SOLECTRON CORP
Form 424B3
May 07, 2004

Filed Pursuant to Rule 424(b)(3)
Registration Statement No. 333-64454

Prospectus Supplement to Prospectus dated August 28, 2001.

17,109,948 Shares

Common Stock

The common stock is listed on the New York Stock Exchange under the symbol SLR . The last reported sale price of the common stock on May 5, 2004 was $5.00 per share.

See Risk Factors beginning on page S-9 of this prospectus supplement to read about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial price to public	$4.850	$82,983,247.80
Underwriting discount(1)	$0.075	$ 1,283,246.10
Proceeds, before expenses, to Solectron	$4.775	$81,700,001.70

(1) In addition, Goldman, Sachs & Co. may receive from purchasers of the shares normal brokerage commissions in amounts agreed upon with such purchasers.

Goldman, Sachs & Co. expects to deliver the shares against payment in New York, New York on May 11, 2004.

Goldman, Sachs & Co.

Prospectus supplement dated May 6, 2004.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and Goldman, Sachs & Co. has not, authorized anyone to provide you with different information. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate as of the date on the front of this prospectus supplement only. Our business, financial condition, results of operations and prospects may have changed since that date.

PROSPECTUS SUPPLEMENT SUMMARY

This summary only highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. As a result, it does not contain all of the information that you should consider before purchasing the common stock. You should read the entire prospectus supplement, including the accompanying prospectus and the documents incorporated by reference, which are described under Where You Can Find More Information. When used in this prospectus supplement, unless the context requires otherwise, the terms we, our and us refer to Solectron Corporation and its subsidiaries.

Solectron Corporation

We provide electronics supply chain services to original equipment manufacturers (OEMs) around the world. These companies contract with us to build their products or to obtain services related to product development, manufacturing and post-production requirements. In most cases, we build and service products that carry the brand names of our customers.

We serve several electronics products and technology markets. Much of our business is related to the following products:

- Computing equipment, including workstations, notebooks, desktops, servers, storage systems and peripherals;
- Networking equipment such as routers and switches that move traffic across the Internet;
- Telecommunications equipment;
- Consumer products such as high-end cellular phones, set-top boxes, personal/ handheld communications devices and home game consoles;
- Automotive electronics systems and components, including audio and navigation systems, system control modules, pressure sensors and switches, and actuators and body electronics;
- Semiconductor and test equipment, including wafer fabrication equipment controls, process automation equipment and home appliance electronics controls;
- Medical products such as X-ray equipment, ultrasound fetal monitors, MRI scanners, blood analyzers, ECG patient monitors, surgical robotic systems, HPLCs, spectrometers, and laser surgery equipment; and
- Other electronics equipment and products.

Our customers include many of the world s leading technology companies, such as Cisco Systems, Ericsson, Hewlett-Packard, IBM, Lucent Technologies, NEC, Nortel Networks, Sony and Sun Microsystems.

We have a comprehensive range of services designed to meet customer supply chain needs throughout the product life cycle. Our services include:

- Collaborative design support and design for manufacturability;
- New product introduction engineering services;
- Supply chain design and sourcing;
- Prototyping;
- Product testing;
- Full product manufacturing, including printed circuit board assembly and complete product systems assembly;

Materials purchasing and supply base management;

Product fulfillment services, including packaging, distribution and installation; and

Product repair and warranty service.

We bring these services together to provide integrated solutions for customers in electronics and technology markets. By utilizing our services, customers gain cost, time and quality advantages that help improve their competitiveness and enable them to focus on their core competencies of sales, marketing, and research and development.

Divestitures

During the first quarter of our fiscal 2004, as a result of a review of our portfolio of businesses, we committed to a plan to divest three non-strategic businesses in addition to the divestiture of four non-strategic businesses we had previously announced. As a result of this decision, we reported the financial results of these businesses as discontinued operations in our quarterly report on Form 10-Q for the period ended November 30, 2003. We have reissued, in an updated format, certain of our historical consolidated financial statements in connection with the provision of Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, and Rule 3-01 of Regulation S-X under the Securities Act of 1933 as included in our current report on Form 8-K, filed on February 9, 2004, which report is incorporated by reference into this prospectus.

As part of our plan to divest non-strategic businesses, as of the date of this prospectus, the following have occurred since January 13, 2004:

On January 31, 2004, we completed the sale of our DY4 Systems business to Curtiss-Wright Corporation.

On February 12, 2004, we signed a definitive agreement to sell SMART Modular Technologies, Inc., a leading manufacturer of memory and communications products for the computing, networking and telecommunications industries, and its other affiliated SMART Modular Technologies companies to Texas Pacific Group, Francisco Partners and Shah Management. On April 16, 2004, we completed the sale of SMART Modular Technologies.

On March 22, 2004, we signed a definitive agreement to sell our Stream International call center business to the parent company of ECE Holdings, Inc. On April 14, 2004, we completed the sale of our Stream International call center business.

On March 23, 2004, we signed a definitive agreement to sell our Kavlico sensor products business to Schneider Electric, an international manufacturer of electrical distribution, industrial control and automation equipment.

Recent Developments

On April 8, 2004, we commenced an early settlement offer to exchange up to 41.8 million, or 95%, of our outstanding 7.25% Adjustable Conversion-Rate Equity Security Units for common stock and cash. The offer expired at midnight, New York City time, on Wednesday, May 5, 2004. Based on a preliminary count, we have been advised by the exchange agent that 41,429,202 of the 7.25% Adjustable Conversion-Rate Equity Security Units (including 2,702,254 equity security units delivered pursuant to guaranteed deliveries), or approximately 94% of the total units outstanding, were validly tendered and not withdrawn in response to the offer. In accordance with the terms of the early settlement offer, we have accepted for exchange all of the validly tendered Adjustable Conversion-Rate Equity Security Units at a purchase price per unit of 2.5484 shares of our common stock and

cash in the amount of $1.97. The final results of the early settlement offer will be announced promptly after verification by the exchange agent.

We were originally incorporated in California in August 1977. In February 1997, we were reincorporated in Delaware. Our principal executive offices are located at 847 Gibraltar Drive, Milpitas, California 95035. Our telephone number is (408) 957-8500 and our internet address is www.solectron.com. The information contained or incorporated in our website is not a part of, or incorporated into, this prospectus supplement or the accompanying prospectus and should not be relied upon in making a decision of whether or not to invest in our securities.

The Offering

Issuer	Solectron Corporation
Shares of our common stock offered by us	17,109,948 shares
Common stock outstanding immediately following this offering	855,895,039 shares
Use of proceeds	We will use all of the net proceeds from this offering to fund a portion of the cash consideration to be paid as part of our early settlement offer for our 7.25% Adjustable Conversion-Rate Equity Security Units, which expired at midnight on May 5, 2004.
New York Stock Exchange symbol	SLR

The number of shares of our common stock to be outstanding after this offering is based on shares outstanding as of April 30, 2004. This number of shares does not include the following:

56.6 million shares of common stock subject to options outstanding under our stock option plans, and 67.9 million shares of common stock available for future grant under our stock option and employee stock purchase plans as of February 28, 2004;

65.9 million shares of our common stock issuable upon conversion of our outstanding convertible debt securities, not including the 7.25% Adjustable Conversion-Rate Equity Security Units, as of February 28, 2004;

approximately 105.6 million shares of our common stock to be issued as the stock consideration to be paid as part of our early settlement offer for our 7.25% Adjustable Conversion-Rate Equity Security Units; and

approximately 6.5 million shares of our common stock reserved for issuance upon the settlement of the embedded purchase contracts on the 7.25% Adjustable Conversion-Rate Equity Security Units not tendered in our early settlement offer.

