

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

Form 10-K

(Mark one)

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

For the fiscal year ended August 31, 2003

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: 0-21308

Jabil Circuit, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
*(State or Other Jurisdiction of
Incorporation or Organization)*

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

**10560 Dr. Martin Luther King, Jr. Street North,
St. Petersburg, Florida**
(Address of principal executive offices)

33716
(Zip Code)

Registrant's telephone number, including area code:

(727) 577-9749

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, \$0.001 par value per share

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting common stock held by non-affiliates of the Registrant based on the closing sale price of the Common Stock as reported on the New York Stock Exchange on February 28, 2003 was approximately \$2.6 billion. For purposes of this determination, shares of Common Stock held by each officer and director and by each person who owns 10% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The number of outstanding shares of the Registrant's Common Stock as of the close of business on October 22, 2003, was 199,743,897. The Registrant does not have any non-voting stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's definitive Proxy Statement for the 2003 Annual Meeting of Stockholders to be held on January 13, 2004 is incorporated by

reference in Part III of this Annual Report on Form 10-K to the extent stated herein.

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PART I

Item 1. **Business**

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 Annual Report on Form 10-K contains certain statements that are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and are made in reliance upon the protections provided by such acts for forward-looking statements. These forward-looking statements (such as when we describe what “will”, “may” or “should” occur, what we “plan”, “intend”, “estimate”, “believe”, “expect” or “anticipate” will occur, and other similar statements) include, but are not limited to, statements regarding future sales and operating results, future prospects, anticipated benefits of proposed (or future) acquisitions and new facilities, growth, the capabilities and capacities of business operations, any financial or other guidance and all statements that are not based on historical fact, but rather reflect our current expectations concerning future results and events. We make certain assumptions when making forward-looking statements, any of which could prove inaccurate, including, but not limited to, statements about our future operating results and business plans. The ultimate correctness of these forward-looking statements is dependent upon a number of known and unknown risks and events, and is subject to various uncertainties and other factors that may cause our actual results, performance or achievements to be different from any future results, performance or achievements expressed or implied by these statements. The following important factors, among others, could affect future results and events, causing those results and events to differ materially from those expressed or implied in our forward-looking statements: business conditions and growth in our customers’ industries, the electronic manufacturing services industry and the general economy, variability of operating results, our dependence on a limited number of major customers, the potential consolidation of our customer base, availability of components, dependence on certain industries, variability of customer requirements, our ability to successfully negotiate definitive agreements and consummate acquisitions, and to integrate operations following consummation of acquisitions, our ability to take advantage of our restructuring to improve utilization and realize savings, other economic, business and competitive factors affecting our customers, our industry and business generally and other factors that we may not have currently identified or quantified. For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the “Factors Affecting Future Results” and “Management’s Discussion and Analysis of Financial Condition and Results of Operation” sections elsewhere in this document.

All forward-looking statements included in this Annual Report on Form 10-K are made only as of the date of this Annual Report on Form 10-K, 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 which we hereafter become aware of. You should read this document and the documents that we incorporate by reference into this Annual Report on Form 10-K 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.

The Company

We are one of the leading worldwide independent providers of electronic manufacturing services (“EMS”). We design and manufacture electronic circuit board assemblies and systems for major original equipment manufacturers (“OEMs”) in the automotive, computing and storage, consumer products, instrumentation and medical, networking, peripherals and telecommunications industries. We serve our customers with dedicated work cell business units that combine high volume, highly automated, continuous flow manufacturing with advanced electronic design and design for manufacturability technologies. Our largest customers currently include Alcatel Business Systems (“Alcatel”), Cisco Systems, Inc. (“Cisco”),

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Hewlett-Packard Company ("HP"), Johnson Controls, Inc., Lucent Technologies, Inc. ("Lucent"), Marconi Communications plc ("Marconi"), Nokia Corporation, Quantum Corporation ("Quantum"), Royal Philips Electronics ("Philips") and Valeo S.A. ("Valeo"). For the fiscal year ended August 31, 2003, we had net revenues of approximately \$4.7 billion and net income of \$43.0 million.

The EMS industry experienced rapid change and growth over most of the past decade as an increasing number of OEMs outsourced their manufacturing requirements. In mid-2001, the industry's revenue declined as a result of significant cut backs in its customers' production requirements, which was consistent with the overall global economic downturn. Nonetheless, OEMs have continued to turn to outsourcing in order to reduce product cost; achieve accelerated time-to-market and time-to-volume production; access advanced design and manufacturing technologies; improve inventory management and purchasing power; and reduce their capital investment in manufacturing resources. Industry revenues have slowly begun to increase again over the last year as customer production requirements generally began to stabilize. We believe further growth opportunities exist for EMS providers to penetrate the worldwide electronics markets.

We offer our customers significant turnkey EMS solutions that are responsive to their outsourcing needs. Our work cell 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;
- systems assembly and direct order fulfillment; and
- repair and warranty.

We currently conduct our operations in facilities that are located in Austria, Belgium, Brazil, China, England, France, Hungary, India, Ireland, Italy, Japan, Malaysia, Mexico, Poland, Scotland, Singapore and the United States. Our parallel global production strategy provides our customers with the benefits of improved supply-chain management, reduced inventory obsolescence, lowered transportation costs and reduced product fulfillment time.

Our principal executive offices are located at 10560 Dr. Martin Luther King, Jr. Street North, St. Petersburg, Florida 33716, and our telephone number is (727) 577-9749. Our website is located at <http://www.jabil.com>. Through a link on the "Investors" section of our website, we make available the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission ("SEC"): our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. All such filings are available free of charge. Information contained in our website, whether currently posted or posted in the future, is not a part of this document or the documents incorporated by reference in this document. We were incorporated in Delaware in 1992.

EMS Industry Background

The EMS industry is composed of companies that provide a range of manufacturing services for OEMs. The EMS industry experienced rapid change and growth over most of the past decade as an increasing number of OEMs have chosen an external manufacturing strategy. In mid-2001, the industry's revenue declined as a result of significant cutbacks in its customers' production requirements, which was consistent with the overall global economic downturn. Industry revenues have slowly begun to increase again over the last year as customer production requirements generally began to stabilize and OEMs

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continue to turn to outsourcing versus internal manufacturing. Factors driving OEMs to favor outsourcing to EMS providers include:

- *Reduced Product Cost.* EMS providers are able to manufacture products at a reduced total cost to OEMs. These cost advantages result from higher utilization of capacity because of diversified product demand and, typically, a higher sensitivity to elements of cost.
- *Accelerated Product Time-to-Market and Time-to-Volume.* EMS providers are often able to deliver accelerated production start-ups and achieve high efficiencies in transferring new products into production. EMS providers are also able to rapidly scale production for changing markets and to position themselves in global locations that serve the leading world markets. With increasingly shorter product life cycles, these key services allow new products to be sold in the marketplace in an accelerated time frame.
- *Access to Advanced Design and Manufacturing Technologies.* Customers of EMS providers may gain access to additional advanced technologies in manufacturing processes, as well as product and production design. Product and production design services may offer customers significant improvements in the performance, cost, time-to-market and manufacturability of their products.
- *Improved Inventory Management and Purchasing Power.* EMS providers are able to manage both procurement and inventory, and have demonstrated proficiency in purchasing components at improved pricing due to the scale of their operations and continuous interaction with the materials marketplace.
- *Reduced Capital Investment in Manufacturing.* OEMs are increasingly seeking to lower their investment in inventory, facilities and equipment used in manufacturing in order to allocate capital to other activities such as sales and marketing, and research and development ("R&D"). This shift in capital deployment has placed a greater emphasis on outsourcing to external manufacturing specialists.

Our Strategy

We are focused on expanding our position as one of the leading global EMS providers to major OEMs. To achieve this objective, we continue to pursue the following strategies:

- *Establish and Maintain Long-Term Customer Relationships.* Our core strategy is to establish and maintain long-term relationships with leading OEMs in expanding industries with the size and growth characteristics that can benefit from highly automated, continuous flow manufacturing on a global scale. Historically, we derived the majority of our growth from existing customers. Over the last two years, we have experienced business growth from existing customers and from new customers as a result of organic business wins. Additionally, our acquisitions have meaningfully contributed to our business growth. We focus on maintaining long-term relationships with our customers and seek to expand these relationships to include additional product lines and services. In addition, we have a focused effort to identify and develop relationships with new customers who meet our profile.
- *Utilize Work Cell Business Units.* Each of our work cell business units is dedicated to one customer and operates with a high level of autonomy, utilizing dedicated production equipment, production workers, supervisors, buyers, planners and engineers. We believe our work cell business units promote increased responsiveness to our customers' needs, particularly as a customer relationship grows to multiple production locations.
- *Expand Parallel Global Production.* Our ability to produce the same product on a global scale is a significant requirement of our customers. We believe that parallel global production is a key strategy to reduce obsolescence risk and secure the lowest landed costs while simultaneously supplying products of equivalent or comparable quality throughout the world. Consistent with this strategy, we have acquired operations in Austria, Belgium, Brazil, China, England, France,

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Hungary, India, Italy, Japan, Malaysia, Mexico, Poland, Scotland and Singapore to increase our European, Asian and Latin American presence.

- *Offer Systems Assembly and Direct Order Fulfillment.* Our systems assembly and direct order fulfillment services allow our customers to reduce product cost and risk of product obsolescence by reducing total work-in-process and finished goods inventory. These services are available at all of our manufacturing locations.
- *Pursue Selective Acquisition Opportunities.* OEMs have continued divesting internal manufacturing operations to EMS providers. In many of these situations, the OEM enters into a customer relationship with the EMS provider that acquires the operations. Our acquisition strategy is focused on obtaining OEM operations that compliment our geographic footprint and diversify our business into new industries, while providing opportunities for long-term outsourcing relationships. See “Factors Affecting Future Results — We may not achieve expected profitability from our acquisitions.”

Our Approach to Manufacturing

In order to achieve high levels of manufacturing performance, we have adopted the following approaches:

- *Work Cell Business Units.* Each of our work cell business units is dedicated to one customer and is empowered to formulate strategies tailored to its customer’s needs. Each work cell business unit has dedicated production lines consisting of equipment, production workers, supervisors, buyers, planners and engineers. Work cell business units have direct responsibility for manufacturing results and time-to-volume production, promoting a sense of individual commitment and ownership. The work cell business unit approach is modular and enables us to grow incrementally without disrupting the operations of other work cell business units.
- *Business Unit Management.* Our Business Unit Managers coordinate all financial, manufacturing and engineering commitments for each of our customers at a particular manufacturing facility. Our Business Unit Directors oversee local Business Unit Managers and coordinate on a worldwide basis all financial, manufacturing and engineering commitments for each of our customers that have both domestic and global production requirements. Jabil’s Business Unit Management has the authority, within high-level parameters set by executive management, to develop customer relationships, make design strategy decisions and production commitments, establish pricing and implement production and electronic design changes. Business Unit Managers and Directors are also responsible for assisting customers with strategic planning for future products, including developing cost and technology goals. These Managers and Directors operate autonomously, within high-level parameters set by executive management, with responsibility for the development of customer relationships and direct profit and loss accountability for work cell business unit performance.
- *Continuous Flow.* We use a highly automated, continuous flow approach where different pieces of equipment are joined directly or by conveyor to create an in-line assembly process. This process is in contrast to a batch approach, where individual pieces of assembly equipment are operated as freestanding work-centers. The elimination of waiting time prior to sequential operations results in faster manufacturing, which improves production efficiencies and quality control, and reduces inventory work-in-process. Continuous flow manufacturing provides significant cost reduction and quality improvement when applied to volume manufacturing.
- *Computer Integration.* We support all aspects of our manufacturing activities with advanced computerized control and monitoring systems. Component inspection and vendor quality are monitored electronically in real-time. Materials planning, purchasing, stockroom and shop floor control systems are supported through a computerized Manufacturing Resource Planning system, providing customers with a continuous ability to monitor material availability and track work-in-process on a real-time basis. Manufacturing processes are supported by a real-time, computerized

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statistical process control system, whereby customers can remotely access our computer systems to monitor real-time yields, inventory positions, work-in-process status and vendor quality data. See "Technology" and "Factors Affecting Future Results — Any delay in the implementation of our information systems could disrupt our operations and cause unanticipated increases in our cost."

- *Supply Chain Management.* We utilize an electronic commerce system/ electronic data interchange and web-based tools with our customers and suppliers to implement a variety of supply chain management programs. Our customers utilize these tools to share demand and product forecasts and deliver purchase orders. We use these tools with our suppliers for just-in-time delivery, supplier-managed inventory and consigned supplier-managed inventory.

Our Design Services

We offer a wide spectrum of value-add design services for products that we manufacture for our customers. We provide these services to enhance our relationships with current customers and to help develop relationships with new customers. We offer the following design services:

- *Electronic Design.* Our electronic design team provides electronic circuit design services, including application-specific integrated circuit design and firmware development. These services have been used to develop a variety of circuit designs for cellular telephone accessories, notebook and personal computers, servers, radio frequency ("RF") products, video set-top boxes, optical communications products, personal digital assistants, communication broadband products and automotive and consumer appliance controls.
- *Industrial Design Services.* Our industrial design team assists in designing the "look and feel" of the plastic and metal enclosures that house printed circuit board ("PCB") assemblies and systems.
- *Mechanical Design.* Our mechanical engineering design team specializes in three-dimensional design and analysis of electronic and optical assemblies using state of the art modeling and analytical tools. The mechanical team has extended Jabil's product offering capabilities to include all aspects of industrial design, advance mechanism development and tooling management. They are staffed to support Jabil customers for all development projects, including turnkey system design and design for manufacturing activities.
- *Computer Assisted Design.* Our computer assisted design ("CAD") team provides PCB design and other related services. These services include PCB design services using advanced CAD/computer assisted engineering tools, PCB design testing and verification services, and other consulting services, which include the generation of a bill of materials, approved vendor list and assembly equipment configuration for a particular PCB design. We believe that our CAD services result in PCB designs that are optimized for manufacturability and cost, and accelerate the time-to-market and time-to-volume production.
- *Applied R&D.* The goal of Jabil's Applied R&D group is to make Jabil more profitable by pairing with our OEM partners and establishing new product roadmaps. Applied R&D is a launching pad for new technologies and concepts in specific growth areas. This team provides system-based solutions to engineering problems and challenges.

As we increase our efforts to offer design services, we are exposed to different or greater potential liabilities than those we face from our regular manufacturing services. See "Factors Affecting Future Results — Our increasing design services offerings may increase our exposure to product liability, intellectual property infringement and other claims."

Our Systems Assembly, Test and Direct Order Fulfillment Services

We offer systems assembly, test and direct order fulfillment services to our customers. Our systems assembly services extend our range of assembly activities to include assembly of higher-level sub-systems and systems incorporating multiple PCBs. We maintain significant systems assembly capacity to meet the

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increasing demands of our customers. In addition, we provide testing services, based on quality assurance programs developed with our customers, of the PCBs, sub-systems and systems products that we manufacture. Our quality assurance programs include circuit testing under various environmental conditions to try to ensure that our products meet or exceed required customer specifications. We also offer direct order fulfillment services for delivery of final products we assemble for our customers.

Our Repair and Warranty Services

As an extension of our manufacturing model and an enhancement to our total global solution, we offer repair and warranty services to our customers from strategic hub locations. We have the ability to service our OEM partners' products following completion of the traditional manufacturing and fulfillment process.

Technology

We believe that our manufacturing and testing technologies are among the most advanced in the industry. Through our R&D efforts, we intend to continue to offer our customers among the most advanced high volume, continuous flow manufacturing process technologies. These technologies include surface mount technology, high-density ball grid array, chip scale packages, flip chip/direct chip attach, advanced chip-on-board, thin substrate processes, reflow solder of mixed technology circuit boards, lead-free processing, densification, RF process optimization and other testing and emerging interconnect technologies. In addition to our R&D activities, we are continuously making refinements to our existing manufacturing processes in connection with providing manufacturing services to our customers. See "Factors Affecting Future Results — We may not be able to maintain our engineering, technological and manufacturing process expertise."

Research and Development

To meet our customers' increasingly sophisticated needs, we continually engage in R&D activities. These efforts consist of design of the circuit board assembly, mechanical design and the related production design necessary to manufacture the circuit board assembly in the most cost-effective and reliable manner. Additional R&D efforts have focused on new optical, test engineering, RF and wireless failure analysis technologies. We are also engaged in the R&D of new reference designs including network infrastructure systems, handset convergent devices, wireless and broadband access products, consumer products and storage products. Design centers are located in St. Petersburg, Florida; Auburn Hills, Michigan; Vienna, Austria; Hasselt, Belgium; and Shanghai, China. See "Factors Affecting Future Results — We may not be able to maintain our engineering, technological and manufacturing process expertise."

For fiscal years 2003, 2002 and 2001, we expended \$9.9 million, \$7.9 million and \$6.4 million, respectively, on R&D activities. To date, substantially all of our R&D expenditures have related to internal R&D activities.

Customers and Marketing

Our core strategy is to establish and maintain long-term relationships with leading OEMs in expanding industries with the size and growth characteristics that can benefit from highly automated continuous flow and global manufacturing. A small number of customers and significant industries have historically comprised a major portion of our net revenue. The table below sets forth the respective portion

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of net revenue for the applicable period attributable to our customers who individually accounted for approximately 10% or more of our net revenue in any respective period:

| | Year ended August 31, | | |
|----------------------------|-----------------------|------|------|
| | 2003 | 2002 | 2001 |
| Cisco Systems, Inc. | 16% | 24% | 23% |
| Royal Philips Electronics | 15% | * | * |
| Hewlett-Packard Company | 11% | * | * |
| Marconi Communications plc | * | 13% | * |
| Dell Computer Corporation | * | * | 14% |

* less than 10% of net revenues

Our net revenue was distributed over the following significant industries for the periods indicated:

| | Year ended August 31, | | |
|-----------------------------|-----------------------|------|------|
| | 2003 | 2002 | 2001 |
| Networking | 23% | 30% | 28% |
| Consumer Products | 20% | 8% | 6% |
| Computing and Storage | 15% | 13% | 22% |
| Telecommunications | 14% | 23% | 19% |
| Automotive | 9% | 7% | 5% |
| Peripherals | 8% | 10% | 14% |
| Instrumentation and Medical | 7% | 5% | 2% |
| Other | 4% | 4% | 4% |
| | 100% | 100% | 100% |

In fiscal year 2003, 32 customers accounted for more than 95% of our net revenue. We expect to continue to depend upon a relatively small number of customers for a significant percentage of our net revenue. As illustrated in the two tables above, the historic percentages of net revenue we have received from specific customers or significant industries have varied substantially from year to year. Accordingly, these historic percentages are not necessarily indicative of the percentage of net revenue that we may receive from any customer or industry in the future. In the past, some of our customers have terminated their manufacturing arrangements with us or have significantly reduced or delayed the volume of manufacturing services ordered from us. We cannot provide assurance that present or future customers will not terminate their manufacturing arrangements with us or significantly change, reduce or delay the amount of manufacturing services ordered from us. If they do, it could have a material adverse effect on our results of operations. See "Factors Affecting Future Results — Because we depend on a limited number of customers, a reduction in sales to any one of our customers could cause a significant decline in our revenue" and Note 9 — "Concentration of Risk and Segment Data" to the Consolidated Financial Statements.

Our principal source of new business is the expansion of existing customer relationships to include additional product lines and services, referrals and direct sales through our Business Unit Managers and Directors and executive staff. Over the last two years, we also experienced business growth with both existing and new customers as a result of our acquisitions. Our Business Unit Managers and Directors, supported by the executive staff, identify and attempt to develop relationships with new customers who meet our profile. This profile includes financial stability, need for technology-driven turnkey manufacturing, anticipated unit volume and long-term relationship stability. Unlike traditional sales managers, our Business Unit Managers and Directors are responsible for ongoing management of production for their customers.

International Operations

A key element in our strategy is to provide localized production of global products for OEMs in the major consuming regions of the United States, Europe, Asia and Latin America. Consistent with this strategy, we have established or acquired manufacturing and/or repair facilities in Austria, Belgium, Brazil, China, England, France, Hungary, India, Ireland, Italy, Japan, Malaysia, Mexico, Poland, Scotland and Singapore. In addition, sales offices have been established in Hong Kong, Japan, Singapore and The Netherlands.

Our European facilities located in Austria, Belgium, England, France, Hungary, Ireland, Italy, Poland and Scotland, target existing European customers, North American customers with significant sales in Europe and potential European customers who meet our customer profile.

Our Asian facilities, located in China, India, Japan, Malaysia and Singapore, enable us to provide local manufacturing services and a more competitive cost structure in the Asian market and serve as a low cost manufacturing source for new and existing customers in the global market.

Our Latin American facilities located in Mexico and Brazil enable us to provide a low cost manufacturing source for new and existing customers.

See “Factors Affecting Future Results — We derive a substantial portion of our revenues from our international operations, which may be subject to a number of risks and often require more management time and expense to achieve profitability than our domestic operations” and “Management’s Discussion and Analysis of Financial Condition and Results of Operation.”

Financial Information about Business Segments

We have identified our global presence as a key to assessing our business performance. While the services provided, the manufacturing process, the class of customers and the order fulfillment process is similar across manufacturing locations, we evaluate our business performance on a regional basis. Accordingly, our operating segments consist of the United States, Latin America, Europe and Asia regions. See Note 9 — “Concentration of Risk and Segment Data” to the Consolidated Financial Statements.

Competition

The EMS industry is highly competitive. We compete against numerous domestic and international manufacturers, including Celestica, Inc., Flextronics International, Sanmina — SCI Corporation and Solectron Corporation. In addition, we may in the future encounter competition from other large electronic manufacturers that are selling, or may begin to sell, electronic manufacturing services. Most of our competitors have international operations, significant financial resources and some have substantially greater manufacturing, R&D and marketing resources than we do. We also face potential competition from the manufacturing operations of our current and potential customers, who are continually evaluating the merits of manufacturing products internally against the advantages of outsourcing to EMS providers. In addition, in recent years, original design manufacturer (“ODM”) companies that provide design and manufacturing services to OEMs, have significantly increased their share of outsourced manufacturing services provided to OEMs in markets such as notebook and desktop computers, personal computer motherboards, and consumer electronic products. Competition from ODMs, such as Hon Hai Precision Industry Co., Ltd., may increase if our business in these markets grows or if ODMs expand further into or beyond these markets.

We believe that the primary basis of competition in our targeted markets is manufacturing capability, price, manufacturing quality, advanced manufacturing technology, design expertise, time-to-volume production, reliable delivery and regionally dispersed manufacturing. Management believes we currently compete favorably with respect to these factors. See “Factors Affecting Future Results — We compete with numerous EMS providers, and others, including our current and potential customers who may decide to manufacture all of their products internally.”

Backlog

Our order backlog at August 31, 2003 was approximately \$1.3 billion, compared to backlog of \$699.8 million at August 31, 2002. Although our backlog consists of firm purchase orders, the level of backlog at any particular time is not necessarily indicative of future sales. Given the nature of our relationships with our customers, we frequently allow our customers to cancel or reschedule deliveries, and therefore, backlog is not a meaningful indicator of future financial results. Although we may seek to negotiate fees to cover the costs of such cancellations or rescheduling, we may not always be successful in such negotiations. See "Factors Affecting Future Results — Most of our customers do not commit to long-term production schedules, which makes it difficult for us to schedule production and achieve maximum efficiency of our manufacturing capacity."

Components Procurement

We procure components from a broad group of suppliers, determined on an assembly-by-assembly basis. Almost all of the products we manufacture require one or more components that are ordered from only one source, and most assemblies require components that are available from only a single source. Some of these components are allocated in response to supply shortages. We attempt to ensure continuity of supply of these components. In cases where unanticipated customer demand or supply shortages occur, we attempt to arrange for alternative sources of supply, where available, or defer planned production to meet the anticipated availability of the critical component. In some cases, supply shortages will substantially curtail production of all assemblies using a particular component. In addition, at various times there have been industry wide shortages of electronic components, particularly of memory and logic devices. We cannot assure you that such shortfalls will not have a material adverse effect on our results of operations in the future. See "Factors Affecting Future Results — We depend on a limited number of suppliers for components that are critical to our manufacturing processes. A shortage of these components or an increase in their price could interrupt our operations and reduce our profits."

Proprietary Rights

We regard our manufacturing processes and electronic designs as proprietary trade secrets and confidential information. To protect our proprietary rights, we rely largely upon a combination of trade secret laws; non-disclosure agreements with our customers, employees, and suppliers; our internal security systems; confidentiality procedures and employee confidentiality agreements. Although we take steps to protect our trade secrets, misappropriation may still occur.

We currently have a relatively small number of patents. However, we believe that the rapid pace of technological change makes patent protection less significant than factors such as the knowledge and experience of management and personnel and our ability to develop, enhance and market manufacturing services. See "Factors Affecting Future Results — Generally, we do not have employment agreements with any of our key personnel, the loss of which could hurt our operations."

We license some technology from third parties that we use in providing manufacturing services to our customers. We believe that such licenses are generally available on commercial terms from a number of licensors. Generally, the agreements governing such technology grant us non-exclusive, worldwide licenses with respect to the subject technology and terminate upon a material breach by us.

We believe that our electronic designs and manufacturing processes do not infringe on the proprietary rights of third parties. However, if third parties assert valid infringement claims against us with respect to past, current or future designs or processes, we could be required to enter into an expensive royalty arrangement, develop non-infringing designs or processes, or engage in costly litigation.

Employees

As of October 13, 2003, we had approximately 26,000 full-time employees, compared to approximately 20,000 full-time employees at November 11, 2002. The increase in employees is primarily

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due to the acquisitions that we consummated during fiscal year 2003, which was partially offset by the reductions in headcount resulting from our restructuring programs during fiscal year 2003. None of our domestic employees are represented by a labor union. In certain international locations, our employees are represented by labor unions and by works councils. We have never experienced a significant work stoppage or strike and we believe that our employee relations are good.

Geographic Information

The information regarding revenue, segment income, reconciliation of income before income taxes and property, plant and equipment set forth in Note 9 — “Concentration of Risk and Segment Data” to the Consolidated Financial Statements, is hereby incorporated by reference into this Part I, Item 1.

Environmental

We are subject to a variety of federal, state, local and foreign environmental regulations relating to the use, storage, discharge and disposal of hazardous chemicals used during our manufacturing process. Although we believe that we are currently in substantial compliance with all material environmental regulations, any failure to comply with present and future regulations could subject us to future liabilities or the suspension of production. In addition, such regulations could restrict our ability to expand our facilities or could require us to acquire costly equipment or to incur other significant expense to comply with environmental regulations. See “Factors Affecting Future Results — Compliance or the failure to comply with current and future environmental regulations could cause us significant expense.”

Item 2. *Properties*

We have manufacturing, repair and support operations located in the Austria, Belgium, Brazil, China, England, France, Hungary, India, Ireland, Italy, Japan, Malaysia, Mexico, Poland, Scotland, Singapore, The Netherlands and The United States. As part of our restructuring programs, certain of our facilities are no longer used in our business operations, as identified in the tables below. The tables below list the locations and square footage for our facilities as of August 31, 2003:

Facilities Currently in Use

| Location | Approx. Sq. Ftg. | Type of Interest (Leased/Owned) | Description of Use |
|---------------------------------|------------------|---------------------------------|------------------------|
| Gotemba, Japan | 138,000 | Leased | Manufacturing |
| Huangpu, China | 1,360,000 | Owned | Manufacturing, Support |
| Panyu, China | 210,000 | Owned | Manufacturing |
| Penang, Malaysia | 612,000 | Owned | Manufacturing |
| Penang, Malaysia | 61,000 | Owned | Repair |
| Pimpri, India | 51,000 | Leased | Manufacturing |
| Shanghai, China | 352,000 | Owned | Manufacturing |
| Shenzhen, China | 762,000 | Leased | Manufacturing, Support |
| Sheung Shui, Hong Kong, China | 1,000 | Leased | Support |
| Singapore City, Singapore | 45,000 | Leased | Manufacturing |
| Techview, Singapore | 3,000 | Leased | Support |
| Tokyo, Japan | 2,000 | Leased | Support |
| Tsim Sha Tsui, Hong Kong, China | 6,000 | Leased | Support |
| Total Asia | 3,603,000 | | |
| Ayr, Scotland | 430,000 | Owned | Manufacturing |
| Bergamo, Italy | 116,000 | Leased | Manufacturing |
| Brest, France | 389,000 | Owned | Manufacturing |
| Bruges, Belgium | 116,000 | Leased | Manufacturing |
| Brussels, Belgium | 10,000 | Leased | Repair |
| Coventry, England | 32,000 | Leased | Repair, Support |
| Dublin, Ireland | 72,000 | Leased | Repair |
| Eindhoven, The Netherlands | 6,500 | Leased | Support |
| Hasselt, Belgium | 29,000 | Leased | Manufacturing |
| Kwidzyn, Poland | 126,000 | Owned | Manufacturing |
| Livingston, Scotland | 130,000 | Owned | Manufacturing |
| Marcianise, Italy | 173,000 | Leased | Manufacturing, Repair |
| Meung-sur-Loire, France | 111,000 | Leased | Manufacturing |
| Szombathely, Hungary | 138,000 | Leased | Manufacturing |
| Tiszaujvaros, Hungary | 243,000 | Owned | Manufacturing |
| Vienna, Austria | 99,000 | Leased | Manufacturing |
| Total Europe | 2,220,500 | | |
| Sao Paulo, Brazil | 35,000 | Leased | Repair |
| Belo Horizonte, Brazil | 93,000 | Leased | Manufacturing |
| Chihuahua, Mexico | 1,025,000 | Owned | Manufacturing |
| Guadalajara, Mexico | 363,000 | Owned | Manufacturing |

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| Location | Approx. Sq. Ftg. | Type of Interest (Leased/Owned) | Description of Use |
|--|------------------|---------------------------------|-------------------------|
| Manaus, Brazil | 135,000 | Leased | Manufacturing |
| Reynosa, Mexico | 410,000 | Owned | Repair |
| Total Latin America | 2,061,000 | | |
| Auburn Hills, Michigan | 207,000 | Owned | Manufacturing |
| Billerica, Massachusetts | 183,000 | Leased | Prototype Manufacturing |
| Louisville, Kentucky | 138,000 | Leased | Repair |
| McAllen, Texas | 100,000 | Leased | Support |
| Memphis, Tennessee | 275,000 | Leased | Repair |
| San Jose, California | 181,000 | Leased | Prototype Manufacturing |
| St. Petersburg, Florida | 238,000 | Leased | Manufacturing, Support |
| St. Petersburg, Florida | 299,000 | Owned | Manufacturing, Support |
| Total United States | 1,621,000 | | |
| Total Facilities Currently in Use | 9,505,500 | | |

Facilities Not Currently in Use

| Location | Approx. Sq. Ftg. | Type of Interest (Leased/ Owned) | Description of Use |
|--|------------------|----------------------------------|-----------------------|
| Penang, Malaysia | 149,000 | Owned | Manufacturing |
| Total Asia | 149,000 | | |
| Coventry, England(1) | 66,000 | Leased | Manufacturing |
| Liverpool, England(1) | 16,000 | Leased | Manufacturing, Repair |
| Total Europe | 82,000 | | |
| Tijuana, Mexico(2) | 63,000 | Leased | Support |
| Total Latin America | 63,000 | | |
| Auburn Hills, Michigan | 116,000 | Owned | Manufacturing |
| Bedford, Texas | 165,000 | Owned | Manufacturing |
| Billerica, Massachusetts | 320,000 | Leased | Manufacturing |
| Boise, Idaho | 353,000 | Owned | Manufacturing |
| San Jose, California | 100,000 | Leased | Manufacturing |
| Tampa, Florida(2) | 78,000 | Leased | Repair |
| Total United States | 1,132,000 | | |
| Total Facilities Not Currently in Use | 1,426,000 | | |

(1) This facility is no longer used in our business operations. The lease will be terminated upon final vacancy during the first quarter of fiscal year 2004.

(2) This facility is no longer used in our business operations and has been subleased to an unrelated third party.

All of our principal manufacturing facilities are ISO certified to ISO 9001, ISO 9002 or ISO 9000:2000 standards and are also certified to ISO-14001 environmental standards. Our Billerica, Massachusetts and St. Petersburg, Florida facilities are certified to AS9100 aerospace standards. Our

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facilities in Meung-sur-Loire, France, Tiszaujvaros, Hungary and Vienna, Austria are certified to TS16949 automotive standards. Our Auburn Hills, Michigan facility is certified to 13485:2000 medical standards. Our facilities in Chihuahua, Mexico, San Jose, California and St. Petersburg, Florida are certified to TL 9000 telecommunications standards.

Item 3. 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 and cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of our stockholders during the fourth quarter covered by this report.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Our common stock trades on the New York Stock Exchange under the symbol "JBL." The following table sets forth the high and low sales prices per share for our common stock as reported on the New York Stock Exchange for the fiscal periods indicated.

| | High | Low |
|---|---------|---------|
| Year Ended August 31, 2003 | | |
| First Quarter (September 1, 2002 – November 30, 2002) | \$23.65 | \$11.13 |
| Second Quarter (December 1, 2002 – February 28, 2003) | \$22.69 | \$14.51 |
| Third Quarter (March 1, 2003 – May 31, 2003) | \$21.50 | \$15.28 |
| Fourth Quarter (June 1, 2003 – August 31, 2003) | \$28.20 | \$20.41 |
| Year Ended August 31, 2002 | | |
| First Quarter (September 1, 2001 – November 30, 2001) | \$28.08 | \$14.00 |
| Second Quarter (December 1, 2001 – February 28, 2002) | \$31.45 | \$18.55 |
| Third Quarter (March 1, 2002 – May 31, 2002) | \$26.79 | \$17.75 |
| Fourth Quarter (June 1, 2002 – August 31, 2002) | \$22.97 | \$15.15 |

On October 22, 2003, the closing sales price for our common stock as reported on the New York Stock Exchange was \$27.78. As of October 22, 2003, there were approximately 3,398 holders of record of our common stock.

We have never paid cash dividends on our capital stock and do not anticipate paying cash dividends in the foreseeable future. Additionally, certain covenants to our financing agreements restrict the payment of cash dividends. We are in compliance with the covenants to our financing agreements as of August 31, 2003.

Information regarding equity compensation plans is incorporated by reference to the information set forth in Item 12 of Part III of this report.

Item 6. Selected Financial Data

The following selected data are derived from our consolidated financial statements. This data should be read in conjunction with the consolidated financial statements and notes thereto incorporated into Item 8, and with Item 7, Management's Discussion and Analysis of Financial Condition and Results of

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Operation. The historical information set forth below has been restated to reflect the September 1999 merger with GET Manufacturing, Inc. ("GET"), which was accounted for as a pooling of interests.

| | Years Ended August 31, | | | | |
|--|------------------------|-------------|-------------|-------------|-------------|
| | 2003 | 2002 | 2001 | 2000 | 1999 |
| (in thousands, except for per share data) | | | | | |
| Consolidated Statement of Earnings Data: | | | | | |
| Net revenue | \$4,729,482 | \$3,545,466 | \$4,330,655 | \$3,558,321 | \$2,238,391 |
| Cost of revenue | 4,294,016 | 3,210,875 | 3,936,589 | 3,199,972 | 1,992,803 |
| Gross profit | 435,466 | 334,591 | 394,066 | 358,349 | 245,588 |
| Selling, general and administrative | 243,663 | 203,845 | 184,112 | 132,717 | 92,015 |
| Research and development | 9,906 | 7,864 | 6,448 | 4,839 | 5,863 |
| Amortization of intangibles | 36,870 | 15,113 | 5,820 | 2,724 | 1,225 |
| Acquisition-related charges | 15,266(1) | 7,576(2) | 6,558(3) | 5,153(4) | 7,030(5) |
| Restructuring and impairment charges | 85,308(1) | 52,143(2) | 27,366(3) | —(4) | —(5) |
| Goodwill write-off | — | — | — | — | 3,578 |
| Operating income | 44,453 | 48,050 | 163,762 | 212,916 | 135,877 |
| Other income | (2,600) | — | — | — | — |
| Interest income | (6,920) | (9,761) | (8,243) | (7,385) | (4,536) |
| Interest expense | 17,019 | 13,055 | 5,857 | 7,605 | 7,110 |
| Income before income taxes | 36,954 | 44,756 | 166,148 | 212,696 | 133,303 |
| Income tax (benefit) expense | (6,053) | 10,041 | 47,631 | 67,048 | 48,484 |
| Net income | \$ 43,007 | \$ 34,715 | \$ 118,517 | \$ 145,648 | \$ 84,819 |
| Earnings per share: | | | | | |
| Basic | \$ 0.22 | \$ 0.18 | \$ 0.62 | \$ 0.81 | \$ 0.51 |
| Diluted | \$ 0.21 | \$ 0.17 | \$ 0.59 | \$ 0.78 | \$ 0.49 |
| Common shares used in the calculations of earnings per share(6): | | | | | |
| Basic | 198,495 | 197,396 | 191,862 | 179,032 | 166,754 |
| Diluted | 202,103 | 200,782 | 202,223 | 187,448 | 174,334 |

| | August 31, | | | | |
|--|----------------|-------------|-------------|-------------|-------------|
| | 2003 | 2002 | 2001 | 2000 | 1999 |
| | (in thousands) | | | | |
| Consolidated Balance Sheet Data: | | | | | |
| Working capital | \$ 830,729 | \$ 994,962 | \$ 942,023 | \$ 693,018 | \$ 248,833 |
| Total assets | \$3,244,745 | \$2,547,906 | \$2,357,578 | \$2,015,915 | \$1,035,421 |
| Current installments of notes payable, long-term debt and long-term lease obligations | \$ 347,237 | \$ 8,692 | \$ 8,333 | \$ 8,333 | \$ 32,490 |
| Notes payable, long-term debt and long-term lease obligations, less current installments | \$ 297,018 | \$ 354,668 | \$ 361,667 | \$ 25,000 | \$ 33,333 |
| Net stockholders' equity | \$1,588,476 | \$1,506,966 | \$1,414,076 | \$1,270,183 | \$ 577,811 |
| Cash dividends paid | \$ — | \$ — | \$ — | \$ — | \$ — |

- (1) During 2003, we recorded acquisition-related charges of \$15.3 million (\$9.8 million after-tax) in connection with the acquisitions of certain operations of Quantum, Alcatel, Valeo, Lucent, Seagate, Philips and NEC. We also recorded charges of \$85.3 million (\$60.7 million after-tax) related to the restructuring of our business during the fiscal year.
- (2) During 2002, we recorded acquisition-related charges of \$7.6 million (\$4.8 million after-tax) in connection with the acquisition of certain operations of Marconi, Compaq Computer Corporation, Alcatel and Valeo. We also recorded charges of \$52.1 million (\$40.2 million after-tax) related to the restructuring of our business during the fiscal year.
- (3) During 2001, we recorded charges of \$6.6 million (\$4.1 million after-tax) related to the acquisition of certain manufacturing facilities of Marconi. We also recorded charges of \$27.4 million (\$21.6 million after-tax) related to restructuring of our business and other non-recurring charges during our fiscal year.
- (4) During 2000, we recorded additional acquisition-related charges of \$5.2 million (\$4.7 million after-tax) in connection with the merger with GET ("GET Merger").
- (5) During 1999, we recorded an acquisition-related charge of \$7.0 million (\$6.5 million after-tax) in connection with the GET Merger. During March 1999, we also recorded the write-off of impaired goodwill of a GET subsidiary of \$3.6 million (\$3.3 million after-tax). As a result of the overlapping period created when GET's fiscal year was conformed to an August 31 year-end, the write-off falls into the results of operations for both years ended August 31, 1999 and 1998. Stockholders' equity was adjusted so that the duplicate amount is reflected only once in retained earnings.
- (6) Gives effect to two-for-one stock splits in the form of 100% stock dividends to stockholders of record on March 23, 2000 and on February 5, 1999.

Item 7. **Management's Discussion and Analysis of Financial Condition and Results of Operation**

Overview

This Annual Report on Form 10-K contains certain statements that are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and are made in reliance upon the protections provided by such acts for forward-looking statements. These forward-looking statements (such as when we describe what "will", "may" or "should" occur, what we "plan", "intend", "estimate", "believe", "expect" or "anticipate" will occur, and other similar statements) include, but are not limited to, statements regarding future sales and operating results, future prospects, anticipated benefits of proposed (or future) acquisitions and new facilities, growth, the capabilities and capacities of business operations, any financial or other guidance and all statements that are not based on historical fact, but rather reflect our current expectations concerning future results and events. We make certain assumptions when making forward-looking statements, any of which could prove inaccurate, including, but not limited to, statements about our future operating results and business plans. The ultimate correctness of these forward-looking statements is dependent upon a number of known and unknown risks and events, and is subject to various uncertainties and other factors that may cause our actual results, performance or achievements to be different from any future results, performance or achievements expressed or implied by these statements. The following important factors, among others, could affect future results and events, causing those results and events to differ materially from those expressed or implied in our forward-looking statements: business conditions and growth in our customers' industries, the electronic manufacturing services industry and the general economy, variability of operating results, our dependence on a limited number of major customers, the potential consolidation of our customer base, availability of components, dependence on certain industries, variability of customer requirements, our ability to successfully negotiate definitive agreements and consummate acquisitions, and to integrate operations following consummation of acquisitions, our ability to take advantage of our restructuring to improve utilization and realize savings, other economic, business and competitive factors affecting our customers, our industry and business generally and other factors that we may not have currently identified or quantified. For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the "Factors Affecting Future Results" section elsewhere in this document.

All forward-looking statements included in this Annual Report on Form 10-K are made only as of the date of this Annual Report on Form 10-K, 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 which we hereafter become aware of. You should read this document and the documents that we incorporate by reference into this Annual Report on Form 10-K 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.

We are one of the leading worldwide independent providers of turnkey manufacturing services to OEMs in the automotive, computing and storage, consumer products, instrumentation and medical, networking, peripherals and telecommunications industries. The historical growth of the overall EMS industry, which subsided in early to mid-2001 consistent with the overall global economic downturn, was driven by the increasing number of OEMs who were outsourcing their manufacturing requirements. We anticipate that this industry outsourcing trend will continue during the next several years.

We derive most of our net revenue under purchase orders from OEM customers. We recognize revenue, net of estimated product return costs, when goods are shipped, title and risk of ownership have passed, the price to the buyer is fixed or determinable and recoverability is reasonably assured. The volume and timing of orders placed by our customers vary due to several factors, including: variation in demand for our customers' products; our customers' attempts to manage their inventory; electronic design changes; changes in our customers' manufacturing strategies; and acquisitions of or consolidations among our

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customers. Demand for our customers' products depends on, among other things, product life cycles, competitive conditions and general economic conditions.

Our cost of revenue includes the cost of electronic components and other materials that comprise the products we manufacture, the cost of labor and manufacturing overhead, and adjustments for excess and obsolete inventory. As a provider of turnkey manufacturing services, we are responsible for procuring components and other materials. This requires us to commit significant working capital to our operations and to manage the purchasing, receiving, inspection and stocking of materials. Although we bear the risk of fluctuations in the cost of materials and excess scrap, we periodically negotiate cost of materials adjustments with our customers. Net revenue from each product that we manufacture consists of an element based on the costs of materials in that product and an element based on the labor and manufacturing overhead costs allocated to that product. We refer to the portion of the sales price of a product that is based on materials costs as "material-based revenue," and to the portion of the sales price of a product that is based on labor and manufacturing overhead costs as "manufacturing-based revenue." Our gross margin for any product depends on the mix between the cost of materials in the product and the cost of labor and manufacturing overhead allocated to the product. We typically realize higher gross margins on manufacturing-based revenue than we do on materials-based revenue. As we gain experience in manufacturing a product, we usually achieve increased efficiencies, which result in lower labor and manufacturing overhead costs for that product.

Our operating results are impacted by the level of capacity utilization of manufacturing facilities, indirect labor and selling, general and administrative expenses. Operating income margins have generally improved during periods of high production volume and high capacity utilization. During periods of low production volume, we generally have idle capacity and reduced operating margins. As our capacity has grown during recent years through the construction of new greenfield facilities, the expansion of existing facilities and our acquisition of additional facilities, our selling, general and administrative expenses have increased to support this growth.

We have consistently utilized advanced circuit design, production design and manufacturing technologies to meet the needs of our customers. To support this effort, our engineering staff focuses on developing and refining design and manufacturing technologies to meet specific needs of specific customers. Most of the expenses associated with these customer-specific efforts are reflected in our cost of revenue. In addition, our engineers engage in R&D of new technologies that apply generally to our operations. The expenses of these R&D activities are reflected in the Research and Development line item in our Consolidated Financial Statements.

An important element of our strategy is the expansion of our global production facilities. The majority of our revenue and materials costs worldwide are denominated in U.S. dollars, while our labor and utility costs in plants outside the United States are denominated in local currencies. We hedge these local currency costs, based on our evaluation of the potential exposure as compared to the cost of the hedge, through the purchase of foreign exchange contracts. Changes in the fair market value of such hedging instruments are included in other comprehensive income. See "Factors Affecting Future Results — We are subject to risks of currency fluctuations and related hedging operations" and Note 1(n) — "Summary of Significant Accounting Policies — Comprehensive Income" to the Consolidated Financial Statements.

We expect to continue to depend upon a relatively small number of customers for a significant percentage of our net revenue. A significant reduction in sales to any of our large customers or a customer exerting significant pricing and margin pressures on us would have a material adverse effect on our results of operations. In the past, some of our customers have terminated their manufacturing arrangements with us or have significantly reduced or delayed the volume of manufacturing services ordered from us. There can be no assurance that present or future customers will not terminate their manufacturing arrangements with us or significantly change, reduce or delay the amount of manufacturing services ordered from us. Any such termination of a manufacturing relationship or change, reduction or delay in orders could have a material adverse effect on our results of operations or financial condition. See "Factors Affecting Future Results — Because we depend on a limited number of customers, a reduction in sales to any one of our

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customers could cause a significant decline in our revenue” and Note 9 — “Concentration of Risk and Segment Data” to the Consolidated Financial Statements.

Acquisitions and Expansion

The EMS industry experienced rapid growth over a period of years until mid-2001, when the industry’s revenue declined as a result of significant cutbacks in its customers’ production requirements, which was consistent with the overall global economic downturn. Nonetheless, OEMs have continued to turn to outsourcing in order to reduce product cost; achieve accelerated time-to-market and time-to-volume production; access advanced design and manufacturing technologies; improve inventory management and purchasing power; and reduce their capital investment in manufacturing. We believe, therefore, that additional acquisition opportunities exist and we regularly evaluate such acquisition opportunities. We also evaluate acquisition opportunities that may arise as a result of consolidation in the EMS industry. We intend to continue to evaluate strategic acquisitions of ancillary services to compliment our service offerings. However, we cannot assure you that we will be able to consummate or, if consummated, successfully integrate the operations and management of any such acquisitions. Acquisitions involve significant risks, which could have a material adverse effect on us, including:

- Financial risks, such as (1) potential liabilities of the acquired businesses; (2) costs associated with integrating acquired operations and businesses; (3) the dilutive effect of the issuance of additional equity securities; (4) the incurrence of additional debt; (5) the financial impact of valuing goodwill and other intangible assets involved in any acquisitions, potential future impairment write-downs of goodwill and the amortization of other intangible assets; (6) possible adverse tax and accounting effects; and (7) the risk that we spend substantial amounts purchasing these manufacturing facilities and assume significant contractual and other obligations with no guaranteed levels of revenue or that we may have to close facilities at our cost.
- Operating risks, such as (1) the diversion of management’s attention to the assimilation of the businesses to be acquired; (2) the risk that the acquired businesses will fail to maintain the quality of services that we have historically provided; (3) the need to implement financial and other systems and add management resources; (4) the risk that key employees of the acquired businesses will leave after the acquisition; (5) unforeseen difficulties in the acquired operations; and (6) the impact on us of any unionized work force we may acquire or any labor disruptions that might occur.

We have made a number of acquisitions that were accounted for using the purchase method of accounting. Our consolidated financial statements include the operating results of each business from the date of acquisition. See “Factors Affecting Future Results — We may not achieve expected profitability from our acquisitions.”

For further discussion of our acquisitions, see Note 12 — “Business Acquisitions” to the Consolidated Financial Statements.

During fiscal year 2003, we completed construction of and commenced operations in our new manufacturing facility in Huangpu, China.

Critical Accounting Policies and Estimates

The preparation of our financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that our estimates and assumptions are reasonable under the circumstances; however, actual results may vary from these estimates and assumptions under different future circumstances. We have identified the following critical accounting policies that affect the more significant judgments and estimates

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used in the preparation of our consolidated financial statements. For further discussion of our significant accounting policies, refer to Note 1 — “Description of Business and Summary of Significant Accounting Policies” to the Consolidated Financial Statements.

Allowance for Doubtful Accounts

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

Inventory Valuation

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

Long-Lived Assets

We review property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of property, plant and equipment is measured by comparing its carrying value to the projected cash flows the property, plant and equipment are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying value of the property exceeds its fair market value. The impairment analysis is based on significant assumptions of future results made by management, including revenue and cash flow projections. Circumstances that may lead to impairment of property, plant and equipment include unforeseen decreases in future performance or industry demand and the restructuring of our operations as a result of a change in our business strategy.

We have recorded intangible assets, including goodwill, principally based on third-party valuations, in connection with material business acquisitions. Estimated useful lives of amortizable intangible assets are determined by management based on an assessment of the period over which the asset is expected to contribute to future cash flows. The allocation of amortizable intangible assets impacts the amounts allocable to goodwill. In accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (“SFAS 142”), which we early-adopted effective September 1, 2001, we are required to perform goodwill impairment tests at least on an annual basis and whenever events or circumstances indicate that the carrying value may not be recoverable from estimated future cash flows. We completed the annual impairment test during the fourth quarter of fiscal year 2003 and determined that no impairment existed as of the date of the impairment test. The impairment test is performed at the reporting unit level, which we have determined to be consistent with our operating segments as defined in Note 9 — “Concentration of Risk and Segment Data” to the Consolidated Financial Statements. The impairment analysis is based on assumptions of future results made by management, including revenue and cash flow projections at the reporting unit level. Circumstances that may lead to impairment of goodwill include unforeseen decreases in future performance or industry demand, and the restructuring of our operations as a result of a change in our business strategy.

Restructuring and Impairment Charges

We recognized restructuring and impairment charges in fiscal years 2003, 2002 and 2001 related to reductions in workforce, re-sizing and closure of facilities and the transition of certain facilities into new customer development sites. These charges were recorded pursuant to formal plans developed and approved by management. The recognition of restructuring and impairment charges required that we make certain judgments and estimates regarding the nature, timing and amount of costs associated with these

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plans. The estimates of future liabilities may change, requiring additional restructuring and impairment charges or the reduction of liabilities already recorded. At the end of each reporting period, we evaluate the remaining accrued balances to ensure that no excess accruals are retained and the utilization of the provisions are for their intended purpose in accordance with the restructuring programs. For further discussion of our restructuring programs, refer to Note 13 — “Restructuring and Impairment Charges” to the Consolidated Financial Statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Results of Operation — Restructuring and Impairment Charges.”

