JABIL CIRCUIT INC
Form 10-Q
January 08, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 30, 2012

or

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

For the transition period from to

Commission File Number: 001-14063

JABIL CIRCUIT, INC.

(Exact name of registrant as specified in its charter)

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

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

(Address of principal executive offices) (Zip Code)

(727) 577-9749

(Registrant s telephone number, including area code)

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

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

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

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

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

As of January 2, 2013, there were 202,140,682 shares of the registrant s Common Stock outstanding.

Table of Contents

JABIL CIRCUIT, INC. AND SUBSIDIARIES INDEX

Part I Financial Information

Item 1.	Financial Statements	
	Condensed Consolidated Balance Sheets at November 30, 2012 and August 31, 2012	3
	Condensed Consolidated Statements of Operations for the three months ended November 30, 2012 and 2011	4
	Condensed Consolidated Statements of Comprehensive Income for the three months ended November 30, 2012 and 2011	5
	Condensed Consolidated Statements of Stockholders Equity at November 30, 2012 and August 31, 2012	6
	Condensed Consolidated Statements of Cash Flows for the three months ended November 30, 2012 and 2011	7
	Notes to Condensed Consolidated Financial Statements	8
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	30
Item 4.	Controls and Procedures	31

Part II Other Information

Item 1.	Legal Proceedings	32
Item 1A.	Risk Factors	32
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	48
Item 3.	Defaults Upon Senior Securities	49
Item 4.	Mine Safety Disclosures	49
Item 5.	Other Information	49
Item 6.	Exhibits	50
	Signatures	52

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

JABIL CIRCUIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except for share data)

	November 30, 2012 (Unaudited)	August 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,030,034	$ 1,217,256
Accounts receivable, net of allowance for doubtful accounts of $666 at November 30, 2012 and $3,237 at August 31, 2012	1,430,468	1,125,015
Inventories	2,465,801	2,268,949
Prepaid expenses and other current assets	980,494	989,326
Income taxes receivable	10,727	10,949
Deferred income taxes	28,552	27,833
Total current assets	5,946,076	5,639,328
Property, plant and equipment, net of accumulated depreciation of $1,649,967 at November 30, 2012 and $1,578,266 at August 31, 2012	1,859,166	1,779,155
Goodwill	95,666	95,018
Intangible assets, net of accumulated amortization of $145,057 at November 30, 2012 and $141,572 at August 31, 2012	115,903	119,053
Deferred income taxes	71,364	73,411
Other assets	97,325	97,176
Total assets	$ 8,185,500	$ 7,803,141
LIABILITIES AND EQUITY		
Current liabilities:		
Current installments of notes payable and long-term debt	$ 9,650	$ 18,031
Accounts payable	3,374,927	2,992,865
Accrued expenses	852,199	808,480
Income taxes payable	28,416	35,665
Deferred income taxes	4,298	3,955
Total current liabilities	4,269,490	3,858,996
Notes payable and long-term debt, less current installments	1,656,058	1,658,326
Other liabilities	85,087	85,714
Income tax liabilities	76,152	68,525
Deferred income taxes	22,668	24,245
Total liabilities	6,109,455	5,695,806
Commitments and contingencies		
Equity:		
Jabil Circuit, Inc. stockholders equity:		
Preferred stock, $0.001 par value, authorized 10,000,000 shares; no shares issued and outstanding		

Common stock, $0.001 par value, authorized 500,000,000 shares; 236,688,913 and 232,069,203 shares issued and 202,140,682 and 206,028,577 shares outstanding at November 30, 2012 and August 31, 2012, respectively	237	232
Additional paid-in capital	1,775,168	1,752,847
Retained earnings	855,819	766,934
Accumulated other comprehensive income	112,890	106,275
Treasury stock at cost, 34,548,231 and 26,040,626 shares at November 30, 2012 and August 31, 2012	(670,401)	(521,231)
Total Jabil Circuit, Inc. stockholders equity	2,073,713	2,105,057
Noncontrolling interests	2,332	2,278
Total equity	2,076,045	2,107,335
Total liabilities and equity	8,185,500	$ 7,803,141

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents

JABIL CIRCUIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except for per share data)

(Unaudited)

	Three months ended	
	November 30, 2012	**November 30, 2011**
Net revenue	$ 4,637,018	$ 4,326,769
Cost of revenue	4,286,423	3,986,759
Gross profit	350,595	340,010
Operating expenses:		
Selling, general and administrative	169,600	157,823
Research and development	7,263	6,271
Amortization of intangibles	3,451	5,074
Operating income	170,281	170,842
Other expense	1,569	2,685
Interest income	(510)	(558)
Interest expense	29,604	25,519
Income before income tax	139,618	143,196
Income tax expense	34,034	29,415
Net income	105,584	113,781
Net (loss) income attributable to noncontrolling interests, net of income tax expense	(263)	909
Net income attributable to Jabil Circuit, Inc.	$ 105,847	$ 112,872
Earnings per share attributable to the stockholders of Jabil Circuit, Inc.:		
Basic	$ 0.52	$ 0.55
Diluted	$ 0.51	$ 0.54
Weighted average shares outstanding:		
Basic	204,318	205,388
Diluted	207,816	209,937
Cash dividends declared per common share	$ 0.08	$ 0.08

See accompanying notes to Condensed Consolidated Financial Statements.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(Unaudited)

	Three months ended	
	November 30, 2012	**November 30, 2011**
Net income	$ 105,584	$ 113,781
Other comprehensive income (loss):		
Foreign currency translation adjustment	4,909	(55,835)
Change in fair value of derivative instruments, net of tax	2,747	(3,144)
Reclassification of net losses realized and included in net income related to derivative instruments, net of tax	(1,041)	3,145
Total other comprehensive income (loss)	6,615	(55,834)
Comprehensive income	112,199	57,947
Comprehensive (loss) income attributable to noncontrolling interests	(263)	909
Comprehensive income attributable to Jabil Circuit, Inc.	$ 112,462	$ 57,038

Accumulated foreign currency translation adjustments were $154.0 million at November 30, 2012 and $149.1 million at August 31, 2012. Foreign currency translation adjustments primarily consist of adjustments to consolidate subsidiaries that use a foreign currency as their functional currency.