Summary Consolidated Financial Data

The following summary consolidated financial data should be read in conjunction with our consolidated financial statements and related notes thereto, which are incorporated into this prospectus supplement and the accompanying prospectus by reference. The summary information as of and for the year ended August 31, 2001 through the year ended August 31, 2003 was derived from our Current Report on Form 8-K filed February 9, 2004, which was issued to reflect the reclassification of our discontinued operations. The summary financial information for the six months ended February 28, 2003 and 2004 was derived from our unaudited condensed consolidated statements of operations for the periods included in our Form 10-Q for the period ended February 28, 2004. This historical information is not necessarily indicative of the results to be expected in the future.

	Year Ended August 31,			Six Months Ended February 28,	
	2001	2002	2003	2003	2004
	(In millions, except per share data)				
Statement of Operations Data:					
Net sales	$17,436.9	$10,738.7	$ 9,828.3	$5,027.7	$5,584.2
Cost of sales	16,186.4	10,233.8	9,386.3	4,802.3	5,325.6
Gross profit	1,250.5	504.9	442.0	225.4	258.6
Operating expenses:					
Selling, general and administrative	703.5	658.2	566.1	298.3	223.9
Restructuring and impairment costs	510.9	3,293.6	2,235.7	140.4	100.6
Acquisition Costs	23.9				
Goodwill Amortization	138.4				
Operating loss	(126.2)	(3,446.9)	(2,359.8)	(213.3)	(65.9)
Interest income	115.0	61.1	26.8	14.8	6.0
Interest expense	(174.8)	(238.8)	(207.1)	(109.0)	(88.3)
Other income net	60.0	104.8	52.4	51.5	9.3
Operating loss from continuing operations before income taxes	(126.0)	(3,519.8)	(2,487.7)	(256.0)	(138.9)
Income tax expense (benefit)	(35.9)	(449.0)	532.1	(84.8)	3.0
Loss from continuing operations	(90.1)	(3,070.8)	(3,019.8)	(171.2)	(141.9)
Discontinued operations:					
Loss from discontinued operations	(31.7)	(57.6)	(330.0)	(2.2)	(42.0)
Income tax expense (benefit)	1.7	(18.2)	112.2	8.3	3.9
Loss from discontinued operations	(33.4)	(39.4)	(442.2)	(10.5)	(45.9)
Net loss	(123.5)	(3,110.2)	(3,462.0)	(181.7)	(187.8)
Per Share Data:					
Basic and diluted net loss per share:					
Continued operations	$ (0.14)	$ (3.93)	$ (3.65)	$ (0.21)	$ (0.17)
Discontinued operations	(0.05)	(0.05)	(0.53)	(0.01)	(0.06)
Basic and diluted net loss per share	(0.19)	(3.98)	(4.18)	(0.22)	(0.23)
Shares used to compute basic and diluted net loss per share	641.8	780.9	827.7	825.9	834.6

S-5

	February 28, 2004
	(In millions, except per share data)
Balance Sheet Data	
Cash, cash equivalents and short-term investments(1)(2)	$ 1,839.9
Working capital(1)(3)	2,066.3
Property and equipment, net(1)	740.4
Total assets(1)(4)	6,381.4
Total debt(1)	3,252.4
Stockholders equity	1,307.0
Book value per share(5)	1.56

(1) Continuing operations only.

(2) Includes $464.3 million of restricted balances.

(3) Working capital for continuing operations excludes the current assets and current liabilities of discontinued operations of $485.2 million and $316.3 million, respectively.

(4) Excludes assets from discontinued operations of $598.1 million.

(5) Book value per share is calculated using approximately 838.3 million shares.

UNAUDITED CONSOLIDATED PRO FORMA FINANCIAL DATA

The following unaudited consolidated pro forma data presents the effects on our financial data of:

(i) the consummation of the early settlement offer for our 7.25% Adjustable Conversion-Rate Equity Security Units, which expired at midnight on May 5, 2004, assuming, based on a preliminary count, that 41,429,202 of the outstanding equity security units (or approximately 94% of the outstanding equity security units) are exchanged for 105,578,178 shares of common stock and $81.6 million of cash. The impact of the exchange would reduce interest expense as reflected in the pro forma statement of operations and other data by $78.5 million for the year ended August 31, 2003 and $38.7 million for the six months ended February 28, 2004. Based on the tender of 41,429,202 equity security units, our common shares outstanding would increase by 105,578,178 shares; and

(ii) this offering, which will increase our common shares outstanding by 17,109,948 shares.

The operating results and other data below is presented as if the early settlement offer and this offering occurred at the beginning of each respective period. The balance sheet data is presented as though the early settlement offer and this offering occurred on February 28, 2004. All pro forma income tax effects are assumed at zero percent based on our U.S. effective tax rate. The pro forma statement of operations data does not include a loss that we expect to incur as a result of the early settlement offer which is estimated to be between $80 million and $110 million, depending upon a

number of factors. The actual loss will not be finalized until the final participation in early settlement offer is determined.

	Year Ended August 31, 2003		Six Months Ended February 28, 2004	
	Actual	Pro Forma	Actual	Pro Forma
	(In millions, except per share data)			
Statement of Operations Data:				
Net sales	$ 9,828.3	$ 9,828.3	$5,584.2	$5,584.2
Cost of sales	9,386.3	9,386.3	5,325.6	5,325.6
Gross profit	442.0	442.0	258.6	258.6
Operating expenses:				
Selling, general and administrative	566.1	566.1	223.9	223.9
Restructuring and impairment costs	2,235.7	2,235.7	100.6	100.6
Operating loss	(2,359.8)	(2,359.8)	(65.9)	(65.9)
Interest income	26.8	26.8	6.0	6.0
Interest expense	(207.1)	(128.6)	(88.3)	(49.6)
Other income net	52.4	52.4	9.3	9.3
Operating loss from continuing operations before income taxes	(2,487.7)	(2,409.2)	(138.9)	(100.2)
Income tax expense	532.1	532.1	3.0	3.0
Loss from continuing operations	(3,019.8)	(2,941.3)	(141.9)	(103.2)
Discontinued operations:				
Loss from discontinued operations	(330.0)	(330.0)	(42.0)	(42.0)
Income tax expense	112.2	112.2	3.9	3.9
Loss from discontinued operations	(442.2)	(442.2)	(45.9)	(45.9)
Net loss	(3,462.0)	(3,383.5)	(187.8)	(149.1)
Per Share Data:				
Basic and diluted net loss per share:				
Continued operations	$ (3.65)	$ (3.09)	$ (0.17)	$ (0.11)
Discontinued operations	(0.53)	(0.47)	(0.06)	(0.05)
Basic and diluted net loss per share	(4.18)	(3.56)	(0.23)	(0.16)
Shares used to compute basic and diluted net loss per share	827.7	950.4	834.6	957.3

	February 28, 2004	
	Actual	Pro Forma
	(In millions, except per share data)	
Balance Sheet Data (February 28, 2004):		
Cash, cash equivalents and short-term investments(1)(2)	$1,839.9	$1,840.0
Working capital(1)(3)	2,066.3	2,066.4
Property and equipment, net(1)	740.4	740.4
Total assets(1)(4)	6,381.4	6,364.7

Total debt(1)	3,252.4	2,233.2
Stockholders equity	1,307.0	2,305.5
Book value per share(5)	1.56	2.40

(1) Continuing operations only.

