PLEXUS CORP
Form 10-Q
August 05, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(X) Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended July 2, 2011
or

( ) Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number 001-14423

PLEXUS CORP.
(Exact name of registrant as specified in charter)

Wisconsin	39-1344447
(State of Incorporation)	(IRS Employer Identification No.)

One Plexus Way
Neenah, Wisconsin 54956
(Address of principal executive offices)(Zip Code)
Telephone Number (920) 722-3451
(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 ü 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 ü 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 ü	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 ü

As of July 29, 2011, there were 35,432,308 shares of Common Stock of the Company outstanding.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

PLEXUS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(in thousands, except per share data)
Unaudited

	Three Months Ended		Nine Months Ended	
	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010
Net sales	$ 559,183	$ 536,384	$ 1,693,102	$ 1,457,761
Cost of sales	505,109	480,836	1,528,648	1,307,201
Gross profit	54,074	55,548	164,454	150,560
Selling and administrative expenses	29,189	28,516	85,310	79,918
Operating income	24,885	27,032	79,144	70,642
Other income (expense):				
Interest expense	(3,301)	(2,359)	(7,564)	(7,336)
Interest income	388	320	954	1,143
Miscellaneous	750	(128)	593	(239)
Income before income taxes	22,722	24,865	73,127	64,210
Income tax expense	682	497	2,194	1,284
Net income	$ 22,040	$ 24,368	$ 70,933	$ 62,926
Earnings per share:				
Basic	$ 0.60	$ 0.60	$ 1.81	$ 1.58
Diluted	$ 0.58	$ 0.59	$ 1.78	$ 1.54
Weighted average shares outstanding:				
Basic	37,021	40,337	39,135	39,935
Diluted	37,860	41,208	39,923	40,753

Comprehensive income:				
Net income	$ 22,040	$ 24,368	$ 70,933	$ 62,926
Derivative instrument fair market value adjustment net of income tax	818	(573)	3,265	1,353
Foreign currency translation adjustments	281	30	2,651	(1,136)
Comprehensive income	$ 23,139	$ 23,825	$ 76,849	$ 63,143

See notes to condensed consolidated financial statements.

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PLEXUS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)
Unaudited

	July 2, 2011	October 2, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 208,729	$ 188,244
Accounts receivable, net of allowances of $2,353 and $1,400, respectively	301,213	311,205
Inventories	484,041	492,430
Deferred income taxes	22,054	18,959
Prepaid expenses and other	19,965	15,153
Total current assets	1,036,002	1,025,991
Property, plant and equipment, net	247,785	235,714
Deferred income taxes	10,158	11,787
Other	18,587	16,887
Total assets	$1,312,532	$1,290,379
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	$ 17,191	$ 17,409
Accounts payable	307,864	360,686
Customer deposits	32,542	27,301
Accrued liabilities:		
Salaries and wages	37,290	46,639
Other	48,602	50,484
Total current liabilities	443,489	502,519
Long-term debt and capital lease obligations, net of current portion	274,677	112,466
Other liabilities	21,709	23,539
Total non-current liabilities	296,386	136,005
Commitments and contingencies (Note 13)	-	-
Shareholders equity:		
Preferred stock, $.01 par value, 5,000 shares authorized, none issued or outstanding	-	-

Common stock, $.01 par value, 200,000 shares authorized, 48,278 and 47,849 shares issued, respectively, and 35,549 and 40,403 shares outstanding, respectively	483	478
Additional paid-in capital	413,405	399,054
Common stock held in treasury, at cost, 12,729 and 7,446 shares, respectively	(370,513)	(200,110)
Retained earnings	516,501	445,568
Accumulated other comprehensive income	12,781	6,865
Total shareholders equity	572,657	651,855
Total liabilities and shareholders equity	$1,312,532	$1,290,379

See notes to condensed consolidated financial statements.

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PLEXUS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
Unaudited

	Nine Months Ended	
	July 2, 2011	July 3, 2010
Cash flows from operating activities		
Net income	$ 70,933	$ 62,926
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation	34,420	29,206
Loss (gain) on sale of property, plant and equipment	40	(215)
Deferred income taxes	1,646	(7,275)
Stock based compensation expense	8,218	7,104
Changes in operating assets and liabilities:		
Accounts receivable	11,472	(81,713)
Inventories	10,182	(146,869)
Prepaid expenses and other	(6,467)	(4,784)
Accounts payable	(55,471)	80,203
Customer deposits	5,117	1,561
Accrued liabilities and other	(12,889)	33,095
Cash flows provided by (used in) operating activities	67,201	(26,761)
Cash flows from investing activities		
Payments for property, plant and equipment	(47,391)	(47,332)
Proceeds from sales of property, plant and equipment	2,080	231
Cash flows used in investing activities	(45,311)	(47,101)
Cash flows from financing activities		
Proceeds from debt issuance	175,000	-
Payments on debt and capital lease obligations	(13,142)	(16,704)
Purchases of common stock	(170,403)	-
Proceeds from exercise of stock options	4,899	20,815
Income tax benefit of stock option exercises	1,239	2,111
Cash flows (used in) provided by financing activities	(2,407)	6,222
Effect of exchange rate changes on cash and cash equivalents	1,002	(539)

Net increase (decrease) in cash and cash equivalents	20,485	(68,179)
Cash and cash equivalents:		
Beginning of period	188,244	258,382
End of period	$ 208,729	$ 190,203

See notes to condensed consolidated financial statements.

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PLEXUS CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JULY 2, 2011 AND JULY 3, 2010
Unaudited

NOTE 1 - BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements included herein have been prepared by Plexus Corp. and its subsidiaries (Plexus or the Company) without audit and pursuant to the rules and regulations of the United States Securities and Exchange Commission (SEC). In the opinion of the Company, the accompanying condensed consolidated financial statements reflect all adjustments, which include normal recurring adjustments necessary for the fair statement of the consolidated financial position of the Company as of July 2, 2011, and the results of operations for the three and nine months ended July 2, 2011 and July 3, 2010, and the cash flows for the same nine month periods.

Certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted pursuant to the SEC s rules and regulations dealing with interim financial statements. However, the Company believes that the disclosures made in the condensed consolidated financial statements included herein are adequate to make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company s 2010 Annual Report on Form 10-K.

The Company s fiscal year ends on the Saturday closest to September 30. The Company also uses a 4-4-5 weekly accounting system for the interim periods in each quarter. Each quarter therefore ends on a Saturday at the end of the 4-4-5 period. Periodically, an additional week must be added to the fiscal year to re-align with the Saturday closest to September 30. The accounting periods for the three and nine months ended July 2, 2011 and July 3, 2010 each included 91 days and 273 days, respectively.

In the fiscal first quarter of 2011, as previously announced, we completed our migration to a regional reporting structure. This change included establishing regional targets for various financial metrics, delegating additional authority to the regions to manage their business, and changing our related internal reporting. Given this change to regional reporting and management, as well as in the information used by management for assessing performance and allocating Company resources, we modified our reporting segments. Prior to fiscal 2011, the Company s reportable segments consisted of the United States, Asia, Europe and Mexico. During the fiscal first quarter of 2011, we combined our United States and Mexico segments into the Americas (AMER) segment and renamed our Asia segment Asia Pacific (APAC) and our Europe segment Europe, Middle East and Africa (EMEA) to better represent our long-range regional focus. As a result, we have conformed all prior period segment presentations to be consistent with our current reportable segments. See Note 10 - Business Segment, Geographic and Major Customer Information for further information.

Cash and Cash Equivalents:

Cash and cash equivalents include highly liquid investments with original maturities of three months or less at the time of purchase.

Fair Value of Financial Instruments

The Company holds financial instruments consisting of cash and cash equivalents, accounts receivable, accounts payable, debt, and capital lease obligations. The carrying values of cash and cash equivalents, accounts receivable, accounts payable and capital lease obligations as reported in the condensed consolidated financial statements approximate fair value. Accounts receivable were reflected at net realizable value based on anticipated losses due to potentially uncollectible balances. Anticipated losses were based on management s analysis of historical losses and changes in customers credit status. The fair value of the Company s long-term debt was $302.4 million and $105.2 million as of July 2, 2011 and October 2, 2010, respectively. The carrying value of the

Company s long-term debt was $276.3 million and $112.5 million as of July 2, 2011 and October 2, 2010, respectively. The Company uses quoted market prices when available or discounted cash flows to calculate the fair value of its term loan debt.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (or exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The accounting guidance establishes a fair value hierarchy based on three levels of inputs that may be used to measure fair value. The input levels are:

Level 1: Quoted (observable) market prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability.

NOTE 2 - INVENTORIES

Inventories are stated at the lower of cost (on a first-in, first-out basis) or market value. The stated cost is comprised of direct materials, labor, and overhead. The major classes of inventories, net of applicable lower of cost or market write-downs, were as follows (in thousands):

	July 2, 2011	October 2, 2010
Raw materials	$ 356,122	$ 365,883
Work-in-process	42,578	56,036
Finished goods	85,341	70,511
	$ 484,041	$ 492,430

Per contractual terms, customer deposits are received by the Company to offset obsolete and excess inventory risks. The total amount of customer deposits related to inventory and included within current liabilities on the accompanying Condensed Consolidated Balance Sheets as of July 2, 2011 and October 2, 2010 was $31.2 million and $25.8 million, respectively.