Pension and Postretirement Benefits

We have pension and postretirement benefit costs and liabilities, which are developed from actuarial valuations. Actuarial valuations require management to make certain judgments and estimates on discount rates and return on plan assets. We evaluate these assumptions on a regular basis taking into consideration current market conditions and historical market data. The discount rate is used to state expected future cash flows at a present value on the measurement date. This rate is required to represent the market rate for high-quality fixed income investments. A lower discount rate increases the present value of benefit obligations and increases pension expense. When considering the expected long-term rate of return on pension plan assets, we take into account current and expected asset allocations, as well as historical and expected returns on plan assets. Other assumptions include demographic factors such as retirement, mortality and turnover. See Note 7 — “Pension and Other Postretirement Benefits” to the Consolidated Financial Statements.

Income Taxes

We estimate our income tax provision in each of the jurisdictions in which we operate, including estimating exposures related to examinations by taxing authorities. We must also make judgments regarding the ability to realize the deferred tax assets. The carrying value of our net deferred tax asset is based on our belief that it is more likely than not that we will generate sufficient future taxable income in certain jurisdictions to realize these deferred tax assets. A valuation allowance has been established for deferred tax assets that we do not believe meet the more likely than not criteria established by Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. Our judgments regarding future taxable income may change due to changes in market conditions, changes in tax laws or other factors. If our assumptions and consequently our estimates change in the future, the valuation allowances we have established may be increased or decreased, resulting in a respective increase or decrease in income tax expense. See Note 6 — “Income Taxes” to the Consolidated Financial Statements.

Results of Operation

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

| | Years Ended August 31, | | |
|--------------------------------------|------------------------|--------|--------|
| | 2003 | 2002 | 2001 |
| Net revenue | 100.0% | 100.0% | 100.0% |
| Cost of revenue | 90.8 | 90.6 | 90.9 |
| Gross profit | 9.2 | 9.4 | 9.1 |
| Selling, general and administrative | 5.2 | 5.7 | 4.3 |
| Research and development | 0.2 | 0.2 | 0.2 |
| Amortization of intangibles | 0.8 | 0.4 | 0.1 |
| Acquisition-related charges | 0.3 | 0.2 | 0.2 |
| Restructuring and impairment charges | 1.8 | 1.5 | 0.6 |
| Operating income | 0.9 | 1.4 | 3.7 |
| Other income | (0.1) | — | — |
| Interest income | (0.1) | (0.3) | (0.2) |
| Interest expense | 0.3 | 0.4 | 0.1 |
| Income before income taxes | 0.8 | 1.3 | 3.8 |
| Income tax (benefit) expense | (0.1) | 0.3 | 1.1 |
| Net income | 0.9% | 1.0% | 2.7% |

Fiscal Year Ended August 31, 2003 Compared to Fiscal Year Ended August 31, 2002

Net Revenue. Our net revenue increased 33.4% to \$4.7 billion for fiscal year 2003, up from \$3.5 billion in fiscal year 2002. The increase was primarily due to a 218% increase in production of consumer products, an 80% increase in production of instrumentation and medical products, a 72% increase in production of automotive products, a 54% increase in production of computing and storage products and a 4% increase in production of networking products due to the addition of new customers, acquisitions and organic growth in those sectors. The increase in the consumer products sector was primarily due to the acquisition of certain operations of Philips during fiscal year 2003. These increases were offset in part by an 18% decrease in production of telecommunications products due to reduced demand in this sector.

Foreign source revenue represented 80.7% of our net revenue for fiscal year 2003 and 60.6% of net revenue for fiscal year 2002. The increase in foreign source revenue was primarily attributable to incremental revenue resulting from our acquisitions in France and Scotland during late fiscal year 2002, and our acquisitions in Austria, Brazil, Belgium, China, Hungary, India, Japan, Malaysia, Mexico, Poland and Singapore during fiscal year 2003. We currently anticipate that our foreign source revenue will continue to increase as a percentage of our total net revenue.

Gross Profit. Gross profit decreased slightly to 9.2% in fiscal year 2003 from 9.4% in fiscal year 2002 primarily due to a decrease in the portion of manufacturing-based revenue and the mix of value-add based revenue from our acquisitions, partially offset by cost reductions realized from our restructuring activities.

Selling, General and Administrative. Selling, general and administrative expenses increased to \$243.7 million (5.2% of net revenue) in fiscal year 2003 from \$203.8 million (5.7% of net revenue) in fiscal year 2002. The increase in dollar amount was primarily attributable to operations acquired in late fiscal year 2002 and fiscal year 2003 and to operations in facilities for which construction was completed during fiscal year 2003. The decrease as a percentage of net revenue was due primarily to the increased revenue base in fiscal year 2003.

R&D. R&D expenses in fiscal year 2003 increased to \$9.9 million from \$7.9 million in fiscal year 2002 but remained at 0.2% of net revenue for each of the fiscal years ended August 31, 2003 and 2002.

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Despite the recent economic conditions, we continued to engage in R&D activities, including design of circuit board assemblies and the related production process, development of new products and new failure analysis techniques at our historical levels.

Amortization of Intangibles. We recorded \$36.9 million of amortization of intangibles in fiscal year 2003 as compared to \$15.1 million in fiscal year 2002. The increase was attributable to acquired amortizable intangible assets resulting from our acquisitions in late fiscal year 2002 and fiscal year 2003. For additional information regarding purchased intangibles, see "Acquisitions and Expansion" above, Note 1(f) — "Description of Business and Summary of Significant Accounting Policies — Goodwill and Other Intangible Assets", Note 4 — "Goodwill and Other Intangible Assets" and Note 12 — "Business Acquisitions" to the Consolidated Financial Statements.

Acquisition-related Charges. During fiscal year 2003, we incurred \$15.3 million in acquisition-related charges in connection with the acquisitions of certain operations of Quantum, Alcatel, Valeo, Lucent, Seagate, Philips and NEC Corporation ("NEC"). See Note 12 — "Business Acquisitions" to the Consolidated Financial Statements.

Restructuring and Impairment Charges. During the first quarter of fiscal year 2003, we initiated a restructuring program to reduce our cost structure and further align our manufacturing capacity with customer geographic requirements. This restructuring program resulted in restructuring and impairment charges of \$85.3 million for fiscal year 2003. These restructuring and impairment charges included cash costs totaling \$47.7 million consisting of employee severance and benefits costs of approximately \$29.9 million, costs related to lease commitments of approximately \$14.9 million and other restructuring costs of \$2.9 million. Non-cash costs of approximately \$37.6 million represent fixed asset impairment charges related to our restructuring activities. As of August 31, 2003, liabilities of \$12.9 million related to these restructuring activities are expected to be paid out within the next twelve months and liabilities of \$8.8 million are expected to be paid out through August 31, 2006.

The employee severance and benefit costs included in our restructuring and impairment costs recorded in fiscal year 2003 are related to the elimination of approximately 2,300 employees, the majority of which were engaged in direct and indirect manufacturing activities in manufacturing facilities in the United States and Europe. Lease commitment costs consisted primarily of future lease payments for facilities vacated because of the closure and consolidation of facilities in the United States. The fixed asset impairment charge resulted from the closure of our Boise, Idaho and Coventry, England facilities, as well as a realignment of our worldwide capacity due to the restructuring activities carried out during fiscal year 2003. The production from the Boise location was transferred to other existing locations during fiscal year 2003. The transfer of production from the Coventry location began during the second quarter of fiscal year 2003 and was substantially completed during the fourth quarter of fiscal year 2003. For additional information regarding restructuring costs, see Note 13 — "Restructuring and Impairment Charges" to the Consolidated Financial Statements.

As a result of the restructuring activities completed through May 31, 2003, we realized a cumulative cost savings of approximately \$4.0 million in the fourth quarter of fiscal year 2003. The restructuring activities completed during the fourth quarter of fiscal year 2003 are expected to contribute an additional \$2.0 million to our cumulative quarterly cost savings. Therefore, we expect to realize cost savings of approximately \$6.0 million in the first quarter of fiscal year 2004 and each quarter thereafter. The cumulative quarterly cost savings consists of \$4.8 million reduction in cost of revenue due to a reduction in employee payroll and benefit expense of \$2.9 million and \$1.9 million in depreciation expense, and \$1.2 million reduction in selling, general and administrative expenses.

Interest Income. Interest income decreased to \$6.9 million in fiscal year 2003 from \$9.8 million in fiscal year 2002 reflecting lower interest yields on cash deposits and short term investments.

Interest Expense. Interest expense increased to \$17.0 million in fiscal year 2003, from \$13.1 million in fiscal year 2002, primarily as a result of borrowings under our revolving credit facilities during the year, imputed interest related to the Philips acquisitions and the issuance of the \$300.0 million, seven-year,

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5.875% senior notes in the fourth quarter of fiscal year 2003. See Note 5 — “Notes Payable, Long-Term Debt and Long-Term Lease Obligations” to the Consolidated Financial Statements.

Income Taxes. We recognized an effective income tax benefit of 16.4% in fiscal year 2003, as compared to an effective income tax rate of 22.4% in fiscal year 2002. The tax rate is a function of the mix of the effective tax rates in the tax jurisdictions in which our restructuring charges were incurred, and the mix of domestic versus international income from operations. The amount of restructuring charges recorded during fiscal year 2003, and the fact that the income taxes associated with the restructuring charges were calculated using the effective tax rates in the jurisdictions in which those charges were incurred, resulted in an income tax benefit. In addition, as the proportion of our income derived from foreign sources has increased, our effective tax rate has decreased as our international operations have historically been taxed at a lower rate than in the United States, primarily due to tax holidays granted to our sites in Malaysia, China and Hungary that expire at various dates through 2010. Such tax holidays are subject to conditions with which we expect to continue to comply. See Note 6 — “Income Taxes” to the Consolidated Financial Statements.

Fiscal Year Ended August 31, 2002 Compared to Fiscal Year Ended August 31, 2001

Net Revenue. Our net revenue decreased 18.1% to \$3.5 billion for fiscal year 2002, down from \$4.3 billion in fiscal year 2001. The decrease was primarily due to a 49.3% decrease in production of computing and storage products, a 37.5% decrease in production of peripheral products and a 13.7% decrease in production of networking products due to softening demand in those sectors. These decreases were offset in part by 58.1% and 27.5% increases in production of instrumentation and medical and consumer products, respectively, due to the addition of new customers and organic growth in those sectors.

Foreign source revenue represented 60.6% of our net revenue for fiscal year 2002 and 50.3% of revenue for fiscal year 2001. The increase in foreign source revenue was primarily attributable to incremental revenue resulting from our acquisitions in England, France, Italy, Malaysia and Scotland. The percentage of foreign source revenue also increased as a result of the current economic conditions in the U.S. As our overall revenue has fallen, our U.S. based revenues have decreased proportionally more than the decreases in the Asian, Latin American and European markets.

Gross Profit. Gross profit increased to 9.4% in fiscal year 2002 from 9.1% in fiscal year 2001 primarily due to an increase in the portion of manufacturing-based revenue and due to cost reductions realized from our restructuring activities during fiscal years 2002 and 2001.

Selling, General and Administrative. Selling, general and administrative expenses increased to \$203.8 million (5.7% of net revenue) in fiscal year 2002 from \$184.1 million (4.3% of net revenue) in fiscal year 2001. The increase in dollar amount was primarily attributable to locations acquired in late fiscal year 2001 and fiscal year 2002 and to a full year’s operations in facilities that were under construction or starting production during fiscal year 2001. The increase as a percentage of net revenue was impacted by the increase in absolute dollars as well as by decreased revenues in fiscal year 2002.

R&D. R&D expenses in fiscal year 2002 increased to \$7.9 million from \$6.4 million in fiscal year 2001 but remained at 0.2% of net revenue for each of the fiscal years ended August 31, 2002 and 2001, respectively. Despite the adverse economic conditions during fiscal year 2002 that negatively impacted the demand for our services, we continued to engage in R&D activities, including design of circuit board assemblies and the related production process, development of new products and new failure analysis techniques at our historical levels.

Amortization of Intangibles. We recorded \$15.1 million of amortization of intangibles in fiscal year 2002 as compared to \$5.8 million in fiscal year 2001. This increase was attributable to acquired amortizable intangible assets arising from our acquisitions in England and Italy during late fiscal year 2001 and in France, Malaysia, Scotland and the United States during fiscal year 2002.

We elected to early-adopt SFAS 142, effective the beginning of fiscal year 2002. In accordance with SFAS 142, we ceased amortizing goodwill for fiscal year 2002. For additional information regarding

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purchased intangibles, see “Acquisitions and Expansion” above, Note 1(f) — “Description of Business and Summary of Significant Accounting Policies — Goodwill and Other Intangible Assets”, Note 4 — “Goodwill and Other Intangible Assets” and Note 12 — “Business Acquisitions” to the Consolidated Financial Statements.

Acquisition-related Charges. During fiscal year 2002, we incurred \$7.6 million in acquisition-related charges consisting of increased incremental staffing and support costs and legal and professional fees associated with the acquisitions in France, Malaysia, Scotland and the United States. See Note 12 — “Business Acquisitions” to the Consolidated Financial Statements.

Restructuring and Impairment Charges. During fiscal year 2002, we incurred \$52.1 million in restructuring charges related to reductions in our cost structure. These charges included reductions in workforce, re-sizing of facilities and the transition of certain facilities into new customer development sites. These charges were largely intended to align our capacity and infrastructure to anticipated customer demand. Approximately \$7.2 million related to asset write-off costs, \$10.6 million to lease exit costs, \$32.1 million to employee severance and termination benefit costs and \$2.2 million in other restructuring costs.

The employee severance and benefit termination costs included in our restructuring charges were related to the elimination of approximately 2,800 employees during fiscal year 2002. The majority of these employees were engaged in direct and indirect manufacturing activities in various facilities around the world. Costs related to lease commitments consisted primarily of future lease payments for facilities vacated as a result of the consolidation of facilities. The fixed asset impairment charge primarily resulted from a decision made to vacate several smaller facilities in the United States, Europe and Asia due to adverse macroeconomic conditions. For additional information regarding restructuring costs, see Note 13 — “Restructuring and Impairment Charges” to the Consolidated Financial Statements.

Interest Income. Interest income increased to \$9.8 million in fiscal year 2002 from \$8.2 million in fiscal year 2001 reflecting increased income on greater cash balances resulting from positive cash flow from operations during fiscal year 2002 and the proceeds from our issuance of convertible notes completed in the third quarter of fiscal year 2001.

Interest Expense. Interest expense increased to \$13.1 million in fiscal year 2002, from \$5.9 million in fiscal year 2001, primarily as a result of our issuance of convertible notes near the end of the third quarter of fiscal year 2001 and imputed interest on deferred acquisition payments related to the Marconi acquisition.

Income Taxes. In fiscal year 2002, our effective tax rate decreased to 22.4% from 28.7% in fiscal year 2001. The tax rate is predominantly a function of the mix of domestic versus international income from operations. As the proportion of our income derived from foreign sources has increased, our effective tax rate has decreased as our international operations have historically been taxed at a lower rate than in the United States, primarily due to tax holidays granted to our sites in Malaysia, China and Hungary that expire through 2010. Such tax holidays are subject to conditions with which we expect to continue to comply. In addition to the increase in foreign source income, the effective tax rate for fiscal year 2002, as compared to fiscal year 2001 decreased due to the mix of the effective tax rates in the tax jurisdictions in which our restructuring and acquisition-related charges were incurred and the tax treatment of the amortization of intangibles in each jurisdiction. See Note 6 — “Income Taxes” to the Consolidated Financial Statements.

Quarterly Results (Unaudited)

The following table sets forth certain unaudited quarterly financial information for the 2003 and 2002 fiscal years. In the opinion of management, this information has been presented on the same basis as the audited consolidated financial statements appearing elsewhere, and all necessary adjustments (consisting of normal recurring adjustments) have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements and related notes thereto. The operating results for any quarter are not necessarily indicative of results for any future period.

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| | Fiscal Year 2003 | | | | Fiscal Year 2002 | | | |
|---|------------------|-----------------|------------------|------------------|------------------|-----------------|------------------|------------------|
| | Aug. 31, 2003 | May 31, 2003 | Feb. 28, 2003 | Nov. 30, 2002 | Aug. 31, 2002 | May 31, 2002 | Feb. 28, 2002 | Nov. 30, 2001 |
| (in thousands, except per share data) | | | | | | | | |
| Net revenue | \$1,296,015 | \$1,219,304 | \$1,145,917 | \$1,068,246 | \$988,223 | \$850,602 | \$822,074 | \$884,567 |
| Cost of revenue | 1,175,611 | 1,106,673 | 1,041,030 | 970,702 | 892,597 | 766,737 | 748,582 | 802,959 |
| Gross profit | 120,404 | 112,631 | 104,887 | 97,544 | 95,626 | 83,865 | 73,492 | 81,608 |
| Selling, general and administrative | 65,051 | 62,462 | 60,310 | 55,840 | 55,106 | 49,404 | 49,732 | 49,603 |
| Research and development | 2,506 | 2,353 | 2,431 | 2,616 | 2,053 | 2,074 | 1,859 | 1,878 |
| Amortization of intangibles | 12,514 | 8,489 | 9,716 | 6,151 | 4,624 | 3,467 | 4,180 | 2,842 |
| Acquisition-related charges | 3,934 | 3,920 | 3,697 | 3,715 | 3,951 | 1,068 | 546 | 2,011 |
| Restructuring and impairment charges | 8,958 | 32,863 | 17,128 | 26,359 | 27,555 | — | 10,446 | 14,142 |
| Operating income | 27,441 | 2,544 | 11,605 | 2,863 | 2,337 | 27,852 | 6,729 | 11,132 |
| Other income | — | — | — | (2,600) | — | — | — | — |
| Interest income | (1,684) | (1,465) | (1,847) | (1,924) | (2,509) | (3,073) | (2,008) | (2,171) |
| Interest expense | 5,246 | 3,862 | 4,182 | 3,729 | 3,041 | 3,766 | 3,465 | 2,783 |
| Income before income taxes | 23,879 | 147 | 9,270 | 3,658 | 1,805 | 27,159 | 5,272 | 10,520 |
| Income tax expense (benefit) | 3,807 | (4,319) | (842) | (4,699) | (27) | 6,353 | 1,570 | 2,145 |
| Net income | \$ 20,072 | \$ 4,466 | \$ 10,112 | \$ 8,357 | \$ 1,832 | \$ 20,806 | \$ 3,702 | \$ 8,375 |
| Earnings per share: | | | | | | | | |
| Basic | \$ 0.10 | \$ 0.02 | \$ 0.05 | \$ 0.04 | \$ 0.01 | \$ 0.11 | \$ 0.02 | \$ 0.04 |
| Diluted | \$ 0.10 | \$ 0.02 | \$ 0.05 | \$ 0.04 | \$ 0.01 | \$ 0.10 | \$ 0.02 | \$ 0.04 |
| Common shares used in the calculations of earnings per share: | | | | | | | | |
| Basic | 199,059 | 198,596 | 198,351 | 197,972 | 197,787 | 197,481 | 197,305 | 197,012 |
| Diluted | 203,980 | 202,132 | 200,726 | 200,099 | 200,643 | 200,997 | 201,348 | 199,515 |

The following table sets forth, for the periods indicated, certain financial information stated as a percentage of net revenue:

| | Fiscal Year 2003 | | | | Fiscal Year 2002 | | | |
|--------------------------------------|------------------|-----------------|------------------|------------------|------------------|-----------------|------------------|------------------|
| | Aug. 31, 2003 | May 31, 2003 | Feb. 28, 2003 | Nov. 30, 2002 | Aug. 31, 2002 | May 31, 2002 | Feb. 28, 2002 | Nov. 30, 2001 |
| Net revenue | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of revenue | 90.7 | 90.8 | 90.8 | 90.9 | 90.3 | 90.2 | 91.1 | 90.8 |
| Gross profit | 9.3 | 9.2 | 9.2 | 9.1 | 9.7 | 9.8 | 8.9 | 9.2 |
| Selling, general and administrative | 5.0 | 5.1 | 5.3 | 5.2 | 5.6 | 5.8 | 6.0 | 5.6 |
| Research and development | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.2 | 0.2 |
| Amortization of intangibles | 1.0 | 0.7 | 0.9 | 0.6 | 0.5 | 0.4 | 0.5 | 0.3 |
| Acquisition-related charges | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.1 | 0.1 | 0.2 |
| Restructuring and impairment charges | 0.7 | 2.7 | 1.5 | 2.5 | 2.8 | — | 1.3 | 1.6 |
| Operating income | 2.1 | 0.2 | 1.0 | 0.3 | 0.2 | 3.2 | 0.8 | 1.3 |
| Other income | — | — | — | (0.2) | — | — | — | — |
| Interest income | (0.1) | (0.1) | (0.2) | (0.2) | (0.3) | (0.4) | (0.2) | (0.2) |
| Interest expense | 0.4 | 0.3 | 0.4 | 0.3 | 0.3 | 0.4 | 0.4 | 0.3 |
| Income before income taxes | 1.8 | 0.0 | 0.8 | 0.4 | 0.2 | 3.2 | 0.6 | 1.2 |
| Income tax expense (benefit) | 0.3 | (0.4) | (0.1) | (0.4) | 0.0 | 0.8 | 0.2 | 0.3 |
| Net income | 1.5% | 0.4% | 0.9% | 0.8% | 0.2% | 2.4% | 0.4% | 0.9% |

Liquidity and Capital Resources

At August 31, 2003, we had cash and cash equivalent balances totaling \$699.7 million, total notes payable, long-term debt and capital lease obligations of \$644.3 million and \$405.1 million available for borrowings under our revolving credit facilities.

Net cash provided by operating activities for fiscal year 2003 was \$263.5 million. This consisted primarily of \$43.0 million of net income, \$224.4 million of depreciation and amortization, \$68.6 million from decreases of inventory, \$194.7 million from increases in accounts payable and accrued expenses and \$56.4 million of non-cash restructuring charges, offset by increases in accounts receivable of \$286.6 million and increases in deferred income taxes of \$29.0 million.

Net cash used in investing activities of \$517.5 million for fiscal year 2003 consisted of our capital expenditures of \$117.2 million for construction and equipment worldwide and cash paid of \$415.2 million in the acquisition of businesses, net of \$14.9 million of proceeds from the sale of property and equipment.

Net cash provided by financing activities of \$312.4 million for fiscal year 2003 resulted primarily from net proceeds of \$297.2 million from the issuance of \$300 million Senior Notes described below and \$17.1 million net proceeds from the issuance of common stock under option and employee purchase plans. See Note 5 — “Notes Payable, Long-Term Debt and Long-Term Lease Obligations” and Note 8 — “Stockholders’ Equity” to the Consolidated Financial Statements.

We may need to finance future growth and any corresponding working capital needs with additional borrowings under our revolving credit facility described below, as well as additional public and private offerings of our debt and equity. During the first quarter of fiscal year 1999, we filed a \$750 million “shelf” registration statement with the SEC registering the potential sale of debt and equity securities in the future, from time-to-time, to augment our liquidity and capital resources. In June 2000, we sold 13.0 million shares of our common stock pursuant to our “shelf” registration statement, which generated net proceeds of \$525.4 million. In August 2000, we increased the amount of securities available to be issued under a shelf registration statement to \$1.5 billion. In May 2001, we issued a total of \$345.0 million, 20-year, 1.75% convertible subordinated notes (the “Convertible Notes”) at par, resulting in net proceeds of approximately \$337.5 million. The Convertible Notes mature on May 15, 2021 and pay interest semiannually on May 15 and November 15. Each Convertible Note is convertible at any time after the date of original issuance and prior to the close of business on the business day immediately preceding the maturity date by the holder at a conversion rate of 24.368 shares per \$1,000 principal amount of Convertible Notes. Holders may require us to purchase all or a portion of their Convertible Notes on May 15 in the years 2004, 2006, 2009 and 2014 at par plus accrued interest. Accordingly, the Convertible Notes are classified as current debt as of August 31, 2003. If holders require us to purchase Convertible Notes from them, we may choose to pay the purchase price in cash or common stock valued at 95% of its then market price. We may redeem all or a portion of the Convertible Notes for cash at any time on or after May 18, 2004 at 100% of principal plus accrued interest. In July 2003, we issued a total of \$300.0 million, seven-year, 5.875% senior notes (“5.875% Senior Notes”) at 99.803% of par, resulting in net proceeds of approximately \$297.2 million. The 5.875% Senior Notes mature on July 15, 2010 and pay interest semiannually on January 15 and July 15, commencing January 15, 2004. Both the Convertible Notes and 5.875% Senior Notes were offered pursuant to our “shelf” registration statement. Approximately \$855 million of securities remain registered with the SEC under such registration statement.

In July 2003, we entered into an interest rate swap transaction to effectively convert the fixed interest rate of our 5.875% Senior Notes to a variable rate. The swap, which expires in 2010, is accounted for as a fair value hedge under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Certain Hedging Activities* (“SFAS 133”). The notional amount of the swap is \$300.0 million, which is related to the 5.875% Senior Notes. Under the terms of the swap, we will pay an interest rate equal to the six-month London Interbank Offered Rate (“LIBOR”) rate, set in arrears, plus a fixed spread of 1.945%. In exchange, we will receive a fixed rate of 5.875%. At August 31, 2003, \$17 million has been recorded in other long-term liabilities to record the fair value of the interest rate

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swap, with a corresponding decrease to the carrying value of the 5.875% Senior Notes on the Consolidated Balance Sheet.

At August 31, 2003, our principal sources of liquidity consisted of cash, cash equivalents and available borrowings under our revolving credit facilities.

On November 29, 2002, we renegotiated our then existing line of credit facility and established a three-year, \$295.0 million credit facility (the "Revolver"). A 65% equity interest in a foreign subsidiary was pledged to secure repayment of the Revolver. Under the terms of the Revolver, borrowings could be made under either floating rate loans or Eurodollar rate loans. Interest accrued on outstanding floating rate loans at the greater of the agent's prime rate or 0.50% plus federal funds rate. Interest accrued on outstanding Eurodollar loans at the LIBOR in effect at the loan inception plus a spread of 0.65% to 1.35%. A facility fee based on the commitment amount of the Revolver was payable quarterly at a rate equal to 0.225% to 0.40%. If our borrowings on the Revolver exceeded 33 1/3% of the aggregate commitment, a usage fee would be due. The usage fee rate ranged from 0.125% to 0.25%. The interest spread, facility fee and usage fee were determined based on our general corporate rating as determined by Standard & Poor's Rating Service ("S&P") and Moody's Investor Service ("Moody's"). The Revolver had an expiration date of November 29, 2005 when outstanding borrowings would then be due and payable.

On July 14, 2003, we amended and revised the Revolver and established a three-year, \$400.0 million unsecured revolving credit facility with a syndicate of banks (the "Amended Revolver"). The pledge of the 65% of the equity interest in the foreign subsidiary was released. Under the terms of the Amended Revolver, borrowings can be made under either floating rate loans or Eurodollar rate loans. We pay interest on outstanding floating rate loans at the greater of the agent's prime rate or 0.50% plus the federal funds rate. We pay interest on outstanding Eurodollar loans at the LIBOR in effect at the loan inception plus a spread of 0.65% to 1.35%. We pay a facility fee based on the committed amount of the Amended Revolver at a rate equal to 0.225% to 0.40%. We also pay a usage fee if our borrowings on the Amended Revolver exceed 33 1/3% of the aggregate commitment. The usage fee rate ranges from 0.125% to 0.25%. The interest spread, facility fee and usage fee are determined based on our general corporate rating or rating of our senior unsecured long-term indebtedness as determined by S&P and Moody's. As of August 31, 2003, the interest spread on the Amended Revolver was 1.325%. The Amended Revolver expires on July 14, 2006 and outstanding borrowings are then due and payable. The Amended Revolver requires compliance with several financial covenants including a fixed charge coverage ratio, consolidated net worth threshold and indebtedness to EBITDA ratio, as defined in the Amended Revolver. The Amended Revolver requires compliance with certain operating covenants, which limit, among other things, our incurrence of additional indebtedness. We were in compliance with the respective covenants as of August 31, 2003. As of August 31, 2003, there were no borrowings outstanding on the Amended Revolver.

On November 29, 2002, we negotiated a 364-day, \$305.0 million line of credit facility with a syndicate of banks. A 65% equity interest in a foreign subsidiary was pledged to secure repayment of the facility. The terms of the line of credit agreement mirrored the terms of the Revolver described above. The 364-day facility was to expire on November 29, 2003. At the time we entered into the Amended Revolver on July 14, 2003, we terminated this line of credit facility.

On May 28, 2003, we negotiated a six-month, 1.8 billion Japanese Yen ("JPY") (approximately \$15.2 million based on currency exchange rates at the time) credit facility for a Japanese subsidiary with a Japanese bank. Under the terms of the credit facility, interest accrued on outstanding borrowings based on the Tokyo Interbank Offered Rate ("TIBOR") plus a spread of 1.75%. The credit facility was to expire on December 2, 2003 and any outstanding borrowings would then be due and payable. During the fourth quarter of fiscal year 2003, we borrowed 1.8 billion JPY on this facility. The cash proceeds, which translated to \$15.2 million based on foreign currency rates in effect at the date of the borrowing, were used to partially fund the acquisition of certain operations of NEC in Gotemba, Japan. On August 28, 2003, we renegotiated the 1.8 billion JPY credit facility by converting it into a five-year term loan ("Japan Term Loan"), with the final principal payment due May 31, 2008. We pay interest on the Japan Term Loan quarterly at a fixed annual rate of 2.97%. The Japan Term Loan requires quarterly repayments of principal

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of 105 million JPY beginning May 31, 2004. The Japan Term Loan requires compliance with financial and operating covenants including maintaining a minimum equity balance at the respective subsidiary level. We were in compliance with the respective covenants as of August 31, 2003.

On May 28, 2003, we negotiated a six-month, 0.6 billion JPY (approximately \$5.1 million based on currency exchange rates at the time) credit facility for a Japanese subsidiary with a Japanese bank. Under the terms of the facility, we pay interest on outstanding borrowings based on TIBOR plus a spread of 1.75%. The credit facility expires on December 2, 2003 and any outstanding borrowings are then due and payable. We plan to renew this facility in the first quarter of fiscal year 2004. As of August 31, 2003, there were no borrowings outstanding under this facility.

On June 23, 2003, we paid the remaining \$8.3 million outstanding balance of the \$50.0 million, 6.89% Senior Notes we originally issued in May 1996 that were scheduled to mature in May 2004.

During fiscal year 2002 and early fiscal year 2003, we had an accounts receivable securitization program that provided for the sale of up to \$100.0 million of eligible accounts receivables of certain U.S. plants. We allowed the program to expire in May 2003.

Our working capital requirements and capital expenditures could continue to increase in order to support future expansions of our operations through greenfield growth 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.

We currently believe that during the next twelve months, our capital expenditures will be approximately \$80 million, principally for machinery, equipment, facilities and related expenses. We believe that our level of resources, which include cash on hand, available borrowings under our Amended Revolver, and funds provided by operations, will be adequate to fund these capital expenditures and our working capital requirements for the next twelve months. Should we desire to consummate significant additional acquisition opportunities, our capital needs would increase and could possibly result in our need to increase available borrowings under our Amended Revolver or access public or private debt and equity markets. There can be no assurance, however, that we would be successful in raising additional debt or equity on terms that we would consider acceptable.

Our contractual obligations for short and long-term debt arrangements, future minimum lease payments under non-cancelable operating lease arrangements and other long-term obligations as of August 31, 2003 are summarized below. We do not participate in, or secure financing for any unconsolidated limited purpose entities. Non-cancelable purchase commitments 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)

| Contractual Obligations | Payments due by period (in thousands) | | | | |
|---|---------------------------------------|---------------------|-----------|-----------|------------------|
| | Total | Less than 1 Year | 1-3 Years | 4-5 Years | After 5 Years |
| Notes payable, long-term debt and long-term lease obligations | \$644,255 | \$347,237 | \$ 8,114 | \$ 6,516 | \$282,388 |
| Operating leases | 161,014 | 36,341 | 50,048 | 32,544 | 42,081 |
| Total contractual cash obligations | \$805,269 | \$383,578 | \$58,162 | \$39,060 | \$324,469 |

FACTORS AFFECTING FUTURE RESULTS

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

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

- adverse changes in general economic conditions;
- the level and timing of customer orders;
- the level of capacity utilization of our manufacturing facilities and associated fixed costs;
- the composition of the costs of revenue between materials, labor and manufacturing overhead;
- price competition;
- our level of experience in manufacturing a particular product;
- the degree of automation used in our assembly process;
- the efficiencies achieved in managing inventories and fixed assets;
- fluctuations in materials costs and availability of materials; and
- the timing of expenditures in anticipation of increased sales, customer product delivery requirements and shortages of components or labor.

The volume and timing of orders placed by our customers vary due to variation in demand for our customers' products; our customers' attempts to manage their inventory; electronic design changes; changes in our customers' manufacturing strategies; and acquisitions of or consolidations among our customers. In the past, changes in customer orders have had a significant effect on our results of operations due to corresponding changes in the level of our overhead absorption. Any one or a combination of these factors could adversely affect our annual and quarterly results of operations in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operation — Quarterly Results."

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

For the fiscal year ended August 31, 2003, our five largest customers accounted for approximately 53% of our net revenue and 32 customers accounted for over 95% of our net revenue. For the fiscal year ended August 31, 2003, Cisco, Philips and HP accounted for approximately 16%, 15% and 11% of our net revenue, respectively. We 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. Our customers' industries have experienced rapid technological change, shortening of product life cycles, consolidation, and pricing and margin pressures. Consolidation among our customers may further reduce the number of customers that generate a significant percentage of our revenues and exposes us to increased risks relating to dependence on a small number of customers. A significant reduction in sales to any of our customers or a customer exerting significant pricing and margin pressures on us, would have a material adverse effect on our results of operations. In the past, some of our customers have terminated their manufacturing arrangements with us or have significantly reduced or delayed the volume of manufacturing services ordered from us. The industry's revenue declined in mid-2001 as a result of significant cut backs in its customers' production requirements, which was consistent with the overall global economic downturn. We cannot assure you that present or future customers will not terminate their manufacturing arrangements with us or significantly change, reduce or delay the amount of manufacturing services ordered from us. If they do, it could have a material adverse effect on our results of operations. In addition, we generate significant account receivables in connection with providing manufacturing services to our customers. If one or more of our customers were to become insolvent or otherwise were unable to pay for the manufacturing services provided by us, our operating results and financial condition would be

adversely affected. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation” and “Business — Customers and Marketing.”

Our customers may be adversely affected by rapid technological change.

Our customers compete in markets that are characterized by rapidly changing technology, evolving industry standards and continuous improvements in products and services. These conditions frequently result in short product life cycles. Our success will depend largely on the success achieved by our customers in developing and marketing their products. If technologies or standards supported by our customers’ products become obsolete or fail to gain widespread commercial acceptance, our business could be materially adversely affected.

We depend on industries that utilize electronics components, which includes the telecommunications industry, which continually produces technologically advanced products with short life cycles; our inability to continually manufacture such products on a cost-effective basis would harm our business.

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

- the inability of our customers to adapt to rapidly changing technology and evolving industry standards, which result in short product life cycles;
- the inability of our customers to develop and market their products, some of which are new and untested, the potential that our customers’ products may become obsolete or the failure of our customers’ products to gain widespread commercial acceptance; and
- recessionary periods in our customers’ markets.

If any of these factors materialize, our business would suffer.

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

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

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

- variation in demand for our customers’ products;
- our customers’ attempts to manage their inventory;
- electronic design changes;
- changes in our customers’ manufacturing strategy; and
- acquisitions of or consolidations among customers.

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

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relating to economic recession has made planning even more complex. A business downturn resulting from any of these external factors could have a material adverse effect on our operating results. See "Management's Discussion and Analysis of Financial Condition and Results of Operation" and "Business — Backlog."

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

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

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

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

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

The EMS business is highly competitive. We compete against numerous domestic and foreign manufacturers, including Celestica, Inc., Flextronics International, Sanmina-SCI Corporation and Solectron Corporation. In addition, we may in the future encounter competition from other large electronic manufacturers that are selling, or may begin to sell, EMS. Most of our competitors have international operations, significant financial resources and some have substantially greater manufacturing, R&D, and marketing resources than us. These competitors may:

- respond more quickly to new or emerging technologies;
- have greater name recognition, critical mass and geographic market presence;
- be better able to take advantage of acquisition opportunities;
- adapt more quickly to changes in customer requirements;
- devote greater resources to the development, promotion and sale of their services; and
- be better positioned to compete on price for their services.

We also face competition from the manufacturing operations of our current and potential customers, who are continually evaluating the merits of manufacturing products internally against the advantages of outsourcing to EMS providers. In addition, in recent years, ODMs, companies that provide design and manufacturing services to OEMs, have significantly increased their share of outsourced manufacturing services provided to OEMs in several markets, such as notebook and desktop computers, personal computer motherboards, and consumer electronic products. Competition from ODMs, such as Hon Hai Precision Industry Co., Ltd., may increase if our business in these markets grows or if ODMs expand further into or beyond these markets. See "Business — Competition."

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

The EMS industry is highly competitive. We compete against numerous U.S. and foreign EMS providers with global operations, as well as those who operate on a local or regional basis. In addition,

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current and prospective customers continually evaluate the merits of manufacturing products internally. Some of our competitors have substantially greater managerial, manufacturing, engineering, technical, systems, R&D, sales and marketing resources than we do. Consolidation in the EMS industry results in larger and more geographically diverse competitors who have significant combined resources with which to compete against us.

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

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

We derived 80.7% of revenues from international operations in fiscal year 2003 compared to 60.6% in fiscal year 2002. We expect our revenues from international operations to continue to increase. We currently operate outside the United States in Vienna, Austria; Bruges, Brussels and Hasselt, Belgium; Belo Horizonte, Manaus and Sao Paulo, Brazil; Huangpu, Panyu, Shanghai and Shenzhen, China; Coventry, England; Brest and Meung-sur-Loire, France; Szombathely and Tiszaujvaros, Hungary; Pimpri, India; Dublin, Ireland; Bergamo and Marcinise, Italy; Gotemba, Japan; Penang, Malaysia; Chihuahua, Guadalajara and Reynosa, Mexico; Kwidzyn, Poland; Ayr and Livingston, Scotland; and Singapore City, Singapore. We continually consider additional opportunities to make foreign acquisitions and construct new foreign facilities. Our international operations may be subject to a number of risks, including:

- difficulties in staffing and managing foreign operations;
- political and economic instability;
- unexpected changes in regulatory requirements and laws;
- longer customer payment cycles and difficulty collecting accounts receivable export duties, import controls and trade barriers (including quotas);
- governmental restrictions on the transfer of funds to us from our operations outside the United States;
- burdens of complying with a wide variety of foreign laws and labor practices;
- fluctuations in currency exchange rates, which could affect local payroll, utility and other expenses; and
- inability to utilize net operating losses incurred by our foreign operations against future income in the same jurisdiction.

In addition, several of the countries where we operate have emerging or developing economies, which may be subject to greater currency volatility, negative growth, high inflation, limited availability of foreign exchange and other risks. These factors may harm our results of operations, and any measures that we may implement to reduce the effect of volatile currencies and other risks of our international operations may not be effective. In our experience, entry into new international markets requires considerable management time as well as start-up expenses for market development, hiring and establishing office facilities before any significant revenues are generated. As a result, initial operations in a new market may

operate at low margins or may be unprofitable. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Liquidity and Capital Resources.”

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

We have grown rapidly. Our ability to manage growth effectively will require us to continue to implement and improve our operational, financial and management information systems; continue to develop the management skills of our managers and supervisors; and continue to train, motivate and manage our employees. Our failure to effectively manage growth could have a material adverse effect on our results of operations. See “Selected Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operation.”

We may not achieve expected profitability from our acquisitions.

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

- Financial risks, such as (1) potential liabilities of the acquired businesses; (2) costs associated with integrating acquired operations and businesses; (3) the dilutive effect of the issuance of additional equity securities; (4) the incurrence of additional debt; (5) the financial impact of valuing goodwill and other intangible assets involved in any acquisitions, potential future impairment write-downs of goodwill and the amortization of other intangible assets; (6) possible adverse tax and accounting effects; and (7) the risk that we spend substantial amounts purchasing these manufacturing facilities and assume significant contractual and other obligations with no guaranteed levels of revenue or that we may have to close facilities at our cost.
- Operating risks, such as (1) the diversion of management’s attention to the assimilation of the businesses to be acquired; (2) the risk that the acquired businesses will fail to maintain the quality of services that we have historically provided; (3) the need to implement financial and other systems and add management resources; (4) the risk that key employees of the acquired businesses will leave after the acquisition; (5) unforeseen difficulties in the acquired operations; and (6) the impact on us of any unionized work force we may acquire or any labor disruptions that might occur.

We have acquired and will continue to pursue the acquisition of manufacturing and supply chain management operations from OEMs. In these acquisitions, the divesting OEM will typically enter a supply arrangement with the acquiror. Therefore, the competition for these acquisitions is intense. In addition, certain OEMs may not choose to consummate these acquisitions with us because of our current supply arrangements with other OEMs. If we are unable to attract and consummate some of these acquisition opportunities, our growth could be adversely impacted.

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

- the integration into our business of the acquired assets and facilities may be time-consuming and costly;
- we, rather than the divesting OEM, may bear the risk of excess capacity;
- we may not achieve anticipated cost reductions and efficiencies;
- we may be unable to meet the expectations of the OEM as to volume, product quality, timeliness and cost reductions; and
- if demand for the OEM’s products declines, the OEM may reduce its volume of purchases, and we may not be able to sufficiently reduce the expenses of operating the facility or use the facility to provide services to other OEMs.

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

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

We face risks arising from the restructuring of our operations.

Over the past few years, we have undertaken initiatives to restructure our business operations with the intention of improving utilization and realizing cost savings in the future. These initiatives have included changing the number and location of our production facilities, largely to align our capacity and infrastructure with current and anticipated customer demand. This alignment includes transferring programs from higher cost geographies to lower cost geographies. The process of restructuring entails, among other activities, moving production between facilities, reducing staff levels, realigning our business processes and reorganizing our management. We continue to evaluate our operations and may need to undertake additional restructuring initiatives in the future. If we incur additional restructuring related charges, our financial condition and results of operations may suffer.

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

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

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

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

- hire, retain and expand our qualified engineering and technical personnel;
- maintain technological leadership;
- develop and market manufacturing services that meet changing customer needs; and

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

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

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

We manufacture and design products to our customers' specifications, and, in some cases, our manufacturing processes and facilities may need to comply with applicable statutory and regulatory requirements. For example, medical devices that we manufacture or design, as well as the facilities and manufacturing processes that we use to produce them, are regulated by the Food and Drug Administration. Similarly, items we manufacture for customers in defense and aerospace industries, as well as the processes we use to produce them, are regulated by the Department of Defense and the Federal Aviation Authority. In addition, our customers' products and the manufacturing processes that we use to produce them often are highly complex. As a result, products that we manufacture may at times contain manufacturing or design defects, and our manufacturing processes may be subject to errors or not be in compliance with applicable statutory and regulatory requirements. Defects in the products we manufacture or design, whether caused by a design, manufacturing or component failure or error, or deficiencies in our manufacturing processes, may result in delayed shipments to customers or reduced or cancelled customer orders. If these defects or deficiencies are significant, our business reputation may also be damaged. The failure of the products that we manufacture or our manufacturing processes and facilities to comply with applicable statutory and regulatory requirements may subject us to legal fines or penalties and, in some cases, require us to shut down or incur considerable expense to correct a manufacturing process or facility. In addition, these defects may result in liability claims against us or expose us to liability to pay for the recall of a product. The magnitude of such claims may increase as we expand our medical, automotive, and aerospace and defense manufacturing services, as defects in medical devices, automotive components, and aerospace and defense systems could kill or seriously harm users of these products and others. Even if our customers are responsible for the defects, they may not, or may not have resources to, assume responsibility for any costs or liabilities arising from these defects.

Our increasing design services offerings may increase our exposure to product liability, intellectual property infringement and other claims.

We have increased our efforts to offer certain design services, primarily those relating to products that we manufacture for our customers. Providing such services can expose us to different or greater potential liabilities than those we face from providing our regular manufacturing services. Historically, we have generally not agreed in our customer contracts to be liable for product design defects. However, with the growth of our design services business, we are assuming some of those risks. As a result, we have increasing exposure to potential product liability claims resulting from injuries resulting from defects in products we design, as well as potential claims that products we design infringe on third-parties' intellectual property. Such claims could subject us to significant liability for damages and, regardless of their merits, could be time-consuming and expensive to resolve. We also may have greater potential

exposure with respect to products we design that may be recalled due to product problems. Costs associated with possible product liability claims, intellectual property infringement claims and product recalls could have a material adverse effect on our results of operations.

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

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

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

We are subject to a variety of federal, state, local and foreign environmental regulations relating to the use, storage, discharge and disposal of hazardous chemicals used during our manufacturing process. If we fail to comply with any present and future regulations, we could be subject to future liabilities or the suspension of production. In addition, such regulations could restrict our ability to expand our facilities or could require us to acquire costly equipment, or to incur other significant expenses to comply with environmental regulations.

Certain of our existing stockholders have significant control.

As of August 31, 2003, our executive officers, directors and certain of their family members collectively beneficially own 21.1% of our outstanding common stock, of which William D. Morean, our Chairman of the Board, beneficially owns 15.3%. As a result, our executive officers, directors and certain of their family members have significant influence over (1) the election of our Board of Directors, (2) the approval or disapproval of any other matters requiring stockholder approval, and (3) the affairs and policies of Jabil.

We are subject to the risk of increased taxes.

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

Several countries in which we are located allow for tax holidays or provide other tax incentives to attract and retain business. We have obtained holidays or other incentives where available. Our taxes could increase if certain tax holidays or incentives are retracted, or if they are not renewed upon expiration, or tax rates applicable to us in such jurisdictions are otherwise increased. In addition, further acquisitions may cause our effective tax rate to increase.

Our credit rating is subject to change.

Our credit is rated by credit rating agencies. For example, our 5.875% Senior Notes were rated Baa3 by Moody's Investor Service, which is considered "investment grade" debt and BB+ by Standard and Poor's Rating Service, which is considered one level below "investment grade" debt. If in the future our credit rating is downgraded so that neither credit rating agency rates our 5.875% Senior Notes as "investment grade" debt, such a downgrade may increase our cost of capital should we borrow under our revolving credit facilities, may make it more expensive for us to raise additional capital in the future on

terms that are acceptable to us or at all, may negatively impact the price of our common stock and may have other negative implications on our business, many of which are beyond our control.

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

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

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

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

We are exposed to intangible asset risk.

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

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

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

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

Customer relationships with emerging companies present special risks because such companies do not have an extensive product history. As a result, there is less demonstration of market acceptance of their products making it harder for us to anticipate needs and requirements than with established customers. Also, due to the current economic environment, additional funding for such companies may be more difficult to obtain and these customer relationships may not continue or materialize to the extent we plan or we previously experienced. This tightening of financing for start-up customers, together with many start-

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up customers' lack of prior earnings and unproven product markets increase our credit risk, especially in accounts receivable and inventories. Although we perform ongoing credit evaluations of our customers and adjust our reserves for accounts receivable and inventories for all customers, including start-up customers, based on the information available, these reserves may not be adequate. This risk exists for any new emerging company customers in the future.

Our stock price may be volatile.

Our common stock is traded on the New York Stock Exchange. The market price of our common stock has fluctuated substantially in the past and could fluctuate substantially in the future, based on a variety of factors, including future announcements covering us or our key customers or competitors, government regulations, litigation, changes in earnings estimates by analysts, fluctuations in quarterly operating results, or general conditions in the EMS, automotive, computing and storage, consumer products, instrumentation and medical, networking, peripherals and telecommunications industries. Furthermore, stock prices for many companies, and high technology companies in particular, fluctuate widely for reasons that may be unrelated to their operating results. Those fluctuations and general economic, political and market conditions, such as recessions or international currency fluctuations and demand for our services, may adversely affect the market price of our common stock.

Our certificate of incorporation, bylaws and Delaware law may have certain anti-takeover effects.

The Corporation Law of the State of Delaware and our certificate of incorporation and bylaws each contain certain provisions that may, in effect, discourage, delay or prevent a change of control of Jabil or unsolicited acquisition proposals from taking place.

Generally, we do not have employment agreements with any of our key personnel, the loss of which could hurt our operations.

Our continued success depends largely on the efforts and skills of our key managerial and technical employees. The loss of the services of certain of these key employees or an inability to attract or retain qualified employees could have a material adverse effect on us. Generally, we do not have employment agreements or non-competition agreements with our key employees.

Item 7A. 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 hedge transactional exposure associated with commitments arising from trade accounts receivable, trade accounts payable and fixed purchase obligations denominated in a currency other than the functional currency of the respective operating entity. On September 1, 2000, the Company adopted SFAS 133, as amended by Statement of Financial Accounting Standards No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activity*, an Amendment of SFAS 133 and Statement of Financial Accounting Standards No. 149, *Amendment on Statement 133 on Derivative Instruments and Hedging Activities*. In accordance with these standards, all derivative instruments are recorded on the balance sheet at their respective fair market values.

The aggregate notional amount of outstanding contracts as of August 31, 2003 was \$122.3 million. The fair value of these contracts amounted to \$1.2 million and was recorded as a net liability on the Consolidated Balance Sheet. The forward contracts will generally expire in less than three months, with seven months being the maximum term of the contracts outstanding at August 31, 2003. The forward contracts will settle in British Pounds, Euros, Hungarian Forints, Mexican Pesos, Japanese Yen, Swiss Francs and U.S. dollars.

Interest Rate Risk

A portion of our exposure to market risk for changes in interest rates relates to our investment portfolio. We do not use derivative financial instruments in our investment portfolio. We place cash and cash equivalents with various major financial institutions. We protect our invested principal funds by limiting default risk, market risk and reinvestment risk. We mitigate default risk by investing in investment grade securities and by constantly positioning the portfolio 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 includes only marketable securities with active secondary or resale markets to ensure portfolio liquidity. As of August 31, 2003, the outstanding amount in the investment portfolio was \$213.4 million, comprised mainly of money market funds with an average return of 0.97%.

We have issued convertible debt with a principal maturity of \$345 million due in May 2021. The notes can be redeemed by the holder at par value plus accrued interest on May 15, 2004, May 15, 2006, May 15, 2009 and May 15, 2014. We are not exposed to interest rate risk on the convertible debt because (i) the interest on the principal amount is fixed at 1.75%, (ii) the principal payable at maturity is fixed and (iii) the conversion into our common stock is fixed.