(2) Includes $464.3 million of restricted balances.

(3) Working capital for continuing operations excludes the current assets and current liabilities of discontinued operations of $485.2 million and $316.3 million, respectively.

(4) Excludes assets from discontinued operations of $598.1 million.

(5) Book value per share is calculated using approximately 838.3 million and 961.0 million shares, respectively.

RISK FACTORS

In considering whether to purchase the common stock, you should carefully consider all the information we have included or incorporated by reference in this prospectus supplement and the accompanying prospectus. In particular, you should carefully consider the risk factors described below, which supersede the risk factors described in the accompanying prospectus and the documents incorporated by reference prior to the date hereof. You should carefully review the information in this prospectus supplement and the accompanying prospectus about the common stock.

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

As a result of the recent economic downturn in the United States and internationally, and reduced capital spending as well as end-market demand, our customers and, therefore, our sales have declined significantly from prior years. In particular, we depend on the telecommunications and computing industries, where the decline began in the second quarter of fiscal 2001. If there were to be continued or resumed weakness in these industries or any further deterioration in the business or financial condition of our customers, it could have a material adverse impact on our business, operating results and financial condition. In addition, if the economic conditions in the United States and the other markets we serve worsen, we may experience a material adverse impact on our business, operating results and financial condition.

We have significant debt leverage and debt service obligations.

For the fiscal year ended August 31, 2003 and the six months ended February 28, 2004, we had a deficiency of earnings to fixed charges from continuing operations of approximately $2.5 billion and $138.9 million, respectively. The deficiencies are primarily due to our operating losses. For this purpose, earnings represents (1) loss before tax expense (benefit) and before adjustments for minority interests, plus (2) fixed charges (excluding capitalized interest), plus (3) amortization of capitalized interest. Fixed charges consist of (1) interest on all indebtedness and amortization of debt discount and expense, plus (2) capitalized interest, plus (3) an interest factor attributable to rentals under our operating leases.

As of February 28, 2004, we had approximately $971 million of short-term indebtedness, primarily consisting of our obligations under our 3.25% Liquid Yield Option Notes (LYONs®) due 2020 (which the holders will have the right to require us to repurchase on May 20, 2004) and approximately $2.3 billion of long-term indebtedness (excluding current maturities), after giving effect to this offering on an as adjusted basis. We will require substantial amounts of cash to fund scheduled payments of principal and interest on this outstanding indebtedness, as well as future capital expenditures and any increased working capital requirements.

We have repurchased substantially all of the 2.75% LYONs® due 2020 and the 4.0% LYONs® due 2019 leaving only a portion of our 3.25% LYONs® due 2020 outstanding. Based on the aggregate amount outstanding on February 28, 2004, holders of our 3.25% LYONs® will have the option to require us to repurchase their securities on May 20, 2004 in an amount of $587.46 per $1,000 principal amount at maturity for a total of approximately $953 million. While we have the right to satisfy these obligations with shares of our common stock, because this could result in significant dilution to our stockholders, which in turn could significantly reduce our earnings per share, we have chosen to satisfy these obligations with cash. Satisfying these obligations with cash, however, could impair our liquidity.

In addition, the entire principal amount of $500 million of our 9.625% senior notes issued in February 2002 will become due on February 15, 2009 and the entire $150 million principal amount of our 7.375% senior notes will become due on March 1, 2006. The principal amount of $450 million of our 0.5% senior notes is due on February 15, 2034, unless we elect or are required to purchase

them on or after February 20, 2011, we are required to purchase them on each of February 15, 2011, 2014, 2019, 2024 and 2029, or the holders of the notes elect to convert them into our common stock.

We continue to explore opportunities and strategies to address our capitalization and liquidity needs. These may include refinancing or repurchasing outstanding indebtedness and/or seeking to exchange equity or debt securities for outstanding indebtedness.

Our three-year $250 million credit facility, under which there was no debt outstanding as of February 28, 2004, remains in effect.

We may not be able to meet our cash requirements because of a number of factors, many of which are beyond our control.

Our ability to meet our cash requirements (including our debt service obligations) is dependent upon our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control. If we are unable to meet our cash requirements from operations, we would be required to fund these cash requirements by alternative financings. The degree to which we may be leveraged could materially and adversely affect our ability to obtain financing for working capital, acquisitions or other purposes, could make us more vulnerable to industry downturns and competitive pressures, or could limit our flexibility in planning for, or reacting to, changes and opportunities in the electronics manufacturing industry, which may place us at a competitive disadvantage. There can be no assurance that we will be able to obtain alternative financing, that any such financing would be on acceptable terms, or that we would be permitted to do so under the terms of our existing financing arrangements. In the absence of such financing, our ability to respond to changing business and economic conditions, make future acquisitions, react to adverse operating results, meet our debt service obligations or fund required capital expenditures or increased working capital requirements may be adversely affected.

We may not be able to sell excess or obsolete inventory to customers or third parties, which could have a material adverse impact on our financial condition.

The majority of our inventory purchases and commitments are based upon demand forecasts that our customers provide to us. The customers forecasts, and any changes to the forecasts, including cancellations, may lead to on-hand inventory quantities and on-order purchase commitments that are in excess of the customers revised needs, or that become obsolete.

We generally enter into supply agreements with our significant customers. Under these supply agreements, the extent of our customer s responsibility for excess or obsolete inventory related to raw materials that were previously purchased or ordered to meet that customer s demand forecast is defined. If our customers do not comply with their contractual obligations to purchase excess or obsolete inventory back from us and we are unable to use or sell such inventory, our financial condition could be materially harmed.

Some of our customers are in the telecommunications industry, an industry that in recent years has experienced declining revenue, large losses, negative cash flows, and several bankruptcies or defaults on borrowing arrangements. In the past, some of our customers have defaulted on their obligation to purchase inventory back from us. There is a risk that, in the future, these or other customers may not purchase inventory back from us despite contractual obligations, which could harm our financial condition if we are unable to sell the inventory at carrying value. In addition, enforcement of these supply agreements may result in material expenses, delays in payment for inventory and/or disruptions in our customer relationships.

We are responsible for excess and obsolete inventory resulting from inventory purchases in excess of inventory needed to meet customer demand forecasts at the time the purchase commitments were made, as well as any inventory purchases not made pursuant to the customer s

responsibility under our supply agreements. For inventory that is not the customer s responsibility, provisions are made when required to reduce any such excess or obsolete inventory to its estimated net realizable value, based on the quantity of such inventory on hand, our customers latest forecasts of production requirements, and our assessment of available disposition alternatives such as use of components on other programs, the ability and cost to return components to the vendor, and our estimates of resale values and opportunities. These assessments are necessarily based upon various assumptions and market conditions which are subject to rapid change, and/or which may ultimately prove to be inaccurate. Any material changes in our assumptions or market conditions could have a significant effect on our estimates of net realizable value, could necessitate material changes in our allowances for excess and obsolete inventory, and could have a material adverse impact on our financial condition. In addition, in the normal course of business, bona fide disagreements may arise over the amount and/or timing of such claims, and in order to avoid litigation expenses, collection risks, or disruption of customer relationships, we may elect to settle such disputes for lesser amounts than we believe we should be entitled to recover. In all of these instances, we must bear the economic loss of any such excess or obsolete inventory, which could have a material adverse impact on our financial condition. For example, we recorded a charge of $76 million related to excess and obsolete inventory during the second quarter of fiscal 2003, and there can be no assurance that similar charges at lesser or greater levels will not be necessary in future periods.