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

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

	July 2, 2011	October 2, 2010
Land, buildings and improvements	$ 156,276	$ 138,230
Machinery and equipment	271,569	255,138
Computer hardware and software	82,902	79,108
Construction in progress	24,281	22,145
	535,028	494,621
Less: accumulated depreciation	(287,243)	(258,907)
	$ 247,785	$ 235,714

NOTE 4 - LONG-TERM DEBT

On April 4, 2008, the Company entered into its credit agreement (the Credit Facility) with a group of banks which allows the Company to borrow $150 million in term loans and $100 million in revolving loans. The

$150 million in term loans was immediately funded and the $100 million revolving credit facility is currently available. The Credit Facility is unsecured and the revolving credit facility may be increased by an additional $100

million (the accordion feature) if the Company has not previously terminated all or any portion of the Credit Facility, there is no event of default existing under the Credit Facility and both the Company and the administrative agent consent to the increase. The Credit Facility expires on April 4, 2013. Borrowings under the Credit Facility may be either through term loans or revolving or swing loans or letter of credit obligations. As of July 2, 2011, the Company has term loan borrowings of $101.3 million outstanding and no revolving borrowings under the Credit Facility.

The Credit Facility contains certain financial covenants, which include a maximum total leverage ratio, maximum value of fixed rentals and operating lease obligations, a minimum interest coverage ratio and a minimum net worth test, all as defined in the agreement. As of July 2, 2011, the Company was in compliance with all debt covenants. If the Company incurs an event of default, as defined in the Credit Facility (including any failure to comply with a financial covenant), the group of banks has the right to terminate the remaining Credit Facility and all other obligations, and demand immediate repayment of all outstanding sums (principal and accrued interest). The interest rate on the borrowing varies depending upon the Company s then-current total leverage ratio; as of July 2, 2011, the Company could elect to pay interest at a defined base rate or the LIBOR rate plus 1.50%. Rates would increase upon negative changes in specified Company financial metrics and would decrease upon reduction in the current total leverage ratio to no less than LIBOR plus 1.00%. The Company is also required to pay an annual commitment fee on the unused credit commitment based on its leverage ratio; the current fee is 0.375%. Unless the accordion feature is exercised, this fee applies only to the initial $100 million of availability (excluding the $150 million of term borrowings). Origination fees and expenses associated with the Credit Facility totaled approximately $1.3 million and have been deferred. These origination fees and expenses are being amortized over the five-year term of the Credit Facility. Equal quarterly principal repayments of the term loan of $3.75 million per quarter began on June 30, 2008 and end on April 4, 2013, with a balloon repayment of $75.0 million.

The Credit Facility allows for the future payment of cash dividends or the future repurchases of shares provided that no event of default (including any failure to comply with a financial covenant) is existing at the time of, or would be caused by, a dividend payment or a share repurchase.

On April 21, 2011, the Company entered into a Note Purchase Agreement (the Agreement) with certain institutional investors related to $175 million in principal amount of 5.20% Senior Notes, due on June 15, 2018 (the Notes). The Company issued $100 million in principal amount of the Notes on April 21, 2011, and the remaining $75 million on June 15, 2011. The Agreement includes operational and financial covenants which include a maximum total leverage ratio, a minimum interest coverage ratio and restrictions on additional indebtedness, liens and dispositions, all as defined in the Agreement. As of July 2, 2011, the Company was in compliance with all debt covenants. The Notes are unsecured and rank at least equally and ratably in point and security with the other unsecured and unsubordinated financing facilities of the Company. Our effective interest rate on the Notes after the treasury rate lock agreement discussed in Note 5 Derivatives and Fair Value Measurements is 4.97%. Origination fees and expenses associated with the Agreement totaled approximately $0.9 million and have been deferred. These origination fees and expenses are being amortized over the seven-year term of the Notes. Semi-annual interest payments began on June 15, 2011 and end on June 15, 2018 with full repayment of the total principal of the Notes.

Interest expense related to the commitment fee and amortization of deferred origination fees and expenses for the Credit Facility and Agreement totaled approximately $0.2 million for both the three months ended July 2, 2011 and July 3, 2010, and $0.5 million for both the nine months ended July 2, 2011 and July 3, 2010.

NOTE 5 - DERIVATIVES AND FAIR VALUE MEASUREMENTS

All derivatives are recognized in the accompanying Condensed Consolidated Balance Sheets at their estimated fair values. On the date a derivative contract is entered into, the Company designates the derivative as a hedge of a recognized asset or liability (a fair value hedge), a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (a cash flow hedge), or a hedge of the net investment in a foreign operation. The Company currently has cash flow hedges related to variable rate debt and forecasted foreign currency payments. The Company does not enter into derivatives for speculative purposes. Changes in the fair value of the derivatives that qualify as cash flow hedges are recorded in Accumulated other comprehensive income in the accompanying Condensed Consolidated Balance Sheets until earnings are affected by the variability of the cash flows.

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During the fiscal second quarter of 2011, the Company entered into forward exchange contracts to fix the exchange rates on foreign currency cash used to pay for capital expenditures related to the construction of our fourth facility in Malaysia. Changes in the fair value of the forward contracts are recorded in Accumulated other comprehensive income on the accompanying Condensed Consolidated Balance Sheets until earnings are affected by the variability of cash flows. As of July 2, 2011, the total notional value of the forward contracts was $8.4 million and the total fair value of these forward contracts was $0.2 million.

During the fiscal second quarter of 2011, the Company entered into two separate treasury rate lock contracts to hedge the variability of the fixed interest rate on the then forecasted issuance of $175 million of fixed rate debt using a treasury lock transaction. The fixed interest rates for each of these contracts were 2.77% and 2.72%, respectively, with a notional value of $150 million. On April 4, 2011, the Company entered into a final treasury rate lock transaction for the remaining $25 million of exposure at a rate of 2.88%. On April 8, 2011, when the fixed interest rate for the debt issuance was determined, all three treasury rate lock contracts were settled and the Company received proceeds of $2.3 million, which will be amortized over the seven year term of the related debt.

In June 2008, the Company entered into three interest rate swap contracts related to the $150 million in term loans under the Credit Facility that had an initial total notional value of $150 million and mature on April 4, 2013. These interest rate swap contracts will pay the Company variable interest at the three month LIBOR rate, and the Company will pay the counterparties a fixed interest rate. The fixed interest rates for each of these contracts are 4.415%, 4.490% and 4.435%, respectively. These interest rate swap contracts were entered into to convert $150 million of the variable rate term loan under the Credit Facility into fixed rate debt. Based on the terms of the interest rate swap contracts and the underlying debt, these interest rate contracts were determined to be effective, and thus qualify as a cash flow hedge. As such, any changes in the fair value of these interest rate swaps are recorded in Accumulated other comprehensive income on the accompanying Condensed Consolidated Balance Sheets until earnings are affected by the variability of cash flows. The total fair value of these interest rate swap contracts was $6.2 million as of July 2, 2011. As of July 2, 2011, the total remaining combined notional amount of the Company s three interest rate swaps was $101.3 million.

The Company s Malaysian operations have entered into forward exchange contracts on a rolling basis with a total notional value of $50.0 million as of July 2, 2011. These forward contracts will fix the exchange rates on foreign currency cash used to pay a portion of local currency expenses. Changes in the fair value of the forward contracts are recorded in Accumulated other comprehensive income on the accompanying Condensed Consolidated Balance Sheets until earnings are affected by the variability of cash flows. The total fair value of these forward contracts was $1.6 million as of July 2, 2011.

The tables below present information regarding the fair values of derivative instruments (as defined in Note 1 Basis of Presentation and Accounting Policies) and the effects of derivative instruments on the Company s Condensed Consolidated Statements of Operations:

Fair Values of Derivative Instruments

In thousands of dollars

	Asset Derivatives			Liability Derivatives		
		July 2, 2011	October 2, 2010		July 2, 2011	October 2, 2010
Derivatives designated as hedging instruments	Balance Sheet Location	Fair Value	Fair Value	Balance Sheet Location	Fair Value	Fair Value
Interest rate swaps		-	-	Current liabilities Other	$3,516	$3,616

Interest rate swaps		-	-	Other liabilities	$2,637	$5,423
Forward contracts	Prepaid expenses and other	$ 1,550	$ 2,612		-	-
Forward contracts	Prepaid expenses and other	$ 196	-		-	-

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The Effect of Derivative Instruments on the Condensed Consolidated Statements of Operations for the Three Months Ended

In thousands of dollars

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in Other Comprehensive Income (OCI) on Derivative (Effective Portion)		Location of Gain or (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)	
	July 2, 2011	July 3, 2010		July 2, 2011	July 3, 2010		July 2, 2011	July 3, 2010
Interest rate swaps	$ (676)	$ (1,817)	Interest income (expense)	$ (1,085)	$ (1,160)	Other income (expense)	$ -	$ -
Forward contracts	$ 695	$ 579	Selling and administrative expenses	$ 953	$ 749	Other income (expense)	$ -	$ -
Treasury rate locks	$ 869	$ -	Interest income (expense)	$ 43	$ -	Other income (expense)	$ -	$ -

The Effect of Derivative Instruments on the Condensed Consolidated Statements of Operations for the Nine Months Ended

In thousands of dollars

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in Other Comprehensive Income (OCI) on Derivative (Effective Portion)		Location of Gain or (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)	
	July 2, 2011	July 3, 2010		July 2, 2011	July 3, 2010		July 2, 2011	July 3, 2010
Interest rate swaps	$ (420)	$ (3,160)	Interest income (expense)	$ (3,306)	$ (3,715)	Other income (expense)	$ -	$ -
Forward contracts	$ 2,108	$ 2,447	Selling and administrative expenses	$ 2,848	$ 1,150	Other income (expense)	$ -	$ -
Treasury rate locks	$ 2,281	$ -	Interest income (expense)	$ 43	$ -	Other income (expense)	$ -	$ -

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The following table lists the fair values of the Company s derivatives as of July 2, 2011, by input level as defined in Note 1 Basis of Presentation and Accounting Policies:

	Fair Value Measurements Using Input Levels: (in thousands)			
	Level 1	**Level 2**	**Level 3**	**Total**
Derivatives				
Interest rate swaps	$ -	$ 6,153	$ -	$ 6,153
Foreign currency forward contracts	$ -	$ 1,746	$ -	$ 1,746

The fair value of interest rate swaps and foreign currency forward contracts is determined using a market approach which includes obtaining directly or indirectly observable values from third parties active in the relevant markets. The primary input in the fair value of the interest rate swaps is the relevant LIBOR forward curve. Inputs in the fair value of the foreign currency forward contracts include prevailing forward and spot prices for currency and interest rate forward curves.

