur interest at both fixed rates and rates that fluctuate based upon changes in various base interest rates. At May 31, 2007, approximately \$55.6 million of debt is outstanding under the long term facilities, with current interest rates ranging from 2.4% to 3.0%. Approximately \$8.4 million of this total is due and payable within 12 months and is classified as short term on the Condensed Consolidated Balance Sheet. The remaining \$47.2 million will mature at various dates through July 2012 and is classified as long term on the Condensed Consolidated Balance Sheet.

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In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes* (SFAS 109). FIN 48 is designed to reduce the disparity in accounting treatment for uncertain tax positions resulting from diverse interpretations of SFAS 109 among companies. FIN 48 prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006, which will be in the first quarter of the Company's fiscal year 2008. The Company is currently evaluating the requirements of FIN 48 and has not yet determined the impact of adoption, if any, on its financial position, results of operations or cash flows.

In June 2006, the FASB ratified Emerging Issues Task Force (EITF) Issue No. 06-03, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)* (Issue No. 06-03). Under Issue No. 06-03, a company must disclose its accounting policy regarding the gross or net presentation of certain taxes. If taxes included in gross revenues are significant, a company must disclose the amount of such taxes for each period for which an income statement is presented (i.e., both interim and annual periods). Taxes within the scope of this Issue are those that are imposed on and concurrent with a specific revenue-producing transaction. Taxes assessed on an entity's activities over a period of time, such as gross receipts taxes, are not within the scope of the issue. Issue No. 06-03 is effective for the first annual or interim reporting period beginning after December 15, 2006. The Company adopted the provisions of EITF Issue No. 06-03 on March 1, 2007. The Company presents applicable taxes on a net basis in our consolidated financial statements. The adoption of Issue No. 06-03 did not have a material impact on the Company's financial statements and disclosures.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of SFAS 157 are effective for fiscal years beginning after November 15, 2007, which will be the first quarter of the Company's fiscal year 2009. The Company is currently evaluating the requirements of SFAS 157 and has not yet determined the impact of adoption, if any, on its financial position, results of operations or cash flows.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS 158). SFAS 158 requires an employer to recognize the over funded or under funded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position. SFAS 158 is effective at the end of the fiscal year ending after December 15, 2006, which will be the end of the Company's fiscal year 2007. The Company does not anticipate that the implementation of this standard will have a material impact on its financial position, results of operations or cash flows.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 expands the use of fair value accounting but does not affect existing standards which require assets or liabilities to be carried at fair value. Under SFAS 159, a company may elect to use fair value to measure accounts and loans receivable, available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees and issued debt. Other eligible items include firm commitments for financial instruments that otherwise would not be recognized at inception and non-cash warranty obligations where a warrantor is permitted to pay a third party to provide the warranty goods or services. If the use of fair value is elected, any upfront costs and fees related to the item must be recognized in earnings and cannot be deferred, e.g., debt issue costs. The fair value election is irrevocable and generally made on an instrument-by-instrument basis, even if a company has similar instruments that it elects not to measure based on fair value. At the adoption date, unrealized gains and losses on existing items for which fair value has been elected are reported as a cumulative adjustment to beginning retained earnings. Subsequent to the adoption of SFAS 159, changes in fair value are recognized in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007, which will be in the first quarter of the Company's fiscal year 2009. The Company is currently evaluating the requirements of SFAS 159 and has not yet determined the impact of adoption, if any, on its financial position, results of operations or cash flows.

Table of Contents**Note 14. Events of Default**

On November 21, 2006, the lenders under the Company's \$500.0 million unsecured revolving credit facility agreed to waive the requirement that the Company deliver to the lenders its quarterly and annual financial statements until February 2, 2007. A second waiver was obtained on January 11, 2007 which further extended the requirement that the Company deliver its quarterly and annual financial statements until the earlier of May 3, 2007 or 45 days after the Company receives a notice of default from the trustee or holders of 25% of the principal amount of 5.875% Senior Notes outstanding. A third waiver was received on May 2, 2007 in which the lenders agreed (i) to waive the requirement that the Company deliver to the bank its annual financial statements until the earlier of July 2, 2007 or 45 days after the Company receives a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding and (ii) to waive the requirement that the Company deliver to the bank its quarterly financial statements until the earlier of August 1, 2007 or 45 days after the Company receives a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding. In addition, the waivers received revised the indebtedness to EBITDA ratio and the interest coverage ratio to allow for a greater level of debt to be outstanding and for a higher level of interest to be incurred during the specified periods, respectively. At May 31, 2007, there were no borrowings outstanding under this credit facility.

Similarly, on January 11, 2007, the lenders under the Company's \$1.0 billion unsecured bridge credit agreement agreed to waive the requirement that the Company deliver to the lenders its quarterly and annual financial statements until the earlier of May 3, 2007 or 45 days after the Company receives a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding. A second waiver was received on May 2, 2007 in which the lenders agreed (i) to waive the requirement that the Company deliver to the bank its annual financial statements until the earlier of July 2, 2007 or 45 days after the Company receives a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding and (ii) to waive the requirement that the Company deliver to the bank its quarterly financial statements until the earlier of August 1, 2007 or 45 days after the Company receives a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding. In addition, the waivers received revised the indebtedness to EBITDA ratio and the interest coverage ratio to allow for a greater level of debt to be outstanding and for a higher level of interest to be incurred during the specified periods, respectively. At May 31, 2007, \$871.0 million in borrowings are outstanding under that credit facility.

In addition, the indenture governing the Company's 5.875% Senior Notes requires delivery of the Company's quarterly and annual financial statements to the bond trustee within 15 days after the deadline for filing the financial statements with the SEC (as extended by Form 12b-25). As these filing deadlines were not met by the Company for the Form 10-K for the fiscal year ended August 31, 2006 and the Forms 10-Q for the periods ended November 30, 2006 and February 28, 2007, the holders of 25% of the outstanding amount of the 5.875% Senior Notes could have required the Company to deliver its financial statements within 60 days, and if the Company failed to satisfy such a delivery requirement they could have declared all related unpaid principal and premium, if any, and accrued interest on the notes then outstanding to be immediately due and payable. As of May 31, 2007, there is approximately \$297.0 million of aggregate unpaid principal outstanding on the above mentioned notes. The holders of the 5.875% Senior Notes did not deliver such a 60-day notice to the Company.

On January 11, 2007, the purchasing bank under the Company's asset-backed securitization program agreed to waive the requirement that the Company deliver to the bank its quarterly and annual financial statements until the earlier of May 3, 2007 or 45 days after the Company receives a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding. A second waiver was received on May 2, 2007 in which the purchasing bank agreed (i) to waive the requirement that the Company deliver to the bank its annual financial statements until the earlier of July 2, 2007 or 45 days after the Company receives a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding and (ii) to waive the requirement that the Company deliver to the bank its quarterly financial statements until the earlier of August 1, 2007 or 45 days after the Company receives a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding.

Due to the delay in filing the Company's Form 10-K for the fiscal year ended August 31, 2006, as well as the delay in filing the Company's Form 10-Q for the fiscal periods ended November 30, 2006 and February 28, 2007, the Company has obtained all of the necessary covenant waivers for all other material debt instruments that have not been previously discussed above.

As a result of the Company's filing of its Annual Report on Form 10-K for the fiscal year ended August 31, 2006, as well as the filing of the Company's Forms 10-Q for the fiscal quarters ended November 30, 2006 and February 28, 2007, the Company has cured all alleged defaults described above.

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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 and Section 21E of the Securities Exchange Act of 1934, and 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 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 in our customers' industries, the electronic manufacturing services industry and the general economy;

the results of the review of our past stock option grants being conducted by governmental authorities and related litigation and any ramifications thereof;

variability of operating results;

our ability to effectively address certain operational issues that have adversely affected certain of our US operations;

our dependence on a limited number of major customers;

the potential consolidation of our customer base;

availability of components;

our dependence on certain industries;

seasonality;

the variability of customer requirements;

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

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

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 elsewhere in this document, as well as our Annual Report on Form 10-K for the fiscal year ended August 31, 2006, 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.

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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, product management and after-market services to companies in the aerospace, automotive, computing, consumer, defense, industrial, instrumentation, medical, networking, peripherals, storage and telecommunications industries. We currently depend, and expect to continue to depend, upon a relatively small number of customers for a significant percentage of our net revenue. Based on net revenue for the nine months ended May 31, 2007, our largest customers currently include Cisco Systems, Inc., Hewlett-Packard Company, International Business Machines Corporation, Network Appliance, NEC Corporation, Nokia Corporation, Royal Philips Electronics, Sharp Corporation, Tellabs, Inc., and Valeo S.A.

We serve our customers primarily with dedicated business units that combine highly automated, continuous flow manufacturing with advanced electronic design and design for manufacturability technologies. 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

after-market services.

We currently conduct our operations in facilities that are located in Austria, Belgium, Brazil, China, England, France, Hungary, Germany, India, Ireland, Italy, Japan, Malaysia, Mexico, the Netherlands, Poland, Scotland, Singapore, Taiwan, Ukraine and the United States. Our global manufacturing production sites allow our customers to manufacture products in parallel in what we believe are the most efficient marketplaces 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 performance. While the services provided, the manufacturing process, the class of customers and the order fulfillment process is similar across manufacturing locations, we evaluate our business performance on a geographic basis. Accordingly, our reportable operating segments consist of three geographic regions: the Americas, Europe, and Asia to reflect how we manage our business. We have also created a separate segment for our services groups, independent of our geographic region segments.

We entered into a merger agreement on November 22, 2006 with Taiwan Green Point Enterprises Co., Ltd. (Green Point), pursuant to which Green Point agreed to merge with and into an existing Jabil entity in Taiwan. The legal merger was effective on April 24, 2007. The legal merger was primarily achieved through a tender offer that we made to acquire 100% of the outstanding shares of Green Point for 109.0 New Taiwan dollars per share. The tender offer was launched on November 23, 2006 and remained open for a period of 50 days. During the tender offer period, we acquired approximately 260.9 million shares, representing 97.6% of the outstanding shares of Green Point. On January 16,

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2007, we paid cash of approximately \$870.7 million (in U.S. dollars) to acquire the tendered shares. Subsequent to the completion of the tender offer and prior to the completion of the acquisition, we acquired approximately 2.1 million Green Point shares in block trades for a price of 109.0 New Taiwan dollars per share (or approximately \$7.0 million in U.S. dollars). On April 24, 2007, pursuant to the November 22, 2006 merger agreement, we acquired the approximately 4.1 million remaining outstanding Green Point shares that were not tendered during the tender offer period, for 109.0 New Taiwan dollars per share (or approximately \$13.3 million in U.S. dollars). In total, we paid cash of approximately \$891.0 million in U.S. dollars to complete the merger with Green Point. To fund the acquisition, we entered into a \$1.0 billion, 364-day senior unsecured bridge loan facility with a global financial institution on December 21, 2006. See Note 9 Business Acquisitions to the Condensed Consolidated Financial Statements for further discussion. The financial results of Green Point were included in our Consolidated Financial Statements beginning on January 16, 2007. We recorded a minority interest in our Consolidated Financial Statements from January 16, 2007 through April 24, 2007 related to the remaining 2.4% of Green Point outstanding shares that we acquired on April 24, 2007.

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

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1990 s 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 global economic downturn at the time. In response to this industry and global economic downturn, we implemented restructuring programs to reduce our cost structure and further align our manufacturing capacity with the geographic production demands of our customers. Additionally, over the last three years we have made concentrated efforts to diversify our industry sectors and customer base through acquisitions and organic growth. Industry revenues generally began to stabilize in 2003 and companies continue to turn to outsourcing versus internal manufacturing. We believe further growth opportunities exist for the industry to penetrate the worldwide electronics markets.

Summary of Results

Net revenue for the third quarter of fiscal year 2007 increased approximately 15.8% to \$3.0 billion compared to \$2.6 billion for the same period of fiscal year 2006. Year-over-year our sales levels during the third quarter of fiscal year 2007 improved across most industry sectors, demonstrating our continued trend of industry sector and customer diversification. The increase in our revenue base year-over-year represents stronger market share with our existing programs; and organic growth from new and existing customers as vertical companies continue to convert to an outsourced model, as well as additional sales related to certain recent business acquisitions. See Note 9 Business Acquisitions to the Condensed Consolidated Financial Statements for discussion of our recent business acquisitions. Additionally, we continue to enhance our business model by adding services in the areas of collaborative design, system integration, order fulfillment and after-market.

During the fourth quarter of fiscal year 2006, our Board of Directors approved a restructuring plan to better align our manufacturing capacity in certain higher cost geographies and to properly size our manufacturing sites with perceived current market conditions (the 2006 Restructuring Plan). Based on the analysis completed to date, we currently expect to recognize approximately \$200.0 to \$250.0 million in restructuring and impairment charges as a result of the 2006 Restructuring Plan. The restructuring charges include pre-tax employee severance and benefit costs, contract termination costs and other related restructuring costs. The impairment charges include pre-tax fixed asset impairment costs, as well as valuation allowances against net deferred tax assets. We recognized a significant portion of these costs in the fourth quarter of fiscal year 2006, as well as the first three consecutive quarters of fiscal year 2007 and currently expect to recognize the remaining portion over the remainder of fiscal year 2007 and through fiscal year 2008. The exact timing of the remaining estimated range of restructuring and impairment costs, as well as the remaining estimated cost ranges by category type is subject to revision. This information will be subject to the finalization of the timetables for the transitional functions, consultation with employees and their representatives, as well as the statutory severance requirements of the particular legal jurisdictions impacted. The amount and timing of the actual charges may vary due to a variety of factors. For further discussion of this restructuring program, refer to Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Restructuring and Impairment Charges and Note 7 Restructuring and Impairment Charges to the Condensed Consolidated Financial Statements. See also Risk Factors We face risks arising from the restructuring of our operations.