We could be adversely affected by an unfavorable outcome in certain existing lawsuits related to our obsolete inventory recognition in which we are defendants.

We are currently defendants in certain existing lawsuits including purported lawsuits that allege securities law violations related to our obsolete inventory recognition, including the Northern District of California securities class action litigation entitled *In re Solectron Corp. Securities Litigation,* Case No. C-03-0986 CRB (originally filed in March 2003 as *Abrams v. Solectron Corp., et al.*), and the consolidated shareholder derivative lawsuits entitled *Lifshitz v. Cannon et al.*, Case No. CV815693, filed in the Santa Clara County, California Superior Court in March 2003. We believe the plaintiff s allegations in these litigations are without merit, and we have been defending ourselves and our officers and directors vigorously against these and other lawsuits in which we are engaged. However, there can be no assurance that the outcome of any of these lawsuits will be favorable to us and, if the outcome is unfavorable to us, they may have a material adverse effect on our business, financial condition and results of operations. In April 2004, we and the insurer resolved, under terms not material to us, the lawsuit entitled *Ronald Sorisho v. Solectron Corporation, et.al.*, Santa Clara California Case No. CV811243, which previously had been disclosed in our SEC filings.

Our substantial debt could have material adverse consequences.

Our substantial debt could have material adverse consequences. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations and other capital resources to debt service, thereby reducing our ability to fund working capital, capital expenditures and other cash requirements;
- increase our vulnerability to adverse economic and industry conditions;
- make it more difficult or impossible for us to make payments on indebtedness or obligations;
- limit our flexibility in planning for, or reacting to, changes and opportunities in, the electronics manufacturing industry, which may place us at a competitive disadvantage; and
- limit our ability to incur additional debt on acceptable terms, if at all.

If we and our subsidiaries incur substantial additional indebtedness in the future, the related risks that we and they now face could intensify.

The agreements governing our existing and future debt contain and will contain various covenants that limit our discretion in the operation of our business.

The agreements and instruments governing our existing and future debt and our secured credit facility contain and will contain various restrictive covenants that, among other things, require us to comply with or maintain certain financial tests and ratios and restrict our ability to:

- incur debt;
- incur or maintain liens;
- redeem and/or prepay debt;
- make acquisitions of businesses or entities;
- make investments, including loans, guarantees and advances;
- make capital expenditures;
- engage in mergers, consolidations or certain sales of assets;
- engage in transactions with affiliates;
- pay dividends or engage in stock redemptions; and
- enter into certain restrictive agreements.

Our secured credit facility, under which no amounts were borrowed as of February 28, 2004, is secured by a pledge of all of the capital stock of our material domestic subsidiaries, 65% of the capital stock of certain of our material foreign subsidiaries, certain of our intercompany loans and certain additional assets, including inventory, accounts receivable and equipment of us and our domestic subsidiaries. The covenants governing our secured credit facility also restrict the operations of certain of our subsidiaries, including, in some cases, limiting the ability of our subsidiaries to make distributions to us.

Our ability to comply with covenants contained in our secured credit facility and other indebtedness to which we are or may become a party may be affected by events beyond our control, including prevailing economic, financial and industry conditions. Our failure to comply with our debt-related obligations could result in an event of default which, if not cured or waived, could result in an acceleration of our indebtedness and cross-defaults under our other indebtedness, which could have a material adverse effect on our financial condition. We obtained amendments related to the minimum cash interest coverage ratio covenants applicable to various debt and lease agreements, and as a result of such waivers, we were in compliance with all applicable covenants as of February 28, 2004.

Even if we are able to comply with all applicable covenants, the restrictions on our ability to operate our business in our sole discretion could harm our business by, among other things, limiting our ability to take advantage of financings, mergers, acquisitions and other corporate opportunities.

Most of our net sales come from a small number of customers; if we lose any of these customers, our net sales could decline significantly.

Most of our annual net sales come from a small number of our customers. Our ten largest customers accounted for approximately 62% and 61% of net sales from continuing operations in the second quarter of fiscal 2004 and the fiscal year ended August 31, 2003, respectively. Some of these customers individually account for more than ten percent of our annual net sales. Any material delay, cancellation or reduction of orders from these or other major customers could, if not offset by increased orders from others, cause our net sales to decline significantly, and we may not be able to reduce the accompanying expenses at the same time. We cannot guarantee that we will be able to retain any of our largest customers or any other accounts, or that we will be able to realize the

expected revenues under existing or anticipated supply agreements with these customers. Our business, market share, financial condition and results of operations will continue to depend significantly on our ability to obtain orders from new customers, retain existing customers, realize expected revenues under existing and anticipated supply agreements, as well as on the financial condition and success of our customers and their customers.

Net sales may not improve, and could decline, in future periods if there is continued or resumed weakness in customer demand, particularly in the telecommunications and computing sectors, resulting from worldwide economic conditions. In addition, in connection with our efforts to improve our gross margins, we are engaged in pricing discussions with certain customers on specific programs where we feel we are presently under-compensated for the services and value that we provide. Where we are not able to reach mutual agreement with a customer on price adjustments, we have mutually agreed with the customer to transition the business in question to a new supplier. While we believe our disengagement from specific programs with certain customers will ultimately advance our efforts to return to sustained profitability, there can be no assurance that such disengagements will not result in a loss of significant revenue, a lowering of our capacity utilization at affected sites, and other adverse financial effects.

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

To remain competitive, EMS companies must provide increasingly rapid product turnaround, at increasingly competitive prices, for their customers. We generally do not have long-term contractual commitments from our top customers. As a result, we cannot guarantee that we will continue to receive any net sales from our customers. Customers may cancel their orders, change production quantities or delay production for a number of reasons outside our control. Many of our customers industries have experienced a significant decrease in demand for their products and services, as well as substantial price competition. The generally uncertain economic condition of several of our customers industries has resulted, and may continue to result, in some of our customers delaying purchases of some of the products we manufacture for them, and placing purchase orders for lower volumes of products than previously anticipated. Cancellations, reductions or delays by a significant customer or by a group of customers would seriously harm our results of operations by reducing the volumes of products manufactured by us and delivered in that period. Furthermore, delays in the repayment of our expenditures for inventory in preparation for customer orders and lower asset utilization in those periods would result in lower gross margins. In addition, customers may require that manufacturing of their products be transitioned from one facility to another to achieve cost and other objectives. Such transfers, if unanticipated or not properly executed, could result in various inefficiencies and costs, including excess capacity and overhead at one facility and capacity constraints and related strains on our resources at the other, disruption and delays in product deliveries and sales, deterioration in product quality and customer satisfaction, and increased manufacturing and scrap costs.

Our strategic relationships with major customers create risks.