NOTE 6 - EARNINGS PER SHARE

The following is a reconciliation of the amounts utilized in the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010
Basic and Diluted Earnings Per Share:				
Net income	$ 22,040	$ 24,368	$ 70,933	$ 62,926
Basic weighted average common shares outstanding	37,021	40,337	39,135	39,935
Dilutive effect of stock options outstanding	839	871	788	818
Diluted weighted average shares outstanding	37,860	41,208	39,923	40,753
Earnings per share:				
Basic	$ 0.60	$ 0.60	$ 1.81	$ 1.58
Diluted	$ 0.58	$ 0.59	$ 1.78	$ 1.54

For the three and nine months ended July 2, 2011, stock options and stock-settled stock appreciation rights (SARs) related to approximately 1.1 million and 1.2 million shares, respectively, were outstanding but were not included in the computation of diluted earnings per share because the options and stock-settled SARs exercise prices were greater than the average market price of the Company s common shares and, therefore, their effect would be antidilutive.

For the three and nine months ended July 3, 2010, stock options and stock-settled SARs related to approximately 0.8 million and 1.1 million shares, respectively, were outstanding but were not included in the

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computation of diluted earnings per share because the options and stock-settled SARs exercise prices were greater than the average market price of the Company s common shares and, therefore, their effect would be antidilutive.

NOTE 7 - STOCK-BASED COMPENSATION

The Company recognized $2.7 million and $8.2 million of compensation expense associated with stock-based awards for the three and nine months ended July 2, 2011, respectively, and $2.4 million and $7.1 million for the three and nine months ended July 3, 2010, respectively.

The Company continues to use the Black-Scholes valuation model to determine the fair value of stock options and stock-settled SARs. The Company uses the fair value at the date of grant to value restricted stock units and unrestricted stock awards. The Company recognizes stock-based compensation expense over the stock-based awards vesting period.

NOTE 8 - SHAREHOLDERS EQUITY

On February 16, 2011, as previously announced, the Company s Board of Directors approved a new share repurchase program that authorizes the Company to repurchase up to $200 million of common stock. As of July 2, 2011, the Company repurchased 5.3 million shares for approximately $170.4 million, at a weighted average price of $32.24 per share. These shares were recorded as treasury stock. As of July 2, 2011, the Company had a commitment of approximately $4.6 million related to the purchase of 0.1 million shares, which were purchased before July 2, 2011, but settled after the end of the fiscal third quarter.

NOTE 9 - INCOME TAXES

Income tax expense for the three and nine months ended July 2, 2011 was $0.7 million and $2.2 million, respectively. The effective tax rates for both the three and nine months ended July 2, 2011 were 3 percent. As demonstrated in recent quarters, the Company s tax rate can vary during the year based on the mix of forecasted earnings by tax jurisdiction. The Company currently benefits from reduced taxes in the Asia Pacific segment due to tax holidays.

Income tax expense for the three and nine months ended July 3, 2010 was $0.5 million and $1.3 million, respectively. The effective tax rates for both the three and nine months ended July 3, 2010 were 2 percent.

As of July 2, 2011, there was no material change in the amounts recorded for uncertain tax positions. The Company recognizes accrued interest and penalties related to uncertain tax positions in income tax expense. The amount of interest and penalties recorded for both the three and nine months ended July 2, 2011 and July 3, 2010 was not material.

It is reasonably possible that a number of uncertain tax positions related to federal and state tax positions may be settled within the next 12 months. Settlement of these matters is not expected to have a material effect on the Company s consolidated results of operations, financial position and cash flows.

The Company maintains valuation allowances when it is more likely than not that all or a portion of a deferred tax asset will not be realized. Despite recent losses in the United States tax jurisdiction, the Company has concluded that it continues to be more likely than not that the net U.S. deferred tax assets will be realized, and no valuation allowance is currently warranted. Our net deferred tax assets as of July 2, 2011, reflect a $1.6 million valuation allowance against certain state deferred income taxes and a remaining valuation allowance of $1.0 million related to state tax deductions associated with stock-based compensation. If the United States operations continue to generate taxable losses, there may be a need to provide an additional valuation allowance on our net United States deferred tax assets.

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NOTE 10 - BUSINESS SEGMENT, GEOGRAPHIC AND MAJOR CUSTOMER INFORMATION

Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or group, in assessing performance and allocating resources.

In the fiscal first quarter of 2011, we completed our migration to a regional reporting structure, and as a result, modified our reportable segments. See Note 1 Basis of Presentation and Accounting Policies for further information.

The Company uses an internal management reporting system, which provides important financial data to evaluate performance and allocate the Company s resources on a regional basis. Net sales for segments are attributed to the region in which the product is manufactured or service is performed. The services provided, manufacturing processes used, class of customers serviced and order fulfillment processes used are similar and generally interchangeable across the segments. A segment s performance is evaluated based upon its operating income (loss). A segment s operating income (loss) includes its net sales less cost of sales and selling and administrative expenses, but excludes corporate and other costs, interest expense, other income (loss), and income taxes. Corporate and other costs primarily represent corporate selling and administrative expenses, and restructuring and impairment costs, if any. These costs are not allocated to the segments, as management excludes such costs when assessing the performance of the segments. Inter-segment transactions are generally recorded at amounts that approximate arm s length transactions. The accounting policies for the regions are the same as for the Company taken as a whole.

Information about the Company s three reportable segments for the three and nine months ended July 2, 2011 and July 3, 2010 were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010
Net sales:				
AMER	$ 305,448	$ 321,932	$ 981,895	$ 907,619
APAC	280,126	251,497	818,509	673,368
EMEA	24,423	18,503	68,818	51,070
Elimination of inter-segment sales	(50,814)	(55,548)	(176,120)	(174,296)
	$ 559,183	$ 536,384	$ 1,693,102	$ 1,457,761
Depreciation:				
AMER	$ 3,781	$ 3,508	$ 11,283	$ 10,046
APAC	5,304	4,823	15,736	13,489
EMEA	836	468	2,068	1,443
Corporate	1,773	1,596	5,333	4,228
	$ 11,694	$ 10,395	$ 34,420	$ 29,206
Operating income (loss):				
AMER	$ 15,278	$ 18,699	$ 52,777	$ 55,235
APAC	30,593	31,509	92,855	83,897
EMEA	(1,031)	41	(1,237)	(829)
Corporate and other costs	(19,955)	(23,217)	(65,251)	(67,661)
	$ 24,885	$ 27,032	$ 79,144	$ 70,642

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	Three Months Ended		Nine Months Ended	
	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010
Capital expenditures:				
AMER	$ 2,452	$ 6,898	$ 10,712	$ 13,510
APAC	12,620	2,732	27,661	19,380
EMEA	3,734	560	6,719	906
Corporate	399	5,707	2,299	13,536
	$ 19,205	$ 15,897	$ 47,391	$ 47,332

	July 2, 2011	October 2, 2010
Total assets:		
AMER	$ 452,984	$ 495,639
APAC	620,660	539,543
EMEA	86,028	84,786
Corporate	152,860	170,411
	$ 1,312,532	$ 1,290,379

The following enterprise-wide information is provided in accordance with the required segment disclosures. Net sales to unaffiliated customers were based on the Company s location providing product or services (in thousands):

	Three Months Ended		Nine Months Ended	
	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010
Net sales:				
United States	$ 279,468	$ 296,796	$ 898,688	$ 837,257
Malaysia	220,687	212,777	649,288	584,136
China	59,439	38,720	169,221	89,232
United Kingdom	19,825	18,225	59,307	50,368
Mexico	25,980	25,136	83,207	70,362
Romania	4,598	278	9,511	702
Elimination of inter-segment sales	(50,814)	(55,548)	(176,120)	(174,296)
	$ 559,183	$ 536,384	$ 1,693,102	$ 1,457,761

	July 2, 2011	October 2, 2010
Long-lived assets:		
United States	$ 56,402	$ 59,233
Malaysia	93,011	86,387
China	28,214	21,920
United Kingdom	10,333	7,248
Mexico	9,876	8,655

Romania	6,702	4,484
Corporate	43,247	47,787
	$ 247,785	$ 235,714

Long-lived assets as of both July 2, 2011 and October 2, 2010, exclude other long-term assets totaling $28.7 million.