See accompanying notes to Condensed Consolidated Financial Statements.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(in thousands, except for share data)

(Unaudited)

	Jabil Circuit, Inc. Stockholders Equity							
	Common Stock				Accumulated			
			Additional		Other			
	Shares	Par	Paid-in	Retained	Comprehensive	Treasury	Noncontrolling	Total
	Outstanding	Value	Capital	Earnings	Income	Stock	Interests	Equity
Balance at August 31, 2012	206,028,577	$ 232	$ 1,752,847	$ 766,934	$ 106,275	$ (521,231)	$ 2,278	$ 2,107,335
Shares issued upon exercise of stock options	243,904	5	3,196					3,201
Vesting of restricted stock awards	4,375,806							
Purchases of treasury stock under employee stock plans	(1,164,701)					(19,908)		(19,908)
Treasury shares purchased	(7,342,904)					(129,262)		(129,262)
Recognition of stock-based compensation			18,915					18,915
Excess tax benefit of stock awards			210					210
Capital contribution of noncontrolling interest							317	317
Declared dividends				(16,962)				(16,962)
Comprehensive income				105,847	6,615		(263)	112,199
Balance at November 30, 2012	202,140,682	$ 237	$ 1,775,168	$ 855,819	$ 112,890	$ (670,401)	$ 2,332	$ 2,076,045

See accompanying notes to Condensed Consolidated Financial Statements.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Three months ended	
	November 30, 2012	November 30, 2011
Cash flows from operating activities:		
Net income	$ 105,584	$ 113,781
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	95,203	85,861
Recognition of stock-based compensation expense	18,803	18,665
Other, net	1,498	(561)
Changes in operating assets and liabilities:		
Accounts receivable	(308,487)	(29,659)
Inventories	(195,316)	(173,336)
Prepaid expenses and other current assets	10,256	(49,009)
Other assets	233	6,319
Accounts payable and accrued expenses	424,119	147,107
Income taxes payable	21	(4,595)
Net cash provided by operating activities	151,914	114,573
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(166,485)	(103,234)
Proceeds from sale of property, plant and equipment	1,981	8,148
Cost of receivables acquired, net of cash collections		510
Net cash used in investing activities	(164,504)	(94,576)
Cash flows from financing activities:		
Borrowings under debt agreements	776,517	2,380,710
Payments toward debt agreements	(787,196)	(2,370,864)
Dividends paid to stockholders	(18,551)	(15,528)
Net proceeds from exercise of stock options and issuance of common stock under employee stock purchase plan	3,201	3,183
Payments to acquire treasury stock	(129,262)	
Treasury stock minimum tax withholding related to vesting of restricted stock	(19,908)	(30,868)
Capital contribution to noncontrolling interest	317	
Excess tax benefit related to stock awards	330	888
Net cash used in financing activities	(174,552)	(32,479)
Effect of exchange rate changes on cash and cash equivalents	(80)	(14,225)
Net decrease in cash and cash equivalents	(187,222)	(26,707)
Cash and cash equivalents at beginning of period	1,217,256	888,611
Cash and cash equivalents at end of period	$ 1,030,034	$ 861,904

See accompanying notes to Condensed Consolidated Financial Statements.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary to present fairly the information set forth therein have been included. The accompanying unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and footnotes included in the Annual Report on Form 10-K of Jabil Circuit, Inc. (the Company) for the fiscal year ended August 31, 2012. Results for the three month period ended November 30, 2012 are not necessarily an indication of the results that may be expected for the full fiscal year ending August 31, 2013.

2. Earnings Per Share and Dividends

a. Earnings Per Share

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

	Three months ended	
	November 30, 2012	November 30, 2011
Numerator:		
Net income attributable to Jabil Circuit, Inc.	$ 105,847	$ 112,872
Denominator for basic and diluted earnings per share:		
Denominator for basic earnings per share	204,318	205,388
Dilutive common shares issuable under the employee stock purchase plan and upon exercise of stock options and stock appreciation rights	88	395
Dilutive unvested restricted stock awards	3,410	4,154
Denominator for diluted earnings per share	207,816	209,937
Earnings per share:		
Income attributable to the stockholders of Jabil Circuit, Inc.:		
Basic	$ 0.52	$ 0.55
Diluted	$ 0.51	$ 0.54

For the three months ended November 30, 2012 and 2011, options to purchase 3,739,187 and 3,978,791 shares of common stock and 4,612,729 and 5,182,114 stock appreciation rights, respectively, were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive.

b. Dividends

The following table sets forth certain information relating to the Company s cash dividends declared to common stockholders of the Company during the three months ended November 30, 2012 and 2011:

	Dividend Declaration Date	Dividend per Share	Total Cash Dividends Declared	Date of Record for Dividend Payment	Dividend Cash Payment Date
		(in thousands, except for per share data)			
Fiscal year 2013:	October 16, 2012	$ 0.08	$ 16,962	November 15, 2012	December 3, 2012
Fiscal year 2012:	October 20, 2011	$ 0.08	$ 17,379	November 15, 2011	December 1, 2011

3. Inventories

Inventories consist of the following (in thousands):

	November 30, 2012	August 31, 2012
Raw materials	$ 1,595,422	$ 1,534,182
Work in process	536,593	444,721
Finished goods	333,786	290,046
	$ 2,465,801	$ 2,268,949

4. Stock-Based Compensation

The Company recognizes stock-based compensation expense, reduced for estimated forfeitures, on a straight-line basis over the requisite service period of the award, which is generally the vesting period for outstanding stock awards. The Company recorded $18.8 million and $18.7 million of stock-based compensation expense gross of tax benefits, which is included in selling, general and administrative expenses within the Condensed Consolidated Statements of Operations during the three months ended November 30, 2012 and 2011, respectively. The Company recorded tax effects related to the stock-based compensation expense of $0.2 million and $0.4 million, which is included in income tax expense within the Condensed Consolidated Statements of Operations for the three months ended November 30, 2012 and 2011, respectively.

The following table summarizes stock option and stock appreciation right activity from August 31, 2012 through November 30, 2012:

	Shares Available for Grant	Options Outstanding	Aggregate Intrinsic Value (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)
Balance at August 31, 2012	4,883,919	8,677,941	$ 4,719	$ 25.88	2.90
Options canceled	67,629	(67,629)		$ 23.13	
Restricted stock awards granted[1]	(3,362,268)				
Options exercised		(244,311)		$ 13.14	
Balance at November 30, 2012	1,589,280	8,366,001	$ 419	$ 26.27	2.73
Exercisable at November 30, 2012		8,357,459	$ 387	$ 26.28	2.72

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

The following table summarizes restricted stock activity from August 31, 2012 through November 30, 2012:

	Shares	Weighted - Average Grant- Date Fair Value
Non-vested balance at August 31, 2012	12,945,864	$ 16.33
Changes during the period		
Shares granted [1]	3,503,754	$ 17.60
Shares vested	(4,375,806)	$ 15.05
Shares forfeited	(141,486)	$ 17.75
Non-vested balance at November 30, 2012	11,932,326	$ 17.15

[1] For those shares granted that are based on the achievement of certain performance criteria, represents the maximum number of shares that can vest.

Certain key employees have been granted time-based and performance-based restricted stock awards. The time-based restricted awards granted generally vest on a graded vesting schedule over three years. The performance-based restricted awards generally vest on a cliff vesting schedule over three years and provide a range of vesting possibilities of up to a maximum of 100% or 150%, depending on the specified performance condition and the level of achievement obtained. During the three months ended November 30, 2012, the Company awarded approximately 1.8 million time-based restricted stock units and 1.7 million performance-based restricted stock units.

At November 30, 2012, there was $97.9 million of total unrecognized stock-based compensation expense related to restricted stock awards. This expense is expected to be recognized over a weighted-average period of 1.5 years.

5. Concentration of Risk and Segment Data

a. Concentration of Risk

Sales of the Company s products are concentrated among specific customers. During the three months ended November 30, 2012, the Company s five largest customers accounted for approximately 51% of its net revenue and 56 customers accounted for approximately 90% of its net revenue. Sales to these customers were reported in the Diversified Manufacturing Services (DMS), Enterprise & Infrastructure (E&I) and High Velocity Systems (HVS) operating segments.

