SANMINA-SCI CORP
Form 10-K
January 03, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended September 30, 2006

or

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

For the transition period from to

Commission file number: 0-21272

Sanmina-SCI Corporation

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**77-0228183** (I.R.S. Employer Identification Number)
2700 North First Street, San Jose, CA (Address of principal executive offices)	**95134** (Zip Code)

Registrant s telephone number, including area code:

(408) 964-3500

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

None

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

Common Stock, $0.01 Par Value

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act. Yes o No x

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated or, a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

The aggregate value of Common Stock held by non-affiliates of the Registrant was approximately $1,901,529,804 as of March 31, 2006 based upon the average of Registrant s Common Stock reported for such date on the Nasdaq National Market. Shares of Common Stock held by each executive officer and director and by each person who owns 10% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. The determination of affiliate status is not necessarily a conclusive determination for other purposes. As of December 1, 2006, the Registrant had outstanding 531,606,934 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information is incorporated into Part III of this report by reference to the Proxy Statement for the Registrant s annual meeting of stockholders to be held on February 26, 2007 to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K.

Explanatory Note

In this comprehensive Form 10-K, we are restating our consolidated financial statements and related disclosure for the fiscal years ended October 1, 2005 and October 2, 2004. We are also restating the pro forma disclosures for stock-based compensation expense required under Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, included in Note 12 to the Consolidated Financial Statements. This Form 10-K also reflects the restatement of Selected Consolidated Financial Data for the fiscal years ended 2005, 2004, 2003, and 2002, in Item 6. Furthermore, under Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations of Operations , we have included restated financial information for each affected quarter during fiscal 2005 and 2006.

For more information regarding the investigation and findings relating to stock option practices and the restatement of stock-based compensation and other items, please refer to Item 7, Management Discussion and Analysis of Financial Condition and Results of Operations and Note 2 of the Notes to Consolidated Financial Statements Restatement of Consolidated Financial Statements . For more information regarding the investigation and findings relating to stock option practices and the restatement and our remedial measures, refer to Item 9A, Controls and Procedures .

We have not amended any of our other previously filed annual reports on Form 10-K for the periods affected by the restatement. For this reason, the consolidated financial statements and related financial information contained in such previously filed reports should no longer be relied upon.

SANMINA-SCI CORPORATION

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PART I

Item 1. *Business*

Overview

We are a leading independent global provider of customized, integrated electronics manufacturing services, or EMS. We provide these comprehensive services primarily to original equipment manufacturers, or OEMs, in the communications, computing and storage, multimedia, industrial and semiconductor capital equipment, defense and aerospace, medical, and automotive industries. The combination of our advanced technologies, extensive manufacturing expertise and economies of scale enables us to meet the specialized needs of our customers in these markets in a cost-effective manner.

Our end-to-end services in combination with our global expertise in supply chain management enable us to manage our customers products throughout their life cycles. These services include:

- product design and engineering, including initial development, detailed design, preproduction services and manufacturing design;
- volume manufacturing of complete systems, components and subassemblies;
- final system assembly and test;
- direct order fulfillment and logistics services; and
- after-market product service and support.

Our high volume manufacturing services are vertically integrated, allowing us to manufacture key system components and subassemblies for our customers. By manufacturing key system components and subassemblies ourselves, we enhance continuity of supply and reduce costs for our customers. In addition, we are able to have greater control over the production of our customers products and retain incremental profit opportunities for the company. System components and subassemblies that we manufacture include high volume and high-end printed circuit boards, printed circuit board assemblies, backplanes and backplane assemblies, enclosures, cable assemblies, precision machine components, optical modules and memory modules.

We manufacture products in 18 countries on five continents. We seek to locate our facilities near our customers and our customers end markets in major centers for the electronics industry or in lower cost locations. Many of our plants located near customers and their end markets are focused primarily on final system assembly and test, while our plants located in lower cost areas engage primarily in high volume, less complex component and subsystem manufacturing and assembly.

We have become one of the largest global EMS providers by capitalizing on our competitive strengths, including our:

- end-to-end services;
- product design and engineering resources;
- vertically integrated volume manufacturing services;
- advanced technologies;
- global capabilities;
- customer-focused organization;
- expertise in serving diverse end markets; and

- experienced management team.

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Our business strategy enables us to win large outsourcing programs from leading multinational OEMs. Our customers primarily consist of OEMs that operate in a range of industries. Our top customers include: Alcatel, S.A., Applied Materials, Inc., Cisco Systems, EchoStar Communications Corporation, Hewlett-Packard Company (HP), International Business Machines Corporation (IBM), Koninklijke Philips Electronics NV, Lenovo Group, Ltd. (Lenovo), LSI Logic Corporation, Nokia Corp, Nortel Networks, Roche Diagnostics Operations, Inc., Sun Microsystems, Telefonaktiebolaget LM Ericsson, and Tellabs, Inc.

Industry Overview

EMS companies are the principal beneficiaries of the increased use of outsourced manufacturing services by the electronics and other industries. Outsourced manufacturing refers to an OEMs use of EMS companies, rather than internal manufacturing capabilities, to manufacture their products. Historically, EMS companies generally manufactured only components or partial assemblies. As the EMS industry has evolved, OEMs have increased their reliance on EMS companies for additional, more complex manufacturing services, including design services. Some EMS companies now often manufacture and test complete systems and manage the entire supply chains of their customers. Industry leading EMS companies offer end-to-end services, including product design and engineering, volume manufacturing, final system assembly and test, direct order fulfillment, after-market product service and support and global supply chain management.

We believe increased outsourced manufacturing by OEMs will continue because it allows OEMs to:

Reduce Operating Costs and Capital Investment. In the current economic environment, OEMs are under significant pressure to reduce manufacturing costs and capital expenditures. EMS companies can provide OEMs with flexible, cost-efficient manufacturing services. In addition, as OEM products have become more technologically advanced, the manufacturing and system test processes have become increasingly automated and complex, requiring significant capital investments. EMS companies enable OEMs to access technologically advanced manufacturing and test equipment and facilities, without additional capital expenditures.

Focus on Core Competencies. The electronics industry is highly competitive and subject to rapid technological change. As a result, OEMs increasingly are focusing their resources on activities and technologies in which they expect to add the greatest value. By offering comprehensive manufacturing services and supply chain management, EMS companies enable OEMs to focus on their core competencies, including next generation product design and development as well as marketing and sales.

Access Leading Design and Engineering Capabilities. The design and engineering of electronics products has become more complex and sophisticated and in an effort to become more competitive, OEMs are increasingly relying on EMS companies to provide product design and engineering support services. EMS companies design and engineering services can provide OEMs with improvements in the performance, cost and time required to bring products to market. EMS companies are providing more sophisticated design and engineering services to OEMs, including the design and engineering of complete products following an OEM s development of a product concept.

Improve Supply Chain Management and Purchasing Power. OEMs face challenges in planning, procuring and managing their inventories efficiently due to fluctuations in customer demand, product design changes, short product life cycles and component price fluctuations. EMS companies employ sophisticated production management systems to manage their procurement and manufacturing processes in an efficient and cost-effective manner so that, where possible, components arrive on a just-in-time, as-and-when needed basis. EMS companies are significant purchasers of electronic components and other raw materials, and can capitalize on the economies of scale associated with their relationships with suppliers to negotiate price discounts, obtain components and other raw materials that are in short supply, and return excess components. EMS companies expertise in supply chain management and their relationships with suppliers across the supply chain enable them to help OEMs reduce their cost of goods sold and inventory exposure.

Access Global Manufacturing Services. OEMs seek to reduce their manufacturing costs by having EMS companies manufacture their products in the lowest cost locations that are appropriate for their products and end customers. OEMs also are increasingly requiring particular products to be manufactured simultaneously in multiple locations, often near end users, to bring products to market more quickly, reduce shipping and logistics costs and meet local product content requirements. Global EMS companies are able to satisfy these requirements by capitalizing on their geographically dispersed manufacturing facilities, including those in lower cost regions.

Accelerate Time to Market. OEMs face increasingly short product life cycles due to increased competition and rapid technological changes. As a result, OEMs need to reduce the time required to bring their products to market. OEMs often can bring a product to market faster by using EMS companies expertise in new product introduction, including manufacturing design, engineering support and prototype production. OEMs often can more quickly achieve volume production of their products by capitalizing on EMS companies manufacturing expertise and global presence and infrastructure.

Competitive Overview

We offer our OEM customers end-to-end services that span the entire product life cycle:

Competitive Strengths

We believe that our competitive strengths differentiate us from our competitors and enable us to better serve the needs of OEMs. Our competitive strengths include:

- ***End-to-End Services.*** We provide services throughout the world to support our customers products during their entire life cycle, from product design and engineering, through volume manufacturing, to direct order fulfillment and after-market product service and support. We believe that our end-to-end services are more comprehensive than the services offered by our competitors because of our focus on adding value before and after the actual manufacturing of our customers products. Our end-to-end services enable us to provide our customers with a single source of supply for their EMS needs, reduce the time required to bring products to market, lower product costs and allow our customers to focus on those activities in which they expect to add the highest value. We believe that our end-to-end services allow us to develop closer relationships with our customers and more effectively compete for their future business.

- ***Product Design and Engineering Resources.*** We provide product design and engineering services to produce advanced electronic systems for both custom and standard designs. Our global design and engineering teams include approximately 600 designers and engineers located in 19 design and new product introduction centers in 11 countries. Our designers and engineers work closely with our customers to develop new products and manage products throughout their life cycles. Our design centers provide both hardware and software engineering services for a range of product technologies, including high-speed digital, analog, radio frequency, wireless, optical and electro-mechanical technologies. We also provide component-level design services in connection with our vertically integrated volume manufacturing services, including the design of complex printed circuit boards and printed circuit board assemblies, backplanes and backplane assemblies, enclosures, cable assemblies and modular memory solutions.

- ***Vertically Integrated Volume Manufacturing Services.*** We provide a range of vertically integrated volume manufacturing services. Key system components that we manufacture include complete printed circuit boards and printed circuit board assemblies, backplanes and backplane assemblies, enclosures, cable assemblies, precision machine components, memory modules and optical modules. By manufacturing these system components and subassemblies ourselves, we enhance continuity of supply and reduce costs for our customers. In addition, we are able to have greater control over the production of our customers products and retain incremental profit opportunities for us. Examples of products that we manufacture using our full range of services include wireless base stations, network switches, optical switches, enterprise-class servers, photolithography equipment, and equipment used in the semiconductor chip manufacturing process, including equipment for chemical mechanical polishing and physical vapor depositions and automated handling tools and robotics for wafer transfer.

- ***Advanced Technologies.*** We are a leader in providing services utilizing advanced technologies, which we believe allows us to differentiate ourselves from our competitors. These advanced technologies include the fabrication of complex printed circuit boards and backplanes having over 60 layers and process capabilities for a range of low signal loss, high performance materials, buried capacitors and resistors, and high density interconnects using micro via holes that are formed using laser drills. Our printed circuit board assembly technologies include micro ball grid arrays, fine pitch discretes, and small form factor radio frequency and optical components, as well as advanced packaging technologies used in high pin count application specific integrated circuits and network processors. We use innovative design solutions and advanced metal forming techniques to develop and fabricate high-performance indoor and outdoor chassis, enclosures and frames. Our assembly services use advanced technologies, including precision optical alignment, multi-axis precision

stages and machine vision technologies. We use sophisticated procurement and production management tools to effectively manage inventories for our customers and ourselves. We have also developed build-to-order, or BTO, and configure-to-order, or CTO, systems that enable us to manufacture and ship finished systems within 48 to 72 hours after receipt of an order. To coordinate the development and introduction of new technologies to meet our customers needs in various locations and to increase collaboration among our facilities, we have established a centralized global technology group.

- ***Global Capabilities.*** Most of our customers compete and sell their products on a global basis. As such, they require global solutions that include regional manufacturing for selected end markets, especially when time to market, local manufacturing or content and low cost solutions are critical objectives. Our global network of facilities in 18 countries provides our customers a combination of sites to maximize both the benefits of regional and low cost manufacturing. To manage and coordinate our global operations, we employ an enterprise-wide software system that operates on a single IT platform and provides us with company-wide information regarding component inventories and orders. This system enables us to standardize planning and purchasing at the plant level and to optimize inventory management and utilization. Our systems also enable our customers to receive key information regarding the status of individual programs.

- ***Customer-Focused Organization.*** We believe customer relationships are critical to our success, and our organization is focused on providing our customers with responsive services. Our key customer accounts are managed by dedicated account teams, including a global business manager directly responsible for account management. Global business managers coordinate activities across divisions to effectively satisfy our customers requirements and have direct access to our senior management to quickly address customer concerns. Local customer account teams further support the global teams and are linked by a comprehensive communications and information management infrastructure.

- ***Expertise in Serving Diverse End Markets.*** We have experience in serving our customers in the communications, personal and business computing, enterprise computing and storage, multimedia and consumer, industrial and semiconductor capital equipment, defense and aerospace, medical and automotive markets. Our diversification across end markets reduces our dependence upon any one customer or segment. In order to cater to the specialized needs of customers in particular market segments, we have dedicated personnel, and in some cases facilities, with industry-specific capabilities and expertise. We also maintain compliance with industry standards and regulatory requirements applicable to certain markets including, among others, the medical and defense and aerospace sectors.