The percentages of net sales to customers representing 10 percent or more of total net sales for the indicated periods were as follows:

	Three Months Ended		Nine Months Ended	
	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010
Juniper Networks, Inc. (Juniper)	17%	16%	17%	16%

No other customers accounted for 10 percent or more of net sales in any of the indicated periods.

NOTE 11 - GUARANTEES

The Company offers certain indemnifications under its customer manufacturing agreements. In the normal course of business, the Company may from time to time be obligated to indemnify its customers or its customers customers against damages or liabilities arising out of the Company s negligence, misconduct, breach of contract, or infringement of third party intellectual property rights. Certain agreements have extended broader indemnification, and while most agreements have contractual limits, some do not. However, the Company generally does not provide for such indemnities and seeks indemnification from its customers for damages or liabilities arising out of the Company s adherence to customers specifications or designs or use of materials furnished, or directed to be used, by its customers. The Company does not believe its obligations under such indemnities are material.

In the normal course of business, the Company also provides its customers a limited warranty covering workmanship, and in some cases materials, on products manufactured by the Company. Such warranty generally provides that products will be free from defects in the Company s workmanship and meet mutually agreed-upon specifications for periods generally ranging from 12 months to 24 months. If a product fails to comply with the Company s limited warranty, the Company s obligation is generally limited to correcting, at its expense, any defect by repairing or replacing such defective product. The Company s warranty generally excludes defects resulting from faulty customer-supplied components, design defects or damage caused by any party or cause other than the Company.

The Company provides for an estimate of costs that may be incurred under its limited warranty at the time product revenue is recognized and establishes additional reserves for specifically identified product issues. These costs primarily include labor and materials, as necessary, associated with repair or replacement and are included in the Company s accompanying Condensed Consolidated Balance Sheets in other current accrued liabilities. The primary factors that affect the Company s warranty liability include the value and the number of shipped units and historical and anticipated rates of warranty claims. As these factors are impacted by actual experience and future expectations, the Company assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Below is a table summarizing the activity related to the Company s limited warranty liability for fiscal 2010 and for the nine months ended July 2, 2011 (in thousands):

Limited warranty liability, as of October 3, 2009	$ 4,470
Accruals for warranties issued during the period	557
Settlements (in cash or in kind) during the period	(972)
Limited warranty liability, as of October 2, 2010	4,055
Accruals for warranties issued during the period	864
Settlements (in cash or in kind) during the period	(316)
Limited warranty liability, as of July 2, 2011	$ 4,603

NOTE 12 - LITIGATION

In the fiscal fourth quarter of 2010, the Company determined it would incur up to approximately $1.1 million relating to non-conforming inventory received from a supplier. The Company reached a settlement with the supplier during the fiscal first quarter of 2011 for $0.9 million, which has been received and recorded in selling and

administrative expenses in the nine months ended July 2, 2011.

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In the fiscal first quarter of 2010, the Company received settlement funds of approximately $3.2 million related to a court case in which the Company was a plaintiff. The settlement related to prior purchases of inventory and therefore was recorded in cost of sales.

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

NOTE 13 - CONTINGENCIES

We were notified in April 2009 by U.S. Customs and Border Protection (CBP) of its intention to conduct a customary Focused Assessment of our import activities during fiscal 2008 and of our processes and procedures to comply with U.S. Customs laws and regulations. We recorded an accrual in Other Accrued current liabilities at the time the amount became estimable and probable, which was not material to the financial statements. During September 2010, the Company reported errors relating to import trade activity from July 2004 to the date of Plexus report. The Company is currently awaiting final determination of CBP duties and fees. Plexus has agreed that it will implement improved processes and procedures and review these corrective measures with CBP. At this time, we do not believe that any deficiencies in processes or controls or unanticipated costs, unpaid duties or penalties associated with this matter will have a material adverse effect on Plexus or the Company s consolidated financial position, results of operations or cash flows.

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS

In June 2011, the Financial Accounting Standards Board (FASB) issued an amendment to comprehensive income guidance, which eliminates the option to present other comprehensive income (OCI) and its components in the statement of shareholders equity. The Company can elect to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. Under the two-statement approach, the first statement would include components of net income, and the second statement would include components of OCI. This guidance is effective for financial statements issued for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance is not anticipated to have a material impact on our consolidated financial position, results of operations or cash flows.

In May 2011, the FASB issued an amendment in common fair value measurement and disclosure requirements in U.S. GAAP and international financial reporting standards (IFRS). The amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. To improve consistency in application across jurisdictions some changes in wording are necessary to ensure that U.S. GAAP and IFRS fair value measurement and disclosure requirements are described in the same way. The amendment also provides for additional accounting guidance and disclosures related to fair value measurements. This guidance is effective for financial statements issued for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance is not anticipated to have a material impact on our consolidated financial position, results of operations or cash flows.

In October 2009, the FASB issued new accounting guidance for Multiple-Deliverable Revenue Arrangements, which establishes a selling price hierarchy for determining the selling price of a deliverable, replaces the term fair value in the revenue allocation guidance with selling price, eliminates the residual method of allocation by requiring that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method and requires that a vendor determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a stand-alone basis. The Company adopted this guidance beginning October 3, 2010, and the adoption did not have a material effect on our consolidated financial position, results of operations, or cash flows.

In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for the consolidation of variable interest entities (VIEs). The elimination of the concept of a qualifying special-purpose entity (QSPE) removes the exception from applying the consolidation guidance within this amendment. This amendment requires an enterprise to perform a qualitative analysis when determining whether or not it must consolidate a VIE. The amendment also requires an enterprise to continuously reassess whether it must consolidate a

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VIE. Additionally, the amendment requires enhanced disclosures about an enterprise s involvement with VIEs and any significant change in risk exposure due to that involvement, as well as how its involvement with VIEs impacts the enterprise s financial statements. Finally, an enterprise will be required to disclose significant judgments and assumptions used to determine whether or not to consolidate a VIE. The Company adopted this amendment beginning October 3, 2010, and the adoption did not have a material effect on our consolidated financial position, results of operations, or cash flows.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SAFE HARBOR CAUTIONARY STATEMENT:

The statements contained in this Form 10-Q that are not historical facts (such as statements in the future tense and statements including believe, expect, intend, plan, anticipate, goal, target and similar terms and c including all discussions of periods which are not yet completed, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, including, but not limited to:

the risk of customer delays, changes, cancellations or forecast inaccuracies in both ongoing and new programs

the poor visibility of future orders, particularly in view of current economic conditions

the economic performance of the industries, sectors and customers we serve

the effects of the volume of revenue from certain sectors or programs on our margins in particular periods

our ability to secure new customers, maintain our current customer base and deliver product on a timely basis

the risk that our revenue and/or profits associated with customers who are acquired by third parties will be negatively affected

the particular risks relative to new customers, including our arrangements with The Coca-Cola Company, which risks include customer and other delays, start-up costs, potential inability to execute, the establishment of appropriate terms of agreements and the lack of a track record of order volume and timing

the risks of concentration of work for certain customers

our ability to successfully manage a complex business model characterized by high customer and product mix, low volumes and demanding quality, regulatory and other requirements

the risk that new program wins and/or customer demand may not result in the expected revenue or profitability

the fact that customer orders may not lead to long-term relationships

the effects of the current constrained supply environment, which has led and may continue to lead to periods of shortages and delays in obtaining components based on the lack of capacity at some of our suppliers to meet increased demand, or which may cause customers to increase forecasts and orders to secure raw material supply or result in our inability to secure raw materials required to complete product assemblies

raw materials and component cost fluctuations particularly due to sudden increases in customer demand

the risks associated with excess and obsolete inventory, including the risk that inventory purchased on behalf of our customers may not be consumed or otherwise paid for by customers, resulting in an inventory write-off

the weakness of the global economy and the continuing instability of the global financial markets and banking system, including the potential inability of our customers or suppliers to access credit facilities

the effect of changes in the pricing and margins of products

the effect of start-up costs of new programs and facilities, including our recent and planned expansions, such as our potential new replacement facility in Oradea, Romania, and our plans to further expand in Penang, Malaysia, Darmstadt, Germany and Xiamen, China

the risk of unanticipated costs, unpaid duties and penalties related to an ongoing audit of our import compliance by U.S. Customs and Border Protection

possible unexpected costs and operating disruption in transitioning programs

the potential effect of fluctuations in the value of the currencies in which we transact business

the potential effect of world or local events or other events outside our control (such as drug cartel-related violence in Mexico, changes in oil prices, terrorism, war in the Middle East, and the earthquake and tsunami in Japan)

the impact of increased competition, and

other risks detailed herein, as well as in our SEC filings (particularly in Part I, Item 1A of our annual report on Form 10-K for the fiscal year ended October 2, 2010).

OVERVIEW

The following information should be read in conjunction with our condensed consolidated financial statements included herein and the Risk Factors section in Part I, Item 1A of our annual report on Form 10-K for the fiscal year ended October 2, 2010.