We have also issued senior notes with a principal maturity of \$300 million due in July 2010. The notes bear a fixed interest rate of 5.875%, which is payable semiannually on January 15 and July 15. We entered into an interest rate swap transaction to effectively convert the fixed interest rate of the 5.875% Senior Notes to a variable rate. The swap, which expires in 2010, is accounted for as a fair value hedge under SFAS 133. The notional amount of the swap is \$300 million. Under the terms of the swap, we will pay an interest rate equal to the six-month LIBOR rate, set in arrears, plus a fixed spread of 1.945%. In exchange, we will receive a fixed rate of 5.875%. At August 31, 2003, \$17 million has been recorded in other long-term liabilities to record the fair value of the interest rate swap, with a corresponding decrease to the carrying value of the 5.875% Senior Notes on the Consolidated Balance Sheet.

We pay interest on outstanding borrowings under our Amended Revolver and our 0.6 million JPY credit facility at interest rates that fluctuate based upon changes in various base interest rates. There were no borrowings outstanding under these revolving credit facilities at August 31, 2003.

See "Management's Discussion and Analysis of Financial Condition and Results of Operation" and "Factors Affecting Future Results — We derive a substantial portion of our revenues from our international operations, which may be subject to a number of risks and often require more management time and expense to achieve profitability than our domestic operations, and — An adverse change in the interest rates for our borrowings could adversely affect our financial condition." See Note 1 — "Description of Business and Summary of Significant Accounting Policies", Note 5 — "Notes Payable, Long-Term Debt and Long-Term Lease Obligations" and Note 10 — "Derivative Instruments and Hedging Activities" to the Consolidated Financial Statements.

Item 8. *Financial Statements and Supplementary Data*

Certain information required by this item is included in Item 7 of Part II of this Report under the heading "Quarterly Results" and is incorporated into this item by reference. All other information required by this item is included in Item 15 of Part IV of this Report and is incorporated into this item by reference.

Item 9. *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure*

There have been no changes in or disagreements with our accountants on accounting and financial disclosure.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation required by Rules 13a-15 and 15d-15 under the Exchange Act (the "Evaluation"), under the supervision and with the participation of our President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15 and 15d-15 under the Exchange Act ("Disclosure Controls"). Although we believe that our pre-existing Disclosure Controls, including our internal controls, were adequate to enable us to comply with our disclosure obligations, as a result of such Evaluation, we implemented minor changes, primarily to formalize, document and update the procedures already in place. Based on the Evaluation, our CEO and CFO concluded that, subject to the limitations noted herein, our Disclosure Controls are effective in timely alerting them to material information required to be included in our periodic SEC reports.

Changes in Internal Controls

There has not been any change in our internal control over financial reporting identified in connection with the Evaluation that occurred during the quarter ended August 31, 2003 that has materially affected, or is reasonably likely to materially affect, those controls.

Limitations on the Effectiveness of Controls

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

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

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

PART III

Item 10. Directors and Executive Officers of the Registrant

Information regarding our directors is incorporated by reference to the information set forth under the caption "Proposal No. 1: Election of Directors" in our Proxy Statement for the Annual Meeting of

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Stockholders to be filed with the Securities and Exchange Commission (the “Commission”) within 120 days after the end of our fiscal year ended August 31, 2003.

Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, is hereby incorporated herein by reference from the section entitled “Other Information — Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement for the Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of our fiscal year ended August 31, 2003.

Our Executive Officers

Officers are appointed by the Board of Directors and serve at the discretion of the Board. Each executive officer is a full-time employee of Jabil. There are no family relationships among our officers and directors.

Timothy L. Main (age 46) has served as Chief Executive Officer of Jabil since September 2000, as President since January 1999 and as a director since October 1999. He joined Jabil in April 1987 as a Production Control Manager, was promoted to Operations Manager in September 1987, to Project Manager in July 1989, to Vice President Business Development in May 1991, and to Senior Vice President, Business Development in August 1996. Prior to joining Jabil, Main was a commercial lending officer, international division for the National Bank of Detroit. Main has earned a B.S. from Michigan State University and Master of International Management from the American Graduate School of International Management (Thunderbird).

Mark Mondello (age 39) was promoted to Chief Operating Officer in November 2002. Mondello joined Jabil in 1992 as Production Line Supervisor and was promoted to Project Manager in 1993. Mondello was named Vice President, Business Development in 1997 and served as Senior Vice President, Business Development from January 1999 through November 2002. Prior to joining Jabil, Mondello served as project manager on commercial and defense-related aerospace programs for Moog, Inc. Mondello holds a B.S. in Mechanical Engineering from the University of South Florida.

Scott Brown (age 41) was named Executive Vice President in November 2002. Brown joined Jabil as a Project Manager in November 1988 and was promoted to Vice President, Corporate Development in September 1997. Brown has served as Senior Vice President, Strategic Planning since November 2000. Prior to joining Jabil, Brown was a financial consultant with Merrill Lynch & Co., Inc. in Bloomfield Hills, Michigan. Brown holds a B.S. in Economics from the University of Michigan.

Chris Lewis (age 43) has served as Chief Financial Officer since August 1996. Lewis joined Jabil as Treasurer in June 1995. Prior to joining Jabil, Lewis served as U.S. Controller of Peek PLC and was a CPA with the accounting firm of KPMG Peat Marwick. Lewis holds a B.A. in Business Administration from Wittenberg University in Springfield, Ohio.

Michel Charriau (age 61) was named Chief Operating Officer — Europe in December 2002. Prior to joining Jabil, Charriau was Executive Vice President of Philips Consumer Electronics and the Chief Executive Officer of Philips Contract Manufacturing Services, both divisions of Philips. Charriau joined Philips in 1969 with its Semiconductor Division in France after graduating from Ecole Centrale de Lille with a degree in Engineering. Charriau held several executive positions with Philips, including Chief Purchasing Officer of Consumer Electronics and Chief Operating Officer of Car Systems in Germany.

John Lovato (age 43) was named Senior Vice President, Business Development in November 2002. Lovato joined Jabil in 1990 as Business Unit Manager, served as General Manager of Jabil’s California facility and in 1999 was named Vice President, Global Business Units. Before joining Jabil, Lovato held positions at Texas Instruments. He holds a B.S. in Electronics Engineering from McMaster University in Ontario, Canada.

William E. Peters (age 40) was named Senior Vice President, Operations in November 2000. Peters joined Jabil in 1990 as a buyer, was promoted to Purchasing Manager and in 1993 was named Operations

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Manager for Jabil's Michigan facility. Peters served as Vice President, Operations from January 1999 to November 2000. Prior to joining Jabil, Peters was a financial analyst for Electronic Data Systems. Peters earned a B.A. in Economics from Michigan State University.

Wesley "Butch" Edwards (age 51) was named Senior Vice President, Strategic Operations in November 2000. Edwards joined Jabil as Manufacturing Manager of Jabil's Michigan facility in July 1988 and was promoted to Operations Manager of the Florida facility in July 1989. Edwards was named Vice President, Operations in May 1994 and was promoted to Senior Vice President, Operations in August 1996. He holds a B.A. and an M.B.A. from the University of Florida.

J. Patrick Redmond (age 43) has served as Jabil's Controller since July 1999. Redmond joined Jabil in May 1995 as Plant Controller for Jabil's Florida facility and later became Plant Controller for Jabil's Scotland facility. Prior to joining Jabil, Redmond was Plant Controller for Loral Data Systems and held a variety of financial and business management positions at Schlumberger. Redmond earned a B.A. in Accounting from the University of South Florida.

Robert L. Paver (age 47) joined Jabil as General Counsel and Corporate Secretary in 1997. Prior to working for Jabil, Paver was a practicing attorney with the law firm of Holland & Knight in St. Petersburg, Fla. He has served as an adjunct professor of law at Stetson University College of Law since 1985. Paver holds a B.A. from the University of Florida and a J.D. from Stetson University College of Law.

Forbes I.J. Alexander (age 43) has served as Treasurer since November 1996. Alexander joined Jabil in 1993 as Controller of Jabil's Scotland facility and was promoted to Assistant Treasurer in April 1996. Prior to joining Jabil, Alexander was Financial Controller of Tandy Electronics European Manufacturing Operations in Scotland and has held various financial positions with Hewlett Packard and Apollo Computer. Alexander is a Fellow at the Chartered Institute of Management Accountants. He holds a B.A. in Accounting from Dundee College, Scotland.

We have adopted a code of ethics that applies to our principal executive officer and senior financial officers, including the principal financial officer, principal accounting officer, controller and other persons performing similar functions. This code of ethics is posted on our website, which is located at <http://www.jabil.com>. We intend to satisfy the disclosure requirement under Item 10 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, at the address specified above. Information contained in our website, whether currently posted or posted in the future, is not part of this document or the documents incorporated by reference in this document.

Item 11. *Executive Compensation*

Information regarding executive compensation is incorporated by reference to the information set forth under the captions "Proposal No. 1: Election of Directors — "Compensation of Directors" and "Executive Officer Compensation" in our Proxy Statement for the 2003 Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of our fiscal year ended August 31, 2003.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Information regarding security ownership of certain beneficial owners and management is incorporated by reference to the information set forth under the caption "Other Information — Share Ownership by Principal Stockholders and Management" in our Proxy Statement for the 2003 Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of our fiscal year ended August 31, 2003.

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The following table sets forth certain information relating to our equity compensation plans as of August 31, 2003:

Equity Compensation Plan Information

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans |
|---|---|---|--|
| Equity compensation plans approved by security holders: | | | |
| 1992 Stock Option Plan | 11,200,120 | 16.98 | — |
| 1992 Employee Stock Purchase Plan | NA | NA | — |
| 2002 Stock Option Plan | 3,841,748 | 13.09 | 4,920,044 |
| 2002 CSOP Plan | 179,010 | 12.95 | 425,340 |
| 2002 FSOP Plan | 36,500 | 16.65 | 163,500 |
| 2002 Employee Stock Purchase Plan | NA | NA | 1,430,828 |
| Equity compensation plans not approved by security holders: | | | |
| 2001 Stock Award Plan | NA | NA | 88,350 |
| Total | 15,257,378 | | 7,028,062 |

In February 2001, we adopted a Stock Award Plan, which was not required to be approved by our stockholders. The purpose of the Stock Award Plan is to provide incentives to attract and retain key employees, motivate such persons to stay with us and to increase their efforts to make our business more successful. As of August 31, 2003, 11,650 shares have been issued to employees under the Stock Award Plan, of which 5,000 shares have lapsed. See Note 8(a) — “Stockholders’ Equity — Stock Option Plans” and Note 8(b) — “Stockholders’ Equity — Stock Purchase and Award Plans” to the Consolidated Financial Statements.

Item 13. Certain Relationships and Related Transactions

Information regarding certain relationships and related transactions is incorporated by reference to the information set forth under the caption “Certain Transactions” in our Proxy Statement for the 2003 Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of our fiscal year ended August 31, 2003.

Item 14. Principal Accounting Fees and Services

Information regarding principal accounting fees and services is incorporated by reference to the information set forth under the captions “Ratification of Appointment of Independent Auditors — Principal Accounting Fees and Services” and “— Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors” in our Proxy Statement for the 2003 Annual Meeting of Stockholders to be filed with the Commission within 120 days after the end of our fiscal year ended August 31, 2003.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) The following documents are filed as part of this Report:

1. *Financial Statements.* Our consolidated financial statements, and related notes thereto, with independent auditors report thereon are included in Part IV of this report on the pages indicated by the Index to Consolidated Financial Statements and Schedule as presented on page 46 of this report.

2. *Financial Statement Schedule.* Our financial statement schedule is included in Part IV of this report on the page indicated by the Index to Consolidated Financial Statements and Schedule as presented on page 46 of this report. This financial statement schedule should be read in conjunction with our consolidated financial statements, and related notes thereto.

Schedules not listed in the Index to Consolidated Financial Statements and Schedule have been omitted because they are not applicable, not required, or the information required to be set forth therein is included in the consolidated financial statements or notes thereto.

3. *Exhibits.* See Item 15(c) below.

(b) *Reports on Form 8-K.*

1. During the quarterly period ended August 31, 2003, the Registrant filed a Current Report on Form 8-K dated June 18, 2003, in which it disclosed and furnished under Items 7 and 9 of Form 8-K a press release issued by the Registrant announcing its results of operations for the third quarter ended May 31, 2003.

2. During the quarterly period ended August 31, 2003, the Registrant filed a Current Report on Form 8-K dated July 16, 2003, in which it disclosed and furnished under Items 7 and 9 of Form 8-K a press release issued by the Registrant announcing a public offering by it of \$300 million aggregate principal amount Senior Notes due 2010.

3. During the quarterly period ended August 31, 2003, the Registrant filed a Current Report on Form 8-K dated July 21, 2003, in which it disclosed and filed under Items 5 and 7 of Form 8-K certain exhibits to Registration Statement No. 333-42992 in connection with the public offering by it of \$300 million aggregate principal amount Senior Notes due 2010.

(c) *Exhibits.* The exhibits listed on the Exhibits Index are filed as part of, or incorporated by reference into, this Report.

(d) *Financial Statement Schedules.* See Item 15(a) above.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

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| Consolidated Statements of Earnings — Years ended August 31, 2003, 2002, and 2001 | 49 |
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INDEPENDENT AUDITORS' REPORT

The Board of Directors

Jabil Circuit, Inc:

We have audited the accompanying consolidated financial statements of Jabil Circuit, Inc. and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jabil Circuit, Inc. and subsidiaries as of August 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended August 31, 2003, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Tampa, Florida

October 16, 2003

JABIL CIRCUIT, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except for share data)

| | August 31, | |
|--|--------------------|--------------------|
| | 2003 | 2002 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents (note 1) | \$ 699,748 | \$ 640,735 |
| Accounts receivable, less allowance for doubtful accounts of \$6,299 in 2003 and \$4,689 in 2002 (note 9) | 759,696 | 446,879 |
| Inventories (note 2) | 510,218 | 395,918 |
| Refundable income taxes | 27,757 | 49,411 |
| Prepaid expenses and other current assets | 62,942 | 34,128 |
| Deferred income taxes (note 6) | 33,586 | 21,273 |
| Total current assets | 2,093,947 | 1,588,344 |
| Property, plant and equipment, net (note 3) | 746,204 | 740,868 |
| Goodwill (notes 1, 4 and 12) | 295,520 | 146,328 |
| Intangible assets, net (notes 1, 4 and 12) | 85,799 | 48,119 |
| Other assets | 23,275 | 24,247 |
| Total assets | \$3,244,745 | \$2,547,906 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current installments of notes payable, long-term debt and long-term lease obligations (note 5) | \$ 347,237 | \$ 8,692 |
| Accounts payable | 712,697 | 431,588 |
| Accrued compensation and employee benefits | 88,138 | 62,544 |
| Other accrued expenses | 115,146 | 90,558 |
| Total current liabilities | 1,263,218 | 593,382 |
| Notes payable, long-term debt and long-term lease obligations less current installments (note 5) | 297,018 | 354,668 |
| Deferred income taxes (note 6) | 19,223 | 41,323 |
| Other liabilities (notes 7 and 10) | 76,810 | 51,567 |
| Total liabilities | 1,656,269 | 1,040,940 |
| Commitments and contingencies (note 11) | | |
| Stockholders' equity (notes 1 and 8): | | |
| Preferred stock, \$.001 par value, authorized 10,000,000 shares; no shares issued and outstanding | — | — |
| Common stock, \$.001 par value, authorized 500,000,000 shares; issued and outstanding, 199,345,958 shares in 2003, and 197,950,937 in 2002 | 199 | 198 |
| Additional paid-in capital | 944,145 | 926,345 |
| Retained earnings | 623,053 | 580,046 |
| Accumulated other comprehensive income | 21,079 | 377 |
| Total stockholders' equity | 1,588,476 | 1,506,966 |
| Total liabilities and stockholders' equity | \$3,244,745 | \$2,547,906 |

See accompanying notes to consolidated financial statements.

JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands, except for per share data)

| | Years ended August 31, | | |
|---|------------------------|-------------|-------------|
| | 2003 | 2002 | 2001 |
| Net revenue (note 9) | \$4,729,482 | \$3,545,466 | \$4,330,655 |
| Cost of revenue | 4,294,016 | 3,210,875 | 3,936,589 |
| Gross profit | 435,466 | 334,591 | 394,066 |
| Operating expenses: | | | |
| Selling, general and administrative | 243,663 | 203,845 | 184,112 |
| Research and development | 9,906 | 7,864 | 6,448 |
| Amortization of intangibles | 36,870 | 15,113 | 5,820 |
| Acquisition-related charges (note 12) | 15,266 | 7,576 | 6,558 |
| Restructuring and impairment charges (note 13) | 85,308 | 52,143 | 27,366 |
| Operating income | 44,453 | 48,050 | 163,762 |
| Other income | (2,600) | — | — |
| Interest income | (6,920) | (9,761) | (8,243) |
| Interest expense | 17,019 | 13,055 | 5,857 |
| Income before income taxes | 36,954 | 44,756 | 166,148 |
| Income tax (benefit) expense (note 6) | (6,053) | 10,041 | 47,631 |
| Net income | \$ 43,007 | \$ 34,715 | \$ 118,517 |
| Earnings per share: | | | |
| Basic | \$ 0.22 | \$ 0.18 | \$ 0.62 |
| Diluted | \$ 0.21 | \$ 0.17 | \$ 0.59 |
| Common shares used in the calculations of earnings per share: | | | |
| Basic | 198,495 | 197,396 | 191,862 |
| Diluted | 202,103 | 200,782 | 202,223 |

See accompanying notes to consolidated financial statements.

JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

| | Years ended August 31, | | |
|---|------------------------|-----------------|------------------|
| | 2003 | 2002 | 2001 |
| Net income | \$43,007 | \$34,715 | \$118,517 |
| Other comprehensive income (loss): | | | |
| Foreign currency translation adjustment | 26,861 | 875 | 107 |
| Change in fair market value of derivative instruments | (865) | (177) | 177 |
| Minimum pension liability | (5,294) | — | — |
| Comprehensive income | <u>\$63,709</u> | <u>\$35,413</u> | <u>\$118,801</u> |

See accompanying notes to consolidated financial statements.

JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except for share data)

| | Common stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (loss) | Net Stockholders' Equity |
|---|-----------------------|-----------|----------------------------------|----------------------|--|--------------------------------|
| | Shares Outstanding | Par value | | | | |
| Balance at August 31, 2000 | 190,250,685 | \$ 190 | \$843,784 | \$426,814 | \$ (605) | \$1,270,183 |
| Shares issued to non-employees under stock option plans | — | — | 67 | — | — | 67 |
| Shares issued upon exercise of stock options | 6,103,623 | 7 | 11,604 | — | — | 11,611 |
| Shares issued under employee stock purchase plan | 516,960 | — | 4,964 | — | — | 4,964 |
| Tax benefit of options exercised | — | — | 8,450 | — | — | 8,450 |
| Comprehensive income | — | — | — | 118,517 | 284 | 118,801 |
| Balance at August 31, 2001 | 196,871,268 | 197 | 868,869 | 545,331 | (321) | 1,414,076 |
| Shares issued to non-employees under stock option plans | — | — | 59 | — | — | 59 |
| Shares issued upon exercise of stock options | 476,818 | — | 3,391 | — | — | 3,391 |
| Shares issued under employee stock purchase plan | 602,851 | 1 | 11,230 | — | — | 11,231 |
| Tax benefit of options exercised | — | — | 42,796 | — | — | 42,796 |
| Comprehensive income | — | — | — | 34,715 | 698 | 35,413 |
| Balance at August 31, 2002 | 197,950,937 | 198 | 926,345 | 580,046 | 377 | 1,506,966 |
| Shares issued to non-employees under stock option plans | — | — | 86 | — | — | 86 |
| Shares issued upon exercise of stock options | 825,394 | 1 | 8,147 | — | — | 8,148 |
| Shares issued under employee stock purchase plan | 569,627 | — | 8,877 | — | — | 8,877 |
| Tax benefit of options exercised | — | — | 690 | — | — | 690 |
| Comprehensive income | — | — | — | 43,007 | 20,702 | 63,709 |
| Balance at August 31, 2003 | 199,345,958 | \$ 199 | \$944,145 | \$623,053 | \$ 21,079 | \$1,588,476 |

See accompanying notes to consolidated financial statements.

JABIL CIRCUIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

| | Years ended August 31, | | |
|---|------------------------|-------------------|-------------------|
| | 2003 | 2002 | 2001 |
| Cash flows from operating activities: | | | |
| Net income | \$ 43,007 | \$ 34,715 | \$ 118,517 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 224,439 | 188,308 | 155,388 |
| Recognition of deferred grant proceeds | (1,809) | (1,918) | (1,532) |
| Deferred income taxes | (28,958) | 922 | 9,056 |
| Accrued interest on deferred acquisition payments | 760 | 1,703 | 470 |
| Imputed interest on acquisition payments | 395 | — | — |
| Non-cash restructuring charges | 56,444 | 28,566 | 11,465 |
| Provision for doubtful accounts | 3,227 | 887 | 1,371 |
| Tax benefit of options exercised | 690 | 42,796 | 8,450 |
| Gain on sale of property | (202) | (1,632) | (175) |
| Change in operating assets and liabilities, exclusive of net assets acquired: | | | |
| Accounts receivable | (286,644) | 80,549 | (6,471) |
| Inventories | 68,640 | 154,652 | 97,698 |
| Prepaid expenses and other current assets | (26,189) | (114) | (3,013) |
| Other assets | (3,838) | 1,213 | (6,752) |
| Accounts payable and accrued expenses | 194,702 | 67,704 | (171,435) |
| Income taxes payable | 18,829 | (44,789) | (30,342) |
| Net cash provided by operating activities | <u>263,493</u> | <u>553,562</u> | <u>182,695</u> |
| Cash flows from investing activities: | | | |
| Net cash paid for business acquisitions | (415,166) | (278,617) | (139,200) |
| Acquisition of property, plant and equipment | (117,215) | (85,310) | (309,202) |
| Proceeds from sale of property, plant and equipment | 14,888 | 13,704 | 6,886 |
| Net cash used in investing activities | <u>(517,493)</u> | <u>(350,223)</u> | <u>(441,516)</u> |
| Cash flows from financing activities: | | | |
| Borrowings under bank credit facilities | 165,186 | — | — |
| Payments on debt and capital leases | (167,135) | (8,333) | (8,333) |
| Net proceeds from issuance of long-term debt | 297,209 | — | 337,549 |
| Net proceeds from issuance of common stock under option and employee purchase plans | 17,111 | 14,681 | 16,642 |
| Proceeds from deferred grant | 49 | — | 5,929 |
| Net cash provided by financing activities | <u>312,420</u> | <u>6,348</u> | <u>351,787</u> |
| Effect of exchange rate changes on cash | 593 | 396 | 84 |
| Net increase in cash and cash equivalents | 59,013 | 210,083 | 93,050 |
| Cash and cash equivalents at beginning of period | 640,735 | 430,652 | 337,602 |
| Cash and cash equivalents at end of period | <u>\$ 699,748</u> | <u>\$ 640,735</u> | <u>\$ 430,652</u> |
| Supplemental disclosure information: | | | |
| Interest paid | \$ 14,367 | \$ 13,010 | \$ 4,209 |
| Income taxes paid, net of refunds received | <u>\$ 6,937</u> | <u>\$ 13,616</u> | <u>\$ 52,227</u> |

See accompanying notes to consolidated financial statements.

JABIL CIRCUIT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

Jabil Circuit, Inc. (together with its subsidiaries, herein referred to as the "Company") is an independent provider of electronic manufacturing services for electronic circuit board assemblies and systems to major original equipment manufacturers in the automotive, computing and storage, consumer products, instrumentation and medical, networking, peripherals and telecommunications industries. The Company's manufacturing services combine a high volume, highly automated continuous flow manufacturing approach with advanced electronic design and design for manufacturability technologies. The Company is headquartered in St. Petersburg, Florida and has manufacturing operations in the United States, Europe, Asia and Latin America.

Significant accounting policies followed by the Company are as follows:

a. Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts and operations of Jabil Circuit, Inc. and its wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated in preparing the consolidated financial statements.

Certain amounts in the prior years' financial statements have been reclassified to conform to current year presentation.

b. Use of Accounting Estimates

Management is required to make estimates and assumptions during the preparation of the consolidated financial statements and accompanying notes in conformity with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements. They also affect the reported amounts of net income. Actual results could differ materially from these estimates and assumptions.

c. Cash, Cash Equivalents and Other Financial Instruments

The Company considers all highly liquid instruments with original maturities of 90 days or less to be cash equivalents for consolidated financial statement purposes. Cash equivalents consist of investments in money market funds, municipal bonds and commercial paper with original maturities of 90 days or less. At August 31, 2003 and 2002 cash equivalents totaled approximately \$213.4 million and \$237.1 million, respectively. Management considers the carrying value of cash and cash equivalents to be a reasonable approximation of market value given the short-term nature of these financial instruments.

d. Inventories

Inventories are stated at the lower of cost (first in, first out (FIFO) method) or market.

JABIL CIRCUIT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

e. Property, Plant and Equipment

Property, plant and equipment is capitalized at cost and depreciated using the straight-line depreciation method over the estimated useful lives of the respective assets. Estimated useful lives for major classes of depreciable assets are as follows:

| Asset Class | Estimated Useful Life |
|--|---|
| Machinery, equipment and computer software | 3 to 7 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | Shorter of lease term or useful life of the improvement |
| Buildings | 35 years |

Maintenance and repairs are expensed as incurred. The cost and related accumulated depreciation of assets sold or retired are removed from the accounts and any resulting gain or loss is reflected in the consolidated statement of earnings as a component of operating income.

f. Goodwill and Other Intangible Assets

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141, *Business Combinations* ("SFAS 141"), and Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"). SFAS 141 requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method of accounting and that certain intangible assets acquired in a business combination be recognized as assets apart from goodwill. SFAS 142 requires goodwill to be tested for impairment at least annually, more frequently under certain circumstances, and written down when impaired, rather than being amortized as previous standards required. Furthermore, SFAS 142 requires purchased intangible assets other than goodwill to be amortized over their useful lives unless these lives are determined to be indefinite. Purchased intangible assets are carried at cost less accumulated amortization. SFAS 142 was effective for fiscal years beginning after December 15, 2001. However, the Company elected to early-adopt the standard as of the beginning of fiscal year 2002.

Prior to the adoption of SFAS 142, goodwill was amortized on a straight-line basis over the expected periods to be benefited, generally 10 to 15 years. The Company assessed the recoverability of goodwill by determining whether the unamortized goodwill balance could be recovered through undiscounted future cash flows of the acquired operation. The amount of goodwill impairment, if any, was measured based on projected discounted future cash flows using a discount rate reflecting the Company's average cost of funds.

g. Impairment of Long-lived Assets

In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for Impairment or Disposal of Long-lived Assets* ("SFAS 144"), long-lived assets, such as property and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the asset is measured by comparison of its carrying amount to undiscounted future net cash flows the asset is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair market value.

JABIL CIRCUIT, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The Company assesses the recoverability of goodwill and intangible assets not subject to amortization under SFAS 142. See Note 1(f) — “Description of Business and Summary of Significant Accounting Policies — Goodwill and Intangible Assets.”

Prior to the adoption of SFAS 144, the Company accounted for long-lived assets in accordance with Statement of Financial Accounting Standards No. 121, *Accounting for Impairment of Long-lived Assets and for Long-lived Assets to be Disposed of*.

h. Revenue Recognition

The Company’s net revenue is principally derived from the product sales of electronic equipment built to customer specifications. The Company also derives revenue to a lesser extent from repair services, design services and excess inventory sales. Revenue from product sales and excess inventory sales is recognized, net of estimated product return costs, when goods are shipped, title and risk of ownership have passed, the price to the buyer is fixed or determinable and recoverability is reasonably assured. Service related revenues are recognized upon completion of the services. The Company assumes no significant obligations after product shipment.

i. Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in income in the period that includes the enactment date of the rate change.

j. Earnings Per Share

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

| | Fiscal Year Ended | | |
|--|--------------------|--------------------|--------------------|
| | August 31, 2003 | August 31, 2002 | August 31, 2001 |
| Numerator: | | | |
| Net Income | \$ 43,007 | \$ 34,715 | \$118,517 |
| Interest expensed on convertible debt, net of tax | — | — | 1,277 |
| Adjusted Net Income | <u>\$ 43,007</u> | <u>\$ 34,715</u> | <u>\$119,794</u> |
| Denominator: | | | |
| Weighted average shares outstanding — basic | 198,495 | 197,396 | 191,862 |
| Stock options | 3,608 | 3,386 | 7,290 |
| Shares issuable upon conversion of convertible notes | — | — | 3,071 |
| Weighted average shares outstanding — diluted | <u>202,103</u> | <u>200,782</u> | <u>202,223</u> |
| Earnings per common share: | | | |
| Basic | <u>\$ 0.22</u> | <u>\$ 0.18</u> | <u>\$ 0.62</u> |
| Diluted | <u>\$ 0.21</u> | <u>\$ 0.17</u> | <u>\$ 0.59</u> |

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For the years ended August 31, 2003, 2002 and 2001, options to purchase 4,816,789, 3,105,467, and 580,313 shares of common stock were outstanding during the period but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common stock, and therefore, the effect would be anti-dilutive.

In addition, the computation of diluted earnings per share for the year ended August 31, 2003 and 2002 did not include 8,406,960 shares of common stock issuable upon the conversion of the \$345.0 million, 20-year, 1.75% convertible subordinated notes ("Convertible Notes") as their effect would have been anti-dilutive. The computation for the years ended August 31, 2003 and 2002, also did not include the elimination of \$3.8 million in interest expense on the Convertible Notes, which would have been extinguished had the conversion of the Convertible Notes occurred, as the effect of the conversion would have been anti-dilutive. However 3,071,000 weighted-average shares of common stock were included in the computation for the year ended August 31, 2001, as the effect of the conversion would have been dilutive.

For the years ended August 31, 2003, 2002 and 2001, interest expense on the Convertible Notes, net of tax, was \$3.8 million, \$3.8 million and \$1.3 million, respectively.

k. Foreign Currency Transactions

For the Company's foreign subsidiaries that use a currency other than the U.S. dollar as their functional currency, assets and liabilities are translated at exchange rates in effect at the balance sheet date, and revenues and expenses are translated at the weighted average exchange rate for the period. The effects of these translation adjustments are reported in other comprehensive income. Gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved and remeasurement adjustments for foreign operations where the U.S. dollar is the functional currency are included in operating income.

l. Profit Sharing, 401(k) Plan and Defined Contribution Plans

The Company contributes to a profit sharing plan for all employees who have completed a 12-month period of service in which the employee has worked at least 1,000 hours. The Company provides retirement benefits to its domestic employees who have completed a 90-day period of service, through a 401(k) plan that provides a Company matching contribution. The Company also has defined contribution benefit plans for certain of its international employees primarily dictated by the custom of the regions in which it operates. Company contributions are at the discretion of the Company's Board of Directors. In relation to these plans, the Company contributed approximately \$19.3 million, \$18.0 million and \$21.9 million for the years ended August 31, 2003, 2002 and 2001, respectively.

m. Stock Based Compensation

Prior to September 1, 1996, the Company accounted for its stock option plan in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. As such, compensation expense would be recorded on the date of granting of stock options only if the current market price of the underlying stock exceeded the exercise price. Effective September 1, 1996, the Company adopted Statement of Financial Accounting Standards No. 123, *Accounting for Stock Based Compensation* ("SFAS 123"), which permits entities to recognize as expense over the vesting period the fair value of all stock based awards on the date of the grant. Alternatively, SFAS 123 allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma net income per share disclosures for employee stock options granted in fiscal year 1996 and subsequent years as if the fair value based method defined in SFAS 123 had been applied. The Company elected to continue to apply the provisions of APB Opinion No. 25.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

At August 31, 2003, the Company had four stock-based employee compensation plans that are accounted for under the intrinsic value recognition and measurement principles of APB Opinion No. 25. No stock-based employee compensation expense is reflected in net income, as all options granted under the plan had an exercise price at least equal to the market value of the underlying stock on the date of the grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition and measurement provisions of SFAS 123 to stock-based employee compensation (in thousands, except per share data):

| | Fiscal Year Ended | | |
|---|--------------------|--------------------|--------------------|
| | August 31, 2003 | August 31, 2002 | August 31, 2001 |
| Reported net income | \$ 43,007 | \$ 34,715 | \$118,517 |
| Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | (34,181) | (32,961) | (26,386) |
| Pro forma net income | \$ 8,826 | \$ 1,754 | \$ 92,131 |
| Earnings per common share: | | | |
| Reported net income per share — basic | \$ 0.22 | \$ 0.18 | \$ 0.62 |
| Pro forma net income per share — basic | \$ 0.04 | \$ 0.01 | \$ 0.48 |
| Reported net income per share — diluted | \$ 0.21 | \$ 0.17 | \$ 0.59 |
| Pro forma net income per share — diluted | \$ 0.04 | \$ 0.01 | \$ 0.46 |

The disclosure presented above represents only the estimated fair value of stock options granted in fiscal year 1996 and subsequent years. Such disclosure is not necessarily indicative of the fair value of stock options that could be granted by the Company in future fiscal years or of all options currently outstanding. See Note 8 — “Stockholders’ Equity” for further discussion and assumptions used to calculate the above pro forma information.

n. Comprehensive Income

The Company has adopted Statement of Financial Accounting Standards No. 130, *Reporting Comprehensive Income* (“SFAS 130”). SFAS 130 establishes standards for reporting comprehensive income. The Statement defines comprehensive income as the changes in equity of an enterprise except those resulting from stockholder transactions.

Accumulated other comprehensive income, net of tax if applicable, consists of the following (in thousands):

| | August 31, | |
|---|------------|-------|
| | 2003 | 2002 |
| Foreign currency translation adjustment | \$27,238 | \$377 |
| Accumulated derivative net losses | (865) | — |
| Minimum pension liability | (5,294) | — |
| | \$21,079 | \$377 |

The minimum pension liability recorded to accumulated other comprehensive income during fiscal year 2003 is net of a \$2.27 million tax benefit.

JABIL CIRCUIT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

o. Warranty Provision

The Company maintains a provision for limited warranty repair of shipped products, which is established under the terms of specific manufacturing contract agreements. The warranty period varies by product and customer sector. The provision represents management's estimate of probable liabilities, calculated as a function of sales volume and historical repair experience, for each product under warranty. The estimate is evaluated periodically for accuracy. The warranty provision was insignificant for all periods presented.

p. Derivative Instruments

On September 1, 2000, the Company adopted Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Certain Hedging Activities* ("SFAS 133"), as amended by Statement of Financial Accounting Standards No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activity, an Amendment of SFAS 133* ("SFAS 138") and Statement of Financial Accounting Standards No. 149, *Amendment on Statement 133 on Derivative Instruments and Hedging Activities* ("SFAS 149"). In accordance with these standards, all derivative instruments are recorded on the balance sheet at their respective fair values. If a derivative instrument is designated as a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded in other comprehensive income and recognized in the statement of operations when the hedged item affects earnings. If a derivative instrument is designated as a fair value hedge, the change in fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings in the current period.

2. Inventories

Inventories consist of the following (in thousands):

| | August 31, | |
|-----------------|------------------|------------------|
| | 2003 | 2002 |
| Raw materials | \$347,627 | \$284,318 |
| Work in process | 104,741 | 67,023 |
| Finished goods | 57,850 | 44,577 |
| | <u>\$510,218</u> | <u>\$395,918</u> |

JABIL CIRCUIT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

3. Property, Plant and Equipment

Property, plant and equipment consists of the following (in thousands):

| | August 31, | |
|--|-------------------|-------------------|
| | 2003 | 2002 |
| Land and improvements | \$ 72,668 | \$ 64,704 |
| Buildings | 315,330 | 256,016 |
| Leasehold improvements | 31,340 | 39,102 |
| Machinery and equipment | 514,850 | 611,022 |
| Furniture, fixtures and office equipment | 42,503 | 48,228 |
| Computer equipment | 139,152 | 125,222 |
| Transportation equipment | 5,032 | 4,745 |
| Construction in progress | 49,902 | 57,018 |
| | <u>1,170,777</u> | <u>1,206,057</u> |
| Less accumulated depreciation and amortization | 424,573 | 465,189 |
| | <u>\$ 746,204</u> | <u>\$ 740,868</u> |

Depreciation expense of approximately \$187.6 million, \$173.2 million and \$149.6 million was recorded for the years ended August 31, 2003, 2002 and 2001, respectively.

During the fiscal year 2003, the Company completed construction of and commenced operations in a new manufacturing facility in Huangpu, China.

During the years ended August 31, 2003, 2002, and 2001, the Company capitalized approximately \$0.9 million, \$1.7 million and \$3.0 million, respectively, in interest related to constructed facilities.

Maintenance and repair expense was approximately \$34.8 million, \$24.9 million and \$22.1 million for the years ended August 31, 2003, 2002 and 2001, respectively.

4. Goodwill and Other Intangible Assets

As discussed in Note 1(f) above, the Company elected to early adopt SFAS 142. As a result, the Company ceased all goodwill amortization and did not recognize \$13.1 million of goodwill amortization expense that would have been recognized during fiscal year 2002 under the previous accounting standard.

JABIL CIRCUIT, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The following table presents the impact of SFAS 142 on net income and net income per share had the standard been in effect for fiscal year 2001 (in thousands):

| | Fiscal Year Ended |
|---|-------------------|
| | August 31, 2001 |
| Reported net income | \$ 118,517 |
| Adjustments: | |
| Amortization of goodwill | 2,955 |
| Income tax effect | (1,229) |
| Net adjustments | 1,726 |
| Adjusted net income | \$ 120,243 |
| Reported net income per share — basic | \$ 0.62 |
| Adjusted net income per share — basic | \$ 0.63 |
| Reported net income per share — diluted | \$ 0.59 |
| Adjusted net income per share — diluted | \$ 0.59 |

SFAS 142 required the completion of a transitional impairment test within six months of adoption, with any impairment treated as a cumulative effect of a change in accounting principle as of the date of adoption. The Company completed the transitional impairment test during the second quarter of fiscal year 2002 and determined that no impairment existed as of the date of adoption. The Company is required to perform a goodwill impairment test at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from estimated future cash flows. The Company completed the annual impairment test during the fourth quarter of fiscal year 2003 and determined that no impairment existed as of the date of the impairment test. Recoverability of goodwill is measured at the reporting unit level, which the Company has determined to be consistent with its operating segments as defined in Note 9 — “Concentration of Risk and Segment Data,” by comparing the reporting unit’s carrying amount, including goodwill, to the fair market value of the reporting unit, based on projected discounted future results. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired and a second test is performed to measure the amount of impairment loss, if any. To date, the Company has not recognized any impairment of its goodwill in connection with its adoption of SFAS 142.

All of the Company’s intangible assets, other than goodwill, are subject to amortization over their estimated useful lives. Intangible assets are comprised primarily of contractual agreements, which are being amortized on a straight-line basis over periods of up to five years. No significant residual value is estimated for the intangible assets. The value of the Company’s intangible assets purchased through material business acquisitions are principally determined based on third-party valuations of the net assets acquired. Currently, the Company is in the process of finalizing the value of its intangible assets acquired from NEC Corporation (“NEC”), Seagate Technology — Reynosa, S. de R.L. de C.V. (“Seagate”), Royal Philips Electronics (“Philips”) and Quantum Corporation (“Quantum”), as well as the Ft. Worth portion of Valeo S.A. (“Valeo”). The increase in the gross carrying amount of the Company’s intangible assets, other than goodwill, from August 31, 2002 is attributed to acquisitions consummated during fiscal year 2003. See Note 12 — “Business Acquisitions” for further discussion of these acquisitions.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables present the Company's total purchased intangible assets at August 31, 2003 and August 31, 2002 (in thousands):

| As of August 31, 2003 | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|------------------------|-----------------------------|-----------------------------|---------------------------|
| Contractual Agreements | \$136,619 | \$ (51,213) | \$85,406 |
| Patents | 800 | (407) | 393 |
| Total | \$137,419 | \$ (51,620) | \$85,799 |

| As of August 31, 2002 | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|------------------------|-----------------------------|-----------------------------|---------------------------|
| Contractual Agreements | \$62,069 | \$ (14,423) | \$47,646 |
| Patents | 800 | (327) | 473 |
| Total | \$62,869 | \$ (14,750) | \$48,119 |

Intangible asset amortization for fiscal years 2003, 2002 and 2001, including goodwill amortization in fiscal year 2001, was approximately \$36.9 million, \$15.1 million and \$5.8 million, respectively.

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

| Fiscal year ending August 31, | Amount |
|-------------------------------|----------|
| 2004 | \$39,615 |
| 2005 | 31,915 |
| 2006 | 11,089 |
| 2007 | 2,626 |
| 2008 | 554 |
| Total | \$85,799 |

The following table presents the changes in goodwill allocated to the reportable segments during the twelve months ended August 31, 2003 (in thousands):

| Reportable Segment | Balance at August 31, 2002 | Acquired | Adjustments | Foreign Currency Impact | Balance at August 31, 2003 |
|-----------------------|----------------------------------|-----------|-------------|-------------------------------|----------------------------------|
| United States | \$ 35,676 | \$ 374 | \$ (9,600) | \$ — | \$ 26,450 |
| Latin America | 4,509 | 2,054 | 9,600 | — | 16,163 |
| Europe | 104,689 | 97,457 | (6,513) | 15,811 | 211,444 |
| Asia | 1,454 | 40,970 | — | (961) | 41,463 |
| Total | \$146,328 | \$140,855 | \$ (6,513) | \$14,850 | \$295,520 |

The adjustments to goodwill during fiscal year 2003 are due primarily to the settlement of deferred purchase payments with Marconi Communications plc ("Marconi") under the amended business sale agreement and finalization of third-party valuations for the Compaq Computer Corporation ("Compaq") and Alcatel Business Systems ("Alcatel") acquisitions, which were preliminary as of August 31, 2002, resulting in an adjustment of the allocation between goodwill and purchased intangible assets. Additionally, \$9.6 million was reclassified from the United States to Latin America due to the transfer of production between segments. For further discussion of the Company's acquisitions, see Note 12 — "Business Acquisitions."

JABIL CIRCUIT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. Notes Payable, Long-Term Debt and Long-Term Lease Obligations

Notes Payable, long-term debt and long-term lease obligations consist of the following (in thousands):

| | August 31, | |
|--|------------|-----------|
| | 2003 | 2002 |
| 6.89% Senior notes due 2004(a) | \$ — | \$ 16,667 |
| Borrowings under revolving credit facility(b) | — | — |
| Long-term capital lease obligations(c) | 1,450 | 1,693 |
| Loan from Japanese bank due 2008(d) | 15,417 | — |
| Borrowings under revolving credit facility with Japanese bank(e) | — | — |
| 5.875% Senior Notes due 2010(f) | 282,388 | — |
| 1.75% Convertible Notes due 2021(g) | 345,000 | 345,000 |
| | 644,255 | 363,360 |
| Total notes payable, long-term debt and long-term lease obligations | | |
| Less current installments of notes payable, long-term debt and long-term lease obligations | 347,237 | 8,692 |
| | \$297,018 | \$354,668 |
| Notes payable, long-term debt and long-term lease obligations, less current installments | | |

- (a) In May 1996, the Company completed a private placement of \$50,000,000 Senior Notes (“6.89% Senior Notes”) due in fiscal year 2004. The 6.89% Senior Notes had a fixed interest rate of 6.89%, with interest payable on a semi-annual basis. Principal was payable in six equal annual installments which began May 30, 1999. On June 23, 2003, the Company repaid the remaining outstanding balance of the 6.89% Senior Notes due 2004.
- (b) In July 2003, the Company amended and revised its then existing three-year, \$295.0 million credit facility (the “Revolver”), cancelled its then existing 364-day, \$305.0 million credit facility and established a three-year, \$400.0 million unsecured revolving credit facility with a syndicate of banks (“Amended Revolver”). Under the terms of the Amended Revolver, borrowings can be made under either floating rate loans or Eurodollar rate loans. The Company pays interest on outstanding floating rate loans at the greater of the agent’s prime rate or 0.50% plus the federal funds rate. The Company pays interest on outstanding Eurodollar loans at the London Interbank Offered Rate (“LIBOR”) in effect at the loan inception plus a spread of 0.65% to 1.35%. The Company also pays a facility fee based on the committed amount of the Amended Revolver at a rate equal to 0.225% to 0.40%. The Company also pays a usage fee if the borrowing on the Amended Revolver exceeds 33 1/3% of the aggregate commitment. The usage fee rate ranges from 0.125% to 0.25%. The interest spread, facility fee and usage fee are determined based on the Company’s general corporate rating or rating of senior unsecured long-term indebtedness as determined by Standard & Poor’s Rating Service and Moody’s Investor Service. As of August 31, 2003, the interest spread on the Amended Revolver was 1.325%. The Amended Revolver expires on July 14, 2006 and outstanding borrowings are then due and payable. The Amended Revolver requires compliance with several financial covenants including a fixed charge coverage ratio, consolidated net worth threshold and indebtedness to EBITDA ratio, as defined in the Amended Revolver. The Amended Revolver also requires compliance with certain operating covenants, which limit, among other things, the Company’s incurrence of additional indebtedness. The Company was in compliance with the respective covenants as of August 31, 2003. As of August 31, 2003, there were no borrowings outstanding on this facility.

JABIL CIRCUIT, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

- (c) The Company assumed a capital lease obligation as part of its purchase of certain operations of Valeo during the fourth quarter of fiscal year 2002. This lease covers the land and building in Meung-sur-Loire, France and payments are due quarterly through fiscal year 2007.
- (d) In August 2003, the Company negotiated a five-year, 1.8 billion Japanese Yen (“JPY”) term loan with a Japanese bank (“Japan Term Loan”). The Company pays interest quarterly at a fixed annual rate of 2.97%. The Japan Term Loan requires quarterly repayments of principal of 105 million JPY beginning May 31, 2004. The final principal payment is due May 31, 2008. The Japan Term Loan requires compliance with financial and operating covenants including maintaining a minimum equity balance at the respective subsidiary level. The Company was in compliance with these covenants at August 31, 2003. The Japan Term Loan replaced a six-month, 1.8 billion JPY credit facility that was negotiated in May 2003.
- (e) In May 2003, the Company negotiated a six-month, 0.6 billion JPY credit facility with a Japanese bank. Under the terms of the facility, the Company pays interest on outstanding borrowings based on the Tokyo Interbank Offered Rate plus a spread of 1.75%. The credit facility expires on December 2, 2003 and any outstanding borrowings are then due and payable. As of August 31, 2003, there were no borrowings outstanding under this facility.
- (f) In July 2003, the Company issued a total of \$300.0 million, seven-year, 5.875% senior notes (“5.875% Senior Notes”) at 99.803% of par, resulting in net proceeds of approximately \$297.2 million. The 5.875% Senior Notes mature on July 15, 2010 and pay interest semiannually on January 15 and July 15, commencing January 15, 2004.
- (g) In May 2001, the Company issued a total of \$345 million, 20-year, 1.75% convertible subordinated notes (the “Convertible Notes”) at par, resulting in net proceeds of approximately \$338 million. The Convertible Notes mature on May 15, 2021 and pay interest semiannually on May 15 and November 15. Each Convertible Note is convertible at any time after the date of original issuance and prior to the close of business on the business day immediately preceding the maturity date by the holder at a conversion rate of 24.368 shares per \$1,000 principal amount of Convertible Notes. Holders may require the Company to purchase all or a portion of their Convertible Notes on May 15 in the years 2004, 2006, 2009 and 2014 at par plus accrued interest. Accordingly, the Convertible Notes are classified as current debt as of August 31, 2003. The Company may choose to pay the purchase price in cash or common stock valued at 95% of its market price. The Company may redeem all or a portion of the Convertible Notes for cash at any time on or after May 18, 2004 at 100% of principal plus accrued interest.

Debt maturities as of August 31, 2003 for the next five years are as follows (in thousands):

| Fiscal year ending August 31, | |
|--------------------------------------|-----------|
| 2004 | \$347,237 |
| 2005 | 4,057 |
| 2006 | 4,057 |
| 2007 | 3,688 |
| 2008 | 2,828 |
| Thereafter | 282,388 |
| | <hr/> |
| | \$644,255 |

In August, 2000 the Company entered into an asset backed securitization program with a financial institution, which provided for the sale of up to \$225.0 million of eligible accounts receivables of certain North American plants with an expiration date in August 2001, which was later extended to November

JABIL CIRCUIT, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

2001. The Company renewed the facility with a new funding capacity of \$100.0 million in November 2001. In May 2002, the facility was extended to May 2003, at which time the Company allowed the facility to expire.

6. Income Taxes

Income tax (benefit) expense amounted to \$(6.1) million, \$10.0 million and \$47.6 million for the years ended August 31, 2003, 2002 and 2001, respectively (an effective rate of (16.4)%, 22.4% and 28.7%, respectively). The actual (benefit) expense differs from the "expected" tax (benefit) expense (computed by applying the U.S. federal corporate tax rate of 35% to earnings before income taxes) as follows (in thousands):

| | Years ended August 31, | | |
|---|------------------------|-----------|-----------|
| | 2003 | 2002 | 2001 |
| Computed "expected" tax expense | \$ 12,934 | \$ 15,665 | \$ 58,152 |
| State taxes, net of Federal benefit | 307 | (1,109) | 1,504 |
| Impact of foreign tax rates | (21,617) | (11,497) | (14,500) |
| Non-deductible restructuring cost — UK | — | 3,246 | — |
| Permanent impact of non-deductible cost | 1,671 | — | — |
| Other, net | 652 | 3,736 | 2,475 |
| Provision for income taxes | (\$ 6,053) | \$ 10,041 | \$ 47,631 |
| Effective tax rate | (16.4)% | 22.4% | 28.7% |

The domestic and foreign components of income before income taxes were comprised of the following for the years ended August 31 (in thousands):

| | Years ended August 31, | | |
|---------|------------------------|-------------|------------|
| | 2003 | 2002 | 2001 |
| U.S. | \$ (63,254) | \$ (25,671) | \$ 84,893 |
| Foreign | 100,208 | 70,427 | 81,255 |
| | \$ 36,954 | \$ 44,756 | \$ 166,148 |

JABIL CIRCUIT, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The components of income tax (benefit) expense for the fiscal years ended August 31, 2003, 2002 and 2001 were as follows (in thousands):

| | <u>Years ended August 31,</u> | <u>Current</u> | <u>Deferred</u> | <u>Total</u> |
|-------|-------------------------------|------------------|-------------------|-------------------|
| 2003: | U.S. — Federal | \$ (3,414) | \$(21,200) | \$(24,614) |
| | U.S. — State | 1,616 | (1,144) | 472 |
| | Foreign | 24,982 | (6,893) | 18,089 |
| | | <u>\$ 23,184</u> | <u>\$(29,237)</u> | <u>\$ (6,053)</u> |
| 2002: | U.S. — Federal | \$(11,899) | \$ 5,004 | \$(6,895) |
| | U.S. — State | (1,311) | (395) | (1,706) |
| | Foreign | 22,329 | (3,687) | 18,642 |
| | | <u>\$ 9,119</u> | <u>\$ 922</u> | <u>\$ 10,041</u> |
| 2001: | U.S. — Federal | \$ 21,330 | \$ 9,571 | \$ 30,901 |
| | U.S. — State | 1,517 | 797 | 2,314 |
| | Foreign | 15,728 | (1,312) | 14,416 |
| | | <u>\$ 38,575</u> | <u>\$ 9,056</u> | <u>\$ 47,631</u> |

The Company has been granted tax incentives, including tax holidays, for its Hungarian, Chinese and Malaysian subsidiaries. These tax incentives, including tax holidays, expire through 2010, and are subject to certain conditions with which the Company expects to comply. These subsidiaries generated income during the years ended August 31, 2003, 2002 and 2001, resulting in a tax benefit of approximately \$14.3 million (\$.07 per share), \$11.7 million (\$.06 per share) and \$15.2 million (\$.08 per share), respectively.