- ***Experienced Management Team.*** We believe that one of our principal assets is our experienced management team. Our chief executive officer, Jure Sola, co-founded Sanmina in 1980. Hari Pillai, President, EMS Operations, joined our Company in 1994 and has served in manufacturing management positions since that time. We believe that the significant experience of our management team better enables us to capitalize on opportunities in the current business environment.

Our Business Strategy

Our objective is to maintain and enhance our leadership position in the EMS industry. Key elements of our strategy include:

Capitalizing on Our Comprehensive Services. We intend to capitalize on our end-to-end services, which we believe will allow us to both sell additional services to our existing customers and attract new customers. Our end-to-end services include product design and engineering, volume manufacturing, final

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system assembly and test, direct order fulfillment, after-market product service and support and supply chain management. Our vertically integrated volume manufacturing services enable us to manufacture additional system components and subassemblies for our customers. When we provide a customer with a number of services, such as component manufacturing or higher value-added services, we are often able to improve our margins and profitability. Consequently, our goal is to increase the number of manufacturing programs for which we provide multiple services. To achieve this goal, our sales and marketing organization seeks to cross-sell our services to customers.

Extending Our Technology Leadership. We rely on advanced processes and technologies to provide our vertically integrated volume manufacturing services. We continually strive to improve our manufacturing processes and have adopted a number of quality improvement and measurement techniques to monitor our performance. We work with our customers to anticipate their future manufacturing requirements and align our technology investment activities to meet their needs. We use our design expertise to develop product technology platforms that we can customize by incorporating other components and subassemblies to meet the needs of particular OEMs. These technologies enhance our ability to manufacture complex, high-value added products, allowing us to continue to win business from existing and new customers.

Joint Design Manufacturing Solutions. As a result of customer feedback, and our customers desire to manage research and development expenses, we have expanded product designs services to develop systems and components jointly with our customers. In joint design manufacturing model, or JDM, our customers bring market knowledge and product requirements. We offer complete design engineering and new product introduction (NPI) services. Our offerings in design engineering include product architecture, development, integration, regulatory and qualification services; while NPI services include quick-turn prototyping, functional test development and introduction into volume production. For JDM products, typically the intellectual property is jointly owned by us and the customer and we realize manufacturing revenue associated with building and shipping the product.

Continuing to Penetrate Diverse End Markets. We focus our marketing efforts on major end markets within the electronics industry. We have targeted markets that we believe offer significant growth opportunities and for which OEMs sell complex products that are subject to rapid technological change because the manufacturing of these products requires higher value-added services. Our approach to our target markets is two-fold: we intend to strengthen our significant presence in the communications and enterprise computing markets, and also focus on under-penetrated target markets, including the medical, industrial and semiconductor capital equipment, automotive, and defense and aerospace industries, many of which have not extensively relied upon EMS companies in the past. We intend to continue our diversification across market segments and customers to reduce our dependence on any particular market.

Pursuing Strategic Transactions. We seek to undertake strategic transactions that give us the opportunity to access new customers, manufacturing and service capabilities, technologies and geographic markets, to lower our manufacturing costs and improve the margins on our product mix, and to further develop existing customer relationships. For example, in October 2004, we completed the acquisition of Pentex-Schweizer Circuits Limited, a printed circuit board manufacturer, in order to provide lower cost manufacturing capacity in China for our customers. In addition, we will continue to pursue OEM divestiture transactions that will augment existing strategic customer relationships with favorable supply agreement terms or build new relationships with customers in attractive end markets. Potential future transactions may include a variety of different business arrangements, including acquisitions, spin-offs, strategic partnerships, joint ventures, restructurings, divestitures, business combinations and equity or debt investments. We intend to continue to evaluate and pursue strategic opportunities on a highly selective basis.

Continuing to Seek Cost Savings and Efficiency Improvements. We seek to optimize our facilities to provide cost-efficient services for our customers. We maintain extensive operations in lower cost locations, including Latin America, Eastern Europe, China and Southeast Asia, and we plan to expand our presence in these lower cost locations, as appropriate, to meet the needs of our customers. We believe that we are well positioned to take advantage of future opportunities on a global basis as a result of our vertically integrated volume manufacturing strategy.

Our Products and Services

We offer our OEM customers end-to-end services that span the entire product life cycle. Examples of products that we manufacture for OEMs include wireless and wireline communications switches, personal computers, high-end computers and servers, avionics, medical imaging systems and digital satellite set-top boxes. The manufacture of these products may require us to use all or some of our end-to-end services. Each element of our end-to-end services is described in greater detail below.

Product Design and Engineering. Our design and engineering group, which we believe is one of the strongest in the EMS industry, provides customers with design and engineering services for initial product development, detailed product design and preproduction. This group also complements our vertically integrated volume manufacturing capabilities by providing manufacturing design services for the manufacture of printed circuit boards, backplanes and enclosures. We provide initial product development and detailed product design and engineering services for products such as communications base stations, optical switches and modules, radio frequency amplifier modules, network switches, personal computers and servers.

- ***Initial Product Development.*** We provide a range of design and engineering services to customers to complement their initial product development efforts. During this phase, our design engineers work with our customers product development engineers to assist with design reviews and product concepts.

- ***Detailed Product Design.*** During the detailed product design phase, we work with our customers product development engineers to optimize product designs to improve the efficiency of the volume manufacturing of these products and reduce manufacturing costs. We further analyze product design to improve the ability of tests used in the manufacturing process to identify product defects and failures. We provide software development support for product development, including installing operating systems on hardware platforms, developing software drivers for electronic devices, and developing diagnostic, production test and support software. We design components that are incorporated into our customers products, including printed circuit boards, backplanes and enclosures.

- ***Preproduction.*** After a detailed product design has been completed and the product is released for prototype production, we can build a prototype on a quick turnaround basis. We then analyze the feasibility of manufacturing the product and make any necessary design modifications to the prototype and re-test the prototype to validate its design. We also provide early-stage test development during the prototype phase. We evaluate prototypes to determine if they will meet safety and other standards, such as standards published by Underwriters Laboratories, an independent product safety testing and certification organization, and other similar domestic and international organizations. We also typically provide low-volume manufacturing to satisfy our customers initial needs. We review the material and component content of our customers designs with a view to designing in alternative components that may provide cost savings. Our preproduction services help our customers reduce the time required to bring new products to market.

- ***Manufacturing Design Services.*** We provide our own designs for our vertically integrated system components and subassemblies, including:

- ***Printed Circuit Board and Backplane Design.*** We have a dedicated printed circuit board design group that designs and engineers complex printed circuit boards and backplanes. These printed circuit boards and backplanes incorporate high layer counts and large form factors and are used in complex products such as optical networking products and communications switches. Our designs also incorporate component miniaturization technologies and other advanced technologies that increase the number and density of components that can be placed on a printed circuit board. These technologies enable OEMs to provide greater functionality in smaller products. We also provide signal integrity engineering services, which involve the maintenance of the quality and integrity of high speed electrical signals as they travel through a system.

- ***Enclosure Design.*** We have a dedicated enclosure design group that designs and engineers complex enclosures. We can design custom enclosures to meet customer specifications and offer a range of proprietary designs tailored to particular applications. Our enclosure design services include the design of thermal management systems, which dissipate heat generated by the components within an enclosure. We design enclosures that are used in both indoor and outdoor environments. We also design enclosures that include both stackable and rack mount chassis configurations. In stackable configurations, component modules are stacked on top of each other, while in rack mount configurations, component modules slide into racks within the enclosure. Rack mount configurations often are used for complex products, such as communications switches that are frequently upgraded in the field by inserting new components. Our design engineers work with a range of materials, including metal, plastic and die-cast material. We design indoor and outdoor wireless base station cabinets, enclosures for high-end servers and data storage systems and enclosures for magnetic resonance imaging systems.

Volume Manufacturing. Volume manufacturing includes our vertically integrated manufacturing services described in greater detail below.

- ***Printed Circuit Boards.*** Our ability to reliably produce printed circuit boards with high layer counts and narrow circuit track widths makes us an industry leader in complex printed circuit board fabrication. Printed circuit boards are made of laminated materials and contain electrical circuits and connectors that interconnect and transmit electrical signals among the components that make up electronic devices. We are among a small number of manufacturers that specialize in manufacturing complex multi-layer printed circuit boards. Multi-layering, which involves incorporating numerous layers of electrical circuitry into a single printed circuit board, expands the number of circuits and components that can be contained on a printed circuit board and increases the operating speed of the system by reducing the distance that electrical signals must travel. Increasing the density of the circuitry in each layer is accomplished by reducing the width of the circuit tracks and placing them closer together in the printed circuit board. We are currently capable of efficiently producing printed circuit boards with up to 60 layers and circuit track widths as narrow as three mils. We use sophisticated circuit interconnections between certain layers to improve the performance of printed circuit boards. We have developed a proprietary material technology known as buried capacitance as well as various other processes that are designed to improve electrical performance and connection densities on printed circuit boards.

- ***Printed Circuit Board Assembly and Test.*** Printed circuit board assembly involves attaching electronic components, such as integrated circuits, capacitors, microprocessors, resistors and memory modules, to printed circuit boards. The most common technologies used to attach

components to printed circuit boards employ surface mount technology, or SMT, and pin-through-hole assembly, or PTH. SMT involves the use of an automated assembly system to place and solder components to the printed circuit board. In PTH, components are placed on the printed circuit board by insertion into holes punched in the circuit board. Components also may be attached using press-fit technology in which components are pressed into connectors affixed to the printed circuit board. We use SMT, PTH, press-fit as well as new attachment technologies that are focused on miniaturization and increasing the density of component placement on printed circuit boards. These technologies, which support the needs of our OEM customers to provide greater functionality in smaller products, include chip-scale packaging, ball grid array, direct chip attach and high density interconnect. We perform in-circuit and functional testing of printed circuit board assemblies. In-circuit testing verifies that all components have been properly inserted and attached and that the electrical circuits are complete. We perform functional tests to confirm that the board or assembly operates in accordance with its final design and manufacturing specifications. We either design and procure test fixtures and develop our own test software, or we use our customers test fixtures and test software. In addition, we provide environmental stress tests of the board or assembly that are designed to confirm that the board or assembly will meet the environmental stresses, such as heat, to which it will be subject.

- ***Backplanes and Backplane Assemblies.*** Backplanes are very large printed circuit boards that serve as the backbones of sophisticated electronics products and provide interconnections for printed circuit boards, integrated circuits and other electronic components. We fabricate backplanes in our printed circuit board plants. Backplane fabrication is significantly more complex than printed circuit board fabrication due to the large size and thickness of the backplanes. We manufacture backplane assemblies by press fitting high density connectors into plated through holes in the bare backplane. In addition, many of the newer higher technology backplanes require SMT attachment of passive discrete components as well as high pin count Ball Grid Array packages. These advanced assembly processes require specialized equipment and a strong focus on quality and process control. We also perform in-circuit and functional tests on backplane assemblies. We have developed proprietary technology and know-how which enables backplanes to run at data rates in excess of 10 gigabits per second, or Gbps. We are investing in research and development to manufacture backplanes with embedded optical channels capable of data rates of over 40 Gbps. We currently have capabilities to manufacture backplanes with up to 60 layers in sizes up to 32 × 54 inches and 0.500 inches in thickness, utilizing a wide variety of high performance laminate materials. These are among the largest and most complex commercially manufactured backplanes, and we are one of a limited number of manufacturers with these capabilities.

- ***Enclosures.*** Enclosures are cabinets that house and protect complex and fragile electronic components, modules and subsystems. Our enclosure manufacturing services include fabrication of cabinets, chassis and racks integrated with various electronic components such as power and thermal management systems. We manufacture a broad range of enclosures with numerous materials including metal, plastics and die cast materials. Enclosures we manufacture range from basic enclosures, such as enclosures for personal computers, to large and highly complex enclosures, such as those for indoor and outdoor communications base station products.

- ***Cable Assemblies.*** Cable assemblies are used to connect modules, assemblies and subassemblies in electronic devices. We provide a broad range of cable assembly products and services. We design and manufacture a broad range of high-speed data, radio frequency and fiber optic cabling products. Cable assemblies that we manufacture are often used in large rack systems to interconnect subsystems and modules.

- ***Precision Machine Components.*** We provide a broad range of manufacturing services for metals and plastics. With some of the largest horizontal milling machines in the United States, we are a preferred supplier of vacuum chamber systems for the semiconductor and flat panel display equipment markets. We are able to support both low volume engineering programs and high volume production. We utilize advanced computer numerically controlled machined tools enabling the manufacture of components to very tight tolerance standards.

- ***Optical Modules.*** Optical modules are integrated subsystems that use a combination of industry standard and/or custom optical components. We are a leading provider of complete optical systems for customers in telecommunications, networking, and military markets. Our experience in optical communications and networking products spans long haul/ultra long haul and metro regions for transport, access and switching applications, including last mile solutions. Our service offerings for optical communications customers are designed to deliver end-to-end solutions with special focus on system design, optical module assembly, optical test and integration.

