JABIL CIRCUIT INC
Form 10-Q
January 06, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 30, 2015

or

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

For the transition period from __________ to __________

Commission File Number: 001-14063

JABIL CIRCUIT, INC.

(Exact name of registrant as specified in its charter)

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

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

(Address of principal executive offices) (Zip Code)

(727) 577-9749

(Registrant s telephone number, including area code)

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

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

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

As of December 28, 2015, there were 190,549,560 shares of the registrant s Common Stock outstanding.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES INDEX

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

JABIL CIRCUIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except for share data)

	November 30, 2015 (Unaudited)	August 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,130,344	$ 913,963
Accounts receivable, net of allowance for doubtful accounts of $11,441 at November 30, 2015 and $11,663 at August 31, 2015	1,674,438	1,467,247
Inventories	2,503,625	2,507,264
Prepaid expenses and other current assets	1,008,767	898,790
Deferred income taxes		79,045
Total current assets	6,317,174	5,866,309
Property, plant and equipment, net of accumulated depreciation of $2,367,684 at November 30, 2015 and $2,239,422 at August 31, 2015	2,876,610	2,804,333
Goodwill	481,303	462,382
Intangible assets, net of accumulated amortization of $203,559 at November 30, 2015 and $195,864 at August 31, 2015	302,146	283,536
Deferred income taxes	142,339	85,169
Other assets	101,580	101,478
Total assets	$ 10,221,152	$ 9,603,207
LIABILITIES AND EQUITY		
Current liabilities:		
Current installments of notes payable, long-term debt and capital lease obligations	$ 348,312	$ 323,833
Accounts payable	3,711,471	3,663,264
Accrued expenses	1,715,548	1,685,589
Deferred income taxes		2,455
Total current liabilities	5,775,331	5,675,141
Notes payable, long-term debt and capital lease obligations, less current installments	1,818,447	1,346,558
Other liabilities	69,543	67,951
Income tax liabilities	102,078	96,379

Deferred income taxes	54,456	82,167
Total liabilities	7,819,855	7,268,196
Commitments and contingencies		
Equity:		
Jabil Circuit, Inc. stockholders equity:		
Preferred stock, $0.001 par value, authorized 10,000,000 shares; no shares issued and no shares outstanding		
Common stock, $0.001 par value, authorized 500,000,000 shares; 248,398,864 and 246,680,008 shares issued and 190,548,351 and 192,068,068 shares outstanding at November 30, 2015 and August 31, 2015, respectively	248	247
Additional paid-in capital	1,980,153	1,955,104
Retained earnings	1,585,136	1,468,910
Accumulated other comprehensive loss	(59,532)	(50,854)
Treasury stock at cost, 57,850,513 and 54,611,940 shares at November 30, 2015 and August 31, 2015, respectively	(1,123,400)	(1,058,551)
Total Jabil Circuit, Inc. stockholders equity	2,382,605	2,314,856
Noncontrolling interests	18,692	20,155
Total equity	2,401,297	2,335,011
Total liabilities and equity	$ 10,221,152	$ 9,603,207

See accompanying notes to Condensed Consolidated Financial Statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except for per share data)

(Unaudited)

	Three months ended November 30, 2015	Three months ended November 30, 2014
Net revenue	$ 5,207,977	$ 4,550,418
Cost of revenue	4,724,442	4,167,431
Gross profit	483,535	382,987
Operating expenses:		
Selling, general and administrative	251,547	214,380
Research and development	8,292	6,005
Amortization of intangibles	7,840	5,590
Restructuring and related charges	1,353	12,257
Operating income	214,503	144,755
Other expense	1,765	1,694
Interest income	(2,064)	(1,700)
Interest expense	33,035	31,839
Income from continuing operations before tax	181,767	112,922
Income tax expense	49,852	39,788
Income from continuing operations, net of tax	131,915	73,134
Discontinued operations:		
Income from discontinued operations, net of tax		853
Loss on sale of discontinued operations, net of tax		(1,611)
Discontinued operations, net of tax		(758)
Net income	131,915	72,376
Net income attributable to noncontrolling interests, net of tax	30	214
Net income attributable to Jabil Circuit, Inc.	$ 131,885	$ 72,162
Earnings per share attributable to the stockholders of Jabil Circuit, Inc.:		
Basic:		
Income from continuing operations, net of tax	$ 0.69	$ 0.38

Discontinued operations, net of tax	$	0.00	$	0.00
Net income	$	0.69	$	0.37
Diluted:				
Income from continuing operations, net of tax	$	0.68	$	0.37
Discontinued operations, net of tax	$	0.00	$	0.00
Net income	$	0.68	$	0.37
Weighted average shares outstanding:				
Basic		190,355		193,502
Diluted		193,243		195,314
Cash dividends declared per common share	$	0.08	$	0.08

See accompanying notes to Condensed Consolidated Financial Statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(Unaudited)

	Three months ended November 30, 2015	Three months ended November 30, 2014
Net income	$ 131,915	$ 72,376
Other comprehensive income:		
Foreign currency translation adjustment	(20,542)	(34,706)
Changes in fair value of derivative instruments, net of tax	(909)	(1,952)
Reclassification of net losses (gains) realized and included in net income related to derivative instruments, net of tax	11,064	(316)
Unrealized gain (loss) on available for sale securities	1,709	(278)
Total other comprehensive loss	(8,678)	(37,252)
Comprehensive income	$ 123,237	$ 35,124
Comprehensive income attributable to noncontrolling interests	30	214
Comprehensive income attributable to Jabil Circuit, Inc.	$ 123,207	$ 34,910

See accompanying notes to Condensed Consolidated Financial Statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(in thousands, except for share data)

(Unaudited)

	Jabil Circuit, Inc. Stockholders Equity							
	Common Stock							
	Shares Outstanding	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Noncontrolling Interests	Total Equity
Balance at August 31, 2015	192,068,068	$ 247	$ 1,955,104	$ 1,468,910	$ (50,854)	$ (1,058,551)	$ 20,155	$ 2,335,011
Shares issued upon exercise of stock options	17,289							
Vesting of restricted stock awards	1,701,567	1	(2)					(1)
Purchases of treasury stock under employee stock plans	(443,644)					(10,282)		(10,282)
Treasury shares purchased	(2,794,929)					(54,567)		(54,567)
Recognition of stock-based compensation			24,792					24,792
Excess tax benefit of stock awards			259					259
Declared dividends				(15,659)				(15,659)
Comprehensive income				131,885	(8,678)		30	123,237
Declared dividends to noncontrolling interests							(1,500)	(1,500)
							7	7

Foreign currency adjustments attributable to noncontrolling interests								
Balance at November 30, 2015	190,548,351	248	$ 1,980,153	$ 1,585,136	$ (59,532)	$ (1,123,400)	$ 18,692	$ 2,401,297

See accompanying notes to Condensed Consolidated Financial Statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Three months ended November 30, 2015	Three months ended November 30, 2014
Cash flows from operating activities:		
Net income	$ 131,915	$ 72,376
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	161,363	122,380
Recognition of stock-based compensation expense and related charges	24,792	18,043
Deferred income taxes	(13,533)	2,618
Loss on sale of property, plant and equipment	2,155	8,811
Other, net	1,890	8,869
Change in operating assets and liabilities, exclusive of net assets acquired:		
Accounts receivable	(205,916)	(398,334)
Inventories	11,719	(100,831)
Prepaid expenses and other current assets	(84,182)	(1,491)
Other assets	2,434	15,077
Accounts payable, accrued expenses and other liabilities	112,592	441,583
Net cash provided by operating activities	145,229	189,101
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(252,098)	(197,676)
Proceeds from sale of property, plant and equipment	3,027	3,764
Cash paid for business and intangible asset acquisitions, net of cash	(67,311)	
Issuance of notes receivable	(27,500)	
Other, net	(250)	3,600
Net cash used in investing activities	(344,132)	(190,312)
Cash flows from financing activities:		
Borrowings under debt agreements	1,975,231	1,458,495
Payments toward debt agreements	(1,478,213)	(1,461,871)
Payments to acquire treasury stock	(54,567)	(40,040)
Dividends paid to stockholders	(16,541)	(16,607)
Treasury stock minimum tax withholding related to vesting of restricted stock	(10,282)	(6,708)
Other, net	(1,238)	63
Net cash provided by (used in) financing activities	414,390	(66,668)

Effect of exchange rate changes on cash and cash equivalents	894	(10,866)
Net increase (decrease) in cash and cash equivalents	216,381	(78,745)
Cash and cash equivalents at beginning of period	913,963	1,000,249
Cash and cash equivalents at end of period	$ 1,130,344	$ 921,504

See accompanying notes to Condensed Consolidated Financial Statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary to present fairly the information set forth therein have been included. The Company has made certain reclassification adjustments to conform prior periods Condensed Consolidated Financial Statements to the current 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, 2015. Results for the three month period ended November 30, 2015 are not necessarily an indication of the results that may be expected for the full fiscal year ending August 31, 2016.

2. Discontinued Operations

On December 17, 2013, the Company announced that it entered into a stock purchase agreement with iQor Holdings, Inc. (iQor) for the sale of Jabil s Aftermarket Services (AMS) business for consideration of $725.0 million, which consists of $675.0 million in cash and an aggregate liquidation preference value of $50.0 million in Senior Non-Convertible Cumulative Preferred Stock of iQor that accretes dividends at an annual rate of 8 percent and is redeemable in nine years or upon a change in control. The purchase price was finalized during fiscal year 2015 and was reduced by $100.2 million for cash, indebtedness, taxes, interest and certain working capital accounts of the Company s AMS business. Also, as part of this transaction, the Company is subject to a limited covenant not to compete. On April 1, 2014, the Company completed the sale of the AMS business except for the Malaysian operations, for which the sale was completed on December 31, 2014. In connection with the AMS transaction, the Company entered into a transition services agreement effective April 1, 2014 to provide certain administrative services to facilitate the orderly transfer of the business operations to iQor. This agreement is not material and the continuing cash flows are not significant.