The Company currently intends to re-invest income from all of its foreign subsidiaries for the foreseeable future. The aggregate undistributed earnings of the Company's foreign subsidiaries for which no deferred tax liability has been recorded is approximately \$345.2 million as of August 31, 2003. Determination of the amount of unrecognized deferred tax liability on these undistributed earnings is not practicable.

JABIL CIRCUIT, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows (in thousands):

| | Years Ended August 31, | |
|---|------------------------|---------------|
| | 2003 | 2002 |
| Deferred tax assets: | | |
| Net operating loss carryforward | \$ 3,574 | \$ 2,854 |
| Accounts receivable, principally due to allowance for doubtful accounts | 2,751 | 1,734 |
| Grant receivable | 1,092 | 1,758 |
| Inventories, principally due to costs capitalized for tax purposes pursuant to the Tax Reform Act of 1986 | 5,169 | 4,281 |
| Compensated absences, principally due to accrual for financial reporting purposes | 2,382 | 3,168 |
| Accrued expenses, principally due to accrual for financial reporting purposes | 23,761 | 7,551 |
| Accrued UK interest, deductible when paid | 4,107 | 3,331 |
| Foreign currency translation gains and losses | 3,508 | — |
| Other | 5,591 | 1,280 |
| | <u>51,935</u> | <u>25,957</u> |
| Total gross deferred tax assets | | |
| Less valuation allowance | (2,394) | (2,056) |
| | <u>49,541</u> | <u>23,901</u> |
| Net deferred tax assets | | |
| Deferred tax liabilities: | | |
| Intangible assets | \$ 2,291 | \$ 3,340 |
| Property, plant and equipment, principally due to differences in depreciation and amortization | 30,718 | 40,611 |
| Other | 2,169 | — |
| | <u>35,178</u> | <u>43,951</u> |
| Deferred tax liabilities | | |

Net current deferred tax assets were \$33.6 million and \$21.3 million at August 31, 2003 and August 31, 2002, respectively, and net noncurrent deferred tax liabilities were \$19.2 million and \$41.3 million at August 31, 2003 and August 31, 2002, respectively.

The net change in the total valuation allowance for years ended August 31, 2003 and 2002 was \$338 thousand and (\$46) thousand, respectively. In addition, at August 31, 2003, the Company has net operating loss carryforwards for federal, state and foreign income tax purposes of approximately \$1.8 million, \$0.3 million and \$1.5 million, respectively, which are available to reduce future taxes, if any. These net operating loss carryforwards expire through the year 2019.

Based on the Company's historical operating income, management believes that it is more likely than not that the Company will realize the benefit of its net deferred tax assets.

7. Pension and Other Postretirement Benefits

During the first quarter of fiscal year 2002, the Company established a defined benefit pension plan for all permanent employees of Jabil Circuit UK Limited. This plan was established in accordance with the terms of the business sale agreement with Marconi. The benefit obligations and plan assets from the terminated Marconi plan were transferred to the newly established defined benefit plan. The plan provides benefits based on average employee earnings over a three-year service period preceding retirement. The Company's policy is to contribute amounts sufficient to meet minimum funding requirements as set forth

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

in U.K. employee benefit and tax laws plus such additional amounts as are deemed appropriate by the Company. Plan assets are held in trust and consist mainly of common stock and fixed-income investments. The plan does not hold any of the Company's stock.

During the fourth quarter of fiscal year 2002, the Company purchased operations in Brest and Meung-sur-Loire, France from Alcatel and Valeo, respectively. During the first and second quarters of fiscal year 2003, the Company purchased certain operations of Philips in Austria, Belgium, Brazil, Hong Kong/China, Hungary, India, Poland and Singapore. During the fourth quarter of fiscal year 2003, the Company purchased certain operations of NEC in Japan. These acquisitions included the assumption of unfunded retirement benefits to be paid based upon years of service and compensation at retirement. All permanent employees meeting the minimum service requirement are eligible to participate in the plans. Through the Philips acquisition the Company also assumed post-retirement medical benefit plans.

Changes in the projected benefit obligation and plan assets follow (in thousands of dollars):

| | Pension Benefits | | Other Benefits | |
|--|------------------|------------|----------------|------|
| | 2003 | 2002 | 2003 | 2002 |
| Change in projected benefit obligation: | | | | |
| Beginning balance | \$ 58,735 | \$ — | \$ — | \$ — |
| Transferred balance | — | 49,516 | — | — |
| Service cost | 2,363 | 1,238 | 28 | — |
| Interest cost | 3,746 | 2,187 | 15 | — |
| Actuarial loss | 11,172 | 5,160 | (70) | — |
| Curtailment gain | (4,236) | (3,644) | — | — |
| Total benefits paid | (9,451) | (1,390) | — | — |
| Plan participant contribution | 1,446 | 951 | — | — |
| Acquisitions | 18,287 | 5,233 | 182 | — |
| Effect of Conversion to USD | 5,812 | (516) | 43 | — |
| Ending balance | \$ 87,874 | \$58,735 | \$ 198 | \$ — |
| Change in plan assets: | | | | |
| Beginning balance | \$ 50,767 | \$ — | \$ — | \$ — |
| Transferred balance | — | 50,857 | — | — |
| Actual return on plan assets | 3,237 | (732) | — | — |
| Employer contribution | 3,951 | 1,609 | — | — |
| Benefits paid from plan assets | (8,506) | (1,390) | — | — |
| Plan participant contribution | 1,446 | 951 | — | — |
| Effect of Conversion to USD | 3,966 | (528) | — | — |
| Ending balance | \$ 54,861 | \$50,767 | \$ — | \$ — |
| Funded status | \$ (33,013) | \$ (7,969) | \$ (198) | \$ — |
| Unrecognized net actuarial loss | 12,078 | 3,783 | (70) | — |
| Net amount recognized | \$(20,935) | \$ (4,186) | \$ (268) | \$ — |

JABIL CIRCUIT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

| | Pension Benefits | | Other Benefits | |
|---|------------------|-----------|----------------|------|
| | 2003 | 2002 | 2003 | 2002 |
| Amounts recognized in the Consolidated Balance Sheet consist of: | | | | |
| Prepaid Benefit cost | \$ — | \$ 1,047 | \$ — | \$ — |
| Accrued Benefit Liability | (28,497) | (5,233) | (268) | — |
| Accumulated Other Comprehensive Income | 7,562 | — | — | — |
| Net amount recognized | \$(20,935) | \$(4,186) | \$(268) | \$ — |

Major assumptions used in the accounting for the pension plans are shown in the following table as weighted-averages:

| | Pension Benefits | | Other Benefits | |
|--|------------------|------|----------------|------|
| | 2003 | 2002 | 2003 | 2002 |
| Discount Rate | 4.6% | 6.2% | 14.7% | — |
| Expected long-term rate of return on plan assets | 7.0% | 7.5% | — | — |
| Rate of compensation increases | 3.3% | 3.9% | 8.0% | — |

| Components of Net Periodic Benefit Cost: | Pension Benefits | | Other Benefits | |
|--|------------------|----------|----------------|------|
| | 2003 | 2002 | 2003 | 2002 |
| Service cost | \$ 2,363 | \$ 1,238 | \$ 28 | \$ — |
| Interest cost | 3,746 | 2,187 | 15 | — |
| Expected long-term return on plan assets | (4,110) | (2,863) | — | — |
| Net curtailment gain | (211) | — | — | — |
| Net periodic pension benefit cost | \$ 1,788 | \$ 562 | \$ 43 | \$ — |

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$87.9 million, \$77.9 million and \$54.9 million as of August 31, 2003, respectively, and \$5.2 million, \$3.7 million, and \$0 as of August 31, 2002, respectively.

Assumed health care cost trend rates have an effect on the amounts reported for the postretirement medical benefit plans. A one percentage point decrease in the assumed health care cost trend rates would reduce total service and interest costs and postretirement benefit obligations by \$0.03 million and \$0.14 million, respectively. A one percentage point increase in the assumed health care cost trend rates would increase total service and interest costs and postretirement benefit obligations by \$0.06 million and \$0.20 million, respectively. The annual increase in cost of postretirement benefits is assumed to increase one percentage point per year.

8. Stockholders' Equity

a. Stock Option Plans

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

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In October 2001, the Company established a new Stock Option Plan (the “2002 Incentive Plan”). The 2002 Incentive Plan was adopted by the Board of Directors in October 2001 and approved by the stockholders in January 2002. The 2002 Incentive Plan provides for the granting of both Section 422 Internal Revenue Code and non-statutory stock options, as well as restricted stock and other stock-based awards. The 2002 Incentive Plan has a total of 9,608,726 shares reserved for grant, including 2,608,726 shares that were transferred from the 1992 Plan when it was terminated in October 2001. The Company also adopted sub-plans under the 2002 Incentive Plan for its United Kingdom employees (“the CSOP Plan”) and for its French employees (“the FSOP Plan”). The CSOP Plan and FSOP Plan are tax advantaged plans for the Company’s United Kingdom and French employees, respectively. Shares are issued under the CSOP Plan and FSOP Plan from the authorized shares under the 2002 Incentive Plan. All outstanding options issued under the 2002 Incentive Plan vest at a rate of 12% after the first six months and 2% per month thereafter, becoming fully vested after a 50 month period. As of August 31, 2003, options to purchase 4,057,258 shares were outstanding under the 2002 Incentive Plan, CSOP Plan and FSOP Plan.

Generally, the exercise price of incentive stock options granted under the 2002 Incentive Plan is to be at least equal to the fair market value of shares of common stock on the date of grant. With respect to any participant who owns stock representing more than 10% of the voting power of all classes of stock of the Company, the exercise price of any incentive stock option granted is to equal at least 110% of the fair market value on the grant date and the maximum term of the option may not exceed five years. The term of all other options under the 2002 Incentive Plan may not exceed ten years.

The following table summarizes option activity from September 1, 2000 through August 31, 2003:

| | Options Available For Grant | Outstanding Options | Weighted Average Option price |
|------------------------------|-----------------------------------|------------------------|-------------------------------------|
| Balance at September 1, 2000 | 9,031,527 | 12,982,627 | 7.60 |
| Options authorized | — | — | — |
| Options granted | (3,171,350) | 3,171,350 | 25.50 |
| Options forfeited | 234,245 | (234,245) | 16.41 |
| Options exercised | — | (6,103,623) | 0.98 |
| Balance at August 31, 2001 | 6,094,422 | 9,816,109 | 17.42 |
| Options authorized | 7,000,000 | — | — |
| Options granted | (4,377,525) | 4,377,525 | 15.19 |
| Options forfeited | 764,415 | (764,415) | 12.62 |
| Options exercised | — | (470,268) | 6.70 |
| Balance at August 31, 2002 | 9,481,312 | 12,958,951 | 16.84 |
| Options authorized | — | — | — |
| Options expired | (850,951) | — | — |
| Options granted | (4,247,200) | 4,247,200 | 13.11 |
| Options forfeited | 1,125,723 | (1,125,723) | 19.47 |
| Options exercised | — | (823,050) | 10.18 |
| Balance at August 31, 2003 | 5,508,884 | 15,257,378 | 15.95 |

At August 31, 2003, options for 7,882,273 shares were exercisable under the 1992 Plan and options for 772,774 shares were exercisable under the 2002 Incentive Plan.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The range of exercise prices, shares, weighted average remaining contractual life and exercise price for the options outstanding as of August 31, 2003 are presented below:

| Range of Exercise Prices | Shares | Weighted-Average Remaining Contractual Life | Weighted-Average Exercise Price |
|--------------------------|-------------------|---|---------------------------------|
| \$ 0.63 – 5.88 | 1,785,140 | 4.31 | \$ 4.77 |
| 6.47 – 19.70 | 9,046,675 | 8.06 | 13.19 |
| 20.65 – 29.20 | 3,816,433 | 6.74 | 22.51 |
| 31.63 – 63.78 | 609,130 | 7.06 | 42.65 |
| \$ 0.63 – 63.78 | 15,257,378 | 7.25 | \$ 15.71 |

The range of exercise prices, shares and weighted average exercise price of the options exercisable at August 31, 2003 are presented below:

| Range of Exercise Prices | Shares Exercisable | Weighted-Average Exercise Price |
|--------------------------|--------------------|---------------------------------|
| \$ 0.63 – 5.88 | 1,785,140 | \$ 4.77 |
| 6.47 – 19.70 | 3,506,976 | 13.64 |
| 20.65 – 29.20 | 2,941,309 | 22.40 |
| 31.63 – 63.78 | 421,622 | 42.73 |
| \$ 0.63 – 63.78 | 8,655,047 | \$ 16.20 |

The per-share weighted-average fair value of stock options granted during 2003, 2002 and 2001 was \$8.95, \$10.72 and \$18.02, respectively, on the date of the grant using the Black-Scholes option-pricing model. Following are the weighted-average assumptions used for each respective year:

| | Years ended August 31, | | |
|-------------------------|------------------------|---------|---------|
| | 2003 | 2002 | 2001 |
| Expected dividend yield | 0% | 0% | 0% |
| Risk-free interest rate | 3.03% | 4.2% | 5.0% |
| Expected volatility | 88.4% | 91.0% | 94% |
| Expected life | 5 years | 5 years | 4 years |

b. Stock Purchase and Award Plans

The Company's 1992 Employee Stock Purchase Plan (the "1992 Purchase Plan") was adopted by the Board of Directors in November 1992 and approved by the stockholders in December 1992. A total of 5,820,000 shares of common stock were reserved for issuance under the 1992 Purchase Plan. As of August 31, 2003 a total of 5,279,594 shares had been issued under the 1992 Purchase Plan. The 1992 Purchase Plan was terminated in October 2002.

In October 2001, the Board of Directors adopted a new Employee Stock Purchase Plan (the "2002 Purchase Plan" and, together with the 1992 Purchase Plan, the "Purchase Plans"), which was approved by the stockholders in January 2002. There are 2,000,000 shares reserved under the 2002 Purchase Plan. As of August 31, 2003, a total of 569,172 shares had been issued under the 2002 Purchase Plan.

Employees are eligible to participate in the Purchase Plans after 90 days of employment with the Company. The Purchase Plans permit eligible employees to purchase common stock through payroll deductions, which may not exceed 10% of an employee's compensation, as defined, at a price equal to 85%

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

of the fair market value of the common stock at the beginning or end of the offering period, whichever is lower. The Purchase Plans are intended to qualify under section 423 of the Internal Revenue Code. Unless terminated sooner, the 2002 Purchase Plan will terminate on August 31, 2012.

The per-share weighted-average fair value of stock issued to employees in 2003, 2002 and 2001, respectively, under the Company's Purchase Plans was \$5.59, \$8.80 and \$17.18 respectively, using the Black-Scholes option-pricing model with the following assumptions:

| | Years ended August 31, | | |
|-------------------------|------------------------|-----------|-----------|
| | 2003 | 2002 | 2001 |
| Expected dividend yield | 0% | 0% | 0% |
| Risk-free interest rate | 1.8% | 1.7% | 1.1% |
| Expected volatility | 66.2% | 91.0% | 89.0% |
| Expected life | 0.5 years | 0.5 years | 0.5 years |

In February 2001, the Company adopted a new Stock Award Plan. The purpose of the Stock Award Plan is to provide incentives to attract and retain key employees to the Company and motivate such persons to stay with the Company and to increase their efforts to make the business of the Company more successful. A total of 100,000 shares of common stock have been reserved for issuance under the Stock Award Plan. As of August 31, 2003, 11,650 shares have been issued to employees under the Stock Award Plan, of which 5,000 shares have lapsed, leaving 88,350 available for future grants.

9. Concentration of Risk and Segment Data

a. Concentration of Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade receivables. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company maintains reserves for potential credit losses.

Sales of the Company's products are concentrated among specific customers. Sales to the following customers, expressed as a percentage of consolidated net revenue, and the percentage of accounts receivable for each customer, were as follows:

| | Percentage of Net Revenue Year ended August 31, | | | Percentage of Accounts Receivable August 31, | |
|----------------------------|---|------|------|--|------|
| | 2003 | 2002 | 2001 | 2003 | 2002 |
| Cisco Systems, Inc. | 16% | 24% | 23% | * | * |
| Royal Philips Electronics | 15% | * | * | 28% | * |
| Hewlett-Packard Company | 11% | * | * | 10% | 20% |
| Marconi Communications plc | * | 13% | * | * | 11% |
| Dell Computer Corporation | * | * | 14% | * | * |

* Amount was less than 10% of total

b. Segment Data

Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information* ("SFAS 131") establishes standards for reporting information about segments in financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company derives its revenues from providing manufacturing services to major electronic OEMs on a contract basis in various countries throughout the world. Operating segments consist of four geographical regions — the United States, Europe, Asia and Latin America. Revenues are attributed to the location in which the product is manufactured. The services provided, the manufacturing processes, class of customers and the order fulfillment process is similar and interchangeable across operating segments. An operating segment's performance is evaluated based upon its pre-tax operating contribution. Pre-tax operating contribution is defined as revenue less cost of revenue and selling, general and administrative expenses and does not include research and development, intangible amortization, acquisition-related charges, restructuring and impairment charges, other income, interest income, interest expense or income taxes.

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

| | Year ended August 31, | | |
|--|-----------------------|--------------------|--------------------|
| | 2003 | 2002 | 2001 |
| Net revenue | | | |
| United States | \$ 969,684 | \$1,487,555 | \$2,375,663 |
| Europe | 1,700,218 | 716,980 | 536,902 |
| Asia | 1,244,688 | 642,206 | 759,585 |
| Latin America | 1,037,756 | 846,275 | 952,585 |
| Inter-company Eliminations | (222,864) | (147,550) | (294,080) |
| | <u>\$4,729,482</u> | <u>\$3,545,466</u> | <u>\$4,330,655</u> |
| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
| Depreciation expense | | | |
| United States | \$ 50,588 | \$ 72,166 | \$ 73,612 |
| Europe | 53,618 | 33,806 | 18,820 |
| Asia | 34,612 | 25,762 | 21,369 |
| Latin America | 39,260 | 32,699 | 27,937 |
| Corporate | 9,491 | 8,762 | 7,830 |
| | <u>\$187,569</u> | <u>\$173,195</u> | <u>\$149,568</u> |
| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
| Segment income and reconciliation of income before income taxes | | | |
| United States | \$ 36,688 | \$ 71,419 | \$ 141,873 |
| Europe | 103,721 | 55,809 | 31,728 |
| Asia | 101,089 | 55,848 | 60,372 |
| Latin America | 57,496 | 60,641 | 56,683 |
| Corporate and non-allocated charges | (263,373) | (199,019) | (129,414) |
| Inter-company Eliminations | 1,333 | 58 | 4,906 |
| | <u>\$ 36,954</u> | <u>\$ 44,756</u> | <u>\$ 166,148</u> |

JABIL CIRCUIT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

| | 2003 | 2002 | 2001 |
|--------------------------------------|--------------------|--------------------|--------------------|
| Property, plant and equipment | | | |
| United States | \$139,963 | \$242,115 | \$298,161 |
| Europe | 182,674 | 158,291 | 103,558 |
| Asia | 195,561 | 125,423 | 119,845 |
| Latin America | 179,297 | 163,914 | 178,293 |
| Corporate | 48,709 | 51,125 | 44,866 |
| | <u>\$746,204</u> | <u>\$740,868</u> | <u>\$744,723</u> |
| | 2003 | 2002 | 2001 |
| Total assets | | | |
| United States | \$ 338,821 | \$ 564,984 | \$ 738,421 |
| Europe | 1,465,369 | 745,791 | 490,496 |
| Asia | 837,073 | 440,315 | 414,022 |
| Latin America | 483,589 | 339,192 | 390,475 |
| Corporate | 119,893 | 457,624 | 324,164 |
| | <u>\$3,244,745</u> | <u>\$2,547,906</u> | <u>\$2,357,578</u> |
| | 2003 | 2002 | 2001 |
| Capital expenditures | | | |
| United States | \$ 10,586 | \$10,231 | \$101,939 |
| Europe | 35,530 | 20,340 | 33,067 |
| Asia | 47,027 | 17,889 | 61,606 |
| Latin America | 18,108 | 18,907 | 93,156 |
| Corporate | 5,964 | 17,943 | 19,434 |
| | <u>\$117,215</u> | <u>\$85,310</u> | <u>\$309,202</u> |

As noted in Note 13 — “Restructuring and Impairment Charges,” the Company implemented restructuring programs during fiscal years 2003, 2002 and 2001. Total restructuring costs of \$85.3 million, \$52.1 million and \$27.4 million were charged against earnings during fiscal years 2003, 2002 and 2001, respectively. Approximately \$51.0 million, \$2.2 million, \$25.1 million and \$7.0 million of restructuring charges were incurred during fiscal year 2003 in the United States, Latin America, Europe and Asia, respectively. Approximately \$14.6 million, \$1.4 million, \$27.7 million and \$8.4 million of restructuring related charges were incurred during fiscal year 2002 in the United States, Latin America, Europe and Asia, respectively. Approximately \$14.1 million, \$9.6 million and \$3.7 million of restructuring related charges were incurred during fiscal year 2001 in the United States, Latin America and Asia, respectively.

The Company operates in 17 countries worldwide. Sales to unaffiliated customers are based on the Company’s manufacturing location providing services. The following table sets forth external revenue, net

JABIL CIRCUIT, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

of intercompany eliminations, and long-lived asset information where individual countries represent a material portion of the total (in thousands):

| | Year ended August 31, | | |
|---------------------------|-----------------------|--------------------|--------------------|
| | 2003 | 2002 | 2001 |
| External Revenue: | | | |
| Mexico | \$ 949,327 | \$ 797,709 | \$ 895,885 |
| United States | 916,868 | 1,396,915 | 2,150,392 |
| Malaysia | 569,448 | 409,584 | 489,170 |
| China | 506,875 | 229,774 | 238,459 |
| Scotland | 399,019 | 294,256 | 247,391 |
| Other | 1,387,945 | 417,228 | 309,358 |
| | <u>\$4,729,482</u> | <u>\$3,545,466</u> | <u>\$4,330,655</u> |
| | | | |
| | 2003 | 2002 | 2001 |
| Long-lived Assets: | | | |
| United States | \$ 216,257 | \$334,642 | \$369,656 |
| Mexico | 189,078 | 161,473 | 175,465 |
| China | 138,226 | 29,736 | 36,602 |
| Malaysia | 84,549 | 102,111 | 82,995 |
| England | 1,131 | 82,465 | 87,189 |
| Other | 498,282 | 224,888 | 141,704 |
| | <u>\$1,127,523</u> | <u>\$935,315</u> | <u>\$893,611</u> |

Total foreign source revenue was approximately \$3.8 billion, \$2.1 billion and \$2.2 billion for the years ended August 31, 2003, 2002 and 2001, respectively. Total long-lived assets related to the Company's foreign operations was approximately \$911.3 million, \$600.7 million and \$524.0 million for the years ended August 31, 2003, 2002 and 2001, respectively.

10. Derivative Instruments and Hedging Activities

In June 1998 the FASB issued SFAS 133. This standard was later amended by the issuance of SFAS 138 in June 2000 and SFAS 149 in April 2003. SFAS 133, SFAS 138 and SFAS 149 require that all derivative instruments be recorded on the balance sheet at their respective fair market values. The Company adopted SFAS 133 and SFAS 138 on September 1, 2000 and SFAS 149 on June 30, 2003. There were no transition amounts recorded upon adoption of SFAS 133 and its related amendments. The Company utilizes certain derivative instruments to enhance its ability to manage risk relating to cash flow and interest rate exposure. Derivative instruments are entered into for periods consistent with the related underlying exposures and are not entered into for speculative purposes. The Company documents all relationships between hedging instruments and hedged items, as well as its risk-management objectives and strategies for undertaking various hedge transactions.

a. Foreign Currency Risk

The Company enters into forward contracts to hedge against the impact of currency fluctuations on U.S. dollar and foreign currency commitments arising from trade accounts receivable, trade accounts payable and fixed purchase obligations. These forward contracts are designated as cash flow hedges in

JABIL CIRCUIT, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

accordance with SFAS 133. Accordingly, changes in the derivative fair values are deferred and recorded as a component of other comprehensive income until the underlying transaction is recorded in earnings. In the period in which the hedged item affects earnings, gains or losses on the derivative instrument are reclassified from other comprehensive income to the Consolidated Statement of Earnings in the same financial statement category as the underlying transaction. The Company assesses, both at the inception of the hedge and on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

At August 31, 2003, the Company had \$122.3 million of forward contracts for various currencies. The maximum term of the forward contracts that hedged forecasted transactions was seven months. The Company recorded the change in fair value related to cash flow hedges in other comprehensive income. These contracts will expire during fiscal year 2004, with the resulting change in value being reflected in the Consolidated Statement of Earnings. At August 31, 2002, the Company did not have any open forward contracts. See Note 1(n) — “Description of Business and Summary of Significant Accounting Policies — Comprehensive Income.”

b. Interest Rate Risk

The Company uses an interest rate swap as part of its interest rate risk management strategy. During the fourth quarter of fiscal year 2003, Jabil entered into an interest rate swap transaction to effectively convert the fixed interest rate of its 5.875% Senior Notes to a variable rate. The swap, which expires in 2010, is accounted for as a fair value hedge under SFAS 133. The notional amount of the swap is \$300.0 million, which is related to the 5.875% fixed rate, \$300.0 million of public debt issued by the Company on July 21, 2003. Under the terms of the swap, Jabil will pay an interest rate equal to the six-month LIBOR rate, set in arrears, plus a fixed spread of 1.945%. In exchange, Jabil will receive a fixed rate of 5.875%. The swap transaction qualifies for the shortcut method of recognition under SFAS 133; therefore, no portion of the swap is treated as ineffective. At August 31, 2003, \$17 million has been recorded in other long-term liabilities to record the fair value of the interest rate swap, with a corresponding decrease to the carrying value of the 5.875% Senior Notes on the Consolidated Balance Sheet.

11. Commitments and Contingencies**a. Lease Agreements**

The Company leases certain facilities and computer services under non-cancelable operating leases. The future minimum lease payments under non-cancelable operating leases outstanding August 31, 2003 are as follows (in thousands):

| Fiscal year ending August 31, | |
|-------------------------------|------------------|
| 2004 | \$ 36,341 |
| 2005 | 28,375 |
| 2006 | 21,673 |
| 2007 | 18,263 |
| 2008 | 14,281 |
| Thereafter | 42,081 |
| Total minimum lease payments | <u>\$161,014</u> |

Total rent expense for operating leases was approximately \$40.7 million, \$33.2 million and \$29.5 million for the years ended August 31, 2003, 2002 and 2001 respectively.

JABIL CIRCUIT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

b. *Litigation*

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

12. *Business Acquisitions*

The business acquisitions described below have been accounted for under the purchase method of accounting. Accordingly, the operating results of the acquired businesses are included in the Consolidated Financial Statements of the Company from the effective date of acquisition.

During the second quarter of fiscal year 2001, the Company entered into a business sale agreement with Marconi to purchase certain operations of its communications division located in the United States, England, Italy and Germany. The Company entered into this agreement to enhance its European profile, broaden participation in the communications sector and to invest in advanced technology manufacturing competencies. During the fourth quarter of fiscal year 2001, the Company consummated the English and Italian portions of the acquisition and modified certain terms of the transaction. Simultaneous with the closing, the Company entered into a four-year supply agreement with Marconi.

During the first quarter of fiscal year 2002, the portion of the Marconi transaction related to the United States was completed. The acquisition price of the United States portion was approximately \$39.0 million. Based on a third-party valuation of the United States operations acquired, the purchase price was primarily allocated to inventory, property, plant and equipment, purchased intangible assets of approximately \$9.8 million and goodwill of approximately \$13.7 million. The purchased intangible assets (other than goodwill) are amortized over a period of four years.

Under the terms of the original Marconi business sale agreement, the Company was to make three deferred payments totaling \$45.0 million to Marconi with the initial payment due upon completion of the German portion of the acquisition. The remaining two payments were to be made 24 and 36 months after the initial closing date. These payments were discounted based on the date each payment was due and recorded in other long-term liabilities at net present value using a discount rate of seven percent. Imputed interest was amortized over the original term of the payments and was recorded as interest expense through January 22, 2003. On January 22, 2003, the original business sale agreement and the original supply agreement were amended in conjunction with a rationalization of the acquired Marconi European operations. The modification to the supply agreement eliminates original provisions that dealt with products ultimately to be manufactured at the German facility once it was acquired as such provisions could no longer come into effect in light of the decision not to complete the purchase of the German operations. Under the terms of the amended business sale agreement, the Company agreed to pay \$27.0 million to Marconi as full settlement of the deferred payments. The difference between the net present value of the payments as of January 22, 2003 and the final settlement was approximately \$10.9 million and was recorded as a reduction in goodwill in the second quarter of fiscal year 2003.

During the first quarter of fiscal year 2002, the Company acquired certain operations of Intel Corporation ("Intel") in Penang, Malaysia. The Company acquired these operations to expand its manufacturing capability in the radio frequency access area, to broaden its relationship with Intel and to strategically expand its Asian manufacturing capability. Simultaneous with the acquisition, the Company entered into a three-year supply agreement with Intel. Total consideration paid was approximately \$38.0 million. Based on a third-party valuation, the purchase price was primarily allocated to inventory, property, plant and equipment, purchased intangible assets of approximately \$8.2 million and goodwill of approximately \$1.4 million. The purchased intangible assets (other than goodwill) are amortized over a period of three years.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

During the fourth quarter of fiscal year 2002, the Company acquired certain operations of Compaq in Ayr, Scotland. The Company acquired these operations in an effort to broaden its participation in the high-end server sector and to boost its profile in Europe. Simultaneous with the acquisition, the Company entered into a three-year supply agreement with Compaq to be designated as the sole and exclusive manufacturer of current Ayr-manufactured server product sub-assemblies and future products. Total consideration paid was approximately \$89.6 million. Based on a third-party valuation, the purchase price was primarily allocated to inventory, property, plant and equipment, purchased intangible assets of approximately \$17.4 million and goodwill of approximately \$2.1 million. The purchased intangible assets (other than goodwill) are amortized over a period of three years.

During the fourth quarter of fiscal year 2002, the Company acquired certain operations of Alcatel in Brest, France. The Company acquired these operations in an effort to solidify its manufacturing relationship with Alcatel, to broaden its advanced system integration and test services and to expand its European profile. Simultaneous with the acquisitions, the Company entered into a three-year supply agreement with Alcatel. Total consideration paid was approximately \$51.5 million, based on foreign currency rates in effect at the date of the acquisition. Based on a third-party valuation, the purchase price was allocated primarily to inventory, property, plant and equipment, purchased intangible assets of approximately \$2.0 million and goodwill of approximately \$5.5 million. The purchased intangible assets (other than goodwill) are amortized over a period of three years.

During the fourth quarter of fiscal year 2002, the Company acquired certain operations of Valeo in Meung-sur-Loire, France. The Company acquired these operations in an effort to broaden its base of manufacturing for the automotive industry in Europe. As part of the transaction, the Company acquired the electronics manufacturing production previously located at Valeo's Switches & Detection Systems operation in Fort Worth, Texas and its Valeo Electrical Systems Inc. facility in Juarez, Mexico. These operations are in the process of being transferred to the Company's operations in Chihuahua, Mexico and the transfer is expected to be complete by the end of the second quarter of fiscal year 2004. Simultaneous with the acquisitions, the Company entered into a three-year supply agreement with Valeo to manufacture a broad base of automotive electronic and integrated systems. Total consideration paid, including amounts related to the Ft. Worth and Juarez operations, was approximately \$49.2 million, based on foreign currency rates in effect at the date of the acquisition. Based on a final third-party valuation of the Meung-sur-Loire operations and a preliminary third-party valuation of the Ft. Worth and Juarez operations, the purchase price is anticipated to result in purchased intangible assets of approximately \$3.7 million and goodwill of approximately \$12.2 million. The purchased intangible assets (other than goodwill) are amortized over a period of three years.

During the first quarter of fiscal year 2003, the Company purchased certain operations of Lucent Technologies of Shanghai in Shanghai, China. The Company acquired these operations in an effort to enhance its competencies in complex optical assembly and design services, to broaden its base of manufacturing for the communications industry in Asia and to strengthen its relationship with Lucent Technologies Inc. ("Lucent"). Simultaneous with the purchase, the Company entered into a three-year supply agreement with Lucent to manufacture optical switching and other communications infrastructure products. Total consideration paid was approximately \$83.8 million. Based on a preliminary third-party valuation, the purchase price is anticipated to result in purchased intangible assets of approximately \$20.5 million and goodwill of approximately \$15.4 million. The purchased intangible assets (other than goodwill) are amortized over a period of three years.

During the first quarter of fiscal year 2003, the Company purchased, through its Jabil Global Services subsidiary, certain operations of Seagate in Reynosa, Mexico. The Company acquired these operations to expand its repair presence in the data storage market and to add a low-cost service site in Latin America. Simultaneous with the purchase, the Company's wholly-owned subsidiary entered into a two-year

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

renewable agreement to provide repair and warranty services for Seagate's Personal Storage and Enterprise Storage hard disk drives. Total consideration paid was approximately \$26.8 million. Based on a preliminary third-party valuation, the purchase price is anticipated to result in purchased intangible assets of approximately \$1.8 million, which are amortized over a period of two years.

During the second quarter of fiscal year 2003, the Company purchased certain operations of Quantum in Penang, Malaysia. The Company acquired these operations in an effort to broaden its base of manufacturing for the computing and storage sector in Asia, to expand its mechanical assemble capabilities and to further strengthen its relationship with Quantum. Simultaneous with the purchase, the Company entered into a three-year supply agreement with Quantum to manufacture internal tape drives. Total consideration paid was approximately \$16.9 million. Based on a preliminary third-party valuation, the purchase price is anticipated to result in purchased intangible assets of approximately \$1.1 million, which are amortized over a period of three years.

During the fourth quarter of fiscal year 2003, the Company purchased certain operations of NEC in Gotemba, Japan. The Company acquired these operations in an effort to provide customer and product sector diversification while adding strong competencies in a targeted market. Simultaneous with the purchase, the Company entered into a five-year agreement with NEC to manufacture and assemble transmission and studio equipment used in television and radio broadcasting, as well as video cameras and systems for monitoring and multimedia applications. Total consideration paid was approximately \$63.0 million in cash, based on foreign currency rates in effect at the date of the acquisition. Based on management's preliminary valuation, the purchase price is anticipated to result in purchased intangible assets of approximately \$5.0 million and goodwill of approximately \$21.8 million. The purchased intangible assets (other than goodwill) are amortized over a period of five years.

Pro forma results of operations have not been presented with respect to any of the above acquisitions because the effects of those acquisitions were not material on either an individual or an aggregate basis in any one fiscal year.

During the first quarter of fiscal year 2003, the Company purchased certain operations of Philips in Austria, Brazil, Hong Kong/China, Hungary, Poland and Singapore. The Company completed the purchase of three additional sites in Belgium and India during the second quarter of fiscal year 2003. The Company acquired these operations to broaden its base in the consumer electronics industry, to expand its global footprint and to strengthen its relationship with Philips. Simultaneous with the purchase, the Company entered into a four-year agreement with Philips to provide design and engineering services, new product introduction, prototype and test services, procurement and manufacturing of a wide range of assemblies for consumer products. Total consideration paid was approximately \$198.3 million, based on foreign currency rates in effect at the date of the acquisition, and is subject to final net operating capital adjustments per the terms of the purchase agreement. Based on a preliminary third-party valuation, the purchase price for the acquired sites resulted in purchased intangibles of approximately \$37.1 million and goodwill of approximately \$94.3 million. The purchased intangible assets (other than goodwill) are amortized over a period of four years.

The following unaudited pro forma financial information presents the combined results of operations of the Company with the operations acquired from Philips as if the acquisition had occurred as of the beginning of fiscal years 2002 and 2003 (in thousands, except per share data). The pro forma financial information presented gives effect to certain adjustments, including amortization of goodwill and intangible

JABIL CIRCUIT, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

assets. The pro forma financial information presented is not necessarily indicative of the Company's results of operations had the transactions been completed at the beginning of the periods presented.

| | Fiscal Year Ended | |
|----------------------------|--------------------|--------------------|
| | August 31, 2003 | August 31, 2002 |
| Net revenue | \$5,004,136 | \$4,706,138 |
| Income before taxes | \$ 45,269 | \$ 73,605 |
| Net income | \$ 48,506 | \$ 53,327 |
| Earnings per common share: | | |
| Basic | \$ 0.24 | \$ 0.27 |
| Diluted | \$ 0.24 | \$ 0.27 |

In connection with all of the above acquisitions, acquisition-related costs of \$15.3 million, \$7.6 million and \$6.6 million were recorded for the years ended August 31, 2003, 2002 and 2001, respectively. These costs consisted of professional fees and other incremental costs related directly to the integration of these acquired operations.

13. Restructuring and Impairment Charges

During the third quarter of fiscal year 2001, the Company implemented a restructuring program to reduce its cost structure due to global economic downturn. This restructuring program included reductions in workforce, re-sizing of facilities and the transition of certain facilities into new customer development sites.

During fiscal year 2001, the Company charged \$27.4 million of restructuring and impairment costs against earnings. These restructuring and impairment charges included employee severance and benefit costs of approximately \$8.9 million, costs related to lease commitments of approximately \$5.6 million, fixed asset impairments of approximately \$11.5 million and other restructuring costs of approximately \$1.4 million, primarily related to professional fees incurred in connection with the restructuring activities.

The employee severance and benefit costs included in the Company's restructuring and impairment costs recorded in fiscal year 2001 were related to the elimination of approximately 3,700 regular employees, the majority of which were engaged in direct manufacturing activities in various manufacturing facilities around the world. Lease commitments consisted primarily of future lease payments subsequent to abandonment as a result of the re-sizing of facilities and the transition of certain facilities into new customer development sites. Fixed asset impairments consisted primarily of the leasehold improvements in the facilities that were subject to restructuring.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The table below sets forth the significant components and activity in the restructuring program during fiscal year 2001, the inception of the first restructuring program (in thousands):

| | Restructuring Related Charges | Asset Impairment Charge (Non-cash) | Cash Payments | Balance at August 31, 2001 |
|---|-------------------------------------|---|-------------------|-------------------------------|
| Employee severance and termination benefits | \$ 8,903 | \$ — | \$ (7,931) | \$ 972 |
| Lease costs | 5,622 | — | (1,735) | 3,887 |
| Fixed asset impairment | 11,465 | (11,465) | — | — |
| Other | 1,376 | — | (715) | 661 |
| Total | \$ 27,366 | \$(11,465) | \$(10,381) | \$ 5,520 |

The macroeconomic conditions facing the Company, and the electronic manufacturing services (“EMS”) industry as a whole, continued to deteriorate during fiscal year 2002, resulting in additional restructuring programs being implemented during fiscal year 2002. These restructuring programs included reductions in workforce, re-sizing of facilities and the closure of facilities.

During fiscal year 2002, the Company charged \$52.1 million of restructuring and impairment costs against earnings. These restructuring and impairment charges included employee severance and benefit costs of approximately \$32.1 million, costs related to lease commitments of approximately \$10.6 million, fixed asset impairments of approximately \$7.2 million and other restructuring related costs of approximately \$2.2 million, primarily related to professional fees incurred in connection with the restructuring activities.

The employee severance and benefit costs included in the Company’s restructuring and impairment costs recorded in fiscal year 2002 were related to the elimination of approximately 2,800 employees, the majority of which were engaged in direct and indirect manufacturing activities in various manufacturing facilities around the world. Lease commitment costs consisted primarily of future lease payments for facilities vacated because of the consolidation of facilities. The fixed asset impairment charge primarily resulted from a decision made to vacate several smaller facilities in the United States, Europe and Asia.

The table below sets forth the significant components and activity in the restructuring programs during fiscal year 2002 (in thousands):

| | Balance at August 31, 2001 | Restructuring Related Charges | Asset Impairment Charge (Non-Cash) | Cash Payments | Balance at August 31, 2002 |
|---|----------------------------------|-------------------------------------|---|-------------------|----------------------------------|
| Employee severance and termination benefits | \$ 972 | \$ 32,156 | \$ — | \$(20,210) | \$12,918 |
| Lease costs | 3,887 | 10,578 | — | (6,930) | 7,535 |
| Fixed asset impairment | — | 7,189 | (7,189) | — | — |
| Other | 661 | 2,220 | — | (1,956) | 925 |
| Total | \$ 5,520 | \$ 52,143 | \$(7,189) | \$(29,096) | \$21,378 |

During fiscal year 2003, the Company charged \$85.3 million of restructuring and impairment costs against earnings. These restructuring and impairment charges included employee severance and benefit costs of approximately \$29.9 million, costs related to lease commitments of approximately \$14.9 million, fixed asset impairments of approximately \$37.6 million and other restructuring costs of approximately \$2.9 million, primarily related to professional fees incurred in connection with the restructuring activities.

JABIL CIRCUIT, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The employee severance and benefit costs included in the Company's restructuring and impairment costs recorded in fiscal year 2003 are related to the elimination of approximately 2,300 employees, the majority of which were engaged in direct and indirect manufacturing activities in manufacturing facilities in the United States and Europe. Lease commitment costs consist primarily of future lease payments for facilities vacated because of the closure and consolidation of facilities in the United States. The fixed asset impairment charge resulted from the closure of the Boise, Idaho and Coventry, England facilities, as well as a realignment of worldwide capacity due to the restructuring activities carried out during fiscal year 2003.

The table below sets forth the significant components and activity in the restructuring programs during fiscal year 2003 (in thousands):

| | Balance at August 31, 2002 | Restructuring Related Charges | Asset Impairment Charge (Non-Cash) | Cash Payments | Balance at August 31, 2003 |
|---|-------------------------------|-------------------------------------|---|------------------|-------------------------------|
| Employee severance and termination benefits | \$ 12,918 | \$ 29,897 | \$ — | \$(36,326) | \$ 6,489 |
| Lease costs | 7,535 | 14,877 | — | (7,366) | 15,046 |
| Fixed asset impairment | — | 37,661 | (37,661) | — | — |
| Other | 925 | 2,873 | — | (3,638) | 160 |
| Total | \$ 21,378 | \$ 85,308 | \$(37,661) | \$(47,330) | \$ 21,695 |

As of August 31, 2003, total liabilities of \$12.9 million related to these restructuring activities are expected to be paid out within the next twelve months. The remaining balance is expected to be paid out through August 31, 2006.

14. New Accounting Pronouncements

Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ("SFAS 143"). SFAS 143 relates to the accounting for obligations associated with the retirement of tangible long-lived assets. The Company adopted SFAS 143 effective September 1, 2002. The adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

Statement of Financial Accounting Standards No. 144, *Accounting for Impairment or Disposal of Long-lived Assets* ("SFAS 144"). SFAS 144 establishes methods of accounting and reporting for the impairment of long-lived assets other than goodwill and intangible assets not being amortized. The Company adopted SFAS 144 effective September 1, 2002. SFAS 144 distinguishes between long-lived assets to be held and used, long-lived assets to be disposed of by sale and long-lived assets to be disposed of other than by sale. Historically, and as of the date of adoption, all of the Company's assets were classified as assets to be held and used. Impairments on such assets have historically been measured and recorded in a manner consistent with the requirements of SFAS 144. The adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS 146"). SFAS 146 relates to the accounting and reporting for costs associated with exit or disposal activities, including those undertaken in the course of a restructuring. Specifically, SFAS 146 requires that a liability for such costs be recognized when the liability is incurred rather than at the date of an entity's commitment to an exit plan. SFAS 146 also establishes that fair value should be used for the initial measurement of liabilities recorded in association with exit or disposal activities. The Company adopted SFAS 146 effective January 1, 2003. The adoption of SFAS 146 impacted the timing of

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the recognition of the costs and liabilities resulting from the restructuring plans implemented subsequent to January 1, 2003. For further discussion of the Company's restructuring programs, refer to Note 13 — "Restructuring and Impairment Charges" to the Consolidated Financial Statements.

Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of SFAS No. 123* ("SFAS 148"). SFAS 148 amends SFAS 123, *Accounting for Stock-Based Compensation* to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require more prominent and more frequent disclosures in the financial statements regarding the effects of stock-based compensation. SFAS 148 is effective for financial statements for fiscal years ending after December 15, 2002, including certain amendments to required disclosures related to stock-based compensation included in condensed financial statements for interim periods beginning after December 15, 2002. The Company does not plan to change to the fair value based method of accounting for stock-based compensation in the foreseeable future under the existing accounting literature and therefore this standard will not have a material impact on the Company's financial position, results of operations or cash flows. For further discussion of the Company's stock-based compensation, see Note 8 — "Stockholders' Equity" to the Consolidated Financial Statements.

FASB Interpretation 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"). FIN 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued. The Interpretation also requires that upon issuance of certain guarantees, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee. Product warranties, guarantees of contingent consideration in a business combination and guarantees issued between parents and their subsidiaries are subject to the disclosure requirements of FIN 45, but are not subject to the provisions for initial recognition and measurement. The disclosure requirements of FIN 45 are effective for interim or annual periods ending after December 15, 2002. The initial recognition and measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The adoption of this interpretation did not have a material impact on the Company's financial position, results of operations or cash flows.

FASB Interpretation 46, *Consolidation of Variable Interest Entities* ("FIN 46"). FIN 46 clarifies the application of Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. A variable interest entity is required to be consolidated by the company that has a majority of the exposure to expected losses of the variable interest entity. The Interpretation is effective immediately for variable interest entities created after January 31, 2003. For variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003, the Interpretation applies in the first fiscal year or interim period beginning after December 15, 2003. The Company does not believe the issuance of this interpretation will have a material impact on the Company's financial position, results of operations or cash flows.

Statement of Financial Accounting Standards No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. SFAS 149 was issued to amend and clarify financial accounting and reporting for derivative instruments and hedging activities under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*. Specifically, this Standard clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative and when a derivative contains a financing component. Additionally, SFAS 149 amends the definition of an underlying to conform it to language used in FIN 45 and amends certain other existing pronouncements. SFAS 149 is

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

effective for contracts entered into or modified subsequent to June 30, 2003 and hedging relationships designated subsequent to June 30, 2003. The provisions of this standard are to be applied prospectively. The Company does not anticipate that the implementation of this standard will have a material impact on its financial position, results of operations or cash flows.

Statement of Financial Accounting Standards No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* ("SFAS 150"). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The Standard requires that certain freestanding financial instruments be classified as liabilities, including mandatorily redeemable financial instruments, obligations to repurchase the issuer's equity shares by transferring assets and certain obligations to issue a variable number of shares. SFAS 150 is effective for financial instruments entered into or modified subsequent to May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the statement and still existing at the beginning of the interim period of adoption. The Company does not anticipate that the implementation of this standard will have a material impact on its financial position, results of operations or cash flows.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JABIL CIRCUIT, INC.

By:

/s/ TIMOTHY L. MAIN

Timothy L. Main
President and Chief Executive Officer

Date: November 12, 2003

POWER OF ATTORNEY

KNOW ALL THESE PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Timothy L. Main and Chris A. Lewis and each of them, jointly and severally, his attorneys-in-fact, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorneys-in-fact or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

| | <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|-----|---|---|-------------------|
| By: | <u>/s/ WILLIAM D. MOREAN</u> William D. Morean | Chairman of the Board of Directors | November 12, 2003 |
| By: | <u>/s/ THOMAS A. SANSONE</u> Thomas A. Sansone | Vice Chairman of the Board of Directors | November 12, 2003 |
| By: | <u>/s/ TIMOTHY L. MAIN</u> Timothy L. Main | President, Chief Executive Officer and Director (Principal Executive Officer) | November 12, 2003 |
| By: | <u>/s/ CHRIS A. LEWIS</u> Chris A. Lewis | Chief Financial Officer (Principal Financial and Accounting Officer) | November 12, 2003 |
| By: | <u>/s/ LAURENCE S. GRAFSTEIN</u> Laurence S. Grafstein | Director | November 12, 2003 |
| By: | <u>/s/ MEL S. LAVITT</u> Mel S. Lavitt | Director | November 12, 2003 |
| By: | <u>/s/ LAWRENCE J. MURPHY</u> Lawrence J. Murphy | Director | November 12, 2003 |
| By: | <u>/s/ FRANK A. NEWMAN</u> Frank A. Newman | Director | November 12, 2003 |
| By: | <u>/s/ STEVEN A. RAYMUND</u> Steven A. Raymund | Director | November 12, 2003 |

JABIL CIRCUIT, INC. AND SUBSIDIARIES
SCHEDULE OF VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

| | Balance at beginning of period | Additions charged to costs and Expenses | Write-offs | Balance at end of period |
|---|--------------------------------------|--|------------|-----------------------------|
| Year ended August 31, 2003: | | | | |
| Allowance for uncollectible accounts receivable | \$ 4,689 | \$ 3,227 | \$ 1,617 | \$ 6,299 |
| Year ended August 31, 2002: | | | | |
| Allowance for uncollectible accounts receivable | \$ 4,411 | \$ 887 | \$ 609 | \$ 4,689 |
| Year ended August 31, 2001: | | | | |
| Allowance for uncollectible accounts receivable | \$ 5,008 | \$ 1,371 | \$ 1,968 | \$ 4,411 |

See accompanying independent auditors' report.