- ***Memory Modules.*** Memory modules are integrated subsystems that use industry standard integrated circuits including processors, digital signal processors, or DSPs, non-volatile flash memory and dynamic random access memory, or DRAM. These modules consist of standard products that are sold for a wide range of applications to a broad base of customers and custom modules that are built and extensively tested for use in a particular OEM s product or system. We design and manufacture a variety of modular solutions, including standard and custom processor modules, flash memory modules and DRAM modules. In addition, we are a leading supplier of solutions to increase memory component density on printed circuit boards. We offer advanced NexMod memory modules that contain multiple RDRAM memory layers vertically stacked and mounted to a printed circuit board. NexMod solutions are tailored for high-end network infrastructure and complex server applications. We also provide innovative DDRI and DDRII DRAM modules utilizing stacked CSP technology offering high densities in ultra small form factors. We provide custom module solutions including mixed memory and our proprietary foldable rigid assembly microelectronics module, or FRAMM. We integrate both standard and custom modules in products that we manufacture.

Final System Assembly and Test. We provide final system assembly and test in which assemblies and modules are combined to form complete, finished products. We often integrate printed circuit board assemblies manufactured by us with enclosures, cables and memory modules that we also produce. Our final assembly activities also may involve integrating components and modules that others manufacture. The complex, finished products that we produce typically require extensive test protocols. Our test services include both functional and environmental tests. We also test products for conformity to applicable industry, product integrity and regulatory standards. Our test engineering expertise enables us to design functional test processes that assess critical performance elements, including hardware, software and reliability. By incorporating rigorous test processes into the manufacturing process, we can help to assure our customers that their products will function as designed. Products for which we currently provide final system assembly and test include wireless base stations, wire line communications switches, optical networking products, high-end servers and personal computers.

Direct Order Fulfillment. We provide direct order fulfillment for our OEM customers. Direct order fulfillment involves receiving customer orders, configuring products to quickly fill the orders and delivering the products either to the OEM, a distribution channel (such as a retail outlet) or directly to the end customer. We manage our direct order fulfillment processes using a core set of common systems and processes that receive order information from the customer and provide comprehensive supply chain management, including procurement and production planning. These systems and processes enable us to process orders for multiple system configurations, and varying production quantities, including single units. Our direct order fulfillment services include BTO and CTO capabilities. BTO involves building a system having the particular configuration ordered by the OEM customer. CTO involves configuring systems to an end customer s order. The end customer typically places this order by choosing from a variety of possible

system configurations and options. We are capable of meeting a 48 to 72 hour turn-around-time for BTO and CTO by using advanced manufacturing processes and a real-time warehouse management system and data control on the manufacturing floor. We support our direct order fulfillment services with logistics that include delivery of parts and assemblies to the final assembly site, distribution and shipment of finished systems, and processing of customer returns. Our systems are sufficiently flexible to support direct order fulfillment for a variety of different products, such as desktop and laptop computers, servers, workstations, set-top boxes, medical devices, scanners, printers and monitors.

After-Market Product Service and Support. We provide a wide range of after-market product service and support services, including replacing products at customer locations, product repair, re-manufacturing and maintenance at repair depots, logistics and parts management, returns processing, warehousing and engineering change management. We also provide support services for products that are nearing the end of their life cycles. These end-of-life support services involve both customer support and manufacturing support activities. We support the customer by providing software updates and design modifications that may be necessary to reduce costs or design-in alternative components due to component obsolescence or unavailability. Manufacturing support involves test engineering support and manufacturability enhancements. We also assist with product failure analysis, warranty and repair and field service engineering activities.

Global Supply Chain Management

Supply chain management involves the planning, purchasing and warehousing of product components. The objective of our supply chain management services is to reduce excess component inventory in the supply chain by scheduling deliveries of components on a just-in-time, as-and-when-needed basis. We use sophisticated production management systems to manage our procurement and manufacturing processes in an efficient and cost effective manner. We collaborate with our customers to enable us to respond to their changing component requirements for their products and to reflect any changes in these requirements in our production management systems. These systems often enable us to forecast future supply and demand imbalances and develop strategies to help our customers manage their component requirements. Our enterprise-wide software systems provide us with company-wide information regarding component inventories and orders to standardize planning and purchasing at the plant level. These systems enable us to transfer product components between plants to respond to changes in customer requirements or to address component or other raw material shortages.

We purchase large quantities of electronic components and other raw materials from a range of suppliers. As a result, we often receive volume discounts or other favorable terms from suppliers, which can enable us to provide our customers with greater cost reductions than they can obtain themselves. Our supplier relationships often enable us to obtain electronic components and other raw materials that are in short supply or return excess inventories to suppliers even when they are not contractually obligated to accept them.

Our End Markets

We have targeted markets that offer significant growth opportunities and for which OEMs sell complex products that are subject to rapid technological change. We believe that markets involving complex, rapidly changing products offer us opportunities to produce products with higher margins because these products require higher value added manufacturing services and may also include our advanced vertically integrated components. Our approach to our target markets is two-fold we intend to strengthen our significant presence in the communications and computing markets, while also focusing on other under-penetrated target markets, including the medical, automotive, industrial and semiconductor capital equipment and defense and aerospace industries, many of which have not extensively relied upon

EMS companies in the past. Our diversification across market segments and customers reduces our dependence on any particular market.

Communications: Wireless, Optical and Wireline Transmission and Enterprise. In the communications sector, we focus on wireless transmission systems, optical networking and enterprise networking systems. Our product design and engineering staff has extensive experience designing advanced communications products for these markets. Products we manufacture include point-to-point microwave systems, optical switches and transmission hardware, wireless base stations, wireline switches, routers, transceivers, satellite receivers, and various radio frequency appliances, among others.

Computing: Personal and Business (Enterprise) Computing and Storage Systems. We provide services for OEMs of personal computer, or PC, systems, enterprise computing, and storage systems.

We provide services to multiple major PC manufacturers. These services include primarily BTO and CTO manufacturing of desktop PC systems serving primarily the enterprise markets. Our PC manufacturing plants can build and configure systems and have them ready for shipment within 48 to 72 hours of receipt of a customer order. These plants are typically located in the geographic region to which the finished system will be shipped to rapidly deliver finished products.

We also provide services to the storage and server markets. Our expertise in manufacturing products for the storage and server markets stems from our technological capabilities and vertical integration. We are also the leading vertically integrated supplier of complex, multilayer printed circuit boards and backplanes, and many high-end computer designs incorporate these components. High-end computing products we manufacture include complex, fault tolerant servers and enterprise storage.

Multimedia. We manufacture digital satellite set-top boxes, personal video recorders, digital home gateways and internet protocol entertainment devices. For our multimedia OEM customers, we manage the production process for multimedia products, including product design and engineering, test development, supply chain management, manufacturing of printed circuit boards and assemblies, final system assembly and test, and direct order fulfillment, including our BTO and CTO capabilities.

Industrial and Semiconductor Systems. Our expertise in manufacturing highly complex systems includes production of semiconductor capital equipment, front-end environmental chambers, computer controllers, and test and inspection equipment. We also have significant experience manufacturing scanning equipment and devices, flat panel display test and repair equipment, optical inspection and x-ray equipment for use in the printed circuit board assembly industry, and deep ultraviolet photolithography equipment.

Defense and Aerospace. In December 2001, we merged with SCI Systems, Inc., or SCI. SCI began operations as Space-Craft, Inc., in the early 1960 s and was then principally a supplier to the defense and aerospace industries. We continue to offer our end-to-end services to the defense and aerospace industry. We believe that this industry currently represents a significant growth opportunity for us due to increased defense spending, as well as the growing desire of defense and aerospace OEMs to outsource non-core manufacturing activities in order to reduce costs. Our experience in serving the aerospace industry, as well as our product design and engineering capabilities, represent key competitive strengths for us in the defense and aerospace market. Defense and aerospace products that we design and manufacture include avionics systems, weapons guidance systems, cockpit communications systems, tactical and secure network communications systems, detection systems for homeland defense and space systems.

Medical. We provide comprehensive manufacturing and related services to the medical industry, including design and regulatory approval support. The manufacturing of products for the medical industry requires compliance with domestic and foreign regulations, including the Food and Drug Administration s, or FDA s, quality system regulations and the European Union s medical device directive. In addition to complying with these standards, our medical manufacturing facilities comply with ISO 13485 (formerly

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EN 46002) and ISO 9001:2000. Medical products that we manufacture include blood glucose meters, computer tomography scanners, respiration monitors, ventilators, anesthesia workstations, thermo-regulation devices, and cardio-resuscitation systems.

Automotive. In recent years, the electronics content in automobiles has increased substantially as new entertainment, wireless communication and navigation systems are being offered as standard features or factory options. We believe that this increased usage of electronic devices in automobiles will continue, and that there will be significant opportunities for EMS companies to manufacture automotive electronics. Accordingly, we have formed an automotive products group to focus on selective opportunities in this market.

Customers

A relatively small number of customers historically have been responsible for a significant portion of our net sales. Sales to our ten largest customers accounted for 60.8% of our fiscal 2006 net sales, 63.9% of our fiscal 2005 net sales and 69.3% of our fiscal 2004 net sales. For fiscal 2006, three customers, IBM, Lenovo and HP, accounted for greater than 10% of our net sales at 12.8%, 10.5% and 10.0%, respectively. For fiscal 2005, only one customer, IBM, accounted for greater than 10% of our net sales at 23.2%.

We seek to establish and maintain long-term relationships with our customers and have served many of our principal customers for several years. Historically, we have had substantial recurring sales from existing customers. We have also expanded our customer base through acquisitions and our marketing and sales efforts. We have been successful in broadening relationships with customers by providing vertically integrated products and services, as well as multiple products and services in multiple locations.

We typically enter into supply agreements with our major OEM customers with terms ranging from three to five years. Many of these supply agreements were entered into in connection with divestiture transactions, which are transactions in which we also acquire plants, equipment and inventory from the OEM. In these divestiture-related supply agreements, the customer typically agrees to purchase from us its requirements for particular products in particular geographic areas and for a specific period of time. Our OEM customer supply agreements that were not entered into in connection with divestitures typically do not require the customer to purchase their product requirements from us, and in these cases customers may have alternate sources of supply available to them. Our supply agreements with our OEM customers generally do not obligate the customer to purchase minimum quantities of products. However, the customer typically remains liable for the cost of the materials and components that we have ordered to meet the customer s production forecast but which are not used, provided that the material was ordered in accordance with an agreed-upon procurement plan. In some cases, the procurement plan contains provisions regarding the types of materials for which our customers will assume responsibility. In particular, customers are increasingly requiring EMS companies, including us, to assume responsibility for industry standard components while retaining liability only for components specific to their products. Our supply agreements typically also contain provisions permitting cancellation and rescheduling of orders upon notice and subject, in some cases, to cancellation and rescheduling charges. Order cancellation charges typically vary by product type and depend upon how far in advance of shipment a customer notifies us of the cancellation of an order. In some circumstances, our supply agreements with customers provide for cost reduction objectives during the term of the agreement.

We generally do not obtain firm, long-term commitments from our customers under supply agreements. As a result, customers can cancel their orders, change production quantities or delay orders. Uncertain economic conditions and our general lack of long-term purchase contracts with our customers make it difficult for us to accurately predict revenue over the long term. Even in those cases where customers are contractually obligated to purchase products from us or repurchase unused inventory from us that we have ordered for them, we may elect not to immediately enforce our contractual rights because of the long-term nature of our customer relationships and for other business reasons, and instead may negotiate accommodations with customers regarding particular situations.

Backlog

At September 30, 2006 and October 1, 2005, our backlog was approximately $1.5 billion and $1.8 billion, respectively. Backlog consists of purchase orders received, including, in some instances, forecast requirements released for production under customer contracts. Cancellation and postponement charges generally vary depending upon the time of cancellation or postponement. Substantially all of our backlog as of September 30, 2006, is expected to be shipped in fiscal 2007. However, customers may cancel or postpone substantially all scheduled deliveries without significant penalty, except to the extent of any excess inventories as described above. Backlog may therefore not be a meaningful indicator of future financial results.

Marketing and Sales

Our corporate marketing, sales and customer service staff consists of approximately 600 people. Our sales efforts are organized and managed on a regional basis, with regional sales managers in geographic regions in the United States and internationally.

We develop relationships with our customers and market our vertically integrated volume manufacturing services through our direct sales force and customer support specialists. Our sales resources are directed at multiple management and staff levels within target accounts. Our direct sales personnel work closely with the customers engineering and technical personnel to better understand their requirements. Our marketing and sales staff supports our business strategy of providing end-to-end services by encouraging cross-selling of vertically integrated volume manufacturing services and component manufacturing across a broad range of major OEM products. To achieve this objective, our marketing and sales staff works closely with our various manufacturing and design and engineering groups and engages in marketing and sales activities targeted towards key customer opportunities.