In the past several years, we completed several strategic transactions with OEM customers. Under these arrangements, we generally acquired inventory, equipment and other assets from the OEM, and leased (or in some cases acquired) their manufacturing facilities, while simultaneously entering into multi-year supply agreements for the production of their products. There has been strong competition among EMS companies for these transactions, and this competition may continue to be a factor in customers selection of their EMS providers. These transactions contributed to a significant portion of our past revenue growth, as well as to a significant portion of our more recent restructuring charges and goodwill and intangible asset impairments. While we do not anticipate our acquisitions of OEM plants and equipment in the near future to return to the levels at which they occurred in the recent past, there may be occasions on which we determine it to be advantageous to

complete acquisitions in selected geographic and/or industry markets. As part of such arrangements, we would typically enter into supply agreements with the divesting OEMs, but such agreements generally do not require any minimum volumes of purchases by the OEM and the actual volume of purchases may be less than anticipated. Arrangements which may be entered into with divesting OEMs typically would involve many risks, including the following:

we may pay a purchase price to the divesting OEMs that exceeds the value we are ultimately able to realize from the future business of the OEM;

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

we, rather than the divesting OEM, would 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 OEM as to volume, product quality, timeliness and cost reductions; and

if demand for the OEM s products declines, the OEM may reduce its 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 OEMs, we might find it appropriate to close, rather than continue to operate, the facility, and any such actions would require us to incur significant restructuring and/or impairment charges.

As a result of these and other risks, we may be unable to achieve anticipated levels of profitability under such arrangements and they may not result in material revenues or contribute positively to our earnings. Additionally, other OEMs may not wish to obtain logistics or operations management services from us.

If we are unable to manage our divestitures and any future acquisitions, and cost-effectively run our operations and dispose of non-strategic assets, our profitability could be adversely affected.

While we may consider future acquisitions of companies and strategic assets on a selective basis, subject to compliance with any restrictions that may exist under certain of our financing instruments, we are presently focused on divestiture activity. We are in the process of divesting certain parts of our current operations that we do not believe to be strategic or synergistic to our primary business focus, and we believe such divestitures, if successfully and timely completed at the presently anticipated valuations and without undue disruption of operations, present us with the opportunity to improve our liquidity and reduce our interest and operating expenses.

In order to achieve anticipated revenue and other financial performance targets, we must continue to manage our assets and operations efficiently while simultaneously preparing parts of our operations for divestiture. Our divestiture activities are expected to place a heavy strain on various personnel and management resources, and must be carefully managed in order to avoid or minimize disruptions in the business operations of the affected businesses, customer relations and cash flows, and to enable us to maximize the value which we may be able to realize from the divestitures. There can be no assurance that such divestiture activities will be able to be consummated without an adverse impact on the near-term operations of the affected businesses or on Solectron as a whole. Any failure to successfully manage and consummate the divestitures in a timely manner could harm our financial condition and results of operations, as well as adversely impact the realizable value of the divested operations. In addition, there can be no assurance that we will be successful in realizing the presently anticipated benefits from our divestiture activities, as such transactions involve significant risks and uncertainties with respect to valuation of the entities to be divested, particularly given the potential disruption of operations inherent in the divestiture process, and may result in significant costs, expenses and charges that may significantly reduce the value that we may realize

in connection with the anticipated divestiture transactions. In the event we fail to consummate a divestiture, we may need to incur restructuring charges.

Our ability to manage and integrate any future acquisitions will require successful integration of such acquisitions into our manufacturing and logistics infrastructure, and may require enhancements or upgrades of accounting and other internal management systems and the implementation of a variety of procedures and controls. We cannot guarantee that significant problems in these areas will not occur. Any failure to enhance or expand these systems and implement such procedures and controls in an efficient manner and at a pace consistent with our business activities could harm our financial condition and results of operations. In addition, we may experience inefficiencies from the management of geographically dispersed facilities and incur substantial infrastructure and working capital costs. We incurred approximately $73.6 million and $603.2 million of restructuring and impairment costs relating to continuing operations in the second quarter of fiscal 2004 and during the fiscal year ended August 31, 2003, respectively. See also the Risk Factor entitled   If we incur more restructuring-related charges than currently anticipated, our financial condition and results of operations may suffer.

Notwithstanding our divestiture of certain businesses, we will remain subject to certain indemnification obligations for a period of time after completion of the divestitures.

The sale agreements for each of our divested businesses contains indemnification provisions under which we may be required to indemnify the buyer of the divested business for liabilities, losses, or expenses arising out of breaches of covenants and certain breaches of representations and warranties relating to the condition of the business prior to and at the time of sale. While we believe, based upon the facts presently known to us, that we have made adequate provision for any such potential indemnification obligations, it is possible that other facts may become known in the future which may subject us to claims for additional liabilities or expenses beyond those presently anticipated and provided for. Should any such unexpected liabilities or expenses be of a material amount, our finances could be adversely affected.

Possible fluctuation of operating results from quarter to quarter and factors out of our control could affect the market price of our securities.

Our quarterly earnings and/or stock price may fluctuate in the future due to a number of factors including the following:

- differences in the profitability of the types of manufacturing services we provide. For example, high velocity and low complexity printed circuit boards and systems assembly services have lower gross margins than low volume/complex printed circuit boards and systems assembly services;
- our ability to maximize the hours of use of our equipment and facilities is dependent on the duration of the production run time for each job and customer;
- the amount of automation that we can use in the manufacturing process for cost reduction varies, depending upon the complexity of the product being made;
- our customers   demand for our products and their ability to take delivery of our products and to make timely payments for delivered products;
- our ability to optimize the ordering of inventory as to timing and amount to avoid holding inventory in excess of immediate production needs;
- our ability to offer technologically advanced, cost-effective, quick response, manufacturing services;
- fluctuations in the availability and pricing of components;

- timing of expenditures in anticipation of increased sales;
- cyclicality in our target markets;
- fluctuations in our market share;
- expenses and disruptions associated with acquisitions and divestitures;
- announcements of operating results and business conditions by our customers;
- announcements by our competitors relating to new customers or technological innovation or new services;
- economic developments in the electronics industry as a whole;
- credit rating and stock analyst downgrades;
- political and economic developments in countries in which we have operations; and
- general market conditions.

If our operating results in the future are below the expectations of securities analysts and investors, the market price of our outstanding securities could be harmed.

If we incur more restructuring-related charges than currently anticipated, our financial condition and results of operations may suffer.

In furtherance of the continued implementation of the series of restructuring plans which we commenced in fiscal 2001, we expect to continue to incur restructuring-related charges in fiscal 2004, primarily to consolidate facilities and reduce our workforce in North America and Europe, although no certainty can be attributed to an amount or the timing of its recognition. We will continue to evaluate our cost structure relative to our revenue levels and may take additional restructuring charges in the future. If our estimates about future restructuring charges prove to be inadequate, our financial condition and results of operations may suffer. In addition, if we are unable to successfully move production from higher cost to lower cost facilities without experiencing degradation of quality or timeliness of our service to our customers, our business could be harmed.

We depend on limited or sole source suppliers for critical components. The inability to obtain sufficient components as required, and under favorable purchase terms, would cause harm to our business.