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

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

b. Segment Data

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

The Company derives its revenue from providing comprehensive electronics design, production and product management services. The chief operating decision maker evaluates performance and allocates resources on a segment basis. The Company s operating segments consist of three segments DMS, E&I and HVS.

The DMS segment is composed of dedicated resources to manage higher complexity global products in regulated and other industries and introduce materials and process technologies including design and aftermarket services to global customers. The E&I and HVS segments offer integrated global manufacturing and supply chain solutions designed to provide cost effective solutions for certain customer groups. The E&I segment is focused on customers primarily in the computing, storage, networking and telecommunication sectors. The HVS segment is focused on the particular needs of the consumer products industry, including mobility, display, set-top boxes and peripheral products such as printers and point of sale terminals.

Net revenue for the operating segments is attributed to the segment in which the service is performed. An operating segment s performance is evaluated based on its pre-tax operating contribution, or segment income. Segment income is defined as net revenue less cost of revenue, segment selling, general and administrative expenses, segment research and development expenses and an allocation of corporate manufacturing expenses and selling, general and administrative expenses, and does not include stock-based compensation expense and related charges, amortization of intangibles, other expense, interest income, interest expense, income tax expense or adjustment for net income attributable to noncontrolling interests. Total segment assets are defined as accounts receivable, inventories, net customer-related machinery and equipment, intangible assets net of accumulated amortization and goodwill. All other non-segment assets are reviewed on a global basis by management. Transactions between operating segments are generally recorded at amounts that approximate arm s length.

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

	Three months ended	
	November 30, 2012	November 30, 2011
Net revenue		
DMS	$ 2,175,034	$ 1,810,867
E&I	1,418,516	1,207,673
HVS	1,043,468	1,308,229
	$ 4,637,018	$ 4,326,769

	Three months ended	
	November 30, 2012	November 30, 2011
Segment income and reconciliation of income before income tax		
DMS	$ 125,092	$ 122,230
E&I	33,758	22,944
HVS	33,685	49,407
Total segment income	$ 192,535	$ 194,581
Reconciling items:		
Stock-based compensation expense and related charges	18,803	18,665
Amortization of intangibles	3,451	5,074
Other expense	1,569	2,685
Interest income	(510)	(558)
Interest expense	29,604	25,519
Income before income tax	$ 139,618	$ 143,196

	November 30, 2012	August 31, 2012
Total assets		
DMS	$ 3,307,553	$ 3,002,982
E&I	1,318,262	1,157,464
HVS	1,049,602	970,819
Other non-allocated assets	2,510,083	2,671,876
	$ 8,185,500	$ 7,803,141

The Company operates in 29 countries worldwide. Sales to unaffiliated customers are based on the Company s location that maintains the customer relationship and transacts the external sale. Total foreign net revenue represented 86.4% and 86.7% of net revenue during the three months ended November 30, 2012 and 2011, respectively.

6. Notes Payable and Long-Term Debt

Notes payable and long-term debt outstanding at November 30, 2012 and August 31, 2012, are summarized below (in thousands):

	November 30, 2012	August 31, 2012
7.750% Senior Notes due 2016	$ 305,650	$ 305,221
8.250% Senior Notes due 2018	397,998	397,903
5.625% Senior Notes due 2020	400,000	400,000
4.700% Senior Notes due 2022	500,000	500,000
Borrowings under credit facilities		8,000
Borrowings under loans (a)	53,456	56,036
Fair value adjustment related to terminated interest rate swaps on the 7.750% Senior Notes	8,604	9,197
Total notes payable and long-term debt	1,665,708	1,676,357
Less current installments of notes payable and long-term debt	9,650	18,031
Notes payable and long-term debt, less current installments	$ 1,656,058	$ 1,658,326

The $312.0 million of 7.750% senior unsecured notes, $400.0 million of 8.250% senior unsecured notes, $400.0 million of 5.625% senior unsecured notes and $500.0 million of 4.700% senior unsecured notes outstanding are carried at the principal amount of each note, less any unamortized discount. The estimated fair values of these senior notes were approximately $362.7 million, $470.4 million, $427.2 million and $515.1 million respectively, at November 30, 2012. The fair value estimates are based upon observable market data (Level 2 criteria).

(a) On May 2, 2012, the Company entered into a master lease agreement with a variable interest entity (the VIE) whereby it sells to and subsequently leases back from the VIE up to $60.0 million in certain machinery and equipment for a period of up to five years. In connection with this transaction, the Company holds a variable interest in the VIE, which was designed to hold debt obligations payable to third-party creditors. The proceeds from such debt obligations are utilized to finance the purchase of the machinery and equipment that is then leased by the Company. The Company is the primary beneficiary of the VIE as it has both the power to direct the activities of the VIE that most significantly impact the VIE s economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Therefore, the Company consolidates the financial statements of the VIE and eliminates all intercompany transactions. At November 30, 2012, the VIE had approximately $53.0 million of total assets, of which approximately $51.6 million was comprised of a note receivable due from the Company, and approximately $52.6 million of total liabilities, of which approximately $52.5 million were debt obligations to the third-party creditors (as the VIE has utilized approximately $52.5 million of the $60.0 million debt obligation capacity). The third-party creditors have recourse to the Company s general credit only in the event that the Company defaults on its obligations under the terms of the master lease agreement. In addition, the assets held by the VIE can be used only to settle the obligations of the VIE.

7. Trade Accounts Receivable Securitization and Sale Programs

The Company regularly sells designated pools of trade accounts receivable under two asset-backed securitization programs, a factoring program, a committed trade accounts receivable sale program and two uncommitted trade accounts receivable sale programs (collectively referred to herein as the programs). The Company continues servicing the receivables sold and in exchange receives a servicing fee under each of the programs. Servicing fees related to each of the programs recognized during the three months ended November 30, 2012 and 2011, were not material. The Company does not record a servicing asset or liability on the Condensed Consolidated Balance Sheets as the Company estimates that the fee it receives to service these receivables approximates the fair market compensation to provide the servicing activities.

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

a. Asset-Backed Securitization Programs

The Company continuously sells designated pools of trade accounts receivable under its North American asset-backed securitization program and its foreign asset-backed securitization program (collectively referred to herein as the asset-backed securitization programs) to special purpose entities, which in turn sell 100% of the receivables to conduits administered by unaffiliated financial institutions (for the North

American asset-backed securitization program) and an unaffiliated financial institution (for the foreign asset-backed securitization program). The special purpose entity in the North American asset-backed securitization program is a wholly-owned subsidiary of the Company. The special purpose entity in the foreign asset-backed securitization program is a separate bankruptcy-remote entity whose assets would be first available to satisfy the creditor claims of the unaffiliated financial institution. The Company is deemed the primary beneficiary of this special purpose entity as the Company has both the power to direct the activities of the entity that most significantly impact the entity s economic performance and the obligation to absorb losses or the right to receive the benefits that could potentially be significant to the entity from the transfer of the trade accounts receivable into the special purpose entity. Accordingly, the special purpose entities associated with these asset-backed securitization programs are included in the Company s Condensed Consolidated Financial Statements. Any portion of the purchase price for the receivables which is not paid in cash upon the sale taking place is recorded as a deferred purchase price receivable, which is paid as payments on the receivables are collected. Net cash proceeds of up to a maximum of $300.0 million for the North American asset-backed securitization program and $200.0 million for the foreign asset-backed securitization program are available at any one time.