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

	Three months ended		Nine months ended	
	May 31, 2007	May 31, 2006	May 31, 2007	May 31, 2006
Net revenue	\$ 3,001,896	\$ 2,592,464	\$ 9,160,761	\$ 7,311,833
Gross profit	\$ 218,989	\$ 187,643	\$ 582,484	\$ 568,113
Operating income	\$ 33,629	\$ 77,256	\$ 123,027	\$ 249,425
Net income	\$ 6,234	\$ 64,226	\$ 61,511	\$ 210,137
Earnings per share basic	\$ 0.03	\$ 0.31	\$ 0.30	\$ 1.01
Earnings per share diluted	\$ 0.03	\$ 0.30	\$ 0.30	\$ 0.98
Cash dividend per share declared	\$ 0.07	\$ 0.07	\$ 0.21	\$ 0.07

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, 2007	February 28, 2007	November 30, 2006	August 31, 2006
Sales cycle	25 days	29 days	23 days	14 days
Inventory turns	8 turns	7 turns	8 turns	8 turns
Days in accounts receivable	40 days	41 days	42 days	39 days
Days in inventory	47 days	50 days	46 days	47 days
Days in accounts payable	62 days	62 days	65 days	72 days

The sales cycle is calculated as the sum of days in accounts receivable and days in inventory, less the days in accounts payable; accordingly, the variance in the sales cycle quarter over quarter is a direct result of changes in these indicators. During the three months ended May 31, 2007, days in accounts receivable decreased one day to 40 days from the prior sequential quarter as a result of timing of sales and cash collection efforts during the quarter. Days in inventory decreased three days to 47 days from the prior sequential quarter, while inventory turns increased one turn to eight turns. The decrease in days in inventory was primarily due to a reduction in inventory levels as a result of improved inventory management. During the three months ended May 31, 2007 days in accounts payable remained consistent at 62 days from the prior sequential quarter.

Critical Accounting Policies and Estimates

The preparation of our financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America 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 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, 2006.

Revenue Recognition

We derive revenue principally from the product sales of electronic equipment built to customer specifications. We also derive revenue to a lesser extent from after-market services, design services and excess inventory sales. Revenue from product sales 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

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buyer is fixed or determinable; and recoverability is reasonably assured. Service related revenue is recognized upon completion of the services. We assume no significant obligations after product shipment.

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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 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 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 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 projected cash flows the property, plant and equipment are expected to generate. If the carrying amount of an asset 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. 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. For further discussion of our current restructuring program, refer to Note 7 Restructuring and Impairment Charges to the Condensed Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Restructuring and Impairment Charges.

We have recorded intangible assets, including goodwill, principally based on third-party valuations, 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 allocation of amortizable intangible assets impacts the amounts allocable to goodwill. In accordance with SFAS 142, we are required to perform a goodwill impairment test at least on an annual basis and whenever events or circumstances indicate that the carrying value may not be recoverable from estimated future cash flows. We completed the annual impairment test during the fourth quarter of fiscal 2006 and determined that no impairment existed as of the date of the impairment test. The impairment test is performed at the reporting unit level, which we have determined to be consistent with our operating segments as defined in Note 5 Segment Information to the Condensed Consolidated Financial Statements. The impairment analysis is based on assumptions of future results made by management, including revenue and cash flow projections at the reporting unit level. Circumstances that may lead to impairment of goodwill or intangible assets include unforeseen decreases in future performance or industry demand, and the restructuring of our operations resulting from a change in our business strategy. For further information on our intangible assets, including goodwill, refer to Note 8 Goodwill and Other Intangible Assets to the Condensed Consolidated Financial Statements.

Restructuring and Impairment Charges

We have recognized restructuring and impairment charges related to reductions in workforce, re-sizing and closure of facilities and the transition of certain facilities into new customer development sites. These charges were recorded pursuant to formal plans developed and approved by management. 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. For further discussion of our current restructuring program refer to Note 7 Restructuring and Impairment Charges to the Condensed Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Restructuring and Impairment Charges.

Pension and Other Postretirement Benefits

We have pension and postretirement benefit costs and liabilities, which are developed from actuarial valuations. Actuarial valuations require management to make certain judgments and estimates of discount rates 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

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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 11 Pension and Other Postretirement 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 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 established by Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. Our judgments regarding future taxable income 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 we have established may be increased or decreased, resulting in a respective increase or decrease in either income tax expense or goodwill. For further discussion related to our income taxes, refer to Note 5 Income Taxes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended August 31, 2006.

Stock-Based Compensation

In accordance with the provisions of Financial Accounting Standards Board Statement No. 123R, *Share-Based Payment*, (SFAS 123R) and the Security and Exchange Commission Staff Accounting Bulletin No. 107 (SAB 107), we began recognizing stock-based compensation expense in our consolidated statement of earnings on September 1, 2005. The fair value of options granted prior to September 1, 2005 were valued using the Black-Scholes model while the stock appreciation rights granted after this date were valued using a lattice valuation model. Option pricing models require the input of subjective assumptions, including the expected life of the option or stock appreciation right 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 conditions. If actual results or future changes in estimates differ significantly from our current estimates, stock-based compensation 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 and Risk Factors We are involved in reviews of our historical stock option grant practices.

Results of Operations

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

	Three months ended		Nine months ended	
	May 31, 2007	May 31, 2006	May 31, 2007	May 31, 2006
Net revenue	100.0%	100.0%	100.0%	100.0%
Cost of revenue	92.7%	92.8%	93.6%	92.2%
Gross profit	7.3%	7.2%	6.4%	7.8%
Operating expenses:				
Selling, general and administrative	4.7%	3.5%	4.0%	3.8%
Research and development	0.3%	0.4%	0.3%	0.3%
Amortization of intangibles	0.3%	0.3%	0.2%	0.3%
Restructuring and impairment charges	0.8%	0.0%	0.5%	0.0%
Operating income	1.2%	3.0%	1.4%	3.4%
Other expense (income)	0.1%	0.2%	0.0%	0.1%
Interest income	(0.1)%	(0.2)%	(0.1)%	(0.2)%
Interest expense	1.0%	0.2%	0.7%	0.2%

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Income before income taxes and minority interest	0.2%	2.8%	0.8%	3.3%
Income tax (benefit) expense	(0.0)%	0.3%	0.1%	0.4%
Minority interest	0.0%	0.0%	0.0%	0.0%
Net income	0.2%	2.5%	0.7%	2.9%

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Net Revenue. Our net revenue for the three months ended May 31, 2007 increased 15.8% to \$3.0 billion, from \$2.6 billion for the three months ended May 31, 2006. The increase for the three months ended May 31, 2007 from the same period of the previous fiscal year was due to increased sales levels across most industry sectors, as well as additional sales related to certain recent business acquisitions. See Note 9

Business Acquisitions to the Condensed Consolidated Financial Statements for discussion of our recent business acquisitions. Specific industry sector increases include a 176% increase in the sale of networking products; a 32% increase in the sale of other products; a 27% increase in the sale of peripheral products; a 16% increase in the sale of instrumentation and medical products; a 11% increase in the sale of automotive products; and a 9% increase in the sale of computing and storage products. The increased sales levels were largely due to the addition of new customers and organic growth in these industry sectors. These increases were partially offset by a 20% decrease in the sale of consumer products which is primarily related to the transition of business mix in the consumer product sector.

Our net revenue for the nine months ended May 31, 2007 increased 25.3% to \$9.2 billion, from \$7.3 billion for the nine months ended May 31, 2006. The increase for the nine months ended May 31, 2007 from the same period of the previous fiscal year was due to increased sales levels across most industry sectors, as well as additional sales related to certain recent business acquisitions. See Note 9 *Business Acquisitions* to the Condensed Consolidated Financial Statements for discussion of our recent business acquisitions. Specific industry sector increases include a 121% increase in the sale of networking products; a 45% increase in the sale of other products; a 27% increase in the sale of peripheral products; a 25% increase in the sale of instrumentation and medical products; a 25% increase in the sale of computing and storage products; a 5% increase in the sale of automotive products; and a 4% increase in the sale of consumer products. The increased sales levels were largely due to the addition of new customers and organic growth in these industry sectors. These increases were partially offset by a 13% decrease in the sale of telecommunications products.

The following table sets forth, for the periods indicated, revenue by industry sector expressed as a percentage of net revenue. The distribution of revenue across our industry sectors has fluctuated, and will continue to fluctuate, as a result of numerous factors, including but not limited to the following: increased business from new and existing customers; fluctuations in customer demand; seasonality, especially in the automotive and consumer industry sectors; and increased growth in the automotive, consumer, and instrumentation and medical products industry sectors as more vertical companies are electing to outsource their production in these areas.

	Three months ended		Nine months ended	
	May 31, 2007	May 31, 2006	May 31, 2007	May 31, 2006
Automotive	5%	5%	5%	6%
Computing and Storage	11%	12%	11%	11%
Consumer	26%	38%	30%	37%
Instrumentation and Medical	18%	18%	17%	17%
Networking	21%	9%	19%	11%
Peripherals	9%	8%	8%	7%
Telecommunications	5%	6%	5%	7%
Other	5%	4%	5%	4%
Total	100%	100%	100%	100%

Foreign source revenue represented 78.4% and 78.4% of net revenue for the three months and nine months ended May 31, 2007, respectively. This is compared to 83.1% and 83.5% of net revenue for the three months and nine months ended May 31, 2006, respectively. We currently expect our foreign source revenue to increase as a percentage of net revenue due to expansion in China, Eastern Europe, India and Taiwan.

Gross Profit. Gross profit increased to 7.3% of net revenue for the three months ended May 31, 2007 from 7.2% of net revenue for the three months ended May 31, 2006. The percentage increase was primarily due to certain higher than anticipated expenses that were incurred during the three months ended May 31, 2006. These included a delay in the ramping of specific electromechanical tooling operations, which resulted in excess costs; certain material and labor costs associated

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with the ramping of a new program for an existing customer in our repair and warranty operations in the Americas region; and various operational execution issues in one of our U.S. operations, some of which was associated with strong demand and the ramping of new programs. The percentage increase was partially off-set by certain factors occurring in the third quarter of fiscal year 2007. These factors include 1) having a higher portion of materials-based revenue, driven in part by growth in our networking sector and 2) inefficiencies in our current consumer model which has adversely impacted margins. As a result of these factors, we are shifting to a more integrated model with one customer and shifting to a more vertical solution that will integrate our Green Point services for another significant customer. In addition, we have exited production of targeted products in the consumer section.

Gross profit decreased to 6.4% of net revenue for the nine months ended May 31, 2007 from 7.8% of net revenue for the nine months ended May 31, 2006. The percentage decrease for the nine month period was partially due to having a higher portion of materials-based revenue, driven in part by growth in our networking sector. In addition, due to the inefficiencies in our current consumer model which has adversely impacted margins, we are shifting to a more integrated model with one customer and shifting to a more vertical solution that will integrate our Green Point services for another significant customer. In addition, we have exited production of targeted products in the consumer section.

Selling, General and Administrative. Selling, general and administrative expenses for the three months and nine months ended May 31, 2007 increased to \$140.7 million (4.7% of net revenue) and \$370.5 million (4.0% of net revenue) respectively, compared to \$93.5 million (3.5% of net revenue) and \$275.1 million (3.8% of net revenue) for the three months and nine months ended May 31, 2006, respectively. The absolute dollar increase for the three months and nine months ended May 31, 2007 was largely due to increased costs primarily in Eastern Europe and Asia to support our operational growth and expansion within those areas; the acquisition of Green Point in April 2007; incremental stock-based compensation expense associated with our annual grant of stock-based awards to employees; and legal and accounting expenses incurred during the quarter related to the independent stock option review that was performed. In addition to the factors discussed above, the increase in selling, general and administrative expense for the nine months ended May 31, 2007 was also due to the acquisition of Celetronix in March 2006.

Research and Development. Research and development expenses for the three months and nine months ended May 31, 2007 increased to \$10.5 million (0.3% of net revenue) and \$27.0 million (0.3% of net revenue), respectively compared to \$9.6 million (0.4% of net revenue) and \$24.8 million (0.3% of net revenue) for the three months and nine months ended May 31, 2006, respectively. The increase is attributed to growth in our product development activities related to new platform designs, including cell phone modules, wireless and broadband access products, consumer entertainment products, and enterprise storage products. We also continued efforts in new product technologies and the related production design process; and the development of new advanced manufacturing technologies.

Amortization of Intangibles. We recorded \$8.8 million and \$20.7 million of amortization of intangible assets for the three months and nine months ended May 31, 2007, respectively, as compared to \$7.3 million and \$18.8 million for the three months and nine months ended May 31, 2006, respectively. The increase in both the three months and nine months ended May 31, 2007 as compared to the same periods in fiscal year 2006 is primarily attributed to certain amortizable intangible assets that were acquired in the acquisition of Green Point in the second quarter of fiscal year 2007, partially offset by the write-off of certain fully amortized intangible assets. For additional information regarding purchased intangibles, see Note 8 Goodwill and Other Intangible Assets and Note 9 Business Acquisitions to the Condensed Consolidated Financial Statements.

Restructuring and Impairment Charges. During the fourth quarter of fiscal year 2006, we initiated a restructuring program to realign our manufacturing capacity in certain higher cost geographies and to properly size our manufacturing sites with perceived current market conditions (the 2006 Restructuring Plan). In conjunction with the 2006 Restructuring Plan we charged an additional \$25.3 million and \$41.4 million of restructuring and impairment costs against earnings during the three months and nine months ended May 31, 2007, respectively. The restructuring and impairment charge for the three months ended May 31, 2007 of \$25.3 million, includes \$12.3 million related to employee severance and benefits costs, \$0.5 million related to lease commitments, \$12.0 million related to fixed asset impairments and \$0.5 million related to other restructuring costs. The restructuring and impairment charge for the nine months ended May 31, 2007 of \$41.4 million, includes \$20.0 million related to employee severance and benefits costs, \$2.7 million related to lease commitments, \$17.9 million related to fixed asset impairments and \$0.8 million related to other restructuring costs. There were no charges incurred during the three months and nine months ended May 31, 2006.