Each of our key customer accounts are managed by a dedicated account team, including a global business manager directly responsible for account management. Global business managers coordinate activities across divisions to effectively satisfy customer requirements and have direct access to our senior management to quickly address customer concerns. Local customer account teams further support the global teams and are linked by a comprehensive communications and information management infrastructure.

Competition

We face competition from other major global EMS companies such as Celestica, Inc., Flextronics International Ltd., Hon Hai (FoxConn), Jabil Circuit, Inc. and Solectron Corporation, as well as other EMS companies that often have a regional or product, service or industry specific focus. In addition, our potential customers may also compare the benefits of outsourcing their manufacturing to us with the merits of manufacturing products themselves.

We compete with different companies depending on the type of service or geographic area. We believe that the primary basis of competition in our target markets is manufacturing technology, quality, delivery, responsiveness, provision of value-added services and price. To remain competitive, we must continue to provide technologically advanced manufacturing services, maintain quality levels, offer flexible delivery schedules, deliver finished products on a reliable basis and compete favorably on the basis of price. We believe that our primary competitive strengths include our ability to provide global end-to-end services, our product design and engineering resources, our advanced technologies, our high quality manufacturing assembly and test services, our customer focus, our expertise in serving diverse end markets and an experienced management team.

Intellectual Property

We hold various United States and foreign patents primarily related to printed circuit boards, methods of manufacturing printed circuit boards, and enterprise computing. For other proprietary processes, we rely primarily on trade secret protection. We also have registered trademarks in the United States and many other countries throughout the world.

Although we do not believe that our current trademarks, manufacturing processes or patents infringe on the intellectual property rights of third parties, we cannot assure you that third parties will not assert infringement claims against us in the future. If such an assertion were to be made, it may become necessary or useful for us to enter into licensing arrangements or to resolve such an issue through litigation. However, we cannot assure you that such license rights would be available to us on commercially acceptable terms, if at all, or that any such litigation would be resolved favorably. Additionally, such litigation could be lengthy and costly and could materially affect our financial condition regardless of the outcome of such litigation.

Environmental Controls

We are subject to a variety of local, state and federal environmental laws and regulations in the United States, as well as foreign laws and regulations, relating to the treatment, storage, use, discharge, emission and disposal of chemicals, solid waste and other hazardous materials used during our manufacturing processes. We are also subject to occupational safety and health laws, and product take back, product labeling and product content requirements. Proper waste disposal is a major consideration in particular for printed circuit board manufacturers because metals and chemicals are used in the manufacturing process. Water used in the printed circuit board manufacturing process must be treated to remove metal particles and other contaminants before it can be discharged into municipal sanitary sewer systems. We operate on-site wastewater treatment systems at our printed circuit board manufacturing plants in order to treat wastewater generated in the fabrication process.

In addition, although the electronics assembly process generates significantly less wastewater than printed circuit board fabrication, maintenance of environmental controls is also important in the electronics assembly process because such operations can generate lead dust. Upon vacating a facility, we take on the responsibility to remediate the lead dust from the interior of the manufacturing facility. Although there are no applicable standards for lead dust remediation in manufacturing facilities, we endeavor to make efforts to remove the residues. To date, lead dust remediation costs have not been material to our operations. We also monitor for airborne concentrations of lead in our buildings and are not aware of any significant lead concentrations in excess of the applicable OSHA standards.

We have a range of corporate programs in place with regard to environmental compliance and reduction of the use of hazardous materials in manufacturing. In the environmental compliance area, we are developing corporate-wide standardized environmental management systems, auditing programs and policies to enable us to better manage environmental compliance activities. We are also developing programs to certify our facilities under ISO 14001, a set of standards and procedures relating to environmental compliance management. In addition, the electronics industry is subject to the European Union s Restrictions of Hazardous Substances, or RoHS, and Waste Electrical and Electronic Equipment, or WEEE, directives which took effect beginning in 2005 and 2006. Parallel initiatives are being proposed in other jurisdictions, including several states in the United States and the Peoples Republic of China. RoHS prohibits the use of lead, mercury and certain other specified substances in electronics products and WEEE requires industry OEMs to assume responsibility for the collection, recycling and management of waste electronic products and components. We are in the process of making our manufacturing process

RoHS compliant. In the case of WEEE, the compliance responsibility rests primarily with OEMs rather than with EMS companies. However, OEMs may turn to EMS companies for assistance in meeting their WEEE obligations. We are in the process of developing programs that we can offer to our customers to assist them with WEEE compliance.

Asbestos containing materials, or ACM, are present at several of our manufacturing facilities. Although the ACM is being managed and controls have been put in place pursuant to ACM operations and maintenance plans, the presence of ACM could give rise to affirmative remediation obligations and other liabilities. No third-party claims relating to ACM have been brought at this time.

Each plant, to the extent required by law, operates under environmental permits issued by the appropriate governmental authority. These permits must be renewed periodically and are subject to revocation in the event of violations of environmental laws. Any such revocation could require us to cease or limit production at one or more of our facilities, thereby having an adverse impact on our results of operations.

Primarily as a result of certain of our acquisitions, we have incurred liabilities associated with environmental contamination at facilities we have acquired. These liabilities include ongoing investigation and remediation activities at a number of sites, including our facilities located in Irvine, California (a former facility acquired as part of our acquisition of Elexsys); Owego, New York (a current facility that we acquired with our acquisition of Hadco Corporation); Derry, New Hampshire (a non-operating facility of Hadco) and Fort Lauderdale, Florida (a former facility of Hadco). Currently, we are unable to anticipate whether any third-party claims will be brought against us for the existence of such contamination. There can be no assurance that third-party claims will not arise and will not result in material liability to us. In addition, there are some sites, including our facility in Gunzenhausen, Germany (acquired from Alcatel) that are known to have groundwater contamination caused by a third party, and that third party has provided indemnity to us for the liability. Although we cannot assure you that we will not incur liability for clean-up costs or expenses at any of these sites, we have no reason to believe that such liability will occur and that it will be material to our business.

We have also been named as a potentially responsible party at several contaminated disposal sites operated by other parties, including the Casmalia Resources site, as a result of the past disposal of hazardous waste by companies we have acquired or by our corporate predecessors. Although liabilities for such historic disposal activities have not materially affected our financial condition to date, we cannot assure you that past disposal activities will not result in liability that will materially affect us in the future.

We use an environmental consultant to assist us in evaluating the environmental liabilities of the companies that we acquire as well as those associated with our ongoing operations, site contamination issues and historical disposal activities in order to establish appropriate accruals in our financial statements. In addition to liabilities associated with site contamination and related issues, we could also incur exposures associated with inventories containing restricted substances that we do not consume by the RoHS effective dates. We also undertake a process of re-evaluating and updating the reserves over time. As of September 30, 2006, based on the evaluations of our consultants, we have accrued $16.9 million for our environmental liabilities of which $5.3 million was accrued as a result of our adoption of Financial Accounting Standards Board Interpretation (FIN) No. 47, Accounting for Conditional Asset Retirement Obligations . Although we believe these accruals are adequate, we cannot be certain that environmental liabilities will not exceed the accrued amounts.

Employees

As of September 30, 2006, we had 54,397 employees, including 13,494 temporary employees. None of our U.S. employees are represented by a labor union. In some international locations, particularly in Western Europe, Latin America and the Middle East, our employees are represented by labor unions on either a national or plant level. Some Western European countries and Latin American countries also have mandatory legal provisions regarding terms of employment, severance compensation and other conditions of employment that are more restrictive than U.S. laws. We believe that our relationship with our employees is good.

Available Information

Our Internet address is *http://www.sanmina-sci.com*. We make available through our website, free of charge, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or SEC. All reports we file with the SEC are also available free of charge via EDGAR through the SEC s website at *http://www.sec.gov*.

Item 1A. *Risk Factors*

Refer to the Factors Affecting Operating Results contained in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations

Item 1B. *Unresolved Staff Comments*

None

Item 2. *Properties*

Facilities. Our customers market numerous products throughout the world and therefore need to access manufacturing services on a global basis. To enhance our EMS offerings, we seek to locate our facilities either near our customers and our customers end markets in major centers for the electronics industry or, where appropriate, in lower cost locations. Many of our plants located near customers and their end markets are focused primarily on final system assembly and test, while plants located in lower cost areas are engaged primarily in high volume, less complex component and subsystem manufacturing and assembly.

As of September 30, 2006, we manufacture products in 77 plants, consisting of 54 electronics assembly facilities, 9 printed circuit board fabrication facilities, 4 cable assembly facilities, and 10 enclosure assembly facilities, located both domestically and internationally. Our domestic plants are located in key electronics industry centers, including Silicon Valley (Northern California), Southern California, New England, Texas, Northern Alabama, the Research Park Triangle area and New York, as well as in several other locations. Internationally, we have plants in Australia, Latin America (Brazil and Mexico), Canada, Western Europe (United Kingdom, Ireland, France, Germany, Sweden, and Finland), Eastern Europe (Hungary), Israel and Asia (Peoples Republic of China, Indonesia, Japan, Malaysia, Singapore, and Thailand). For fiscal 2006, approximately 75.1% of our net sales were from operations outside of the United States.

Since the closing of our merger with SCI in December 2001, we have evaluated our global manufacturing operations and restructured our facilities and operations to bring our manufacturing capacity in line with demand and our manufacturing strategy and to provide cost efficient services for our customers. Through this process, we have closed certain facilities not required to satisfy current demand levels, but have retained strategic manufacturing facilities in the United States and Western Europe that focus on higher value added manufacturing activities. We provide extensive operations in lower cost locations, including Latin America, Eastern Europe, China and Southeast Asia, and we plan to expand our presence in these lower cost locations, as appropriate to meet the needs of our customers.

As of September 30, 2006, the approximate square footage of our facilities by country is as follows:

	Approximate Square Footage
Australia	59,772
Brazil	230,685
Canada	585,485
China	1,502,698
Finland	384,769
France	292,259
Germany	551,025
Hungary	1,214,176
Indonesia	66,056
Ireland	115,000
Israel	253,296
Japan	13,870
Malaysia	315,000
Mexico	2,164,223
Singapore	630,821
Sweden	189,200
Taiwan	2,500
Thailand	138,500
United Kingdom	240,074
United States	4,542,290
TOTAL	**13,491,699**

We also have manufacturing facilities (not included in the above figure) that are closed or in the process of closing as of September 30, 2006, which include facilities totaling approximately 1,627,376 square feet for domestic locations and approximately 1,366,684 square feet for international locations. We are currently undertaking an aggressive program to sublease or terminate leases for unused facilities and to sell owned properties that are no longer expected to serve our future needs. In addition, we have 291,191 (not included in the above figure) square feet of non-manufacturing space that we no longer expect to use that we are seeking to sell or sublease.

As of September 30, 2006, our active manufacturing facilities consist of approximately 10.4 million square feet in facilities that we own, with the remainder in leased facilities under lease terms expiring between fiscal 2007 and fiscal 2024.

We believe that our existing facilities are adequate to meet our reasonably foreseeable requirements. We regularly evaluate our expected future facilities requirements.

Certifications and Registrations. Certifications and registrations under industry standards are important to our business because many customers rely on them to confirm our adherence to manufacturing process and quality standards. Certain markets, such as communications, medical, defense, aerospace and automotive, require adherence to industry-specific standards. Substantially all of our manufacturing facilities are registered under ISO 9001:2000, a set of standards published by the International Organization of Standardization and used to document, implement and demonstrate quality management and assurance systems in design and manufacturing. As part of the ISO 9001:2000 certification process, we have developed a quality systems manual and an internal system of quality controls and audits. ISO 9001:2000 registration is of particular importance to the companies doing business in the European Community, and we believe that United States electronics manufacturers are increasing their use of ISO 9001:2000 registration as a criteria for suppliers.

In addition to ISO 9001:2000, many of our facilities have been TL 9000 registered. TL 9000 is a relatively new telecommunications standard. The TL 9000 quality system requirements and quality system metrics are designed specifically for the telecommunications industry to promote consistency, efficiency, and improved customer satisfaction. Included in the TL 9000 system are performance-based metrics that measure the reliability and quality performance of the product. The majority of our facilities are also Underwriters Laboratory compliant. These standards define requirements for quality, manufacturing process control and manufacturing documentation and are required by many OEMs in the communications sector of the electronics industry.

Our medical products division has identified certain manufacturing facilities to be centers of excellence for medical products manufacturing. Currently most of those facilities are FDA and ISO 13485 registered and fully compliant to the FDA s quality systems regulations.

Our defense and aerospace operations are headquartered in the Huntsville, Alabama area and are housed in dedicated facilities to meet the specialized needs of our defense and aerospace customers. Our defense and aerospace facilities are AS9100 registered and also certified under various U.S. military specifications as well as under ANSI and other standards appropriate for defense and aerospace suppliers.

Our automotive facilities are strategically located worldwide. Substantially all of our automotive facilities are QS 9000 and/or TS 16949 registered and also certified under the Automotive Industry Standard.