EXHIBIT INDEX

| Exhibit No. | Description |
|--------------|--|
| 3.1(5) | — Registrant's Certificate of Incorporation, as amended. |
| 3.2(5) | — Registrant's Bylaws, as amended. |
| 4.1(2) | — Form of Certificate for Shares of Registrant's Common Stock. |
| 4.2(8) | — Subordinated Debt Indenture, dated as of May 2, 2001, with respect to the Subordinated Debt of the Registrant, between the Registrant and The Bank of New York, as trustee. |
| 4.3(8) | — First Supplemental Indenture, dated as of May 2, 2001, with respect to the 1.75% Convertible Subordinated Notes, due 2021, of the Registrant, between the Registrant and The Bank of New York, as trustee. |
| 4.4(14) | — Senior Debt Indenture, dated as of July 21, 2003, with respect to the Senior Debt of the Registrant, between the Registrant and the Bank of New York, as trustee. |
| 4.5(14) | — First Supplemental Indenture, dated as of July 21, 2003, with respect to the 5.875% Senior Notes, due 2010, of the Registrant, between the Registrant and The Bank of New York, as trustee. |
| 10.1(4)(6) | — 1992 Stock Option Plan and forms of agreement used thereunder, as amended. |
| 10.2(4)(7) | — 1992 Employee Stock Purchase Plan and forms of agreement used thereunder, as amended. |
| 10.3(1)(4) | — Restated cash or deferred profit sharing plan under section 401(k). |
| 10.4(1)(4) | — Form of Indemnification Agreement between Registrant and its officers and Directors. |
| 10.5(3) | — Agreement and Plan of Merger among Jabil Circuit, Inc., JG Acquisition, Inc., GET Manufacturing, Inc. and Mr. Shin Fang dated August 11, 1999 and amended September 13, 1999. |
| 10.6(5) | — Amended and Restated Loan Agreement dated as of April 7, 2000 between Registrant and certain banks and Bank One and SunTrust Bank as agents for banks. |
| 10.7(9) | — Receivables Sale Agreement dated as of August 10, 2000 among Jabil Circuit, Inc. and Jabil Circuit of Texas, L.P. as originators and Jabil Circuit Financial, Inc. as buyer. |
| 10.8(9) | — Receivables Purchase Agreement dated as of August 10, 2000 among Jabil Circuit Financial, Inc. as seller and servicer and Jabil Circuit, Inc. as sub-servicer and Falcon Asset Securitization Corporation and Bank One as agent for Falcon. |
| 10.9(10) | — Amendment No. 1 dated November 16, 2001 to Receivables Sales Agreement among Jabil Circuit, Inc. and Jabil Circuit of Texas, L.P. as originators and Jabil Circuit Financial, Inc. as buyer. |
| 10.10(10) | — Amendment No. 5 dated November 16, 2001 to Receivables Purchase Agreement among Jabil Circuit Financial, Inc. as seller and servicer and Jabil Circuit, Inc. as sub-servicer and Falcon Asset Securitization Corporation and Bank One as agent for Falcon. |
| 10.11(4)(11) | — Jabil 2002 Employment Stock Purchase Plan |
| 10.12(4)(12) | — Jabil 2002 Stock Incentive Plan |
| 10.13(17) | — Amendment No. 2 dated February 21, 2002 to Receivables Sales Agreement among Jabil Circuit, Inc. and Jabil Circuit of Texas, L.P. as originators and Jabil Circuit Financial, Inc. as buyer. |
| 10.14(17) | — Amendment No. 6 dated February 21, 2002 to Receivables Purchase Agreement among Jabil Circuit Financial, Inc. as seller and servicer and Jabil Circuit, Inc. as sub-servicer and Falcon Asset Securitization Corporation and Bank One as agent for Falcon. |
| 10.15(17) | — Amendment No. 7 dated May 8, 2002 to Receivables Purchase Agreement among Jabil Circuit Financial, Inc. as seller and servicer and Jabil Circuit, Inc. as sub-servicer and Falcon Asset Securitization Corporation and Bank One as agent for Falcon. |
| 10.16(17) | — Amendment No. 8 dated May 8, 2002 to Receivables Purchase Agreement among Jabil Circuit Financial, Inc. as seller and servicer and Jabil Circuit, Inc. as sub-servicer and Falcon Asset Securitization Corporation and Bank One as agent for Falcon. |

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| Exhibit No. | Description |
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| 10.17(4)(13) | — Stock Award Plan |
| 10.18(4)(15) | — Employment Agreement between the Registrant and European Chief Operating Officer dated December 1, 2002. |
| 10.19(15) | — 364-Day Loan Agreement dated as of November 29, 2002 between Registrant and certain banks and Bank One, NA, SunTrust Bank and The Royal Bank of Scotland as agents for the bank. |
| 10.20(15) | — Three-Year Loan Agreement dated as of November 29, 2002 between Registrant and certain banks and Bank One, NA, SunTrust Bank and The Royal Bank of Scotland as agents for the bank. |
| 10.21(5)(16) | — Addendum to the Terms and Conditions of the Jabil Circuit, Inc. 2002 Stock Incentive Plan for Grantees Resident in France. |
| 10.22 | — Amended and Restated Three-year Loan Agreement dated as of July 14, 2003 between Registrant and certain banks and Bank One, NA, SunTrust Bank and The Royal Bank of Scotland as agents for the bank. |
| 10.23(4)(12) | — Schedule to the Jabil Circuit, Inc. 2002 Stock Incentive Plan for Grantees Resident in the United Kingdom. |
| 21.1 | — List of Subsidiaries. |
| 23.1 | — Independent Auditors' Consent. |
| 24.1 | — Power of Attorney (See Signature page). |
| 31.1 | — Rule 13a-14(a)/15d-14(a) Certification by the President and Chief Executive Officer of Jabil Circuit, Inc. |
| 31.2 | — Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer of Jabil Circuit, Inc. |
| 32.1 | — Section 1350 Certification by the President and Chief Executive Officer of Jabil Circuit, Inc. |
| 32.2 | — Section 1350 Certification by the Chief Financial Officer of Jabil Circuit, Inc. |

- (1) Incorporated by reference to the Registration Statement on Form S-1 filed by the Registrant on March 3, 1993 (File No. 33-58974).
- (2) Incorporated by reference to exhibit Amendment No. 1 to the Registration Statement on Form S-1 filed by the Registrant on March 17, 1993 (File No. 33-58974).
- (3) Incorporated by reference to exhibit to the Registrant's Current Report on Form 8-K filed by the Registrant on September 28, 1999.
- (4) Indicates management compensatory plan, contract or arrangement.
- (5) Incorporated by reference to exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended February 29, 2000.
- (6) Incorporated by reference to the Registration Statement on Form S-8 filed by the Registrant on August 31, 1999.
- (7) Incorporated by reference to the Registration Statement on Form S-8 filed by the Registrant on October 10, 1997.
- (8) Incorporated by reference to the Registrant's Current Report on Form 8-K filed by the Registrant on May 3, 2001.
- (9) Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended August 31, 2000.
- (10) Incorporated by reference to the Registrant's Form 10-Q for the quarter ended November 30, 2001.
- (11) Incorporated by reference to the Registrant's Form S-8 (File No. 333-98291) filed by the Registrant on August 16, 2002.
- (12) Incorporated by reference to the Registrant's Form S-8 (File No. 333-98299) filed by the Registrant on August 16, 2002.

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- (13) Incorporated by reference to the Registrant's Form S-8 filed by the Registrant on February 5, 2001.
- (14) Incorporated by reference to the Registrant's Current Report on Form 8-K filed by the Registrant on July 21, 2003.
- (15) Incorporated by reference to the Registrant's Form 10-Q for the quarter ended November 30, 2002.
- (16) Incorporated by reference to the Registrant's Form S-8 filed by the Registrant on June 13, 2003.
- (17) Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended August 31, 2002.

=====

AMENDED AND RESTATED
THREE-YEAR LOAN AGREEMENT

DATED AS OF JULY 14, 2003

AMONG

JABIL CIRCUIT, INC.,

CERTAIN BORROWING SUBSIDIARIES,

THE BANKS FROM TIME TO TIME PARTY HERETO,

SUNTRUST BANK, AS CO-SYNDICATION AGENT,
THE ROYAL BANK OF SCOTLAND PLC, AS CO-SYNDICATION AGENT,

ABN AMRO BANK N.V., AS CO-DOCUMENTATION AGENT,
ROYAL BANK OF CANADA, AS CO-DOCUMENTATION AGENT,

AND

BANK ONE, NA
AS ADMINISTRATIVE AGENT

=====

BANC ONE CAPITAL MARKETS, INC.
AS LEAD ARRANGER
AND
SOLE BOOKRUNNER

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THIS AMENDED AND RESTATED THREE-YEAR LOAN AGREEMENT, dated as of July 14, 2003 (as amended or modified from time to time, this "Agreement"), is entered into by and among JABIL CIRCUIT, INC., a Delaware corporation (the "Company"), each of the Domestic Subsidiaries of the Company designated in Section 1.1 as a Borrowing Subsidiary (individually, a "Borrowing Subsidiary" and collectively, the "Borrowing Subsidiaries") (the Company and the Borrowing Subsidiaries, may each be referred to as a "Borrower" and, collectively, as the "Borrowers"), the Banks party hereto from time to time, including, without limitation, unless the context otherwise requires, the Issuing Bank (collectively, the "Banks" and individually, a "Bank") and BANK ONE, NA (MAIN OFFICE CHICAGO), a national banking association, as administrative agent for the Banks (in such capacity, the "Agent").

INTRODUCTION

The Borrowers are party to a Three-Year Loan Agreement dated as of November 29, 2002 (as amended or modified, the "Existing Credit Agreement") with certain of the Banks and the Agent. The Borrowers wish to amend and restate the Existing Credit Agreement pursuant to the terms of this Agreement. The Banks and the Agent are willing to amend and restate the Existing Credit Agreement pursuant to the terms and conditions set forth in this Agreement.

In consideration of the premises and of the mutual agreements herein contained, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.1 Certain Definitions. As used herein the following terms shall

have the following respective meanings:

"Advance" shall mean any Loan and any Letter of Credit Advance.

"Affiliate" when used with respect to any person shall mean any other person which, directly or indirectly, controls or is controlled by or is under common control with such person. For purposes of this definition "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), with respect to any person, shall mean possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or by contract or otherwise.

"Aggregate Commitment" shall mean the aggregate of the Commitments of all of the Banks, as reduced or modified from time to time pursuant to the terms hereof, which Aggregate Commitment shall initially be \$400,000,000 as of the Effective Date.

"Agreed Currencies" shall mean (i) Dollars, and (ii) so long as such currency remains an Eligible Currency, euro.

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"Applicable Rate" shall mean with respect to any Eurocurrency Rate Loan, facility fee, usage fee, S/L/C fee, C/L/C fee, or Bank Guarantee fee, as the case may be, the then applicable percentage set forth in the table below; provided, that Rating Level V shall apply subsequent to the occurrence of an Event of Default.

APPLICABLE RATE

| Rating Level | Eurocurrency Rate Loan/ S/L/C C/L/C Bank Guarantee Fee | Facility Fee | Usage Fee |
|------------------|--|--------------|-----------|
| Rating Level I | 0.65% | 0.225% | 0.125% |
| Rating Level II | 0.875% | 0.25% | 0.125% |
| Rating Level III | 1.10% | 0.275% | 0.125% |
| Rating Level IV | 1.325% | 0.30% | 0.125% |
| Rating Level V | 1.35% | 0.40% | 0.25% |

"Applicable Rate Rating" shall mean, on any date of determination, the Company's general corporate rating, or at such time as the Company has outstanding senior unsecured long-term Indebtedness, the rating of such senior unsecured long-term Indebtedness (without giving effect to any third-party credit enhancement) on such date by each of S&P and Moody's; provided, however, that if such corporate rating or such Indebtedness, as applicable, is split-rated by one rating (i.e., BBB+ by S&P and Baa2 by Moody's), the higher rating (i.e., BBB+) shall apply; provided, further, that if such corporate rating or such Indebtedness, as applicable, is split-rated by more than one rating (i.e., BBB+ by S&P and Bal by Moody's), the rating one level below the higher of the two ratings (i.e., BBB, which is one level below BBB+) would apply.

"Bank Guarantee" shall mean each guarantee of monetary

obligations and any other similar instrument having an analogous effect to letters of credit, issued by the Issuing Bank hereunder for the benefit of a Borrower or one of its Affiliates for the purpose of guaranteeing obligations of such Borrower or one of its Affiliates.

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"Bank Obligations" shall mean all indebtedness, obligations and liabilities, whether now owing or hereafter arising, direct, indirect, contingent or otherwise, of the Borrowers to the Agent or any Bank, including the Issuing Bank, pursuant to the Loan Documents.

"Bank One" shall mean Bank One, NA (Main Office Chicago), a national banking association, in its individual capacity, and its successors.

"Borrowing" shall mean the aggregation of Advances made to any Borrower, or continuations and conversions of such Advances, made pursuant to Article II on a single date and for a single Interest Period. A Borrowing may be referred to for purposes of this Agreement by reference to the type of Loan comprising the relating Borrowing, e.g., a "Floating Rate Borrowing" if such Loans are Floating Rate Loans or a "Eurocurrency Rate Borrowing" if such Loans are Eurocurrency Rate Loans.

"Borrowing Subsidiary" shall mean each of the Domestic Subsidiaries of the Company set forth on Schedule 1.1 on the Effective Date together with any other Domestic Subsidiary of the Company upon request by the Company to the Agent for designation of such Domestic Subsidiary as a "Borrowing Subsidiary" hereunder, so long as (a) all of the Banks approve, in their reasonable discretion, the designation of such Domestic Subsidiary as a "Borrowing Subsidiary", (b) such new Borrowing Subsidiary delivers Notes executed in favor of each Bank, all documents and items referred to in Section 2.5, all in form and substance satisfactory to the Banks, and (c) the Company and such new Borrowing Subsidiary execute an agreement substantially in the form of Exhibit A hereto.

"Business Day" shall mean:

(a) for the purpose of determining the rate described in clause (b) of the definition of Eurocurrency Rate, a day other than a Saturday or Sunday on which banks are open for the transaction of domestic and foreign exchange business in London, England;

(b) for the purpose of any payment to be made in Dollars, a day other than a Saturday or Sunday on which banks are open in Chicago, Illinois for the conduct of substantially all of their commercial lending activities, including transacting domestic and foreign exchange business, making interbank wire transfers on the Fedwire system, and dealings in Dollars in the London interbank markets; and

(c) for any other purpose, means a day (i) other than a Saturday or Sunday on which banks are open in Chicago, Illinois for the conduct of substantially all of their commercial lending activities, including transacting domestic and foreign exchange business, and making interbank wire transfers on the Fedwire system, and (ii) with respect to borrowings, payment or rate selection of Loans denominated in euro, a day on which such clearing system as is determined by Agent to be suitable for clearing or settlement of euro is open for business.

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"Capital Expenditures" shall mean, for any period, the additions to property, plant and equipment and other capital expenditures of the Company and its Subsidiaries for such period as the same are (or should be) set forth, in accordance with Generally Accepted Accounting Principles, in consolidated financial statements of the Company and its Subsidiaries for such period.

"Capital Lease" of any person shall mean any lease which, in accordance with Generally Accepted Accounting Principles, is capitalized on the books of such person.

"Capital Stock" shall mean (i) in the case of any corporation, all capital stock (whether common, preferred or any other type) and any

securities exchangeable for or convertible into capital stock and any warrants, rights or other options to purchase or otherwise acquire capital stock or such securities or any other form of equity securities, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited) and (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distribution of assets of, the issuing Person.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations thereunder.

"C/L/C" shall mean any commercial letter of credit issued by the Issuing Bank hereunder.

"Commitment" shall mean, with respect to each Bank, the commitment of each such Bank to make Loans and to participate in Letter of Credit Advances made through the Issuing Bank pursuant to Section 2.1(a) and (b), in amounts not exceeding in aggregate principal amount outstanding at any time the respective commitment amount for each such Bank set forth next to the name of each such Bank in the signature pages hereof or in its Assignment and Acceptance hereto (if applicable), as such amounts may be modified in accordance with assignments permitted under Section 9.6 or reduced from time to time pursuant to Section 2.2.

"Consolidated" or "consolidated" shall mean, when used with reference to any financial term in this Agreement, the aggregate for the Company and its consolidated Subsidiaries of the amounts signified by such term for all such persons determined on a consolidated basis in accordance with Generally Accepted Accounting Principles.

"Contingent Liabilities" of any person shall mean, as of any date, all obligations of such person or of others for which such person is contingently liable, as obligor, guarantor, surety or in any other capacity, or in respect of which obligations such person assures a creditor against loss or agrees to take any action to prevent any such loss (other than endorsements of negotiable instruments for collection in the ordinary course of business), including without limitation all reimbursement obligations

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of such person in respect of any letters of credit, surety bonds or similar obligations and all obligations of such person to advance funds to, or to purchase assets, property or services from, any other person in order to maintain the financial condition of such other person.

"Contractual Obligation" shall mean, as to any person, any material provision of any security issued by such person or of any agreement, instrument or other undertaking to which such person is a party or by which it or any of its property is bound.

"Default" shall mean any of the events or conditions described in Section 6.1 which might become an Event of Default with notice or lapse of time or both.

"Defaulting Bank" means any Bank that fails to make available to the Agent such Bank's Loans required to be made hereunder or shall not have made a payment required to be made to the Agent hereunder. Once a Bank becomes a Defaulting Bank, such Bank shall continue as a Defaulting Bank until such time as such Defaulting Bank makes available to the Agent, the amount of such Defaulting Bank's Loans and all other amounts required to be paid to the Agent pursuant to this Agreement.

"Dollar Amount" of any currency at any date shall mean (i) the amount of such currency if such currency is Dollars or (ii) the Equivalent Amount of Dollars if such currency is any currency other than Dollars.

"Dollars" and "\$" shall mean the lawful money of the United States of America.

"Domestic Subsidiary" shall mean any Subsidiary of any Borrower incorporated or formed in any State of the United States or any political subdivision of any such State.

"EBIT" shall mean, with respect to any person, for any period, the sum of (a) Net Income or loss plus (b) all amounts deducted in determining such Net Income or loss on account of (i) all consolidated interest expense and (ii) taxes based on or measured by income, all as determined in accordance with Generally Accepted Accounting Principles.

"EBITDA" shall mean, with respect to any person, for any period, EBIT for such period plus, to the extent deducted in determining such EBIT, depreciation and positive amortization expense, plus (or minus) up to \$85,000,000 in the aggregate at any time of extraordinary non-cash or nonrecurring non-cash charges and losses (or gains), plus Permitted OEM Cash Charges, and minus Permitted OEM Cash Payments, all as determined in accordance with Generally Accepted Accounting Principles; provided, however, that in connection with Permitted OEM Cash Payments, if any Permitted OEM Cash Payment is recognized or otherwise included in a calculation of EBITDA for a calculation period, such Permitted OEM Cash Payment shall not be included in subsequent calculation periods, notwithstanding the fact that Generally Accepted Accounting Principles may require the amortization of such Permitted OEM Cash Payment for accounting purposes over multiple calculation periods. For example, if the

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Company receives a \$25,000,000 Permitted OEM Cash Payment on February 1, 2004, the entire amount of such Permitted OEM Cash Payment shall be included in the EBITDA calculation for the quarter ending February 28, 2004. If, however, the Company is required under Generally Accepted Accounting Principles to amortize such \$25,000,000 over four quarters, such that \$6,250,000 will appear in the Company's financial statements or balance sheet with respect to such Permitted OEM Cash Payment for each of such four quarters, the Company shall not be required to reflect \$6,250,000 in its EBITDA calculations for the quarters ending May 31, 2004, August 31, 2004, and November 30, 2004. Such amounts were already captured in the February 2003 EBITDA calculation.

"Effective Date" shall mean July 14, 2003.

"Eligible Currency" shall mean any currency other than Dollars with respect to which a certificate has not been delivered under Section 2.8 and that is readily available, freely traded, in which deposits are customarily offered to banks in the London interbank market, convertible into Dollars in the international interbank market available to the Banks in such market and as to which an Equivalent Amount may be readily calculated. If, after the designation by the Banks at the request of the Company of any currency as an Eligible Currency, currency control or other exchange regulations are imposed in the country in which such currency is issued with the result that different types of such currency are introduced, such country's currency is, in the determination of the Agent, no longer readily available or freely traded or (ii) as to which, in the determination of the Agent, an Equivalent Amount is not readily calculable (each of clause (i) and (ii), a "Disqualifying Event"), then the Agent shall promptly notify the Banks and the Company thereof, and such country's currency shall no longer be an Eligible Currency until such time as the Disqualifying Event(s) no longer exist, but in any event within five (5) Business Days of receipt of such notice from the Agent, the Company shall repay all Loans in such currency to which the Disqualifying Event applies or convert such Loans into Loans in Dollars or another Eligible Currency, if any, subject to the other terms contained in Articles II and III.

"Environmental Laws" at any date shall mean all provisions of law, statute, ordinances, rules, regulations, judgments, writs, injunctions, decrees, orders, awards and standards which are applicable to any Borrower or any Subsidiary and promulgated by the government of the United States of America or any foreign government or by any state, province, municipality or other political subdivision thereof or therein or by any court, agency, instrumentality, regulatory authority or commission of any of the foregoing concerning the protection of, or regulating the discharge of substances into, the environment.

"Equivalent Amount" of any currency at any date shall mean the equivalent in Dollars of such currency, calculated on the basis of the arithmetic mean of the buy and sell spot rates of exchange of the Agent or an Affiliate of the Agent in the London interbank market (or other market where the Agent's foreign exchange operations in respect of such currency are then being conducted) for such other currency at or about 11:00 a.m. local time applicable to the transaction in question on the date on

which such amount is to be determined, rounded up to the nearest amount of such currency as determined by the Agent from time to time; provided, however, that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Agent or an Affiliate of the Agent may use any reasonable method it deems appropriate (after consultation with the Borrower) to determine such amount, and such determination shall be conclusive absent manifest error.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations thereunder.

"ERISA Affiliate" shall mean, with respect to any person, any trade or business (whether or not incorporated) which, together with such person or any Subsidiary of such person, would be treated as a single employer under Section 414 of the Code.

"euro" means the lawful currency of the member states of the European Union which adopted the Council Regulation E.C. No. 1103/97 dated 17 June 1997 passed by the Council of the European Union, or, if different, the then lawful currency of the member states of the European Union that participate in the third stage of the Economic and Monetary Union.

"Eurocurrency Rate" shall mean, as applicable to any Eurocurrency Interest Period, the per annum rate that is equal to the sum of:

- (a) the Applicable Rate for Eurocurrency Rate Loans, plus
- (b) the applicable British Bankers' Association Interest Settlement Rate for deposits in the Agreed Currency as reported by any generally recognized financial information service as of 11:00 a.m. (London time) two Business Days prior to the first day of such Eurocurrency Interest Period, and having a maturity equal to such Eurocurrency Interest Period, as adjusted for Reserves, and (ii) if no such British Bankers' Association Interest Settlement Rate is available, the applicable Eurocurrency Rate for the relevant Interest Period shall instead be the rate determined by the Agent to be the rate at which Bank One offers to place deposits in the Agreed Currency with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Eurocurrency Interest Period, in the approximate amount of Bank One's relevant Eurocurrency Rate Loan and having a maturity equal to such Eurocurrency Interest Period, as adjusted for Reserves.

"Eurocurrency Interest Period" shall mean, with respect to any Eurocurrency Rate Loan, the period commencing on the day such Eurocurrency Rate Loan is made, converted to or continued as a Eurocurrency Rate Loan and ending on the date one, two, three or six months thereafter, as any Borrower may elect under Section 2.4 or 2.7, and each subsequent period commencing on the last day of the immediately preceding Eurocurrency Interest Period and ending on the date one, two, three or six months thereafter, as a Borrower may elect under Section 2.4 or 2.7, provided, however, that (a) any Eurocurrency Interest Period which commences on the

last Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month, (b) each Eurocurrency Interest Period which would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day or, if such next succeeding Business Day falls in the next succeeding calendar month, on the next preceding Business Day, and (c) no Eurocurrency Interest Period shall be permitted which would end after the Termination Date.

"Eurocurrency Rate Loan" shall mean any Loan which bears interest at the Eurocurrency Rate.

"Event of Default" shall mean any of the events or conditions described in Section 6.1.

"Existing Credit Agreement" is defined in the Introduction to this Agreement.

"Federal Funds Rate" shall mean, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal Funds transactions, with members of the Federal Reserve System arranged by Federal Funds brokers, as published for such day by the Federal Reserve Bank of New York, or if such rate is not so published for such day, the average of the quotations for such day on such transactions received by the Agent from three Federal Funds brokers of recognized standing selected by it.

"Fixed Charge Coverage Ratio" of any person shall mean, as of any date, the ratio of (a) Consolidated EBITDA as calculated for the four most recently ended consecutive fiscal quarters of the Company plus all payments relating to operating leases of such person during such period to (b) all consolidated interest expense during such period for such person, plus all payments relating to operating leases of such person during such period.

"Floating Rate" shall mean, as of any date, the per annum rate equal to the greater of (i) the Prime Rate in effect from time to time, or (ii) the sum of the Federal Funds Rate in effect from time to time plus one-half of one percent (1/2 of 1%) per annum; which Floating Rate shall change simultaneously with any change in such Prime Rate or Federal Funds Rate, as the case may be.

"Floating Rate Loan" shall mean any Loan which bears interest at the Floating Rate.

"Foreign Affiliate Contingent Liabilities" shall mean, on any date of determination, the aggregate Contingent Liabilities of the Company and its Affiliates which arise in respect of amounts owing by their Foreign Subsidiaries in connection with value added taxes, duties, customs, excise taxes, franchises, licenses, rents, goods or services being provided to such Foreign Subsidiaries by governmental entities or

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suppliers, or other similar items which under Generally Accepted Accounting Principles constitute operating expenses.

"Foreign Subsidiary" shall mean any Subsidiary incorporated or formed in any jurisdiction other than any State of the United States of America or any political subdivision of any such State.

"Generally Accepted Accounting Principles" shall mean Generally Accepted Accounting Principles as in effect in the United States of America from time to time and applied on a basis consistent with that reflected in the financial statements referred to in Section 4.6.

"Hazardous Materials" shall mean any material or substance: (1) which is or becomes defined as a hazardous substance, pollutant, or contaminant, pursuant to the Comprehensive Environmental Response Compensation and Liability Act (42 USC Section 9601 et. seq.) as amended and regulations promulgated under it; (2) containing gasoline, oil, diesel fuel or other petroleum products; (3) which is or becomes defined as hazardous waste pursuant to the Resource Conservation and Recovery Act (42 USC Section 6901 et. seq.) as amended and regulations promulgated under it; (4) containing polychlorinated biphenyls (PCBs); (5) containing asbestos; (6) which is radioactive; (7) the presence of which requires investigation or remediation under any Environmental Law; (8) which is or becomes defined or identified as a hazardous waste, hazardous substance, hazardous or toxic chemical, pollutant, contaminant, or biologically Hazardous Material under any Environmental Law.

"Indebtedness" of any person shall mean, without duplication (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property or services, except for (a) trade accounts payable arising in the ordinary course of business, and (b) obligations arising under supply or consignment agreements, in each case with respect to clauses (a) and (b) that are not more than 90 days past due or as are reasonably being contested, (iv) obligations as lessee under leases which have been in accordance with Generally Accepted Accounting Principles, recorded as Capital Leases, (v) obligations to purchase property or services if payment is required regardless of whether such property is delivered or services are performed (generally called "take or pay" contracts), (vi) all Contingent Liabilities, including, without limitation Foreign Affiliate Contingent Liabilities, (vii) liabilities in respect of actual unfunded vested benefits under plans covered by Title IV of

ERISA, (viii) the aggregate principal amount of the financing provided to the Company and its Subsidiaries under any agreement entered into as part of a Permitted Receivables Transaction, (ix) any liability under any so-called "synthetic lease" or "tax ownership operating lease" transaction, and (x) Net Mark-to-Market Exposure under Rate Management Transactions.

"Interest Payment Date" shall mean (a) with respect to any Eurocurrency Rate Loan, the last day of each Interest Period with respect to such Eurocurrency Rate Loan and, in the case of any Interest Period exceeding three months, those days that occur during such Interest Period at intervals of three months after the first day of such

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Interest Period, and (b) in all other cases, the last Business Day of each August, November, February and May occurring after the date hereof, commencing with the first such Business Day occurring after the date of this Agreement.

"Interest Period" shall mean any Eurocurrency Interest Period.

"Issuing Bank" shall mean Bank One, together with its successors and assigns, and any other Bank hereafter designated as an "Issuing Bank" upon the prior written agreement of the Company, the Agent and such Bank.

"Letter of Credit" shall mean a Bank Guarantee, S/L/C or C/L/C having a stated expiry date or a date by which any draft drawn thereunder must be presented not later than twelve months after the date of issuance (provided that any Letter of Credit with a one-year tenor may provide for the renewal thereof for additional one-year periods). Such Bank Guarantee, S/L/C or C/L/C shall be issued by the Issuing Bank on behalf of the Banks for the account of any Borrower under an application and related documentation acceptable to the Issuing Bank. Such application and documentation shall require, among other things, immediate reimbursement by such Borrower to the Issuing Bank in respect of all drafts or other demands for payment honored thereunder and all reasonable and customary expenses paid or incurred by the Issuing Bank relative thereto. Notwithstanding anything to the contrary set forth in this definition, no Letter of Credit may expire later than, and no draw may occur under a Letter of Credit later than, the fifth Business Day before the Termination Date.

"Letter of Credit Advance" shall mean any issuance of a Letter of Credit under Section 2.4 made pursuant to Section 2.1 in which each Bank acquires a pro rata participation (based on such Bank's Commitment) pursuant to Section 2.4(d).

"Letter of Credit Documents" shall have the meaning set forth in Section 3.3(b).

"Lien" shall mean any pledge, assignment, deed of trust, hypothecation, mortgage, security interest, conditional sale or title retaining contract, or any other type of lien, charge, encumbrance or other similar claim or right.

"Loan" shall mean any Revolving Credit Loan or any Swing Line Loan, as the context may require.

"Loan Documents" shall mean this Agreement, the Notes, the Letter of Credit Documents, and any other agreement, instrument or document executed at any time in connection with this Agreement.

"Majority Banks" shall mean Banks holding not less than fifty-one percent (51%) of the Commitments (or fifty-one percent (51%) of the outstanding Advances if the Commitments have been terminated).

"Material Adverse Effect" shall mean a material adverse effect on (a) the business, assets, operations or financial condition of the Company and its Subsidiaries,

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taken as a whole, (b) the ability of any Borrower to perform its obligations under any Loan Document, or (c) the validity or enforceability of any Loan Document or the rights or remedies of the Agent or the Banks under any Loan Document.

"Multiemployer Plan" shall mean any "multiemployer plan" as defined in Section 4001(a)(3) of ERISA or Section 414(f) of the Code.

"Net Income" of any person shall mean, for any period, the net income (after deduction for income and other taxes of such person determined by reference to income or profits of such person) of such person for such period, all as determined in accordance with Generally Accepted Accounting Principles.

"Net Mark-to-Market Exposure" of a Person shall mean, as of any date of determination, the excess (if any) of all unrealized losses over all unrealized profits of such Person arising from Rate Management Transactions. "Unrealized losses" means the fair market value of the cost to such Person of replacing such Rate Management Transaction as of the date of determination (assuming the Rate Management Transaction were to be terminated as of that date), and "unrealized profits" means the fair market value of the gain to such Person of replacing such Rate Management Transaction as of the date of determination (assuming such Rate Management Transaction were to be terminated as of that date).

"Net Worth" of any person shall mean, as of any date, the amount of any capital stock, paid in capital and similar equity accounts plus (or minus in the case of a deficit) the capital surplus and retained earnings of such person and the amount of any foreign currency translation adjustment or other income shown as a capital account of such person, all as determined under Generally Accepted Accounting Principles.

"Notes" shall mean the Revolving Credit Notes and the Swing Line Notes; "Note" shall mean any Revolving Credit Note or any Swing Line Note.

"Notional Pooling Accounts" shall mean those deposit accounts of the Borrowers and their Subsidiaries operated and maintained outside of the United States of America by ABN AMRO Bank N.V. or its successor in connection with cross-border, multiple-currency cash pooling arrangements, including overdraft facilities, by the Borrowers and their Subsidiaries.

"Overdue Rate" shall mean (a) in respect of principal of Floating Rate Loans, a rate per annum that is equal to the sum of two percent (2%) per annum plus the Floating Rate, (b) in respect of principal of Eurocurrency Rate Loans or Swing Line Loans, a rate per annum that is equal to the sum of two percent (2%) per annum plus the per annum rate in effect thereon until the end of the then current Interest Period for such Loan and, thereafter, a rate per annum that is equal to the sum of two percent (2%) per annum plus the Floating Rate, and (c) in respect of other amounts payable by any Borrower hereunder (other than interest), a per annum rate that is equal to the sum of two percent (2%) per annum plus the Floating Rate.

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"PBGC" shall mean the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Permitted Liens" shall mean Liens permitted by Section 5.2(e) hereof.

"Permitted OEM Cash Charges" shall mean, with respect to the Company or any Affiliate thereof, cash charges of the Company or an Affiliate thereof arising in connection with a Permitted OEM Divestiture Purchase for which the Company or such Affiliate, pursuant to the agreements evidencing such Permitted OEM Divestiture Purchase (as such agreements may be amended or supplemented), shall be reimbursed by the original equipment manufacturer acting as seller under such Permitted OEM Divestiture Purchase; provided, however, that such cash charges shall not constitute Permitted OEM Cash Charges if the Company or its Affiliate, as applicable, shall not be required to be reimbursed for such cash charges pursuant to the terms of the agreements (as amended or supplemented) evidencing such Permitted OEM Divestiture Purchase; provided, further, that no charge shall constitute a Permitted OEM Cash Charge if the reimbursement provisions set forth in the aforementioned agreements (as amended or modified) are not in form and substance acceptable to the Agent.

"Permitted OEM Cash Payments" shall mean, with respect to the Company or any Affiliate thereof, cash payments made by an original equipment manufacturer to the Company or an Affiliate thereof in connection with a Permitted OEM Divestiture Purchase where such payments are made as a result of,

and correspond with the amount of, Permitted OEM Cash Charges.

"Permitted OEM Divestiture Purchase" shall mean, whether through the acquisition of Capital Stock or through the acquisition of assets, the acquisition by the Company or any of its Subsidiaries, in one or a series of transactions, of all or any substantial portion of a division, line of business or separate facility of an original equipment manufacturer; provided, however, that, in order for such acquisition to constitute a "Permitted OEM Divestiture Purchase" (i) both before and after such acquisition, the Company shall be in compliance with all financial covenants hereunder, (ii) the assets or Persons holding such assets being acquired relate to a line of business substantially similar to a line of business then engaged in by the Company or its Subsidiaries, (iii) such acquisition is on terms and conditions no less favorable to the purchaser than shall then be customary for acquisitions in the electronics or high technology industries, and (iv) with respect to any acquisition that satisfies the requirements of clauses (i) through (iii) and has a purchase price or requires the remittance of aggregate consideration in excess of \$50,000,000, the Agent, in the reasonable exercise of its discretion, shall have approved the terms and conditions of any such acquisition; provided, further, that acquisitions satisfying the foregoing requirements shall be subject to Section 5.2(q) instead of Sections 5.2(f) and 5.2(i).

"Permitted Receivables Transactions" shall mean, collectively, (i) if an SPC is created in connection therewith, the creation of the SPC to purchase accounts receivable generated by and owed to the Company or any Subsidiary, (ii) the entry by one or more Receivables Sellers into one or more receivables purchase agreements, including,

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without limitation, factoring agreements and other similar agreements pursuant to which receivables are sold at a discount, with Purchasers, pursuant to which each Purchaser will, from time to time, purchase from such Receivables Sellers accounts receivable (or undivided interests therein) generated by and owed to the Company or any Subsidiary thereof, and (iii) the entry by such Receivables Sellers into such ancillary agreements, documents and instruments as are necessary or advisable in connection with such receivables purchase agreements, provided that (x) the outstanding principal amount of the financing provided by all Purchasers pursuant to all such receivables purchase agreements, including, without limitation, factoring agreements and other similar agreements pursuant to which receivables are sold at a discount, shall not exceed \$500,000,000 in the aggregate at any time and (y) the primary structural terms of each such receivables purchase agreement, including without limitation, the amount of any recourse to the Company or any of its Subsidiaries for uncollectible receivables, shall be reasonably satisfactory to the Agent in each case.

"Person" or "person" shall include an individual, a corporation, a limited liability company, an association, a partnership, a trust or estate, a joint stock company, an unincorporated organization, a joint venture, a trade or business (whether or not incorporated), a government (foreign or domestic) and any agency or political subdivision thereof, or any other entity.

"Plan" shall mean, with respect to any person, any pension plan (other than a Multiemployer Plan) subject to Title IV of ERISA or to the minimum funding standards of Section 412 of the Code which has been established or maintained by such person, any Subsidiary of such person or any ERISA Affiliate, or by any other person if such person, any Subsidiary of such person or any ERISA Affiliate could have liability with respect to such pension plan.

"Prime Rate" shall mean the per annum rate announced by Bank One or its parent from time to time as its "prime rate" (it being acknowledged that such announced rate may not necessarily be the lowest rate charged by Bank One or its parent to any of its customers) which Prime Rate shall change simultaneously with any change in such announced rate.

"Prohibited Transaction" shall mean any non-exempt transaction involving any Plan which is proscribed by Section 406 of ERISA or Section 4975 of the Code.

"Purchaser" shall mean a purchaser of accounts receivable from one or more Receivables Sellers pursuant to a Permitted Receivables Transaction.

"Rate Management Obligations" of a Person shall mean any and

all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (i) any and all Rate Management Transactions, and (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Rate Management Transactions.

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"Rate Management Transaction" shall mean any transaction (including an agreement with respect thereto) now existing or hereafter entered by a Borrower or a Subsidiary thereof which is a rate swap, basis swap, forward rate transaction, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, or equity prices.

"Rating Level I" shall mean an Applicable Rate Rating of BBB+ or higher by S&P or Baa1 or higher by Moody's.

"Rating Level II" shall mean an Applicable Rate Rating of BBB or higher by S&P or Baa2 or higher by Moody's and Rating Level I does not apply.

"Rating Level III" shall mean an Applicable Rate Rating of BBB- or higher by S&P and Baa3 or higher by Moody's and neither Rating Level I nor Rating Level II applies.

"Rating Level IV" shall mean an Applicable Rate Rating of (x) BB+ or higher by S&P and Baa3 or higher by Moody's or (y) BBB- or higher by S&P and Ba1 or higher by Moody's, and none of Rating Level I, Rating Level II, or Rating Level III apply.

"Rating Level V" shall mean an Applicable Rate Rating of BB+ or lower by S&P and Ba1 or lower by Moody's and none of Rating Level I, Rating Level II, Rating Level III, or Rating Level IV apply.

"Receivables Seller" shall mean any one of any SPC, the Company, or a Subsidiary which is the seller of receivables in a Permitted Receivables Transaction, and "Receivables Sellers" means all of such entities collectively.

"Reportable Event" shall mean a reportable event as described in Section 4043(b) of ERISA including those events as to which the thirty (30) day notice period is waived under Part 2615 of the regulations promulgated by the PBGC under ERISA.

"Requirement of Law" shall mean as to any person, the certificate of incorporation and by-laws or other organizational or governing documents of such person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other governmental authority, in each case applicable to or binding upon such person or any of its property or to which such person or any of its property is subject.

"Reserves" shall mean the maximum reserve requirement as prescribed by the Board of Governors of the Federal Reserve System (or any successor) with respect to "Eurocurrency liabilities" or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Eurocurrency Rate Loans is

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determined or category of extensions of credit or other assets which includes loans by a non-United States office of any Lender to United States residents.

"Revolving Credit Advance" shall mean any Revolving Credit Loan and any Letter of Credit Advance.

"Revolving Credit Loan" shall mean any Borrowing under Section 2.4 evidenced by the Revolving Credit Notes and made pursuant to Section 2.1(a).

"Revolving Credit Note" shall mean any promissory note of any Borrower evidencing the Revolving Credit Advances in substantially the form annexed hereto as Exhibit B, as amended or modified from time to time and together with any promissory note or notes issued in exchange or replacement therefor.

"Senior Debt Securities" shall mean senior debt securities from time to time issued under the Senior Indenture.

"Senior Indenture" shall mean the senior indenture to be entered into between the Company and The Bank of New York, as trustee (or any additional or successor trustee), substantially in the form filed as an exhibit to the Company's registration statement on Form S-3 (File No. 333-91719), and any amendment or restatement thereof or supplement thereto.

"Senior Trustee" shall mean the trustee at any time acting as such under the Senior Indenture.

"S/L/C" shall mean any standby letter of credit issued by the Issuing Bank hereunder.

"SPC" shall mean any special purpose corporation or other legal entity created in connection with a Permitted Receivables Transaction and which performs the function of purchasing receivables from the Company and/or one or more Subsidiaries and selling them to a Purchaser.

"Subordinated Debt" of any person shall mean, as of any date, that Indebtedness of such person for borrowed money which is expressly subordinate and junior in right and priority of payment to the Advances and other Indebtedness of such person to the Banks in manner and by agreement satisfactory in form and substance to the Majority Banks.

"Subordinated Indenture" shall mean the Indenture (for subordinated debt securities), dated as of April 24, 2001, entered into between the Company and The Bank of New York, as trustee (or any additional or successor trustee), and any amendment or restatement thereof or supplement thereto.

"Subsidiary" of any person shall mean any other person (whether now existing or hereafter organized or acquired) in which (other than directors' qualifying shares required by law) at least a majority of the securities or other ownership interests of

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each class having ordinary voting power or analogous right (other than securities or other ownership interests which have such power or right only by reason of the happening of a contingency), at the time as of which any determination is being made, are owned, beneficially and of record, by such person or by one or more of the other Subsidiaries of such person or by any combination thereof. Unless otherwise specified, reference to "Subsidiary" shall mean a Subsidiary of the Company.

"Swing Line Bank" shall mean Bank One, together with its successors and assigns, and any other Bank hereafter designated as a "Swing Line Bank" upon the prior written agreement of the Company, the Agent and such Bank.

"Swing Line Facility" shall have the meaning specified in Section 2.1(b).

"Swing Line Interest Period" shall mean, with respect to any Swing Line Loan, the period commencing on the day such Swing Line Loan is made and ending on the date agreed upon between the Borrower requesting such Loan and the Swing Line Bank at the time such Swing Line Loan is made, provided no Swing Line Interest Period which would end after the Termination Date shall be permitted.

"Swing Line Loan" shall mean any borrowing under Section 2.4 evidenced by a Swing Line Note and made pursuant to Section 2.1(b).

"Swing Line Note" means any promissory note of any Borrower payable to the order of the Swing Line Bank, in substantially the form annexed hereto as Exhibit C, as amended or modified from time to time and together with any promissory note or notes issued in exchange or replacement therefor.

"Swing Line Rate" shall mean, with respect to any Swing Line Rate Loan, the rate per annum agreed upon between the Borrower requesting such Loan and the Swing Line Bank at the time such Swing Line Rate Loan is made.

"Termination Date" shall mean the earlier to occur of (a) July 14, 2006 and (b) the date on which the Commitments shall be terminated pursuant to Section 2.2 or 6.2.

"Total Indebtedness" of any person shall mean, as of any date, all Indebtedness of such person for borrowed money, including without limitation, all obligations under any Capital Lease and Subordinated Debt.

"Unfunded Benefit Liabilities" shall mean, with respect to any Plan as of any date, the amount of the unfunded benefit liabilities determined in accordance with Section 4001(a)(18) of ERISA.

"Wholly-Owned Subsidiary" for any Person means (i) any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person, or (ii) any partnership, limited liability company, association, joint venture or similar

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business organization 100% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

1.2 Other Definitions; Rules of Construction. As used herein, the terms "Agent", "Banks", "Company", "Borrower", "Borrowers", "Borrowing Subsidiary", "Borrowing Subsidiaries", and "this Agreement" shall have the respective meanings ascribed thereto in the introductory paragraphs of this Agreement. Such terms, together with the other terms defined in Section 1.1, shall include both the singular and the plural forms thereof and shall be construed accordingly. All computations required hereunder and all financial terms used herein shall be made or construed in accordance with Generally Accepted Accounting Principles unless such principles are inconsistent with the express requirements of this Agreement provided that, if the Company notifies the Agent that the Company wishes to amend any covenant in Article V to eliminate the effect of any change in Generally Accepted Accounting Principles in the operation of such covenant (or if the Agent notifies the Company that the Majority Banks wish to amend Article V for such purpose), then the Borrowers' compliance with such covenant shall be determined on the basis of Generally Accepted Accounting Principles in effect immediately before the relevant change in Generally Accepted Accounting Principles became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrowers and the Majority Banks. Use of the terms "herein", "hereof", and "hereunder" shall be deemed references to this Agreement in its entirety and not to the Section or clause in which such term appears. References to "Sections" and "subsections" shall be to Sections and subsections, respectively, of this Agreement unless otherwise specifically provided.

ARTICLE II THE COMMITMENTS AND THE ADVANCES

2.1 Commitments of the Banks.

(a) Revolving Credit Advances. Each Bank agrees, for itself only, subject to the terms and conditions of this Agreement, to make Revolving Credit Loans to the Borrowers in an Agreed Currency pursuant to Section 2.4 and to participate in Letter of Credit Advances to the Borrowers pursuant to Section 2.4, from time to time from and including the Effective Date to but excluding the Termination Date, in an aggregate principal Dollar Amount not to exceed the amount determined pursuant to Section 2.1(c). On the date of each Advance, the aggregate principal Dollar Amount of all Advances, including the Advances to be made or requested on such date, shall not exceed the Aggregate Commitment. Notwithstanding anything to the contrary set forth in this Agreement or the other Loan Documents, only the Company may request Loans denominated in an Agreed Currency other than Dollars and the Banks shall only extend Loans denominated in an Agreed Currency other than Dollars to the Company. No other Borrower may request or receive Loans in an Agreed Currency other than Dollars.

(b) Swing Line Loan. (i) Any Borrower may request the

Swing Line Bank to make, and the Swing Line Bank may, in its sole discretion provided that the requirements of Section 2.6 are complied with by the Borrowers at the time of such

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request, make, Swing Line Loans in Dollars to any Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate principal Dollar Amount not to exceed at any date the lesser of (A) \$25,000,000 (the "Swing Line Facility") and (B) the aggregate of the unused portions of the Commitments of the Banks as of such date. Each Bank's Commitment shall be deemed utilized by an amount equal to such Bank's pro rata share (based on such Bank's Commitment) of each Swing Line Loan for purposes of determining the amount of Revolving Credit Advances required to be made by such Bank, but no Bank's Commitment shall be deemed utilized for purposes of determining commitment fees under Section 2.3(a)(i). Swing Line Loans shall bear interest at the Floating Rate or at the Swing Line Rate, as elected by the Borrower requesting such Loan pursuant to Section 2.4. Within the limits of the Swing Line Facility, so long as the Swing Line Bank, in its sole discretion, elects to make Swing Line Loans, the Borrowers may borrow and reborrow under this Section 2.1(b)(i).

(ii) The Swing Line Bank may at any time in its sole and absolute discretion require that any Swing Line Loan be refunded by a Revolving Credit Loan which is a Floating Rate Loan, and upon written notice thereof by the Swing Line Bank to the Agent, the Banks and the applicable Borrower for any such Swing Line Loan, such Borrower shall be deemed to have requested a Revolving Credit Loan for the account of such Borrower for any such Swing Line Loan bearing interest at the Floating Rate, as the Floating Rate may change from time to time, in an amount equal to the amount of any such Swing Line Loan, and such Revolving Credit Loan shall be made to refund such Swing Line Loan. Each Bank shall be absolutely and unconditionally obligated to fund its pro rata share (based on such Bank's Commitment) of such Revolving Credit Loan or, if applicable, purchase a participating interest in the Swing Line Loans pursuant to Section 2.1(b)(iii) and such obligation shall not be affected by any circumstance, including, without limitation, (A) any set-off, counterclaim, recoupment, defense or other right which such Bank or any Borrower or any of their respective Subsidiaries may have against the Agent, any Borrower or any of their respective Subsidiaries or anyone else for any reason whatsoever; (B) the occurrence or continuance of a Default or an Event of Default, subject to Section 2.1(b)(iii); (C) any adverse change in the condition (financial or otherwise) of any Borrower or any of its Subsidiaries; (D) any breach of this Agreement by any Borrower or any of their respective Subsidiaries or any other Bank; or (E) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing (including any Borrower's failure to satisfy any conditions contained in Article II or any other provision of this Agreement).

(iii) If, for any reason (including without limitation as a result of the occurrence of an Event of Default with respect to any Borrower pursuant to Section 6.1(i)), Revolving Credit Loans may not be made by the Banks as described in Section 2.1(b)(ii), then (A) each Borrower agrees that each Swing Line Loan not paid pursuant to Section 2.1(b)(ii) shall bear interest, payable on demand to the Agent, at the Overdue Rate then applicable to Floating Rate Loans, and (B) effective on the date each such Revolving Credit Loan would otherwise have been made, each Bank severally agrees that it shall unconditionally and irrevocably, without regard to the occurrence of

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any Default or Event of Default, in lieu of deemed disbursement of loans, to the extent of such Bank's Commitment, purchase a participating interest in the Swing Line Loans by paying its participation percentage thereof. Each Bank will immediately transfer to the Agent, in same day funds, the amount of its participation. Each Bank shall share on a pro rata basis (calculated by reference to its Commitment) in any interest which accrues thereon and in all repayments thereof. If and to the extent that any Bank shall not have so made the amount of such participating interest available to the Agent, such Bank and the Borrower of such Swing Line Loan severally agree to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by the Agent until the date such amount is paid to the Agent, at (x) in the case of any Borrower, at the interest rate specified above and (y) in the case of such Bank, the Federal Funds Rate.

(c) Limitation on Amount of Advances. Notwithstanding anything in this Agreement to the contrary, but subject to Section 3.1(c) and the mandatory prepayment provisions thereof, (i) the aggregate principal Dollar Amount of the Revolving Credit Advances made by any Bank at any time outstanding shall not exceed the amount of its respective Commitment as of the date any such Advance is made, and (ii) the aggregate principal Dollar Amount of Revolving Credit Advances and Swing Line Loans outstanding to the Borrowers shall not exceed the Aggregate Commitment; provided, however, that the aggregate principal Dollar Amount of Letter of Credit Advances outstanding at any time shall not exceed \$40,000,000; provided, further, that mandatory prepayments required to cause the aggregate principal Dollar Amount of Revolving Credit Advances and Swing Line Loans to equal or be less than the Aggregate Commitment shall be made in accordance with Section 3.1(c).

2.2 Termination and Reduction of Commitments.

(a) (i) The Company shall have the right to terminate or reduce the Aggregate Commitment at any time and from time to time at its option, provided that (A) the Company shall give five days' prior written notice of such termination or reduction to the Agent (with sufficient executed copies for each Bank) specifying the amount and effective date thereof, (B) each partial reduction of the Aggregate Commitment shall be in a minimum amount of \$5,000,000 and in integral multiples of \$5,000,000 and shall reduce the Commitments of all of the Banks proportionately in accordance with the respective Commitments of such Banks, (C) no such termination or reduction shall be permitted with respect to any portion of the Aggregate Commitment as to which a request for a Borrowing pursuant to Section 2.4 is then pending and (D) the Aggregate Commitment may not be terminated if any Advances are then outstanding and may not be reduced below the aggregate principal amount of Advances then outstanding.

(ii) The Commitments or any portion thereof terminated or reduced pursuant to this Section 2.2(a), whether optional or mandatory, may not be reinstated. The Borrowers shall immediately prepay the Loans to the extent they exceed the reduced Aggregate Commitment pursuant hereto, and any reduction hereunder shall reduce the Commitment amount of each Bank proportionately in accordance with the respective

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Commitments of such Banks. In addition to the foregoing, the Aggregate Commitment may be increased or decreased, as applicable, pursuant to Section 2.11 and Section 3.1(d).