The restructuring and impairment charges incurred through May 31, 2007 related to the 2006 Restructuring Plan of \$123.3 million include cash costs totaling \$101.4 million, of which \$1.5 million was paid in the fourth quarter of fiscal year 2006 and \$55.5 million was paid in the first three consecutive quarters of fiscal year 2007. The cash costs consist of employee severance and benefits costs of approximately \$87.4 million, costs related to lease commitments of approximately \$12.8 million and other restructuring costs of \$1.2 million. Non-cash costs of approximately \$21.9 million primarily represent fixed asset impairment charges related to our restructuring activities.

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At May 31, 2007, liabilities of approximately \$36.1 million and \$7.0 million related to the 2006 Restructuring Plan are expected to be paid out within one year and two years, respectively. The remaining liability of \$4.0 million for the charge related to a certain lease commitment is expected to be paid out primarily during fiscal years 2009 through 2011.

Beginning in fiscal year 2008, as a result of the restructuring activities completed through May 31, 2007 related to the 2006 Restructuring Plan, we expect to avoid annual costs of approximately \$139.0 million that would otherwise have been incurred if the restructuring activities had not been completed during the fourth quarter of fiscal year 2006 through the third quarter of fiscal year 2007. The expected avoided annual costs consist of a reduction in employee related expenses of approximately \$126.5 million, a reduction in depreciation expense associated with impaired fixed assets of approximately \$6.0 million, and a reduction in rent expense associated with leased buildings that have been vacated of approximately \$6.5 million. The majority of these annual cost savings will be reflected in cost of revenue, with a small portion being reflected in selling, general and administrative expense. These annual costs savings are expected to be offset by decreased revenues associated with certain products that are approaching the end-of-life stage; decreased revenues as a result of shifting production to plants located in lower cost regions where competitive environmental pressures require that we pass those cost savings onto our customers; and incremental employee related costs to be incurred by those lower cost plants that will need to increase employee headcount in order to meet the requirements of the inherited production. After considering these cost savings offsets, we currently expect to realize net annual cost savings in the range of approximately \$10.0 million to \$20.0 million beginning in fiscal year 2008 that would otherwise have been incurred if the restructuring activities had not been completed during the fourth quarter of fiscal year 2006 through the third quarter of fiscal year 2007. For further discussion of the current restructuring program, see Overview Summary of Results above, and Note 7 Restructuring and Impairment Charges to the Condensed Consolidated Financial Statements.

Other Expense. We recorded other expense of \$3.8 million for the three months ended May 31, 2007 as compared to other expense of \$3.5 million for the three months ended May 31, 2006. The increase in other expense for the three months ended May 31, 2007 as compared to the three months ended May 31, 2006 was primarily due to an increase in the amount of receivables sold under our securitization program during the three months ended May 31, 2007. In October 2006, an amendment to the securitization program increased net cash proceeds from \$250.0 million to \$325.0 million. We recorded other expense of \$3.1 million for the nine months ended May 31, 2007 as compared to other expense of \$8.4 million for the nine months ended May 31, 2006. Other expense for the nine months ended May 31, 2007 was comprised of \$11.5 million of other expense related to receivables sold under our securitization program, off-set by \$8.4 million of other income related to proceeds received in the first quarter of fiscal year 2007 in connection with facility closure costs. Other expense for the nine months ended May 31, 2006 of \$8.4 million was comprised entirely of expense on the sale of accounts receivable under the securitization program. The \$3.1 million increase in expense associated with the securitization program for the nine months ended May 31, 2007 as compared to the nine months ended May 31, 2006 was primarily due to an increase in the amount of receivables sold under the program during the nine months ended May 31, 2007. For further discussion of our accounts receivable securitization program, see Note 10 Accounts Receivable Securitization to the Condensed Consolidated Financial Statements.

Interest Income. Interest income decreased to \$4.0 million and \$10.3 million for the three months and nine months ended May 31, 2007, respectively, from \$5.0 million and \$15.6 million for the three months and nine months ended May 31, 2006, respectively. The decrease was primarily due to decreased levels of operating cash, cash deposits and cash equivalents during the three months and the nine months ended May 31, 2007 as compared to the same periods in fiscal year 2006, due to the repayment of outstanding borrowings under our debt arrangements.

Interest Expense. Interest expense increased to \$28.5 million and \$61.1 million for the three months and nine months ended May 31, 2007, respectively, from \$5.8 million and \$15.4 million for the three months and nine months ended May 31, 2006, respectively. The increase was primarily a result of increased borrowing under our revolving credit facility, as well as borrowings under our unsecured bridge credit agreement (the Bridge Facility) that was entered into on December 21, 2006, primarily to fund the tender offer and merger with Taiwan Green Point Enterprises Co., Ltd.

Income Taxes. Income tax expense (benefit) reflects an effective tax rate of (8.8%) and 11.6% for the three months and nine months ended May 31, 2007, respectively, as compared to an effective rate of 11.9% and 12.9% for the three months and nine months ended May 31, 2006, respectively. The tax rate is predominantly a function of the mix of tax rates in the various jurisdictions in which we do business. Our international operations have historically been taxed at a lower rate than in the United States, primarily due to tax incentives, including tax holidays, granted to our sites in Malaysia, China, Brazil, Poland, Hungary, and India that expire at various dates through 2017. Such tax holidays are subject to conditions with which we expect to continue to comply.

Table of Contents**Acquisitions and Expansion**

We have made a number of acquisitions that were accounted for using the purchase method of accounting. Our consolidated financial statements include the operating results of each business from the date of acquisition. See Risk Factors We may not achieve expected profitability from our acquisitions. For further discussion of our recent and planned acquisitions, see Note 9 Business Acquisitions to the Condensed Consolidated Financial Statements.

We have substantially completed construction and commenced operations in our new manufacturing facilities in Ranjangaon, India and Wuxi, China, and we will continue to invest in these facilities as production ramps into fiscal year 2007. We recently began construction of a new facility in Uzhgorod, Ukraine and currently expect to commence operations in this facility in the fourth quarter of fiscal year 2007. In addition, we have begun construction of an additional facility in Huangpu, China which is expected to be substantially complete by the first quarter of fiscal year 2007. We also began construction on a new manufacturing facility in Chennai, India during the first quarter of fiscal year 2007. During the third quarter of fiscal year 2007, we began construction on an expansion to our existing facility in Kwidzyn, Poland.

As discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations Overview and Note 9 Business Acquisitions, we entered into a merger agreement on November 22, 2006 with Taiwan Green Point Enterprises Co., Ltd. (Green Point), pursuant to which Green Point agreed to merge with and into an existing Jabil entity in Taiwan. The legal merger was effective on April 24, 2007. The legal merger was primarily achieved through a tender offer that we made to acquire 100% of the outstanding shares of Green Point for 109.0 New Taiwan dollars per share. The tender offer was launched on November 23, 2006 and remained open for a period of 50 days. During the tender offer period, we acquired approximately 260.9 million shares, representing 97.6% of the outstanding shares of Green Point. On January 16, 2007, we paid cash of approximately \$870.7 million (in U.S. dollars) to acquire the tendered shares. Subsequent to the completion of the tender offer and prior to the completion of the acquisition, we acquired approximately 2.1 million Green Point shares in block trades for a price of 109.0 New Taiwan dollars per share (or approximately \$7.0 million in U.S. dollars). On April 24, 2007, pursuant to the November 22, 2006 merger agreement, we acquired the approximately 4.1 million remaining outstanding Green Point shares that were not tendered during the tender offer period, for 109.0 New Taiwan dollars per share (or approximately \$13.3 million in U.S. dollars). In total, we paid cash of approximately \$891.0 million in U.S. dollars to complete the merger with Green Point. To fund the acquisition, we entered into a \$1.0 billion, 364-day senior unsecured bridge loan facility with a global financial institution on December 21, 2006. The financial results of Green Point were included in our Consolidated Financial Statements beginning on January 16, 2007. We recorded a minority interest in our Consolidated Financial Statements from January 16, 2007 through April 24, 2007 related to the remaining 2.4% of Green Point outstanding shares that we acquired on April 24, 2007.

Seasonality

Production levels for our consumer and automotive industry sectors are subject to seasonal influences. We may realize greater net revenue during our first fiscal quarter due to high demand for consumer products during the holiday selling season. Therefore, quarterly results should not be relied upon as necessarily indicative of results for the entire fiscal year.

Dividends

The following table sets forth certain information relating to our cash dividends paid to common stockholders during fiscal years 2006 and 2007.

Dividend Information

	Dividend declaration date	Dividend per share	Total of cash dividends paid (in thousands, except per share data)	Date of record for dividend payment	Dividend cash payment date
Fiscal year 2006:	May 4, 2006	\$ 0.07	\$ 14,855	May 15, 2006	June 1, 2006
	August 2, 2006	\$ 0.07	\$ 14,295	August 15, 2006	September 1, 2006
Fiscal year 2007:	November 2, 2006	\$ 0.07	\$ 14,378	November 15, 2006	December 1, 2006
	January 22, 2007	\$ 0.07	\$ 14,414	February 15, 2007	March 1, 2007
	April 30, 2007	\$ 0.07	\$ 14,517	May 15, 2007	June 1, 2007

We currently expect to continue to declare and pay quarterly dividends of an amount similar to our past declarations. However, the declaration and payment of future dividends are discretionary and will be subject to determination by our Board of Directors each quarter following its

review of our financial performance.

Table of Contents**Liquidity and Capital Resources**

At May 31, 2007, our principal sources of liquidity consisted of cash, available borrowings under our credit facilities and the accounts receivable securitization program. The following table sets forth, for the periods indicated, selected consolidated cash flow information (in thousands).

	Nine months ended	
	May 31, 2007	May 31, 2006
Net cash (used in) provided by operating activities	\$ (60,975)	\$ 270,197
Net cash used in investing activities	(974,148)	(337,675)
Net cash provided by financing activities	774,296	108,979
Effect of exchange rate changes on cash	45,622	17,307
Net (decrease) increase in cash and cash equivalents	\$ (215,205)	\$ 58,808

We used \$61.0 million of cash from operating activities for the nine months ended May 31, 2007. This consisted primarily of \$554.6 million of a decrease in accounts payable and accrued expenses, offset by \$173.8 million of non-cash depreciation and amortization charges, \$134.4 million of a decrease in accounts receivable, and \$118.6 million of a decrease in inventory. The decrease in accounts payable and accrued expenses was due primarily to the timing of purchases in the third quarter of fiscal year 2007.

Net cash used in investing activities for the nine months ended May 31, 2007 was \$974.1 million. This consisted primarily of \$771.4 million for net business acquisitions, net of cash acquired, which largely relates to our acquisition of Green Point and \$214.2 million for our capital expenditures of manufacturing and computer equipment to support our ongoing business across all segments and for expansion activities in China, Eastern Europe and India. These expenditures were offset by \$11.4 million of proceeds from the sale of property and equipment.

Net cash provided by financing activities for the nine months ended May 31, 2007 was \$774.3 million. This resulted from approximately \$3.4 billion of proceeds from borrowings under our debt agreements during the nine months ended May 31, 2007, which primarily included \$2.2 billion of borrowings under our unsecured revolving credit facility and \$1.0 billion of borrowings under our unsecured bridge credit agreement. These borrowings were offset by approximately \$2.6 billion of payments toward debt agreements during the nine months ended May 31, 2007, which primarily included \$2.2 billion toward the repayment of borrowings under our unsecured revolving credit facility, \$160.0 million toward the repayment of borrowing under the revolving facility portion of our unsecured bridge credit agreement, \$92.0 million toward the repayment of borrowings under our short-term working capital facility for an Indian subsidiary and \$80.9 million toward the repayment of various debt instruments assumed as part of the Green Point acquisition.

We may need to finance future growth and any corresponding working capital needs with additional borrowings under our revolving credit facilities described below, as well as additional public and private offerings of our debt and equity. Approximately \$855.0 million of securities remain registered with the SEC under our shelf registration statement at May 31, 2007. The Securities Act of 1933 (the "Act") Offering Reform, which was effective on December 1, 2005, has significantly modified the registration and offering process under the Act. Based on the new registration and offering regime, we may file a new shelf registration statement to replace the existing shelf. Under the new rules, we anticipate that once we have timely filed all periodic reports under the Securities Exchange Act of 1934 for one year from the date we become current on these filings, Jabil will be classified as a well-known seasoned issuer, thereby allowing the Company to take advantage of the simplified registration procedures. At this time, the Company is still evaluating whether to file a new shelf registration statement.

As a result of our delayed filing of Form 10-K for the fiscal year ended August 31, 2006, as well as the delayed filings of our Forms 10-Q for the periods ended November 30, 2006 and February 28, 2007, we will be ineligible to issue shares under our shelf registration until we have timely filed all periodic reports under the Securities and Exchange Act of 1934 for one year from the date we became current on those filings.

During the third quarter of fiscal year 2005, we replaced our then existing credit facility and established a five-year, \$500.0 million unsecured revolving credit facility with a syndicate of banks (the "Unsecured Revolver"). The Unsecured Revolver, which expires on May 11, 2010, may be increased to a maximum of \$750.0 million at the request of the Company if approved by the lenders. Such requests must be for an increase of at least \$50.0 million or an integral multiple thereof, and may only be made once per calendar year. Interest and fees on Unsecured Revolver advances are based on the Company's senior unsecured long-term indebtedness rating as determined by S&P and Moody's. Interest is charged at either the base rate or a rate equal to 0.50% to 0.95% above the Eurocurrency rate, where the base rate, available for U.S. dollar

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advances only, represents the greater of the agent's prime rate or 0.50% plus the federal funds rate, and the Eurocurrency rate represents the applicable LIBOR, each as more fully defined in the Unsecured Revolver. Fees include a facility fee based on the total commitments of the lenders, a letter of credit fee based on the amount of outstanding letters of credit, and a utilization fee to be added to the interest rate and the letter of credit fee during any period when the aggregate amount of outstanding advances and letters of credit exceeds 50% of the total commitments of the lenders. Based on the Company's current senior unsecured long-term indebtedness rating as determined by S&P and Moody's, the current rate of interest plus the applicable facility and utilization fee on a full Eurocurrency rate draw would be 1.00% above the Eurocurrency rate as defined above. Among other things, the Unsecured Revolver contains financial covenants establishing a debt to EBITDA ratio and interest coverage ratio; and contains operating covenants, which limit, among other things, our incurrence of indebtedness at the subsidiary level, and the incurrence of liens at all levels. The various covenants, limitations and events of default included in the Unsecured Revolver are currently customary for similar facilities for similarly rated borrowers.