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

	Three months ended	
	November 30, 2015	November 30, 2014
Net revenue	$	$ 10,990
Income from discontinued operations, before tax	$	860
Income tax expense		7

Income from discontinued operations, net of tax	$	$	853
Loss on sale of discontinued operations, before tax	$	$	(1,611)
Income tax expense			
Loss on sale of discontinued operations, net of tax	$	$	(1,611)
Discontinued operations, net of tax	$	$	(758)

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3. Earnings Per Share and Dividends

a. Earnings Per Share

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

	Three months ended	
	November 30, 2015	**November 30, 2014**
Numerator:		
Income from continuing operations, net of tax	$ 131,915	$ 73,134
Net income attributable to noncontrolling interests, net of tax	30	214
Income from continuing operations attributable to Jabil Circuit, Inc., net of tax	131,885	72,920
Discontinued operations attributable to Jabil Circuit, Inc., net of tax		(758)
Net income attributable to Jabil Circuit, Inc.	$ 131,885	$ 72,162
Denominator for basic and diluted earnings per share:		
Denominator for basic earnings per share	190,355	193,502
Dilutive common shares issuable under the employee stock purchase plan and upon exercise of stock options and stock appreciation rights	155	55
Dilutive unvested restricted stock awards	2,733	1,757
Denominator for diluted earnings per share	193,243	195,314
Earnings per share attributable to the stockholders of Jabil Circuit, Inc.:		
Basic:		
Income from continuing operations, net of tax	$ 0.69	$ 0.38
Discontinued operations, net of tax	$ 0.00	$ 0.00

Net income	$	0.69	$	0.37
Diluted:				
Income from continuing operations, net of tax	$	0.68	$	0.37
Discontinued operations, net of tax	$	0.00	$	0.00
Net income	$	0.68	$	0.37

For the three months ended November 30, 2015 and 2014, options to purchase 0 and 868,795 shares of common stock and 2,019,750 and 3,776,602 stock appreciation rights, respectively, were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive.

b. Dividends

The following table sets forth certain information relating to the Company s cash dividends declared to common stockholders of the Company during the three months ended November 30, 2015 and 2014 (in thousands, except for per share data):

	Dividend Declaration Date	**Dividend per Share**	**Total of Cash Dividends Declared**	**Date of Record for Dividend Payment**	**Dividend Cash Payment Date**
Fiscal Year 2016:	October 14, 2015	$ 0.08	$ 15,906	November 16, 2015	December 1, 2015
Fiscal Year 2015:	October 16, 2014	$ 0.08	$ 15,973	November 14, 2014	December 1, 2014

4. Inventories

Inventories consist of the following (in thousands):

	November 30, 2015	August 31, 2015
Raw materials	$ 1,303,411	$ 1,300,559
Work in process	644,218	714,237
Finished goods	555,996	492,468
Total inventories	$ 2,503,625	$ 2,507,264

5. Stock-Based Compensation

The Company recognizes stock-based compensation expense, reduced for estimated forfeitures, on a straight-line basis over the requisite service period of the award, which is generally the vesting period for outstanding stock awards. The Company recorded $24.8 million and $18.0 million of stock-based compensation expense gross of tax effects, which is included in selling, general and administrative expenses within the Condensed Consolidated Statements of Operations during the three months ended November 30, 2015 and 2014, respectively. The Company recorded tax benefits related to the stock-based compensation expense of $0.3 million, which is included in income tax expense within the Condensed Consolidated Statements of Operations for the three months ended November 30, 2015 and 2014, respectively.

The following table summarizes shares available for grant and stock option and stock appreciation right activity from August 31, 2015 through November 30, 2015:

	Shares Available for Grant	Options Outstanding	Average Intrinsic Value (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)
Balance at August 31, 2015	8,376,072	3,760,871	$ 492,060	$ 26.60	1.53
Options canceled	1,105,212	(1,105,212)		$ 29.81	
Restricted stock awards granted [(a)]	(5,154,675)				
Options exercised		(118,659)		$ 24.67	
Balance at November 30, 2015	4,326,609	2,537,000	$ 5,727	$ 25.47	1.85
Exercisable at November 30, 2015		2,537,000	$ 5,727	$ 25.47	1.85

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

The following table summarizes restricted stock activity from August 31, 2015 through November 30, 2015:

	Shares	Weighted-Average Grant-Date Fair Value
Unvested balance at August 31, 2015	11,931,585	$ 19.44
Changes during the period		
Shares granted [(a)]	5,262,245	$ 24.14
Shares vested	(1,701,567)	$ 19.08
Shares forfeited	(107,570)	$ 19.06
Unvested balance at November 30, 2015	15,384,693	$ 21.09

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

Certain key employees have been granted time-based, performance-based and market-based restricted stock awards. The time-based restricted awards granted generally vest on a graded vesting schedule over three years. The performance-based restricted awards generally vest on a cliff vesting schedule over three to five years and provide a range of vesting possibilities of up to a maximum of 100% or 150%, depending on the specified performance condition and the level of achievement obtained. The market-based awards have a vesting condition that is tied to the Company s stock performance in relation to the Standard and Poor s (S&P) Super

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Composite Technology Hardware and Equipment Index. The market conditions are considered in the grant date fair value using a Monte Carlo valuation model, which utilizes multiple input variables to determine the probability of the Company achieving the specified market conditions. Stock-based compensation expense related to an award with a market condition will be recognized over the requisite service period regardless of whether the market condition is satisfied, provided that the requisite service period has been completed. During the three months ended November 30, 2015 and 2014, the Company awarded approximately 2.5 million and 2.6 million time-based restricted stock units, respectively, 1.3 million and 1.6 million performance-based restricted stock units, respectively and 0.4 million and 0.0 million market-based stock units, respectively.

At November 30, 2015, there was $121.2 million of total unrecognized stock-based compensation expense related to restricted stock awards. This expense is expected to be recognized over a weighted-average period of 1.6 years.

6. Concentration of Risk and Segment Data

a. Concentration of Risk

Sales of the Company s products are concentrated among specific customers. During the three months ended November 30, 2015, the Company s five largest customers accounted for approximately 55% of its net revenue and 72 customers accounted for approximately 90% of its net revenue. Sales to these customers were reported in the Electronics Manufacturing Services (EMS) and Diversified Manufacturing Services (DMS) operating segments.

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

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

b. Segment Data

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

The Company derives its revenue from providing comprehensive electronics design, production and product management services. The chief operating decision maker evaluates performance and allocates resources on a segment basis. The Company s operating segments consist of two segments EMS and DMS, which are also the Company s reportable segments.

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

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

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

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

	Three months ended November 30, 2015	Three months ended November 30, 2014
Net revenue		
EMS	$ 2,724,414	$ 2,633,518
DMS	2,483,563	1,916,900
	$ 5,207,977	$ 4,550,418
Segment income and reconciliation of income before tax		
EMS	$ 83,266	$ 62,582
DMS	165,222	118,063
Total segment income	$ 248,488	$ 180,645
Reconciling items:		
Amortization of intangibles	7,840	5,590
Stock-based compensation expense and related charges	24,792	18,043
Restructuring and related charges	1,353	12,257
Other expense	1,765	1,694
Interest income	(2,064)	(1,700)
Interest expense	33,035	31,839
Income from continuing operations before tax	$ 181,767	$ 112,922

	November 30, 2015	August 31, 2015
Total assets		
EMS	$ 2,837,146	$ 2,865,172
DMS	4,598,950	4,241,699
Other non-allocated assets	2,785,056	2,496,336
	$ 10,221,152	$ 9,603,207

As of November 30, 2015, the Company operated in 28 countries worldwide. Sales to unaffiliated customers are based on the Company s location that maintains the customer relationship and transacts the external sale. Total foreign net revenue represented 92.1% and 88.3% of net revenue during the three months ended November 30, 2015 and 2014, respectively.

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

Notes payable, long-term debt and capital lease obligations outstanding at November 30, 2015 and August 31, 2015 are summarized below (in thousands):

	November 30, 2015	August 31, 2015
7.750% Senior Notes due 2016	$ 310,808	$ 310,378
8.250% Senior Notes due 2018	399,142	399,047
5.625% Senior Notes due 2020	400,000	400,000
4.700% Senior Notes due 2022	500,000	500,000
Borrowings under credit facilities	124	323
Borrowings under loans[(a)]	527,951	30,410
Capital lease obligations	27,251	28,156
Fair value adjustment related to terminated interest rate swaps on the 7.750% Senior Notes	1,483	2,077
Total notes payable, long-term debt and capital lease obligations	2,166,759	1,670,391
Less current installments of notes payable, long-term debt and capital lease obligations	348,312	323,833
Notes payable, long-term debt and capital lease obligations, less current installments	$ 1,818,447	$ 1,346,558

The $312.0 million of 7.750% senior unsecured notes, $400.0 million of 8.250% senior unsecured notes, $400.0 million of 5.625% senior unsecured notes and $500.0 million of 4.700% senior unsecured notes outstanding are carried at the principal amount of each note, less any unamortized discount. The estimated fair values of these senior notes were approximately $322.0 million, $448.0 million, $433.2 million and $498.8 million, respectively, at November 30, 2015. The fair value estimates are based upon observable market data (Level 2 criteria).

(a) On July 6, 2015, the Company entered into an amended and restated senior unsecured five year credit agreement. The credit agreement provides for a revolving credit facility (the Revolving Credit Facility) in the initial amount of $1.5 billion, which may, subject to the lenders discretion, potentially be increased up to $2.0 billion and a $500.0 million five year delayed draw term loan facility (the Term Loan Facility and, together with the Revolving Credit Facility, the Credit Facility). On September 22, 2015, the Company borrowed $500.0 million against the Term Loan Facility.