Plexus Corp. and its subsidiaries (together Plexus, the Company, or we) participate in the Electronic Manufacturing Services (EMS) industry. We deliver optimized Product Realization solutions through a unique Product Realization Value Stream service model. This customer focused service model seamlessly integrates innovative product design, customized supply chain solutions, uniquely configured focused factory manufacturing, global end-market fulfillment and after-market services to deliver comprehensive end-to-end solutions for customers. We provide these services to original equipment manufacturers (OEMs) and other technology companies in the wireline/networking, wireless infrastructure, medical, industrial/commercial and defense/security/aerospace market sectors. We provide advanced product development, manufacturing and testing services to our customers with a focus on the mid-to-lower-volume, higher complexity segment of the EMS market. Our customers products typically require exceptional production and supply-chain flexibility, necessitating an optimized demand-pull-based manufacturing and supply chain solution across an integrated global platform. Many of our customers products require complex configuration management and direct order fulfillment to their customers across the globe. In such cases we provide global logistics management and after-market service and repair. Our customers products may have stringent requirements for quality, reliability and regulatory compliance. We offer our customers the ability to outsource all phases of product realization, including product specifications; development, design and design verification; regulatory compliance support; prototyping and new product introduction; manufacturing test equipment development; materials sourcing, procurement and supply-chain management; product assembly/manufacturing, configuration and test; order fulfillment, logistics and service/repair.

Plexus is passionate about its goal to be the best EMS company in the world at providing services for customers that have mid-to-lower-volume requirements and a higher complexity of products. We have tailored our engineering services, manufacturing operations, supply-chain management, workforce, business intelligence systems, financial goals and metrics specifically to support these types of programs. Our flexible manufacturing facilities and processes are designed to accommodate customers with multiple product-lines and configurations as well as unique quality and regulatory requirements. Each of these customers is supported by a multi-disciplinary customer team and one or more uniquely configured focus factories supported by a supply-chain and logistics solution specifically designed to meet the flexibility and responsiveness required to support that customer s fulfillment requirements.

Our go-to-market strategy is also tailored to our target market sectors and business strategy. We have business development and customer management teams that are dedicated to each of the five sectors we serve. These teams are accountable for understanding the sector participants, technology, unique quality and regulatory requirements and longer-term trends in these sectors. Further, these teams help set our strategy for growth in these sectors with a particular focus on expanding the services and value-add that we provide to our current customers while strategically targeting select new customers to add to our portfolio.

Our financial model is aligned with our business strategy, with our primary focus to earn a return on invested capital (ROIC) 500 basis points in excess of our weighted average cost of capital (WACC). We review our internal calculation of WACC annually, and at the end of fiscal 2010 reduced our estimated WACC to 13.5%. The smaller volumes, flexibility requirements and fulfillment needs of our customers typically result in greater investments in inventory than many of our competitors, particularly those that provide EMS services for high-volume, less complex products with less stringent requirements (such as consumer electronics). In addition, our cost structure relative to these peers includes higher investments in selling and administrative costs as a percentage of sales to support our sector-based go-to-market strategy, smaller program sizes, flexibility, and complex quality and regulatory compliance requirements. By exercising discipline to generate a ROIC in excess of our WACC, our goal is to ensure that Plexus creates a value proposition for our shareholders as well as our customers.

Our customers include both industry-leading OEMs and other technology companies that have never manufactured products internally. As a result of our focus on serving market sectors that rely on advanced electronics technology, our business is influenced by technological trends such as the level and rate of development of

telecommunications infrastructure, the expansion of networks and use of the Internet. In addition, the federal

Food and Drug Administration s approval of new medical devices, defense procurement practices and other governmental approval and regulatory processes can affect our business. Our business has also benefited from the trend to increased outsourcing by OEMs.

We provide most of our contract manufacturing services on a turnkey basis, which means that we procure some or all of the materials required for product assembly. We provide some services on a consignment basis, which means that the customer supplies the necessary materials, and we provide the labor and other services required for product assembly. Turnkey services require material procurement and warehousing, in addition to manufacturing, and involve greater resource investments than consignment services. Other than certain test equipment and software used for internal operations, we do not design or manufacture our own proprietary products.

EXECUTIVE SUMMARY

As a consequence of the Company s use of a 4-4-5 weekly accounting system, periodically an additional week must be added to the fiscal year to re-align with a fiscal year end at the Saturday closest to September 30. The accounting periods for the three and nine months ended July 2, 2011 and July 3, 2010 each included 91 days and 273 days, respectively.

In the fiscal first quarter of 2011, as previously announced, we completed our migration to a regional reporting structure. This change included establishing regional targets for various financial metrics, delegating additional authority to the regions to manage their business, and changing our related internal reporting. Given this change to regional reporting and management, as well as in the information used by management for assessing performance and allocating Company resources, we modified our reporting segments. Prior to fiscal 2011, the Company s reportable segments consisted of the United States, Asia, Europe and Mexico. During the fiscal first quarter of 2011, we combined our United States and Mexico segments into the Americas (AMER) segment and renamed our Asia segment Asia Pacific (APAC) and our Europe segment Europe, Middle East and Africa (EMEA) to better represent our long-range regional focus. As a result, we have conformed all prior period segment presentations to be consistent with our current reportable segments.

Three months ended July 2, 2011. Net sales for the three months ended July 2, 2011, of $559.2 million increased by $22.8 million, or 4.3 percent, as compared to the three months ended July 3, 2010. The net sales increase in the current year period was driven primarily by new program wins and higher end-market demand from numerous existing customers in each of our market sectors except wireless infrastructure, as well as the addition of a new customer in the industrial/commercial sector, partially offset by the previously announced disengagement of a significant wireless infrastructure customer. Net sales to Juniper Networks, Inc. (Juniper), our largest customer, increased slightly as a result of improved end-market demand for the mix of Juniper products we produce.

Gross margins were 9.7 percent for the three months ended July 2, 2011, which compared unfavorably to 10.4 percent for the three months ended July 3, 2010. The current year period included higher fixed expenses related to higher headcount to support the revenue growth as well as increased depreciation expense. Changes in customer mix also contributed to the decrease in gross margins.

Selling and administrative expenses for the three months ended July 2, 2011 were $29.2 million, an increase of $0.7 million, or 2.5 percent, over the three months ended July 3, 2010. The current year period increase was primarily related to higher personnel costs, including those related to headcount to support the higher revenue levels achieved, partially offset by lower variable incentive compensation expense.

Net income for the three months ended July 2, 2011 decreased by $2.3 million, or 9.6 percent, to $22.0 million from the three months ended July 3, 2010, and diluted earnings per share decreased to $0.58 in the current year period from $0.59 in the prior year period. Net income decreased due to higher fixed, as well as selling and administrative expenses, primarily as a result of increased headcount to support the revenue growth. Increased interest expense related to the private placement debt issued in the fiscal third quarter, which supported the share repurchase program, also reduced net income. The effective tax rate in the current year period was 3 percent as compared to 2 percent in the prior year period due to the mix of forecasted earnings by tax jurisdiction. We currently benefit from reduced taxes in the Asia Pacific segment due to tax holidays.

Nine months ended July 2, 2011. Net sales for the nine months ended July 2, 2011, of $1,693.1 million increased by $235.3 million, or 16.1 percent, as compared to the nine months ended July 3, 2010 as a result of the same factors noted above for the three-month period.

Gross margins were 9.7 percent for the nine months ended July 2, 2011, which compared unfavorably to 10.3 percent for the nine months ended July 3, 2010. The prior year period benefited from approximately $3.2 million of proceeds from a litigation settlement. Excluding the prior year settlement, the gross margin percentage in the current year period would have decreased 0.4 percent as compared to the prior year as a result of the mix of customer revenue as well as increased fixed expenses across the company related to higher headcount to support revenue growth and annual merit increases.

Selling and administrative expenses for the nine months ended July 2, 2011 were $85.3 million, an increase of $5.4 million, or 6.8 percent, over the nine months ended July 3, 2010. The current year period increase was primarily related to higher personnel costs, including those related to increased headcount to support the higher revenue levels achieved and increased stock based compensation expense, partially offset by funds from a dispute recovery and lower variable incentive compensation expense.

Net income for the nine months ended July 2, 2011 increased by $8.0 million, or 12.7 percent, to $70.9 million from the nine months ended July 3, 2010, and diluted earnings per share increased to $1.78 in the current year period from $1.54 in the prior year period. Net income increased due to higher sales, partially offset by increased fixed, as well as selling and administrative expenses, primarily as a result of increased headcount to support the revenue growth. The effective tax rate in the current year period was 3 percent as compared to 2 percent in the prior year period. The increase in the effective tax rate for the current year period as compared to the prior year period was primarily due to a change in mix of forecasted earnings in the jurisdictions in which we operate. As demonstrated in recent quarters, the tax rate can vary during the year based on the mix of forecasted earnings by tax jurisdiction. We currently benefit from reduced taxes in the Asia Pacific segment due to tax holidays.

RESULTS OF OPERATIONS

Net sales. Net sales for the indicated periods were as follows (dollars in millions):

	Three Months Ended		Variance		Nine Months Ended		Variance	
	July 2, 2011	July 3, 2010	Increase/ (Decrease)		July 2, 2011	July 3, 2010	Increase/ (Decrease)	
Net Sales	$559.2	$536.4	$22.8	4.3%	$1,693.1	$1,457.8	$235.3	16.1%

For the three months ended July 2, 2011, our net sales increase of 4.3 percent was the result of higher net sales in all market sectors except wireless infrastructure. The overall sales increase was driven by new program wins and improved end-market demand from numerous existing customers, as well as the addition of a new customer in the industrial commercial sector. Net sales to Juniper increased as a result of improved end-market demand for the mix of Juniper products we produce. The wireless infrastructure sector decreased due to the previously announced disengagement of a significant customer in that sector.