Item 3. *Legal Proceedings*

We are a so-called nominal defendant party to multiple shareholder derivative lawsuits that were filed following our June 9, 2006 announcement that we had initiated an internal inquiry into our historical stock option administration practices. In particular, five separate shareholder derivative actions have been filed and consolidated into a single proceeding pending in the United States District Court for the Northern District of California, captioned *In re Sanmina-SCI Corporation Derivative Litigation*, Master File No. C-06-3783-JF. The first of these consolidated actions was filed June 15, 2006. A consolidated complaint was filed on October 30, 2006. In addition, three related shareholder derivative actions have been filed in Superior Court for the State of California, County of Santa Clara. These three actions, captioned *Salehinasab v. Sola, et al.,* Case No. 1-06-CV-071786 (filed September 25, 2006); *Bahnmiller v. Sola, et al.,* Case No. 1-06-CV-074989 (filed November 17, 2006); and *Judd v. Sola, et al.,* Case No. 1-06-CV-075019 (filed November 17, 2006), have not yet been consolidated although we expect that they will be.

In all of these actions, the derivative plaintiffs allege that they are our shareholders and purport to bring the actions on our behalf and for our benefit. This is why we are a nominal defendant party to each of these actions; however, no relief is sought against us in these lawsuits. While the list of defendants varies from action to action, 27 different current and former directors and officers have been named as defendants in one or more of the actions. The defendants include Rick Ackel, Samuel Altschuler, John Bolger, Neil R. Bonke, Stephen F. Bruton, Michael J. Clarke, Alain A. Couder, Randy W. Furr, Steven H. Jackman, Elizabeth J. Jordan, Michael Landy, Christopher D. Mitchell, Eric Naroian, Hari Pillai, Carmine Renzulli, Mario M. Rosati, A. Eugene Sapp, Jr., Joseph Schell, Wayne Shortridge, Peter J. Simone, Jure Sola, Michael Sparacino, Michael Sullivan, Jacquelyn M. Ward, David White, Bernard Whitney and Dennis Young. The derivative plaintiffs allege generally that the individual defendants manipulated the grant dates of our stock options between 1995 and 2006, allegedly in breach of duties owed to us and our shareholders, causing us to report our financial results inaccurately and resulting in harm to us. Plaintiffs seek money damages against the individual defendants, an accounting for damages allegedly caused by the individual defendants, disgorgement of profits allegedly improperly obtained by the defendants, and various other types of equitable and injunctive relief. In August 2006, our Board of Directors created a Special Litigation Committee comprised of directors Alain A. Couder and Peter J. Simone, and vested that committee with the full authority on our behalf to investigate the claims asserted by the derivative plaintiffs, and to determine what action should be taken with respect to the shareholder derivative actions including without limitation whether we should pursue claims against the named defendants or other persons. The Special Litigation Committee s investigation is ongoing. We have filed a motion asking the federal court to stay the derivative plaintiffs prosecution of the shareholder derivative lawsuits to permit the Special Litigation Committee reasonable time to consider the matters alleged by the derivative plaintiffs and to determine appropriate action in response to the lawsuit. We intend to file similar motions in the state court actions. Although we believe the stay motion to be well founded, there can be no assurance that the courts will grant our motions. While the shareholder derivative lawsuits do not seek remedies against us, we do owe certain indemnification obligations to our current and former directors, officers and employees involved with the stock option-related proceedings, particularly to the extent that individuals are found not to have engaged in any wrongdoing. We cannot currently predict whether the shareholder derivative lawsuits will result in any material net recovery for us.

Additionally, we are aware that both the Securities and Exchange Commission and United States Attorney for the Northern District of California are conducting inquiries into our historical stock option administration practices. We have received an informal request for documents and other information from the Securities and Exchange Commission and a grand jury subpoena from the United States Attorney. We are cooperating fully with both investigations.

In addition, we are a party to certain legal proceedings that have arisen in the ordinary course of our business. We believe that the resolution of these proceedings will not have a material adverse effect on our business, financial condition or results of operations.

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

None.

EXECUTIVES OF SANMINA-SCI

Pursuant to General Instruction G(3), the information regarding our executive officers required by Item 401(b) of Regulation S-K is hereby included in Part I of this report.

The following table sets forth the name of each executive officer of Sanmina-SCI, the office held by such officer and the age, as of November 13, 2006 (ages are as of September 30, 2006), of such officer.

Name	Age	Position
Jure Sola	55	Chairman of the Board and Chief Executive Officer
Hari Pillai	46	President, Global EMS Operations
David L. White	51	Executive Vice President of Finance and Chief Financial Officer, Secretary
Dennis Young	55	Executive Vice President of Worldwide Sales and Marketing

Jure Sola has served as our chief executive officer since April 1991, as chairman of our board of directors from April 1991 to December 2001 and from December 2002 to present, and co-chairman of our board of directors from December 2001 to December 2002. In 1980, Mr. Sola co-founded Sanmina and initially held the position of vice president of sales. In October 1987, he became vice president and general manager of Sanmina, responsible for manufacturing operations and sales and marketing and was president from October 1989 to March 1996.

Hari Pillai joined our Company in 1994 and has served in manufacturing management positions since that time. In January 2002, Mr. Pillai was appointed president and general manager of the EMS division of our company and in October 2004 was appointed president, global EMS operations.

David L. White has served as our executive vice president of finance and chief financial officer since August 2004 and became Secretary in December 2006. Prior to joining us, he was senior vice president and chief financial officer of Asyst Technologies, a provider of integrated automation solutions that enhance semiconductor and flat-panel display (FPD) manufacturing productivity. Previously, he was president and chief executive officer of Candescent Technologies, a developer of field emission display (FED) technology for next-generation thin FPDs.

Dennis Young has served as executive vice president of worldwide sales and marketing since March 2003. Prior to joining our company, Mr. Young was senior vice president of sales from May 2002 to March 2003 and vice president of sales from March 1998 to May 2002 of Pioneer-Standard Electronics, a provider of industrial and consumer electronic products.

PART II

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

Market Information

Our common stock is traded on the Nasdaq National Market under the symbol SANM. The following table lists the high and low intra-day prices for our common stock as reported on Nasdaq.

Fiscal 2006	**High**	**Low**
First quarter	$ 4.73	$ 3.45
Second quarter	$ 4.95	$ 3.66
Third quarter	$ 5.85	$ 3.90
Fourth quarter	$ 4.90	$ 3.04

Fiscal 2005	**High**	**Low**
First quarter	$ 9.35	$ 6.95
Second quarter	$ 8.68	$ 4.64
Third quarter	$ 5.82	$ 3.74
Fourth quarter	$ 6.02	$ 4.03

Stockholders

As of December 1, 2006, we had approximately 2,296 common stockholders of record. On December 1, 2006, the last reported sales price of our common stock on the Nasdaq National Market was $3.76 per share.

Dividends

We have never declared or paid any cash dividends on our common stock. We currently expect to retain future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. The indentures governing our 6.75% Senior Subordinated Notes and 8.125% Senior Subordinated Notes and the agreement governing our Senior Secured Credit Facility contain covenants that limit our ability to pay dividends; see also Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

Item 6. *Selected Financial Data*

The following selected financial data should be read in conjunction with Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 8 Financial Statements and Supplementary Data, included elsewhere in this Form 10-K. The information presented in the following tables has been adjusted to reflect the restatement of our financial results which is more fully described in Note 2 Restatement of Consolidated Financial Statements in the Notes to Consolidated Financial Statements.

We have not amended our previously filed Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for the periods affected by this restatement. The financial information that has been previously filed or otherwise reported for these periods is superseded by the information in this Annual Report on Form 10-K, and the financial statements and related financial information contained in such previously-filed reports should no longer be relied upon.

FIVE YEAR SELECTED FINANCIAL HIGHLIGHTS

Consolidated Statements Of Operations Data:

	Fiscal Year Ended 2006(6)	2005(4)(7) (Restated)	2004(7) (Restated)	2003(1)(7) (Restated)	2002(2)(3)(7) (Restated)
	(In thousands, except per share data)				
Net sales	$ 10,955,421	$ 11,734,674	$ 12,204,607	$ 10,361,434	$ 8,761,630
Operating income (loss)	53,317	(489,760)	84,482	(154,914)	(2,775,365)
Loss before income taxes, extraordinary gain and cumulative effect of accounting changes	(150,153)	(639,825)	(36,800)	(275,245)	(2,826,074)
Provision for (benefit from) income taxes	(5,766)	394,121	18,412	(53,592)	(127,690)
Extraordinary gain, net of tax of $0			3,583		
Cumulative effect of accounting changes(5)	2,830				
Net loss	$ (141,557)	$ (1,033,946)	$ (51,629)	$ (221,653)	$ (2,698,384)
Basic net loss per share	$ (0.27)	$ (1.99)	$ (0.10)	$ (0.43)	$ (5.60)
Diluted net loss per share	$ (0.27)	$ (1.99)	$ (0.10)	$ (0.43)	$ (5.60)
Shares used in computing diluted per share amount	525,967	520,574	515,803	510,102	481,985

(1) Includes an impairment of long-lived assets loss of $95.6 million.

(2) Includes goodwill impairment loss of $2.6 billion.

(3) On December 6, 2001, we merged with SCI in a purchase business combination. The consolidated financial statements include the operating results of SCI from December 3, 2001, the accounting period close nearest to the acquisition date of December 6, 2001.

(4) Includes a goodwill impairment loss of $600 million and an increase in deferred tax valuation allowance of $379.3 million. For additional information, refer to Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Goodwill and Other Intangible assets and Income taxes .

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(5) Includes $5.7 million credit, related to the adoption of SFAS No. 123 (revised 2004), Share-Based Payment, (SFAS No. 123R). In addition, includes $2.9 million charge related to the adoption of Financial Statement Interpretation (FIN) No. 47, Accounting for Conditional Asset Retirement Obligations .

(6) Includes a $84.6 million expense related to the extinguishment of the 10.375% Notes (Refer to Note 13 (Debt) of the Notes to Consolidated Financial Statements) and a $15 million charge related to excess and obsolete inventories in our ODM business. In addition, we recorded a goodwill impairment charge of $3.8 million and an impairment of tangible and intangible assets of $7.9 million as a result of our decision to realign our ODM business to focus on JDM opportunities. We also recorded an impairment charge for tangible assets of $7.2 million related to a manufacturing facility and to our ODM business as a result of our SFAS No. 144 impairment analysis.

(7) For more information regarding the investigation and finding relating to stock option practices and the restatement of stock-based compensation and other items, please refer to Item 7, Management Discussion and Analysis of Financial Condition and Results of Operations and Note 2 Restatement of Consolidated Financial Statements of the Notes to Consolidated Financial Statements.

The following tables present the impact of the financial statement adjustments on our previously reported Condensed Consolidated Statement of Operations as of the periods ended September 27, 2003 and September 28, 2002:

	Fiscal Year Ended September 27, 2003				**Fiscal Year Ended September 28, 2002**			
	Previously Reported (Restated) (In thousands)	**Adjustments**		**As Restated**	**Previously Reported (Restated)**	**Adjustments**		**As Restated**
Net sales	$ 10,361,434	$		$ 10,361,434	$ 8,761,630	$		$ 8,761,630
Cost of sales	9,898,964	35,493	A	9,934,457	8,386,929	18,778	A	8,405,707
Gross profit	462,470	(35,493)		426,977	374,701	(18,778)		355,923
Operating expenses:								
Selling, general, administrative and research and development	321,686	41,137	A	362,823	287,625	19,381	A	307,006
Amortization of intangible assets	6,596			6,596	5,757			5,757
Goodwill impairment	95,600			95,600	2,670,000	(28,825)	D	2,641,175
Integration costs	10,720			10,720	3,707			3,707
Restructuring costs	105,744	408	A	106,152	171,795	1,848	A	173,643
Total operating expenses	540,346	41,545		581,891	3,138,884	(7,596)		3,131,288
Operating loss	(77,876)	(77,038)		(154,914)	(2,764,183)	(11,182)		(2,775,365)
Interest income	15,938			15,938	25,292			25,292
Interest expense	(128,501)			(128,501)	(97,833)			(97,833)
Other income (expense), net	(7,768)			(7,768)	21,832			21,832
Interest and other expense, net	(120,331)			(120,331)	(50,709)			(50,709)
Loss before income taxes	(198,207)	(77,038)		(275,245)	(2,814,892)	(11,182)		(2,826,074)
Provision for (benefit from) income taxes	(61,050)	7,458	B	(53,592)	(118,139)	(9,551)	C	(127,690)
Net loss	$ (137,157)	$ (84,496)		$ (221,653)	$ (2,696,753)	$ (1,631)		$ (2,698,384)
Net loss per share before extraordinary item:								
Basic	$ (0.27)	$ (0.16)		$ (0.43)	$ (5.60)	$ (0.00)		$ (5.60)
Diluted	$ (0.27)	$ (0.16)		$ (0.43)	$ (5.60)	$ (0.00)		$ (5.60)
Net loss per share:								
Basic	$ (0.27)	$ (0.16)		$ (0.43)	$ (5.60)	$ (0.00)		$ (5.60)
Diluted	$ (0.27)	$ (0.16)		$ (0.43)	$ (5.60)	$ (0.00)		$ (5.60)
Weighted average shares used in computing per share amounts:								
Basic	510,102			510,102	481,985			481,985
Diluted	510,102			510,102	481,985			481,985

A: Adjustment for additional stock compensation expense pursuant to APB No. 25.