In connection with the asset-backed securitization programs, the Company sold $2.1 billion of eligible trade accounts receivable during the three months ended November 30, 2012 and 2011, respectively. In exchange, the Company received cash proceeds of $1.7 billion and $1.6 billion during the three months ended November 30, 2012 and 2011, respectively, and a deferred purchase price receivable. At November 30, 2012 and 2011, the net deferred purchase price receivables recorded in connection with the asset-backed securitization programs totaled approximately $436.9 million and $497.9 million, respectively.

The Company recognized pretax losses on the sales of receivables under the asset-backed securitization programs of approximately $1.1 million and $1.8 million during the three months ended November 30, 2012 and 2011, respectively, which are recorded to other expense within the Condensed Consolidated Statements of Operations.

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

b. Trade Accounts Receivable Factoring Agreement

In connection with a factoring agreement, the Company transfers ownership of eligible trade accounts receivable of a foreign subsidiary without recourse to a third party purchaser in exchange for cash. Proceeds from the transfer reflect the face value of the account less a discount. The discount is recorded as a loss to other expense within the Condensed Consolidated Statements of Operations in the period of the sale. In October 2012, the factoring agreement was extended through March 31, 2013, at which time it is expected to automatically renew for an additional six-month period.

The Company sold $14.2 million and $21.4 million of trade accounts receivable during the three months ended November 30, 2012 and 2011, respectively, and in exchange, received cash proceeds of $14.2 million and $21.4 million, respectively. The resulting losses on the sales of trade accounts receivables sold under this factoring agreement during the three months ended November 30, 2012 and 2011 were not material.

c. Trade Accounts Receivable Sale Programs

In connection with three separate trade accounts receivable sale agreements with unaffiliated financial institutions, the Company may elect to sell, at a discount, on an ongoing basis, up to a maximum of $200.0 million, $150.0 million and $40.0 million, respectively, of specific trade accounts receivable at any one time. The $200.0 million trade accounts receivable sale agreement is a committed facility scheduled to expire on May 28, 2013 that amended and restated an existing uncommitted facility during the first quarter of fiscal year 2013 to change the facility to a committed facility and to reduce the capacity from $250.0 million to $200.0 million. The $150.0 million trade accounts receivable sale agreement is an uncommitted facility that was entered into during the first quarter of fiscal year 2013 and is scheduled to expire on November 28, 2013. The $40.0 million trade accounts receivable sale agreement is an uncommitted facility and is scheduled to expire no later than June 1, 2015, though either party may elect to cancel the agreement by giving prior written notification to the other party of no less than 30 days.

During the three months ended November 30, 2012 and 2011, the Company sold $0.7 billion and $0.5 billion of trade accounts receivable under these programs, respectively, and in exchange, received cash proceeds of $0.7 billion and $0.5 billion, respectively. The resulting losses on the sales of trade accounts receivable during the three months ended November 30, 2012 and 2011 were not material.

8. Postretirement and Other Employee Benefits

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

The following table provides information about net periodic benefit cost for the pension plans during the three months ended November 30, 2012 and 2011 (in thousands):

	Three months ended	
	November 30, 2012	November 30, 2011
Service cost	$ 516	$ 317
Interest cost	1,925	1,655
Expected long-term return on plan assets	(1,742)	(1,239)
Amortization of prior service cost	(6)	(7)
Recognized actuarial loss	681	304
Net periodic benefit cost	$ 1,374	$ 1,030

During the three months ended November 30, 2012, the Company made contributions of approximately $1.1 million to its defined benefit pension plans. The Company expects to make total cash contributions of between $4.6 million and $5.0 million to its funded pension plans during fiscal year 2013.

9. Commitments and Contingencies

a. Legal Proceedings

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

b. Income Tax Examination

The Internal Revenue Service (IRS) completed its field examination of the Company s tax returns for the fiscal years 2003 through 2005 and issued a Revenue Agent s Report (RAR) on April 30, 2010 proposing adjustments primarily related to the IRS contentions that (1) certain corporate expenses relate to services provided to foreign affiliates and therefore must be charged to those affiliates, and (2) valuable intangible property was transferred to certain foreign affiliates without charge. If the IRS ultimately prevails in its positions, the Company s income tax payment due for the fiscal years 2003 through 2005 would be approximately an additional $69.3 million before utilization of any tax attributes arising in periods subsequent to fiscal year 2005. Also, the IRS has proposed interest and penalties with respect to fiscal years 2003 through 2005.

The IRS also completed its field examination for fiscal years 2006 through 2008 and issued a RAR on April 25, 2012. The proposed adjustments primarily related to the carryforward impact of the adjustments proposed by the IRS for fiscal years 2003 through 2005 related to valuable intangible property transferred to certain foreign affiliates without charge in prior years. Due to the utilization of tax attributes, including net operating loss (NOL) carryforwards and NOL carrybacks, there is no proposed additional tax payment, interest, or penalties contained in the RAR with respect to fiscal years 2006 through 2008. In addition, the IRS will likely make similar claims in future audits with respect to these types of transactions (at this time, determination of the additional income tax due for these later years is not practicable). The Company also anticipates that the IRS may seek to impose interest and penalties in subsequent years with respect to the same types of issues.

The Company disagrees with the proposed adjustments and is vigorously contesting this matter through applicable IRS and judicial procedures, as appropriate. As the final resolution of the proposed adjustments remains uncertain, the Company continues to provide for the uncertain tax position based on the more likely than not standards. While the resolution of the issues may result in tax liabilities, interest and penalties, which are significantly higher than the amounts provided for this matter, management currently believes that the resolution will not have a material effect on the Company s financial position, results of operations or cash flows. Despite this belief, an unfavorable resolution, particularly if the IRS successfully asserts similar claims for later years, could have a material effect on the Company s results of operations and financial condition (particularly during the quarter in which any adjustment is recorded or any tax is due or paid).

10. Derivative Financial Instruments and Hedging Activities

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

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

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

a. Foreign Currency Risk Management

Forward contracts are put in place to manage the foreign currency risk associated with anticipated foreign currency denominated revenues and expenses. A hedging relationship existed with an aggregate notional amount outstanding of $430.3 million and $255.7 million at November 30, 2012 and 2011, respectively. The related forward foreign exchange contracts have been designated as hedging instruments and are accounted for as cash flow hedges. The forward foreign exchange contract transactions will effectively lock in the value of anticipated foreign currency denominated revenues and expenses against foreign currency fluctuations. The anticipated foreign currency denominated revenues and expenses being hedged are expected to occur between December 1, 2012 and September 30, 2013.

In addition to derivatives that are designated and qualify for hedge accounting, the Company also enters into forward contracts to economically hedge transactional exposure associated with commitments arising from trade accounts receivable, trade accounts payable, fixed purchase obligations and intercompany transactions denominated in a currency other than the functional currency of the respective operating entity. The aggregate notional amount of these outstanding contracts at November 30, 2012 and 2011 was $991.7 million and $779.5 million, respectively.