We are dependent on certain suppliers, including limited and sole source suppliers, to provide key components used in our products. We have experienced, and may continue to experience, delays in component deliveries, which in turn could cause delays in product shipments and require the redesign of certain products. In addition, if we are unable to procure necessary components under favorable purchase terms, including at favorable prices and with the order lead-times needed for the efficient and profitable operation of our factories, our results of operations could suffer. The electronics industry has experienced in the past, and may experience in the future, shortages in semiconductor devices, including application-specific integrated circuits, DRAM, SRAM, flash memory, certain passive devices such as tantalum capacitors, and other commodities that may be caused by such conditions as overall market demand surges or supplier production capacity constraints. The inability to continue to obtain sufficient components as and when required, or to develop alternative sources as and when required, could cause delays, disruptions or reductions in product shipments or require product redesigns which could damage relationships with current or prospective customers, and increase inventory levels and costs, thereby causing harm to our business.

We potentially bear the risk of price increases associated with shortages in electronics components.

At various times, there have been shortages of components in the electronics industry leading to increased component prices. One of the services that we perform for many customers is purchasing electronics components used in the manufacturing of the customers products. As a result of this service, we potentially bear the risk of price increases for these components if we are unable to purchase components at the pricing level anticipated to support the margins assumed in our agreements with our customers.

Our net sales could decline if our competitors provide comparable manufacturing services and improved products at a lower cost.

We compete with different contract manufacturers, depending on the type of service we provide or the geographic locale of our operations, in an industry which is intensely competitive. These competitors may have greater manufacturing, financial, research and development and/or marketing resources than we have. In addition, we may not be able to offer prices as low as some of our competitors because those competitors may have lower cost structures as a result of their geographic location or the services they provide, or because such competitors are willing to accept business at lower margins in order to utilize more of their excess capacity. In that event, our net sales could decline. 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 value-added performance and improved pricing. Any of these could cause a decline in sales, loss of market acceptance of our products or services and corresponding loss of market share, or profit margin compression.

We depend on the continuing trend of OEMs to outsource.

A substantial factor in our past revenue growth was attributable to the transfer of manufacturing and supply-based management activities from our OEM customers. Future growth is partially dependent on new outsourcing opportunities. To the extent that these opportunities are not available, our future growth would be unfavorably impacted.

Our non-U.S. locations represent a significant portion of our net sales; we are exposed to risks associated with operating internationally.

Approximately 73% and 67% of our net sales from continuing operations came from sites outside the United States during the second quarter of fiscal 2004 and the fiscal year ended August 31, 2003, respectively. As a result of our foreign sales and facilities, our operations are subject to a variety of risks and costs that are characteristic of international operations, including the following:

- adverse movement of foreign currencies against the U.S. dollar in which our results are reported;
- import and export duties, and value added taxes;
- import and export regulation changes that could erode our profit margins or restrict exports and/or imports;
- potential restrictions on the transfer of funds;
- government and license requirements governing the transfer of technology and products abroad;
- disruption of local labor supply and/or transportation services;
- inflexible employee contracts in the event of business downturns;

- the burden and cost of compliance with import and export regulations and foreign laws;
- economic and political risks in emerging or developing economies; and
- risks of conflict and terrorism that could disrupt our, or our customers and suppliers , businesses.

We have been granted tax holidays, which are effective through 2011 subject to some conditions, for our Malaysian and Singapore sites. We have also been granted various tax holidays in China. These tax holidays are effective for various terms and are subject to some conditions. It is possible that the current tax holidays will be terminated or modified or that future tax holidays that we may seek will not be granted. If the current tax holidays are terminated or modified, or if additional tax holidays are not granted in the future or when our current tax holidays expire, our future effective income tax rate could increase.

We are exposed to fluctuations in foreign currency exchange rates.

We enter into foreign exchange forward contracts intended to reduce the short-term impact of foreign currency fluctuations on foreign currency cash, receivables, investments and payables. The gains and losses on the foreign exchange forward contracts are intended to offset the transaction gains and losses on the foreign currency cash, receivables, investments, and payables recognized in earnings. We do not enter into foreign exchange forward contracts for speculative purposes. Our foreign exchange forward contracts related to current assets and liabilities are generally three months or less in original maturity.

As of February 28, 2004, we had outstanding foreign exchange forward contracts with a total notional amount of approximately $599 million related to continuing operations. The change in value of the foreign exchange forward contracts resulting from a hypothetical 10% change in foreign exchange rates would be offset by the remeasurement of the related balance sheet items, the result of which would not be significant.

As of February 28, 2004, the majority of our foreign currency hedging contracts were scheduled to mature in approximately three months and there were no material deferred gains or losses. In addition, our international operations in some instances act as a natural hedge because both operating expenses and a portion of sales are denominated in local currency. In these instances, although an unfavorable change in the exchange rate of a foreign currency against the U.S. dollar will result in lower sales when translated to U.S. dollars, operating expenses will also be lower in these circumstances. Although approximately 32% of our net sales from continuing operations in the second quarter of fiscal 2004 were denominated in currencies other than the U.S. dollar, we do not believe our total exposure to be significant because of natural hedges.

We have currency exposure arising from both sales and purchases denominated in currencies other than the functional currency of our sites. Fluctuations in the rate of exchange between the currency of the exposure and the functional currency of our sites could seriously harm our business, operating results and financial condition. For example, if there is an increase in the rate at which a foreign currency is exchanged for U.S. dollars, it will require more of the foreign currency to equal a specified amount of U.S. dollars than before the rate increase. In such cases, and if we price our products and services in the foreign currency, we will receive less in U.S. dollars than we did before the rate increase went into effect. If we price our products and services in U.S. dollars and competitors price their products in local currency, an increase in the relative strength of the U.S. dollar could result in our prices being uncompetitive in markets where business is transacted in the local currency.

We are exposed to interest rate fluctuations.

The primary objective of our investment activities is to preserve principal, while at the same time maximize yields without significantly increasing risk. To achieve this objective, we maintain our

portfolio of cash equivalents and short-term investments in a variety of securities, including government and corporate obligations, certificates of deposit and money market funds. As of February 28, 2004, substantially our entire total portfolio was scheduled to mature in less than three months. A hypothetical 10% change in interest rates would not have a material effect on the fair value of our investment portfolios.

As of February 28, 2004, we had no cash equivalents and short-term investments that were subject to interest rate risk (defined as risk of loss of investment fair value due to interest rate movements). The fair value of our cash equivalents and short-term investments approximated the carrying value as of February 28, 2004.

Interest on our long-term debt instruments is payable at fixed rates. In addition, the amount of principal to be repaid at maturity is also fixed. During the third quarter of fiscal 2002, we entered into interest rate swap transactions under which we pay variable rates and we receive fixed rates. The interest swaps effectively converted $1 billion of our long-term debt with fixed interest rates into debt with variable rates of interest. Our interest rate swaps have a total notional amount of $1 billion. The first $500 million of swap transactions relate to our 7.25% $1.1 billion ACES and expire on November 15, 2004. The second $500 million of swap transactions relate to our 9.625% $500 million senior notes and expire on February 15, 2009. Under each of these swap transactions, we pay an interest rate equal to the 3-month LIBOR rate plus a fixed spread. In exchange, we receive fixed interest rates of 7.25% on the $500 million related to the ACES and 9.625% on the $500 million related to the senior notes. On November 15, 2002, the original swaps related to the senior notes were settled. This settlement resulted in cash received and a gain of approximately $26 million, which is being amortized over the remaining life of the senior notes. Also on November 15, 2002, we entered into swaps with terms similar to the original swap transactions used to hedge the interest paid on the senior notes and designated the swaps as fair value hedges under SFAS No. 133. In addition, we may enter into swap or other hedging arrangements which could have the effect of increasing our exposure to interest rate fluctuations.