During the third quarter of fiscal year 2012, the Company entered into a master lease agreement with a variable interest entity (the VIE) whereby it sells to and subsequently leases back from the VIE up to $60.0 million in certain machinery and equipment for a period of up to five years. In connection with this transaction, the Company holds a variable interest in the VIE, which was designed to hold debt obligations payable to third-party creditors. The proceeds from such debt obligations are utilized to finance the purchase of the machinery and equipment that is then leased by the Company. The Company is the primary beneficiary of the VIE as it has both the power to direct the activities of the VIE that most significantly impact the VIE s economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Therefore, the Company consolidates the financial statements of the VIE and eliminates all intercompany transactions. At November 30, 2015, the VIE had approximately $26.1 million of total assets, of which approximately $25.7 million was comprised of a note receivable due from the Company, and approximately $25.5 million of total liabilities, of which approximately $25.5 million were debt obligations to the third-party creditors (as the VIE has utilized approximately $25.5 million of the $60.0 million debt obligation capacity). The third-party creditors have recourse to the Company s general credit only in the event that the Company defaults on its obligations under the terms of the master lease agreement. In addition, the assets held by the VIE can be used only to settle the obligations of the VIE.

8. Trade Accounts Receivable Securitization and Sale Programs

The Company regularly sells designated pools of trade accounts receivable under two asset-backed securitization programs and three uncommitted trade accounts receivable sale programs (collectively referred to herein as the programs). The Company continues servicing the receivables sold and in exchange receives a servicing fee under each of the programs. Servicing fees related to each of the programs recognized during the three months ended November 30, 2015 and 2014 were not material. The Company does not record a servicing asset or liability on the Condensed Consolidated Balance Sheets as the Company estimates that the fee it receives to service these receivables approximates the fair market compensation to provide the servicing activities.

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

a. Asset-Backed Securitization Programs

The Company continuously sells designated pools of trade accounts receivable under its North American asset-backed securitization program, currently scheduled to expire on October 20, 2017, and its foreign asset-backed securitization program, currently scheduled to expire on May 1, 2018, (collectively referred to herein as the asset-backed securitization programs) to special purpose entities, which in turn sell 100% of the receivables to conduits administered by unaffiliated financial institutions (for the North American asset-backed securitization program) and to an unaffiliated financial institution and a conduit administered by an unaffiliated financial institution (for the foreign asset-backed securitization program). The special purpose entity in the North American asset-backed securitization program is a wholly-owned subsidiary of the Company. The special purpose entity in the foreign asset-backed securitization program is a separate bankruptcy-remote entity whose assets would be first available to satisfy the creditor claims of the unaffiliated financial institution. The Company is deemed the primary beneficiary of this special purpose entity as the Company has both the power to direct the activities of the entity that most significantly impact the entity s economic performance and the obligation to absorb losses or the right to receive the benefits that could potentially be significant to the entity from the transfer of the trade accounts receivable into the special purpose entity. Accordingly, the special purpose entities associated with these asset-backed securitization programs are included in the Company s Condensed Consolidated Financial Statements. Any portion of the purchase price for the receivables which is not paid in cash upon the sale taking place is recorded as a deferred purchase price receivable, which is paid as payments on the receivables are collected. Net cash proceeds of up to a maximum of $200.0 million and $175.0 million for the North American and foreign asset-backed securitization programs, respectively, are available at any one time.

In connection with the asset-backed securitization programs, the Company sold $1.9 billion of eligible trade accounts receivable during the three months ended November 30, 2015 and 2014. In exchange, the Company received cash proceeds of $1.5 billion and $1.4 billion during the three months ended November 30, 2015 and 2014, respectively, (of which approximately $0.0 million and $2.3 million, respectively, represented new transfers and the remainder represented proceeds from collections reinvested in revolving-period transfers) and a deferred purchase price receivable. At November 30, 2015 and 2014, the deferred purchase price receivables recorded in connection with the asset-backed securitization programs totaled approximately $451.6 million and $476.4 million, respectively.

The Company recognized pretax losses on the sales of receivables under the asset-backed securitization programs of approximately $1.0 million and $0.9 million during the three months ended November 30, 2015 and 2014, respectively, which are recorded to other expense within the Condensed Consolidated Statements of Operations.

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

b. Trade Accounts Receivable Sale Programs

In connection with three separate trade accounts receivable sale programs with unaffiliated financial institutions, the Company may elect to sell, at a discount, on an ongoing basis, up to a maximum of $650.0 million, $150.0 million and $100.0 million, respectively, of specific trade accounts receivable at any one time. The $650.0 million trade accounts receivable sale program is an uncommitted facility that was amended during the first quarter of fiscal year 2016 to increase the uncommitted capacity from $450.0 million to $650.0 million and to extend the expiration date to November 1, 2016, although any party may elect to terminate the agreement upon 15 days prior notice. The $650.0 million trade accounts receivable sale program will be automatically extended each year until August 31, 2017, unless any party gives no less than 30 days prior notice that the agreement should not be extended. The $150.0 million trade accounts receivable sale program is an uncommitted facility that is subject to expiration on August 31, 2016. The $100.0 million trade accounts receivable sale program is an uncommitted facility that is scheduled to expire on November 1, 2016 (as the agreement was automatically extended on November 1, 2015), although any party may elect to terminate the agreement upon 15 days prior notice. The $100.0 million trade accounts receivable sale program will be automatically extended each year until November 1, 2018, unless any party gives no less than 30 days prior notice that the agreement should not be extended.

During the three months ended November 30, 2015 and 2014, the Company sold $1.4 billion and $0.6 billion of trade accounts receivable under these programs, respectively. In exchange, the Company received cash proceeds of $1.4 billion and $0.6 billion during the three months ended November 30, 2015 and 2014, respectively. The resulting losses on the sales of trade accounts receivable during the three months ended November 30, 2015 and 2014 were not material, and were recorded to other expense within the Condensed Consolidated Statements of Operations.

9. Accumulated Other Comprehensive Income

The following table sets forth the changes in accumulated other comprehensive income (AOCI), net of tax, by component from August 31, 2015 to November 30, 2015 (in thousands):

	Foreign Currency Translation Adjustment	Derivative Instruments	Actuarial Loss	Prior Service Cost	Unrealized (Loss) Gain on Available for Sale Securities	Total
Balance at August 31, 2015	$ 6,666	$ (12,033)	$ (30,624)	$ 1,054	$ (15,917)	$ (50,854)
Other comprehensive (loss) income before reclassifications	(20,542)	(909)			1,709	(19,742)
Amounts reclassified from AOCI		11,064				11,064
Other comprehensive (loss) income	(20,542)	10,155			1,709	(8,678)
Balance at November 30, 2015	$ (13,876)	$ (1,878)	$ (30,624)	$ 1,054	$ (14,208)	$ (59,532)

The portions of AOCI reclassified into earnings during the three months ended November 30, 2015 and 2014 were not material, and were classified as components of net revenue, cost of revenue, selling, general and administrative expense and interest expense. The tax benefit (expense) on the derivative instruments component of AOCI, including reclassification adjustments, is not material for the three months ended November 30, 2015. There was no tax benefit (expense) on the foreign currency translation adjustment and the unrealized (loss) gain on available for sale securities components of AOCI, including reclassification adjustments, for the three months ended November 30, 2015.

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10. Postretirement and Other Employee Benefits

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

The following table provides information about net periodic benefit cost for the pension plans during the three months ended November 30, 2015 and 2014 (in thousands):

	Three months ended	
	November 30, 2015	**November 30, 2014**
Service cost	$ 222	$ 282
Interest cost	1,268	1,468
Expected long-term return on plan assets	(1,463)	(1,521)
Recognized actuarial loss	266	515
Amortization of prior service cost	(35)	(41)
Net periodic benefit cost	$ 258	$ 703

During the three months ended November 30, 2015, the Company made contributions of approximately $0.9 million to its defined benefit pension plans. The Company expects to make total cash contributions of between $3.1 million and $3.9 million to its funded pension plans during the fiscal year ended August 31, 2016.

11. Commitments and Contingencies

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

The Internal Revenue Service (IRS) completed its field examination of the Company s tax returns for fiscal years 2009 through 2011 and issued a Revenue Agent s Report on May 27, 2015 proposing adjustments primarily related to U.S. taxation of certain intercompany transactions. If the IRS ultimately prevails in its positions, the Company s income tax payment due for the fiscal years 2009 through 2011 would be approximately $34.6 million after utilization of tax loss carry forwards available through fiscal year 2011. Also, the IRS has proposed interest and penalties with respect to fiscal years 2009 through 2011. The IRS may make similar claims in future audits with respect to these types of transactions. At this time, anticipating the amount of any future IRS proposed adjustments, interest, and penalties is not practicable.

The Company disagrees with the proposed adjustments and intends to vigorously contest these matters through the applicable IRS administrative and judicial procedures, as appropriate. As the final resolution of the proposed adjustments remains uncertain, the Company continues to provide for the uncertain tax positions based on the more likely than not standard. While the resolution of the issues may result in tax liabilities, interest and penalties, which are significantly higher than the amounts provided for these matters, management currently believes that the resolution will not have a material adverse effect on the Company s financial position, results of operations or cash flows. Despite this belief, an unfavorable resolution, particularly if the IRS successfully asserts similar claims for later years, could have a material adverse effect on the Company s results of operations and financial condition.

12. Derivative Financial Instruments and Hedging Activities

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

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

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

a. Foreign Currency Risk Management

Forward contracts are put in place to manage the foreign currency risk associated with anticipated foreign currency denominated revenues and expenses. A hedging relationship existed with an aggregate notional amount outstanding of $355.2 million and $615.1 million at November 30, 2015 and August 31, 2015, respectively. The related forward foreign exchange contracts have been designated as hedging instruments and are accounted for as cash flow hedges. The forward foreign exchange contract transactions will effectively lock in the value of anticipated foreign currency denominated revenues and expenses against foreign currency fluctuations. The anticipated foreign currency denominated revenues and expenses being hedged are expected to occur between December 1, 2015 and May 31, 2016.

In addition to derivatives that are designated as hedging instruments and qualify for hedge accounting, the Company also enters into forward contracts to economically hedge transactional exposure associated with commitments arising from trade accounts receivable, trade accounts payable, fixed purchase obligations and intercompany transactions denominated in a currency other than the functional currency of the respective operating entity. The aggregate notional amount of these outstanding contracts at November 30, 2015 and August 31, 2015, was $1.6 billion and $1.8 billion, respectively.