(b) For purposes of this Agreement, a Letter of Credit Advance (i) shall be deemed outstanding in an amount equal to the sum of the maximum amount available to be drawn under the related Letter of Credit on or after the date of determination and on or before the stated expiry date thereof plus the amount of any draws under such Letter of Credit that have not been reimbursed by a Revolving Credit Loan as provided in Section 3.3 and (ii) shall be deemed outstanding at all times on and before such stated expiry date or such earlier date on which all amounts available to be drawn under such Letter of Credit have been fully drawn, and thereafter until all related reimbursement obligations have been paid by a Revolving Credit Loan or otherwise. Upon each payment made by the Agent in respect of any draft or other demand for payment under any Letter of Credit, the amount of any Letter of Credit Advance outstanding immediately prior to such payment shall be automatically reduced by the amount of each Revolving Credit Loan deemed advanced in respect of the related reimbursement obligation of the Borrowers, as more fully provided for in Section 3.3.

2.3 Fees.

(a) (i) The Company agrees to pay to the Banks a facility fee on the daily average amount of the Aggregate Commitment (without regard to usage), for the period from the Effective Date to but excluding the Termination Date, at a rate equal to the Applicable Rate for facility fees.

(ii) During any calendar quarter during the period from the Effective Date to but excluding the Termination Date, when the aggregate daily average amount of outstanding Advances exceeds 33-1/3% of the Aggregate Commitment at any time during such quarter, the Company agrees to pay to the Banks a usage fee on the daily average amount of outstanding Advances

during such quarter at a rate equal to the Applicable Rate for usage fees.

(iii) Accrued facility and usage fees shall be payable quarterly in arrears on the last Business Day of each August, November, February and May, commencing on the first such Business Day occurring after the date of this Agreement, and on the Termination Date. For the purpose of calculating the fees under this Section 2.3(a) only, the aggregate amount of outstanding Bank Guarantees, C/L/Cs and S/L/Cs shall constitute usage of the Aggregate Commitment. For the purpose of calculating the fees under this Section 2.3(a), Swing Line Loans shall count as usage of the Aggregate Commitment.

(b) The Borrowers agree to pay:

(i) with respect to any S/L/C, (A) a fee to Agent for the benefit of the Banks computed at the Applicable Rate on the maximum Dollar Amount available to be drawn from time to time under such S/L/C payable quarterly in arrears on the last Business Day of each August, November, February and May for the period from and

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including the date of issuance of such S/L/C to and including the stated expiry date of such S/L/C, and (B) an additional fee to the Issuing Bank for its own account, which fee shall be paid annually in advance at the time such S/L/C is issued or amended, and which fee shall equal one-eighth of one percent (1/8 of 1%) of such maximum Dollar Amount for each such period,

(ii) with respect to any C/L/C, (A) a fee to the Agent for the benefit of the Banks computed at a rate equal to .50 times the Applicable Rate on the maximum Dollar Amount available to be drawn from time to time under such C/L/C payable quarterly in arrears on the last Business Day of each August, November, February and May for the period from and including the date of issuance of such C/L/C to and including the stated expiry date of such C/L/C, and (b) an additional fee to the Issuing Bank for its own account, which fee shall be paid annually in advance at the time such C/L/C is issued or amended, and which fee shall equal one-eighth of one percent (1/8 of 1%) of such maximum Dollar Amount for each such period, and

(iii) with respect to any Bank Guarantee, (A) a fee to Agent for the benefit of the Banks computed at the Applicable Rate on the maximum Dollar Amount available to be drawn from time to time under such Bank Guarantee payable quarterly in arrears on the last Business Day of each August, November, February and May for the period from and including the date of issuance of such Bank Guarantee to and including the stated expiry date of such Bank Guarantee, and (B) an additional fee to the Issuing Bank for its own account, which fee shall be paid annually in advance at the time such Bank Guarantee is issued or amended, and which fee shall equal one-eighth of one percent (1/8 of 1%) of such maximum Dollar Amount for each such period

(iv) The aforementioned fees are nonrefundable once they accrue and/or they have been paid and the Borrowers shall not be entitled to any rebate of any portion of any such accrued or previously paid fee if the applicable Letter of Credit does not remain outstanding through its stated expiry date or for any other reason. With respect to any Letter of Credit, the S/L/C fee, C/L/C fee or Bank Guarantee fee payable in respect thereof shall cease to accrue upon the earlier to occur of the expiry date therefor or such date as such Letter of Credit no longer remains outstanding. The Borrowers further agree to pay to the Issuing Bank, on demand, such other customary and reasonable administrative fees, charges and expenses of the Issuing Bank in respect of the issuance, negotiation, acceptance, amendment, transfer and payment of such Letter of Credit or otherwise payable pursuant to the application and related documentation under which such Letter of Credit is issued in accordance with a schedule of fees provided by the Issuing Bank to the Company.

(c) The Company agrees to pay to the Agent and Banc One Capital Markets, Inc. (the "Arranger") an arrangement fee and an agency fee for their services as Agent and Arranger, respectively, under this Agreement in such amounts as may from time to time be agreed upon by the Company, the Agent and the Arranger.

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2.4 Disbursement of Advances.

(a) Except with respect to Swing Line Loans, a Borrower shall give the Agent notice of its request for each Advance in substantially the form of Exhibit D hereto at the principal office of the Agent with respect to such Advance not later than 10:00 a.m. Chicago time (i) three Business Days prior to the date such Advance is requested to be made if such Borrowing is to be made as a Eurocurrency Rate Borrowing, (ii) three Business Days prior to the date any Letter of Credit Advance is requested to be made and (iii) on the date such Advance is requested to be made if such Advance is to be made as a Floating Rate Borrowing. The Agent shall promptly notify each Bank of such notice. Such notice shall specify whether a Eurocurrency Rate Loan, Floating Rate Loan or a Letter of Credit Advance is requested and, in the case of each requested Eurocurrency Rate Loan, the Interest Period to be initially applicable to such Loan. With respect to Swing Line Loans, a Borrower shall give the Swing Line Bank notice of its request for each Swing Line Loan in substantially the form of Exhibit D hereto at the principal office of the Agent and the principal office of the Swing Line Bank with respect to such Advance not later than 1:00 p.m. Chicago time on the same Business Day any Swing Line Loan is requested to be made which notice shall specify whether such Borrower elects the Swing Line Rate or the Floating Rate with respect to such Swing Line Loan. The Agent, on the same day any such notice is given, shall provide notice of such requested Loan, other than any Swing Line Loan, to each Bank (which notice shall be provided by 1:00 p.m. Chicago time with respect to Floating Rate Loans). Subject to the terms and conditions of this Agreement, the proceeds of each such requested Loan shall be made available to the Borrower requesting such Loan by depositing the proceeds thereof, in immediately available, freely transferable cleared funds, in an account maintained and designated by such Borrower. Subject to the terms and conditions of this Agreement, the Issuing Bank shall, on the date any Letter of Credit Advance is requested to be made, issue the related Letter of Credit on behalf of the Banks for the account of the Borrower requesting such Letter of Credit. Notwithstanding anything herein to the contrary, the Issuing Bank may decline to issue any requested Letter of Credit on the basis that the beneficiary, the purpose of issuance or the terms or the conditions of drawing are unacceptable to it in its reasonable discretion. As of the Effective Date, subject to the satisfaction of the conditions precedent set forth in Sections 2.5 and 2.6, those letters of credit, bank guarantees, and similar obligations set forth on Schedule 2.4, which letters of credit, bank guarantees and similar obligations were issued for the account of the Company prior to the Effective Date, shall be deemed to be Letters of Credit issued under this Agreement. The Issuing Bank shall be deemed to be the issuer thereof and shall enjoy all rights, benefits and indemnities afforded the Issuing Bank hereunder with respect to such letters of credit, bank guarantees and similar obligations.

(b) Each Bank, on the date any Loan is requested to be made, shall make its pro rata share of such Loan available in immediately available funds for disbursement to the Borrower requesting such Loan pursuant to the terms and conditions of this Agreement at the principal office of the Agent. Unless the Agent shall have received prior notice from any Bank that such Bank will not make available to the Agent such Bank's pro rata portion of such Loan, the Agent may assume that such Bank has made such portion available to the Agent on the date such Loan is requested to be made

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in accordance with this Section 2.4. If, after receiving notice of a Loan from the Agent in accordance with this Section 2.4, and to the extent such Bank shall not have so made such pro rata portion available to the Agent, the Agent may (but shall not be obligated to) make such amount available to such Borrower, and such Bank agrees to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date such amount is made available to such Borrower by the Agent until the date such amount is repaid to the Agent, at a rate per annum equal to the Federal Funds Rate then in effect. If such Bank shall pay such amount to the Agent together with interest, such amount so paid shall constitute a Loan by such Bank as part of the related Borrowing for purposes of this Agreement and interest shall accrue from the date of the related Borrowing. The failure of any Bank to make its pro rata portion of any such Borrowing available to the Agent shall not relieve any other Bank of its obligation to make available its pro rata portion of such Loan on the date such Loan is requested to be made, but no Bank shall be responsible for failure of any other Bank to make such pro rata portion available to the Agent on the date of any such Loan.

(c) All Revolving Credit Loans made under this Section

2.4 shall be evidenced by the Revolving Credit Notes and all Swing Line Loans made under this Section 2.4 shall be evidenced by the Swing Line Notes, and all such Loans shall be due and payable and bear interest as provided in Article III. Each Bank is hereby authorized by the Borrowers to record on its books and records, the date, amount and type of each Loan and the duration of the related Interest Period (if applicable), the amount of each payment or prepayment of principal thereon, and the other information provided for in such books and records, which books and records shall constitute prima facie evidence of the information so recorded, provided, however, that failure of any Bank to record, or any error in recording, any such information shall not relieve the Borrowers of their obligation to repay the outstanding principal amount of the Loans, all accrued interest thereon and other amounts payable with respect thereto in accordance with the terms of the Notes and this Agreement. Subject to the terms and conditions of this Agreement, each Borrower may borrow Revolving Credit Loans under this Section 2.4, prepay Revolving Credit Loans pursuant to Section 3.1 and reborrow Revolving Credit Loans.

(d) Nothing in this Agreement shall be construed to require or authorize any Bank to issue any Letter of Credit, it being recognized that the Issuing Bank has the sole obligation under this Agreement to issue Letters of Credit on behalf of the Banks, and the Commitment of each Bank with respect to Letter of Credit Advances is expressly conditioned upon the Issuing Bank's performance of such obligations. Upon such issuance by the Issuing Bank, each Bank shall automatically acquire a pro rata participation interest in such Letter of Credit Advance based on the amount of its respective Commitment. Upon the Issuing Bank making any payment in respect of a Letter of Credit honored by the Issuing Bank, the Issuing Bank shall be reimbursed for such payment in accordance with Section 3.3 hereof.

2.5 Conditions for First Disbursement. The obligation of each Bank to make its first Advance hereunder is subject to receipt by each Bank and the Agent of the following documents and completion of the following matters, in form and substance reasonably satisfactory to the Agent:

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(a) Charter Documents. Certificates of recent date of the appropriate authority or official of each Borrower's jurisdiction of organization listing all charter documents of such Borrower on file in that office and certifying as to the good standing and corporate existence of such Borrower, together with copies of such charter documents of such Borrower, certified as of a recent date by such authority or official and certified as true and correct as of the Effective Date by a duly authorized officer of such Borrower;

(b) By-Laws and Corporate Authorizations. Copies of the by-laws of each Borrower together with all authorizing resolutions and evidence of other corporate action taken by such Borrower to authorize the execution, delivery and performance by such Borrower of the Loan Documents to which it is a party and the consummation by such Borrower of the transactions contemplated hereby, certified as true and correct as of the Effective Date by a duly authorized officer of such Borrower;

(c) Incumbency Certificate. Certificates of incumbency of each Borrower containing, and attesting to the genuineness of, the signatures of those officers authorized to act on behalf of such Borrower in connection with the Loan Documents and the consummation by such Borrower of the transactions contemplated hereby, certified as true and correct as of the Effective Date by a duly authorized officer of such Borrower;

(d) Notes. The Notes, duly executed on behalf of each Borrower, for each Bank;

(e) Legal Opinions. The favorable written opinion of Robert Paver, General Counsel of the Company and Holland & Knight, LLP, in substantially the forms of Exhibits E-1 and E-2, respectively, attached hereto;

(f) Consents, Approvals, Etc. Copies of all governmental and nongovernmental consents, approvals, authorizations, declarations, registrations or filings, if any, required on the part of each Borrower in connection with the execution, delivery and performance of the Loan Documents or the transactions contemplated hereby or as a condition to the legality, validity or enforceability of this Agreement and the Notes, certified as true and correct and in full force and effect as of the Effective Date by a duly authorized

officer of such Borrower, or, if none are required, a certificate of such officer to that effect;

(g) Termination of 364-Day Loan Agreement. Evidence satisfactory to the Agent of the termination of the 364-Day Loan Agreement, dated as of November 29, 2002, as amended, to which the Company, certain of its affiliates, certain financial institutions, and Bank One, NA, as Agent are party, and the repayment of all amounts outstanding thereunder;

(h) Termination of Private Placement Notes. Evidence satisfactory to the Agent of the termination of the Note Purchase Agreement dated as of May 30, 1996, as amended, to which the Company and certain investors are subject, together with all

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promissory notes issued pursuant thereto, and the repayment of all amounts outstanding thereunder;

(i) Termination of Security Documentation. Evidence satisfactory to the Agent of the termination of a pledge of the Company's general partnership interest in Jabil Circuit Cayman L.P. in favor of Bank One, NA, as agent for certain of the Company's creditors;

(j) Termination of Intercreditor Agreement. Evidence satisfactory to the Agent of the termination of the Intercreditor Agreement, dated as of May 30, 1996, as amended, to which certain of the Company's creditors are subject; and

(k) Fees. Evidence satisfactory to the Agent that the Borrowers have paid all fees owing to the Agent and the Banks on the Effective Date in connection with the transactions evidenced by this Agreement.

2.6 Further Conditions for Disbursement. The obligation of each Bank to make any Advance (including its first Advance), or any continuation or conversion under Section 2.7, is further subject to the satisfaction of the following conditions precedent:

(a) The representations and warranties contained in Article IV hereof and in any other Loan Document shall be true and correct in all material respects on and as of the date such Advance is made, continued or converted (both before and after such Advance is made, continued or converted) as if such representations and warranties were made on and as of such date;

(b) No Event of Default and no Default shall exist or shall have occurred and be continuing on the date such Advance is made, continued or converted (whether before or after such Advance is made, continued or converted);

(c) In the case of any Letter of Credit Advance, the Borrower requesting such Letter of Credit Advance shall have delivered to the Agent an application for the related Letter of Credit and other related documentation requested by and acceptable to the Agent appropriately completed and duly executed on behalf of such Borrower; and

(d) In the case of a Letter of Credit Advance consisting of a Bank Guarantee, the Issuing Bank shall have approved the terms and conditions of such Bank Guarantee in its sole discretion.

Each Borrower shall be deemed to have made a representation and warranty to the Banks at the time of the requesting of, the making of, and the continuation or conversion under Section 2.7 of, each Advance to the effects set forth in clauses (a) and (b) of this Section 2.6. For purposes of this Section 2.6, the representations and warranties contained in Section 4.6 hereof shall be deemed made with respect to the most recent financial statements delivered pursuant to Section 5.1(d)(ii) and (iii), and the representations and warranties contained in Section 4.4 hereof with respect to identifying the Company's Subsidiaries on Schedule 4.4 shall be deemed made as of the last date on

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which deliveries with respect to the identification of such Subsidiaries were made under Section 5.1(g).

2.7 Subsequent Elections as to Borrowings. A Borrower may elect (a) to continue a Eurocurrency Rate Borrowing, or a portion thereof, as a Eurocurrency Rate Borrowing, or (b) may elect to convert a Eurocurrency Rate Borrowing, or a portion thereof, to a Floating Rate Borrowing or (c) elect to convert a Floating Rate Borrowing, or a portion thereof, to a Eurocurrency Rate Borrowing, in each case by giving notice thereof to the Agent in substantially the form of Exhibit F hereto at the principal office of the Agent with respect to such Loan not later than 10:00 a.m. (Chicago time) (i) three Business Days prior to the date any such continuation of or conversion to a Eurocurrency Rate Borrowing is to be effective, (ii) the date such continuation or conversion is to be effective in all other cases, provided that an outstanding Eurocurrency Rate Borrowing may only be converted on the last day of the then current Interest Period with respect to such Borrowing, and provided, further, if a continuation of a Borrowing as, or a conversion of a Borrowing to, a Eurocurrency Rate Borrowing is requested, such notice shall also specify the Interest Period to be applicable thereto upon such continuation or conversion. The Agent, on the day any such notice is given, shall promptly provide notice of such election to the Banks. If a Borrower shall not timely deliver such a notice with respect to any outstanding Eurocurrency Rate Borrowing, the Borrower shall be deemed to have elected to convert such Eurocurrency Rate Borrowing to a Floating Rate Borrowing on the last day of the then current Interest Period with respect to such Borrowing.

2.8 Limitation of Requests and Elections. Notwithstanding any other provision of this Agreement to the contrary, if, upon receiving a request for a Eurocurrency Rate Borrowing pursuant to Section 2.4, or a request for a continuation of a Eurocurrency Rate Borrowing as a Eurocurrency Rate Borrowing, or a request for a conversion of a Floating Rate Borrowing to a Eurocurrency Rate Borrowing pursuant to Section 2.7, or a request for a Borrowing in an Eligible Currency (a) in the case of any Eurocurrency Rate Borrowing, deposits for periods comparable to the Interest Period elected by a Borrower are not available to any Bank in the relevant interbank or secondary market and such Bank has provided to the Agent and the Borrowers a certificate prepared in good faith to that effect, or (b) any Bank reasonably determines that the Eurocurrency Rate will not adequately and fairly reflect the cost to such Bank of making, funding or maintaining the related Eurocurrency Rate Loan and such Bank has provided to the Agent and the Borrowers a certificate prepared in good faith to that effect, or (c) by reason of national or international financial, political or economic conditions or by reason of any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect, or the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by any Bank with any directive of such authority (whether or not having the force of law), including without limitation exchange controls, it is impracticable, unlawful or impossible for any Bank (i) to make or fund the relevant Eurocurrency Rate Borrowing or (ii) to continue such Eurocurrency Rate Borrowing as a Eurocurrency Rate Borrowing or (iii) to convert a Loan to such a Eurocurrency Rate Loan or (iv) to make an Advance in the requested Eligible Currency, and such Bank has provided to the Agent

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and the Borrowers a certificate prepared in good faith to that effect, then the Borrowers shall not be entitled, so long as such circumstances continue, to request a Eurocurrency Rate Borrowing of the affected type pursuant to Section 2.4 or a continuation of or conversion to a Eurocurrency Rate Borrowing pursuant to Section 2.7 or a Borrowing in the requested Eligible Currency. In the event that such circumstances no longer exist, the Banks shall again honor requests, subject to this Agreement, for Eurocurrency Rate Borrowings of the affected type pursuant to Section 2.4, and requests for continuations of and conversions to Eurocurrency Rate Borrowings of the affected type pursuant to Section 2.7. Any Bank to which this Section 2.8 may apply from time to time may be removed from the transactions evidenced by the Loan Documents in accordance with Section 3.11.

2.9 Minimum Amounts; Limitation on Number of Borrowings. Except for (a) Borrowings and conversions thereof which exhaust the entire remaining amount of the Commitments, (b) conversions or payments required pursuant to Section 3.1(c) or Section 3.7, and (c) Revolving Credit Loans disbursed to satisfy reimbursement obligations under Letters of Credit pursuant to Section 3.3(a), each Revolving Credit Loan and each continuation or conversion pursuant to Section 2.7 shall be in a minimum amount of, with respect to Floating Rate Loans, \$5,000,000 and in integral multiples of \$500,000 and, with respect to

Eurocurrency Rate Loans, \$10,000,000 and in integral multiples of \$1,000,000.

2.10 Increase of Aggregate Commitment. The Borrowers may from time to time request that the Aggregate Commitment be increased to an amount which does not exceed \$500,000,000; provided, however, that an increase in the Aggregate Commitment hereunder may only be made at a time when no Event of Default or Default shall have occurred and be continuing or would result therefrom. In the event of a requested increase in the Aggregate Commitment, each of the Banks shall be given the opportunity to participate in the increased Aggregate Commitment (x) initially ratably in the proportion that its Commitment bears to the Aggregate Commitment and (y) to the extent that the requested increase in the Aggregate Commitment is not fulfilled pursuant to the preceding clause, in such additional amounts as any Bank, including any new Bank (which new Bank shall be subject to the Agent's prior written approval), and the Borrowers agree. No Bank shall have any obligation to increase its Commitment pursuant to a request by the Borrowers hereunder. Voluntary reductions of the Aggregate Commitment under Section 2.2 shall not be impacted by the terms of this Section 2.10 and the aggregate amount by which the Aggregate Commitment was reduced pursuant to Section 2.2 shall not be reinstated as a result of any increase under this Section 2.10.

ARTICLE III
PAYMENTS AND PREPAYMENTS

3.1 Principal Payments.

(a) Unless earlier payment is required under this Agreement, the Borrowers shall pay to the Banks on the Termination Date the entire outstanding principal amount of the Loans. Such Loans shall be repaid in the Agreed Currency in

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which such Loans were originally extended. The Borrowers shall be jointly and severally liable for all such principal amounts as contemplated in Section 8.14.

(b) The Borrowers may at any time and from time to time prepay all or a portion of the Loans without premium or penalty, provided that (i) a Borrower may not prepay any portion of any Loan as to which an election for continuation of or conversion to a Eurocurrency Rate Loan is pending pursuant to Section 2.7, and (ii) unless earlier payment is required under this Agreement or unless Borrower pays all amounts required pursuant to Section 3.9, any Eurocurrency Rate Loan may only be prepaid on the last day of the then current Interest Period with respect to such Loan and (iii) such prepayment shall only be permitted if a Borrower shall have given not less than one Business Days' notice thereof of such prepayment with respect to prepayment of Floating Rate Loans which shall be in a minimum aggregate amount of \$2,000,000 and in integral multiples of \$100,000, not less than three Business Days' notice thereof with respect to prepayment of Eurocurrency Rate Loans which shall be in a minimum aggregate amount of \$5,000,000 and in integral multiples of \$500,000, such notice specifying the Loan or portion thereof to be so prepaid and shall have paid to the Banks, together with such prepayment of principal, all accrued interest to the date of payment on such Loan or portion thereof so prepaid and all amounts owing to the Banks under Section 3.9 in connection with such prepayment. Upon the giving of such notice, the aggregate principal amount of such Loan or portion thereof so specified in such notice, together with such accrued interest and other amounts, shall become due and payable on the specified date. All such principal prepayments and related interest payments shall be made in the Agreed Currency in which the related Loan was originally extended. The Borrowers shall be jointly and severally liable for all such principal and interest amounts as contemplated in Section 8.14.

(c) If at any time (i) the aggregate outstanding principal amount of the Revolving Credit Advances and Swing Line Loans shall exceed the Aggregate Commitment for any reason other than fluctuations in currency exchange rates or (ii) the aggregate outstanding principal amount of the Revolving Credit Advances to any Borrower shall exceed the sublimit, if any, specified for such Borrower on Schedule 1.1, the Borrowers, in the case of clause (i) above, or the relevant Borrower, in the case of clause (ii) above, shall forthwith pay to the Banks, without demand, an amount not less than the amount of such excess for application to the outstanding principal amount of the Loans. If any such prepayment would be in excess of the outstanding amount of the Loans, the Borrowers or the relevant Borrower, as the case may be, shall make an additional payment in respect of outstanding Letters of Credit in the

amount of such excess which is greater than the outstanding Loans. If, after the repayment of all amounts owing in respect of Letters of Credit, which amounts shall equal no less than the aggregate maximum amount then available to be drawn under all of the outstanding Letters of Credit, and the termination and expiration of such Letters of Credit, any portion of the above described payment remains, such remaining payment amount shall be returned to the Borrowers. If at any time the Dollar Amount of the aggregate outstanding principal amount of the Revolving Credit Advances and Swing Line Loans exceeds (x) 105% of the Aggregate Commitment prior to the occurrence of an Event of Default and (y) 100% subsequent to the occurrence of an Event of Default, as a result of fluctuations

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in currency exchange rates, the Borrowers, for the ratable benefit of the Banks, shall immediately prepay Loans in an aggregate amount such that after giving effect thereto the Dollar Amount of the aforementioned outstanding principal obligations is less than or equal to the Aggregate Commitment; provided, however, that no amount shall be due and payable under Section 3.9 as a result of such prepayment occurring on a day other than the last day of an Interest Period.

(d) [Reserved]

(e) If, pursuant to Section 2.7, a Loan, or portion thereof, is continued, such Loan or portion thereof shall be repaid on the last day of the related Interest Period and the Agent shall readvance to the requesting Borrower the same amount as has been so repaid. For purposes of effecting the repayment required by this Section 3.1(e), the Agent shall apply the proceeds of such readvance toward the repayment of such Loan or portion thereof on the last day of the related Interest Period. On the date of each such continuation, if the aggregate principal amount of all Advances, including the Advances being continued, exceeds the Aggregate Commitment, the Borrowers shall prepay the Advances, in such order as determined by the Borrowers, in an amount such that the outstanding principal amount of all Advances does not exceed the Aggregate Commitment as of such date, together with all amounts owing to the Banks under Section 3.9 in connection therewith, if any.

(f) Notwithstanding the foregoing provisions of this Section or any other provision of this Agreement, if, after the making of any Advance in any currency other than Dollars, currency control or exchange regulations are imposed in the country which issues such Agreed Currency with the result that different types of such Agreed Currency (the "New Currency") are introduced and the type of currency in which the Advance was made (the "Original Currency") no longer exists or the Borrowers are not able to make payment to the Agent for the account of the Banks in such Original Currency, then all payments to be made by the Borrowers hereunder in such currency shall be made to the Agent in such amount and such type of the New Currency or Dollars as shall be equivalent to the amount of such payment otherwise due hereunder in the Original Currency. In addition, notwithstanding the foregoing provisions of this Section, if, after the making of any Advance in any currency other than Dollars, the Borrowers are not able to make payment to the Agent for the account of the Banks in the type of currency in which such Advance was made because of the imposition of any such currency control or exchange regulation, then such Advance shall instead be repaid when due in Dollars in a principal amount equal to the Dollar Amount (as of the date of repayment) of such Advance.

3.2 Interest Payments. The Borrowers shall pay interest to the Banks on the unpaid principal amount of each Loan, for the period commencing on the date such Loan is made until such Loan is paid in full, on each Interest Payment Date and at maturity (whether at stated maturity, by acceleration or otherwise), and thereafter on demand, at the following rates per annum:

(a) With respect to Revolving Credit Loans:

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(i) During such periods that such Loan is a Floating Rate Loan, the Floating Rate.

(ii) During such periods that such Loan is an Eurocurrency Rate Loan, the Eurocurrency Rate applicable to such Loan for each related Eurocurrency Interest Period.

(b) With respect to Swing Line Loans, the Swing Line Rate or Floating Rate applicable to such Loan.

Notwithstanding the foregoing paragraphs (a) through (b), the Borrowers shall pay interest on demand at the Overdue Rate on the outstanding principal amount of any Loan and any other amount payable by the Borrowers hereunder (other than interest) on and after an Event of Default. Interest on a Loan shall be paid in the Agreed Currency in which such Loan was initially extended.

3.3 Letter of Credit Reimbursement Payments.

(a) (i) Each Borrower agrees to pay to the Agent for the benefit of the Banks, on the day on which the Issuing Bank shall honor a draft or other demand for payment presented or made under any Letter of Credit, an amount equal to the amount paid by the Issuing Bank in respect of such draft or other demand under such Letter of Credit and all expenses paid or incurred by the Issuing Bank relative thereto. Unless a Borrower shall have made such payment to the Agent on such day, upon each such payment by the Issuing Bank, subject to Section 3.3(a)(ii), the Issuing Bank shall be deemed to have disbursed to such Borrower, and such Borrower shall be deemed to have elected to satisfy its reimbursement obligation by requesting a Revolving Credit Loan bearing interest at the Floating Rate for the account of the Banks in an amount equal to the amount so paid by the Issuing Bank in respect of such draft or other demand under such Letter of Credit. Such Revolving Credit Loans shall, subject to Section 3.3(a)(ii), be disbursed notwithstanding any failure to satisfy any conditions for disbursement of any Loan set forth in Article II hereof and, to the extent of the Revolving Credit Loan so disbursed, the reimbursement obligation of the Borrower under this Section 3.3 shall be deemed satisfied; provided, however, that nothing in this Section 3.3 shall be deemed to constitute a waiver of any Default or Event of Default caused by the failure to the conditions for disbursement or otherwise.

(ii) If, for any reason (including without limitation as a result of the occurrence of an Event of Default with respect to any Borrower pursuant to Section 6.1(i)), Floating Rate Loans may not be made by the Banks as described in Section 3.3(a)(i), then (A) each Borrower agrees that each reimbursement amount not paid pursuant to the first sentence of Section 3.3(a)(i) shall bear interest, payable on demand by the Agent, at the interest rate then applicable to Floating Rate Loans, and (B) effective on the date each such Floating Rate Loan would otherwise have been made, each Bank severally agrees that it shall unconditionally and irrevocably, without regard to the occurrence of any Default or Event of Default, in lieu of deemed disbursement of loans, to the extent of such Bank's Commitment, purchase a participating interest in each

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reimbursement amount. Each Bank will immediately transfer to the Agent, in same day funds, the amount of its participation. Each Bank shall share on a pro rata basis (calculated by reference to its Commitment) in any interest which accrues thereon and in all repayments thereof. If and to the extent that any Bank shall not have so made the amount of such participating interest available to the Agent, such Bank and the Borrowers severally agree to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by the Agent until the date such amount is paid to the Agent, at (x) in the case of any Borrower, the interest rate then applicable to Floating Rate Loans and (y) in the case of such Bank, the Federal Funds Rate. The failure of any Bank to make its pro rata portion of any such amount paid by the Issuing Bank available to the Agent shall not relieve any other Bank of its obligation to make available its pro rata portion of such amount, but no Bank shall be responsible for failure of any other Bank to make such pro rata portion available to the Agent.

(b) The reimbursement obligation of each Borrower under this Section 3.3 shall be absolute, unconditional and irrevocable and shall remain in full force and effect until all obligations of the Borrowers to the Banks hereunder shall have been satisfied, and such obligations of the Borrowers shall not be affected, modified or impaired upon the happening of any event, including without limitation, any of the following, whether or not with notice to, or the consent of, any Borrower:

(i) Any lack of validity or enforceability of any Letter of Credit or any documentation relating to any Letter of Credit or to any transaction related in any way to such Letter of Credit (the "Letter of

Credit Documents");

(ii) Any amendment, modification, waiver, consent, or any substitution, exchange or release of or failure to perfect any interest in collateral or security, with respect to any of the Letter of Credit Documents;

(iii) The existence of any claim, setoff, defense or other right which any Borrower may have at any time against any beneficiary or any transferee of any Letter of Credit (or any persons or entities for whom any such beneficiary or any such transferee may be acting), the Agent, the Issuing Bank or any Bank or any other person or entity, whether in connection with any of the Letter of Credit Documents, the transactions contemplated herein or therein or any unrelated transactions;

(iv) Any draft or other statement or document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) Payment by the Issuing Bank to the beneficiary under any Letter of Credit against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit;

(vi) Any failure, omission, delay or lack on the part of the Agent, the Issuing Bank or any Bank or any party to any of the Letter of Credit

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Documents to enforce, assert or exercise any right, power or remedy conferred upon the Agent, the Issuing Bank, any Bank or any such party under this Agreement or any of the Letter of Credit Documents, or any other acts or omissions on the part of the Agent, the Issuing Bank, any Bank or any such party;

(vii) Any other event or circumstance that would, in the absence of this clause, result in the release or discharge by operation of law or otherwise of any Borrower from the performance or observance of any obligation, covenant or agreement contained in this Section 3.3.

No setoff, counterclaim, reduction or diminution of any obligation or any defense of any kind or nature which any Borrower has or may have against the beneficiary of any Letter of Credit shall be available hereunder to such Borrower against the Agent, the Issuing Bank or any Bank. Nothing in this Section 3.3 shall limit the liability, if any, of the Agent or the Issuing Bank to any Borrower pursuant to Section 9.5.

3.4 Payment Method.

(a) All payments to be made by the Borrowers hereunder shall be made to the Agent in Chicago for the account of the Banks in the applicable Agreed Currency in same-day funds, not later than 12:00 p.m. Chicago time on the date on which such payment is due. Payments received after 12:00 p.m. Chicago time shall be deemed to be payments made prior to 12:00 p.m. Chicago time on the next succeeding Business Day. Each Borrower hereby authorizes the Agent to charge its account with the Agent in order to cause timely payment of amounts due hereunder to be made (subject to sufficient funds being available in such account for that purpose).

(b) At the time of making each such payment, a Borrower shall, subject to the other terms and conditions of this Agreement, specify to the Agent the Borrowing or other obligation of the Borrowers hereunder to which such payment is to be applied. In the event that a Borrower fails to so specify the relevant obligation or if an Event of Default shall have occurred and be continuing, the Agent may apply such payments as it may determine in its sole discretion to obligations of the Borrowers to the Banks arising under this Agreement.

(c) On the day such payments are deemed received, the Agent shall promptly remit to the Banks their pro rata shares of such payments in immediately available funds either to their respective addresses in the United States specified for notices pursuant to Section 9.2 or by wire transfer

to their respective deposit accounts identified to the Agent in writing. Such pro rata shares shall be determined with respect to each such Bank, (i) in the case of payments of principal and interest on any Borrowing, by the ratio which the outstanding principal balance of its Loan included in such Borrowing bears to the outstanding principal balance of the Loans of all of the Banks included in such Borrowing and (ii) in the case of fees paid pursuant to Section 2.3 and other amounts payable hereunder (other than the Agent's fees payable pursuant to Section 2.3(d) and amounts payable to any Bank under Section 2.4 or 3.6) by the ratio which the Commitment of such Bank bears to the Aggregate Commitment.

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(d) This Agreement arises in the context of an international transaction, and the specification of payment in a specific currency at a specific place pursuant to this Agreement is of the essence. Such specified currency shall be the currency of account and payment under this Agreement. The obligations of the Borrowers hereunder shall not be discharged by an amount paid in any other currency or at another place, whether pursuant to a judgment or otherwise, to the extent that the amount so paid, on prompt conversion into the applicable currency and transfer to the Banks under normal banking procedure, does not yield the amount of such currency due under this Agreement. In the event that any payment, whether pursuant to a judgment or otherwise, upon conversion and transfer, does not result in payment of the amount of such currency due under this Agreement, the Banks shall have an independent cause of action against the Borrowers for the currency deficit.

(e) If for purposes of obtaining judgment in any court it becomes necessary to convert any currency due hereunder into any other currency, the Borrowers will pay such additional amount, if any, as may be necessary to ensure that the amount paid in respect of such judgment is the amount in such other currency which, when converted at the Agent's spot rate of exchange prevailing on the date of payment, would yield the same amount of the currency due hereunder. Any amount due from the Borrowers under this Section 3.4(e) will be due as a separate debt and shall not be affected by judgment being obtained for any other sum due under or in respect of this Agreement.

3.5 No Setoff or Deduction.

(a) All such payments shall be made free and clear of any present or future taxes or withholdings and without any set-off or counter claim or any restriction or condition or deduction whatsoever. The Borrowers shall indemnify the Agent and each Bank against any taxes or charges (other than on net overall income) which may be claimed from it in respect of the Advances or any of them or any sum payable by the Borrowers or any of them hereunder and against any costs, charges and expenses or liabilities in respect of such claim and such indemnity shall survive the termination of the Commitments.

(b) If at any time any Borrower is required by law or by any directive or order of any court of competent jurisdiction to make any deduction or withholding of whatsoever nature from any payment due under this Agreement or any of the Loan Documents, such Borrower will ensure that the same does not exceed the minimum liability therefor and will (a) pay to any Bank on request such additional amount as such Bank certifies will result in the net amount received by it after all deductions being equal to the full amount which would have been receivable had there been no deduction or withholding and (b) pay forthwith to the relevant authorities the full amount of the deduction or withholding and deliver to the Agent such an official receipt, certificate or other proof evidencing the amount paid in respect of such deduction or withholding. Any additional amount paid under this sub-clause shall not be treated as interest but as agreed compensation.

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(c) If any payment by any Borrower is made to or for the account of any Bank after deduction for or on account of tax, and additional payments are made by such Borrower then, if any Bank shall receive or be granted a credit against or remission for such tax, such Bank shall, to the extent that it can do so without prejudice to the retention of the amount of such credit or remission, reimburse to such Borrower such amount as such Bank shall, in its sole and absolute discretion, have concluded to be attributable to the relevant tax or deduction or withholding. Nothing herein contained shall interfere with the right of any Bank to arrange its affairs in whatever manner it thinks fit and, in particular, the Banks shall not be under any obligation to claim relief

from its corporation profits or similar tax liability in respect of such tax in priority to any other claims, reliefs, credits or deductions available to it nor oblige any Bank to disclose any information relating to its tax affairs. Such reimbursement shall be made as soon as reasonably practical upon such Bank certifying that the amount of such credit or remission has been received by it.

(d) Each Bank that is not incorporated under the laws of the United States of America or a state thereof (each a "Non-U.S. Bank") agrees that it will, not less than ten Business Days after the date of this Agreement, (i) deliver to each of the Company and the Agent two duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI, certifying in either case that such Bank is entitled to receive payments under this Agreement from the Company and any other Borrower that is not a Non-U.S. Borrower without deduction or withholding of any United States federal income taxes, or (ii) deliver to each of the Company and the Agent a United States Internal Revenue Form W-8 or W-9, as the case may be, and certify that it is entitled to an exemption from United States backup withholding tax. Each Non-U.S. Bank further undertakes to deliver to each of the Company and the Agent (x) renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (y) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by the Company or the Agent. All forms or amendments described in the preceding sentence shall certify that such Bank is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Bank from duly completing and delivering any such form or amendment with respect to it and such Bank advises the Company and the Agent that it is not capable of receiving payments from the Company and any other Borrower that is not a Non-U.S. Borrower without any deduction or withholding of United States federal income tax.

(e) For any period during which a Non-U.S. Bank has failed to provide the Company with an appropriate form pursuant to subsection (d) above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a form originally was required to be provided), such Non-U.S. Bank shall not be entitled to indemnification under this Section 3.5 with respect to taxes imposed by the United States; provided that, should a Non-U.S. Bank which is

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otherwise exempt from or subject to a reduced rate of withholding tax become subject to taxes because of its failure to deliver a form required under subsection (d), above, the Company shall take such steps as such Non-U.S. Bank shall reasonably request to assist such Non-U.S. Bank to recover such taxes.

(f) Any Bank that is entitled to an exemption from or reduction of withholding tax with respect to payments under this Agreement or any Note pursuant to the law of any relevant jurisdiction or any treaty shall deliver to the Company (with a copy to the Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

(g) If the U.S. Internal Revenue Service or any other governmental authority of the United States or any other country or any political subdivision thereof asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Bank (because such Bank failed to notify the Agent of a change in circumstances which rendered its exemption from withholding ineffective), such Bank shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax, withholding therefor, or otherwise, including penalties and interest, and including taxes imposed by any jurisdiction on amounts payable to the Agent under this subsection, together with all costs and expenses related thereto (including attorneys fees and time charges of attorneys for the Agent, which attorneys may be employees of the Agent). The obligations of the Banks under this Section 3.5(g) shall survive the payment of the Bank Obligations and termination of this Agreement.

otherwise provided in this Agreement to the contrary, whenever any installment of principal of, or interest on, any Loan or any other amount due hereunder becomes due and payable on a day which is not a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, in the case of any installment of principal, interest shall be payable thereon at the rate per annum determined in accordance with this Agreement during such extension. Computations of interest and other amounts due under this Agreement shall be made on the basis of a year of 360 days for the actual number of days elapsed, including the first day but excluding the last day of the relevant period.

3.7 Additional Costs.

(a) In the event that any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to any Bank or the Agent, or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by any Bank or the Agent with any directive of any such authority (whether or not having the force of law), shall (i) affect the basis of taxation of payments to any Bank or the Agent of any amounts payable by any Borrower under this Agreement (other than taxes imposed on the overall net income of the Bank or the Agent, by the jurisdiction, or by any political subdivision or taxing authority of any such jurisdiction, in which any Bank or the Agent, as the case may be, has its principal office), or (ii) shall

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impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by any Bank or the Agent, as the case may be, or (iii) shall impose any other condition with respect to this Agreement, the Commitments, the Notes or the Advances, and the result of any of the foregoing is to increase the cost to any Bank or the Agent, as the case may be, of making, funding or maintaining any Loan or to reduce the amount of any sum receivable by any Bank or the Agent, thereon, then the Borrowers shall pay to such Bank or the Agent, as the case may be, from time to time, upon request by such Bank (with a copy of such request to be provided to the Agent) or the Agent, additional amounts sufficient to compensate such Bank or the Agent, as the case may be, for such increased cost or reduced sum receivable to the extent, in the case of any Eurocurrency Rate Loan, such Bank or the Agent, as the case may be, is not compensated therefor in the computation of the interest rate applicable to such Eurocurrency Rate Loan. Each Bank or the Agent, as the case may be, seeking compensation hereunder shall deliver to the Borrowers a statement setting forth (i) such increased cost or reduced sum receivable as such Bank or the Agent, as the case may be, has calculated in good faith, (ii) a description of the event giving rise thereto, and (iii) a calculation in reasonable detail of the amounts requested. Such statement as to the amount of such increased cost or reduced sum receivable, prepared in good faith and in reasonable detail by such Bank or the Agent, as the case may be, and submitted by such Bank or the Agent, as the case may be, to the Borrowers, shall be conclusive and binding for all purposes absent manifest error. Any Bank to which this Section 3.7(a) may apply from time to time may be removed from the transactions evidenced by the Loan Documents in accordance with Section 3.11.

(b) In the event that any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to any Bank or the Agent, but applicable to banks or financial institutions generally, or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by any Bank or the Agent with any directive of any such authority (whether or not having the force of law), including any risk-based capital guidelines, affects the amount of capital required or expected to be maintained by such Bank or the Agent (or any corporation controlling such Bank or the Agent) and such Bank or the Agent, as the case may be, determines that the amount of such capital is increased by or based upon the existence of such Bank's or the Agent's obligations hereunder and such increase has the effect of reducing the rate of return on such Bank's or the Agent's (or such controlling corporation's) capital as a consequence of such obligations hereunder to a level below that which such Bank or the Agent (or such controlling corporation) could have achieved but for such circumstances (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank or the Agent to be material, then the Borrowers shall pay to such Bank or the Agent, as the case may be, from time to time, upon request by such Bank (with a copy of such request to be provided to the Agent)

or the Agent, additional amounts sufficient to compensate such Bank or the Agent (or such controlling corporation) for any reduced rate of return which such Bank or the Agent reasonably determines to be allocable to the existence of such Bank's or the Agent's obligations hereunder. Each Bank or the Agent, as the case may be, seeking compensation hereunder shall deliver to the Borrowers a statement setting forth (i) such increased cost or reduced

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sum receivable as such Bank or the Agent, as the case may be, has calculated in good faith, (ii) a description of the event giving rise thereto, and (iii) a calculation in reasonable detail of the amounts requested. Such statement as to the amount of such compensation, prepared in good faith and in reasonable detail by such Bank or the Agent, as the case may be, and submitted by such Bank or the Agent to the Borrowers, shall be conclusive and binding for all purposes absent manifest error. Any Bank to which this Section 3.7(b) may apply from time to time may be removed from the transactions evidenced by the Loan Documents in accordance with Section 3.11.

3.8 Illegality and Impossibility. In the event that any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to any Bank, or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by any Bank with any directive of such authority (whether or not having the force of law), including without limitation exchange controls, shall make it unlawful or impossible for any Bank to maintain any Eurocurrency Rate Loan under this Agreement or shall make it impracticable, unlawful or impossible for, or shall in any way limit or impair the ability of, any Borrower to make or any Bank to receive any payment under this Agreement at the place specified for payment hereunder, or to transfer any amount paid or so converted to the address of its principal office specified in Section 9.2, the Borrowers shall upon receipt of notice thereof from such Bank, repay in full the then outstanding principal amount of each Loan so affected, together with all accrued interest thereon to the date of payment and all amounts owing to such Bank under Section 3.9, (a) on the last day of the then current Interest Period applicable to such Loan if such Bank may lawfully continue to maintain such Loan to such day, or (b) immediately if such Bank may not continue to maintain such Loan to such day. Any Bank to which this Section 3.8 may apply from time to time may be removed from the transactions evidenced by the Loan Documents in accordance with Section 3.11.

3.9 Indemnification. If any Borrower makes any payment of principal with respect to any Loan on any other date than the last day of an Interest Period applicable thereto (whether pursuant to Section 3.8 or Section 6.2 or otherwise), or if any Borrower fails to borrow or convert any Loan after notice has been given to the Banks in accordance with Section 2.4 or Section 2.7, the Borrowers shall reimburse each Bank on demand for any resulting net loss or expense incurred by each such Bank after giving credit for any earnings or other quantifiable financial benefit to such Bank from such Bank's investment or other amounts prepaid or not reborrowed, including without limitation any loss incurred in obtaining, liquidating or employing deposits from third parties, whether or not such Bank shall have funded or committed to fund such Loan. A statement as to the amount of such loss or expense, prepared in good faith and in reasonable detail by such Bank and submitted by such Bank to the Borrowers, shall be conclusive and binding for all purposes absent manifest error, provided that before delivery of such statement, each Bank shall use reasonable efforts in accordance with its normal practices and procedures to reduce amounts payable under this Section. Calculation of all amounts payable to such Bank under this Section 3.9 shall be made as though such Bank shall have actually funded or committed to fund the relevant Loan through the purchase of an underlying deposit in an amount equal to the amount of such

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Loan and having a maturity comparable to the related Interest Period; provided, however, that such Bank may fund any Loan in any manner it sees fit and the foregoing assumption shall be utilized only for the purpose of calculation of amounts payable under this Section 3.9.

3.10 Right of Banks to Fund Through Other Offices. Each Bank may perform its Commitment to fund its pro rata share of any Eurocurrency Rate Loan or, with respect to the Swing Line Bank, any Swing Line Loan to the Borrowers by causing an affiliate of such Bank to provide such funds in accordance with the

terms of this Agreement. For all purposes of this Agreement, any amounts so advanced shall be deemed to have been advanced by such Bank, and the obligation of the Borrowers to repay such amounts shall be as provided in this Agreement.

3.11 Replacement of Bank. If (x) the Borrowers are required pursuant to Section 2.8, 3.7 or 3.8 to make any additional payment to any Bank or if any Bank's obligation to make Eurocurrency Rate Loans, or to convert Floating Rate Borrowings into Eurocurrency Rate Borrowings, shall be suspended (any such Bank, a "Funding Affected Bank"), or (y) any Bank refuses to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement requiring the consent of all Banks (or all Banks affected by such change, waiver, discharge or termination) pursuant to Section 8.1 and the same have been approved by the Majority Banks (any such Bank, a "Voting Affected Bank" and together with any Funding Affected Bank, the "Affected Banks"), the Borrowers may elect to terminate or, solely with respect to Funding Affected Banks, replace the Commitment of such Affected Bank so long as (1) no Default or Event of Default shall have occurred and be continuing at the time of such termination or replacement, and (2) concurrently with such termination or replacement:

(a) if the Affected Bank is being replaced, another financial institution reasonably acceptable to the Borrowers and the Agent shall agree, as of such date, to purchase for cash the outstanding portion of the Bank Obligations of the Affected Bank pursuant to an Assignment and Acceptance substantially in the form attached hereto as Exhibit G and to become a Bank for all purposes under this Agreement and to assume all obligations of the Affected Bank to be terminated as of such date and to comply with the requirements of this Agreement with respect to assignments, and the Borrowers shall pay to such Affected Bank in immediately available funds on the day of such replacement

(i) all interest, fees and other amounts then accrued and unpaid to such Affected Bank by the Borrowers hereunder to and including the date of termination, including, without limitation, payments due to such Affected Bank under Sections 2.8, 3.7, and 3.8, and

(ii) an amount, if any, equal to the payment which would have been due to such Bank on the day of such replacement under this Agreement had the Loans of such Affected Bank been prepaid on such date rather than sold to the replacement Bank, in each case to the extent not paid by the replacement Bank, and

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(b) solely with respect to Funding Affected Banks, if such Funding Affected Bank is being terminated, the Borrowers shall pay to such Funding Affected Bank all Bank Obligations due and payable to such Funding Affected Bank (including the amounts described in the immediately preceding clauses (i) and (ii)). No Bank may be terminated under this Section 3.11(b) because it constitutes a Voting Affected Bank.

3.12 Calculation of Amounts. Except as set forth below, all amounts referenced in Articles II and III shall be calculated using the Dollar Amount determined based upon the Equivalent Amount in effect as of the date of any determination thereof; provided, however, that to the extent the Borrowers shall be obligated hereunder to pay in Dollars any Advance denominated in a currency other than Dollars, such amount shall be paid in Dollars using the Dollar Amount of the Advance (calculated based upon the Equivalent Amount in effect on the date of payment thereof) and in the event that the Borrowers do not reimburse the Agent, and the Banks are required to fund a purchase of a participation in such Advance, such purchase shall be made in Dollars in an amount equal to the Dollar Amount of such Advance (calculated based upon the Equivalent Amount in effect on the date of payment thereof). Notwithstanding anything herein to the contrary, the full risk of currency fluctuations shall be borne by the Borrowers and the Borrowers agree to indemnify and hold harmless each Issuing Bank, the Agent and the Banks from and against any loss resulting from any borrowing denominated in a currency other than in Dollars and for which the Lenders are not reimbursed on the day of such borrowing as it relates to the Borrowers' respective obligations.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

Each Borrower represents and warrants to the Agent and the Banks that:

4.1 Corporate Existence and Power. Each Borrower is a Person duly organized, validly existing and in good standing under the laws of the state or other political subdivision of its jurisdiction of incorporation or organization, as the case may be, and is duly qualified to do business, and is in good standing, in all additional jurisdictions where such qualification is necessary under applicable law, except where the failure to be so qualified would not have a material adverse effect on the business and financial condition of the Company and its Subsidiaries taken as a whole. Each Borrower has all requisite corporate power to own or lease the properties used in its business and to carry on its business as now being conducted and as proposed to be conducted, and to execute and deliver the Loan Documents to which it is a party and to engage in the transactions contemplated by the Loan Documents.

4.2 Corporate Authority. The execution, delivery and performance by each Borrower of the Loan Documents to which it is a party have been duly authorized by all necessary corporate action and are not in contravention of any material law, rule or regulation, or any judgment, decree, writ, injunction, order or award of any arbitrator, court or governmental authority, or of the terms of such Borrower's charter or by-laws, or of any material contract or undertaking to which such Borrower is a party or by which

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such Borrower or any of its property is bound and do not result in the imposition of any Lien except for Permitted Liens.