We may not be able to adequately protect or enforce our intellectual property rights.

Our ability to effectively compete may be affected by our ability to protect our proprietary information. We (including the companies included in discontinued operations) hold a number of patents and possess various other trade secrets and license rights. These patents, trade secrets, and license rights may not provide meaningful protection for our manufacturing processes and equipment innovations, which could result in litigation. Any resulting litigation could be lengthy and costly and could harm our financial condition.

We could become involved in intellectual property disputes.

In the past we have been, and may from time to time continue to be, notified of claims that we may be infringing patents, copyrights or other intellectual property rights owned by other parties. In the event of an infringement claim, we may be required to spend a significant amount of money to develop a non-infringing alternative, to obtain licenses, and/or to defend against the claim. We may not be successful in developing such an alternative or obtaining a license on reasonable terms, if at all. Any litigation, even where an infringement claim is without merit, could result in substantial costs and diversion of resources. Accordingly, the resolution or adjudication of intellectual property disputes could have a material adverse effect on our business, financial condition and results of operations.

Failure to comply with environmental regulations could harm our business.

As a company in the electronics manufacturing services industry, we are subject to a variety of environmental regulations, including those relating to the use, storage, discharge and disposal of hazardous chemicals used during our manufacturing process, as well as air quality and water quality

regulations, restrictions on water use, and storm water regulations. Although we have never sustained any significant loss as a result of non-compliance with such regulations, any failure by us to comply with environmental laws and regulations could result in liabilities or the suspension of production. In addition, these laws and regulations could restrict our ability to expand our facilities or require us to acquire costly equipment or incur other significant costs to comply with regulations.

We own and lease some contaminated sites (for some of which we have been indemnified by third parties for required remediation), sites for which there is a risk of the presence of contamination, and sites with some levels of contamination for which we may be liable and which may or may not ultimately require any remediation. We have obtained environmental insurance to reduce potential environmental liability exposures posed by some of our operations and facilities. We believe, based on our current knowledge, that the cost of any groundwater or soil clean up that may be required at our facilities would not materially harm our business, financial condition and results of operations. Nevertheless, the process of remediating contamination in soil and groundwater at facilities is costly and cannot be estimated with high levels of confidence, and there can be no assurance that the costs of such activities would not harm our business, financial condition and results of operations in the future.

Our rating downgrades make it more expensive for us to borrow money.

On October 28, 2003, Standard and Poor s downgraded our senior unsecured debt rating to B+ with a stable outlook. On October 31, 2003, Moody s downgraded our senior unsecured debt rating to B1 with a stable outlook. Rating downgrades increase our cost of capital should we borrow under our revolving lines of credit, and may make it more expensive for us to raise additional capital in the future. Such capital raising activities may be on terms that may not be acceptable to us or otherwise may not be available.

Failure to attract and retain key personnel and skilled associates could hurt our operations.

Our continued success depends to a large extent upon the efforts and abilities of key managerial and technical associates. Losing the services of key personnel could harm us. Our business also depends upon our ability to continue to attract key executives and retain senior managers and skilled associates. Failure to do so could harm our business.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

In addition to the other information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and the registration statement of which they are a part, investors should carefully consider the risk factors disclosed in this prospectus supplement, the accompanying prospectus and the registration statement of which they are a part in evaluating an investment in our common stock issuable. The information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus and the registration statement of which they are a part includes forward-looking statements relating to matters including, but not limited to:

- future sales and operating results;
- future prospects and growth;
- our ability to improve our gross profit margins;
- the capabilities and capacities of our business operations;
- any financial or other guidance;
- our business strategy and our ability to execute on such strategy;
- our ability to successfully divest certain operations;

- the anticipated financial impact of recent and future acquisitions and divestitures;
- the timing and amount of our planned restructuring activities and related estimated cost savings;
- the expansion of our low-cost manufacturing capacity and redirection of our manufacturing operations to lower-cost facilities;
- our ability to weather the current economic downturn with a sustainable long-term cost structure to support improved operating efficiency and margins;
- the anticipated production levels and revenues of manufacturing and supply agreements with customers;
- the potential impact of, and our strategies for addressing, our current litigation and environmental liability exposure; and
- various other forward-looking statements based on the expectations of our management as of the date of this prospectus.

Our forward-looking statements are based on current expectations, forecasts and assumptions and are subject to risks, uncertainties and changes in condition, significance, value and effect, including those discussed under the heading Risk Factors in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. These forward-looking statements are based on current expectations, estimates and projections about our industry, management s beliefs, and certain assumptions made by management. Words such as intend, anticipate, believe, estimate, expect, and similar words and statements are intended to identify forward-looking statements.

Such risks, uncertainties and changes in condition, significance, value and effect could cause our actual results to differ materially from our anticipated outcomes. Although we believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. Therefore, we can give no assurance that the results implied by these forward-looking statements will be realized. The inclusion of forward-looking information should not be regarded as a representation by any person that the future events, plans or expectations contemplated by us will be achieved. Furthermore, past performance in operations and share price is not necessarily indicative of future performance. We disclaim any intention or obligation to update or revise any forward-looking statements contained in this prospectus supplement and the accompanying prospectus after its date or contained in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, whether as a result of new information, future events or otherwise.

You should carefully review the risk factors included in other reports or documents filed by us from time to time with the SEC, particularly our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K.

USE OF PROCEEDS

The net proceeds from this offering are expected to be approximately $81.1 million after deducting the estimated underwriting discounts and commissions and our estimated offering expenses.

We will use all of the net proceeds from this offering to fund a portion of the cash consideration to be paid as part of our early settlement offer for our 7.25% Adjustable Conversion-Rate Equity Security Units, which expired at midnight on May 5, 2004.

PRICE RANGE OF COMMON STOCK

Our common stock is listed for trading on the New York Stock Exchange under the symbol SLR . The following table sets forth, for the periods indicated, the high and low sale prices per share of the common stock as reported on the New York Stock Exchange. These quotations represent prices between dealers and do not include retail markups, mark-downs, or commissions and may not necessarily represent actual transactions.

	High	Low
Fiscal Year ended August 31, 2002		
First Quarter	$15.50	$9.91
Second Quarter	16.45	8.09
Third Quarter	10.68	6.99
Fourth Quarter	8.11	2.56
Fiscal Year ended August 31, 2003		
First Quarter	4.86	1.39
Second Quarter	5.14	2.80
Third Quarter	4.10	2.84
Fourth Quarter	6.05	3.20
Fiscal Year ended August 31, 2004		
First Quarter	6.89	5.11
Second Quarter	8.20	5.40
Third Quarter (through May 5, 2004)	6.55	4.70

On May 5, 2004, the reported closing per share sale price of our common stock on the New York Stock Exchange was $5.00. As of May 5, 2004, there were approximately 8,245 stockholders of record.

DIVIDEND POLICY

We have not paid any cash dividends since inception and do not intend to pay any cash dividends in the foreseeable future. Additionally, the covenants to certain of our financing agreements prohibit the payment of cash dividends.