The following table presents the Company s assets and liabilities related to forward foreign exchange contracts measured at fair value on a recurring basis as of November 30, 2015, aggregated by the level in the fair-value hierarchy in which those measurements are classified (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Forward foreign exchange contracts	$	16,376		$ 16,376
Liabilities:				
Forward foreign exchange contracts		(21,278)		(21,278)
Total	$	(4,902)		$ (4,902)

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

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The following table presents the fair values of the Company s derivative instruments located on the Condensed Consolidated Balance Sheets utilized for foreign currency risk management purposes at November 30, 2015 and August 31, 2015 (in thousands):

	Fair Values of Derivative Instruments					
	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Fair Value at November 30, 2015	Fair Value at August 31, 2015	Balance Sheet Location	Fair Value at November 30, 2015	Fair Value at August 31, 2015
Derivatives designated as hedging instruments:						
Forward foreign exchange contracts	Prepaid expenses and other current assets	$ 4,732	$ 267	Accrued expenses	$ 8,918	$ 16,509
Derivatives not designated as hedging instruments:						
Forward foreign exchange contracts	Prepaid expenses and other current assets	$ 11,644	$ 5,525	Accrued expenses	$ 12,360	$ 29,529

As of November 30, 2015 and August 31, 2015, the Company also included gains and losses in AOCI related to changes in fair value of its derivatives utilized for foreign currency risk management purposes and designated as hedging instruments. These gains and losses were not material and the portion that is expected to be reclassified into earnings during the next 12 months will be classified as components of net revenue, cost of revenue and selling, general and administrative expense. The gains and losses recognized in earnings due to hedge ineffectiveness and the amount excluded from effectiveness testing were not material for all periods presented and are included as components of net revenue, cost of revenue and selling, general and administrative expense.

The Company recognized gains and losses in earnings related to changes in fair value of derivatives utilized for foreign currency risk management purposes and not designated as hedging instruments during the three months ended November 30, 2015 and 2014. These amounts were not material and were recognized as components of cost of revenue.

b. Interest Rate Risk Management

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

Fair Value Hedges

During the second quarter of fiscal year 2011, the Company entered into a series of interest rate swaps with an aggregate notional amount of $200.0 million designated as fair value hedges of a portion of the Company s 7.750%

Senior Notes. Under these interest rate swaps, the Company received fixed rate interest payments and paid interest at a variable rate based on LIBOR plus a spread. The effect of these swaps was to convert fixed rate interest expense on a portion of the 7.750% Senior Notes to floating rate interest expense. Gains and losses related to changes in the fair value of the interest rate swaps were recorded to interest expense and offset changes in the fair value of the hedged portion of the underlying 7.750% Senior Notes.

During the fourth quarter of fiscal year 2011, the Company terminated the interest rate swaps entered into in connection with the 7.750% Senior Notes with a fair value of $12.2 million, including accrued interest of $0.6 million at August 31, 2011. The portion of the fair value that is not accrued interest is recorded as a hedge accounting adjustment to the carrying amount of the 7.750% Senior Notes and is being amortized as a reduction to interest expense over the remaining term of the 7.750% Senior Notes. The Company recorded $0.6 million in amortization as a reduction to interest expense during the three months ended November 30, 2015. At November 30, 2015 and August 31, 2015, the unamortized hedge accounting adjustment recorded is $1.5 million and $2.1 million, respectively, in the Condensed Consolidated Balance Sheets.

Cash Flow Hedges

During the fourth quarter of fiscal year 2007, the Company entered into forward interest rate swap transactions to hedge the fixed interest rate payments for an anticipated debt issuance, which was the issuance of the 8.250% Senior Notes. The swaps were accounted for as a cash flow hedge and had a notional amount of $400.0 million. Concurrently with the pricing of the 8.250% Senior Notes, the Company settled the swaps by its payment of $43.1 million. The ineffective portion of the swaps was immediately recorded to interest expense within the Condensed Consolidated Statements of Operations. The effective portion of the swaps is recorded on the Company s Condensed Consolidated Balance Sheets as a component of AOCI and is being amortized to interest expense within the Company s Condensed Consolidated Statements of Operations over the life of the 8.250% Senior Notes, which is through March 15,

2018. The effective portions of the swaps amortized to interest expense during the three months ended November 30, 2015 and 2014 were not material. Existing losses related to interest rate risk management hedging arrangements that are expected to be reclassified into earnings during the next 12 months are not material.

13. Restructuring and Related Charges

2013 Restructuring Plan

In conjunction with the restructuring plan that was approved by the Company s Board of Directors in fiscal year 2013 (the 2013 Restructuring Plan), the Company charged $1.4 million and $13.5 million of restructuring and related charges to the Condensed Consolidated Statement of Operations during the three months ended November 30, 2015 and 2014, respectively. The 2013 Restructuring Plan is intended to better align the Company s manufacturing capacity in certain geographies and to reduce the Company s worldwide workforce in order to reduce operating expenses. These restructuring activities are intended to address current market conditions and customer requirements. The restructuring and related charges during the three months ended November 30, 2015 and 2014 include cash costs of $1.1 million and $6.6 million related to employee severance and benefit costs, respectively, $0.0 million and $2.0 million related to lease costs, respectively, and $0.3 million and $0.5 million of other related costs, respectively, as well as non-cash costs of $0.0 million and $4.4 million related to asset write-off costs, respectively.

The Company currently expects to recognize approximately $179.0 million, excluding the restructuring and related charges previously incurred for the AMS discontinued operations, in pre-tax restructuring and other related costs over the course of the Company s fiscal years 2013, 2014, 2015 and 2016 under the 2013 Restructuring Plan. Since the inception of the 2013 Restructuring Plan, a total of $151.9 million of restructuring and related costs have been recognized. Of the $151.9 million recognized to date, $114.7 million was allocated to the EMS segment, $28.3 million was allocated to the DMS segment and $8.9 million was not allocated to a segment. A majority of the total restructuring costs are related to employee severance and benefit arrangements. The charges related to the 2013 Restructuring Plan, excluding asset write-off costs, are currently expected to result in cash expenditures of approximately $157.4 million that have been or will be payable over the course of the Company s fiscal years 2013, 2014, 2015, 2016 and 2017. Much of the 2013 Restructuring Plan as discussed reflects the Company s intention only and restructuring decisions, and the timing of such decisions, at certain plants are still subject to the finalization of timetables for the transition of functions and consultation with the Company s employees and their representatives.

The tables below set forth the significant components and activity in the 2013 Restructuring Plan during the three months ended November 30, 2015 and 2014 (in thousands):

2013 Restructuring Plan Three Months Ended November 30, 2015

	Liability Balance at August 31, 2015	Restructuring Related Charges	Asset Write-off Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at November 30, 2015
Employee severance and benefit costs	$ 30,047	$ 1,078	$ (1,396)	$ (8,954)	$ 20,775
Lease costs	64				64
Other related costs	846	275	(49)	(216)	856

Total	$ 30,957	$ 1,353	$ (1,445)	$ (9,170)	$ 21,695

2013 Restructuring Plan Three Months Ended November 30, 2014

	Liability Balance at August 31, 2014	Restructuring Related Charges	Asset Write-off Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at November 30, 2014
Employee severance and benefit costs	$ 45,246	$ 6,605	$ (1,790)	$ (16,831)	$ 33,230
Lease costs	18	1,961			1,979
Asset write-off costs		4,406	(4,406)		
Other related costs	257	497	(18)	(292)	444
Total	$ 45,521	$ 13,469	$ (6,214)	$ (17,123)	$ 35,653

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The tables below set forth the significant components and activity in the 2013 Restructuring Plan by reportable segment during the three months ended November 30, 2015 and 2014 (in thousands):

2013 Restructuring Plan Three Months Ended November 30, 2015

	Liability Balance at August 31, 2015	Restructuring Related Charges	Asset Write-off Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at November 30, 2015
EMS	$ 28,834	$ 1,236	$ (1,426)	$ (8,565)	$ 20,079
DMS	1,960	236	(19)	(561)	1,616
Other	163	(119)		(44)	
Total	$ 30,957	$ 1,353	$ (1,445)	$ (9,170)	$ 21,695

2013 Restructuring Plan Three Months Ended November 30, 2014

	Liability Balance at August 31, 2014	Restructuring Related Charges	Asset Write-off Charge and Other Non-Cash Activity	Cash Payments	Liability Balance at November 30, 2014
EMS	$ 35,504	$ 11,748	$ (6,159)	$ (11,525)	$ 29,568
DMS	8,268	(51)	(55)	(3,096)	5,066
Other	1,749	1,772		(2,502)	1,019
Total	$ 45,521	$ 13,469	$ (6,214)	$ (17,123)	$ 35,653

14. Business Acquisitions

Fiscal year 2016

During the three months ended November 30, 2015, the Company completed two acquisitions (Inala Technologies Limited and various legal entities collectively referred to as Shemer Companies) which were not deemed to be significant individually or in the aggregate. The acquired businesses expanded the Company s capabilities in capital equipment, networking and telecommunications, and printing. The aggregate purchase price of these acquisitions totaled approximately $72.8 million in cash, which remains subject to adjustment based on review of the actual net assets of the acquisitions as of the respective closing dates.

The acquisitions have been accounted for as business combinations using the acquisition method of accounting. Assets acquired of $92.2 million, including $21.4 million in goodwill and $28.5 million in intangible assets, and liabilities assumed of $19.4 million were recorded at their estimated fair values as of the acquisition dates. The Company is currently evaluating the fair values of the assets and liabilities related to the business combinations completed during the three months ended November 30, 2015. The preliminary estimates and measurements are, therefore, subject to change during the measurement period for inventory, property, plant and equipment, intangible assets, accrued expenses and tax adjustments. The excess of the purchase prices over the fair values of the acquired assets and assumed liabilities of $21.4 million was recorded to goodwill and was fully allocated to the EMS segment.