As a result of our delayed filing of Form 10-K for the fiscal year ended August 31, 2006, as well as the delayed filings of our Forms 10-Q for the periods ended November 30, 2006 and February 28, 2007, on November 21, 2006, the lenders under our Unsecured Revolver agreed to waive the requirement that we deliver to the lenders our quarterly and annual financial statements until February 2, 2007. A second waiver was obtained on January 11, 2007 which further extended the requirement that we deliver our quarterly and annual financial statements until the earlier of May 3, 2007 or 45 days after we receive a notice of default from the trustee or holders of 25% of the principal amount of 5.875% Senior Notes outstanding. A third waiver was received on May 2, 2007 in which the lenders agreed (i) to waive the requirement that we deliver to the bank our annual financial statements until the earlier of July 2, 2007 or 45 days after we receive a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding and (ii) to waive the requirement that we deliver to the bank our quarterly financial statements until the earlier of August 1, 2007 or 45 days after we receive a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding. In addition, the waivers received revised the indebtedness to EBITDA ratio and the interest coverage ratio to allow for a greater level of debt to be outstanding and for a higher level of interest to be incurred during the specified periods, respectively. As a result of the Company's filing of its Annual Report on Form 10-K for the fiscal year ended August 31, 2006, as well as the filing of the Company's Forms 10-Q for the fiscal quarters ended November 30, 2006 and February 28, 2007, the Company has cured all alleged defaults described above.

On various dates during the third quarter of fiscal year 2007, we had multiple borrowings which totaled \$744.0 million on the Unsecured Revolver to fund working capital needs. We repaid \$818.0 million of borrowings on the Unsecured Revolver during the same three month period. At May 31, 2007, there were no outstanding under this facility.

During the second quarter of fiscal year 2004, we entered into an asset-backed securitization program with a bank, which originally provided for net cash proceeds at any one time of an amount up to \$100.0 million on the sale of eligible accounts receivable of certain domestic operations. As a result of an amendment in April 2004, the program was increased to an amount up to \$120.0 million of net cash proceeds at any one time. As a result of a second amendment in February 2005, the program was renewed and increased to an amount up to \$145.0 million of net cash proceeds at any one time. The program was increased to an amount up to \$175.0 million of net cash proceeds at any one time by a third amendment in May 2005. A fourth amendment in November 2005 increased the program to an amount up to \$250.0 million of net cash proceeds at any one time. As a result of a fifth amendment in February 2006, the program was renewed. The program was increased up to an amount of \$325.0 million of net cash proceeds at any one time as a result of a sixth amendment in October 2006. As a result of a seventh amendment to the securitization program in February 2007, the program was renewed until February 2008. Under this agreement, we continuously sell a designated pool of trade accounts receivable to a wholly-owned subsidiary, which in turn sells an ownership interest in the receivables to a conduit, administered by an unaffiliated financial institution. This wholly-owned subsidiary is a separate bankruptcy-remote entity and its assets would be available first to satisfy the claims of the conduit. As the receivables sold are collected, we are able to sell additional receivables up to the maximum permitted amount under the program. 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, as amended. For each pool of eligible receivables sold to the conduit, we retain a percentage interest in the face value of the receivables, which is calculated based on the terms of the agreement. Net receivables sold under this program are excluded from accounts receivable on the Condensed Consolidated Balance Sheet and are reflected as cash provided by operating activities on the Condensed Consolidated Statement of Cash Flows. We continue to service, administer and collect the receivables sold under this program. We pay facility fees of 0.15% per annum of 102% of the average purchase limit and program fees of up to 0.15% of average outstanding amounts. The investors and the securitization conduit have no recourse to the Company's assets for failure of debtors to pay when due. As of May 31, 2007, we had sold \$404.6 million of eligible accounts receivable, which represents the face amount of total outstanding receivables at that date. In exchange, we received cash proceeds of \$288.6 million and retained an interest in the receivables of approximately \$116.0 million. In connection with the securitization program, we recognized pretax losses on the sale of receivables of

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approximately \$3.8 million and \$11.5 million during the three and nine months ended May 31, 2007, respectively, and approximately \$3.5 million and \$8.4 million during the three and nine months ended May 31, 2006, respectively, which are recorded as an other expense on the Condensed Consolidated Statement of Earnings.

As a result of our delayed filing of Form 10-K for the fiscal year ended August 31, 2006, as well as the delayed filings of our Forms 10-Q for the periods ended November 30, 2006 and February 28, 2007, on January 11, 2007, the purchasing bank under the Company's asset-backed securitization program agreed to waive the requirement that the Company deliver to the bank its quarterly and annual financial statements until the earlier of May 3, 2007 or 45 days after the Company receives a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding. In addition, a second waiver was obtained on May 2, 2007 in which the purchasing bank agreed (i) to waive the requirement that we deliver to the bank our annual financial statements until the earlier of July 2, 2007 or 45 days after we receive a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding and (ii) to waive the requirement that we deliver to the bank our quarterly financial statements until the earlier of August 1, 2007 or 45 days after we receive a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding. As a result of the Company's filing of its Annual Report on Form 10-K for the fiscal year ended August 31, 2006, as well as the filing of the Company's Forms 10-Q for the fiscal quarters ended November 30, 2006 and February 28, 2007, the Company has cured all alleged defaults described above.

During the third quarter of fiscal year 2005, we negotiated a five-year, 400.0 million Indian rupee construction loan for an Indian subsidiary with an Indian branch of a global bank. Under the terms of the loan, we pay interest on outstanding borrowings based on a fixed rate of 7.45%. The construction loan expires on April 15, 2010 and all outstanding borrowings are then due and payable. The 400.0 million Indian rupee principal outstanding is equivalent to approximately \$9.9 million based on currency exchange rates at May 31, 2007.

During the third quarter of fiscal year 2005, we negotiated a five-year, 25.0 million Euro construction loan for a Hungarian subsidiary with a Hungarian branch of a global bank. Under the terms of the loan facility, we pay interest on outstanding borrowings based on the Euro Interbank Offered Rate plus a spread of 0.925%. Quarterly principal repayments began in September 2006 to repay the amount of proceeds drawn under the construction loan. The construction loan expires on April 13, 2010. At May 31, 2007, borrowings of 17.3 million Euros (approximately \$23.3 million based on currency exchange rates at May 31, 2007) were outstanding under the construction loan.

During the second quarter of fiscal year 2006, we negotiated a short-term, 225.0 million Indian rupee credit facility for an Indian subsidiary with an Indian branch of a global bank. During the fourth quarter of fiscal year 2006, this facility was increased to 750.0 million Indian rupees. Under the terms of the facility, we pay interest on outstanding borrowings based on a fixed rate mutually agreed with the bank at the time of borrowing. At May 31, 2007, borrowings of 375.0 million Indian rupees (approximately \$9.2 million based on currency exchange rates at May 31, 2007) were outstanding under this facility and incurring interest at an average rate of 13.5%.

During the third quarter of fiscal year 2006, we assumed a short-term Chinese yuan renmimbi credit facility for an acquired Chinese subsidiary with a Chinese bank. Under the terms of the facility, the bank determined the maximum borrowing limit and applicable fixed interest rate at the time of borrowing. At the date of acquisition, there were no outstanding borrowings under this facility. On November 9, 2006, the pre-existing agreement expired and the Company repaid the 15.0 million Chinese yuan renmimbi outstanding on that date. Also on November 9, 2006, the Company negotiated a new loan agreement with a maximum borrowing limit of 20.0 million Chinese yuan renmimbi. Under the terms of the agreement, borrowings were due and payable six months after the draw-down date. The loan agreement expired on May 8, 2007. There were no borrowings outstanding under this facility upon expiration.

During the third quarter of fiscal year 2006, we entered into a sale-leaseback transaction involving our facility in Ayr, Scotland. We continue to occupy the facility through a three-year leasing arrangement with the third-party purchaser, which requires quarterly lease payments of 62.5 thousand pounds sterling (approximately \$124.0 thousand based on currency exchange rates at May 31, 2007). We received cash proceeds of approximately 2.8 million pounds sterling (approximately \$4.8 million based on currency exchange rates on the date of the transaction) and retained a right to receive additional consideration upon resale of the facility at a later date. Due primarily to our continuing involvement in the property, we were precluded from recording the transaction as a sale. Accordingly, as required by relevant accounting standards, the cash proceeds were recorded as a financing obligation. A portion of the quarterly lease payments are recorded as interest expense, based on an effective yield of 5.875%, and the remainder is recorded as a reduction of the financing obligation. At May 31, 2007, the balance of the financing obligation is approximately 2.7 million pounds sterling (approximately \$5.2 million based on currency exchange rates at May 31, 2007).

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During the fourth quarter of fiscal year 2006, we entered into a short-term, \$45.0 million working capital facility for an Indian subsidiary with an Indian branch of a global bank. During the first quarter of fiscal year 2007, the working capital facility was increased to \$60.0 million. Borrowings under this facility are revolving in nature and are outstanding for a period of up to 180 days. Under the terms of the facility, we pay interest on outstanding borrowings based on LIBOR plus a spread of 0.5%. At May 31, 2007, borrowings of \$15.2 million were outstanding under this facility.

During the second quarter of fiscal year 2007, we entered into a \$1.0 billion unsecured bridge credit agreement with a syndicate of banks (the Bridge Facility). The Bridge Facility expires on December 20, 2007. Of the Bridge Facility, \$900.0 million is designated for use by us as a one-time borrowing (which may be paid down in increments) to finance the tender offer for and merger with Green Point to pay related costs and expenses. The remaining \$100.0 million of the Bridge Facility is a revolving facility to be used for our general corporate purposes. Interest and fees on Bridge Facility advances are based on our unsecured long-term indebtedness rating as determined by Standard & Poor's Rating Service and Moody's Investor Service. Interest is charged at either a rate equal to 0% to 0.75% above the base rate or a rate equal to 0.55% to 1.75% above the Eurocurrency rate, where the base rate represents the greater of Citibank, N.A.'s prime rate or 0.50% plus the federal funds rate, and the Eurocurrency rate represents the applicable London Interbank Offered Rate, each as more fully defined in the Bridge Facility. The applicable margin for the base rate and the Eurocurrency rate may be increased by 0.25% or 0.50% per annum, depending on the length of time that the Bridge Facility remains outstanding. Fees include unused commitment fees based on the amount of each lender's commitment minus the principal amount of any outstanding advances made by the lender. Based on our current unsecured long-term indebtedness rating as determined by Standard & Poor's Rating Service and Moody's Investor Service, the current rate of interest on a full Eurocurrency rate draw would be the base rate or 0.875% above the Eurocurrency rate, as defined above. The Bridge Facility requires compliance with several financial covenants, including an indebtedness to EBITDA ratio and an interest coverage ratio, as defined by the Bridge Facility. The Bridge Facility also requires compliance with certain operating covenants, which limits, among other things, our incurrence of additional indebtedness. See Risk Factors. We must refinance or repay our Bridge Facility on or before December 20, 2007 which will require additional financing that we cannot assure you will be available to us on attractive terms unless we issue additional equity.

On various dates during the nine months ended May 31, 2007, we borrowed a total of approximately \$1.0 billion on the Bridge Facility to fund the acquisition of Green Point. During the same nine month period we repaid \$160.0 million of borrowings on the revolving facility portion of the Bridge Facility. At May 31, 2007, borrowings of \$871.0 million remained outstanding under this facility.

As we did not meet the filing deadlines for the Form 10-K for the fiscal year ended August 31, 2006 and the Forms 10-Q for the periods ended November 30, 2006 and February 28, 2007, a waiver was obtained on January 11, 2007 which extended the requirement that we deliver our quarterly and annual financial statements until the earlier of May 3, 2007 or 45 days after we receive a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding. A second waiver was received on May 2, 2007 in which the lenders agreed (i) to waive the requirement that we deliver to the bank our annual financial statements until the earlier of July 2, 2007 or 45 days after we receive a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding and (ii) to waive the requirement that we deliver to the bank our quarterly financial statements until the earlier of August 1, 2007 or 45 days after we receive a notice of default from the trustee or holders of 25% of the principal amount of the 5.875% Senior Notes outstanding. In addition, the waivers received revised the indebtedness to EBITDA ratio and the interest coverage ratio to allow for a greater level of debt to be outstanding and for a higher level of interest to be incurred during the specified periods, respectively.

Due to the delay in filing our Form 10-K for the fiscal year ended August 31, 2006, as well as the delay in filing our Form 10-Q for the fiscal periods ended November 30, 2006 and February 28, 2007, we have obtained all of the necessary covenant waivers for all other material debt instruments that have not been previously discussed above. As a result of the Company's filing of its Annual Report on Form 10-K for the fiscal year ended August 31, 2006, as well as the filing of the Company's Forms 10-Q for the fiscal quarters ended November 30, 2006 and February 28, 2007, the Company has cured all alleged defaults described above. See Note 2 Stock Option Litigation and Restatements to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2006 and Note 14 Events of Default to the Condensed Consolidated Financial Statements for further discussion.