CAPITALIZATION

The table below sets forth the following unaudited information as of February 28, 2004:

our cash, cash equivalents and short-term investments, short-term debt, long-term debt and capitalization; and

our cash, cash equivalents and short-term investments, short-term debt, long-term debt and capitalization as adjusted to give effect to the sale by us of 17,109,948 shares of our common stock in this offering at the public offering price of $4.85 per share and after deducting the estimated underwriting discount and commission.

You should read this table in conjunction with our unaudited condensed consolidated financial statements and the schedules and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations incorporated by reference from our Form 10-Q, filed on April 9, 2004, in this prospectus supplement and the accompanying prospectus.

	As of February 28, 2004	
	Actual	**As Adjusted for this Offering**
	(In millions, except share data)	
Cash, cash equivalents and short-term investments (excluding restricted cash)	$ 1,375.6	$ 1,457.3(1)
Restricted cash	464.3	464.3
Short-term debt:		
Short-term debt	$ 24.6	$ 24.6
4% LYONs® due 2019	0.6	0.6
3.25% LYONs® due 2020	946.2	946.2
Total short-term debt	971.4	971.4
Long-term debt:		
Senior secured credit facility		
7.25% Subordinated Debentures due 2006	1,082.4	1,082.4(2)
7.375% Senior Notes due 2006	149.9	149.9
9.625% Senior Notes due 2009	532.2	532.2
2.75% LYONs® due 2020	10.2	10.2
0.50% Convertible Senior Notes due 2034	450.0	450.0
Other long-term debt	56.3	56.3
Total long-term debt	2,281.0	2,281.0
Stockholders equity:		
Preferred stock, 1,200,000 shares authorized; 1,000,000 issued or outstanding		
Common stock, 1,600,000,000 shares authorized; approximately 838.3 million shares issued and outstanding(3)	0.8	0.9(4)
Additional paid-in capital	6,674.1	6,755.1(5)
Accumulated deficit	(5,228.4)	(5,228.4)(6)
Accumulated other comprehensive losses	(139.5)	(139.5)
Total stockholders equity	1,307.0	1,388.1(7)
Total debt and stockholders equity	$ 4,559.4	$ 4,640.5(8)

---

(1) After giving effect to the early settlement offer, cash, cash equivalents and short-term investments (excluding restricted cash) would be $1,375.7 million, assuming 41,429,202 of the equity security units tendered.

(2) After giving effect to the early settlement offer, the amount outstanding under our 7.25% Subordinated Debentures due 2006 would be $63.2 million, assuming 41,429,202 of the equity security units tendered.

(3) Our outstanding common stock as of April 30, 2004 does not include (i) 51.6 million shares of common stock reserved for issuance under our stock option plans, under which options to purchase 56.6 million shares were outstanding as of February 28, 2004, at a weighted average exercise price of $13.46 per share, (ii) 16.3 million shares available for issuance under our 2003 Employee Stock Purchase Plan, (iii) the common stock issuable upon conversion of our outstanding convertible debt securities, (iv) approximately 105.6 million shares of our common stock to be issued as the stock consideration to be paid as part of our early settlement offer for our 7.25% Adjustable Conversion-Rate Equity Security Units and (v) the 17,109,948 shares of our common stock being offered hereby.

(4) After giving effect to the early settlement offer, common stock would be $1.0 million, assuming 41,429,202 of the equity security units tendered.

(5) After giving effect to the early settlement offer, additional paid-in capital would be $7,770.5 million, assuming 41,429,202 of the equity security units tendered.

(6) After giving effect to the early settlement offer, accumulated deficit would be $(5,326.5) million, assuming 41,429,202 of the equity security units tendered.

(7) After giving effect to the early settlement offer, total stockholders equity would be $2,305.5 million, assuming 41,429,202 of the equity security units tendered.

(8) After giving effect to the early settlement offer, total debt and stockholders equity would be $4,538.7 million, assuming 41,429,202 of the equity security units tendered.

DILUTION

The net tangible book value of our common stock on February 28, 2004 was approximately $1,093.0 million, or $1.30 per share. Net tangible book value per share is equal to the amount of our total tangible assets, less total liabilities, divided by the number of shares of common stock outstanding as of February 28, 2004. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the net tangible book value per share of our common stock immediately afterwards. After giving effect to the sale by us of 17,109,948 shares of common stock in this offering at the public offering price of $4.85 per share and after deducting the estimated underwriting discounts and commissions payable by us, our net tangible book value at February 28, 2004 would have been approximately $1,174.7 million, or $1.37 per share. This represents an immediate increase in net tangible book value of $0.07 per share to existing stockholders and an immediate dilution of $3.48 per share to new investors purchasing shares of common stock in this offering. The following table illustrates this dilution:

Public offering price per share		$4.85
Net tangible book value per share as of February 28, 2004	$1.30	
Increase per share attributable to new investors	0.07	
Net tangible book value per share after this offering		1.37
Dilution per share to new investors		$3.48

The foregoing table does not give effect to our Early Settlement Offer for our 7.25% Adjustable Conversion-Rate Equity Security Units. After giving effect to the issuance of shares of our common stock under the terms of the Early Settlement Offer, Dilution per share to new investors would be $2.65, assuming 41,429,202 of the equity security units tendered.

The foregoing table also does not give effect to further dilution to new investors that could occur upon the exercise of outstanding options having a per share exercise price less than the offering price per share in this offering, future issuances of common stock under our employee benefits plans and the issuance or exercise of other securities convertible, exchangeable or exercisable for common stock. As of February 28, 2004, there were:

- 56.6 million shares of common stock underlying outstanding options outstanding at a weighted average exercise price of $13.46 per share;

- 65.9 million shares of common stock issuable upon conversion of our outstanding convertible debt securities;

- 16.3 million shares available for issuance under our 2003 Employee Stock Purchase Plan and 51.6 million shares available for issuance or future grant under our 2002 Stock Option Plan; and

- approximately 6.5 million shares of our common stock reserved for issuance upon the settlement of the embedded purchase contracts of the 7.25% Adjustable Conversion-Rate Equity Security Units not tendered in our early settlement offer.

SELECTED CONSOLIDATED FINANCIAL DATA

The following summary consolidated financial data should be read in conjunction with our consolidated financial statements and related notes thereto, which are incorporated into this prospectus supplement and the accompanying prospectus by reference. The summary information as of and for the year ended August 31, 2001 through the year ended August 31, 2003 was derived from our Current Report on Form 8-K filed February 9, 2004, which was issued to reflect the reclassification of our discontinued operations. The summary financial information for the six months ended February 28, 2003 and 2004, was derived from our unaudited condensed consolidated statements of operations for the periods included in our Form 10-Q for the period ended February 28, 2004. This historical information is not necessarily indicative of the results to be expected in the future.

	Year Ended August 31,			Six Months Ended February 28,	
	2001	2002	2003	2003	2004
	(In millions, except per share data)				
Statement of Operations Data:					
Net sales	$17,436.9	$10,738.7	$9,828.3	$5,027.7	$5,584.2
Cost of sales	16,186.4	10,233.8	9,386.3	4,802.3	5,325.6
Gross profit	1,250.5	504.9	442.0	225.4	258.6
Operating expenses:					
Selling, general and administrative	703.5	658.2	566.1	298.3	223.9
Restructuring and impairment costs	510.9	3,293.6	2,235.7	140.4	100.6
Acquisition Costs	23.9				
Goodwill Amortization	138.4				