None of the goodwill is currently expected to be deductible for income tax purposes. The Company expensed transaction costs in connection with the acquisitions of approximately $1.0 million during the three months ended November 30, 2015. The results of operations of the acquired businesses were included in the Company s condensed consolidated financial results beginning on the date of the acquisitions. Pro forma information has not been provided as the acquisitions are not deemed to be significant individually or in the aggregate.

On November 25, 2015, the Company entered into a master purchase agreement for certain assets with various legal entities, collectively referred to as Hanson . Hanson is engaged in the business of manufacturing certain parts for customers in the DMS segment. Completion of this transaction, which is subject to regulatory clearance and customary closing conditions, is expected to take place during fiscal year 2016. The total purchase price is expected to be $172.5 million plus a debt assumption which will be funded from Jabil s existing cash and credit facilities.

Fiscal year 2015

On July 1, 2015, the Company completed the acquisition of J.Y.E. Castella Llorca, S.L. and each of its subsidiaries (collectively referred to as Plasticos) by acquiring 100% of the issued and outstanding common shares of J.Y.E. Castella Llorca, S.L. The aggregate purchase price totaled approximately $111.0 million in cash, based on the exchange rate on the date of acquisition.

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The acquisition of Plasticos has been accounted for as a business combination using the acquisition method of accounting. Assets acquired of $168.5 million, including $41.7 million in goodwill and $32.1 million in intangible assets, and liabilities assumed of $49.7 million were recorded at their estimated fair values based on the exchange rate on the date of acquisition. During the fourth quarter of fiscal year 2015, the Company recorded a step acquisition gain of $6.2 million on the previously held Plasticos equity interest of $1.6 million. The excess of the purchase price over the fair value of the acquired assets and assumed liabilities of $41.7 million was recorded to goodwill. None of the goodwill is currently expected to be deductible for income tax purposes. The results of operations were included in the Company s condensed consolidated financial results beginning on July 1, 2015. Pro forma information has not been provided as the acquisition of Plasticos is not deemed to be significant.

In connection with the acquisition of Plasticos, the Company acquired $32.1 million of intangible assets, including $24.4 million assigned to customer relationships with an assigned useful life of up to 10 years, $6.5 million assigned to intellectual property with an assigned useful life of up to 5 years and $1.2 million assigned to a definite-lived trade name with an assigned useful life of up to 1 year.

During the fiscal year ended August 31, 2015, the Company completed five additional acquisitions which were not deemed to be significant individually or in the aggregate. The acquired businesses expanded the Company s capabilities in consumer lifestyles and wearable technologies and networking and telecommunications. The aggregate purchase price of these acquisitions totaled approximately $117.0 million in cash.

The acquisitions have been accounted for as business combinations using the acquisition method of accounting. Assets acquired of $167.8 million, including $42.4 million in goodwill and $31.7 million in intangible assets, and liabilities assumed of $50.8 million were recorded at their estimated fair values as of the acquisition dates. The excess of the purchase prices over the fair values of the acquired assets and assumed liabilities of $42.4 million was recorded to goodwill. None of the goodwill is currently expected to be deductible for income tax purposes. The results of operations were included in the Company s condensed consolidated financial results beginning on the date of the acquisitions. Pro forma information has not been provided as the acquisitions are not deemed to be significant individually or in the aggregate.

15. New Accounting Guidance

a. Recently Adopted Accounting Guidance

During the first quarter of fiscal year 2016, the Financial Accounting Standards Board (FASB) issued an accounting standard to simplify the presentation of deferred taxes. The new guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet, as opposed to being presented as current and noncurrent. This guidance is required to be adopted for the Company beginning in the first quarter of fiscal year 2018. Early adoption is permitted, and may be applied either prospectively, for all deferred tax assets and liabilities, or retrospectively. The Company has early adopted this new standard, applying it prospectively, as of November 30, 2015. Prior periods were not retrospectively adjusted.

b. Recently Issued Accounting Guidance

During the third quarter of fiscal year 2014, the FASB issued an accounting standard which will supersede existing revenue recognition guidance under current U.S. GAAP. The new standard is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. During the fourth quarter of fiscal year 2015, the FASB issued an accounting standard deferring the effective date of this accounting guidance by one year. Therefore, the accounting standard is effective for the Company in the first quarter of fiscal year 2019. Companies may use either a full retrospective or a modified retrospective approach to adopt this standard and management is currently evaluating which transition approach to use. The Company is currently in the process of assessing what impact this new standard may have on its Condensed Consolidated Financial Statements.

During the third quarter of fiscal year 2015, the FASB issued new accounting guidance intended to simplify the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented as a direct deduction from the carrying amount of that debt liability on the balance sheet, consistent with the presentation for debt discounts. During the fourth quarter of fiscal year 2015, the FASB issued an accounting standard to address the presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. The guidance allows an entity to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. This guidance must be applied on a retrospective basis and is effective for the Company beginning in the first quarter of fiscal year 2017 with early adoption permitted. The Company does not expect the adoption of this guidance to have a significant impact on its Condensed Consolidated Financial Statements.

During the fourth quarter of fiscal year 2015, the FASB issued a new accounting standard intended to simplify the subsequent measurement of inventory, excluding inventory accounted for under the last-in, first-out or the retail inventory methods. The new

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standard replaces the current lower of cost or market test with a lower of cost and net realizable value test. Under the current guidance, market could be replacement cost, net realizable value or net realizable value less an approximately normal profit margin. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This guidance should be applied on a prospective basis and is effective for the Company beginning in the first quarter of fiscal year 2018 with early adoption permitted. The Company is currently in the process of assessing what impact this new standard may have on its Condensed Consolidated Financial Statements.

During the first quarter of fiscal year 2016, the FASB issued an accounting standard to simplify an acquirer s accounting for adjustments made to provisional amounts recognized in a business combination. The guidance requires the acquirer to recognize any adjustments to provisional amounts identified during the measurement period in the reporting period in which the adjustments are determined, as opposed to retrospectively applying adjustments to prior periods presented in financial statements. Thus, the acquirer will adjust its financial statements as needed, including recognizing in its current period earnings the effect of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. This guidance is effective for the Company beginning in the first quarter of fiscal year 2017. Early adoption is permitted, and the update must be applied prospectively. The Company is currently assessing the impact this new standard may have on its Condensed Consolidated Financial Statements.

16. Income Taxes

The effective tax rate differed from the U.S. federal statutory rate of 35% during the three months ended November 30, 2015 and 2014 primarily due to: (a) income in tax jurisdictions with lower statutory tax rates than the U.S.; (b) tax incentives granted to sites in Brazil, China, Malaysia, Poland, Singapore and Vietnam; and (c) losses in tax jurisdictions with existing valuation allowances. The material tax incentives expire at various dates through 2020. Such tax incentives are subject to conditions with which the Company expects to continue to comply.

17. Subsequent Events

The Company has evaluated subsequent events that occurred through the date of the filing of the Company s first quarter of fiscal year 2016 Form 10-Q. No significant events occurred subsequent to the balance sheet date and prior to the filing date of this report that would have a material impact on the Condensed Consolidated Financial Statements.

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JABIL CIRCUIT, INC. AND SUBSIDIARIES

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

- *business conditions and growth or declines in our customers industries, the electronic manufacturing services industry and the general economy;*
- *variability of our operating results;*
- *our dependence on a limited number of major customers;*
- *any potential future termination, or substantial winding down, of significant customer relationships;*
- *availability of components;*
- *our dependence on certain industries;*
- *the susceptibility of our production levels to the variability of customer requirements, including seasonal influences on the demand for certain end products;*

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

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

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

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

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

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

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

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

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For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations sections contained in this document, as well as our Annual Report on Form 10-K for the fiscal year ended August 31, 2015, any subsequent reports on Form 10-Q and Form 8-K and other filings with the Securities and Exchange Commission (SEC). Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements.

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

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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 and product management services to companies in the automotive, capital equipment, consumer lifestyles and wearable technologies, computing and storage, defense and aerospace, digital home, emerging growth, healthcare, industrial and energy, mobility, networking and telecommunications, packaging, point of sale and printing industries. We serve our customers primarily with dedicated business units that combine highly automated, continuous flow manufacturing with advanced electronic design and design for manufacturability. We currently depend, and expect to continue to depend, upon a relatively small number of customers for a significant percentage of our net revenue and upon their growth, viability and financial stability. Based on net revenue, for the three months ended November 30, 2015, our largest customers include Apple, Inc., Cisco Systems, Inc., LM Ericsson Telephone Company, General Electric Company, Hewlett-Packard Company, Ingenico S.A., NetApp, Inc., Sony Mobile Communications, Inc., Valeo S.A. and Zebra Technologies Corporation. For the three months ended November 30, 2015, we had net revenues of approximately $5.2 billion and net income attributable to Jabil Circuit, Inc. of approximately $131.9 million.

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

- integrated design and engineering;
- component selection, sourcing and procurement;
- automated assembly;
- design and implementation of product testing;
- parallel global production;
- enclosure services;
- systems assembly, direct order fulfillment and configure to order; and
- injection molding, metal, plastics, precision machining and automation.

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

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

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

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

Summary of Results

The following table sets forth, for the three months ended November 30, 2015 and 2014, certain key operating results and other financial information (in thousands, except per share data):

	Three months ended	
	November 30, 2015	**November 30, 2014**
Net revenue	$ 5,207,977	$ 4,550,418
Gross profit	$ 483,535	$ 382,987
Operating income	$ 214,503	$ 144,755
Net income attributable to Jabil Circuit, Inc.	$ 131,885	$ 72,162
Net earnings per share - basic	$ 0.69	$ 0.37
Net earnings per share - diluted	$ 0.68	$ 0.37
Cash dividend per share - declared	$ 0.08	$ 0.08

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			
	November 30, 2015	**August 31, 2015**	**May 31, 2015**	**February 28, 2015**

Sales cycle	6 days	4 days	1 day	4 days
Inventory turns (annualized)	8 turns	7 turns	7 turns	7 turns
Days in accounts receivable	29 days	28 days	25 days	27 days
Days in inventory	48 days	52 days	51 days	48 days
Days in accounts payable	71 days	76 days	75 days	71 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 November 30, 2015, days in accounts receivable increased 1 day to 29 days as compared to the prior sequential quarter primarily due to the timing of sales and collections activity. During the three months ended November 30, 2015, days in inventory decreased 4 days to 48 days as compared to the prior sequential quarter due to increased sales activity. During the three months ended November 30, 2015, days in accounts payable decreased 5 days to 71 days from the prior sequential quarter primarily due to the timing of purchases and cash payments for purchases during the quarter. During the three months ended November 30, 2015, inventory turns, on an annualized basis, remained relatively consistent at 8 turns from the prior sequential quarter. The sales cycle was 6 days during the three months ended November 30, 2015. The changes in the sales cycle are due to the changes in accounts receivable, accounts payable and inventory that are discussed above.