Through the acquisition of Green Point the Company assumed certain liabilities, including short and long term debt obligations totaling approximately \$102.2 million at the date of acquisition. At May 31, 2007, approximately \$5.8 million of debt is outstanding under these short term facilities, with current interest rates ranging from 2.1% to 5.3%. The long term debt obligations include mortgage and credit facilities with various banks in Taiwan and China. The long term facilities are denominated in US dollars and New Taiwan dollars, and incur interest at both fixed rates and rates that fluctuate based upon changes in various base interest rates. At May 31, 2007, approximately \$55.6 million of debt is outstanding under

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the long term facilities, with current interest rates ranging from 2.4% to 3.0%. Approximately \$8.4 million of this total is due and payable within 12 months and is classified as short term on the Condensed Consolidated Balance Sheet. The remaining \$47.2 million will mature at various dates through July 2012 and is classified as long term on the Condensed Consolidated Balance Sheet.

During the second quarter of fiscal year 2007, we entered into a three year, \$20.3 million loan agreement with a vendor. In exchange for this loan, we received various software licenses that were capitalized and are being amortized over a three-year period. The loan agreement is non-interest bearing and payments are due quarterly through October 2009. At May 31, 2007, \$16.9 million is outstanding under this loan agreement.

We currently anticipate that during the next twelve months, our capital expenditures will be in the range of \$200.0 million to \$250.0 million, principally for machinery and equipment across all segments, and expansion in Eastern Europe, Asia and India. We believe that our level of resources, which include cash on hand, available borrowings under our revolving credit facilities, additional proceeds available under our accounts receivable securitization program and funds provided by operations, will be adequate to fund these capital expenditures, the payment of any declared quarterly dividends, the payment of approximately \$36.1 million for current restructuring activities, and our working capital requirements for the next twelve months. Should we desire to consummate significant additional acquisition opportunities or undertake significant additional expansion activities, our capital needs would increase and could possibly result in our need to increase available borrowings under our revolving credit facilities or access public or private debt and equity markets. There can be no assurance, however, that we would be successful in raising additional debt or equity on terms that we would consider acceptable.

Our contractual obligations for short and long-term debt arrangements, future interest on notes payable and long-term debt, future minimum lease payments under non-cancelable operating lease arrangements and estimated future benefit plan payments as of May 31, 2007 are summarized below. We do not participate in, or secure financing for any unconsolidated limited purpose entities. We generally do not enter into non-cancelable purchase orders for materials until we receive a corresponding purchase commitment from our customer. Non-cancelable purchase orders do not typically extend beyond the normal lead time of several weeks at most. Purchase orders beyond this time frame are typically cancelable.

Contractual Obligations	Payments due by period (in thousands)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Notes payable, long-term debt and long-term lease obligations	\$ 1,324,034	\$ 939,571	\$ 66,820	\$ 316,953	\$ 690
Future interest on notes payable and long-term debt	65,844	20,758	41,059	3,987	40
Operating lease obligations	189,324	51,245	64,745	35,282	38,052
Estimated future benefit plan payments	59,706	4,754	10,801	12,083	32,068
Total contractual cash obligations	\$ 1,638,908	\$ 1,016,328	\$ 183,425	\$ 368,305	\$ 70,850

Item 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**Foreign Currency Exchange Risks**

We transact business in various foreign countries and are, therefore, subject to risk of foreign currency exchange rate fluctuations. We enter into forward contracts to economically hedge transactional exposure associated with commitments arising from trade accounts receivable, trade accounts payable and fixed purchase obligations denominated in a currency other than the functional currency of the respective operating entity. All derivative instruments are recorded on the balance sheet at their respective fair market values in accordance with Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended* (SFAS 133). The Company has elected not to prepare and maintain the documentation required to qualify as an accounting hedge and, therefore, changes in fair value are recorded in the Consolidated Statement of Earnings.

The aggregate notional amount of outstanding contracts at May 31, 2007 was \$1.2 billion. The fair value of these contracts amounted to a \$6.4 million asset recorded in prepaid and other current assets and a \$4.1 million liability recorded in accrued expenses on the Condensed Consolidated Balance Sheet. The forward contracts will generally expire in less than four months, with five months being the maximum term of the contracts outstanding at May 31, 2007. The forward contracts will settle in British pounds, Chinese Yuan renmimbi, Euro dollars, Hungarian forints, Japanese yen, Mexican pesos, Malaysian ringgit, Polish zloty, Singapore dollars, New Taiwan dollars and U.S. dollars.

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We entered into several individual Taiwanese dollar foreign currency swap arrangements in connection with our tender offer for Taiwan Green Point Enterprises Co., Ltd. (Green Point). These New Taiwan dollar foreign currency swap arrangements had a notional value of 17.0 billion New Taiwan dollars as of May 31, 2007 (approximately \$513.6 million based on currency exchange rates at May 31, 2007) and the related non-deliverable forward contracts had a notional value of 10.0 billion New Taiwan dollars as of May 31, 2007 (approximately \$302.9 million based on currency exchange rates at May 31, 2007). See Note 9 Business Acquisitions to the Condensed Consolidated Financial Statements for further discussion on the Green Point acquisition.

Interest Rate Risk

A portion of our exposure to market risk for changes in interest rates relates to our domestic investment portfolio. We do not use derivative financial instruments in our investment portfolio. We place cash and cash equivalents with various major financial institutions. We protect our invested principal funds by limiting default risk, market risk and reinvestment risk. We mitigate default risk by generally investing in investment grade securities and by frequently positioning the portfolio to try to respond appropriately to a reduction in credit rating of any investment issuer, guarantor or depository to levels below the credit ratings dictated by our investment policy. The portfolio typically includes only marketable securities with active secondary or resale markets to ensure portfolio liquidity. At May 31, 2007, we had no outstanding investments.

We pay interest on outstanding borrowings under our revolving credit facilities at interest rates that fluctuate based upon changes in various base interest rates. These facilities include our Unsecured Revolver, short-term Indian working capital facility, and Indian credit facility. There was no balance outstanding under our Unsecured Revolver at May 31, 2007. There was \$15.2 million and \$9.2 million outstanding, respectively, on our short-term Indian working capital facility and Indian credit facility at May 31, 2007.

We pay interest on outstanding borrowings under our Bridge Facility at interest rates that fluctuate based upon changes in various base interest rates. There was \$871.0 million outstanding on our Bridge Facility at May 31, 2007.

We pay interest on outstanding borrowings under our 25.0 million Euro loan agreement for a Hungarian subsidiary at interest rates that fluctuate based upon changes in various base interest rates. There were borrowings of 17.3 million Euros (approximately \$23.3 million based on currency exchange rates at May 31, 2007) outstanding under this loan agreement at May 31, 2007.

We pay interest on outstanding borrowings we assumed as a result of the Green Point acquisition at both fixed and variable rates. At May 31, 2007, approximately \$5.8 million of debt is outstanding under short term facilities, with current interest rates ranging from 2.1% to 5.3%. At May 31, 2007, approximately \$55.6 million of debt is outstanding under long term facilities, with current interest rates ranging from 2.4% to 3.0%.

See Management's Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors We derive a substantial portion of our revenues from our international operations, which may be subject to a number of risks and often require more management time and expense to achieve profitability than our domestic operations, and An adverse change in the interest rates for our borrowings could adversely affect our financial condition.

Item 4: CONTROLS AND PROCEDURES **Evaluation of Disclosure Controls and Procedures**

We carried out an evaluation required by Rules 13a-15 and 15d-15 under the Exchange Act (the Evaluation), under the supervision and with the participation of our President and Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15 and 15d-15 under the Exchange Act (Disclosure Controls) as of May 31, 2007. Based on the Evaluation, our CEO and CFO concluded that the design and operation of our Disclosure Controls were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Changes in Internal Controls over Financial Reporting

For our fiscal quarter ended May 31, 2007, we did not identify any modifications to our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Our internal control over financial reporting, including our internal control documentation and testing efforts, remain ongoing to ensure continued compliance with the Exchange Act. For our fiscal quarter ended May 31, 2007, we

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identified certain internal controls that management believed should be modified to improve them. These improvements include further formalization of policies and procedures, improved segregation of duties, additional information technology system controls and additional monitoring controls. We are making improvements to our internal control over financial reporting as a result of our review efforts. We have reached our conclusions as set forth above, notwithstanding those improvements and modifications.

Limitations on the Effectiveness of Controls and other matters

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

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

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

On January 12, 2007, we obtained a controlling interest in Green Point. As permitted by SEC guidance, the scope of our evaluation of internal control over financial reporting as of May 31, 2007 did not include the internal control over financial reporting of the acquired operations of Green Point. Green Point is included in our condensed consolidated financial statements beginning in February 2007. As part of our integration of Green Point, we continue to evaluate Green Point's internal controls over financial reporting and address controls that we note need improvement. From the date we obtained controlling interest in Green Point to May 31, 2007, the processes and systems of Green Point's acquired operations were discrete and did not significantly impact our internal control over financial reporting.

CEO and CFO Certifications

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

PART II. OTHER INFORMATION

Item 1: LEGAL PROCEEDINGS

As more fully described in Part I, Item 3, Legal Proceedings, of our Annual Report on Form 10-K for the fiscal year ended August 31, 2006, we are involved in certain ongoing litigation matters, an SEC inquiry and have received a subpoena from a U.S. attorney's office relating to certain of our historical stock option grant practices, and we have also had committees of our Board of Directors review certain of our historical stock option grant and revenue recognition practices and provided the results of those reviews to the SEC. For further discussion, please see Part I, Item 3, Legal Proceedings, of our Annual Report on Form 10-K for the fiscal year ended August 31, 2006. Additional relevant information is set forth below.

Since May 15, 2007, the date on which we filed our Annual Report on Form 10-K for the fiscal year ended August 31, 2006, the only developments that may be material are that in June 2007 the defendants in the Consolidated Federal Derivative Action (as defined in Note 6 Commitments and Contingencies to the Condensed Consolidated Financial Statements) each entered into stipulations which extend the time to respond to each of the respective Actions until September 10, 2007.

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Item 1A: RISK FACTORS

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

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

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

adverse changes in general economic conditions;

the level and timing of customer orders;

the level of capacity utilization of our manufacturing facilities and associated fixed costs;

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

changes in demand in our customers' end markets;

our level of experience in manufacturing a particular product;

the degree of automation used in our assembly process;

the efficiencies achieved in managing inventories and fixed assets;

fluctuations in materials costs and availability of materials;

seasonality in customers' product requirements; and

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

The volume and timing of orders placed by our customers vary due to variation in demand for our customers' products; our customers' attempts to manage their inventory; electronic design changes; changes in our customers' manufacturing strategies; and acquisitions of or consolidations among our customers. In the past, changes in customer orders that reduce net revenue have had a significant effect on our results of operations as a result of our overhead remaining relatively fixed while our net revenue decreased. Any one or a combination of these factors could adversely affect our annual and quarterly results of operations in the future. See Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

We currently depend, and expect to continue to depend upon a relatively small number of customers for a significant percentage of our net revenue and upon their growth, viability and financial stability. If any of our customers experience a decline in the demand for their products due to economic or other forces, they may reduce their purchases from us or terminate their relationship with us. Our customers' industries have experienced rapid technological change, shortening of product life cycles, consolidation, and pricing and margin pressures. Consolidation among our customers may further reduce the number of customers that generate a significant percentage of our net revenue and exposes us to increased risks relating to dependence on a small number of customers. A significant reduction in sales to any of our customers or a customer exerting significant pricing and margin pressures on us would have a material adverse effect on our results of operations. In the past, some of our customers have terminated their manufacturing arrangements with us or have significantly reduced or delayed the volume of design, production, product management or after-market services ordered from us. Our industry's revenue declined in mid-2001 as a result of significant cut backs in customer production requirements, which was consistent with the overall global economic downturn. We cannot assure you that present or future customers will not terminate their design, production, product management and after-market services arrangements with us or significantly change, reduce or delay the amount of services ordered from us. If they do, it could have a material adverse effect on our results of operations. In addition, we generate significant account receivables in connection with providing design, production, product management and after-market services to our customers. If one or more of our customers were to become insolvent or otherwise were unable to pay for the services provided by us, our operating results and financial condition would be adversely affected. See Business Customers and Marketing in our Annual Report on Form 10-K for the fiscal year ended August 31, 2006 and Management's Discussion and Analysis of Financial Condition and Results of Operations.

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In particular, one of the industries to which we provide services, the automobile industry, has recently experienced significant financial difficulty, with some of the participants filing for bankruptcy. Such significant financial difficulty, if experienced by one or more of our customers, may negatively affect our business due to the decreased demand of these financially distressed customers, the potential inability of these companies to make full payment on amounts owed to us, or both.

We are involved in reviews of our historical stock option grant practices.

As described in Note 2 – Stock Option Litigation and Restatements to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended August 31, 2006, we are involved in shareholder derivative actions, a putative shareholder class action and a Securities and Exchange Commission (the SEC) Informal Inquiry, and have received a subpoena from the U.S. Attorney's office for the Southern District of New York in connection with certain historical stock option grants. In response to the derivative actions, an independent Special Committee of our Board of Directors (the Special Committee) was appointed to review the allegations in such actions. We have cooperated and intend to continue to cooperate with the Special Committee, the SEC and the U.S. Attorney's office. The Special Committee has concluded that the evidence does not support a finding of intentional manipulation of stock option grant pricing by any member of management. In addition, the Special Committee concluded that it is not in our best interests to pursue the derivative actions. The Special Committee identified certain factors related to our controls surrounding the process of accounting for option grants that contributed to the accounting errors that led to the restatement. The investigations of the SEC and the U.S. Attorney's office may look at the accuracy of the stated dates of our historical option grants, the Company's disclosures regarding executive compensation, whether all proper corporate and other procedures were followed, whether our historical financial statements are materially accurate and other issues. We cannot predict the outcome of those investigations. Regardless of the outcomes of the investigations, we will continue to incur substantial costs and the investigations will cause a diversion of our management's time and attention, which could have a material adverse effect on our financial condition and results of operations. We can not provide assurances that such investigations will not find inappropriate activity in connection with our historical stock option practices or result in further revising of our historical accounting associated with such stock option grant practices.