B: Adjustment to the deferred tax assets arising from the stock-based compensation charge and net operating losses from the 956 Deemed Dividend.

C: Adjustment to the deferred tax assets arising from the stock-based compensation charge.

D: Adjustment for overstated goodwill impairment charge associated with the adjustment to stock-based compensation.

Consolidated Balance Sheet Data:

	As of Fiscal Year Ended 2006	2005(1) (Restated)	2004(1) (Restated)	2003(1) (Restated)	2002(1) (Restated)
	(In thousands)				
Cash and cash equivalents	$ 491,829	$ 1,068,053	$ 1,069,447	$ 889,574	$ 1,064,534
Net working capital	1,516,754	1,672,481	1,422,972	1,921,056	2,088,678
Total assets	5,862,430	6,269,128	7,542,460	7,420,728	7,555,438
Long-term debt	1,507,218	1,666,768	1,297,337	1,925,630	1,975,331
Stockholders equity	2,270,563	2,383,811	3,360,993	3,347,963	3,446,256

(1) The information presented has been adjusted to reflect restatement of our financial condition which is more fully described in Item 7, Management Discussion and Analysis of Financial Condition and Results of Operations and Note 2 Restatement of Consolidated Financial Statements of the Notes to Consolidated Financial Statements.

The following tables present the impact of the financial statement adjustments on our previously reported Condensed Consolidated Balance Sheets as of the periods ended October 2, 2004, September 27, 2003 and September 28, 2002:

	As of October 2, 2004 Previously Reported	Adjustments		Restated
	(In thousands, except par value)			
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 1,069,447	$		$ 1,069,447
Short-term investments	19,718			19,718
Accounts receivable, net	1,668,973			1,668,973
Inventories	1,064,518			1,064,518
Deferred income taxes	303,965	(10,531)	B	293,434
Prepaid expenses and other current assets	96,523			96,523
Total current assets	4,223,144	(10,531)		4,212,613
Property, plant and equipment, net	782,642	27,354	C	809,996
Goodwill	2,254,979			2,254,979
Other intangible assets, net	35,891			35,891
Other non-current assets	210,478	(6,959)	B	203,519
Restricted cash	25,462			25,462
Total assets	$ 7,532,596	$ 9,864		$ 7,542,460
LIABILITIES AND STOCKHOLDERS EQUITY:				
Current liabilities:				
Accounts payable	$ 1,630,833	$		$ 1,630,833
Accrued liabilities	381,123			381,123
Accrued payroll and related benefits	164,357	3,582	D	167,939
Current portion of long-term debt	609,746			609,746
Total current liabilities	2,786,059	3,582		2,789,641
Long-term liabilities:				
Long-term debt, net of current portion	1,297,337			1,297,337
Other	94,489			94,489
Total long-term liabilities	1,391,826			1,391,826
Commitments and contingencies				
Stockholders equity:				
Preferred stock				
Common stock	5,420			5,420
Treasury stock	(188,607)			(188,607)
Additional paid-in capital	5,719,137	160,910	A	5,880,047
Accumulated other comprehensive income	32,690			32,690
Accumulated deficit	(2,213,929)	(154,628)		(2,368,557)
Total stockholders equity	3,354,711	6,282		3,360,993
Total liabilities and stockholders equity	$ 7,532,596	$ 9,864		$ 7,542,460

A: Adjustment for additional stock compensation expense pursuant to APB No. 25.

B: Adjustment to the deferred tax assets arising from the reversal of fixed asset reserves in fiscal year 2001 and net operating losses from the 956 Deemed Dividend and stock-based compensation charge.

C: Reversal of excess fixed asset impairment reserve.

D: Adjustment for payroll tax associated with the adjustment to stock-based compensation.

	As of September 27, 2003 Previously Reported (In thousands)	Adjustments		Restated
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 1,043,850	$ (154,275)	E	$ 889,575
Short-term investments	39,138	16,455	E	55,593
Accounts receivable, net	1,576,392			1,576,392
Inventories	977,799			977,799
Deferred income taxes	362,124	(9,119)	B	353,005
Prepaid expenses and other current assets	109,862			109,862
Total current assets	4,109,165	(146,939)		3,962,226
Property, plant and equipment, net	902,868	27,353	C	930,221
Goodwill	2,223,422			2,223,422
Other non-current assets	155,447	149,412	E,B	304,859
Total assets	$ 7,390,902	$ 29,826		$ 7,420,728
LIABILITIES AND STOCKHOLDERS EQUITY:				
Current liabilities:				
Accounts payable	$ 1,506,998	$		$ 1,506,998
Accrued liabilities	394,906			394,906
Accrued payroll and related benefits	130,660	5,117	D	135,777
Current portion of long-term debt	3,489			3,489
Total current liabilities	2,036,053	5,117		2,041,170
Long-term liabilities:				
Long-term debt, net of current portion	1,925,630			1,925,630
Deferred income tax liability	30,940			30,940
Other	75,025			75,025
Total long-term liabilities	2,031,595			2,031,595
Commitments and contingencies				
Stockholders equity:				
Preferred stock				
Common stock	5,304			5,304
Treasury stock	(188,618)			(188,618)
Additional paid-in capital	5,692,764	139,106	A	5,831,870
Accumulated other comprehensive income	16,335			16,335
Accumulated deficit	(2,202,531)	(114,397)		(2,316,928)
Total stockholders equity	3,323,254	24,709		3,347,963
Total liabilities and stockholders equity	$ 7,390,902	$ 29,826		$ 7,420,728

A: Adjustment for additional stock compensation expense pursuant to APB No. 25.

B: Adjustment to the deferred tax assets arising from the reversal of fixed asset reserves in fiscal year 2001 and net operating losses from the 956 Deemed Dividend and stock-based compensation charge.

C: Reversal of excess fixed asset impairment reserve.

D: Adjustment for payroll tax associated with the adjustment to stock-based compensation.

E: Cash and cash equivalents decreased by approximately $154.3 million at September 27, 2003 due to adjustments of certain overdraft facilities to other non-current assets of $137.8 million and marketable securities of $16.5 million.

	As of September 28, 2002 Previously Reported (In thousands)	Adjustments		Restated
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 1,064,534	$		$ 1,064,534
Short-term investments	99,140			99,140
Accounts receivable, net	1,394,515			1,394,515
Inventories	1,123,016			1,123,016
Deferred income taxes	312,184	(10,531)	B	301,653
Prepaid expenses and other current assets	165,649			165,649
Total current assets	4,159,038	(10,531)		4,148,507
Property, plant and equipment, net	1,084,454	27,353	C	1,111,807
Goodwill	2,101,650			2,101,650
Long-term investments	73,955			73,955
Other non-current assets	98,960	20,559	B	119,519
Total assets	$ 7,518,057	$ 37,381		$ 7,555,438
LIABILITIES AND STOCKHOLDERS EQUITY:				
Current liabilities:				
Accounts payable	$ 1,279,451	$		$ 1,279,451
Accrued liabilities	366,500			366,500
Accrued payroll and related benefits	142,139	5,840	D	147,979
Current portion of long-term debt	265,899			265,899
Total current liabilities	2,053,989	5,840		2,059,829
Long-term liabilities:				
Long-term debt, net of current portion	1,975,331			1,975,331
Deferred income tax liability	17,184			17,184
Other	56,838			56,838
Total long-term liabilities	2,049,353			2,049,353
Commitments and contingencies				
Stockholders equity:				
Preferred stock				
Common stock	5,254			5,254
Treasury stock	(190,261)			(190,261)
Additional paid-in capital	5,675,401	61,442	A	5,736,843
Accumulated other comprehensive income	(10,305)			(10,305)
Accumulated deficit	(2,065,374)	(29,901)		(2,095,275)
Total stockholders equity	3,414,715	31,541		3,446,256
Total liabilities and stockholders equity	$ 7,518,057	$ 37,381		$ 7,555,438

A: Adjustment for additional stock compensation expense pursuant to APB No. 25.

B: Adjustment to the deferred tax assets arising from the reversal of fixed asset reserves in fiscal year 2001 and net operating losses from stock-based compensation charge.

C: Reversal of excess fixed asset impairment reserve.

D: Adjustment for payroll tax associated with the adjustment to stock-based compensation.

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Pro Forma Information under SFAS No. 123 for Periods Prior to Fiscal 2006 (Unaudited)

If compensation expense for our various equity compensation plans had been determined based upon estimated fair values at the grant dates in accordance with Statement of Financial Accounting Standards No. 123 (SFAS No. 123), Accounting for Stock-Based Compensation , our pro forma net loss, and basic and diluted loss per common share for stock options granted prior to the adoption of SFAS No. 123R, for the fiscal periods 1997 through 2003 would have been as follows (in thousands, except for per share data):

	Fiscal Years ended						
	2003 (Restated)	**2002 (Restated)**	**2001 (Restated)**	**2000 (Restated)**	**1999 (Restated)**	**1998 (Restated)**	**1997 (Restated)**
Net income (loss):							
As reported	$ (221,653)	$ (2,698,383)	$ 33,936	$ 192,948	$ 100,787	$ 32,598	$ 49,271
Stock-based employee compensation expense included in reported net income (loss)(1)	79,484	39,856	27,953	23,761	4,386	707	85
Stock-based employee compensation expense determined under fair value method(1)	(79,504)	(119,929)	(144,455)	(84,307)	(44,026)	(31,293)	(19,715)
Pro forma net income (loss)	$ (221,673)	$ (2,778,456)	$ (82,566)	$ 132,402	$ 61,147	$ 2,012	$ 29,641
Basic income (loss) per share:							
As reported	$ (0.43)	$ (5.60)	$ 0.11	$ 0.63	$ 0.35	$ 0.27	$ 1.02
Proforma	$ (0.43)	$ (5.76)	$ (0.26)	$ 0.43	$ 0.21	$ 0.02	$ 0.61
Diluted income (loss) per share:							
As reported	$ (0.43)	$ (5.60)	$ 0.10	$ 0.59	$ 0.34	$ 0.25	$ 0.77
Proforma	$ (0.43)	$ (5.76)	$ (0.24)	$ 0.40	$ 0.20	$ 0.02	$ 0.46

(1) Excludes tax effect.

For fiscal 2005 and 2004, refer to Note 12 of the Notes to Consolidated Financial Statements.

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

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to our expectations for future events and time periods. All statements other than statements of historical fact are statements that could be deemed to be forward-looking statements, including any statements regarding trends in future revenues or results of operations, gross margin or operating margin, expenses, earnings or losses from operations, synergies or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning developments, performance or industry ranking; any statements regarding future economic conditions or performance; any statements regarding pending investigations, claims or disputes; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Generally, the words anticipate, believe, plan, expect, future, intend, may, will, should, estimate, predict, potential, continue and similar expressions identify forward-looking statements. Our forward-looking statements are based on current expectations, forecasts and assumptions and are subject to risks, uncertainties and changes in condition, significance, value and effect. As a result of the factors described herein, and in the documents incorporated herein by reference, including, in particular, those factors described under Factors Affecting Operating Results, we undertake no obligation to publicly disclose any revisions to these forward-looking statements to reflect events or circumstances occurring subsequent to filing this report with the Securities and Exchange Commission.

Overview

We are a leading independent global provider of customized, integrated electronics manufacturing services, or EMS. Our revenue is generated from sales of our services primarily to original equipment manufacturers, or OEMs, in the communications, personal and business computing, enterprise computing and storage, multimedia, industrial and semiconductor capital equipment, defense and aerospace, medical and automotive industries.

A relatively small number of customers historically have been responsible for a significant portion of our net sales. Sales to our ten largest customers accounted for 60.8%, 63.9% and 69.3% of our net sales for fiscal 2006, 2005 and 2004, respectively, and three customers, IBM, Lenovo and HP, accounted for 10% or more of our net sales for fiscal 2006. Our largest customer, IBM accounted for 10% or more of our net sales for fiscal 2005. Two customers, IBM and HP, accounted for 10% or more of our net sales for fiscal 2004.

In recent periods, we have generated a significant portion of our net sales from international operations. During fiscal 2006, 2005 and 2004, 75.1%, 76.2% and 72.7%, respectively, of our consolidated net sales were derived from non-U.S. operations. The concentration of international operations has resulted from overseas acquisitions and a desire on the part of many of our customers to move production to lower cost locations in regions such as Asia, Latin America and Eastern Europe. We expect this trend to continue.

Historically, we have had substantial recurring sales from existing customers. We have also expanded our customer base through acquisitions. We typically enter into supply agreements with our major OEM customers. These agreements generally have terms ranging from three to five years and cover the manufacture of a range of products. Under these agreements, a customer typically agrees to purchase its requirements for particular products in particular geographic areas from us. These agreements generally do not obligate the customer to purchase minimum quantities of products. In some circumstances our supply agreements with customers provide for cost reduction objectives during the term of the agreement.

We have experienced fluctuations in gross margins in the past and may continue to in the future. Fluctuations in our gross margins may be caused by a number of factors, including pricing, changes in product mix, competitive pressures and transition of manufacturing to lower cost locations.