The following table presents the Company s assets and liabilities related to forward foreign exchange contracts measured at fair value on a recurring basis as of November 30, 2012, aggregated by the level in the fair-value hierarchy in which those measurements are classified (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Forward foreign exchange contracts	$	$ 9,192	$	$ 9,192
Liabilities:				
Forward foreign exchange contracts		(8,384)		(8,384)
Total	$	$ 808	$	$ 808

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

The following tables present the fair value of the Company s derivative instruments located on the Condensed Consolidated Balance Sheets utilized for foreign currency risk management purposes at November 30, 2012 and August 31, 2012 (in thousands):

Fair Values of Derivative Instruments

At November 30, 2012

	Asset Derivatives Balance Sheet Location	Fair Value	Liability Derivatives Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Forward foreign exchange contracts	Prepaid expenses and other current assets	$ 2,086	Other accrued expense	$ 408
Derivatives not designated as hedging instruments:				
Forward foreign exchange contracts	Prepaid expenses and other current assets	$ 7,106	Other accrued expense	$ 7,976

Fair Values of Derivative Instruments

At August 31, 2012

	Asset Derivatives Balance Sheet Location	Fair Value	Liability Derivatives Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Forward foreign exchange contracts	Prepaid expenses and other current assets	$ 1,335	Other accrued expense	$ 1,190
Derivatives not designated as hedging instruments:				
Forward foreign exchange contracts	Prepaid expenses and other current assets	$ 4,445	Other accrued expense	$ 2,976

The following tables present the impact that changes in fair value of derivatives utilized for foreign currency risk management purposes and designated as hedging instruments had on AOCI and earnings during the three months ended November 30, 2012 and 2011 (in thousands):

Derivatives in Cash Flow Hedging Relationship during the Three Months Ended November 30, 2012	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Forward foreign exchange contracts	$ (929)	Revenue	$ (1,620)	Revenue	$ 65
Forward foreign exchange contracts	$ 3,489	Cost of revenue	$ 3,371	Cost of revenue	$ 1,516
Forward foreign exchange contracts	$ 187	Selling, general and administrative	$ 278	Selling, general and administrative	$ 67

Derivatives in Cash Flow Hedging Relationship during the Three Months Ended November 30, 2011	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Forward foreign exchange contracts	$ 1,769	Revenue	$ 1,165	Revenue	$ (53)
Forward foreign exchange contracts	$ (2,598)	Cost of revenue	$ (1,175)	Cost of revenue	$ (1,395)
Forward foreign exchange contracts	$ (2,315)	Selling, general and administrative	$ (2,147)	Selling, general and administrative	$ 83

As of November 30, 2012, the Company estimates that it will reclassify into earnings during the next 12 months existing gains related to foreign currency risk management hedging arrangements of approximately $0.9 million from the amounts recorded in AOCI as the hedged item affects earnings.

The following tables present the impact that changes in fair value of derivatives utilized for foreign currency risk management purposes and not designated as hedging instruments had on earnings during the three months ended November 30, 2012 and 2011 (in thousands):

Derivatives not designated as hedging instruments	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative during the Three Months Ended November 30, 2012
Forward foreign exchange contracts	Cost of revenue	$ 2,907

Derivatives not designated as hedging instruments	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative during the Three Months Ended November 30, 2011
Forward foreign exchange contracts	Cost of revenue	$ 2,972

b. Interest Rate Risk Management

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

Fair Value Hedges

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

During the fourth quarter of fiscal year 2011, the Company terminated the interest rate swaps entered into in connection with the 7.750% Senior Notes with a fair value of $12.2 million, including accrued interest of $0.6 million at August 31, 2011. The portion of the fair value that is not accrued interest is recorded as a hedge accounting adjustment to the carrying amount of the 7.750% Senior Notes and is being amortized as a reduction to interest expense over the remaining term of the 7.750% Senior Notes. The Company recorded $0.6 million in amortization as a reduction to interest expense during the three months ended November 30, 2012. At November 30, 2012, the unamortized hedge accounting adjustment recorded is $8.6 million in the Condensed Consolidated Balance Sheets.

Cash Flow Hedges

During the fourth quarter of fiscal year 2007, the Company entered into forward interest rate swap transactions to hedge the fixed interest rate payments for an anticipated debt issuance, which was the issuance of the 8.250% Senior Notes. The swaps were accounted for as a cash flow hedge and had a notional amount of $400.0 million. Concurrently with the pricing of the 8.250% Senior Notes, the Company settled the swaps by its payment of $43.1 million. The ineffective portion of the swaps was immediately recorded to interest expense within the Condensed Consolidated Statements of Operations. The effective portion of the swaps is recorded on the Company s Condensed Consolidated Balance Sheets as a component of AOCI and is being amortized to interest expense within the Company s Condensed Consolidated Statements of Operations over the life of the 8.250% Senior Notes, which is through March 15, 2018.

The following tables present the impact that changes in the fair value of the derivative utilized for interest rate risk management and designated as a hedging instrument had on AOCI and earnings during the three months ended November 30, 2012 and 2011 (in thousands):

Derivatives in Cash Flow Hedging Relationship during the Three Months Ended November 30, 2012	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Interest rate swap	$	Interest expense	$ (988)	Interest expense	$

Derivatives in Cash Flow Hedging Relationship during the Three Months Ended November 30, 2011	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Interest rate swap	$	Interest expense	$ (988)	Interest expense	$

As of November 30, 2012, the Company estimates that it will reclassify into earnings during the next 12 months existing losses related to interest rate risk management hedging arrangements of approximately $4.0 million from the amounts recorded in AOCI as the hedged item affects earnings.

The changes related to cash flow hedges (both forward foreign exchange contracts and interest rate swaps) included in AOCI net of tax are as follows (in thousands):

	Three months ended November 30, 2012
Accumulated comprehensive loss, August 31, 2012	$ (7,153)
Change in fair value of derivative instruments	2,747
Reclassification of net losses realized and included in net income related to derivative instruments	(1,041)
Accumulated comprehensive loss, November 30, 2012	$ (5,447)

		Three months ended November 30, 2011
Accumulated comprehensive loss, August 31, 2011	$	(11,172)
Change in fair value of derivative instruments		(3,144)
Reclassification of net losses realized and included in net income related to derivative instruments		3,145
Accumulated comprehensive loss, November 30, 2011	$	(11,171)

11. New Accounting Guidance

a. Recently Adopted Accounting Guidance

During the second quarter of fiscal year 2011, the FASB issued new accounting guidance which requires an entity to disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual period. This accounting guidance is effective for the Company for business combinations that occur beginning in fiscal year 2013. The adoption of this guidance did not have a significant impact on the Company s Condensed Consolidated Financial Statements.

During the fourth quarter of fiscal year 2011, the FASB issued new accounting guidance which requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. This accounting guidance was effective for the Company beginning in the first quarter of fiscal year 2013. The adoption of this guidance did not have a significant impact on the Company s Condensed Consolidated Financial Statements.