For the nine months ended July 2, 2011, our net sales increase of 16.1 percent as compared to the prior year was the result of the same factors described above.

Our percentages of net sales by market sector for the indicated periods were as follows:

	Three Months Ended		Nine Months Ended	
Industry	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010
Wireline/Networking	40%	42%	40%	44%
Wireless Infrastructure	6%	11%	8%	12%
Medical	21%	21%	21%	19%
Industrial/Commercial	23%	18%	22%	17%
Defense/Security/Aerospace	10%	8%	9%	8%

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The percentages of net sales to customers representing 10 percent or more of net sales and net sales to our ten largest customers for the indicated periods were as follows:

	Three Months Ended		Nine Months Ended	
	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010
Juniper	17%	16%	17%	16%
Top 10 customers	53%	54%	53%	57%

Net sales to our largest customers may vary from time to time depending on the size and timing of customer program commencements, terminations, delays, modifications and transitions. We remain dependent on continued sales to our significant customers, and we generally do not obtain firm, long-term purchase commitments from our customers. Customers forecasts can and do change as a result of changes in their end-market demand and other factors, including global economic conditions. Any material change in forecasts or orders from these major accounts, or other customers, could materially affect our results of operations. In addition, as our percentage of net sales to customers in a specific sector becomes larger relative to other sectors, we will become increasingly dependent upon the economic and business conditions affecting that sector.

We have seen increased merger and acquisition activity that has already impacted, and may continue to impact, our customers. Specifically, two of our customers were acquired in the first quarter of fiscal 2010. Our production for these two customers ramped down during the first three quarters of fiscal 2011 and full disengagement of both customers is expected by the end of the fiscal year.

Gross profit. Gross profit and gross margins for the indicated periods were as follows (dollars in millions):

	Three Months Ended		Variance Increase/ (Decrease)		Nine Months Ended		Variance Increase/ (Decrease)	
	July 2, 2011	July 3, 2010			July 2, 2011	July 3, 2010		
Gross Profit	$54.1	$55.5	($1.4)	(2.5%)	$164.5	$150.6	$13.9	9.2%
Gross Margin	9.7%	10.4%			9.7%	10.3%		

For the three months ended July 2, 2011, gross profit was impacted by the following factors:

increased fixed expenses in the current year period due to higher headcount expenses of approximately $3.3 million to support the revenue growth as well as increased depreciation expense of approximately $1.2 million, and

a change in customer mix as one significant wireless infrastructure customer disengaged during the quarter while a new program in the industrial commercial sector, which is inherently less profitable in its early stages, started to ramp up.

For the nine months ended July 2, 2011, gross profit was impacted by the following factors:

increased capacity utilization from higher revenue levels in the current year period, which resulted in higher gross margin

partially offset by increased fixed expenses in the current year period due to higher headcount expenses of approximately $12.9 million to support the revenue growth and annual merit increases as well as increased depreciation expense of $4.2 million

a $3.2 million benefit in the fiscal first quarter of 2010 from a litigation settlement, and

a change in customer mix as we disengaged one significant customer, continue to ramp down another significant customer and ramp up other new programs, which are inherently less profitable in their early stages.

Gross margins reflect a number of factors that can vary from period to period, including product and service mix, the level of new facility start-up costs, inefficiencies resulting from the transition of new programs, product life cycles, sales volumes, price reductions, overall capacity utilization, labor costs and efficiencies, the management of

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inventories, component pricing and shortages, fluctuations and timing of customer orders, changing demand for our customers products and competition within the electronics industry. During fiscal 2010 we experienced, and may again in the future experience, a constrained supply environment, which caused periods of parts shortages and delays for some components based on lack of capacity at some of our suppliers to meet increased demand from the gradually improving economic outlook. The March 2011 earthquake and tsunami in Japan disrupted the global supply chain for certain components manufactured in Japan that are incorporated in the products we manufacture. While we have yet to experience a material adverse effect resulting from this event, the magnitude and duration of the impact on us relating to this event is not yet known. We continue to monitor the effect of the events in Japan on our supply chain. Shortages and delays could negatively impact net sales, inventory levels, component costs and margin. Additionally, turnkey manufacturing involves the risk of inventory management, and a change in component costs can directly impact average selling prices, gross margins and net sales. Although we focus on maintaining gross margins, there can be no assurance that gross margins will not decrease in future periods.

Design work performed by the Company is not the proprietary property of Plexus and substantially all costs incurred with this work are considered reimbursable by our customers. We do not track research and development costs that are not reimbursed by our customers as we consider these amounts immaterial.

Selling and administrative expenses. Selling and administrative expenses (S&A) for the indicated periods were as follows (dollars in millions):

	Three Months Ended		Variance		Nine Months Ended		Variance	
	July 2, 2011	July 3, 2010	Increase/ (Decrease)		July 2, 2011	July 3, 2010	Increase/ (Decrease)	
S&A	$29.2	$28.5	$0.7	2.5%	$85.3	$79.9	$5.4	6.8%
Percent of net sales	5.2%	5.3%			5.0%	5.5%		

For the three months ended July 2, 2011, the dollar increase in S&A was due primarily to an increase in headcount and personnel related expenses of approximately $2.0 million to support the higher revenue levels achieved, partially offset by lower variable incentive compensation expense of $1.5 million. S&A as a percentage of net sales decreased during the fiscal third quarter of 2011 as a result of net revenue expanding more quickly than these costs increased.

For the nine months ended July 2, 2011, the dollar increase in S&A was due primarily to higher headcount and personnel related expense of approximately $6.0 million to support the higher revenue levels achieved and higher stock based compensation expense of approximately $0.9 million, partially offset by lower variable incentive compensation expense of approximately $2.2 million and a dispute recovery of approximately $0.9 million. S&A as a percentage of net sales decreased during the first nine months of fiscal 2011 as a result of net revenue expanding more quickly than these costs increased.

Income taxes. Income taxes for the indicated periods were as follows (dollars in millions):

	Three Months Ended		Nine Months Ended	
	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010
Income tax expense	$0.7	$0.5	$2.2	$1.3
Effective annual tax rate	3%	2%	3%	2%

The effective tax rate for both the three months and nine months ended July 2, 2011 was 3 percent. The effective tax rates for both the three and nine months ended July 3, 2010 was 2 percent. The slight increase in the effective tax rate for the three and nine month period ended July 2, 2011 from the prior year period s tax rate was primarily due to a change in mix of forecasted earnings in the jurisdictions in which we operate. As demonstrated in past quarters, the tax rate can vary during the year based on the mix of forecasted earnings by tax jurisdiction. We

currently benefit from reduced taxes in the Asia Pacific segment due to tax holidays; there are various terms and requirements related to these tax holidays, with which we must comply in order for them to continue.

Our net deferred income tax assets as of July 2, 2011, reflect a $1.6 million valuation allowance against certain state deferred income taxes and a remaining valuation allowance of $1.0 million related to state tax deductions associated with stock-based compensation. If the United States operations continue to generate taxable losses, there may be a need to provide a valuation allowance on our net United States deferred tax assets.

We currently expect the annual effective tax rate for fiscal 2011 to be 3 percent.

REPORTABLE SEGMENTS

In the fiscal first quarter of 2011, we completed our migration to a regional reporting structure and as a result, made a minor change to our reportable segments. See Executive Summary above for further information.

A further discussion of financial performance by reportable segment is presented below (dollars in millions):

	Three Months Ended		Nine Months Ended	
	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010
Net sales:				
AMER	$ 305.5	$ 321.9	$ 981.9	$ 907.7
APAC	280.1	251.5	818.5	673.4
EMEA	24.4	18.5	68.8	51.0
Elimination of inter-segment sales	(50.8)	(55.5)	(176.1)	(174.3)
	$ 559.2	$ 536.4	$ 1,693.1	$ 1,457.8
Operating income (loss):				
AMER	$ 15.3	$ 18.7	$ 52.7	$ 55.2
APAC	30.6	31.5	92.9	83.9
EMEA	(1.0)	-	(1.2)	(0.8)
Corporate and other costs	(20.0)	(23.2)	(65.3)	(67.7)
	$ 24.9	$ 27.0	$ 79.1	$ 70.6

Americas (AMER): Net sales for the three months ended July 2, 2011 decreased $16.4 million, or 5.1 percent, due to the previously announced disengagement of a wireless infrastructure customer as well as volatile end-market demand from numerous existing customers in each of our market sectors. Net sales to our largest customer, Juniper, increased compared to the prior year period due to higher end-market demand for the mix of Juniper products we produce. Operating income for the current year period decreased as a result of the decreased sales.

Net sales for the nine months ended July 2, 2011 increased $74.2 million, or 8.2 percent, due to higher end-market demand from numerous existing customers in each of our market sectors, partially offset by soft demand from a wireless infrastructure customer as well as the disengagement of a significant wireless infrastructure customer. Net sales to our largest customer, Juniper, increased compared to the prior year period due to higher end-market demand for the mix of Juniper products we produce. Operating income for the current year period decreased slightly due to the prior year period benefitting from a $3.2 million litigation settlement.

Asia Pacific (APAC): Net sales for the three months ended July 2, 2011 increased $28.6 million, or 11.4 percent, due to a new industrial commercial customer as well as higher end-market demand from numerous existing customers across all sectors. This increase was partially offset by soft demand from a customer in

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the wireless infrastructure sector. Operating income in the current year period decreased slightly due to changes in customer mix and higher fixed expenses.