The matters relating to the Special Committee's review of our historical stock option granting practices and the restatement of our Consolidated Financial Statements has resulted in expanded litigation and regulatory proceedings against us and may result in future litigation, which could have a material adverse effect on us.

On May 3, 2006, the Board of Directors established the Special Committee, to conduct a review of our historical stock option granting practices during fiscal years 1996 through 2006. As described in Note 2 – Stock Option Litigation and Restatements to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended August 31, 2006, as a result of that review and management's undertaking of a separate review of our historical stock option grant practices, we have identified a number of occasions in which stock option awards that were granted to officers, employees and a non-employee consultant director were not properly accounted for. To correct these accounting errors, we have restated prior year and prior quarter Consolidated Financial Statements and disclosures in our Annual Report on Form 10-K for the fiscal year ended August 31, 2006. The review of our historical stock option granting practices and the resulting restatements, have required us to incur substantial expenses for legal, accounting, tax and other professional services and have diverted our management's attention from our business and could in the future adversely affect our business, financial condition, results of operations and cash flows.

Our historical stock option granting practices and the restatement of our prior financial statements have exposed us to greater risks associated with litigation and regulatory proceedings. As described in Part II, Item 1 of this Form 10-Q – Legal Proceedings, we are parties to several lawsuits containing allegations relating to stock option grants. We cannot assure you that any determinations made in the current litigation, the SEC Inquiry or any future litigation or regulatory action will reach the same conclusions on these issues that we have reached. The conduct and resolution of these matters will be time consuming, expensive and distracting from the conduct of our business. Furthermore, if we are subject to adverse findings in any of these matters, we could be required to pay damages or penalties or have other remedies imposed upon us which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Finally, as a result of our delayed filing of Form 10-K for the fiscal year ended August 31, 2006, as well as the delayed filing of our Forms 10-Q for the periods ended November 30, 2006 and February 28, 2007, we will be ineligible to register our securities on Form S-3 for sale of our securities by us or resale by others until we have timely filed all periodic reports under the Securities Exchange Act of 1934 for one year from the date we become current on those filings. Until then, we would have to use a Form S-1 registration statement or issue securities in transactions exempt from registration to raise capital or complete acquisitions, which could increase transaction costs and adversely impact our ability to raise capital or complete acquisitions of other companies in a timely manner.

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We are involved in a review of our recognition of revenue for certain historical transactions.

As described in the Explanatory Note immediately preceding Part I in our Annual Report on Form 10-K for the fiscal year ended August 31, 2006, our Audit Committee of our Board of Directors, assisted by independent legal counsel, reviewed certain historical transactions, and concluded that, while the impact was not material, accounting errors occurred in connection with recognizing certain income and expenses such that our consolidated earnings for fiscal year 2001 were lower by an immaterial amount than what was previously reported and our consolidated earnings for fiscal year 2002 included in the five year table in Item 6 Selected Financial Data in our Annual Report on Form 10-K for the fiscal year ended August 31, 2006 has been revised upward by a similar amount. The Audit Committee's and legal counsel's findings were presented to the SEC. We intend to continue to cooperate fully with the SEC's review of these matters. However, we cannot predict the extent or the outcome of such review. In addition, future litigation and regulatory investigation or action may arise in connection with these revenue recognition issues. We cannot assure you that the determinations reached by the SEC, or reached in any future litigation or regulatory action, will be consistent with our conclusions on these issues. If we are subject to adverse findings in any of these matters, we could be required to pay damages or penalties or have other remedies imposed upon us which could have a material adverse effect on our business, financial condition, results of operation and cash flows. In addition, regardless of the final outcomes of any of these matters, the conduct and resolution of such matters could be sufficiently time-consuming, expensive and distracting to our management team which could adversely affect our business, financial condition, results of operations and cash flows.

Consolidation in industries that utilize electronics components may adversely affect our business.

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

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

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

The inability of our customers to adapt to rapidly changing technology and evolving industry standards, which result in short product life cycles.

The inability of our customers to develop and market their products, some of which are new and untested, the potential that our customers' products may become obsolete or the failure of our customers' products to gain widespread commercial acceptance.

Recessionary periods in our customers' markets.

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

New product offerings by our customers' competitors may prove to be more successful than our customers' product offerings. If our customers are unsuccessful in addressing these competitive challenges, or any others that they may face, then their business may be materially adversely affected, and as a result, the demand for our services could decline.

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

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

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

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

variation in demand for our customers' products;

our customers' attempts to manage their inventory;

electronic design changes;

changes in our customers' manufacturing strategy; and

acquisitions of or consolidations among customers.

Due in part to these factors, most of our customers do not commit to firm production schedules for more than one quarter in advance. Our inability to forecast the level of customer orders with certainty makes it difficult to schedule production and maximize utilization of manufacturing capacity. In the past, we have been required to increase staffing and other expenses in order to meet the anticipated demand of our customers. Anticipated orders from many of our customers have, in the past, failed to materialize or delivery schedules have been deferred as a result of changes in our customers' business needs, thereby adversely affecting our results of operations. On other occasions, our customers have required rapid increases in production, which have placed an excessive burden on our resources. Such customer order fluctuations and deferrals have had a material adverse effect on us in the past, and we may experience such effects in the future. A business downturn resulting from any of these external factors could have a material adverse effect on our operating results. See Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

Our industry must provide increasingly rapid product turnaround for its customers. We generally do not obtain firm, long-term purchase commitments from our customers and we continue to experience reduced lead-times in customer orders. Customers may cancel their orders, change production quantities or delay production for a number of reasons. The success of our customers' products in the market affects our business. Cancellations, reductions or delay by a significant customer or by a group of customers could negatively impact our operating results.

In addition, we make significant decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimate of customer requirements. The short-term nature of our customers' commitments and the possibility of rapid changes in demand for their products reduce our ability to accurately estimate the future requirements of those customers.

On occasion, customers may require rapid increases in production, which can stress our resources and reduce operating margins. In addition, because many of our costs and operating expenses are relatively fixed, a reduction in customer demand can harm our gross profits and operating results.

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

Our business is highly competitive. We compete against numerous domestic and foreign electronic manufacturing services and design providers, including Benchmark Electronics, Inc., Celestica, Inc., Flextronics International, Hon-Hai Precision Industry Co., Ltd., Plexus Corp., Sanmina-SCI Corporation and Solectron Corporation. In addition, we may in the future encounter competition from other large electronic manufacturers and manufacturers that are focused solely on design and manufacturing services, that are selling, or may begin to sell the same services. Most of our competitors have international operations, significant financial resources and some have substantially greater manufacturing, R&D, and marketing resources than us. These competitors may:

respond more quickly to new or emerging technologies;

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

be better able to take advantage of acquisition opportunities;

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adapt more quickly to changes in customer requirements;

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

be better positioned to compete on price for their services.

We also face competition from the manufacturing operations of our current and potential customers, who are continually evaluating the merits of manufacturing products internally against the advantages of outsourcing. See Business Competition in our Annual Report on Form 10-K for the fiscal year ended August 31, 2006.

Increased competition may result in decreased demand or prices for our services.

Because our industry is highly competitive, we compete against numerous domestic and foreign electronic manufacturing services and design providers with global operations, as well as those who operate on a local or regional basis. In addition, current and prospective customers continually evaluate the merits of manufacturing products internally. Some of our competitors have substantially greater managerial, manufacturing, engineering, technical, systems, R&D, sales and marketing resources than we do. Consolidation in our industry results in larger and more geographically diverse competitors who have significant combined resources with which to compete against us.

We may be operating at a cost disadvantage compared to competitors who have greater direct buying power from component suppliers, distributors and raw material suppliers or who have lower cost structures as a result of their geographic location or the services they provide. As a result, competitors may procure a competitive advantage and obtain business from our customers. Our manufacturing processes are generally not subject to significant proprietary protection. In addition, companies with greater resources or a greater market presence may enter our market or increase their competition with us. We also expect our competitors to continue to improve the performance of their current products or services, to reduce their current products or service sales prices and to introduce new products or services that may offer greater performance and improved pricing. Any of these could cause a decline in sales, loss of market acceptance of our products or services, profit margin compression, or loss of market share.

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

We derived 78.4% and 78.4% of net revenue from international operations for the three months and nine months ended May 31, 2007 compared to 83.1% and 83.5% for the three months and nine months ended May 31, 2006. We currently expect our revenue from international operations to increase as a percentage of net revenue due to expansion in China, Eastern Europe, India and Taiwan. We currently operate outside the United States in Vienna, Austria; Hasselt, Belgium; Belo Horizonte, Manaus and Sao Paulo, Brazil; Beijing, Hong Kong, Huangpu, Nanjing, Shanghai, Shenzhen, Suzhou, Tianjin, Wuxi and Yantai, China; Coventry, England; Brest, Lunel and Meung-sur-Loire, France; Jena, Germany; Szombathely and Tiszaujvaros, Hungary; Chennai, Mumbai, Pune and Ranjangaon, India; Caserta and Bergamo, Italy; Gotemba, Japan; Penang, Malaysia; Chihuahua, Guadalajara and Reynosa, Mexico; Amsterdam, the Netherlands; Bydgoszcz and Kwidzyn, Poland; Ayr and Livingston, Scotland; Singapore City, Singapore; Hsinchu and Taichung, Taiwan; and Uzhgorod, Ukraine. We continually consider additional opportunities to make foreign acquisitions and construct new foreign facilities. Our international operations may be subject to a number of risks, including:

difficulties in staffing and managing foreign operations;

less flexible employee relationships which can be difficult and expensive to terminate;

political and economic instability;

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

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coordinating our communications and logistics;

risk of governmental expropriation of our property;

less favorable, or relatively undefined, intellectual property laws;

unexpected changes in regulatory requirements and laws;

longer customer payment cycles and difficulty collecting accounts receivable;

export duties, import controls and trade barriers (including quotas);

adverse trade policies, and adverse changes to those policies;

governmental restrictions on the transfer of funds to us from our operations outside the United States;

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burdens of complying with a wide variety of labor practices and foreign laws, including those relating to export and import duties, environmental policies and privacy issues;

fluctuations in currency exchange rates, which could affect local payroll, utility and other expenses; and

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

In addition, several of the countries where we operate have emerging or developing economies, which may be subject to greater currency volatility, negative growth, high inflation, limited availability of foreign exchange and other risks. These factors may harm our results of operations, and any measures that we may implement to reduce the effect of volatile currencies and other risks of our international operations may not be effective. In our experience, entry into new international markets requires considerable management time as well as start-up expenses for market development, hiring and establishing office facilities before any significant revenue is generated. As a result, initial operations in a new market may operate at low margins or may be unprofitable. See Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.

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

We are currently experiencing a period of rapid growth in our operations, revenues and employees. These changes have placed considerable additional demands upon our management team and our operational, financial and management information systems. Our ability to manage growth effectively will require us to continue to implement and improve these systems; continue to develop the management skills of our managers and supervisors; and continue to train, motivate and manage our employees. Our failure to effectively manage growth could have a material adverse effect on our results of operations. See Management's Discussion and Analysis of Financial Condition and Results of Operations.

We may not achieve expected profitability from our acquisitions.

We cannot assure you that we will be able to successfully integrate the operations and management of our recent acquisitions. Similarly, we cannot assure you that we will be able to consummate or, if consummated, successfully integrate the operations and management of future acquisitions. Acquisitions involve significant risks, which could have a material adverse effect on us, including:

Financial risks, such as (1) the payment of a purchase price that exceeds the future value that we may realize from the acquired operations and businesses; (2) an increase in our expenses and working capital requirements, which could reduce our return on invested capital; (3) potential known and unknown liabilities of the acquired businesses; (4) costs associated with integrating acquired operations and businesses; (5) the dilutive effect of the issuance of additional equity securities; (6) the incurrence of additional debt; (7) the financial impact of valuing goodwill and other intangible assets involved in any acquisitions, potential future impairment write-downs of goodwill and the amortization of other intangible assets; (8) possible adverse tax and accounting effects; and (9) the risk that we spend substantial amounts purchasing these manufacturing facilities and assume significant contractual and other obligations with no guaranteed levels of revenue or that we may have to close facilities at our cost.

Operating risks, such as (1) the diversion of management's attention to the assimilation of the businesses to be acquired; (2) the risk that the acquired businesses will fail to maintain the quality of services that we have historically provided; (3) the need to implement financial and other systems and add management resources; (4) the need to maintain customer, supplier or other favorable business relationships of acquired operations and restructure or terminate unfavorable relationships; (5) the potential for deficiencies in internal controls of the acquired operations; (6) the risk that key employees of the acquired businesses will leave after the acquisition; (7) unforeseen difficulties in the acquired operations; and (8) the impact on us of any unionized work force we may acquire or any labor disruptions that might occur.

As we expand the scope of our acquisition opportunities beyond those primarily consisting of customers (or potential customers) seeking to divest internal manufacturing operations to manufacturing providers such as us, the risks associated with our acquisitions expand as well, both in terms of the amount of risk we face and the scope of such risks. In particular, the scope of potential liabilities we may have to take on in such acquisitions, as well as the financial benefits expected to be associated with such acquisitions, become less certain.

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We have acquired and will continue to pursue the acquisition of manufacturing and supply chain management operations. In these acquisitions, the divesting company will typically enter into a supply arrangement with the acquirer. Therefore, the competition for these acquisitions is intense. In addition, certain divesting companies may choose not to consummate these acquisitions with us because of our current supply arrangements with other companies or may require terms and conditions that may impact our profitability. If we are unable to attract and consummate some of these acquisition opportunities at favorable terms, our growth and profitability could be adversely impacted.

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Arrangements entered into with divesting companies typically involve many risks, including the following:

The integration into our business of the acquired assets and facilities may be time-consuming and costly.

We, rather than the divesting company, may bear the risk of excess capacity.

We may not achieve anticipated cost reductions and efficiencies.