During the fourth quarter of fiscal year 2011, the FASB issued new accounting guidance intended to simplify how an entity tests goodwill for impairment. The guidance allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity is no longer required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. This accounting guidance is effective for the Company for the annual and interim goodwill impairment tests performed for fiscal year 2013. The adoption of this guidance has not had a significant impact on the Company s Condensed Consolidated Financial Statements.

b. Recently Issued Accounting Guidance

During the fourth quarter of fiscal year 2012, the FASB issued new accounting guidance intended to simplify how an entity tests indefinite-lived intangible assets for impairment. The guidance allows an entity to first assess qualitative factors to determine whether it is necessary to perform the quantitative indefinite-lived intangible asset impairment test. An entity is no longer required to calculate the fair value of an indefinite-lived intangible asset unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. This accounting guidance is effective for the Company for the annual and interim indefinite-lived intangible asset impairment tests performed for fiscal year 2014. The Company does not expect the adoption of this guidance to have a significant impact on its Condensed Consolidated Financial Statements.

12. Subsequent Events

The Company has evaluated subsequent events that occurred through the date of the filing of the Company s first quarter of fiscal year 2013 Form 10-Q. No significant events occurred subsequent to the balance sheet date and prior to the filing date of this report that would have a material impact on the Condensed Consolidated Financial Statements.

JABIL CIRCUIT, INC. AND SUBSIDIARIES

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

business conditions and growth or declines in our customers industries, the electronic manufacturing services industry and the general economy;

variability of our operating results;

our dependence on a limited number of major customers;

availability of components;

our dependence on certain industries;

the subjectivity of our production levels to the variability of customer requirements, including seasonal influences on the demand for certain end products;

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

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

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

- *our ability to take advantage of our past, current and possible future restructuring efforts to improve utilization and realize savings and whether any such activity will adversely affect our cost structure, our ability to service customers and our labor relations;*
- *our ability to maintain our engineering, technological and manufacturing process expertise;*
- *other economic, business and competitive factors affecting our customers, our industry and our business generally; and*
- *other factors that we may not have currently identified or quantified.*

For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations sections contained in this document, as well as our Annual Report on Form 10-K for the fiscal year ended August 31, 2012, any subsequent reports on Form 10-Q and Form 8-K and other filings with the Securities and Exchange Commission (the SEC). Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements.

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

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are one of the leading providers of worldwide electronic manufacturing services and solutions. We provide comprehensive electronics design, production and product management services to companies in the aerospace, automotive, computing, consumer, defense, industrial, instrumentation, medical, networking, peripherals, solar, storage and telecommunications industries. We serve our customers primarily with dedicated business units that combine highly automated, continuous flow manufacturing with advanced electronic design and design for manufacturability. We currently depend, and expect to continue to depend, upon a relatively small number of customers for a significant percentage of our revenue, net of estimated return costs (net revenue). Based on net revenue, during the three months ended November 30, 2012, our largest customers currently include Apple Inc., Cisco Systems, Inc., Ericsson, General Electric Company, Hewlett-Packard Company, Ingenico S.A., International Business Machines Corporation, NetApp, Inc., Pace plc and Research in Motion Limited. During the three months ended November 30, 2012, we had net revenues of approximately $4.6 billion and net income attributable to Jabil Circuit, Inc. of approximately $105.8 million.

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

integrated design and engineering;

component selection, sourcing and procurement;

automated assembly;

design and implementation of product testing;

parallel global production;

enclosure services;

systems assembly, direct order fulfillment and configure to order;

injection molding, metal, plastics, precision machining and automation; and

aftermarket services.

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

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

Uncertainty remains regarding the extent and timing of the current global economic recovery, particularly in those countries (such as in much of Europe) where economic conditions have recently regressed. We will continue to monitor the current economic environment and its potential impact on both the customers that we serve as well as our end-markets and closely manage our costs and capital resources so that we can respond appropriately as circumstances continue to change.

Table of Contents

Summary of Results

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

	Three months ended	
	November 30, 2012	November 30, 2011
Net revenue	$ 4,637,018	$ 4,326,769
Gross profit	$ 350,595	$ 340,010
Operating income	$ 170,281	$ 170,842
Net income attributable to Jabil Circuit, Inc.	$ 105,847	$ 112,872
Income per share basic	$ 0.52	$ 0.55
Income per share diluted	$ 0.51	$ 0.54
Cash dividend per share declared	$ 0.08	$ 0.08

Key Performance Indicators

Management regularly reviews financial and non-financial performance indicators to assess the Company s operating results. The following table sets forth, for the quarterly periods indicated, certain of management s key financial performance indicators:

	Three Months Ended			
	November 30, 2012	August 31, 2012	May 31, 2012	February 29, 2012
Sales cycle	9 days	7 days	12 days	15 days
Inventory turns (annualized)	7 turns	7 turns	7 turns	7 turns
Days in accounts receivable	28 days	23 days	24 days	24 days
Days in inventory	52 days	51 days	55 days	54 days
Days in accounts payable	71 days	67 days	67 days	63 days

The sales cycle is calculated as the sum of days in accounts receivable and days in inventory, less the days in accounts payable; accordingly, the variance in the sales cycle quarter over quarter is a direct result of changes in these indicators. During the three months ended November 30, 2012, days in accounts receivable increased five days to 28 days as compared to the prior sequential quarter primarily due to the timing of sales and collections activity. During the three months ended November 30, 2012, days in inventory increased one day to 52 days as compared to the prior sequential quarter largely to support revenue levels in the first month of the second quarter of fiscal year 2013. During the three months ended November 30, 2012, days in accounts payable increased four days to 71 days from the prior sequential quarter primarily due to the timing of purchases and cash payments for purchases during the respective quarters. The sales cycle was nine days during the three months ended November 30, 2012. The changes in the sales cycle are due to the changes in accounts receivable, accounts payable and inventory that are discussed above.

Critical Accounting Policies and Estimates

The preparation of our Condensed Consolidated Financial Statements and related disclosures in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that our estimates and assumptions are reasonable under the circumstances; however, actual results may vary from these estimates and assumptions under different future circumstances. For further discussion of our significant accounting policies, refer to Note 1 Description of Business and Summary of Significant Accounting Policies to the Consolidated Financial Statements and Management s Discussion and Analysis of Financial Condition and Results Operations Critical Accounting Policies and Estimates in our Annual Report on Form 10-K for the fiscal year ended August 31, 2012.

Recent Accounting Pronouncements

See Note 11 New Accounting Guidance to the Condensed Consolidated Financial Statements for a discussion of recent accounting guidance.

Results of Operations

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

	Three months ended	
	November 30, 2012	November 30, 2011
Net revenue	100.0%	100.0%
Cost of revenue	92.4	92.1
Gross profit	7.6	7.9
Operating expenses:		
Selling, general and administrative	3.7	3.6
Research and development	0.2	0.2
Amortization of intangibles	0.1	0.2
Operating income	3.6	3.9
Other expense	0.0	0.0
Interest income	(0.0)	(0.0)
Interest expense	0.6	0.6
Income before income tax	3.0	3.3
Income tax expense	0.7	0.7
Net income	2.3	2.6
Net (loss) income attributable to noncontrolling interests, net of income tax expense	(0.0)	0.0
Net income attributable to Jabil Circuit, Inc	2.3%	2.6%

The Three Months Ended November 30, 2012, Compared to the Three Months Ended November 30, 2011

Net Revenue. Net revenue increased 7.2% to $4.6 billion during the three months ended November 30, 2012, compared to $4.3 billion during the three months ended November 30, 2011. Specific increases include a 20% increase in the sale of Diversified Manufacturing Services (DMS) products and a 17% increase in the sale of Enterprise & Infrastructure (E&I) products. These increases are primarily due to increased revenue from certain of our existing customers, including new program wins with these customers, partially offset by weakness related to smart grid rollout encompassing meters and solar and wind related products within DMS. The increases in DMS and E&I were partially offset by a 20% decrease in the sale of High Velocity Systems (HVS) products which is primarily due to a decrease in the sale of mobility handset and printer products.