Stock-Based Compensation Expense. In May 2006, two analyst research reports were published wherein it was suggested that based on their analysis of our proxy statements that were filed with the Securities and Exchange Commission (SEC), we may have backdated stock option grants (the Reports) with respect to our officers.

Shortly after the Reports were published, we were contacted by the SEC with respect to its option practices for the years mentioned in the Reports. As a result of the publication of the Reports and concurrent with the SEC s informal inquiry, a special meeting of the Board of Directors was convened on June 8, 2006. In response to these circumstances, the Board of Directors immediately created a Special Committee, which was comprised of independent disinterested directors, to conduct a comprehensive review of grants of stock options and restricted stock. The investigation was conducted with the assistance of a law firm and outside accounting consultants not previously involved with our stock option plans and Equity Plan administration. The review focused on the following:

- Option grants made to all employees, directors and consultants during the period from January 1997 through June 2006 (the Investigation Period);

- Restricted stock grants during the period from September 2003 (the date of the first grant of restricted stock) through July 2006; and

- Stock option grant modifications connected with employee terminations during the Investigation Period.

The Special Committee investigated substantially all of the option and restricted stock grants issued to individuals at all levels of our Company, including its directors and officers, during the Investigation Period. As a result of the investigation, it was determined that the original measurement date used by us for accounting purposes (the Record Date) for most of the options and restricted stock issued by us from January 1997 to June 2006 did not correspond to the closing price of our common stock on the appropriate measurement date. In nearly all such cases, the Record Date preceded the appropriate measurement date and the stock price on the Record Date was lower than the price on the appropriate measurement date.

In assessing how the errors relating to stock option accounting occurred, the investigation report identified concerns with respect to the actions of two former executives who were each involved in the authorization, recording and reporting of stock option grants, restricted stock grants and stock option modifications related to employee terminations. In addition, the investigation report also identified deficiencies in internal controls, including the process of preparing and retaining accurate documentation relating to our stock option plan administration activities.

Our historical procedures and methodologies for determining the number of shares and the Record Date of stock option and restricted stock grants made during the Investigation Period varied depending on the classification of the recipients of such awards. The following discusses, by category, the stock-based compensation processes generally followed by us to authorize and approve stock-based compensation awards:

Board of Director Grants. Non-employee Directors generally received automatic option grants pursuant to the 1995 Director s Option Plan on October 1, or the first trading day thereafter.

Officer Grants. Equity awards issued to our employees were issued pursuant to our 1990 and 1999 Stock Option Plans. Equity awards issued to reporting persons as that term is defined under Section 16 of the Securities Exchange Act of 1934, as amended (Officers) were issued by authority of the Compensation Committee. Officer stock option grants were generally awarded annually at the October meeting of the Compensation Committee.

Non-Officer Grants. Equity awards issued to our non-Officer employees were generally administered as follows. First, the Compensation Committee met and authorized a pool of stock options and restricted stock to be set aside for issuance to employees and delegated to management the responsibility for allocating the awards to specific recipients pursuant to the stock plan. Upon management s conclusion of this allocation process, a final list of award recipients, along with the number of stock options and/or restricted stock to be awarded to each individual was presented to executive management for final review and approval.

Results of the Special Committee s investigation generally concluded that the Record Date used to account for most of the equity awards issued by us from January 1997 to June 2006 differed from the appropriate measurement date. In nearly all such cases, the stock price on the appropriate measurement date was higher than the price on the Record Date. The types of grant discrepancies uncovered by the investigation and the financial statement impact of these errors are summarized as follows:

Misdated Grants. From fiscal 1997 through June 2006, we granted options on eleven different dates to our Officers. The investigation identified that the Record Date required revision on all eight (8) Officer Grants issued prior to October 2002 and no revisions were necessary for Officer Grants issued from October 2002 to the present. It was also determined that the Record Dates required revision with respect to nineteen (19) of the twenty-one (21) non-Officer Grants issued during the Investigation Period. In nearly all cases, the Record Date preceded the appropriate measurement date and the stock price on the Record Date was lower than the price on the appropriate measurement date. With regard to these discrepancies, the Record Date originally used by us in some cases preceded the date a definitive list of equity award recipients was approved. In other cases the stock price declined and the Record Date used was subsequent to the completion of the definitive list. As such, the revised measurement date was based on the date when the granting process of each of our grants was finalized. As a result, we have recognized pre-tax compensation expense of $115.2 million, (including restricted shares) relating to correcting the Record Date for the fiscal periods 1997 through 2005. For the years ended October 1, 2005 and October 2, 2004, we recognized pre-tax incremental stock based compensation of approximately $15.0 million and $12.2 million, respectively.

Option Exchange. In 2003, we gave eligible employees the opportunity to cancel stock options with an exercise price greater than $11.00 and in exchange receive a new option grant no earlier than six months and one day after the last cancellation day with the exercise price of the new options to be determined at the end of this period, on a date between September 12-17, 2003. Non-employee members of the board of directors and executive officers were not eligible for the exchange program. It was determined that the Record Date of the new options issued in exchange for the forfeited options was incorrect. The effect of using the correct Record Date was to increase pre-tax stock-based compensation expense by $26.0 million from fiscal 2003 through 2005. We recorded $58.6 million in fiscal 2003 of pre-tax compensation expense arising from the cancellation of the stock options submitted for the exchange. The effect of this correction to the years ended October 1, 2005 and October 2, 2004 was pre-tax incremental compensation expense of $12.0 million and $9.8 million, respectively.

Stock Option Grant Modifications Connected with Terminations. Compensation expense was also recognized as a result of modifications that were made to certain employee option grant awards in connection with certain employees termination agreements from fiscal 1999 through 2006. Compensation expense for these modifications was revised during the relevant periods. The nature of the modifications typically involved changes to employee stock option vesting rights subsequent to termination of employment. The total pre-tax stock-based compensation expense related to these modifications was approximately $24.4 million for the fiscal periods 1997 through 2005. There was $0 and $2.0 million of pre-tax incremental compensation expense related to modifications for the years ended October 1, 2005 and October 2, 2004, respectively.

The cumulative pre-tax incremental stock compensation expense recognized by us for these errors described above is approximately $224.2 million for the fiscal periods 1997 through 2005. The cumulative pre-tax incremental stock compensation expense recognized by us for these errors described above for the years ended October 1, 2005 and October 2, 2004 was approximately $27.0 million and $24.0 million.

As a result of our pattern of establishing the Record Date prior or subsequent to the date a definitive list of equity award recipients was approved (see previous discussion entitled *Misdated Grants)*, the revised measurement dates were based on the date on which all of the required granting actions for a specific grant were final (including any changes to the terms of the awards such as the number of options or restricted shares for any employee that received an award). To the extent any of these granting actions were not final for a specific grant, the measurement date was delayed until all required actions relating to the grant were completed, including delaying the measurement date for awards for which the exercise prices were not changed. We believe that this is the appropriate way to establish the measurement date.

Notwithstanding the foregoing, the lack of conclusive evidence in the case of certain grants required our management to apply significant judgment in establishing revised measurement dates. In those cases where a definitive measurement date could not be determined, the evidence was generally sufficient to establish: (1) a date which was defined as the earliest possible date that met all the conditions that constitute a measurement date under Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees (the Inside Date) and (2) a date which was defined as the latest possible date that met all the conditions that constitute a measurement date under APB No. 25 (the Outside Date). These dates, particularly the Outside Date, later became the basis for determination of the revised measurement dates used by us in the restatement as we determined that this approach is more appropriate in determining when the option grant was determined with finality and no longer subject to change. An example of an Outside Date for an Officer Grant might be the date the related Form 4 was filed. An example of an Outside Date for a Non-Officer Grant generally was the date at or around the date on which the option awards were communicated to employees.

In light of the significant judgment used by us in establishing revised measurement dates, alternate approaches to those used by us could have resulted in different compensation expense charges than those recorded by us in the restatement. For example, an alternative measurement date could be when communication occurred to a significant number of grant recipients included in an Annual grant rather than the Outside Date, when the option grant is determined with finality as the measurement date for those grant recipients for which there were changes made after the communication occurred. Based on the available evidence and applying the lowest and highest trading prices our common stock between alternative dates for each discrepant grant, the total cumulative pre-tax, non-cash, stock compensation charge that could alternatively have been recognized by us ranged from approximately $176.1 million to $297.8 million for the fiscal periods 1997 through 2005.

We determined that the total cumulative, pre-tax, non-cash, stock compensation expense resulting from revised measurement dates was $224.2 million from fiscal periods January 1997 through October 1, 2005. The cumulative effect of the restatement adjustment on our Consolidated Balance Sheet at September 28, 2003 was an increase in additional paid-in capital of $139.1 million and an increase in accumulated deficit of the same amount. There was no impact on revenue. From a cash perspective, the additional payable in regards to payroll taxes associated with the stock option grants was approximately $0.5 million for the fiscal periods 1997 through 2005.

Additionally, as part of our review of its accounting for stock option grants that were granted in prior periods, we also determined that we had overstated goodwill by approximately $28.8 million as a result of understating the intrinsic value of the unvested awards to be allocated to unearned compensation that were exchanged in our acquisition of SCI which was consummated on December 6, 2001. During fiscal 2002, we recorded an impairment charge relating to the goodwill arising from the SCI acquisition. As such the impairment charge recognized in fiscal 2002 was overstated by $28.8 million. The effect of correcting this error increased accumulated deficit at September 28, 2003 by $28.8 million. This adjustment did not affect the results of operations for the three-years ended September 30, 2006.

Other Matters. We also modified the accounting treatment for an interest rate swap related to its 10.375% Notes. Although management believes the economics of the interest rate swap related to the 10.375% Notes achieved the original objectives of converting certain fixed rate debt to effectively variable rate obligations, certain technical documentation requirements for hedge accounting under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities , and related interpretations were not sufficient at the time the transaction occurred. Specifically we did not meet the requirements of contemporaneous documentation related to the interest swap with respect to the 10.375 % Notes. As a result, mark to market adjustments of the interest rate swap were recognized in other income (expense) during the term of the interest rate swap agreement which began in October 2004 and was terminated in February 2006. The adjustment increased net loss by $22.1 million during the year ended October 1, 2005 and reduced net loss by $22.1 million during the year ended September 30, 2006 in the Consolidated Statements of Operations.

As part of restructuring activities, we established a reserve account for its restructured fixed assets which was applied against the net book value of the restructured fixed assets at the time the restructuring event occurred. We determined that the fixed asset reserve account was overstated by $27.4 million and that the overstatement occurred in fiscal 2001. The adjustment resulted in an increase of $27.4 million in the net book value of property, plant and equipment as of September 28, 2003. The adjustment also decreased deferred tax assets by $10.5 million resulting in a reduction of $16.9 million in the accumulated deficit as of September 28, 2003. The decrease in deferred tax assets also reduced the valuation allowance that was recorded during fiscal 2005 for certain of the Company s deferred tax assets.

During a review of our accounting treatment of intercompany transactions, we discovered that certain Controlled Foreign Corporations (CFCs) of the U.S. group had significant intercompany payable and receivable balances with various U.S. legal entities that were unsettled as of the end of fiscal 2004 and fiscal 2005. Under U.S. tax rules, the gross intercompany payable balance of a U.S. legal entity owed to a foreign CFC constitutes an investment in U.S. property under Section 956 (Section 956 property). For U.S. tax purposes, Section 956 property is treated as a deemed dividend to the U.S. from the CFC and is taxable in the U.S. to the extent of the higher of the CFC s earnings or its Section 956 property. In previous financial statements, we did not properly reflect the inclusion of taxable income under Section 956. During the period that the Section 956 property arose, we had substantial net operating losses that were in excess of the required income inclusion under Section 956. Accordingly, the recognition of Section 956 income resulted in a reduction of $35.6 million of net operating loss deferred tax assets and an increase of $35.6 million of our provision for income tax expense in fiscal 2004. This increase was partially offset by the reversal of a deferred tax liability of $8.1 million that had previously been established related to income not permanently reinvested as the recognition of the Section 956 deemed dividend was characterized as a deemed repatriation of this income. The net impact of the deemed dividend in fiscal 2004 was a net decrease of net deferred tax assets of $27.4 million and an increase in our provision for income tax expense of $27.4 million. As part of our review, $1.4 million of deferred tax liability related to income not permanently reinvested was reversed in fiscal 2003, reducing our provision for tax expense in fiscal 2003 by $1.4 million.

During fiscal 2005, we recorded a valuation allowance against certain of its deferred tax assets. As a result of our restatement adjustments, deferred tax assets were reduced causing a reduction in the valuation allowance that was recorded during the second quarter of fiscal 2005. Accordingly, this reduced our provision for income taxes by $18.0 million for the year ended October 1, 2005, respectively.

The restatement adjustments increased previously reported basic and diluted net loss per share by $0.06 and $0.08 for the years ended October 1, 2005 and October 2, 2004, respectively.