4.3 Binding Effect. The Loan Documents when executed and delivered hereunder will be legal, valid and binding obligations of each Borrower party thereto enforceable against each Borrower party thereto in accordance with their respective terms; except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to creditors' rights and except that the remedy of specific performance and injunctive and other forms of equitable relief are subject to equitable defenses and to the discretion of the court before which any proceedings may be brought.

4.4 Subsidiaries. Schedule 4.4 hereto (as supplemented from time to time pursuant to Section 5.1(h)) correctly sets forth the corporate name, jurisdiction of organization and ownership of each Subsidiary of each Borrower. Each Subsidiary and each corporation or other entity becoming a Subsidiary of any Borrower after the date hereof is and will be a corporation or other entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and is and will be duly qualified to do business in each additional jurisdiction where such qualification is or may be necessary under applicable law, except where the failure to be so qualified would not have a Material Adverse Effect.

4.5 Litigation. Except as set forth in Schedule 4.5 hereto, there is no action, investigation, suit or proceeding pending or, to the best of each Borrower's knowledge, threatened against or affecting any Borrower or any of its Subsidiaries before or by any court, governmental authority or arbitrator, which if adversely decided would result, either individually or collectively, in any Material Adverse Effect. Since the date of this Agreement, there has been no change in the status of the matters disclosed in Schedule 4.5 that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

4.6 Financial Condition. The consolidated balance sheet of the Company and its Subsidiaries and the related consolidated statements of income, shareholders equity and cash flows of the Company and its Subsidiaries for the fiscal year ended August 31, 2002, as reported on by KPMG LLP, independent certified public accountants (copies of which have been furnished to the Banks), fairly present, and the financial statements of the Company and its Subsidiaries delivered pursuant to Section 5.1(d) will fairly present the consolidated financial position of the Company and its Subsidiaries as at the respective dates thereof, and the consolidated results of operations of the Company and its Subsidiaries for the respective periods indicated, all in accordance with Generally Accepted Accounting Principles consistently applied (subject, in the case of said interim statements, to normal year-end adjustments). There has been no material adverse change in the financial condition of the Company and its Subsidiaries taken as a whole since February 28, 2003. There is no material Contingent Liability of the Company that is not reflected in such financial statements or in the notes thereto.

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4.7 Use of Loans. Each Borrower will use the proceeds of the Loans for its general corporate purposes, including repayment of certain existing Indebtedness. No Borrower nor any of their respective Subsidiaries extends or maintains, in the ordinary course of business, credit for the purpose, whether immediate, incidental, or ultimate, of buying or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of any Loan will be used for the purpose, whether immediate, incidental, or ultimate, of buying or carrying margin stock or maintaining or extending credit to others for such purpose. After applying the proceeds of each Loan, margin stock will not constitute more than 25% of the value of the assets (either of any Borrower alone or of the Borrowers and their respective Subsidiaries on a consolidated basis) that are subject to any provisions of this Agreement that may cause the Loans to be deemed secured, directly or indirectly, by margin stock.

4.8 Consents, Etc. Except for such consents, approvals, authorizations, declarations, registrations or filings delivered by the Borrowers pursuant to Section 2.5(f), if any, each of which is in full force and effect, no consent, approval or authorization of or declaration, registration or filing with any governmental authority or any nongovernmental person, including without limitation any creditor, lessor or stockholder of any Borrower, is required on the part of any Borrower in connection with the execution, delivery and performance of the Loan Documents or the transactions contemplated hereby or as a condition to the legality, validity or enforceability of the Loan Documents.

4.9 Taxes. Each Borrower and each of their respective Subsidiaries has filed all material tax returns (federal, state and local applicable in the United States or any foreign jurisdiction) required to be filed and have paid all taxes shown thereon to be due, including interest and penalties, or have established adequate financial reserves on their respective books and records for payment thereof except where the failure to file such returns, pay such taxes or establish such reserves would not have a Material Adverse Effect.

4.10 Title to Properties. Except as otherwise disclosed in the latest balance sheet delivered pursuant to this Agreement, a Borrower or one or more of its Subsidiaries has good and marketable fee simple title to all of the material real property identified in such balance sheet to the best of such Borrower's knowledge absent manifest error, and a valid and indefeasible ownership interest in all of the other properties and assets reflected in said balance sheet or subsequently acquired by a Borrower or any such Subsidiary material to the business or financial condition of the Borrowers and their respective Subsidiaries, taken as a whole, except for title defects that do not have a Material Adverse Effect. All of such properties and assets are free and clear of any Lien, except for Permitted Liens.

4.11 ERISA. The Borrowers, their respective Subsidiaries, their ERISA Affiliates and their respective Plans are in substantial compliance in all material respects with those provisions of ERISA and of the Code which are applicable with respect to any Plan. No Prohibited Transaction and no Reportable Event has occurred with respect to

any such Plan which would cause an Event of Default. No Borrower, any of their respective Subsidiaries nor any of their ERISA Affiliates is an employer with respect to any Multiemployer Plan. The Borrowers, their respective Subsidiaries and their ERISA Affiliates have met the minimum funding requirements under ERISA and the Code with respect to each of their respective Plans, if any, and have not incurred any liability to the PBGC, other than premiums which are not yet due and payable. The execution, delivery and performance of the Loan Documents does not constitute a Prohibited Transaction. There is no material unfunded benefit liability, determined in accordance with Section 4001(a)(18) of ERISA, with respect to any Plan of any Borrower, their respective Subsidiaries or their ERISA Affiliates.

4.12 Disclosure. No report or other information furnished in writing or on behalf of any Borrower to any Bank or the Agent in connection with the negotiation or administration of this Agreement contains any material misstatement of fact or omits to state any material fact or any fact necessary to make the statements contained therein not misleading in light of the circumstances in which they were made. Neither this Agreement, the Notes, nor any other document, certificate, or report or statement or other information

furnished to any Bank or the Agent by or on behalf of any Borrower in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact in order to make the statements contained herein and therein not misleading in light of the circumstances in which they were made. There is no fact known to any Borrower which has or which in the future may have (so far as any Borrower reasonably can now foresee based on information currently available to such Borrower) a Material Adverse Effect, which has not been set forth in this Agreement or in the other documents, certificates, statements, reports and other information furnished in writing to the Banks by or on behalf of any Borrower in connection with the transactions contemplated hereby.

4.13 Environmental and Safety Matters. The Borrowers and each of their respective Subsidiaries are in substantial compliance with all Environmental Laws in jurisdictions in which such Borrower or any such Subsidiary owns or operates, or has owned or operated, a facility or site, or arranges or has arranged for disposal or treatment of hazardous substances, solid waste, or other wastes, accepts or has accepted for transport any hazardous substances, solid wastes or other wastes or holds or has held any interest in real property or otherwise, except where the failure to comply would not have a Material Adverse Effect. No demand, claim, notice, action, administrative proceeding, investigation or inquiry whether brought by any governmental authority, private person or entity or otherwise, arising under, relating to or in connection with any Environmental Laws is pending or, to the best of its knowledge, threatened against any Borrower or any of their respective Subsidiaries, any real property in which any Borrower or any such Subsidiary holds or has held an interest or any past or present operation of any Borrower or any such Subsidiary. Neither any Borrower nor any of their respective Subsidiaries (a) is the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic substances, radioactive materials, hazardous wastes or related materials into the environment, (b) has received any notice of any toxic substances, radioactive materials, hazardous waste or related materials in, or upon any of its properties in violation of any Environmental Laws, (c) knows of any basis for any

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such investigation, notice or violation, or (d) owns or operates, or has owned or operated, property which appears on the United States National Priority List or any other governmental listing which identifies sites for remedial clean-up or investigatory actions, except as disclosed on Schedule 4.13 hereto, and as to such matters disclosed on such Schedule, none will have a Material Adverse Effect. No release, threatened release or disposal of hazardous waste, solid waste or other wastes is occurring or has occurred on, under or to any real property in which any Borrower or any of their respective Subsidiaries holds any interest or performs any of its operations, in material violation of any Environmental Law.

4.14 No Material Adverse Change. Neither any Borrower nor any of its Subsidiaries has received any notice, citation or communication of the nature referred to in Section 5.1(d)(i), except in respect of such matters as have been or are being remediated in all material respects or are being contested or remediated in good faith, and, in the case of any such matter being so contested or remediated, and as of the date of this Agreement, adequate provision for all material costs of any remediation is reflected in the financial statements referred to in Section 4.6 of this Agreement, and in respect of any such notice, citation or communication received after the date of this Agreement, will be reflected in the subsequent financial statements furnished to the Agent and the Banks pursuant to Sections 5.1(d)(ii), 5.1(d)(iii) and 5.1(d)(iv).

4.15 No Default. Neither any Borrower nor any Subsidiary is in default or has received any written notice of default under or with respect to any of its Contractual Obligations in any respect which would have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

4.16 No Burdensome Restrictions. No Requirement of Law or Contractual Obligation applicable to any Borrower or any Subsidiary would have a Material Adverse Effect.

5.1 Affirmative Covenants. Each Borrower covenants and agrees that, until the Termination Date and thereafter until irrevocable payment in full of the principal of and accrued interest on the Notes and all other Bank Obligations and the performance of all other obligations of the Borrowers under this Agreement, unless the Majority Banks shall otherwise consent in writing, it shall, and shall cause each of its Subsidiaries to:

(a) Preservation of Corporate Existence, Etc. Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence, except to the extent permitted by Sections 5.2(f) and (g), and its qualification as a foreign corporation in good standing in each jurisdiction in which such qualification is necessary under applicable law, except for such jurisdictions where the failure to so qualify would not have a Material Adverse Effect.

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(b) Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders of any governmental authority, whether federal, state, local or foreign (including without limitation ERISA, the Code and Environmental Laws), in effect from time to time, except where the failure to comply would not have a Material Adverse Effect; and pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income, revenues or property, before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise, which, if unpaid, would give rise to Liens upon such properties or any portion thereof, except to the extent that payment of any of the foregoing is then being contested in good faith by appropriate legal proceedings and with respect to which adequate financial reserves have been established on the books and records of any such Borrower or Subsidiary.

(c) Maintenance of Properties; Insurance. Maintain, preserve and protect all property that is material to the conduct of the business of any Borrower or any of their respective Subsidiaries and keep such property in good repair, working order and condition and from time to time make, or cause to be made all needful and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times in accordance with customary and prudent business practices for similar businesses; and, maintain in full force and effect insurance with responsible and reputable insurance companies or associations in such amounts, on such terms and covering such risks, as is usually carried by companies engaged in similar businesses and owning similar properties similarly situated and maintain in full force and effect public liability insurance, insurance against claims for personal injury or death or property damage occurring in connection with any of its activities or any properties owned, occupied or controlled by it, in such amount as it shall reasonably deem necessary.

(d) Reporting Requirements. Furnish to the Banks and the Agent the following:

(i) Promptly and in any event within seven calendar days after becoming aware of the occurrence of (A) any Event of Default or Default, or (B) the commencement of any material litigation against, by or affecting any Borrower or any of their respective Subsidiaries or (C) entering into any material contract or undertaking that is not entered into in the ordinary course of business and which has resulted in or which is likely, in the reasonable judgment of the Company, to result in a Material Adverse Effect, or (D) any material development in the business or affairs of any Borrower or any of their respective Subsidiaries which has resulted in or which is likely, in the reasonable judgment of such Borrower, to result in a Material Adverse Effect, a statement of the chief financial officer of such Borrower setting forth details of each such Default or Event of Default or such litigation, material contract or undertaking or development and the action which such Borrower or such Subsidiary, as the case may be, has taken and proposes to take with respect thereto;

(ii) As soon as available and in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Company, the

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consolidated balance sheet of the Company and its Subsidiaries as of the end of such quarter, and the related consolidated statements of income and cash flow for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding date or period of the preceding fiscal year, all in reasonable detail and duly certified (subject to normal year-end adjustments) by the treasurer of the Company as having been prepared in accordance with Generally Accepted Accounting Principles, together with a certificate of the treasurer of the Company stating (A) that no Event of Default or Default has occurred and is continuing or, if an Event of Default or Default has occurred and is continuing, a statement setting forth the details thereof and the action which the Company has taken and proposes to take with respect thereto, and (B) that a computation (which computation shall accompany such certificate and shall be in reasonable detail) showing compliance with Section 5.2(a), (b), and (c) hereof is in conformity with the terms of this Agreement;

(iii) As soon as available and in any event within 90 days after the end of each fiscal year of the Company, a copy of the consolidated balance sheet of the Company and its Subsidiaries as of the end of such fiscal year and the related consolidated statements of income, shareholders equity and cash flows of the Company and its Subsidiaries for such fiscal year, with a customary audit report of KPMG LLP, or other independent certified public accountants selected by the Company and acceptable to the Majority Banks, without qualifications unacceptable to the Majority Banks, together with (A) either (I) a written statement of the accountants that in making the examination necessary for their report or opinion they obtained no knowledge of the occurrence of any Default or Event of Default under this Agreement or (II) if they know of any Default or Event of Default, their written disclosure of its nature and status, provided that, the accountants shall not be liable directly or indirectly to anyone for any failure to obtain knowledge of any Default or Event of Default under this Agreement, and (B) a certificate of the treasurer of the Company stating (I) that no Event of Default or Default has occurred and is continuing or, if an Event of Default or Default has occurred and is continuing, a statement setting forth the details thereof and the action which the Company has taken and proposes to take with respect thereto, and (II) that a computation (which computation shall accompany such certificate and shall be in reasonable detail) showing compliance with Section 5.2(a), (b), and (c) hereof is in conformity with the terms of this Agreement;

(iv) Promptly after the sending or filing thereof, copies of all reports, proxy statements and financial statements which any Borrower sends to or files with any of its respective security holders or any securities exchange or the Securities and Exchange Commission or any successor agency thereof; provided, however, that no such report, proxy statement or financial statement need be delivered to the Agent or any Bank if such item is readily available and accessible to the Agent and the Banks in its entirety on the Company's internet web site, www.jabil.com.

(v) Promptly and in any event within 10 calendar days after receiving or becoming aware thereof (A) a copy of any notice of intent to terminate any Plan of any Borrower, their respective Subsidiaries or any ERISA Affiliate filed with the

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PBGC, (B) a statement of the chief financial officer or any other officer of such Borrower setting forth the details of the occurrence of any Reportable Event with respect to any such Plan, (C) a copy of any notice that any Borrower, any of their respective Subsidiaries or any ERISA Affiliate may receive from the PBGC relating to the intention of the PBGC to terminate any such Plan or to appoint a trustee to administer any such Plan, or (D) a copy of any notice of failure to make a required installment or other payment within the meaning of Section 412(n) of the Code or Section 302(f) of ERISA with respect to any such Plan; and

(vi) Promptly, such other information respecting the business, properties, operations or condition, financial or otherwise, of any Borrower or any of their respective Subsidiaries as any Bank or the Agent may from time to time reasonably request.

(e) Accounting; Access to Records, Books, Etc. Maintain a system of accounting established and administered in accordance with sound business practices to permit preparation of financial statements in accordance

with Generally Accepted Accounting Principles and to comply with the requirements of this Agreement and, at any reasonable time during normal business hours and from time to time, (i) permit any Bank or the Agent or any agents or representatives thereof to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrowers and their respective Subsidiaries, and to discuss the affairs, finances and accounts of the Borrowers and their respective Subsidiaries with their respective officers, employees and independent auditors, provided that representatives of the Company selected by the Company are present during any such visit or discussion, and by this provision the Company does hereby authorize such persons to discuss such affairs, finances and accounts with any Bank or the Agent subject to the above terms and conditions and (ii) permit the Agent and any of its agents or representative to conduct a comprehensive field audit of its books, records, property and assets, which audits shall be performed once per year (unless an Event of Default has occurred in which case audits may be performed more frequently) and which audits shall be at the expense of the Borrowers. In connection with any activities of the Agent or any Bank pursuant to this Section 5.1(e), prior to any Default or Event of Default hereunder, the Agent and each of the Banks: (i) shall endeavor to give the Company three Business Days notice of any audit or visit, which visit shall be during normal business hours, and (ii) shall follow the Company's standard security procedures.

(f) Stamp Taxes. The Borrowers will pay all stamp taxes and similar taxes, if any, including interest and penalties, if any, payable in respect of the Notes. The efficacy of this subsection shall survive the payment in full of the Notes.

(g) Further Assurances. Will execute and deliver within 30 days after request therefor by the Majority Banks or the Agent, all further instruments and documents and take all further action that may be necessary, in order to give effect to, and to aid in the exercise and enforcement of the rights and remedies of the Banks and the Agent under, this Agreement and the Notes. In addition, the Company shall promptly deliver to the Agent supplements to Schedule 4.4 identifying those Persons that have

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become Subsidiaries since the last date on which Schedule 4.4 was updated, with any such delivery to occur either upon the request of the Agent or any Bank or at such time as the assets owned, held, or otherwise controlled by such Subsidiar(y)/(ies) equals US\$25,000,000 in the aggregate.

5.2 Negative Covenants. Until the Termination Date and thereafter until irrevocable payment in full of the principal of and accrued interest on the Notes and all other Bank Obligations and the performance of all other obligations of each Borrower under this Agreement, each Borrower agrees that, unless the Majority Banks shall otherwise consent in writing it shall not (and shall not permit any of its Subsidiaries to):

(a) Fixed Charge Coverage Ratio. Permit or suffer the Consolidated Fixed Charge Coverage Ratio of the Company and its Subsidiaries to be less than at 3.0 to 1.0. For purposes of this Section 5.2(a), the Consolidated Fixed Charge Coverage Ratio shall be calculated on the last day of each of the Company's fiscal quarters for the then most-recently ended four consecutive fiscal quarters.

(b) Net Worth. Permit or suffer Consolidated Net Worth of the Company and its Subsidiaries at any time to be less than the sum of (i) \$1,242,500,000 plus (ii) 75% of the cash proceeds of Capital Stock of the Company offered or otherwise sold after the Effective Date (net of investment banking fees, reasonable and documented attorneys' fees, accountants' fees, underwriting discounts and commissions and other customary fees and other costs and expenses actually incurred in connection therewith), plus (iii) an aggregate amount equal to 60% of Consolidated Net Income (but, in each case, only if a positive number) for each completed fiscal quarter of the Company commencing with the fiscal quarter ending May 31, 2003.

(c) Total Indebtedness to EBITDA. Permit or suffer the ratio of Total Indebtedness of the Company and its Subsidiaries on a Consolidated basis to EBITDA of the Company and its Subsidiaries on a Consolidated basis to exceed 2.5 to 1.0. For purposes of this Section 5.2(c), (i) the ratio of Total Indebtedness to EBITDA shall be calculated on the last day of each of the Company's fiscal quarters for the then most-recently ended

four consecutive fiscal quarters, (ii) Indebtedness arising in connection with Notional Pooling Accounts permitted under Section 5.2(d) (ix) shall not be included in any calculation of Total Indebtedness under this Section 5.2(c), and (iii) Total Indebtedness, on any date of calculation, shall only include that portion of Foreign Affiliate Contingent Liabilities in excess of US\$50,000,000.

(d) Indebtedness. Create, incur, assume or in any manner become liable in respect of, or suffer to exist, any Indebtedness other than:

(i) The Advances;

(ii) The Indebtedness described in Schedule 5.2(d) hereto and extensions and renewals thereof, having the same terms as those existing on the date of this Agreement, but no increase in the principal amount thereof shall be permitted;

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(iii) Indebtedness of any Subsidiary of a Borrower owing to a Borrower or to any other Subsidiary of a Borrower;

(iv) [Reserved]

(v) Indebtedness under the Senior Indenture and/or the Subordinated Indenture, provided, that any Indebtedness issued under the Senior Indenture shall, with respect to payment priority, rank equally with or junior to the Bank Obligations, and any Indebtedness issued under the Subordinated Indenture shall, with respect to payment priority, rank junior to the Bank Obligations;

(vi) Indebtedness secured by Liens described in Section 5.2(e) (ix);

(vii) Indebtedness incurred as part of a Permitted Receivables Transaction;

(viii) Indebtedness, in an aggregate amount not to exceed \$20,000,000, in connection with any so called "synthetic lease" or "tax ownership operating lease" transaction;

(ix) Indebtedness which in the aggregate does not exceed US \$30,000,000 and which arises solely in connection with the administration and operation of the Notional Pooling Accounts, including, without limitation, any Indebtedness resulting under an overdraft facility offered by ABN AMRO Bank N.V. in connection with the operation and administration of the Notional Pooling Accounts or any Contingent Liability incurred by the Company in connection with its guaranty of amounts owing by any other Borrower or Affiliate thereof in connection with the operation and administration of the Notional Pooling Accounts;

(x) Contingent Liabilities of any Borrower or any Subsidiary thereof which arise in respect of amounts owing by any of its Affiliates (x) in connection with value added taxes, duties, customs, excise taxes, franchises, licenses, rents, or the receipt of goods or services, in each case owing to a governmental entity or a supplier, so long as the aggregate amount of the Contingent Liabilities described in this clause (x) at no time exceeds \$115,000,000, and (y) in connection with any other Borrower or Affiliate obligation not described in the preceding clause (x), so long as the aggregate amount of the Contingent Liabilities described in this clause (y) at no time exceeds \$15,000,000;

(xi) Indebtedness in an aggregate amount not to exceed \$10,000,000 arising in connection with Capital Leases;

(xii) Indebtedness in an aggregate amount not to exceed US\$50,000,000 owing by Subsidiaries of the Company that are not organized under the laws of the United States of America or any political subdivision thereof to non-Affiliates of the Company;

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(xiii) Purchase money Indebtedness incurred by any Borrower or Subsidiary thereof to finance the acquisition of assets used in its

business if (a) at the time of such incurrence, no Default or Event of Default has occurred or would result from such incurrence, (b) such Indebtedness does not exceed the lower of the fair market value or the cost of the applicable asset on the date acquired; and (c) such outstanding Indebtedness in the aggregate does not exceed \$5,000,000 at any time;

(xiv) Indebtedness arising under Rate Management Transactions; and

(xv) Additional unsecured Indebtedness in an aggregate amount not exceeding \$25,000,000 at any time.

(e) Liens. Create, incur or suffer to exist any Lien on any of the assets, rights, revenues or property, real, personal or mixed, tangible or intangible, whether now owned or hereafter acquired, of any Borrower or any of its Subsidiaries, other than:

(i) Liens for taxes not delinquent or for taxes being contested in good faith by appropriate proceedings and as to which adequate financial reserves have been established on its books and records;

(ii) Liens (other than any Lien imposed by ERISA) created and maintained in the ordinary course of business which are not material in the aggregate and which constitute (A) pledges or deposits under worker's compensation laws, unemployment insurance laws or similar legislation, (B) good faith deposits in connection with bids, tenders, contracts or leases to which a Borrower or any of its Subsidiaries is a party for a purpose other than borrowing money or obtaining credit, including rent security deposits, and (C) Liens imposed by law, such as those of carriers, warehousemen and mechanics, if payment of the obligation secured thereby is not yet due;

(iii) Liens affecting real property which constitute minor survey exceptions or defects or irregularities in title, minor encumbrances, easements or reservations of, or rights of others for, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of such real property, provided that all of the foregoing, in the aggregate, do not at any time materially detract from the value of said properties or materially impair their use in the operation of the businesses of a Borrower or any of its Subsidiaries;

(iv) Liens existing on the date hereof upon the same terms as the date hereof and extensions and renewals thereof, but no increase in the principal amount secured thereby shall be permitted, with each existing Lien described in Schedule 5.2(e) hereto;

(v) Liens granted by any Subsidiary in favor of a Borrower or any other Subsidiary on terms and pursuant to agreements satisfactory to the Banks;

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(vi) The interest or title of a lessor or a lessee, as applicable, under any lease otherwise permitted under this Agreement, including, without limitation, "synthetic leases" and "tax ownership operating leases" permitted under Section 5.2(d)(viii), with respect to the property subject to such lease;

(vii) Liens on accounts receivable (together with related collections and proceeds thereof, collateral insurance therefor, guaranties thereof, lockbox or other collection accounts related thereto and all records related thereto) of the Company or any Subsidiary which are transferred to a Receivables Seller and/or to a Purchaser as part of a Permitted Receivables Transaction (subject to the limitation on the amount of financing which may be provided in all such transactions as set forth in the definition of the term "Permitted Receivables Transaction" herein);

(viii) Liens (other than any Lien imposed by ERISA) created and maintained in the ordinary course of business which are not material in the aggregate and which constitute pledges or deposits to secure public or statutory obligations of a Borrower or any of its Subsidiaries, or surety, customs or appeal bonds to which a Borrower or any of its Subsidiaries is a party;

(ix) Liens created to secure payment of a portion

of the purchase price of, or existing at the time of acquisition of, any tangible fixed asset or real property acquired by a Borrower or any of its Subsidiaries if the outstanding principal amount of the Indebtedness secured by any such Lien does not at any time exceed 100% of the purchase price paid by such Borrower or Subsidiary for such fixed asset or real property, and the aggregate principal amount of Indebtedness secured by such Liens does not exceed \$10,000,000 at any time, provided that any such Lien does not encumber any other asset at any time owned by such Borrower or Subsidiary;

(x) Liens arising in favor of ABN AMRO Bank N.V., its successor, or its designee, in connection with the administration and operation of the Notional Pooling Accounts; provided, however, that such Liens shall not extend beyond the Notional Pooling Accounts and the amounts on deposit therein; provided, further, that, unless otherwise required under those laws governing the Notional Pooling Accounts, including, without limitation, the administration and operation thereof, such Liens shall only secure the Indebtedness described in Section 5.2(d)(ix);

(xi) Liens arising in connection with Capital Leases permitted under Section 5.2(d)(xi);

(xii) Liens securing the Indebtedness in an aggregate amount not to exceed US\$15,000,000 incurred by Subsidiaries organized under the laws of a jurisdiction other than the United States of America or a political subdivision thereof and permitted under Section 5.2(d)(xii); provided, however, that the value of those assets securing the permitted Indebtedness shall not exceed the aggregate principal amount of the permitted Indebtedness plus accrued and unpaid interest on the permitted Indebtedness;

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(xiii) Liens in favor of suppliers or consignors upon the property of such suppliers or consignors;

(xiv) Liens securing purchase money Indebtedness permitted under Section 5.2(d)(xiii); provided, that such Liens shall not apply to or otherwise be permitted with respect to any property of the Borrowers or any Subsidiaries thereof other than such property purchased with the proceeds of such purchase money Indebtedness;

(xv) Liens for the equal and ratable benefit of the Agent, the Banks, and the Senior Trustee on behalf of the holders from time to time of Senior Debt Securities, provided, that such Liens shall be subject to agreements, documents, and instruments in form and substance acceptable to the Agent;

(xvi) Liens upon cash or cash equivalents that (a) secure Rate Management Obligations owing under Rate Management Transactions permitted hereunder, (b) are incurred in the ordinary course of the applicable Borrower's or Subsidiary's business, and (c) are within general industry parameters for such types of Rate Management Obligations, such as Liens in respect of "Credit Support Amounts" under ISDA Master Agreements and the agreements, documents and instruments issued thereunder from time to time, including, without limitation, credit support annexes; and

(xvii) Additional Liens securing Indebtedness owing by the Borrowers or any Subsidiaries thereof not in excess of \$5,000,000 in the aggregate at any time outstanding.

(f) Merger; Acquisitions; Etc. Purchase or otherwise acquire, or permit any Subsidiary to purchase or otherwise acquire, whether in one or a series of transactions, all or a substantial portion of the business assets, rights, revenues or property, real, personal or mixed, tangible or intangible, of any person, or all or a substantial portion of the Capital Stock of or other ownership interest in any other person, nor merge or consolidate or amalgamate with any other person or take any other action having a similar effect, nor enter into any joint venture or similar arrangement with any other person, provided, however, that this Section 5.2(f) shall not prohibit (i) Permitted OEM Divestiture Purchases that are governed by and comply with the terms of Section 5.2(q), (ii) purchases and acquisitions that are governed by Section 5.2(i) because such purchases and acquisitions are not for a substantial portion of the business assets, rights, revenues, property or Capital Stock of any Person, (iii) a merger of a Wholly-Owned Subsidiary of the Company with the Company or a Wholly-Owned Subsidiary of the Company or any transfer of the

Capital Stock of a Wholly-Owned Subsidiary of the Company between Wholly-Owned Subsidiaries of the Company or a Wholly-Owned Subsidiary of the Company and the Company, (iv) asset or Capital Stock transfers between Wholly-Owned Subsidiaries of the Company or the Company and one of its Wholly-Owned Subsidiaries, and (v) joint ventures or similar arrangements between Wholly-Owned Subsidiaries of the Company or the Company and one of its Wholly-Owned Subsidiaries; provided, further, that this Section 5.2(f) shall not prohibit any merger, acquisition or joint venture if (i) in the case of a merger, a Borrower or a Wholly-Owned Subsidiary thereof shall be the surviving or continuing corporation

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thereof, (ii) immediately before and after such merger or acquisition, no Default or Event of Default shall exist or shall have occurred and be continuing and the representations and warranties contained in Article IV shall be true and correct on and as of the date thereof (both before and after such merger or acquisition is consummated) as if made on the date such merger or acquisition is consummated, (iii) the aggregate amount paid or payable in cash for (A) any single merger, acquisition or joint venture by any Borrower or Subsidiary does not exceed \$50,000,000, and (B) all such mergers, acquisitions or joint ventures by the Borrowers and Subsidiaries after the Effective Date does not exceed \$150,000,000, and (iv) if the aggregate purchase price of or aggregate amount of consideration remitted in connection with any such merger or acquisition exceeds or is to exceed \$25,000,000, prior to the consummation of such merger or acquisition the Company shall have provided to the Banks an opinion of counsel and a certificate of the chief financial officer of the Company (attaching computations and pro forma financial statements to demonstrate compliance with all financial covenants hereunder both before and after such merger, acquisition or joint venture has been completed), stating that such merger or acquisition complies with this Section 5.2(f) and that any other conditions under this Agreement relating to such transaction have been satisfied.

(g) Disposition of Assets; Dissolution of Subsidiaries; Etc. (i) Sell, lease, license, transfer, assign or otherwise dispose of, or permit any Subsidiary to sell, lease, license, transfer, assign or otherwise dispose of, all or a substantial portion of its business, assets, rights, revenues or property, real, personal or mixed, tangible or intangible, whether in one or a series of transactions, other than inventory sold in the ordinary course of business upon customary credit terms and sales of scrap or obsolete material or equipment, provided, however, that this Section 5.2(g) shall not prohibit (A) any such sale, lease, license, transfer, assignment or other disposition if the consolidated book value (disregarding any write-downs of such book value other than ordinary depreciation and amortization) of all of the business, assets, rights, revenues and property of the Company and its Subsidiaries disposed of in any consecutive twelve-month period shall be less than 10% of the consolidated book value of the assets of the Company and its Subsidiaries as of the beginning of such twelve month period and the aggregate book value of all assets disposed of after the Effective Date shall be less than 25% of the consolidated book value of assets of the Company and its Subsidiaries at the time of any such disposition and if, immediately before and after such transaction, no Default or Event of Default shall exist or shall have occurred and be continuing, (B) sales by any Borrower or any Subsidiary of accounts receivable pursuant to Permitted Receivables Transactions (subject to the limitation on the amount of financing which may be provided in all such transactions set forth in the definition of the term "Permitted Receivables Transaction" herein) or (C) any such sale, lease, license, transfer, assignment or other disposition between Wholly-Owned Subsidiaries of the Company or a Wholly-Owned Subsidiary of the Company and the Company.

(ii) Dissolve or terminate the existence of any Subsidiary of the Company other than the dissolution or termination of any Subsidiary possessing immaterial assets or liabilities or no continuing business purpose, in either case as determined by the Company in its reasonable discretion.

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(h) Nature of Business. Make any substantial change in the nature of its business from that engaged in on the date of this Agreement or engage in any other businesses other than the design, development and manufacturing of computer-grade electronic products.

(i) Investments, Loans and Advances. Purchase or otherwise acquire any Capital Stock of or other ownership interest in, or debt

securities of or other evidences of Indebtedness of, any other person; nor make any loan or advance of any of its funds or property or make any other extension of credit to, or make any investment or acquire any interest whatsoever in, any other person; nor incur any Contingent Liability owing by or constituting an obligation of another Person; provided, however, that this Section 5.2(i) shall not apply to:

(i) Permitted OEM Divestiture Purchases governed by and permitted under Section 5.2(g) and those transactions that are governed by and permitted under Section 5.2(f);

(ii) extensions of trade credit made in the ordinary course of business on customary credit terms and commission, travel and similar advances made to officers and employees in the ordinary course of business;

(iii) demand deposit accounts, escrow deposits, or retainer deposits maintained in the ordinary course of business;

(iv) commercial paper of any United States issuer having the highest rating then given by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies ("S&P"), or Fitch Investors Service, L.P. ("Fitch");

(v) direct obligations of or obligations fully guaranteed by the United States of America or any agency or instrumentality thereof, or direct obligations of or obligations fully guaranteed by a state of the United States of America or any political subdivision or instrumentality thereof having one of the two highest ratings then given by Moody's, S&P, or Fitch;

(vi) repurchase agreements relating to a security having one of the three highest ratings then given by Moody's, S&P, or Fitch;

(vii) time deposits, certificates of deposit, or bankers' acceptances of any commercial bank which is a member of the Federal Reserve System or any OECD country's equivalent thereof and which has capital, surplus and undivided profit (as shown on its most recently published statement of condition) aggregating not less than \$100,000,000;

(viii) Money market instruments having maturities of no more than 35 days collateralized with student loans and having the highest rating then given by S&P, Moody's, or Fitch;

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(ix) Money market, mutual fund, or similar funds having net assets in excess of \$500,000,000 and substantially all of whose assets are of the types described in (iii) through (viii) above;

(x) those investments, loans, advances and other transactions described in Schedule 5.2(i) hereto, having the same terms as existing on the date of this Agreement, together with extensions and renewals thereof, but no increase in the amount of such investment, loan or advance shall be permitted, unless otherwise permitted pursuant to clause (xii) hereof;

(xi) investments in, or loans and advances to, any Subsidiary which was a Subsidiary prior to such investment, loan or advance;

(xii) other investments, loans and advances not exceeding an aggregate amount of \$50,000,000 at any time;

(xiii) Contingent Liabilities permitted under Section 5.2(d); and

(xiv) Rate Management Obligations otherwise permitted under this Agreement;

provided, however, that each of the investments described in clauses (iv) through (vii) and clause (ix) above has a maturity date not later than 365 days after the acquisition thereof by the Company or any of its Subsidiaries.

(j) Transactions with Affiliates. Enter into or become a party to any contract or undertaking with any Affiliate except (i) in the

ordinary course of business and on terms not less favorable to a Borrower or any Subsidiary than those which could be obtained if such contract or undertaking were an arms length transaction with a person other than an Affiliate, or (ii) pursuant to or in connection with a Permitted Receivables Transaction;

(k) Sale and Leaseback Transactions. Become or remain liable in any way, whether directly or by assignment or as a guarantor or other contingent obligor, for the obligations of the lessee or user under any lease or contract for the use of any real or personal property if such property is owned on the date of this Agreement or thereafter acquired by such Borrower or any of its Subsidiaries and has been or is to be sold or transferred to any other person and was, is or will be used by such Borrower or any such Subsidiary for substantially the same purpose as such property was used by such Borrower or such Subsidiary prior to such sale or transfer if the net present value of the aggregate rental obligations under any such leases or contracts (discounted at the implied interest rate of such lease or contract) exceeds 10% of the total assets of such Borrower and its Subsidiaries on a consolidated basis.

(l) Negative Pledge Limitation. Enter into any agreement with any person that prohibits or limits the ability of any Borrower or any Subsidiary to create, incur, assume or suffer to exist any Lien upon any of its assets, rights, revenues or

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property, real, personal or mixed, tangible or intangible, whether now owned or hereafter acquired, other than:

(i) this Agreement or the agreements, documents and instruments delivered in connection herewith;

(ii) the Senior Indenture;

(iii) any agreement evidencing a Permitted Receivables Transaction so long as such limitation relates to the receivables subject thereto or the property the sale of which gives rise to such receivables;

(iv) any agreement evidencing purchase money Indebtedness so long as such Indebtedness is permitted hereunder and such prohibition or limitation relates only to property acquired with the proceeds of such purchase money Indebtedness;

(v) any agreement evidencing Indebtedness secured by Liens described in Section 5.2(e) (ix) so long as such Indebtedness is permitted hereunder and such prohibition or limitation relates only to the fixed assets or real property acquired with the proceeds of such Indebtedness;

(vi) any agreement evidencing Indebtedness arising in connection with Capital Leases permitted under Section 5.2(d) (xi) so long as such prohibition or limitation relates only to the property subject to such Capital Lease;

(vii) those agreements evidencing supply or consignment arrangements where Liens granted in connection therewith are permitted under Section 5.2(e); provided, however, that such prohibition or limitation shall only related to the property subject to such supply or consignment arrangement;

(viii) the agreements, documents, and instruments evidencing the creation, operation and maintenance of the Notional Pooling Accounts so long as such prohibition or limitation relates solely to the Notional Pooling Accounts and the amounts on deposit therein.

(m) Inconsistent Agreements. Enter into any agreement containing any provision which would be violated or breached in any material respect by this Agreement or any of the transactions contemplated hereby or by performance by any Borrower or any of its Subsidiaries of its obligations in connection therewith.

(n) Accounting Changes. A Borrower shall not change its fiscal year or make any significant changes (i) in accounting treatment and reporting practices except as permitted by Generally Accepted Accounting Principles and disclosed to the Banks, or (ii) in tax reporting treatment except

as permitted by law and disclosed to the Banks.

(o) Additional Covenants. If at any time any Borrower shall enter into or be a party to any instrument or

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agreement, including all such instruments or agreements in existence as of the date hereof and all such instruments or agreements entered into after the date hereof, relating to or amending any terms or conditions applicable to any of its Indebtedness which includes covenants, terms, conditions or defaults not substantially provided for in this Agreement or more favorable to the lender or lenders thereunder than those provided for in this Agreement, then the Borrowers shall promptly so advise the Agent and the Banks. Thereupon, the Agent shall request, and, upon notice to the Borrowers, the Agent and the Banks shall enter into an amendment to this Agreement or an additional agreement (as the Agent may request), providing for substantially the same covenants, terms, conditions and defaults as those provided for in such instrument or agreement to the extent required and as may be selected by the Agent. In addition to the foregoing, any covenants, terms, conditions or defaults in the Senior Indenture and any Senior Debt Securities issued pursuant thereto not substantially provided for in this Agreement or more favorable to the holders of the Senior Debt Securities issued in connection therewith, including, without limitation, as set forth in any amendments or waivers thereto, are hereby incorporated by reference into this Agreement to the same extent as if set forth fully herein.

(p) Dividends and Other Restricted Payments. At any time when the long-term debt ratings of the Company as assigned by both Moody's Investors Service, Inc. and Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, are less than investment grade, make, pay, declare or authorize any dividend, payment or other distribution in respect of any class of its Capital Stock or any dividend, payment or distribution in connection with the redemption, purchase, retirement or other acquisition, directly or indirectly, of shares of its Capital Stock (together with any dividend or other distribution, "Distributions") other than (i) Distributions to the extent payable solely in shares of Capital Stock of the Company and (ii) Distributions by Subsidiaries of the Company, if the aggregate amount of such Distributions (excluding consideration paid in other Capital Stock of the Company but including any such Distribution then being paid or authorized) from and after the Effective Date would not exceed 20% of the Net Worth of the Company at such time.

(q) Permitted OEM Divestiture Purchases. Acquire, or permit any Subsidiary to acquire, whether through an acquisition of Capital Stock or of assets, all or any substantial portion of a division, line of business or separate facility of any other person, or make any similar purchase or acquisition, other than (i) mergers and acquisitions that are not Permitted OEM Divestiture Purchases but otherwise comply with the terms of Sections 5.2(f) and 5.2(i), and (ii) Permitted OEM Divestiture Purchases for which the aggregate consideration paid or payable does not exceed \$250,000,000 individually or, together with all other Permitted OEM Divestiture Purchases occurring after the Effective Date, \$500,000,000.

(r) Financial Contracts. Enter into or remain liable upon, or permit any Subsidiary to enter into or remain liable upon, any Rate Management Transactions except for those entered into in the ordinary course of business for bona fide hedging purposes and not for speculative purposes.

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ARTICLE VI DEFAULT

6.1 Events of Default. The occurrence of any one of the following events or conditions shall constitute an "Event of Default" hereunder unless waived by the Majority Banks pursuant to Section 9.1:

(a) Nonpayment of Principal. Any Borrower shall fail to pay when due any principal of the Notes; or

(b) Nonpayment of Interest. Any Borrower shall fail to pay when due any interest or any fees or any other amount payable hereunder and such failure shall remain unremedied for five days; or

(c) Misrepresentation. Any representation or warranty made by any Borrower in Article IV hereof, any other Loan Document or any other certificate, report, financial statement or other document furnished by or on behalf of any Borrower in connection with this Agreement shall prove to have been incorrect in any material respect when made or deemed made; or

(d) Certain Covenants. Any Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.2 hereof; or

(e) Other Defaults. Any Borrower shall fail to perform or observe any other term, covenant or agreement contained in this Agreement or any other Loan Document, and any such failure shall remain unremedied for 30 calendar days after written notice thereof shall have been given to the Company by the Agent; or

(f) Cross Default. (i) Any Borrower or any of its respective Subsidiaries shall fail to pay any part of the principal of, the premium, if any, or the interest on, or any other payment of money due under any of its Indebtedness (other than Indebtedness hereunder), beyond any period of grace provided with respect thereto, which individually or together with other such Indebtedness as to which any such failure exists has an aggregate outstanding principal amount in excess of \$15,000,000; or (ii) any Borrower or any of its respective Subsidiaries shall fail to perform or observe any other term, covenant or agreement contained in any agreement, document or instrument evidencing or securing any such Indebtedness having such aggregate outstanding principal amount, or under which any such Indebtedness was issued or created, beyond any period of grace, if any, provided with respect thereto, and the effect of any such failure is either (x) to cause, or permit the holders of such Indebtedness (or a trustee on behalf of such holders) to cause, any payment of such Indebtedness to become due prior to its due date or (y) to permit the holders of such Indebtedness (or a trustee on behalf of such holders) to elect a majority of the board of directors of such Borrower or such Subsidiary; or

(g) Judgments. One or more final unappealable judgments or orders for the payment of money in an aggregate amount of \$10,000,000 shall be rendered against or shall affect any Borrower or any of their respective Subsidiaries, or any other

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judgment or order (whether or not for the payment of money) shall be rendered against or shall affect any Borrower or any of their respective Subsidiaries which causes or would cause a Material Adverse Effect; or

(h) ERISA. The occurrence of a Reportable Event that results in or would result in material liability of any Borrower, any Subsidiary of any Borrower or their ERISA Affiliates to the PBGC or to any Plan and such Reportable Event is not corrected within thirty (30) days after the occurrence thereof; or the occurrence of any Reportable Event which would constitute grounds for termination of any Plan of any Borrower, their respective Subsidiaries or their ERISA Affiliates by the PBGC or for the appointment by the appropriate United States District Court of a trustee to administer any such Plan and such Reportable Event is not corrected within thirty (30) days after the occurrence thereof; or the filing by any Borrower, any Subsidiary of any Borrower or any of their ERISA Affiliates of a notice of intent to terminate a Plan or the institution of other proceedings to terminate a Plan; or any Borrower, any Subsidiary of any Borrower or any of their ERISA Affiliates shall fail to pay when due any material liability to the PBGC or to a Plan; or the PBGC shall have instituted proceedings to terminate, or to cause a trustee to be appointed to administer, any Plan of any Borrower, their respective Subsidiaries or their ERISA Affiliates; or any person engages in a Prohibited Transaction with respect to any Plan which results in or could result in material liability of the any Borrower, any Subsidiary of any Borrower, any of their ERISA Affiliates, any Plan of any Borrower, their respective Subsidiaries or their ERISA Affiliates or fiduciary of any such Plan; or failure by any Borrower, any Subsidiary of any Borrower or any of their ERISA Affiliates to make a required installment or other payment to any Plan within the meaning of Section 302(f) of ERISA or Section 412(n) of the Code that results in or could result in liability of any Borrower, any Subsidiary of any Borrower or any of their ERISA Affiliates to the PBGC or any Plan; or the withdrawal of any Borrower, any of their respective Subsidiaries or any of their ERISA Affiliates from a Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(9a)(2) of ERISA; or any Borrower, any of their respective Subsidiaries or

any of their ERISA Affiliates becomes an employer with respect to any Multiemployer Plan without the prior written consent of the Majority Banks; or

(i) Insolvency, Etc. Any Borrower shall be dissolved or liquidated (or any judgment, order or decree therefor shall be entered), or shall generally not pay its debts as they become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or shall institute, or there shall be instituted against any Borrower, any proceeding or case seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or seeking the entry of an order for relief, or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its assets, rights, revenues or property, and, if such proceeding is instituted against any Borrower and is being contested by such Borrower in good faith by appropriate proceedings, such proceeding shall remain undismissed or unstayed for a period of 60 days; or any Borrower shall take any action

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(corporate or other) to authorize or further any of the actions described above in this subsection; or

(j) Loan Documents. Any event of default described in any Loan Document shall have occurred and be continuing, or any provision of any Loan Document shall at any time for any reason cease to be valid and binding and enforceable against any obligor thereunder, or the validity, binding effect or enforceability thereof shall be contested by any person, or any obligor, shall deny that it has any or further liability or obligation thereunder, or any Loan Document shall be terminated, invalidated or set aside, or be declared ineffective or inoperative or in any way cease to give or provide to the Banks and the Agent the benefits purported to be created thereby.

(k) Change of Control. The Company shall experience a Change of Control. For purposes of this Section 6.1(k), a "Change of Control" shall occur if during any twelve-month period (i) any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13D-3 promulgated by the Securities and Exchange Commission under said Act) of 50% or more in voting power of the voting shares of the Company that were outstanding as of the date of this Agreement and (ii) a majority of the board of directors of the Company shall cease for any reason to consist of individuals who as of a date twelve months prior to any date compliance herewith is determined were directors of the Company.

(l) Rate Management Obligations. Any Borrower or any of its respective Subsidiaries shall fail to pay any Rate Management Obligation when due, beyond any period of grace provided with respect thereto, if any, or shall fail to perform or observe any other term, covenant or agreement contained in any agreement, document or instrument evidencing or securing any such Rate Management Obligation, or under which any such Rate Management Obligation was issued or created, beyond any period of grace, if any, provided with respect thereto, and the effect of any such failure is to cause, or permit the Person to whom such Rate Management Obligation is owing (or a trustee on behalf of such Person) to cause, any payment of such Rate Management Obligation to become due prior to its due date.

6.2 Remedies.

(a) Upon the occurrence and during the continuance of any Event of Default, the Agent may, with the consent of the Majority Banks, and, upon being directed to do so by the Majority Banks, shall by notice to the Borrowers (i) terminate the Commitments or (ii) declare the outstanding principal of, and accrued interest on, the Notes and all other amounts owing under this Agreement to be immediately due and payable, or (iii) demand an immediate payment, and the Borrowers agree to make such payment upon demand, in an amount equal to the maximum amount that may be available to be drawn at any time prior to the stated expiry of all outstanding Letters of Credit, or any one or more of the foregoing, whereupon the Commitments shall terminate forthwith and all such amounts, including such payment in respect of Letters of Credit, shall become immediately due and payable, provided that in the case of any event or

condition described in Section 6.1(i) with respect to any Borrower, the Commitments shall automatically terminate forthwith and all such amounts, including such payments in respect of Letters of Credit, shall automatically become immediately due and payable without notice; in all cases without demand, presentment, protest, diligence, notice of dishonor or other formality, all of which are hereby expressly waived. Any portion of a payment made in respect of Letters of Credit that remains after the expiry or termination of such Letters of Credit and the payment of all amounts owing in connection therewith shall be promptly returned to the Borrowers.

(b) The Agent may, with the consent of the Majority Banks, and, upon being directed to do so by the Majority Banks, shall, in addition to the remedies provided in Section 6.2(a), exercise and enforce any and all other rights and remedies available to it or the Banks, whether arising under this Agreement, the Notes, any other Loan Document or under applicable law, in any manner deemed appropriate by the Agent, including suit in equity, action at law, or other appropriate proceedings, whether for the specific performance (to the extent permitted by law) of any covenant or agreement contained in this Agreement or any other Loan Document or in aid of the exercise of any power granted in this Agreement or any other Loan Document.

(c) Upon the occurrence and during the continuance of any Event of Default, each Bank may at any time and from time to time, without notice to any Borrower (any requirement for such notice being expressly waived by each Borrower) set off and apply against any and all of the obligations of each Borrower now or hereafter existing under this Agreement, whether owing to such Bank or any other Bank or the Agent, any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of any Borrower and any property of any Borrower from time to time in possession of such Bank, irrespective of whether or not such Bank shall have made any demand hereunder and although such obligations may be contingent and unmatured. The rights of such Bank under this Section 6.2(c) are in addition to other rights and remedies (including, without limitation, other rights of setoff) which such Bank may have.

6.3 Distribution of Proceeds. Upon and during the continuance of any Event of Default, all amounts received by the Agent in respect of the Bank Obligations shall be allocated and distributed as follows:

(a) First, to the payment of all costs and expenses, including without limitation all reasonable attorneys' fees, of the Agent in connection with the enforcement of and otherwise administering this Agreement and the other Loan Documents;

(b) Second, to the payment of all costs, expenses and fees, including without limitation, facility fees and reasonable attorneys fees, owing to the Banks pursuant to the Bank Obligations on a pro rata basis in accordance with the Bank Obligations consisting of fees, costs and expenses owing to the Banks under the Bank Obligations, for application to payment of such liabilities;

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(c) Third, to the Banks on a pro rata basis in accordance with the Bank Obligations consisting of interest owing to the Banks under the Bank Obligations, for application to payment of such liabilities;

(d) Fourth, to the Banks on a pro rata basis in accordance with the Bank Obligations consisting of principal (including, without limitation, any payment made in respect of any outstanding Letters of Credit as contemplated in Section 6.4 or as otherwise contemplated by this Agreement) owing to the Banks under the Bank Obligations, for application to payment of such liabilities;

(e) Fifth, to the payment of any and all other amounts owing to the Banks on a pro rata basis in accordance with the total amount of such Indebtedness owing to each of the Banks, for application to payment of such liabilities; and

(f) Sixth, to the Borrowers or such other person as may be legally entitled thereto.

Notwithstanding the foregoing, no payments of principal, interest or fees delivered to the Agent for the account of any Defaulting Bank shall be delivered by the Agent to such Defaulting Bank. Instead, such payments shall, for so long as such Defaulting Bank shall be a Defaulting Bank, be held by the Agent, and the Agent is hereby authorized and directed by all parties hereto to hold such funds in escrow and apply such funds as follows:

(i) First, if applicable to any payments due from such Defaulting Bank to the Agent; and

(ii) Second, to Loans required to be made by such Defaulting Bank on any borrowing date to the extent such Defaulting Bank fails to make such Loans.