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

The distribution of revenue across our sectors has fluctuated, and will continue to fluctuate, as a result of numerous factors, including but not limited to the following: fluctuations in customer demand as a result of recessionary conditions; efforts to de-emphasize the economic performance of certain sectors; seasonality in our business; and business growth from new and existing customers.

Table of Contents

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

	Three months ended	
	November 30, 2012	November 30, 2011
DMS		
Specialized Services	31%	22%
Industrial & CleanTech	11%	13%
Healthcare & Instrumentation	5%	7%
Total DMS	**47%**	**42%**
Total E&I	**30%**	**28%**
Total HVS	**23%**	**30%**
Total	**100%**	**100%**

Foreign source revenue represented 86.4% and 86.7% of our net revenue during the three months ended November 30, 2012 and 2011, respectively. We currently expect our foreign source revenue to slightly decrease as compared to current levels over the course of the next 12 months.

Gross Profit. Gross profit increased to $350.6 million (7.6% of net revenue) during the three months ended November 30, 2012, compared to $340.0 million (7.9% of net revenue) during the three months ended November 30, 2011. Gross profit as a percentage of net revenue remained relatively consistent. The increase in gross profit on an absolute basis is due to increased sales levels.

Selling, General and Administrative. Selling, general and administrative expenses increased to $169.6 million (3.7% of net revenue) during the three months ended November 30, 2012, compared to $157.8 million (3.6% of net revenue) during the three months ended November 30, 2011. Selling, general and administrative expenses as a percentage of net revenue remained relatively consistent with the same period of the prior fiscal year. Selling, general and administrative expenses on a gross basis increased from the same period of the prior fiscal year due to incremental selling, general and administrative expense resulting from additional salary and salary related expenses associated with increased headcount to support the continued growth of our business and the acquisition of Telmar Network Technology, Inc. (Telmar) during the second quarter of fiscal year 2012.

Research and Development. Research and development expenses increased to $7.3 million (0.2% of net revenue) during the three months ended November 30, 2012, compared to $6.3 million (0.2% of net revenue) during the three months ended November 30, 2011. The increase is primarily due to new projects in targeted growth sectors.

Amortization of Intangibles. Amortization of intangible assets decreased to $3.5 million during the three months ended November 30, 2012, compared to $5.1 million during the three months ended November 30, 2011. The decrease was primarily attributable to certain intangible assets that became fully amortized since November 30, 2011, partially offset by an increase to amortization expense associated with the definite lived intangible assets acquired in connection with the acquisition of Telmar.

Other Expense. We recorded other expense of $1.6 million during the three months ended November 30, 2012, compared to $2.7 million during the three months ended November 30, 2011. The decrease during the three months ended November 30, 2012 was primarily due to incremental expense recognized during the three months ended November 30, 2011 of: (a) $0.4 million related to a program renewal fee associated with the North American asset-backed securitization program and (b) $0.4 million associated with fair value adjustments recorded in connection with customer warrants.

Interest Income. Interest income remained relatively constant at $0.5 million during the three months ended November 30, 2012, compared to $0.6 million during the three months ended November 30, 2011.

Interest Expense. We recorded interest expense of $29.6 million during the three months ended November 30, 2012, compared to $25.5 million during the three months ended November 30, 2011. The increase was primarily due to incremental interest associated with the issuance of the 4.700% Senior Notes during the fourth quarter of fiscal year 2012.

Income Tax Expense. Income tax expense reflects an effective tax rate of 24.4% during the three months ended November 30, 2012, as compared to an effective tax rate of 20.5% during the three months ended November 30, 2011. The effective tax rate increased from the previous period primarily due to the mix of tax rates and the expiration of the Hungarian tax incentive and a majority of the Chinese tax incentives during fiscal year 2012. Most of our international operations have historically been taxed at a lower rate than in the U.S., due to lower statutory tax rates and tax incentives granted to our sites in Brazil, China, Malaysia, Poland, Singapore and Vietnam. The material tax incentives expire at various dates through 2020. Such tax incentives are subject to conditions with which we expect to continue to comply.

Non-U.S. GAAP Core Financial Measures

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

Management believes that the non-U.S. GAAP core financial measures set forth below are useful to facilitate evaluating the past and future performance of our ongoing manufacturing operations over multiple periods on a comparable basis by excluding the effects of the amortization of intangibles and stock-based compensation expense and related charges. Among other uses, management uses non-U.S. GAAP core financial measures as a factor in determining certain employee performance when determining incentive compensation.

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

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

	Three months ended	
	November 30, 2012	**November 30, 2011**
Operating income (U.S. GAAP)	$ 170,281	$ 170,842
Amortization of intangibles	3,451	5,074
Stock-based compensation and related charges	18,803	18,665
Core operating income (Non-U.S. GAAP)	$ 192,535	$ 194,581
Net income attributable to Jabil Circuit, Inc. (U.S. GAAP)	$ 105,847	$ 112,872
Amortization of intangibles, net of tax	3,318	5,061
Stock-based compensation and related charges, net of tax	18,593	18,269
Core earnings (Non-U.S. GAAP)	$ 127,758	$ 136,202
Earnings per share: (U.S. GAAP)		
Basic	$ 0.52	$ 0.55
Diluted	$ 0.51	$ 0.54

Core earnings per share: (Non-U.S. GAAP)		
Basic	$ 0.63	$ 0.66
Diluted	$ 0.61	$ 0.65
Weighted average shares outstanding used in the calculations of earnings per share (U.S. GAAP & Non-U.S. GAAP):		
Basic	204,318	205,388
Diluted	207,816	209,937

Core operating income decreased 1.1% to $192.5 million during the three months ended November 30, 2012, compared to $194.6 million during the three months ended November 30, 2011. Core earnings decreased 6.2% to $127.8 million during the three months ended November 30, 2012, compared to $136.2 million during the three months ended November 30, 2011. These decreases were the result of the same factors described above in Management s Discussion and Analysis of Financial Condition and Results of Operations The Three Months Ended November 30, 2012, Compared to the Three Months Ended November 30, 2011 Gross Profit.

Acquisitions and Expansion

We have made a number of acquisitions in prior years that were accounted for using the acquisition method of accounting. Our Condensed Consolidated Financial Statements include the operating results of each business from the date of acquisition. See Risk Factors We have on occasion not achieved, and may not in the future achieve, expected profitability from our acquisitions.

Seasonality

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

Liquidity and Capital Resources

At November 30, 2012, our principle sources of liquidity consisted of cash, available borrowings under our credit facilities, our asset-backed securitization programs, our trade accounts receivable factoring agreement and our committed and uncommitted trade accounts receivable sale programs.