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Critical Accounting Policies and Estimates

The preparation of our Condensed Consolidated Financial Statements and related disclosures in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that our estimates and assumptions are reasonable under the circumstances; however, actual results may vary from these estimates and assumptions under different future circumstances. For further discussion of our significant accounting policies, refer to Note 1 Description of Business and Summary of Significant Accounting Policies to the Consolidated Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates in our Annual Report on Form 10-K for the fiscal year ended August 31, 2015.

Recent Accounting Pronouncements

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

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Results of Operations

The following table sets forth, for the three months ended November 30, 2015 and 2014, certain statements of operations data expressed as a percentage of net revenue:

	Three months ended	
	November 30, 2015	November 30, 2014
Net revenue	100.0%	100.0%
Cost of revenue	90.7	91.6
Gross profit	9.3	8.4
Operating expenses:		
Selling, general and administrative	4.8	4.7
Research and development	0.2	0.1
Amortization of intangibles	0.2	0.1
Restructuring and related charges	0.0	0.3
Operating income	4.1	3.2
Other expense	0.0	0.0
Interest income	(0.0)	(0.0)
Interest expense	0.6	0.7
Income from continuing operations before tax	3.5	2.5
Income tax expense	1.0	1.0
Income from continuing operations, net of tax	2.5	1.5
Discontinued operations:		
Income from discontinued operations, net of tax		0.0
Loss on sale of discontinued operations, net of tax		(0.0)
Discontinued operations, net of tax		(0.0)
Net income	2.5	1.5
Net income attributable to noncontrolling interests, net of tax	0.0	0.0
Net income attributable to Jabil Circuit, Inc.	2.5%	1.5%

The Three Months Ended November 30, 2015 Compared to the Three Months Ended November 30, 2014

Net Revenue. Net revenue increased 14.5% to $5.2 billion during the three months ended November 30, 2015, compared to $4.6 billion during the three months ended November 30, 2014. Specifically, the DMS segment revenues increased 30% as a result of a 26% increase in revenues from customers within our mobility business due to strengthened end user product demand and new business and 4% growth in the consumer lifestyles and wearable technologies businesses. EMS segment revenues increased 3% due to a 5% increase in revenues from new business with existing customers within our telecommunications business, partially offset by a 2% decline spread across the remaining industries within the EMS segment.

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

The distribution of revenue across our segments has fluctuated, and will continue to fluctuate, as a result of numerous factors, including but not limited to the following: fluctuations in customer demand as a result of recessionary conditions; efforts to de-emphasize the economic performance of certain portions of our business; seasonality in our business; business growth from new and existing customers; specific product performance; and any potential termination, or substantial winding down, of significant customer relationships.

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

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

	Three months ended	
	November 30, 2015	November 30, 2014
EMS	52%	58%
DMS	48%	42%
Total	100%	100%

Foreign source revenue represented 92.1% of our net revenue for the three months ended November 30, 2015 and 88.3% of net revenue for the three months ended November 30, 2014. We currently expect our foreign source revenue to decrease as compared to current levels over the course of the next 12 months.

Gross Profit. Gross profit increased to $483.5 million (9.3% of net revenue) during the three months ended November 30, 2015, compared to $383.0 million (8.4% of net revenue) during the three months ended November 30, 2014. The increase in gross profit on an absolute basis and as a percentage of net revenue is primarily due to increased revenue from certain of our existing customers within the DMS segment, as well as an increased focus on controlling costs and improving productivity.

Selling, General and Administrative. Selling, general and administrative expenses increased to $251.5 million (4.8% of net revenue) during the three months ended November 30, 2015, compared to $214.4 million (4.7% of net revenue) during the three months ended November 30, 2014. Selling, general and administrative expenses as a percentage of net revenue remained relatively consistent with the same period of the prior fiscal year. Selling, general and administrative expenses on a gross basis increased during the three months ended November 30, 2015 as compared to the three months ended November 30, 2014 primarily due to an increase in salary and salary related expenses and other costs due to increased headcount to support the continued growth of our business.

Research and Development. Research and development expenses increased to $8.3 million (0.2% of net revenue) during the three months ended November 30, 2015, compared to $6.0 million (0.1% of net revenue) during the three months ended November 30, 2014. The increase is due to new projects in targeted growth sectors.

Amortization of Intangibles. Amortization of intangibles increased to $7.8 million during the three months ended November 30, 2015, compared to $5.6 million during the three months ended November 30, 2014. The increase is due to the definite lived intangible assets acquired in connection with the eight acquisitions that occurred during fiscal year 2015 and the first quarter of fiscal year 2016.

Restructuring and Related Charges.

2013 Restructuring Plan

In conjunction with the 2013 Restructuring Plan, we charged $1.4 million of restructuring and related charges to the Condensed Consolidated Statements of Operations during the three months ended November 30, 2015 compared to $13.5 million during the three months ended November 30, 2014. The 2013 Restructuring Plan is intended to better align our manufacturing capacity in certain geographies and to reduce our worldwide workforce in order to reduce operating expenses. These restructuring activities are intended to address current market conditions and customer requirements. The restructuring and related charges during the three months ended November 30, 2015 and 2014 include cash costs of $1.1 million and $6.6 million related to employee severance and benefit costs, respectively, $0.0 million and $2.0 million related to lease costs, respectively, and $0.3 million and $0.5 million of other related costs, respectively, as well as non-cash costs of $0.0 million and $4.4 million related to asset write-off costs, respectively.

During the three months ended November 30, 2015, $9.2 million was paid related to the 2013 Restructuring Plan. At November 30, 2015, accrued liabilities of approximately $21.0 million related to the 2013 Restructuring Plan are expected to be paid over the next twelve months.

We currently expect to recognize approximately $179.0 million, excluding the restructuring and related charges previously incurred for the AMS discontinued operations, in pre-tax restructuring and other related costs over the course of fiscal years 2013, 2014, 2015 and 2016 under the 2013 Restructuring Plan. The restructuring and related charges are expected to include $149.4 million of employee severance and benefit costs; $21.6 million of asset write-off costs; $3.5 million of contract termination costs and $4.5 million of other related costs. Since the inception of the 2013 Restructuring Plan, a total of $151.9 million of restructuring and related costs have been recognized as of November 30, 2015. The charges related to the 2013 Restructuring Plan, excluding asset write-off costs, are currently expected to result in cash expenditures of approximately $157.4 million that have been or will be payable over the course of our fiscal years 2013, 2014, 2015, 2016 and 2017. Much of the 2013 Restructuring Plan as discussed reflects our intention only and restructuring decisions, and the timing of such decisions, at certain plants are still subject to the finalization of timetables for the transition of functions and consultation with our employees and their representatives.

Upon its completion, the 2013 Restructuring Plan is expected to yield annualized cost savings of approximately $76.8 million. The expected avoided annual costs consist of a reduction in employee related expenses of $72.5 million, a reduction in depreciation expense associated with asset disposals of $3.1 million, and a reduction in rent expense associated with leased buildings that have been vacated of approximately $1.2 million. The majority of these annual cost savings are expected to be reflected as a reduction in cost of revenue as well as a reduction of selling, general and administrative expense. These annual costs savings are expected to be partially offset by decreased revenues and incremental costs expected to be incurred by those plants to which certain production will be shifted. After considering these partial cost savings offsets, we expect to realize annual cost savings of approximately $65.0 million.

Other Expense. Other expense remained relatively consistent at $1.8 million for the three months ended November 30, 2015 compared to $1.7 million for the three months ended November 30, 2014.

Interest Income. Interest income remained relatively consistent at $2.1 million during the three months ended November 30, 2015, compared to $1.7 million during the three months ended November 30, 2014.

Interest Expense. Interest expense remained relatively consistent at $33.0 million during the three months ended November 30, 2015, compared to $31.8 million during the three months ended November 30, 2014.

Income Tax Expense. Income tax expense reflects an effective tax rate of 27.4% for the three months ended November 30, 2015, compared to an effective tax rate of 35.2% for the three months ended November 30, 2014.

The effective tax rate for the three months ended November 30, 2015 decreased from the effective tax rate for the three months ended November 30, 2014 primarily due to the increase in income from continuing operations in low tax-rate jurisdictions during fiscal year 2016.

The effective tax rate differed from the U.S. federal statutory rate of 35% during the three months ended November 30, 2015 and 2014 primarily due to: (a) income in tax jurisdictions with lower statutory tax rates than the U.S.; (b) tax incentives granted to sites in Brazil, China, Malaysia, Poland, Singapore and Vietnam; and (c) losses in tax jurisdictions with existing valuation allowances. The material tax incentives expire at various dates through 2020. Such tax incentives are subject to conditions with which the Company expects to continue to comply.