Notwithstanding the foregoing, upon the termination of the Commitments and the payment and performance of all of the Advances (other than those owing to a Defaulting Bank), any funds then held in escrow by the Agent pursuant to the preceding sentence shall be distributed to each Defaulting Bank, pro rata in proportion to amounts that would be due to each Defaulting Bank but for the fact that it is a Defaulting Bank.

6.4 Letter of Credit Liabilities. For the purposes of payments and distributions under Section 6.3, the full amount of Bank Obligations on account of any Letter of Credit then outstanding but not drawn upon shall be deemed to be then due and owing. The Borrowers shall promptly remit a payment to the Agent on behalf of the Banks equal to the aggregate of such Bank Obligations on account of all outstanding Letters of Credit. If any portion of such payment remains after the repayment of all such Letter of Credit Bank Obligations and the expiration or termination of all of the underlying Letters of Credit, then such remaining portion of such payment shall be promptly returned to the Borrowers.

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ARTICLE VII THE AGENT AND THE BANKS

7.1 Appointment and Authorization. Each Bank hereby irrevocably appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto. The provisions of this Article VII are solely for the benefit of the Agent and the Banks, and the Borrowers shall not have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement, the Agent shall act solely as agent of the Banks and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for the Borrowers.

7.2 Agent and Affiliates. The Agent in its capacity as a Bank hereunder shall have the same rights and powers hereunder as any other Bank and may exercise or refrain from exercising the same as though it were not the Agent. Bank One and its affiliates may (without having to account therefor to any Bank) accept deposits from, lend money to, and generally engage in any kind of banking, trust, financial advisory or other business with any Borrower or any Subsidiary of any Borrower as if it were not acting as Agent hereunder, and may accept fees and other consideration therefor without having to account for the same to the Banks.

7.3 Scope of Agent's Duties. The Agent shall have no duties or responsibilities except those expressly set forth herein, and shall not, by reason of this Agreement, have a fiduciary relationship with any Bank, and no implied covenants, responsibilities, duties, obligations or liabilities shall be read into this Agreement or shall otherwise exist against the Agent. As to any matters not expressly provided for by this Agreement (including, without limitation, collection and enforcement actions under the Notes), the Agent shall not be required to exercise any discretion or take any action, but the Agent shall take such action or omit to take any action pursuant to the written instructions of the Majority Banks and may request instructions from the Majority Banks. The Agent shall in all cases be fully protected in acting, or in refraining from acting, pursuant to the written instructions of the Majority

Banks, which instructions and any action or omission pursuant thereto shall be binding upon all of the Banks; provided, however, that the Agent shall not be required to act or omit to act if, in the judgment of the Agent, such action or omission may expose the Agent to personal liability or is contrary to this Agreement, the Notes or applicable law.

7.4 Reliance by Agent. The Agent shall be entitled to rely upon any certificate, notice, document or other communication (including any cable, telegram, telex, facsimile transmission or oral communication) believed by it to be genuine and correct and to have been sent or given by or on behalf of a proper person. The Agent may treat the payee of any Note as the holder thereof unless and until the Agent receives written notice of the assignment thereof pursuant to the terms of this Agreement signed by such payee and the Agent receives the written agreement of the assignee that such assignee is bound hereby to the same extent as if it had been an original party hereto.

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The Agent may employ agents (including without limitation collateral agents) and may consult with legal counsel (who may be counsel for the Borrowers), independent public accountants and other experts selected by it and shall not be liable to the Banks, except as to money or property received by it or its authorized agents, for the negligence or misconduct of any such agent selected by it with reasonable care or for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

7.5 Default. The Agent shall not be deemed to have knowledge of the occurrence of any Default or Event of Default, unless the Agent has received written notice from a Bank or a Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default". In the event that the Agent receives such a notice, the Agent shall give prompt written notice thereof to the Banks.

7.6 Liability of Agent. Neither the Agent nor any of its directors, officers, agents, or employees shall be liable to the Banks for any action taken or not taken by it or them in connection herewith with the consent or at the request of the Majority Banks or in the absence of its or their own gross negligence or willful misconduct. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any recital, statement, warranty or representation contained in this Agreement or any Note, or in any certificate, report, financial statement or other document furnished in connection with this Agreement, (ii) the performance or observance of any of the covenants or agreements of any Borrower, (iii) the satisfaction of any condition specified in Article II hereof, or (iv) the validity, effectiveness, legal enforceability, value or genuineness of this Agreement or the Notes or any collateral subject thereto or any other instrument or document furnished in connection herewith.

7.7 Nonreliance on Agent and Other Banks. Each Bank acknowledges and agrees that it has, independently and without reliance on the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Borrowers and decision to enter into this Agreement and that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decision in taking or not taking action under this Agreement. The Agent shall not be required to keep itself informed as to the performance or observance by any Borrower of this Agreement, the Notes or any other documents referred to or provided for herein or to inspect the properties or books of any Borrower and, except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Bank with any information concerning the affairs, financial condition or business of the Borrowers or any of their respective Subsidiaries which may come into the possession of the Agent or any of its affiliates.

7.8 Indemnification. The Banks agree to indemnify the Agent (to the extent not reimbursed by the Borrowers, but without limiting any obligation of the Borrowers to make such reimbursement), ratably according to the respective principal amounts of the

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Advances then outstanding made by each of them (or if no Advances are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all claims, damages, losses, liabilities, costs or expenses of any kind or nature whatsoever (including, without limitation, fees and disbursements of counsel) which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or the transactions contemplated hereby or any action taken or omitted by the Agent under this Agreement, provided, however, that no Bank shall be liable for any portion of such claims, damages, losses, liabilities, costs or expenses resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including without limitation reasonable fees and expenses of counsel) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by the Borrowers, but without limiting the obligation of the Borrowers to make such reimbursement. Each Bank agrees to reimburse the Agent promptly upon demand for its ratable share of any amounts owing to the Agent by the Banks pursuant to this Section. If the indemnity furnished to the Agent under this Section shall, in the judgment of the Agent, be insufficient or become impaired, the Agent may call for additional indemnity from the Banks and cease, or not commence, to take any action until such additional indemnity is furnished.

7.9 Resignation of Agent. The Agent may resign as such at any time upon thirty days' prior written notice to the Borrowers and the Banks. In the event of any such resignation, the Company and the Majority Banks shall, by an instrument in writing delivered to the Banks and the Agent, appoint a successor, which shall be a Bank or any other commercial bank organized under the laws of the United States or any State thereof and having a combined capital and surplus of at least \$500,000,000. If a successor is not so appointed or does not accept such appointment before the Agent's resignation becomes effective, the resigning Agent may appoint a temporary successor to act until such appointment by the Company and the Majority Banks is made and accepted, which temporary successor must also meet the standards set forth in the preceding sentence. Any successor to the Agent shall execute and deliver to the Borrowers and the Banks an instrument accepting such appointment and thereupon such successor Agent, without further act, deed, conveyance or transfer shall become vested with all of the properties, rights, interests, powers, authorities and obligations of its predecessor hereunder with like effect as if originally named as Agent hereunder. Upon request of such successor Agent, the Borrowers and the resigning Agent shall execute and deliver such instruments of conveyance, assignment and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Agent all such properties, rights, interests, powers, authorities and obligations. The provisions of this Article VII shall thereafter remain effective for such resigning Agent with respect to any actions taken or omitted to be taken by such Agent while acting as the Agent hereunder.

7.10 Sharing of Payments. The Banks agree among themselves that, in the event that any Bank shall obtain payment in respect of any Advance or any other obligation owing to the Banks under this Agreement through the exercise of a right of set-off, banker's lien, counterclaim or otherwise in excess of its ratable share of payments received by all of the Banks on account of the Advances and other obligations (or if no Advances are outstanding, ratably according to the respective amounts of the Commitments), such Bank shall promptly notify the Agent and purchase from the other Banks participations in such Advances and other obligations in such amounts, and make such other adjustments from time to time, as shall be equitable to the end that all of the Banks share such payment in accordance with such ratable shares. The Banks further agree among themselves that if payment to a Bank obtained by such Bank through the exercise of a right of set-off, banker's lien, counterclaim or otherwise as aforesaid shall be rescinded or must otherwise be restored, each Bank which shall have shared the benefit of such payment shall, by repurchase of participations theretofore sold, return its share of that benefit to each Bank whose payment shall have been rescinded or otherwise restored. The Borrowers agree that any Bank so purchasing such a participation may, to the fullest extent permitted by law, exercise all rights of payment, including set-off, banker's lien or counterclaim, with respect to such participation as fully as if

such Bank were a holder of such Advance or other obligation in the amount of such participation. The Banks further agree among themselves that, in the event that amounts received by the Banks and the Agent hereunder are insufficient to pay all such obligations or insufficient to pay all such obligations when due, the fees and other amounts owing to the Agent in such capacity shall be paid therefrom before payment of obligations owing to the Banks under this Agreement, other than agency fees and arrangement fees payable pursuant to Section 2.3(d) of this Agreement which shall be paid on a pro rata basis with amounts owing to the Banks. Except as otherwise expressly provided in this Agreement, if any Bank or the Agent shall fail to remit to the Agent or any other Bank an amount payable by such Bank or the Agent to the Agent or such other Bank pursuant to this Agreement on the date when such amount is due, such payments shall be made together with interest thereon for each date from the date such amount is due until the date such amount is paid to the Agent or such other Bank at a rate per annum equal to the rate at which borrowings are available to the payee in its overnight federal funds market. It is further understood and agreed among the Banks and the Agent that if the Agent or any Bank shall engage in any other transactions with any Borrower and shall have the benefit of any collateral or security therefor which does not expressly secure the obligations arising under this Agreement except by virtue of a so-called dragnet clause or comparable provision, the Agent or such Bank shall be entitled to apply any proceeds of such collateral or security first in respect of the obligations arising in connection with such other transaction before application to the obligations arising under this Agreement.

ARTICLE VIII
MISCELLANEOUS

8.1 Amendments, Etc.

(a) No amendment, modification, termination or waiver of any provision of this Agreement nor any consent to any departure therefrom shall be effective

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unless the same shall be in writing and signed by the Borrowers and the Majority Banks and, to the extent any rights or duties of the Agent may be affected thereby, the Agent, provided, however, that no such amendment, modification, termination, waiver or consent shall, without the consent of the Agent and all of the Banks, (i) authorize or permit the extension of time for, or any reduction of the amount of, any payment of the principal of, or interest on or the rate at which interest accrues on, the Notes or any installment thereof or any Letter of Credit reimbursement obligation, or any fees or other amount payable hereunder, (ii) amend or terminate the respective Commitment of any Bank (other than in connection with any assignment permitted hereunder or an increase or decrease, as applicable, of the Commitments which occurs under Sections 2.2 and 3.1(d), in which case such amendment or termination shall be deemed to occur, subject to the requirements of Sections 2.11, 3.1(d), and 8.6, as applicable, automatically upon the effectiveness of such assignment, increase, or decrease, as applicable) or modify the provisions of this Section regarding the taking of any action under this Section or the provisions of Section 7.10 or the definition of Majority Banks, (iii) amend, modify or waive any other provision hereof requiring consent of all of the Banks or (iv) increase the principal amount of the Swing Line Facility.

(b) Any such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(c) Notwithstanding anything herein to the contrary, no Bank that is in default of any of its obligations, covenants or agreements under this Agreement shall be entitled to vote (whether to consent or to withhold its consent) with respect to any amendment, modification, termination or waiver of any provision of this Agreement or any departure therefrom or any direction from the Banks to the Agent, and, for purposes of determining the Majority Banks at any time when any Bank is in default under this Agreement, the Commitments and Advances of such defaulting Banks shall be disregarded.

8.2 Notices.

(a) Except as otherwise provided in Section 9.2(c) hereof, all notices and other communications hereunder shall be in writing and shall be delivered or sent to the Borrowers in care of the Company at 10560 Dr.

Martin Luther King Street North, St. Petersburg, Florida, 33716, Attention: Chief Financial Officer, Facsimile No. (813) 579-8529, and to the Agent and the Banks at the respective addresses and numbers for notices set forth on the signatures pages hereof, or to such other address as may be designated by any Borrower, the Agent or any Bank by notice to the other parties hereto. All notices and other communications shall be deemed to have been given at the time of actual delivery thereof to such address, or if sent by certified or registered mail, postage prepaid, to such address, on the third day after the date of mailing, or if deposited prepaid with Federal Express or other nationally recognized overnight delivery service prior to the deadline for next day delivery, on the Business Day next following such deposit, provided, however, that notices to the Agent shall not be effective until received.

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(b) Notices by a Borrower to the Agent with respect to terminations or reductions of the Commitments pursuant to Section 2.2, requests for Advances pursuant to Section 2.4, requests for continuations or conversions of Loans pursuant to Section 2.7 and notices of prepayment pursuant to Section 3.1 shall be irrevocable and binding on the Borrowers.

(c) Any notice to be given by a Borrower to the Agent pursuant to Sections 2.4 or 2.7 and any notice to be given by the Agent or any Bank hereunder, may be given by telephone, and all such notices given by a Borrower must be immediately confirmed in writing in the manner provided in Section 8.2(a). Any such notice given by telephone shall be deemed effective upon receipt thereof by the party to whom such notice is to be given.

8.3 No Waiver By Conduct; Remedies Cumulative. No course of dealing on the part of the Agent or any Bank, nor any delay or failure on the part of the Agent or any Bank in exercising any right, power or privilege hereunder shall operate as a waiver of such right, power or privilege or otherwise prejudice the Agent's or such Bank's rights and remedies hereunder; nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other right, power or privilege. No right or remedy conferred upon or reserved to the Agent or any Bank under this Agreement or any other Loan Document is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative, except as limited by this Agreement, and in addition to every other right or remedy granted thereunder or now or hereafter existing under any applicable law. Every right and remedy granted by this Agreement or the Notes or by applicable law to the Agent or any Bank may be exercised from time to time and as often as may be deemed expedient by the Agent or any Bank and, unless contrary to the express provisions of this Agreement or the Notes, irrespective of the occurrence or continuance of any Default or Event of Default.

8.4 Reliance on and Survival of Various Provisions. All terms, covenants, agreements, representations and warranties of any Borrower made herein or in any certificate, report, financial statement or other document furnished by or on behalf of any Borrower in connection with this Agreement shall be deemed to be material and to have been relied upon by the Banks, notwithstanding any investigation heretofore or hereafter made by any Bank or on such Bank's behalf, and those covenants and agreements of the Borrowers set forth in Sections 3.7, 3.9 and 8.5 hereof shall survive the repayment in full of the Advances and the termination of the Commitments for a period of one year from such repayment or termination.

8.5 Expenses.

(a) Each of the Borrowers agrees to pay, or reimburse the Agent for the payment of, on demand, (i) the reasonable fees, without premium, and expenses of counsel to the Agent, including without limitation the reasonable fees and expenses of counsel (including, without limitation, Sidley Austin Brown & Wood) in connection with the preparation, execution, delivery and administration of the Loan Documents and the consummation of the transactions contemplated hereby, and in connection with advising

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the Agent as to its rights and responsibilities with respect thereto, and in connection with any amendments, waivers or consents in connection therewith, and (ii) all stamp and other taxes and fees payable or determined to be payable by the Agent or any Bank in connection with the execution, delivery, filing or

recording of this Agreement, the Notes and the consummation of the transactions contemplated hereby, and any and all liabilities of the Agent and the Banks with respect to or resulting from any delay in paying or omitting to pay such taxes or fees, and (iii) all reasonable costs and expenses of the Agent and the Banks (including without limitation reasonable fees and expenses of counsel, including without limitation counsel who are employees of the Agent or the Banks, and whether incurred through negotiations, legal proceedings or otherwise) in connection with any Default or Event of Default or the enforcement of, or the exercise or preservation of any rights under the Loan Documents or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement and (iv) all reasonable costs and expenses of the Agent and the Banks (including reasonable fees and expenses of counsel) in connection with any action or proceeding relating to a court order, injunction or other process or decree restraining or seeking to restrain the Agent from paying any amount under, or otherwise relating in any way to, any Letter of Credit and any and all costs and expenses which any of them may incur relative to any payment under any Letter of Credit. Notwithstanding anything to the contrary contained herein, prior to the occurrence of an Event of Default or a Default, the Borrower shall not be required to reimburse any Person other than the Agent for any fees and expenses of such Person's counsel incurred in connection with the preparation, negotiation, delivery, administration or modification (whether by waiver, amendment or otherwise) of this Agreement or the other Loan Documents.

(b) Each of the Borrowers hereby indemnifies and agrees to hold harmless the Banks, the Issuing Bank and the Agent, their affiliates and their respective officers, directors, employees and agents, harmless from and against any and all claims, damages, losses, liabilities, costs or expenses of any kind or nature whatsoever which the Banks, the Issuing Bank or the Agent or any such person may incur or which may be claimed against any of them by reason of or in connection with any Letter of Credit, and neither any Bank, the Issuing Bank nor the Agent, their affiliates or any of their respective officers, directors, employees or agents shall be liable or responsible for: (i) the use which may be made of any Letter of Credit or for any acts or omissions of any beneficiary in connection therewith; (ii) the validity, sufficiency or genuineness of documents or of any endorsement thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) payment by the Issuing Bank to the beneficiary under any Letter of Credit against presentation of documents which do not comply with the terms of any Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit; (iv) any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit; or (v) any other event or circumstance whatsoever arising in connection with any Letter of Credit; provided, however, that the Borrowers shall not be required to indemnify the Banks, the Issuing Bank and the Agent and such other persons, and the Issuing Bank shall be liable to the Borrowers to the extent, but only to the extent, of any direct, as opposed to consequential or incidental, damages suffered by any Borrower which were

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caused by (A) the Issuing Bank's wrongful dishonor of any Letter of Credit after the presentation to it by the beneficiary thereunder of a draft or other demand for payment and other documentation strictly complying with the terms and conditions of such Letter of Credit, or (B) payment by the Issuing Bank to the beneficiary under any Letter of Credit against presentation of documents which do not comply with the terms of the Letter of Credit to the extent, but only to the extent, that such payment constitutes gross negligence or willful misconduct of the Issuing Bank. It is understood that in making any payment under a Letter of Credit, the Issuing Bank will rely on documents presented to it under such Letter of Credit as to any and all matters set forth therein without further investigation and regardless of any notice or information to the contrary, and such reliance and payment against documents presented under a Letter of Credit substantially complying with the terms thereof shall not be deemed gross negligence or willful misconduct of the Issuing Bank in connection with such payment. It is further acknowledged and agreed that a Borrower may have rights against the beneficiary or others in connection with any Letter of Credit with respect to which the Issuing Bank is alleged to be liable and it shall be a precondition of the assertion of any liability of the Issuing Bank under this Section that such Borrower shall first have exhausted all remedies in respect of the alleged loss against such beneficiary and any other parties obligated or liable in connection with such Letter of Credit and any related transactions.

(c) Each of the Borrowers hereby indemnifies and agrees

to hold harmless the Banks and the Agent, their affiliates and their respective officers, directors, employees and agents, from and against any and all claims, damages, losses, liabilities, costs or expenses of any kind or nature whatsoever (including reasonable attorneys fees and disbursements incurred in connection with any investigative, administrative or judicial proceeding whether or not such person shall be designated as a party thereto) which the Banks or the Agent or any such person may incur or which may be claimed against any of them by reason of or in connection with entering into this Agreement or the transactions contemplated hereby, including without limitation those arising under Environmental Laws; provided, however, that the Borrowers shall not be required to indemnify any such Bank and the Agent or such other person, to the extent, but only to the extent, that such claim, damage, loss, liability, cost or expense is attributable to the gross negligence or willful misconduct of such Bank or the Agent, as the case may be.

(d) In consideration of the execution and delivery of this Agreement by each Bank and the extension of the Commitments, each of the Borrowers hereby indemnifies, exonerates and holds the Agent, each Bank, their affiliates and each of their respective officers, directors, employees and agents (collectively, the "Indemnified Parties") free and harmless from and against any and all actions, causes of action, suits, losses, costs, liabilities and damages, and expenses incurred in connection therewith (irrespective of whether any such Indemnified Party is a party to the action for which indemnification hereunder is sought), including reasonable attorneys' fees and disbursements (collectively, the "Indemnified Liabilities"), incurred by the Indemnified Parties or any of them as a result of, or arising out of, or relating to:

(i) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Advance;

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(ii) the entering into and performance of this Agreement and any other agreement or instrument executed in connection herewith by any of the Indemnified Parties (including without limitation any action brought by or on behalf of any Borrower as the result of any determination by the Majority Banks not to fund any Advance);

(iii) any investigation, litigation or proceeding related to any acquisition or proposed acquisition by any Borrower or any of its Subsidiaries of any portion of the stock or assets of any person, whether or not the Agent or such Bank is party thereto;

(iv) any investigation, litigation or proceeding related to any environmental cleanup, audit, compliance or other matter relating to the protection of the environment or the release by any Borrower or any of its Subsidiaries of any Hazardous Material; or

(v) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or releasing from, any real property owned or operated by any Borrower or any of its Subsidiaries of any Hazardous Material (including any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Law), regardless of whether caused by, or within the control of, such Borrower or such Subsidiary, except for any such Indemnified Liabilities arising for the account of a particular Indemnified Party by reason of the activities of the Indemnified Party on the property of any Borrower conducted subsequent to a foreclosure on such property to the extent of the relevant Indemnified Party's gross negligence or willful misconduct, and if and to the extent that the foregoing undertaking may be unenforceable for any reason, each of the Borrowers hereby agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. Each of the Borrowers shall be obligated to indemnify the Indemnified Parties for all Indemnified Liabilities subject to and pursuant to the foregoing provisions, regardless of whether the Company or any of its Subsidiaries had knowledge of the facts and circumstances giving rise to such Indemnified Liability.

8.6 Successors and Assigns; Additional Banks.

(a) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that no Borrower may, without the prior consent of the Banks, assign its rights or obligations hereunder or under the Notes and the Banks shall not

be obligated to make any Loan hereunder to any entity other than the Borrowers.

(b) Any Bank may, without the prior consent of the Company or the Agent sell to any financial institution or institutions, and such financial institution or institutions may further sell, a participation interest (undivided or divided) in, the Advances and such Bank's Commitment and rights and benefits under this Agreement and the other Loan Documents, and to the extent of that participation interest such participant or participants shall have the same rights and benefits against the Borrowers

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under Section 3.7, 3.9 and 6.2(c) as it or they would have had if such participant or participants were the Bank making the Loans to the Borrowers hereunder, provided, however, that (i) such Bank's obligations under this Agreement shall remain unmodified and fully effective and enforceable against such Bank, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of its Notes for all purposes of this Agreement, (iv) the Borrowers, the Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, and (v) such Bank shall not grant to its participant any rights to consent or withhold consent to any action taken by such Bank or the Agent under this Agreement other than action requiring the consent of all of the Banks hereunder.

(c) The Agent from time to time in its sole discretion may appoint agents for the purpose of servicing and administering this Agreement and the transactions contemplated hereby and enforcing or exercising any rights or remedies of the Agent provided under this Agreement, the Notes or otherwise. In furtherance of such agency, the Agent may from time to time direct that the Borrowers provide notices, reports and other documents contemplated by this Agreement (or duplicates thereof) to such agent. Each Borrower hereby consents to the appointment of such agent and agrees to provide all such notices, reports and other documents and to otherwise deal with such agent acting on behalf of the Agent in the same manner as would be required if dealing with the Agent itself.

(d) Each Bank may, with the prior consent of the Company and the Agent prior to the occurrence of an Event of Default, and solely with the consent of the Agent subsequent to the occurrence and continuance of an Event of Default (in either case which consents shall not be unreasonably withheld or delayed) assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Note or Notes held by it); provided, however, that (i) each such assignment shall be of a uniform, and not a varying, percentage of all rights and obligations, (ii) except in the case of an assignment of all of a Bank's rights and obligations under this Agreement, the amount of the Commitment of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000, and in integral multiples of \$1,000,000 thereafter, or such lesser amount as the Company and the Agent may consent to, (iii) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance in substantially the form of Exhibit G hereto (an "Assignment and Acceptance"), together with any Note or Notes subject to such assignment and a processing and recordation fee of \$3,500, and (iv) any Bank may without the consent of the Company or the Agent, and without paying any fee, assign to any Affiliate of such Bank that is a bank or financial institution or to another Bank all or a portion of its rights and obligations under this Agreement. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment

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and Acceptance, have the rights and obligations of a Bank hereunder and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (other than its rights to payment under the indemnities set forth in this Agreement for the period during which it was a Bank hereunder) and be released from its obligations under this Agreement (and, in the case of

an Assignment and Acceptance covering all of the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(e) By executing and delivering an Assignment and Acceptance, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or the performance or observance by any Borrower of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.6 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Bank.

(f) The Agent shall maintain at its address designated on the signature pages hereof a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Commitment of, and principal amount of the Advances owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Company, the Borrowing Subsidiaries, the Agent and the Banks may treat each person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Company or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(g) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an assignee, together with any Note or Notes subject to such

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assignment, the Agent shall, if such Assignment and Acceptance has been completed, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Company. Within five Business Days after its receipt of such notice, the Borrowers, at their own expense, shall execute and deliver to the Agent in exchange for the surrendered Note or Notes a new Note to the order of such assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Bank has retained a Commitment hereunder, a new Note to the order of the assigning Bank in an amount equal to the Commitment retained by it hereunder. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit G hereto.

(h) No Borrower shall be liable for any costs or expenses of any Bank in effectuating any participation or assignment under this Section 9.6.

(i) INTENTIONALLY OMITTED.

(j) The Banks may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.6, disclose to the assignee or participant or proposed assignee or participant

any information relating to the Borrowers.

(k) Notwithstanding any other provision set forth in this Agreement, any Bank may at any time create a security interest in, or assign, all or any portion of its rights under this Agreement (including, without limitation, the Loans owing to it and the Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System; provided that such creation of a security interest or assignment shall not release such Bank from its obligations under this Agreement.

8.7 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

8.8 Governing Law; Consent to Jurisdiction. This Agreement is a contract made under, and shall be governed by and construed in accordance with, the law of the State of Illinois applicable to contracts made and to be performed entirely within such State and without giving effect to choice of law principles of such State. Each Borrower further agrees that any legal action or proceeding with respect to this Agreement or the Notes or the transactions contemplated hereby may be brought in any court of the State of Illinois, or in any court of the United States of America sitting in Illinois, and each Borrower hereby irrevocably submits to and accepts generally and unconditionally the jurisdiction of those courts with respect to its person and property, and irrevocably appoints Chris Lewis, whose address is set forth in Section 8.2, as its agent for service of process and irrevocably consents to the service of process in connection with any such action or proceeding by personal delivery to such agent or to the Borrowers or by the

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mailing thereof by registered or certified mail, postage prepaid to the Borrowers at the address set forth in Section 8.2. Nothing in this paragraph shall affect the right of the Banks and the Agent to serve process in any other manner permitted by law or limit the right of the Banks or the Agent to bring any such action or proceeding against the Borrowers or property in the courts of any other jurisdiction. Each Borrower hereby irrevocably waives any objection to the laying of venue of any such suit or proceeding in the above described courts.

8.9 Table of Contents and Headings. The table of contents and the headings of the various subdivisions hereof are for the convenience of reference only and shall in no way modify any of the terms or provisions hereof.

8.10 Construction of Certain Provisions. If any provision of this Agreement refers to any action to be taken by any person, or which such person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such person, whether or not expressly specified in such provision.

8.11 Integration and Severability. This Agreement and the Notes embody the entire agreement and understanding between the Borrowers and the Agent and the Banks, and supersede all prior agreements and understandings, relating to the subject matter hereof. In case any one or more of the obligations of any Borrower under this Agreement or the Notes shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining obligations of such Borrower and the other Borrowers shall not in any way be affected or impaired thereby, and such invalidity, illegality or unenforceability in one jurisdiction shall not affect the validity, legality or enforceability of the obligations of the Borrowers under this Agreement or the Notes in any other jurisdiction.

8.12 Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any such covenant, the fact that it would be permitted by an exception to, or would be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or such condition exists.

8.13 Interest Rate Limitation. Notwithstanding any provisions of this Agreement or the Notes, in no event shall the amount of interest paid or agreed to be paid by any Borrower exceed an amount computed at the highest rate

of interest permissible under applicable law. If, from any circumstances whatsoever, fulfillment of any provision of this Agreement or the Notes at the time performance of such provision shall be due, shall involve exceeding the interest rate limitation validly prescribed by law which a court of competent jurisdiction may deem applicable hereto, then, ipso facto, the obligations to be fulfilled shall be reduced to an amount computed at the highest rate of interest permissible under applicable law, and if for any reason whatsoever any Bank shall ever receive as interest an amount which would be deemed unlawful under such applicable law such interest shall be automatically applied to the payment of principal of such Bank's Advances outstanding hereunder (whether or not then due and payable) and

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not to the payment of interest, or shall be refunded to the Borrowers if such principal and all other obligations of the Borrowers to such Bank have been paid in full.

8.14 Joint and Several Obligations; Contribution Rights; Savings Clause.

(a) Notwithstanding anything to the contrary set forth herein or in any Note or in any other Loan Document, the obligations of the Borrowers hereunder and under the Notes and the other Loan Documents are joint and several.

(b) If any Borrower makes a payment in respect of the Bank Obligations it shall have the rights of contribution set forth below against the other Borrowers; provided that no Borrower shall exercise its right of contribution until all the Bank Obligations shall have been finally paid in full in cash. If any Borrower makes a payment in respect of the Bank Obligations that is smaller in proportion to its Payment Share (as hereinafter defined) than such payments made by the other Borrowers are in proportion to the amounts of their respective Payment Shares, the Borrower making such proportionately smaller payment shall, when permitted by the preceding sentence, pay to the other Borrowers an amount such that the net payments made by the Borrower in respect of the Bank Obligations shall be shared among the Borrowers pro rata in proportion to their respective Payment Shares. If any Borrower receives any payment that is greater in proportion to the amount of its Payment Shares than the payments received by the other Borrowers are in proportion to the amounts of their respective Payment Shares, the Borrower receiving such proportionately greater payment shall, when permitted by the second preceding sentence, pay to the other Borrowers an amount such that the payments received by the Borrowers shall be shared among the Borrowers pro rata in proportion to their respective Payment Shares. Notwithstanding anything to the contrary contained in this paragraph or in this Agreement, no liability or obligation of any Borrower that shall accrue pursuant to this paragraph shall be paid nor shall it be deemed owed pursuant to this paragraph until all of the Bank Obligations shall be finally paid in full in cash.

For purposes hereof, the "Payment Share" of each Borrower shall be the sum of (a) the aggregate proceeds of the Bank Obligations received by such Borrower plus (b) the product of (i) the aggregate Bank Obligations remaining unpaid on the date such Bank Obligations become due and payable in full, whether by stated maturity, acceleration, or otherwise (the "Determination Date") reduced by the amount of such Bank Obligations attributed to such Borrower pursuant to clause (a) above, times (ii) a fraction, the numerator of which is such Borrower's net worth on the effective date of this Agreement (determined as of the end of the immediately preceding fiscal reporting period of such Borrower), and the denominator of which is the aggregate net worth of all Borrowers on such effective date.

(c) It is the intent of each Borrower, the Agent and the Banks that each Borrower's maximum Bank Obligations shall be, but not in excess of:

(i) in a case or proceeding commenced by or against such Borrower under the Bankruptcy Code on or within one year from the date on which any

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of the Bank Obligations are incurred, the maximum amount that would not

otherwise cause the Bank Obligations (or any other obligations of such Borrower to the Agent and the Banks) to be avoidable or unenforceable against such Borrower under (A) Section 548 of the Bankruptcy Code or (B) any state fraudulent transfer or fraudulent conveyance act or statute applied in such case or proceeding by virtue of Section 544 of the Bankruptcy Code; or

(ii) in a case or proceeding commenced by or against such Borrower under the Bankruptcy Code subsequent to one year from the date on which any of the Bank Obligations are incurred, the maximum amount that would not otherwise cause the Bank Obligations (or any other obligations of such Borrower to the Agent and the Banks) to be avoidable or unenforceable against such Borrower under any state fraudulent transfer or fraudulent conveyance act or statute applied in any such case or proceeding by virtue of Section 544 of the Bankruptcy Code;

(iii) in a case or proceeding commenced by or against such Borrower under any law, statute or regulation other than the Bankruptcy Code (including, without limitation, any other bankruptcy, reorganization, arrangement, moratorium, readjustment of debt, dissolution, liquidation or similar debtor relief laws), the maximum amount that would not otherwise cause the Bank Obligations (or any other obligations of such Borrower to the Agent and the Banks) to be avoidable or unenforceable against such Borrower under such law, statute or regulation including, without limitation, any state fraudulent transfer or fraudulent conveyance act or statute applied in any such case or proceeding.

(d) The Borrowers acknowledge and agree that they have requested that the Banks make credit available to the Borrowers with each Borrower expecting to derive benefit, directly and indirectly, from the loans and other credit extended by the Banks to the Borrowers.

(e) The joint and several obligations of the Borrowers described in this Section 8.14 shall remain in full force and effect without regard to and shall not be released, affected or impaired by: (i) any amendment, assignment, transfer, modification of or addition or supplement to the Bank Obligations, this Agreement, any Note or any other Loan Document, except to the extent any such amendment, assignment, transfer or modification specifically relates to the matters set forth in Section 8.14; (ii) any extension, indulgence, increase in the Bank Obligations or other action or inaction in respect of any of the Loan Documents or otherwise with respect to the Bank Obligations, or any acceptance of security for, or guaranties of, any of the Bank Obligations or Loan Documents, or any surrender, release, exchange, impairment or alteration of any such security or guaranties including without limitation the failing to perfect a security interest in any such security or abstaining from taking advantage or of realizing upon any guaranties or upon any security interest in any such security; (iii) any default by any Borrower under, or any lack of due execution, invalidity or unenforceability of, or any irregularity or other defect in, any of the Loan Documents; (iv) any waiver by the Banks or any other person of any required performance or otherwise of any condition precedent or waiver of any requirement imposed by any of the Loan Documents, any guaranties or

otherwise with respect to the Bank Obligations; (v) any exercise or non-exercise of any right, remedy, power or privilege in respect of this Agreement or any of the other Loan Documents; (vi) any sale, lease, transfer or other disposition of the assets of any Borrower or any consolidation or merger of any Borrower with or into any other person, corporation, or entity, or any transfer or other disposition by any Borrower or any other holder of any shares of Capital Stock of any Borrower; (vii) any bankruptcy, insolvency, reorganization or similar proceedings involving or affecting any Borrower; (viii) the release or discharge of any Borrower from the performance or observance of any agreement, covenant, term or condition under any of the Bank Obligations or contained in any of the Loan Documents by operation of law; or (ix) any other cause whether similar or dissimilar to the foregoing which, in the absence of this provision, would release, affect or impair the obligations, covenants, agreements and duties of any Borrower hereunder, including without limitation any act or omission by the Agent, or the Bank or any other any person which increases the scope of such Borrower's risk; and in each case described in this paragraph whether or not any Borrower shall have notice or knowledge of any of the foregoing, each of which is specifically waived by each Borrower. Each Borrower warrants to the Banks that it has adequate means to obtain from each other Borrower on a continuing basis information concerning the financial condition and other matters with

respect to the Borrowers and that it is not relying on the Agent or the Banks to provide such information either now or in the future.

8.15 Waivers, Etc. Each Borrower unconditionally waives: (a) notice of any of the matters referred to in Section 8.14(e) above; (b) all notices which may be required by statute, rule or law or otherwise to preserve any rights of the Agent, or the Bank, including, without limitation, presentment to and demand of payment or performance from the other Borrowers and protect for non-payment or dishonor; (c) any right to the exercise by the Agent, or the Bank of any right, remedy, power or privilege in connection with any of the Loan Documents; (d) any requirement that the Agent, or the Bank, in the event of any default by any Borrower, first make demand upon or seek to enforce remedies against, such Borrower or any other Borrower before demanding payment under or seeking to enforce this Agreement against any other Borrower; (e) any right to notice of the disposition of any security which the Agent, or the Bank may hold from any Borrower or otherwise and any right to object to the commercial reasonableness of the disposition of any such security; and (f) all errors and omissions in connection with the Agent, or the Bank's administration of any of the Bank Obligations, any of the Loan Documents', or any other act or omission of the Agent, or the Bank which changes the scope of the Borrower's risk, except as a result of the gross negligence or willful misconduct of the Agent, or the Bank. The obligations of each Borrower hereunder shall be complete and binding forthwith upon the execution of this Agreement and subject to no condition whatsoever, precedent or otherwise, and notice of acceptance hereof or action in reliance hereon shall not be required.

8.16 Waiver of Jury Trial. The Borrowers, the Banks and the Agent, after consulting or having had the opportunity to consult with counsel, knowingly, voluntarily and intentionally waive any right either of them may have to a trial by jury in any litigation based upon or arising out of this Agreement or any other Loan Document or any of the transactions contemplated by this Agreement or any course of conduct,

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dealing, statements (whether oral or written) or actions of any of them. Neither any Borrower, any Bank nor the Agent shall seek to consolidate, by counterclaim or otherwise, any such action in which a jury trial has been waived with any other action in which a jury trial cannot be or has not been waived. These provisions shall not be deemed to have been modified in any respect or relinquished by any party hereto except by a written instrument executed by such party.

8.17 Amendment and Restatement. The Borrowers, the Banks, and the Agent agree that upon (i) the execution and delivery of this Agreement by each of the parties hereto and (ii) satisfaction (or waiver by the aforementioned parties) of the conditions precedent set forth in Section 2.5, the terms and conditions of the Existing Credit Agreement shall be and hereby are amended, superseded, and restated in their entirety by the terms and provisions of this Agreement. This Agreement is not intended to and shall not constitute a novation of the Existing Credit Agreement or the indebtedness created thereunder. The commitment of each Bank that is a party to the Existing Credit Agreement shall, on the effective date hereof, automatically be deemed amended and the only commitments shall be those hereunder; provided, however, that the commitment of each Bank under the Existing Credit Agreement that is not a party to this Agreement shall terminate on the date hereof.

8.18 Tax Disclosure. Each party hereto (and each employee, representative, or other agent of each such party) may disclose to any and all Persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of the transaction evidenced hereby and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such U.S. tax treatment and U.S. tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first written above.

JABIL CIRCUIT, INC.

By: /s/ Chris Lewis

Name: Chris Lewis
Title: Chief Financial Officer

Signature Page to
2003 Jabil Amended and Restated Three-Year Loan Agreement

Address for Notices: BANK ONE, NA (Main Office Chicago), as
a Bank and as Agent

1 Bank One Plaza, 10th Floor
Chicago, Illinois 60670

Attention: Kimberly Striegl

By: /s/ Lisa A. Whatley

Facsimile No.: (312) 732-2991
Telephone No.: (312) 732-4262

Name: Lisa A. Whatley
Title: Director

Commitment Amount: \$42,500,000

Signature Page to
2003 Jabil Amended and Restated Three-Year Loan Agreement

Address for Notices: SUNTRUST BANK

401 E. Jackson Street, 18th Floor
Tampa, FL 33602

By: /s/ Karen Copeland

Attention: Donald J. Campisano
Facsimile No.: (813) 224-2833
Telephone No.: (813) 224-2397

Name: Karen Copeland
Title: Vice President

Commitment Amount: \$37,500,000

Signature Page to
2003 Jabil Amended and Restated Three-Year Loan Agreement

Address for Notices: THE ROYAL BANK OF SCOTLAND plc

101 Park Avenue, 12th Floor
New York, NY 10178

By: /s/ Jonathan Barrow

Attention: Jonathan Barrow
Facsimile No.: (212) 401-3456
Telephone No.: (212) 401-3744

Name: Jonathan Barrow
Title: Vice President

Commitment Amount: \$37,500,000

Signature Page to
2003 Jabil Amended and Restated Three-Year Loan Agreement

Address for Notices: ABN AMRO BANK N.V.

One Post Office Square, 39th Floor
Boston, MA 02109

By: /s/ Lynn R. Schade

Attention: Lynn Renee Schade
Facsimile No.: (617) 988-7910
Telephone No.: (617) 988-7936

Name: Lynn R. Schade
Title: Senior Vice President

Commitment Amount: \$37,500,000

By: /s/ Jana Dombrowski

Name: Jana Dombrowski

Title: Vice President

Signature Page to
2003 Jabil Amended and Restated Three-Year Loan Agreement

Address for Notices: ROYAL BANK OF CANADA

Loans Administration
One Liberty Plaza, 3rd Floor

By: /s/ Stephanie Babich-Allegra

New York, New York 10006-1404
Attention: Manager, Loans Administration
Facsimile No.: (212) 428-2372
Telephone No.: (212) 428-6322

Name: Stephanie Babich-Allegra
Title: Senior Manager

Commitment Amount: \$37,500,000

Signature Page to
2003 Jabil Amended and Restated Three-Year Loan Agreement

Address for Notices: KEYBANK NATIONAL ASSOCIATION

127 Public Square, 4th Floor
Cleveland, OH 44114

By: /s/ Vijaya Kulkarni

Attention: Mike Jackson
Facsimile No.: (216) 689-8329
Telephone No.: (216) 689-4441

Name: Vijaya Kulkarni
Title: Assistant Vice President

Commitment Amount: \$32,500,000

Signature Page to
2003 Jabil Amended and Restated Three-Year Loan Agreement

Address for Notices: CITIBANK, N.A.

Citibank, N.A.
388 Greenwich Street

By: /s/ Julio Ojea Quintana

New York, NY 10013
Attention: James Walsh
Facsimile No.: (212)
Telephone No.: (212) 816-8747

Name: Julio Ojea Quintana
Title: Director

Commitment Amount: \$30,000,000

Signature Page to
2003 Jabil Amended and Restated Three-Year Loan Agreement

Address for Notices: JPMORGAN CHASE BANK

1111 Fannin, 10th Floor
Houston, TX 77002

By: /s/ Edmond DeForest

Attention: Jeffrey A. Cobb
Facsimile No.: (713) 750-2666
Telephone No.: (713) 750-2979

Name: Edmond DeForest
Title: Vice President

Commitment Amount: \$30,000,000

Signature Page to
2003 Jabil Amended and Restated Three-Year Loan Agreement

Address for Notices: BNP PARIBAS

One Front Street, 23rd Floor

San Francisco, CA 94111

By: /s/ Rafael C. Lumanlan

Attention: Raphael Lumanlan
Facsimile No.: (415) 296-8954
Telephone No.: (415) 772-1323

Name: Rafael C. Lumanlan
Title: Director

Commitment Amount: \$25,000,000

By: /s/ Jean Plassard

Name: Jean Plassard
Title: Managing Director

Signature Page to
2003 Jabil Amended and Restated Three-Year Loan Agreement

Address for Notices:

FLEET NATIONAL BANK

100 Federal Street
Boston, MA 02110

By: /s/ Joel Brandt

Attention: William Rurode
Facsimile No.: (617) 434-0819
Telephone No.: (617) 434-5318

Name: Joel Brandt
Title: Vice President

Commitment Amount: \$25,000,000

Signature Page to
2003 Jabil Amended and Restated Three-Year Loan Agreement

Address for Notices:

US BANK, NATIONAL ASSOCIATION,

425 Walnut Street
CN-OH-W8

By: /s/ Richard J. Popp

Cincinnati, OH 45202
Attention: Mike Dickman
Facsimile No.: (513) 632-2068
Telephone No.: (513) 632-3002

Name: Richard J. Popp
Title: Vice President

Commitment Amount: \$25,000,000

Signature Page to
2003 Jabil Amended and Restated Three-Year Loan Agreement

Address for Notices:

COMERICA BANK

4100 Spring Valley Road
Suite 400

By: /s/ Gerald R. Finney, Jr.

Dallas, TX 75244
Attention: Gerald Finney
Facsimile No.: (972) 361-2550
Telephone No.: (972) 361-2546

Name: Gerald R. Finney, Jr.
Title: Vice President

Commitment Amount: \$15,000,000

Signature Page to
2003 Jabil Amended and Restated Three-Year Loan Agreement

Address for Notices:

FIRST COMMERCIAL BANK (NEW YORK AGENCY)

750 Third Ave., 34th Floor
New York, NY 10017

By: /s/ Bruce M. J. Ju

Attention: Julie Yang
Facsimile No.: (212) 599-6133
Telephone No.: (212) 599-6868

Name: Bruce M. J. Ju
Title: VP & General Manager

Commitment Amount: \$15,000,000

Signature Page to
2003 Jabil Amended and Restated Three-Year Loan Agreement

Address for Notices:

MIZUHO CORPORATE BANK, LTD.

1800 Plaza Ten
Jersey City, NJ 07311

By: /s/ Bertram H. Tang

Attention: Jane Yoon
Facsimile No.: (201) 626-9935
Telephone No.: (201) 626-9305

Name: Bertram H. Tang
Title: Vice President & Team Leader

Send a copy to:

1251 Avenue of the Americas
New York, NY 10020
Attention: Hilary Zhang
Facsimile No.: (212) 282-4488
Telephone No.: (212) 282-3467

Commitment Amount: \$10,000,000

Signature Page to
2003 Jabil Amended and Restated Three-Year Loan Agreement

JABIL CIRCUIT, INC. SUBSIDIARIES*
 OWNERSHIP IS 100% EXCEPT WHERE DESIGNATED

Contract Manufacturing Services Singapore Pte. Ltd. (Singapore)
 Digitek Electronics Ltd. (Hong Kong)
 GET Manufacturing Europe S.A. (Belgium)
 GET Manufacturing USA, Inc. (USA)
 Jabil (Mauritius) Holdings Ltd. (Mauritius)
 Jabil Circuit (BVI) Inc. (British Virgin Islands)
 Jabil Circuit (Guangzhou) Ltd. (China)
 Jabil Circuit (Panyu) Ltd. (China)
 Jabil Circuit (Shenzhen) Co. Ltd. (China)
 Jabil Circuit (Shanghai) Co. Ltd. (China)
 Jabil Circuit (Singapore) Pte. Ltd. (Singapore)
 Jabil Circuit Automotive, SAS (France)
 Jabil Circuit Belgium N.V. (Belgium)
 Jabil Circuit Cayman LP (Cayman Islands)
 Jabil Circuit Chihuahua, LLC (USA)
 Jabil Circuit China Limited (Hong Kong)
 Jabil Circuit China Manufacturing Ltd. (Guernsey)
 Jabil Circuit de Chihuahua S de RL de C.V. (Mexico)
 Jabil Circuit de Mexico, S de RL de C.V. (Mexico)
 Jabil Circuit do Brasil Ltda (Brazil)
 Jabil Circuit Financial, Inc. (USA)
 Jabil Circuit French Holdings, SAS (France)
 Jabil Circuit GmbH (Germany)
 Jabil Circuit Gotemba, KK (Japan)
 Jabil Circuit Guadalajara, LLC (USA)
 Jabil Circuit Guangzhou Holding (BVI) Inc. (British Virgin Islands)
 Jabil Circuit Gyarto K.F.T. (Hungary)
 Jabil Circuit Holdings GmbH (Germany)
 Jabil Circuit Holdings Ltd (United Kingdom)
 Jabil Circuit Hong Kong Limited (Hong Kong)
 Jabil Circuit Italia Holding, S.r.l. (Italy)
 Jabil Circuit Italia, S.r.l. (Italy)
 Jabil Circuit Japan, Inc. (Japan)
 Jabil Circuit Limited (United Kingdom)
 Jabil Circuit Luxembourg II, S.a.r.l. (Luxembourg)
 Jabil Circuit Luxembourg, S.a.r.l. (Luxembourg)
 Jabil Circuit of Michigan, Inc. (USA)
 Jabil Circuit of Texas, LP (USA)
 Jabil Circuit Real Estate GmbH (Germany)
 Jabil Circuit Sdn. Bhd. (Malaysia)
 Jabil Circuit Services Ltd. (Hong Kong)
 Jabil Circuit Services Szombathely Ltd. (Hungary)
 Jabil Circuit U.K., Ltd (United Kingdom)
 Jabil Circuit, LLC (Delaware)
 Jabil Circuit S.r.l., (Italy)
 Jabil Circuit, SAS (France)
 Jabil Global Services Belgium, S.P.R.L. (Belgium)
 Jabil Global Services de Mexico, S.A. de C.V. (Mexico)

Jabil Global Services, Ltd. (Ireland)
 Jabil Global Services Netherlands B.V. (Netherlands)
 Jabil Global Services, Inc. (USA)
 Jabil Circuit India Private Limited (India)
 Jabil Industrial do Brasil Ltda (Brazil)
 Jabil Mexico S.A. de C.V. (Mexico)
 Jabil MPC, LLC (USA)
 Jabil Texas Holdings, LLC (USA)
 JP Danshui Holding (BVI) Inc. (BVI)
 Jabil Circuit Hungary Ltd. (Hungary)
 Swan do Brasil Ltda. (Brazil)
 Jabil Circuit da Amazonia Ltda. (Brazil)
 Jabil Circuit Netherlands B.V. (Netherlands)
 Jabil Circuit Austria GmbH (Austria)
 Jabil Circuit Poland sp z o.o. (Poland)

* Jabil Circuit, Inc. subsidiaries list as of August 31, 2003, not including certain immaterial subsidiaries dissolved prior to August 31, 2003.

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Jabil Circuit, Inc.:

We consent to the incorporation by reference in the registration statements on Form S-3 (Nos. 333-42992) and Form S-8 (Nos. 333-50748, 333-54946, 333-98291 and 333-106123) of Jabil Circuit, Inc. and subsidiaries of our report dated October 16, 2003 relating to the consolidated balance sheets of Jabil Circuit, Inc. and subsidiaries as of August 31, 2003 and 2002, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows and related schedule for each of the years in the three-year period ended August 31, 2003, which report appears in the August 31, 2003 Annual Report on Form 10-K of Jabil Circuit, Inc. and subsidiaries.

/s/ KPMG LLP

Tampa, Florida
November 12, 2003

CERTIFICATIONS

I, Timothy L. Main, certify that:

1. I have reviewed this annual report on Form 10-K of Jabil Circuit, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2003

/s/ TIMOTHY L. MAIN

Timothy L. Main
President and Chief Executive Officer

CERTIFICATIONS

I, Chris A. Lewis, certify that:

1. I have reviewed this annual report on Form 10-K of Jabil Circuit, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2003

/s/ CHRIS A. LEWIS

Chris A. Lewis
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Jabil Circuit, Inc. (the "Company") on Form 10-K for the fiscal year ended August 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K"), I, Timothy L. Main, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2003

/s/ TIMOTHY L. MAIN

Timothy L. Main
President and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Jabil Circuit, Inc. (the "Company") on Form 10-K for the fiscal year ended August 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K"), I, Chris A. Lewis, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2003

/s/ CHRIS A. LEWIS

Chris A. Lewis
Chief Financial Officer