We may be unable to meet the expectations of the divesting company as to volume, product quality, timeliness and cost reductions.

If demand for the divesting company's products declines, it may reduce the volume of purchases and we may not be able to sufficiently reduce the expenses of operating the facility or use the facility to provide services to other customers.

As a result of these and other risks, we may be unable to achieve anticipated levels of profitability under these arrangements, and they may not result in any material revenue or contribute positively to our earnings.

Our ability to achieve the expected benefits of the outsourcing opportunities associated with these acquisitions is subject to risks, including our ability to meet volume, product quality, timeliness, and pricing requirements, and our ability to achieve the divesting company's expected cost reduction. In addition, when acquiring manufacturing operations, we may receive limited commitments to firm production schedules. Accordingly, in these circumstances, we may spend substantial amounts purchasing these manufacturing facilities and assume significant contractual and other obligations with no guaranteed levels of revenue. We may also not achieve expected profitability from these arrangements. As a result of these and other risks, these outsourcing opportunities may not be profitable.

We face risks arising from the restructuring of our operations.

Over the past few years, we have undertaken initiatives to restructure our business operations with the intention of improving utilization and realizing cost savings in the future. These initiatives have included changing the number and location of our production facilities, largely to align our capacity and infrastructure with current and anticipated customer demand. This alignment includes transferring programs from higher cost geographies to lower cost geographies. The process of restructuring entails, among other activities: moving production between facilities, closing facilities, reducing staff levels, realigning our business processes, and reorganizing our management.

We continuously evaluate our operations and cost structure relative to general economic conditions, market demands and cost competitiveness, and our geographic footprint as it relates to our customers' production requirements. As a result of this ongoing evaluation, we recently initiated a restructuring program to realign our manufacturing capacity in certain higher cost geographies and to properly size our manufacturing sites with perceived current market conditions. We currently estimate that the restructuring program could result in total restructuring and impairment charges in the range of \$200.0 million to \$250.0 million consisting of pre-tax employee severance and benefit costs, contract termination costs, fixed asset impairment costs, and other related restructuring costs, as well as valuation allowances against net deferred tax assets for certain plants impacted by the current restructuring plan. During the fourth quarter of fiscal year 2006, we recorded restructuring and impairment charges of \$81.9 million and valuation allowances of \$37.1 million on net deferred tax assets under this program. During the first three consecutive quarters of fiscal year 2007, we recorded restructuring and impairment charges of \$41.4 million. We expect additional costs related to the restructuring plan to be incurred over the course of fiscal year 2007 and 2008. If we incur additional restructuring related charges, our financial condition and results of operations may suffer. See Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Restructuring and Impairment Charges and Note 7 Restructuring and Impairment Charges to the Condensed Consolidated Financial Statements.

Restructurings present significant potential risks of events occurring that could adversely affect us, including a decrease in employee morale, delays encountered in finalizing the scope of, and implementing, the restructurings (including extensive consultations concerning potential workforce reductions (particularly in locations outside of the United States)), the failure to achieve targeted cost savings and the failure to meet operational targets and customer requirements due to the loss of employees and any work stoppages that might occur.

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We depend on a limited number of suppliers for components that are critical to our manufacturing processes. A shortage of these components or an increase in their price could interrupt our operations and reduce our profits.

Substantially all of our net revenue is derived from turnkey manufacturing in which we provide materials procurement. While most of our significant long-term customer contracts permit quarterly or other periodic adjustments to pricing based on decreases and increases in component prices and other factors, we may bear the risk of component price increases that occur between any such re-pricings or, if such re-pricing is not permitted, during the balance of the term of the particular customer contract. Accordingly, certain component price increases could adversely affect our gross profit margins. Almost all of the products we manufacture require one or more components that are available from only a single source. Some of these components are allocated from time to time in response to supply shortages. In some cases, supply shortages will substantially curtail production of all assemblies using a particular component. In addition, at various times industry-wide shortages of electronic components have occurred, particularly of memory and logic devices. In the past, such circumstances have produced insignificant levels of short-term interruption of our operations, but could have a material adverse effect on our results of operations in the future. See Management's Discussion and Analysis of Financial Condition and Results of Operations.

We may not be able to maintain our engineering, technological and manufacturing process expertise.

The markets for our manufacturing and engineering services are characterized by rapidly changing technology and evolving process development. The continued success of our business will depend upon our ability to:

hire, retain and expand our qualified engineering and technical personnel;

maintain technological leadership;

develop and market manufacturing services that meet changing customer needs; and

successfully anticipate or respond to technological changes in manufacturing processes on a cost-effective and timely basis.

Although we believe that our operations use the assembly and testing technologies, equipment and processes that are currently required by our customers, we cannot be certain that we will develop the capabilities required by our customers in the future. The emergence of new technology, industry standards or customer requirements may render our equipment, inventory or processes obsolete or noncompetitive. In addition, we may have to acquire new assembly and testing technologies and equipment to remain competitive. The acquisition and implementation of new technologies and equipment may require significant expense or capital investment, which could reduce our operating margins and our operating results. In facilities that we establish or acquire, we may not be able to maintain our engineering, technological and manufacturing process expertise. Our failure to anticipate and adapt to our customers' changing technological needs and requirements or to hire and retain a sufficient number of engineers and maintain our engineering, technological and manufacturing expertise, could have a material adverse effect on our business.

If our manufacturing processes and services do not comply with applicable statutory and regulatory requirements, or if we manufacture products containing design or manufacturing defects, demand for our services may decline and we may be subject to liability claims.

We manufacture and design products to our customers' specifications, and, in some cases, our manufacturing processes and facilities may need to comply with applicable statutory and regulatory requirements. For example, medical devices that we manufacture or design, as well as the facilities and manufacturing processes that we use to produce them, are regulated by the Food and Drug Administration and non-US counterparts of this agency. Similarly, items we manufacture for customers in the defense and aerospace industries, as well as the processes we use to produce them, are regulated by the Department of Defense and the Federal Aviation Authority. In addition, our customers' products and the manufacturing processes that we use to produce them often are highly complex. As a result, products that we manufacture may at times contain manufacturing or design defects, and our manufacturing processes may be subject to errors or not be in compliance with applicable statutory and regulatory requirements. Defects in the products we manufacture or design, whether caused by a design, manufacturing or component failure or error, or deficiencies in our manufacturing processes, may result in delayed shipments to customers or reduced or cancelled customer orders. If these defects or deficiencies are significant, our business reputation may also be damaged. The failure of the products that we manufacture or our manufacturing processes and facilities to comply with applicable statutory and regulatory requirements may subject us to legal fines or penalties

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and, in some cases, require us to shut down or incur considerable expense to correct a manufacturing process or facility. In addition, these defects may result in liability claims against us or expose us to liability to pay for the recall of a product. The magnitude of such claims may increase as we expand our medical, automotive, and aerospace and defense manufacturing services, as defects in medical devices, automotive components, and aerospace and defense systems could seriously harm or kill users of these products and others. Even if our customers are responsible for the defects, they may not, or may not have resources to, assume responsibility for any costs or liabilities arising from these defects, which could expose us to additional liability claims.

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Our increasing design services offerings may result in additional exposure to product liability, intellectual property infringement and other claims, in addition to the business risk of being unable to produce the revenues necessary to profit from these services.

We have increased our efforts to offer certain design services, primarily those relating to products that we manufacture for our customers, and we now offer design services related to collaborative design manufacturing and turnkey solutions. Providing such services can expose us to different or greater potential liabilities than those we face when providing our regular manufacturing services. With the growth of our design services business, we have increased exposure to potential product liability claims resulting from injuries caused by defects in products we design, as well as potential claims that products we design infringe third-party intellectual property rights. Such claims could subject us to significant liability for damages and, regardless of their merits, could be time-consuming and expensive to resolve. We also may have greater potential exposure from warranty claims, and from product recalls due to problems caused by product design. Costs associated with possible product liability claims, intellectual property infringement claims, and product recalls could have a material adverse effect on our results of operations. When providing collaborative design manufacturing or turnkey solutions, we may not be guaranteed revenue needed to recoup or profit from the investment in the resources necessary to design and develop products. Particularly, no revenue may be generated from these efforts if our customers do not approve the designs in a timely manner or at all, or if they do not then purchase anticipated levels of products. Furthermore, contracts may allow the customer to delay or cancel deliveries and may not obligate the customer to any volume of purchases, or may provide for penalties or cancellation of orders if we are late in delivering designs or products. We may even have the responsibility to ensure that products we design satisfy safety and regulatory standards and to obtain any necessary certifications. Failure to timely obtain the necessary approvals or certifications could prevent us from selling these products, which in turn could harm our sales, profitability and reputation.

The success of our turnkey activity depends in part on our ability to obtain, protect, and leverage intellectual property rights to our designs.

We strive to obtain and protect certain intellectual property rights to our turnkey solutions designs. We believe that having a significant level of protected proprietary technology gives us a competitive advantage in marketing our services. However, we cannot be certain that the measures that we employ will result in protected intellectual property rights or will result in the prevention of unauthorized use of our technology. If we are unable to obtain and protect intellectual property rights embodied within our designs, this could reduce or eliminate the competitive advantages of our proprietary technology, which would harm our business.

Intellectual property infringement claims against our customers or us could harm our business.

Our turnkey solutions products may compete against the products of other companies, many of whom may own the intellectual property rights underlying those products. As a result, we could become subject to claims of intellectual property infringement. Additionally, customers for our turnkey solutions services typically require that we indemnify them against the risk of intellectual property infringement. If any claims are brought against us or against our customers for such infringement, whether or not these claims have merit, we could be required to expend significant resources in defense of such claims. In the event of such an infringement claim, we may be required to spend a significant amount of money to develop non-infringing alternatives or obtain licenses. We may not be successful in developing such alternatives or obtaining such a license on reasonable terms or at all.

If our turnkey solutions products are subject to design defects, our business may be damaged and we may incur significant fees.

In our contracts with turnkey solutions customers, we generally provide them with a warranty against defects in our designs. If a turnkey solutions product or component that we design is found to be defective in its design, this may lead to increased warranty claims. Although we have product liability insurance coverage, it may not be available on acceptable terms, in sufficient amounts, or at all. A successful product liability claim in excess of our insurance coverage or any material claim for which insurance coverage was denied or limited and for which indemnification was not available could have a material adverse effect on our business, results of operations and financial condition.

We depend on our officers, managers and skilled personnel.

Our success depends to a large extent upon the continued services of our executive officers. Generally our employees are not bound by employment or non-competition agreements, and we cannot assure you that we will retain our

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executive officers and other key employees. We could be seriously harmed by the loss of any of our executive officers. In order to manage our growth, we will need to recruit and retain additional skilled management personnel and if we are not able to do so, our business and our ability to continue to grow could be harmed. In addition, in connection with expanding our turnkey solutions activities, we must attract and retain experienced design engineers. Competition for highly skilled employees is substantial. Our failure to recruit and retain experienced design engineers could limit the growth of our turnkey solutions activities, which could adversely affect our business.

Any delay in the implementation of our information systems could disrupt our operations and cause unanticipated increases in our costs.

We have completed the installation of an Enterprise Resource Planning system in most of our manufacturing sites, excluding the announced Green Point acquisition sites, and in our corporate location. We are in the process of installing this system in certain of our remaining plants, which will replace the current Manufacturing Resource Planning system, and financial information systems. Any delay in the implementation of these information systems could result in material adverse consequences, including disruption of operations, loss of information and unanticipated increases in costs.

Compliance or the failure to comply with current and future environmental laws or regulations could cause us significant expense.

We are subject to a variety of federal, state, local and foreign environmental laws and regulations, including those relating to the use, storage, discharge and disposal of hazardous chemicals used during our manufacturing process or requiring design changes or recycling of products we manufacture. If we fail to comply with any present and future regulations, we could be subject to future liabilities, the suspension of production, or prohibitions on sales of products we manufacture. In addition, such regulations could restrict our ability to expand our facilities or could require us to acquire costly equipment, or to incur other significant expenses to comply with environmental regulations, including expenses associated with the recall of any non-compliant product or with changes in our procurement and inventory management activities.

From time to time new regulations are enacted, and it is difficult to anticipate how such regulations will be implemented and enforced. We continue to evaluate the necessary steps for compliance with regulations as they are enacted.

For example, in 2003 the European Union enacted the Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive (RoHS) and the Waste Electrical and Electronic Equipment Directive (WEEE), for implementation in each country that is a member of the European Union. RoHS and WEEE require those countries to regulate the use of certain hazardous substances in, and the collection, reuse and recycling of waste from certain products that use or generate electricity. In some cases, different jurisdictions may have different interpretations of RoHS and WEEE. We are also aware of similar legislation that is currently in force or is being considered in the United States, as well as other countries, such as Japan, Korea, Argentina and China. We will continue to monitor these developments to determine our responsibilities. Because we manufacture the products and may provide design, including collaborative design services and turnkey solutions, and compliance-related services for our customers, we may at times become contractually or directly subject to such regulations. Our failure to comply with any applicable regulatory requirements or with contractual obligations could result in our being directly or indirectly liable for costs, fines or penalties and third-party claims, and could jeopardize our ability to conduct business in the jurisdictions implementing them.

Certain of our existing stockholders have significant control.

At May 31, 2007, our executive officers, directors and certain of their family members collectively beneficially owned 13.5% of our outstanding common stock, of which William D. Morean, our Chairman of the Board, beneficially owned 7.8%. As a result, our executive officers, directors and certain of their family members have significant influence over (1) the election of our Board of Directors, (2) the approval or disapproval of any other matters requiring stockholder approval, and (3) the affairs and policies of Jabil.

We are subject to the risk of increased taxes.

We base our tax position upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various countries in which we have assets or conduct activities. Our tax position, however, is subject to review and possible challenge by taxing authorities and to possible changes in law. We cannot determine in advance the extent to which some jurisdictions may assess additional tax or interest and penalties on such additional taxes.