Net sales for the nine months ended July 2, 2011 increased $145.1 million, or 21.5 percent, due to higher end-market demand from numerous existing customers, primarily in our wireline/networking sector, as well as increased demand from a new customer in the industrial/commercial sector. Net sales to Juniper increased as a result of improved end-market demand for the mix of Juniper products we produce. Operating income in the current year period improved as a result of the net sales growth, offset by changes in customer mix.

Europe, Middle East, Africa (EMEA): Net sales for the three months ended July 2, 2011 increased $5.9 million, or 31.9 percent, due primarily to increased demand from two existing customer programs, one in the industrial/commercial sector and one in the defense/security/aerospace sector and the favorable impact of foreign currency translation. The net operating loss in the current year period was a result of increased operating costs from our Romania facility and our new engineering facility in Darmstadt, Germany.

Net sales for the nine months ended July 2, 2011 increased $17.8 million, or 34.9 percent, due primarily to increased demand from two existing customer programs in the industrial/commercial sector. Operating loss in the current year period increased $0.4 million as compared to the prior year period as a result of increased operating costs from our Romania facility and our new engineering facility in Darmstadt, Germany.

For our significant customers, we generally manufacture product in more than one location. For example, net sales to Juniper, our largest customer, occur in the Americas and Asia Pacific segments. See Note 10 in Notes to Condensed Consolidated Financial Statements for certain financial information regarding our reportable segments, including detail of net sales by reportable segment.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities. Cash flows provided by operating activities were $67.2 million for the nine months ended July 2, 2011, as compared to cash flows used in operating activities of $26.8 million for the nine months ended July 3, 2010. The increase in cash flows provided by operating activities was the result of increased earnings and improvements in working capital.

Inventory levels increased slightly to support customer demand variability with our existing customers as compared to the prior year. Inventory turns as of July 2, 2011 were slightly higher at 4.2 as compared to turns of 4.1 as of July 3, 2010. Days in inventory changed favorably as of July 2, 2011 to 88 days as compared to 89 days in the prior year. We continue to take steps to actively manage our inventory levels down with the assistance of our customers, while continuing to meet our customers needs for flexibility and agility.

The overall increase in accounts receivable was mainly due to increased revenue during the nine months ended July 2, 2011, as compared to the prior year, as well as the timing of collections. As of July 2, 2011, quarterly days sales outstanding in accounts receivable were 49 days as compared to 47 days for the prior year period, and were unfavorably impacted by fewer negotiated accelerated payments from customers.

The decrease in accounts payable was largely the result of the timing of inventory receipts for the nine months ended July 2, 2011, as compared to the prior year.

Investing Activities. Cash flows used in investing activities totaled $45.3 million for the nine months ended July 2, 2011, and were primarily for additions to property, plant and equipment in the Asia Pacific segment. These investments were for new equipment to support customer demand as well as investments in new facilities in Penang, Malaysia and Xiamen, China to increase capacity. See Note 10 in Notes to Condensed Consolidated Financial Statements for further information regarding our capital expenditures by reportable segment.

We utilized available cash and operating cash flows as the sources for funding our operating requirements. We currently estimate capital expenditures for fiscal 2011 to be approximately $80 million. A significant portion of

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the fiscal 2011 capital expenditures is being used for the construction of new manufacturing facilities in Penang, Malaysia and Xiamen, China, as mentioned above.

Financing Activities. Cash flows used in financing activities totaled $2.4 million for the nine months ended July 2, 2011, as compared to cash flows provided by financing activities of $6.2 million for the nine months ended July 3, 2010. Cash flows used in the current year period represented payments for common stock related to our new share repurchase program as well as payments on our outstanding term loan, partially offset by cash proceeds from our private placement debt, described below.

On February 16, 2011, our Board of Directors approved a new share repurchase program that authorized us to repurchase up to $200 million of common stock. As of July 2, 2011, we have repurchased 5.3 million shares for approximately $170.4 million, at a weighted average price of $32.24 per share. These shares were recorded as treasury stock. As of July 2, 2011, we had a commitment of approximately $4.6 million related to the purchase of 0.1 million shares, which were purchased before July 2, 2011, but settled after the end of the fiscal third quarter. The remaining $25.0 million share repurchase authorization will be retained for future use based on market conditions.

To support our new share repurchase program, we entered into a private placement of $175 million in principal amount of 5.20% Senior Notes, due June 15, 2018 (the Notes) during the fiscal third quarter of 2011. We issued $100 million in principal amount of the Notes on April 21, 2011, and the remaining $75 million on June 15, 2011. Origination fees and expenses associated with the private placement totaled approximately $0.9 million and have been deferred. These origination fees and expenses are being amortized over the seven-year term of the Notes. Semi-annual interest payments began on June 15, 2011 and end on June 15, 2018 with full repayment of the total principal of the Notes.

During the fiscal second quarter of 2011, we entered into two separate treasury rate lock hedge contracts to hedge the variability of the fixed interest rate on the then forecasted issuance of $175 million of fixed rate debt using a treasury lock transaction. The fixed interest rates for each of these contracts are 2.77% and 2.72%, respectively, with a notional value of $150 million. On April 4, 2011, we entered into a final treasury rate lock hedge transaction for the remaining $25 million of exposure at a rate of 2.88%. On April 8, 2011, when the fixed interest rate for the debt issuance was determined, all three treasury rate lock contracts were settled and we received proceeds of $2.3 million, which will be amortized over the seven year term of the related debt.

During the fiscal second quarter of 2011, we entered into forward exchange contracts to fix the exchange rates on foreign currency cash used to pay for capital expenditures related to the construction of our fourth facility in Malaysia. As of July 2, 2011, the total notional value of the forward contracts was $8.4 million and the total fair value of these forward contracts was $0.2 million.

On April 4, 2008, we entered into our Credit Facility with a group of banks which allows us to borrow $150 million in term loans and $100 million in revolving loans. The $150 million in term loans was immediately funded and the $100 million revolving credit facility is currently available. The Credit Facility is unsecured and may be increased by an additional $100 million (the accordion feature) if we have not previously terminated all or any portion of the Credit Facility, there is no event of default existing under the credit agreement and both we and the administrative agent consent to the increase. The Credit Facility expires on April 4, 2013. Borrowings under the Credit Facility may be either through term loans, revolving or swing loans or letter of credit obligations. As of July 2, 2011, we had term loan borrowings of $101.3 million outstanding and no revolving borrowings under the Credit Facility.

The Credit Facility contains certain financial covenants, which include a maximum total leverage ratio, maximum value of fixed rentals and operating lease obligations, a minimum interest coverage ratio and a minimum net worth test, all as defined in the agreement. As of July 2, 2011, we were in compliance with all debt covenants. If we incur an event of default, as defined in the Credit Facility (including any failure to comply with a financial covenant), the group of banks has the right to terminate the Credit Facility and all other obligations, and demand immediate repayment of all outstanding sums (principal and accrued interest). The interest rate on the borrowing varies depending upon our then-current total leverage ratio; as of July 2, 2011, the Company could elect to pay interest at a defined base rate or the LIBOR rate plus 1.50%. Rates would increase upon negative changes in specified Company financial metrics and would decrease upon reduction in the current total leverage ratio to no less

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than LIBOR plus 1.00%. We are also required to pay an annual commitment fee on the unused credit commitment based on our leverage ratio; the current fee is 0.375%. Unless the accordion feature is exercised, this fee applies only to the initial $100 million of availability (excluding the $150 million of term borrowings). Origination fees and expenses associated with the Credit Facility totaled approximately $1.3 million and have been deferred. These origination fees and expenses will be amortized over the five year term of the Credit Facility. Quarterly principal repayments on the term loan of $3.75 million per quarter began on June 30, 2008 and end on April 4, 2013, with a final balloon repayment of $75.0 million.

The Credit Facility allows for the future payment of cash dividends or the future repurchases of shares provided that no event of default (including any failure to comply with a financial covenant) is existing at the time of, or would be caused by, the dividend payment or the share repurchases.

We have not paid cash dividends in the past and do not currently anticipate paying them in the future. However, we evaluate from time to time potential uses of excess cash, which in the future may include share repurchases, a special dividend or recurring dividends.

In June 2008, the Company entered into three interest rate swap contracts related to the $150 million in term loans under the Credit Facility that had an initial notional value of $150 million and mature on April 4, 2013. The total fair value of these interest rate swap contracts was $6.2 million as of July 2, 2011. As of July 2, 2011, the total remaining combined notional amount of the Company s three interest rate swaps was $101.3 million.

Our Malaysian operations have entered into forward exchange contracts on a rolling basis with a total notional value of $50.0 million as of July 2, 2011. These forward contracts will fix the exchange rates on foreign currency cash used to pay a portion of our local currency expenses. The changes in the fair value of forward contracts are recorded in Accumulated other comprehensive income on the accompanying Condensed Consolidated Balance Sheets until earnings are affected by the variability of cash flows. The total fair value of these forward contracts was $1.6 million at July 2, 2011.

Based on current expectations, we believe that our projected cash flows from operations, available cash and short-term investments, the Credit Facility, our private placement debt, and our leasing capabilities should be sufficient to meet our working capital and fixed capital requirements for the next twelve months. $100 million of committed credit is currently available under the Credit Facility, with another $100 million available in an accordion facility, which is contingent upon compliance with the terms of the Credit Agreement and lender approval. If our future financing needs increase, we may need to arrange additional debt or equity financing. Accordingly, we evaluate and consider from time to time various financing alternatives to supplement our financial resources.