Cash Flows

The following table sets forth selected consolidated cash flow information during the three months ended November 30, 2012 and 2011 (in thousands):

	Three months ended	
	November 30, 2012	**November 30, 2011**
Net cash provided by operating activities	$ 151,914	$ 114,573
Net cash used in investing activities	(164,504)	(94,576)
Net cash used in financing activities	(174,552)	(32,479)
Effect of exchange rate changes on cash	(80)	(14,225)
Net decrease in cash and cash equivalents	$ (187,222)	$ (26,707)

Net cash provided by operating activities during the three months ended November 30, 2012 was approximately $151.9 million. This resulted primarily from net income of $105.6 million, a $424.1 million increase in accounts payable and accrued expenses, $95.2 million in non-cash depreciation and amortization expense and $18.8 million in non-cash stock-based compensation expense; which were partially offset by a $308.5 million increase in accounts receivable and a $195.3 million increase in inventories. The increase in accounts payable and accrued expenses was primarily driven by the timing of purchases and cash payments. The increase in accounts receivable was primarily driven by the timing of sales and collections activity coupled with higher sales levels. The increase in inventories was primarily to support revenue levels in the first month of the second quarter of fiscal year 2013.

Net cash used in investing activities during the three months ended November 30, 2012 was $164.5 million. This consisted primarily of capital expenditures of $166.5 million principally for machinery and equipment for new business within our DMS segment, maintenance levels of machinery and equipment and information technology infrastructure upgrades.

Net cash used in financing activities during the three months ended November 30, 2012 was $174.6 million. This resulted from our receipt of approximately $776.5 million of proceeds from borrowings under existing debt agreements, which primarily included an aggregate of $720.0 million of borrowings under the Company s five year unsecured credit facility amended as of December 7, 2010 (the Amended and Restated Credit Facility) and $56.5 million of borrowings under various credit facilities with foreign subsidiaries. This was offset by repayments in an aggregate amount of approximately $787.2 million, which primarily included an aggregate of $720.0 million of repayments under the Amended and Restated Credit Facility and approximately $64.5 million of repayments under various credit facilities with foreign subsidiaries. In addition, we paid $129.3 million, including commissions, to repurchase 7,342,904 of our common shares, $19.9 million to the IRS on behalf of certain employees to satisfy minimum tax obligations related to the vesting of certain restricted stock awards (as consideration for these payments to the IRS, we withheld $19.9 million of employee-owned common stock related to this vesting) and we paid $18.6 million in dividends to stockholders during the three months ended November 30, 2012.

Sources

We may need to finance day-to-day working capital needs, as well as future growth and any corresponding working capital needs, with additional borrowings under our Amended and Restated Credit Facility and our other revolving credit facilities described below, as well as additional public and private offerings of our debt and equity. Currently, we have a shelf registration statement with the SEC registering the potential sale of an indeterminate amount of debt and equity securities in the future, from time-to-time over the three years following the registration, to augment our liquidity and capital resources. The current shelf registration statement will expire in the first quarter of fiscal year 2015 at which time we currently anticipate filing a new shelf registration statement. Any future sale or issuance of equity or convertible debt securities could result in dilution to current or future shareholders. Further, we may issue debt securities that have rights and privileges senior to those of holders of ordinary shares, and the terms of this debt could impose restrictions on operations, increase debt service obligations, limit our flexibility as a result of debt service requirements and restrictive covenants, potentially negatively affect our credit ratings, and limit our ability to access additional capital or execute our business strategy. We continue to assess our capital structure and evaluate the merits of redeploying available cash to reduce existing debt or repurchase common shares.

We regularly sell designated pools of trade accounts receivable under two asset-backed securitization programs, a factoring program, a committed trade accounts receivable sale program and two uncommitted trade accounts receivable sale programs (collectively referred to herein as the programs). Transfers of the receivables under the programs are accounted for as sales and, accordingly, net receivables sold under the programs are excluded from accounts receivable on the Condensed Consolidated Balance Sheets and are reflected as cash provided by operating activities on the Condensed Consolidated Statements of Cash Flows. Discussion of each of the programs is included in the following paragraphs. In addition, refer to Note 7 Trade Accounts Receivable Securitization and Sale Programs to the Condensed Consolidated Financial Statements for further details on the programs.

a. Asset-Backed Securitization Programs

We continuously sell designated pools of trade accounts receivable under our asset-backed securitization programs to special purpose entities, which in turn sell 100% of the receivables to conduits administered by unaffiliated financial institutions (for the North American asset-backed securitization program) and an unaffiliated financial institution (for the foreign asset-backed securitization program). Any portion of the purchase price for the receivables which is not paid in cash upon the sale taking place is recorded as a deferred purchase price receivable, which is paid from available cash as payments on the receivables are collected. Net cash proceeds up to a maximum of $300.0 million for the North American asset-backed securitization program and $200.0 million for the foreign asset-backed securitization program are available at any one time.

In connection with our asset-backed securitization programs, at November 30, 2012, we had sold $716.8 million of eligible trade accounts receivable, which represents the face amount of total sold outstanding receivables at that date. In exchange, we received cash proceeds of

$280.2 million, and a deferred purchase price receivable. At November 30, 2012, the net deferred purchase price receivable totaled approximately $436.9 million. The deferred purchase price receivable was recorded initially at fair value as prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets.

b. Trade Accounts Receivable Factoring Agreement

In connection with a factoring agreement, we transfer ownership of eligible trade accounts receivable of a foreign subsidiary without recourse to a third party purchaser in exchange for cash. Proceeds from the transfer reflect the face value of the account less a discount. In October 2012, the factoring agreement was extended through March 31, 2013, at which time it is expected to automatically renew for an additional six-month period.

During the three months ended November 30, 2012, we sold $14.2 million of trade accounts receivable and received cash proceeds of $14.2 million under the factoring agreement.

c. Trade Accounts Receivable Sale Programs

In connection with three separate trade accounts receivable sale agreements with unaffiliated financial institutions, we may elect to sell, at a discount, on an ongoing basis, up to a maximum of $200.0 million, $150.0 million and $40.0 million, respectively, of specific trade accounts receivable at any one time. The $200.0 million trade accounts receivable sale agreement is a committed facility scheduled to expire on May 28, 2013 that amended and restated an existing uncommitted facility during the first quarter of fiscal year 2013 to change the facility to a committed facility and to reduce the capacity from $250.0 million to $200.0 million. The $150.0 million trade accounts receivable sale agreement is an uncommitted facility that was entered into during the first quarter of fiscal year 2013 and is scheduled to expire on November 28, 2013. The $40.0 million trade accounts receivable sale agreement is an uncommitted facility and is scheduled to expire no later than June 1, 2015, though either party may elect to cancel the agreement by giving prior written notification to the other party of no less than 30 days.

During the three months ended November 30, 2012, we sold $0.7 billion of trade accounts receivable and received cash proceeds of $0.7 billion under these programs.

Notes payable and long-term debt outstanding at November 30, 2012 and August 31, 2012, are summarized below (in thousands):

	November 30, 2012	August 31, 2012
7.750% Senior Notes due 2016	$ 305,650	$ 305,221
8.250% Senior Notes due 2018	397,998	397,903
5.625% Senior Notes due 2020	400,000	400,000
4.700% Senior Notes due 2022	500,000	500,000
Borrowings under credit facilities		8,000
Borrowings under loans	53,456	56,036
Fair value adjustment related to terminated interest rate swap on the 7.750% Senior Notes		