Several countries in which we are located allow for tax holidays or provide other tax incentives to attract and retain business. We have obtained holidays or other incentives where available and practicable. Our taxes could increase if

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certain tax holidays or incentives are retracted (which in some cases could occur if we fail to satisfy the conditions on which such holidays or incentives are based), or if they are not renewed upon expiration, or tax rates applicable to us in such jurisdictions are otherwise increased. It is anticipated that tax incentives with respect to certain operations will expire within the next four years. However, due to the possibility of changes in existing tax law and our operations, we are unable to predict how these expirations will impact us in the future. In addition, acquisitions may cause our effective tax rate to increase, depending on the jurisdictions in which the acquired operations are located.

Our credit rating has recently been downgraded by our rating agencies and is subject to further change.

Our credit is rated by credit rating agencies. As of November 13, 2006, our 5.875% Senior Notes were rated BBB- by Fitch Ratings (Fitch), Baa3 by Moody's Investor Service (Moody's), and BBB- by Standard and Poor's Rating Service (S&P), which are all considered investment grade debt. In response to our earnings release for our third quarter of fiscal year 2006, Moody's revised its outlook to negative. Subsequently, in response to our announcement of the Taiwan Green Point Enterprises Co., Ltd. (Green Point) tender offer and the announcement that we were restating prior fiscal periods to reflect additional stock-based compensation expense, S&P and Fitch each revised their respective outlooks to negative and Moody's placed our ratings on review for possible downgrade. Further, on February 27, 2007, Moody's downgraded our 5.875% Senior Notes to a rating of Ba2 and our corporate family rating (CFR) to a Ba1 due to the related implications of the delayed filing of our Annual Report on Form 10-K, the stock-based compensation investigation being performed by the Special Committee, increased levels of projected cash needs and the risks associated with the Green Point acquisition, as well as increased levels of debt. See Note 2 Stock Option Litigation and Restatements and Note 17 Subsequent Events to the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended August 31, 2006 for further discussion on these events. On May 31, 2007, Moody's revised its outlook for the CFR to negative and upgraded our 5.875% Senior Notes to a rating of Ba1. Although the 5.875% Senior Notes continue to be considered investment grade debt by S&P and Fitch, the 5.875% Senior Notes are no longer considered investment grade debt by Moody's. The recent upgrade by Moody's has decreased our cost of capital for borrowings under our revolving credit facilities and bridge credit facility. However, a further downgrade of our credit rating by two or more of the credit rating agencies may make it more expensive for us to raise additional capital in the future on terms that are acceptable to us or at all; may negatively impact the price of our common stock; and may have other negative implications on our business, many of which are beyond our control.

We must refinance or repay our Bridge Facility on or before December 20, 2007 which will require additional financing that we cannot assure you will be available to us on attractive terms unless we issue additional equity.

For more than five years, we have financed our operations, capital expenditures and acquisitions with cash flow from operations and indebtedness. As of May 31, 2007, our debt obligations consisted of \$871.0 million outstanding under our Bridge Facility, \$297.0 million outstanding under our 5.875% Senior Notes and approximately \$156.0 million outstanding under various bank loans to certain of our foreign subsidiaries. We are currently actively seeking a refinancing of our Bridge Facility. We have also obtained amendments to our Bridge Facility and Unsecured Revolver that allow us to increase the level of our indebtedness to EBITDA ratio, through May 31, 2007, to allow for a greater level of debt to be outstanding during the specified periods.

We currently anticipate that in order to pay the principal of our Bridge Facility by the maturity date on December 20, 2007, we will have to refinance at least some of our indebtedness and possibly issue additional equity securities. There can be no assurance that we will be able to refinance our indebtedness on attractive terms and conditions, or that we will be able to obtain additional debt financing to repay the entire amount of indebtedness that may become due. If we are unable to refinance indebtedness that is due by incurring other debt, we may be required to issue additional equity securities assets. If we are required to sell equity securities, investors who hold our Common Stock may have their holdings diluted. There can be no assurance as to the terms and prices at which we will be able to sell additional equity securities or that we will be able to sell additional equity securities at all.

Should we desire to consummate significant additional acquisition opportunities or undertake significant additional expansion activities, our capital needs would increase and could possibly result in our need to increase available borrowings under our revolving credit facilities or access public or private debt and equity markets. There can be no assurance, however, that we would be successful in raising additional debt or equity on terms that we would consider acceptable.

We also could incur a significant amount of debt in the future.

We currently have the ability to borrow up to \$500.0 million under our Unsecured Revolver. In addition, we negotiated a \$1.0 billion unsecured bridge credit agreement (the Bridge Facility) with a syndicate of banks on December 21, 2006. See Management's Discussion and Analysis of Financial Condition and Results of Operations

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Liquidity and Capital Resources for further discussion of the Bridge Facility. We could incur additional indebtedness in the future in the form of bank loans, notes or convertible securities. An increase in the level of our indebtedness, among other things, could:

make it difficult for us to obtain any necessary financing in the future for other acquisitions, working capital, capital expenditures, debt service requirements or other purposes;

limit our flexibility in planning for, or reacting to changes in, our business; and

make us more vulnerable in the event of a downturn in our business.

There can be no assurance that we will be able to meet future debt service obligations.

We are subject to risks of currency fluctuations and related hedging operations.

A portion of our business is conducted in currencies other than the U.S. dollar. Changes in exchange rates among other currencies and the U.S. dollar will affect our cost of sales, operating margins and net revenue. We cannot predict the impact of future exchange rate fluctuations. We use financial instruments, primarily forward purchase contracts to economically hedge U.S. dollar and other currency commitments arising from trade accounts receivable, trade accounts payable and fixed purchase obligations. If these hedging activities are not successful or we change or reduce these hedging activities in the future, we may experience significant unexpected expenses from fluctuations in exchange rates.

An adverse change in the interest rates for our borrowings could adversely affect our financial condition.

We pay interest on outstanding borrowings under our revolving credit facilities and certain other long term debt obligations at interest rates that fluctuate based upon changes in various base interest rates. An adverse change in the base rates upon which our interest rates are determined could have a material adverse effect on our financial position, results of operations and cash flows.

We are exposed to intangible asset risk.

We have recorded intangible assets, including goodwill, which are attributable to business acquisitions. We are required to perform goodwill and intangible asset impairment tests at least on an annual basis and whenever events or circumstances indicate that the carrying value may not be recoverable from estimated future cash flows. As a result of our annual and other periodic evaluations, we may determine that the intangible asset values need to be written down to their fair values, which could result in material charges that could be adverse to our operating results and financial position.

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

Customer relationships with emerging companies present special risks because such companies do not have an extensive product history. As a result, there is less demonstration of market acceptance of their products making it harder for us to anticipate needs and requirements than with established customers. In addition, due to the current economic environment, additional funding for such companies may be more difficult to obtain and these customer relationships may not continue or materialize to the extent we planned or we previously experienced. This tightening of financing for start-up customers, together with many start-up customers' lack of prior earnings and unproven product markets increase our credit risk, especially in accounts receivable and inventories. Although we perform ongoing credit evaluations of our customers and adjust our allowance for doubtful accounts receivable for all customers, including start-up customers, based on the information available, these allowances may not be adequate. This risk exists for any new emerging company customers in the future.

Our stock price may be volatile.

Our common stock is traded on the New York Stock Exchange. The market price of our common stock has fluctuated substantially in the past and could fluctuate substantially in the future, based on a variety of factors, including future announcements covering us or our key customers or competitors, government regulations, litigation, changes in earnings estimates by analysts, fluctuations in quarterly operating results, or general conditions in our industry and the aerospace, automotive, computing, consumer, defense, instrumentation, medical, networking, peripherals, storage and telecommunications industries. Furthermore, stock prices for many companies and high technology companies in particular,

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fluctuate widely for reasons that may be unrelated to their operating results. Those fluctuations and general economic, political and market conditions, such as recessions or international currency fluctuations and demand for our services, may adversely affect the market price of our common stock.

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

Our shareholder rights plan, provisions of our amended certificate of incorporation and the Delaware Corporation Laws may delay, inhibit or prevent someone from gaining control of us through a tender offer, business combination, proxy contest or some other method. These provisions may adversely impact our shareholders because they may decrease the possibility of a transaction in which our shareholders receive an amount of consideration in exchange for their shares that is at a significant premium to the then current market price of our shares. These provisions include:

a poison pill shareholder rights plan;

a statutory restriction on the ability of shareholders to take action by less than unanimous written consent; and

a statutory restriction on business combinations with some types of interested shareholders.

Changes in the securities laws and regulations have increased, and are likely to continue to increase our costs.

The Sarbanes-Oxley Act of 2002 required changes in some of our corporate governance, securities disclosure and compliance practices. In response to the requirements of that Act, the Securities and Exchange Commission and the New York Stock Exchange promulgated new rules on a variety of subjects. Compliance with these new rules has increased our legal and financial and accounting costs, and we expect these increased costs to continue for the foreseeable future. These developments have made it more difficult and more expensive for us to obtain director and officer liability insurance, and we have faced accepting reduced coverage or incurring substantially higher costs to obtain coverage. All of these developments may make it more difficult for us to attract and retain qualified members of our Board of Directors or qualified executive officers.

Due to inherent limitations, there can be no assurance that our system of disclosure and internal controls and procedures will be successful in preventing all errors or fraud, or in informing management of all material information in timely manner.

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

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

If we receive other than an unqualified opinion on the adequacy of our internal control over financial reporting as of August 31, 2007 and future year-ends as required by Section 404 of the Sarbanes-Oxley Act of 2002, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of your shares.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the Securities and Exchange Commission adopted rules requiring public companies to include an annual report on internal control over financial reporting reports on Form 10-K that contains an assessment by management of the effectiveness of the company's internal control over financial reporting. In addition, the independent registered public accounting firm auditing the company's financial statements must attest to, and report on, management's assessment of the effectiveness of the company's internal control over financial reporting. The independent registered public accounting firm KPMG LLP issued an unqualified opinion on the adequacy of our internal control over financial reporting as of August 31, 2006. While we continuously conduct a rigorous review of our internal control over financial reporting in order to assure compliance with the Section 404 requirements, if our independent auditors interpret

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the Section 404 requirements and the related rules and regulations differently from us or if our independent auditors are not satisfied with our internal control over financial reporting or with the level at which it is documented, operated or reviewed, they may decline to attest to management's assessment or issue a qualified report. A qualified opinion could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

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In addition, we have spent a significant amount of resources in complying with Section 404 s requirements. For the foreseeable future, we will likely continue to spend substantial amounts complying with Section 404 s requirements, as well as improving and enhancing our internal control over financial reporting.

There are inherent uncertainties involved in estimates, judgments and assumptions used in the preparation of financial statements in accordance with US GAAP. Any changes in estimates, judgments and assumptions could have a material adverse effect on our business, financial position and results of operations.

The consolidated and condensed consolidated financial statements included in the periodic reports we file with the Securities and Exchange Commission are prepared in accordance with accounting principles generally accepted in the United States (US GAAP). The preparation of financial statements in accordance with US GAAP involves making estimates, judgments and assumptions that affect reported amounts of assets (including intangible assets), liabilities and related reserves, revenues, expenses and income. Estimates, judgments and assumptions are inherently subject to change in the future, and any such changes could result in corresponding changes to the amounts of assets, liabilities, revenues, expenses and income. Any such changes could have a material adverse effect on our financial position and results of operations.

Item 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3: DEFAULTS UPON SENIOR SECURITIES

None.

Item 4: SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Item 5: OTHER INFORMATION

None.

Item 6: EXHIBITS

- 3.1(1) Registrant s Certificate of Incorporation, as amended.
- 3.2(1) Registrant s Bylaws, as amended.
- 4.1(2) Form of Certificate for Shares of Registrant s Common Stock.
- 4.2(3) Rights Agreement, dated as of October 19, 2001, between the Registrant and EquiServe Trust Company, N.A., which includes the form of the Certificate of Designation as Exhibit A, form of the Rights Certificate as Exhibit B, and the Summary of Rights as Exhibit C.
- 4.3(4) Senior Debt Indenture, dated as of July 21, 2003, with respect to the Senior Debt of the Registrant, between the Registrant and the Bank of New York, as trustee.
- 4.4(4) First Supplemental Indenture, dated as of July 21, 2003, with respect to the 5.875% Senior Notes, due 2010, of the Registrant, between the Registrant and The Bank of New York, as trustee.
- 31.1 Rule 13a-14(a)/15d-14(a) Certification by the President and Chief Executive Officer of Jabil Circuit, Inc.

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- 31.2 Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer of Jabil Circuit, Inc.
 - 32.1 Section 1350 Certification by the President and Chief Executive Officer of Jabil Circuit, Inc.
 - 32.2 Section 1350 Certification by the Chief Financial Officer of Jabil Circuit, Inc.
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- (1) Incorporated by reference to an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended February 29, 2000.
- (2) Incorporated by reference to an exhibit to Amendment No. 1 to the Registration Statement on Form S-1 filed by the Registrant on March 17, 1993 (File No. 33-58974).

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- (3) Incorporated by reference to the Registrant's Form 8-A (File No. 001-14063) filed October 19, 2001.
- (4) Incorporated by reference to the Registrant's Current Report on Form 8-K filed by the Registrant on July 21, 2003.

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SIGNATURES

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

Jabil Circuit, Inc.

Registrant

Date: July 6, 2007

By: /s/ TIMOTHY L. MAIN
Timothy L. Main
President/CEO

Date: July 6, 2007

By: /s/ FORBES I.J. ALEXANDER
Forbes I.J. Alexander
Chief Financial Officer

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Exhibit Index

Exhibit No.	Description
31.1	Rule 13a-14(a)/15d-14(a) Certification by the President and Chief Executive Officer of Jabil Circuit, Inc.
31.2	Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer of Jabil Circuit, Inc.
32.1	Section 1350 Certification by the President and Chief Executive Officer of Jabil Circuit, Inc.
32.2	Section 1350 Certification by the Chief Financial Officer of Jabil Circuit, Inc.