Non-U.S. GAAP Core Financial Measures

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

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

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

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

	Three months ended November 30, 2015	Three months ended November 30, 2014
Operating income (U.S. GAAP)	$ 214,503	$ 144,755
Amortization of intangibles	7,840	5,590
Stock-based compensation expense and related charges	24,792	18,043
Restructuring and related charges	1,353	12,257
Core operating income (Non-U.S. GAAP)	$ 248,488	$ 180,645
Net income attributable to Jabil Circuit, Inc. (U.S. GAAP)	$ 131,885	$ 72,162
Amortization of intangibles, net of tax	7,148	5,589
Stock-based compensation expense and related charges, net of tax	24,497	17,694
Restructuring and related charges, net of tax	1,353	11,948
Income from discontinued operations, net of tax		(853)
Loss on sale of discontinued operations, net of tax		1,611
Core earnings (Non-U.S. GAAP)	$ 164,883	$ 108,151
Earnings per share (U.S. GAAP):		
Basic	$ 0.69	$ 0.37
Diluted	$ 0.68	$ 0.37
Core earnings per share (Non-U.S. GAAP):		
Basic	$ 0.87	$ 0.56
Diluted	$ 0.85	$ 0.55
Weighted average shares outstanding used in the calculations of earnings per share (U.S. GAAP & Non-U.S. GAAP):		
Basic	190,355	193,502
Diluted	193,243	195,314

Core operating income increased 37.6% to $248.5 million during the three months ended November 30, 2015, compared to $180.6 million during the three months ended November 30, 2014. Core earnings increased 52.5% to $164.9 million during the three months ended November 30, 2015, compared to $108.2 million during the three months ended November 30, 2014. These variances were the result of the same factors described above in Management s Discussion and Analysis of Financial Condition and Results of Operations The Three Months Ended November 30, 2015 Compared to the Three Months Ended November 30, 2014.

Acquisitions and Expansion

As discussed in Note 14 Business Acquisitions to the Condensed Consolidated Financial Statements, we completed two acquisitions during the three months ended November 30, 2015 and six acquisitions during the fiscal year ended August 31, 2015. Acquisitions are accounted for as business combinations using the acquisition method of accounting. Our Condensed Consolidated Financial Statements include the operating results of each business from the date of acquisition. See Risk Factors We have on occasion not achieved, and may not in the future achieve, expected profitability from our acquisitions; and some divestitures may adversely affect our financial condition, results of operations or cash flows.

Seasonality

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

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Liquidity and Capital Resources

At November 30, 2015, our principal sources of liquidity consisted of cash, available borrowings under our credit facilities, our asset-backed securitization programs and our uncommitted trade accounts receivable sale programs.

Cash Flows

The following table sets forth selected consolidated cash flow information during the three months ended November 30, 2015 and 2014 (in thousands):

	Three months ended November 30, 2015	November 30, 2014
Net cash provided by operating activities	$ 145,229	$ 189,101
Net cash used in investing activities	(344,132)	(190,312)
Net cash provided by (used in) financing activities	414,390	(66,668)
Effect of exchange rate changes on cash and cash equivalents	894	(10,866)
Net increase (decrease) in cash and cash equivalents	$ 216,381	$ (78,745)

Net cash provided by operating activities during the three months ended November 30, 2015 was approximately $145.2 million. This resulted primarily from net income of $131.9 million, $161.4 million in non-cash depreciation and amortization expense, a $112.6 million increase in accounts payable, accrued expenses and other liabilities, $24.8 million of recognized stock-based compensation expense and related charges and a $11.7 million decrease in inventories; which were partially offset by a $205.9 million increase in accounts receivable and a $84.2 million increase in prepaid expenses and other current assets. The increase in accounts payable and accrued expenses was primarily driven by the timing of purchases and cash payments as well as advanced deposits made from customers. The decrease in inventories was primarily due to increased sales levels in the first quarter of fiscal year 2016. The increase in accounts receivable was primarily driven by the timing of sales and collections activity coupled with higher sales levels. The increase in prepaid expenses and other current assets was primarily due to increases in refundable value-added taxes and increases in the deferred purchase price receivable under our asset-backed securitization programs due to an increase in receivables sold to the unaffiliated conduits and financial institutions.

Net cash used in investing activities during the three months ended November 30, 2015 was $344.1 million. This consisted primarily of capital expenditures of $252.1 million principally for machinery and equipment for new business particularly within our DMS segment, maintenance levels of machinery and equipment and information technology infrastructure upgrades, $67.3 million of cash paid for business acquisitions, net of cash received and $27.5 million of cash paid for the issuance of notes receivable.

Net cash provided by financing activities during the three months ended November 30, 2015 was $414.4 million. This resulted from our receipt of approximately $2.0 billion of proceeds from borrowings under existing debt agreements, which primarily included an aggregate of $1.5 billion of borrowings under the Revolving Credit Facility and $500.0 million under the Term Loan Facility. This was offset by repayments in an aggregate amount of approximately $1.5 billion, which primarily included an aggregate of $1.5 billion of repayments under the Revolving Credit Facility. In addition, during the three months ended November 30, 2015 we paid $54.6 million, including commissions, to repurchase 2,794,929 of our common shares, we paid $16.5 million in dividends to stockholders and we paid $10.3 million (the equivalent of 443,644 of our common shares) to the IRS on behalf of certain employees to satisfy minimum tax obligations related to the vesting of certain restricted stock awards (as consideration for these payments to the IRS, we withheld $10.3 million of employee-owned common stock related to this vesting).

Sources

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

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

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

a. Asset-Backed Securitization Programs

We continuously sell designated pools of trade accounts receivable under our asset-backed securitization programs to special purpose entities, which in turn sell 100% of the receivables to conduits administered by unaffiliated financial institutions (for the North American asset-backed securitization program) and to an unaffiliated financial institution and a conduit administered by an unaffiliated financial institution (for the foreign asset-backed securitization program). Any portion of the purchase price for the receivables which is not paid in cash upon the sale taking place is recorded as a deferred purchase price receivable, which is paid from available cash as payments on the receivables are collected. Net cash proceeds up to a maximum of $200.0 million for the North American asset-backed securitization program, currently scheduled to expire on October 20, 2017, are available at any one time. Net cash proceeds up to a maximum of $175.0 million for the foreign asset-backed securitization program, currently scheduled to expire on May 1, 2018, are available at any one time.

In connection with our asset-backed securitization programs, at November 30, 2015, we sold $824.2 million of eligible trade accounts receivable, which represents the face amount of total sold outstanding receivables at that date. In exchange, we received cash proceeds of $372.6 million and a deferred purchase price receivable. At November 30, 2015, the deferred purchase price receivable in connection with the asset-backed securitization programs totaled $451.6 million. The deferred purchase price receivable was recorded initially at fair value as prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets.

b. Trade Accounts Receivable Sale Programs

In connection with three separate trade accounts receivable sale programs with unaffiliated financial institutions, we may elect to sell, at a discount, on an ongoing basis, up to a maximum of $650.0 million, $150.0 million and $100.0 million, respectively, of specific trade accounts receivable at any one time. The $650.0 million trade accounts receivable sale program is an uncommitted facility that was amended during the first quarter of fiscal year 2016 to increase the uncommitted capacity from $450.0 million to $650.0 million and to extend the expiration date to November 1, 2016, although any party may elect to terminate the agreement upon 15 days prior notice. The $650.0 million trade accounts receivable sale program will be automatically extended each year until August 31, 2017, unless any party gives no less than 30 days prior notice that the agreement should not be extended. The $150.0 million trade accounts receivable sale program is an uncommitted facility that is subject to expiration on August 31, 2016.
The $100.0 million trade accounts receivable sale program is an uncommitted facility that is scheduled to expire on

November 1, 2016 (as the agreement was automatically extended on November 1, 2015), although any party may elect to terminate the agreement upon 15 days prior notice. The $100.0 million trade accounts receivable sale program will be automatically extended each year until November 1, 2018, unless any party gives no less than 30 days prior notice that the agreement should not be extended.

During the three months ended November 30, 2015, we sold $1.4 billion of trade accounts receivable under these programs and we received cash proceeds of $1.4 billion.

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Notes payable, long-term debt and capital lease obligations outstanding at November 30, 2015 and August 31, 2015 are summarized below (in thousands):

	November 30, 2015	August 31, 2015
7.750% Senior Notes due 2016	$ 310,808	$ 310,378
8.250% Senior Notes due 2018	399,142	399,047
5.625% Senior Notes due 2020	400,000	400,000
4.700% Senior Notes due 2022	500,000	500,000
Borrowings under credit facilities	124	323
Borrowings under loans [a]	527,951	30,410
Capital lease obligations	27,251	28,156
Fair value adjustment related to terminated interest rate swaps on the 7.750% Senior Notes	1,483	2,077
Total notes payable, long-term debt and capital lease obligations	2,166,759	1,670,391
Less current installments of notes payable, long-term debt and capital lease obligations	348,312	323,833
Notes payable, long-term debt and capital lease obligations, less current installments	$ 1,818,447	$ 1,346,558

(a) On July 6, 2015, we entered into an amended and restated senior unsecured five year credit agreement. The credit agreement provides for a revolving credit facility (the Revolving Credit Facility) in the initial amount of $1.5 billion, which may, subject to the lenders discretion, potentially be increased up to $2.0 billion and a $500.0 million five year delayed draw term loan facility (the Term Loan Facility and, together with the Revolving Credit Facility, the Credit Facility). On September 22, 2015, we borrowed $500.0 million against the Term Loan Facility.

At November 30, 2015 and August 31, 2015, we were in compliance with all covenants under the Credit Facility and our asset-backed securitization programs.

Uses

At November 30, 2015, we had approximately $1.1 billion in cash and cash equivalents. As our growth remains predominantly outside of the United States, a significant portion of such cash and cash equivalents are held by our foreign subsidiaries. We estimate that approximately $896.1 million of the cash and cash equivalents held by our foreign subsidiaries could not be repatriated to the United States without potential income tax consequences.

For discussion of our cash management and risk management policies see Quantitative and Qualitative Disclosures About Market Risk.

We have increased our capital expenditures in an effort to accelerate growth and currently anticipate that during the next 12 months, our capital expenditures, which do not include any amounts spent on acquisitions, will be in the range of $800.0 million to $1.0 billion, principally for capacity and infrastructure; investments in our DMS operations, specifically our mobility, healthcare, packaging and consumer lifestyles businesses; and to support ongoing business in the EMS segment. Additionally, our capital expenditures will be used to expand our capabilities and invest in new non-traditional end markets. The amounts used to fund such capital expenditures will not be available to be deployed elsewhere by us. We believe that our level of resources, which include cash on hand, available borrowings under our revolving credit facilities, additional proceeds available under our trade accounts receivable securitization programs and potentially available under our uncommitted trade accounts receivable sale programs and funds provided by operations, will be adequate to fund these capital expenditures, the payment of any declared quarterly dividends, any potential acquisitions and our working capital requirements for the next 12 months.