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CONTRACTUAL OBLIGATIONS, COMMITMENTS AND OFF-BALANCE SHEET OBLIGATIONS

Our disclosures regarding contractual obligations and commercial commitments are located in various parts of our regulatory filings. Information in the following table provides a summary of our contractual obligations and commercial commitments as of July 2, 2011 (dollars in millions):

	Payments Due by Fiscal Period				
Contractual Obligations	Total	Remaining in 2011	2012-2013	2014-2015	2016 and thereafter
Long-Term Debt Obligations (1,2)	$ 346.3	$ 7.7	$ 122.3	$ 17.6	$ 198.7
Capital Lease Obligations	20.3	0.9	7.7	8.0	3.7
Operating Lease Obligations	36.6	2.4	16.8	11.2	6.2
Purchase Obligations (3)	354.9	232.5	121.6	0.3	0.5
Other Long-Term Liabilities on the Balance Sheet (4)	9.0	0.4	1.5	1.5	5.6
Other Long-Term Liabilities not on the Balance Sheet (5)	2.9	0.9	2.0	-	-
Total Contractual Cash Obligations	$ 770.0	$ 244.8	$ 271.9	$ 38.6	$ 214.7

(1) - As of April 4, 2008, we entered into the Credit Facility and immediately funded a term loan for $150 million. The amounts listed above include interest, as we intend to hold the loan to maturity. See Note 4 in Notes to Condensed Consolidated Financial Statements for further information.
(2) As of April 21, 2011, we entered into the Note Purchase Agreement and immediately issued $100 million in principal amount and another $75 million in principal amount on June 15, 2011. The amounts listed above include interest, as we intend to hold the loan to maturity. See Note 4 in Notes to Condensed Consolidated Financial Statements for further information.
(3) - As of July 2, 2011, purchase obligations consist of purchases of inventory and equipment in the ordinary course of business.
(4) - As of July 2, 2011, other long-term obligations on the balance sheet included deferred compensation obligations to certain of our former and current executive officers, as well as other key employees, and an asset retirement obligation. We have excluded from the table the impact, as of July 2, 2011, of approximately $6.0 million related to uncertain tax positions. The Company cannot make reliable estimates of the future cash flows by period related to this obligation.
(5) - As of July 2, 2011, other long-term obligations not on the balance sheet consisted of a commitment for salary continuation in the event employment of one executive officer of the Company is terminated without cause as well as a subsequent commitment for approximately $0.6 million related to an acquisition of land. We did not have, and were not subject to, any lines of credit, standby letters of credit, guarantees, standby repurchase obligations, other off-balance sheet arrangements or other commercial commitments that are material.

DISCLOSURE ABOUT CRITICAL ACCOUNTING POLICIES

Our accounting policies are disclosed in our 2010 annual report on Form 10-K. During the first, second and third quarters of fiscal 2011, there were no material changes to these policies.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 14 in Notes to Condensed Consolidated Financial Statements for further information regarding new accounting pronouncements.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in foreign exchange and interest rates. We selectively use financial instruments to reduce such risks.

Foreign Currency Risk

We do not use derivative financial instruments for speculative purposes. Our policy is to selectively hedge our foreign currency denominated transactions in a manner that partially offsets the effects of changes in foreign currency exchange rates. We typically use foreign currency contracts to hedge only those currency exposures associated with certain assets and liabilities denominated in non-functional currencies. Corresponding gains and losses on the underlying transaction generally offset the gains and losses on these foreign currency hedges. Beginning in July 2009 and continuing in the fiscal second quarter of 2011, we entered into forward contracts to hedge a portion of our foreign currency denominated transactions in our Asia Pacific reportable segment, as described in Note 5 in Notes to Condensed Consolidated Financial Statements. Our international operations create potential foreign exchange risk. Our percentages of transactions denominated in currencies other than the U.S. dollar for the indicated periods were as follows:

	Three Months Ended		Nine Months Ended	
	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010
Net sales	6%	5%	6%	4%
Total costs	15%	13%	14%	13%

The Company has evaluated the potential foreign currency exchange rate risk on transactions denominated in currencies other than the U.S. Dollar for the periods presented above. Based on the Company s overall currency exposure, as of July 2, 2011, a 10 percent change in the value of the U.S. Dollar relative to our other transactional currencies would not have a material effect on the Company s financial position, results of operations, or cash flows.

Interest Rate Risk

We have financial instruments, including cash equivalents and short-term investments as well as debt, which are sensitive to changes in interest rates. We consider the use of interest-rate swaps and treasury rate locks based on existing market conditions; we have entered into interest rate swaps for $101.3 million in term loans, as described in Note 5 in Notes to Condensed Consolidated Financial Statements. As is common with these types of agreements, our interest rate swap and treasury rate lock agreements are subject to the further risk that the counterparties to these agreements may fail to comply with their obligations thereunder.

The primary objective of our investment activities is to preserve principal, while maximizing yields without significantly increasing market risk. To achieve this, we maintain our portfolio of cash equivalents and short-term investments in a variety of highly rated securities, money market funds and certificates of deposit and limit the amount of principal exposure to any one issuer.

Our only material interest rate risk as of July 2, 2011, is associated with our Credit Facility under which we borrowed $150 million. Through the use of interest rate swaps, as described above, we have fixed the basis on which we pay interest, thus eliminating much of our interest rate risk. A 10 percent change in the weighted average interest rate on our average long-term borrowings would have had only a nominal impact on net interest expense for both the three and nine months ended July 2, 2011 and July 3, 2010.

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ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures: The Company maintains disclosure controls and procedures designed to ensure that the information the Company must disclose in its filings with the Securities and Exchange Commission (SEC) is recorded, processed, summarized and reported on a timely basis. The Company s principal executive officer and principal financial officer have reviewed and evaluated, with the participation of the Company s management, the Company s disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act) as of the end of the period covered by this report (the Evaluation Date). Based on such evaluation, the chief executive officer and chief financial officer have concluded that, as of the Evaluation Date, the Company s disclosure controls and procedures are effective (a) in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act, and (b) in assuring that information is accumulated and communicated to the Company s management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting: During the third quarter of fiscal 2011, there have been no changes to the Company s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Limitations on the Effectiveness of Controls: Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls and internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. 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.

Notwithstanding the foregoing limitations on the effectiveness of controls, we have nonetheless reached the conclusion that the Company s disclosure controls and procedures are effective at the reasonable assurance level.

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PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

We were notified in April 2009 by U.S. Customs and Border Protection (CBP) of its intention to conduct a customary Focused Assessment of our import activities during fiscal 2008 and of our processes and procedures to comply with U.S. Customs laws and regulations. We recorded an accrual in Other Accrued current liabilities at the time the amount became estimable and probable, which was not material to the financial statements. During September 2010 the Company reported errors relating to import trade activity from July 2004 to the date of Plexus report. The Company is currently awaiting final determination of CBP duties and fees. Plexus has agreed that it will implement improved processes and procedures and review these corrective measures with CBP. At this time, we do not believe that any deficiencies in processes or controls or unanticipated costs, unpaid duties or penalties associated with this matter will have a material adverse effect on Plexus or the Company s consolidated financial position, results of operations or cash flows.

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

ITEM 1A. Risk Factors

In addition to the risks and uncertainties discussed herein, particularly those discussed in the Safe Harbor Cautionary Statement, and the other sections of Management s Discussion and Analysis of Financial Condition and Results of Operations in Part I, Item 2, see the risk factors set forth in Part I, Item 1A of the Company s annual report on Form 10-K for the fiscal year ended October 2, 2010.

ITEM 2. Unregistered Sales Of Equity Securities and Use Of Proceeds

The following table provides the specified information about the repurchases of shares by the Company during the three months ended July 2, 2011.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum approximate dollar value of shares that may yet be purchased under the plans or programs*
April 3 to April 30, 2011	392,184	$ 34.81	392,184	$102,918,000
May 1 to May 28, 2011	540,130	36.00	540,130	$83,460,000
May 29 to July 2, 2011	1,623,070	33.17	1,623,070	$29,597,000
Total	2,555,384	$ 34.02	2,555,384	

* On February 16, 2011, as previously announced, the Company s Board of Directors approved a new share repurchase program that authorizes the Company to repurchase up to $200 million of common stock. As of July 2, 2011, the Company has repurchased 5.3 million shares for approximately $170.4 million, at an average price of $32.24 per share. These shares were recorded as treasury stock. As of July 2, 2011, the Company had a commitment of approximately $4.6 million related to the purchase of 0.1 million shares, which were purchased before July 2, 2011, but settled after the end of the fiscal quarter. The remaining $25.0 million share repurchase authorization will be retained for future use based on market conditions.

ITEM 6. Exhibits

31.1 Certification of Chief Executive Officer pursuant to Section 302(a) of the Sarbanes Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302(a) of the Sarbanes Oxley Act of 2002.

32.1 Certification of the CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of the CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101	The following materials from Plexus Corp. s Quarterly Report on Form 10-Q for the quarter ended July 2, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations and Comprehensive Income, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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SIGNATURES

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

Plexus Corp.
Registrant

8/5/11 — /s/ Dean A. Foate
Date — Dean A. Foate
President and Chief Executive Officer

8/5/11 — /s/ Ginger M. Jones
Date — Ginger M. Jones
Senior Vice President and Chief Financial Officer