Our 7.750% Senior Notes of $312.0 million will mature within the next twelve months. We believe that our cash on hand and available borrowing under our credit facilities will be adequate to fund the payment of the 7.750% Senior Notes. However, we may seek to access public or private debt markets to fund the payment of the 7.750% Senior Notes.

In the fourth quarter of fiscal year 2015, our Board of Directors authorized the repurchase of $100.0 million of our common shares during the twelve month period following their authorization. During the three months ended November 30, 2015, we repurchased 2.8 million shares for approximately $54.5 million, which utilized the remaining amount outstanding of the $100.0 million authorized by our Board of Directors.

On October 14, 2015 our Board of Directors approved payment of a quarterly dividend of $0.08 per share to shareholders of record November 16, 2015. Of the total cash dividend declared on October 14, 2015 of $15.9 million, $15.2 million was paid on December 1, 2015. The remaining $0.7 million is related to dividend equivalents on unvested restricted stock units that will be payable at the time the awards vest. We currently expect to continue to declare and pay regular quarterly dividends of an amount similar to our past declarations. However, the declaration and payment of future dividends are discretionary and will be subject to determination by our Board of Directors each quarter following its review of our financial performance.

Our $200.0 million North American asset-backed securitization program is scheduled to expire on October 20, 2017, and our $175.0 million foreign asset-backed securitization program is scheduled to expire on May 1, 2018. We may be unable to renew either of these programs. The $650.0 million trade accounts receivable sale agreement is an uncommitted facility that was amended during the first quarter of fiscal year 2016 to increase the uncommitted capacity from $450.0 million to $650.0 million and to extend the expiration date to November 1, 2016, although any party may elect to terminate the agreement upon 15 days prior notice. The $650.0 million trade accounts receivable sale agreement will be automatically extended each year until August 31, 2017, unless any party gives no less than 30 days prior notice that the agreement should not be extended. The $150.0 million trade accounts receivable sale agreement is an uncommitted facility that is subject to expiration on August 31, 2016. The $100.0 million trade accounts receivable sale agreement is an uncommitted facility that is scheduled to expire on November 1, 2016 (as the agreement was automatically extended on November 1, 2015), although any party may elect to terminate the agreement upon 15 days prior notice. The $100.0 million trade accounts receivable sale agreement will be automatically extended each year until November 1, 2018, unless any party gives no less than 30 days prior notice that the agreement should not be extended. We can offer no assurance under the uncommitted sales programs that if we attempt to sell receivables under such programs in the future that we will receive funding from the associated banks which would require us to utilize other available sources of liquidity, including our revolving credit facilities.

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

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

Contractual Obligations

Our contractual obligations for short and long-term debt arrangements and capital lease obligations; future interest on notes payable, long-term debt and capital lease obligations; future minimum lease payments under non-cancelable operating lease arrangements; non-cancelable purchase order obligations for property, plant and equipment; pension and postretirement contributions and payments and capital commitments as of November 30, 2015 are summarized below. While, as disclosed below, we have certain non-cancelable purchase order obligations for property, plant and equipment, we generally do not enter into non-cancelable purchase orders for materials until we receive a corresponding purchase commitment from our customer. Non-cancelable purchase orders do not typically extend beyond the normal lead time of several weeks at most. Purchase orders beyond this time frame are typically cancelable.

	Payments due by period (in thousands)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Notes payable, long-term debt and capital lease obligations [(a)]	$ 2,165,276	$ 346,829	$ 492,929	$ 402,768	$ 922,750
Future interest on notes payable, long-term debt and capital lease obligations [(b)]	444,283	105,043	163,163	109,556	66,521
Operating lease obligations	456,531	99,119	137,590	93,883	125,939
Non-cancelable purchase order obligations [(c)]	157,743	145,517	12,226		
Pension and postretirement contributions and payments [(d)]	9,636	3,910	916	1,219	3,591
Total contractual cash obligations [(e)]	$ 3,233,469	$ 700,418	$ 806,824	$ 607,426	$ 1,118,801

(a) The above table excludes a $1.5 million fair value adjustment related to the former interest rate swap on the 7.750% Senior Notes.

(b) At November 30, 2015, our notes payable, long-term debt and capital lease obligations pay interest at predominantly fixed rates.

(c) Consists of purchase commitments entered into as of November 30, 2015 for property, plant and equipment pursuant to legally enforceable and binding agreements.

(d) Includes the estimated company contributions to funded pension plans for the annualized nine month period following the first quarter of fiscal year 2016 and the expected benefit payments for unfunded pension and postretirement plans through 2025. These future payments are not recorded on the Condensed Consolidated Balance Sheets but will be recorded when paid.

(e) At November 30, 2015, we have $2.4 million and $102.1 million recorded as a current and a long-term liability, respectively, for uncertain tax positions. We are not able to reasonably estimate the timing of payments, or the amount by which our liability for these uncertain tax positions will increase or decrease over time, and accordingly, this liability has been excluded from the above table.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Risks

We transact business in various foreign countries and are, therefore, subject to risk of foreign currency exchange rate fluctuations. We enter into forward contracts to economically hedge transactional exposure associated with commitments arising from trade accounts receivable, trade accounts payable, intercompany transactions and fixed purchase obligations denominated in a currency other than the functional currency of the respective operating entity. We do not, and do not intend to use derivative financial instruments for speculative purposes. All derivative instruments are recorded on our Condensed Consolidated Balance Sheets at their respective fair values. At November 30, 2015, except for certain foreign currency contracts with a notional amount outstanding of $355.2 million and a fair value of $4.7 million recorded in prepaid expenses and other current assets and $8.9 million recorded in accrued expenses, the forward contracts have not been designated as accounting hedges and, therefore, changes in fair value are recorded within our Condensed Consolidated Statements of Operations.

The aggregate notional amount of outstanding contracts at November 30, 2015 that are not designated as accounting hedges was $1.6 billion. The fair values of these contracts amounted to a $11.6 million asset recorded in prepaid expenses and other current assets and a $12.4 million liability recorded to accrued expenses on our Condensed Consolidated Balance Sheets.

The forward contracts (both those that are designated as accounting hedging instruments and those that are not) will generally expire in less than three months, with eight months being the maximum term of the contracts outstanding at November 30, 2015. The change in fair value related to contracts designated as accounting hedging instruments will be reflected in the revenue or expense line in which the underlying transaction occurs within our Condensed Consolidated Statements of Operations. The change in fair value related to contracts not designated as accounting hedging instruments will be reflected in cost of revenue within our Condensed Consolidated Statements of Operations. The forward contracts are denominated in Brazilian reais, British pounds, Chinese yuan renminbi, Euros, Hungarian forints, Indian rupees, Japanese yen, Malaysian ringgits, Mexican pesos, Polish zlotys, Russian rubles, Swiss francs, Taiwan dollars and U.S. dollars.

Based on our overall currency rate exposures as of November 30, 2015, including the derivative financial instruments intended to hedge the nonfunctional currency-denominated monetary assets and liabilities, an immediate 10% hypothetical change of foreign currency exchange rates would not have a material effect on our Condensed Consolidated Financial Statements.

Interest Rate Risk

A portion of our exposure to market risk for changes in interest rates relates to our domestic investment portfolio. We do not, and do not intend to, use derivative financial instruments for speculative purposes. We place cash and cash equivalents with various major financial institutions. We protect our invested principal funds by limiting default risk, market risk and reinvestment risk. We mitigate these risks by generally investing in investment grade securities and by frequently positioning the portfolio to try to respond appropriately to a reduction in credit rating of any investment issuer, guarantor or depository to levels below the credit ratings dictated by our investment policy. The portfolio typically includes only marketable securities with active secondary or resale markets to ensure portfolio liquidity. At November 30, 2015, there were no significant outstanding investments.

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

During the fourth quarter of fiscal year 2011, we terminated the interest rate swaps entered into in connection with the 7.750% Senior Notes with a fair value of $12.2 million, including accrued interest of $0.6 million at August 31, 2011. The portion of the fair value that is not accrued interest is recorded as a hedge accounting adjustment to the carrying amount of the 7.750% Senior Notes and is being amortized as a reduction to interest expense over the remaining term of the 7.750% Senior Notes. At November 30, 2015, the hedge accounting adjustment recorded is $1.5 million in the Condensed Consolidated Balance Sheets.

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We pay interest on several of our outstanding borrowings at interest rates that fluctuate based upon changes in various base interest rates. There were $500.1 million in borrowings outstanding under these facilities at November 30, 2015. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources and Note 7 Notes Payable, Long-Term Debt and Capital Lease Obligations to the Condensed Consolidated Financial Statements for additional information regarding our outstanding debt obligations. The effect of an immediate hypothetical 10% change in variable interest rates would not have a material effect on our Condensed Consolidated Financial Statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation required by Rules 13a-15 and 15d-15 under the Exchange Act (the Evaluation), under the supervision and with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15 and 15d-15 under the Exchange Act (Disclosure Controls) as of November 30, 2015. Based on the Evaluation, our CEO and CFO concluded that the design and operation of our Disclosure Controls were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) accumulated and communicated to our senior management, including our CEO and CFO, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

For our fiscal quarter ended November 30, 2015, we did not identify any modifications to our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

Limitations on the Effectiveness of Controls and Other Matters

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

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

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

CEO and CFO Certifications

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

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

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

- adverse changes in current macro-economic conditions, both in the U.S. and internationally;
- how well we execute on our strategy and operating plans, and the impact of changes in our business model;
- the level and timing of customer orders;
- the level of capacity utilization of our manufacturing facilities and associated fixed costs, including instances where we maintain manufacturing facilities and associated fixed costs in anticipation of future customer orders and the actual orders never occur, are at lower than anticipated levels and/or occur later than expected;
- the composition of the costs of revenue between materials, labor and manufacturing overhead;