Summary Results of Operations

Net sales in fiscal 2006 decreased 6.6% to $11.0 billion from $11.7 billion in fiscal 2005. Approximately $772 million of the decline in sales in fiscal 2006 was due to decreased demand from existing customers in our personal and business computing business. The remaining decreases in sales for fiscal 2006 were primarily due to a decline in revenue of $262 million and $186 million from our enclosures and storage systems businesses, offset by an increase in other areas of our business.

The following tables sets forth, for the periods indicated, key operating results:

	Fiscal Year Ended September 30, 2006	October 1, 2005 (Restated)(1)	October 2, 2004 (Restated)(1)
	(In thousands)		
Net sales	$ 10,955,421	$ 11,734,674	$ 12,204,607
Gross profit	$ 621,736	$ 630,182	$ 606,926
Operating income (loss)	$ 53,317	$ (489,760)	$ 84,482
Net loss	$ (141,557)	$ (1,033,946)	$ (51,629)

(1) For more information regarding the investigation and finding relating to stock option practices and the restatement of stock-based compensation and other items, please refer to Item 7, Management Discussion and Analysis of Financial Condition and Results of Operations and Note 2 of the Notes to Consolidated Financial Statements Restatement of Consolidated Financial Statements .

Key performance measures

The following table sets forth, for the periods indicated, certain key performance measures that management utilizes to assess operating results:

	Three Months Ended September 30, 2006	July 1, 2006	April 1, 2006	December 31, 2005
Days sales outstanding(1)	51	53	48	51
Inventory turns(2)	7.9	8.1	8.6	9.6
Accounts payable days(3)	53	56	51	55
Cash cycle days(4)	44	42	40	33

	Three Months Ended October 1, 2005	July 2, 2005	April 2, 2005	January 1, 2005
Days sales outstanding(1)	48	51	50	50
Inventory turns(2)	10.3	11.3	11.4	12.3
Accounts payable days(3)	54	51	50	48
Cash cycle days(4) (Restated)	29	32	31	31

(1) Days sales outstanding, or DSO, is calculated as the ratio of ending accounts receivable, net, for the quarter divided by average daily net sales for the quarter.

(2) Inventory turns are calculated as the ratio of four times our cost of sales for the quarter divided by inventory, net, at period end.

(3) Accounts payable days is calculated as the ratio of 365 days divided by accounts payable turns, in which accounts payable turns is calculated as the ratio of four times our cost of sales for the quarter divided by accounts payable at period end.

(4) Cash cycle days is calculated as the ratio of 365 days divided by inventory turns plus days sales outstanding minus accounts payable days.

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Critical Accounting Policies and Estimates

Management s discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. We review the accounting policies used in reporting our financial results on a regular basis. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, net sales and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate the process used to develop estimates for certain reserves and contingent liabilities, including those related to product returns, accounts receivable, inventories, investments, intangible assets, income taxes, warranty obligations, restructuring, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates.

We believe the following critical accounting policies reflect our more significant judgments and estimates used in preparing our consolidated financial statements:

Revenue Recognition We recognize revenue based on the shipping terms or when services have been performed. We also derive revenues from sales of certain inventory, including raw materials, to customers who reschedule, amend or cancel purchase orders after we have procured inventory to fulfill their purchase orders. Specifically, we recognize revenue when there exists a persuasive arrangement between us and the buyer, the price is fixed or determined, title to the product or the inventory is transferred to the customer, the customer assumes the risks and rewards of ownership of the product and collectibility is reasonably assured. Except in specific circumstances, there are no formal customer acceptance requirements or further Sanmina-SCI obligations to the product or the inventory subsequent to shipment. In specific circumstances in which there are such customer acceptance requirements or further Sanmina-SCI obligations, with the exception of our standard warranty, revenue is recognized at the point of formal acceptance and upon completion of obligations. In specific circumstances in which we are acting as an agent on behalf of the customer on procurement and shipment of goods in accordance with Emerging Issues Task Force (EITF) 99-19, gross revenue is not recognized on the sale of the goods. Instead, revenue is recognized net of the costs of the goods. Provisions are made for estimated, sales returns and adjustments at the time revenue is recognized. The provisions were not material to the financial statements.

Accounts Receivable and Other Related Allowances We estimate product returns, and other adjustments related to current period net sales to establish related allowances. In making these estimates, we analyze the creditworthiness of our customers, past experience, changes in customer demand, and the overall economic climate in industries that we serve. If actual product returns, warranty claims or other adjustments differ significantly from our estimates, the amount of revenue or operating expenses we report would be affected. One of our most significant credit risks is the ultimate realization of our accounts receivable. This risk is mitigated by (i) sales to well-established companies, (ii) ongoing credit evaluation of our customers, and (iii) frequent contact with our customers, especially our most significant customers, which enables us to monitor current changes in business operations and to respond accordingly. To establish our allowance for doubtful accounts, we regularly estimate the credit risk associated with accounts receivable and consider concentrations of credit risks. We evaluate credit risk related to specific customers based on the current economic environment; however, we are not able to predict the inability of our customers to meet their financial obligations to us. Our largest customer represented approximately 14% of our gross accounts receivable as of September 30, 2006. We believe the allowances that we have established are adequate under the circumstances; however, a change in the economic environment or a customer s financial condition could cause our estimates of allowances, and consequently the provision for doubtful accounts, to change which could have a significant adverse impact on our results of operations.

Stock-Based Compensation *On* October 2, 2005, we adopted SFAS No. 123R which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors including employee stock options, restricted stock units and purchase rights under our Employee Stock Purchase Plan (ESPP) based on estimated fair values. SFAS No. 123R supersedes previous accounting under APB No. 25 for periods beginning in fiscal year 2006. In March 2005, the SEC issued Staff Accounting Bulletin (SAB) No. 107 providing supplemental implementation guidance for SFAS No. 123R. We have applied the provisions of SAB No. 107 in our adoption of SFAS No. 123R.

SFAS No. 123R requires companies to estimate the fair value of stock-based awards on the date of grant using an option pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Consolidated Statements of Income. We adopted SFAS No. 123R using the modified prospective transition method which requires the application of the accounting standard starting from October 2, 2005, the first day of our fiscal year 2006. Our Consolidated Financial Statements, for the fiscal year ended September 30, 2006, reflect the impact of SFAS No. 123R. In accordance with the modified prospective transition method we used in adopting SFAS No. 123R, our results of operations prior to fiscal year 2006 have not been restated to reflect, and do not include, the impact of SFAS No. 123R.

Stock-based compensation expense recognized during a period is based on the value of the portion of stock-based awards that is ultimately expected to vest during the period. Stock-based compensation expense recognized in fiscal 2006, included compensation expense for stock-based awards granted prior to, but not yet vested as of October 1, 2005, based on the fair value on the grant date estimated in accordance with the pro forma provisions of SFAS No. 123, and compensation expense for the stock-based awards granted subsequent to October 1, 2005, based on the fair value on the grant date estimated in accordance with the provisions of SFAS No. 123R. In conjunction with the adoption of SFAS No. 123R, we changed our method of attributing the value of stock-based compensation expense from the accelerated multiple-option method (for the purposes of pro forma information under SFAS No. 123) to the straight-line single option method. Compensation expense for all stock-based awards granted on or prior to October 1, 2005 will continue to be recognized using the accelerated multiple-option approach, while compensation expense for all stock-based awards granted subsequent to October 1, 2005, will be recognized using the straight-line single option method. As stock-based compensation expense recognized in our results is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS No. 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Prior to fiscal year 2006, we accounted for forfeitures as they occurred.

Upon adoption of SFAS No. 123R, we selected the Black-Scholes option pricing model as the most appropriate method for determining the estimated fair value for stock options and purchase rights under ESPP. The Black-Scholes model requires the use of highly subjective and complex assumptions which determine the fair value of stock-based awards, including the option s expected term and the price volatility of the underlying stock. For restricted stock units, compensation expense is calculated based on the fair market value of our stock on the date of grant. In regards to our performance restricted stock units, compensation expense is recognized pursuant to SFAS No. 123R only when we have met the performance probability criteria.

As a result of the adoption of SFAS No. 123R, our loss from continuing operations before income taxes and cumulative effect of accounting changes and net loss for the year ended September 30, 2006, was $6.6 million less than under our previous accounting methodology for share-based compensation. In addition, we recorded a benefit upon the adoption of SFAS No. 123R of approximately $5.7 million during the year ended September 30, 2006 which was recorded as cumulative effect of the accounting change.

Stock-Based Compensation (Restated)

As a result of the investigation which is described in Note 2 of the Notes to Consolidated Financial Statements, it was determined that the original measurement date used by us for accounting purposes (the Record Date) for most of the options and restricted stock issued by us from fiscal January 1997 to June 2006 did not correspond to the closing price of our common stock on the appropriate measurement date. With regard to these discrepancies, the Record Date originally used by us in some cases preceded the date a definitive list of equity award recipients was approved. In other cases the stock price declined and the Record Date used was subsequent to the completion of the definitive list.

As such, the revised measurement date was based on the date when the granting process of each of our grants were finalized (including any changes to the terms of the awards such as the number of options or restricted shares for any employee that received an award). To the extent any of these granting actions were not final for a specific grant, the measurement date was delayed for the award until all required actions relating to the grant were completed, including delaying the measurement date for awards for which the terms had not changed.

Generally, the date the grant was determined with finality and no longer subject to change was also the date which was defined as the latest possible date that all the conditions that constitute a measurement date could have existed under APB No. 25 (the Outside Date). An example of an Outside Date was the date at or around the date on which the option awards were communicated to the grant recipient. We believe that this is the appropriate way to establish the measurement date. However, in light of the significant judgment used by us in establishing revised measurement dates, alternate approaches to those used by us could have resulted in different compensation expense charges than those recorded by us in the restatement. For example, an alternative measurement date could be when communication occurred to a significant number of grant recipients included in an Annual grant rather than the Outside Date, when the option grant was determined in finality. Based on the available evidence and applying the lowest and highest trading prices of our common stock between alternative dates for each discrepant grant, the total cumulative pre-tax, non cash, stock compensation charge that could alternatively have been recognized by us ranged from approximately $176.1 million to $297.8 million for the fiscal periods 1997 through 2005.

Inventories *We* state inventories at the lower of cost (first-in, first-out method) or market value. We regularly evaluate the carrying value of our inventories. Cost includes material, labor and manufacturing overhead incurred for finished goods and work-in-process. We determine expected inventory usage based on demand forecasts received from our customers. When required, provisions are made to reduce excess and obsolete inventories to their estimated net realizable values. In addition, the ultimate realization of inventory carrying amounts is affected by our exposure related to changes in customer demand for inventory that they are not contractually obligated to purchase and raw materials held for specific customers who are experiencing financial difficulty. Inventory reserves are established based on forecasted demand, past experience with the specific customers, the ability to redistribute inventory to other programs or back to our suppliers, and the presence of contractual language obligating the customers to pay for the related inventory.

We procure inventory based on specific customer orders and forecasts. Customers have limited rights of modification with respect to these orders. Correspondingly, customer modifications to orders affecting inventory previously procured by us (for example, cancellations or rescheduling of orders, as well as inventory that is highly customized and therefore not available for use by other customers) and our purchases of inventory beyond customer needs may result in excess and obsolete inventory for the related customers. Although we may be able to use some excess components and raw materials in our inventory for other products we manufacture, a portion of the cost of this excess inventory may not be returned to the vendors or recovered from customers. Write offs or write downs of inventory could relate to:

- declines in the market value of inventory;

- raw materials held for specific customers who are experiencing financial difficulty; and

- changes in customer demand for inventory, such as cancellation of orders and our purchases of inventory beyond customer needs that result in excess quantities on hand that we are not able to return to the vendor or charge back to the customer.

Our practice is to dispose of excess and obsolete inventory as soon as practicable after such inventory has been identified as having no value. Sales of such inventory have not been significant and have not had a material impact on our gross margins to date.

Restructuring Costs *We* recognize restructuring charges related to our plans to exit certain activities resulting from the identification of excess manufacturing and administrative facilities that we choose to close or consolidate. In connection with our exit activities, we record restructuring charges for employee termination costs, long-lived asset impairments, costs related to leased facilities to be abandoned or subleased, and other exit-related costs. These charges were incurred pursuant to formal plans developed by management and accounted for in accordance with SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, and EITF 95-3, Recognition of Liabilities in Connection with a Purchase Business Combination. Where applicable, employee termination costs are recorded pursuant to SFAS No. 112, Employer s Accounting for Postemployment Benefits. Fixed assets that are written off or impaired as a result of restructuring plans are typically held for sale or scrapped. The remaining carrying value of such assets was not material at September 30, 2006 and October 1, 2005. The recognition of restructuring charges requires our management to make judgments and estimates regarding the nature, timing, and amount of costs associated with the planned exit activity, including estimating sublease income and the fair value, less selling costs, of property, plant and equipment to be disposed of. Management s estimates of future liabilities may change, requiring us to record additional restructuring charges or reduce the amount of liabilities already recorded. At the end of each reporting period, we evaluate the remaining accrued balances to ensure their adequacy, that no excess accruals are retained, and the utilization of the provisions are for their intended purposes in accordance with developed exit plans.

Goodwill and Other Intangibles assets *Costs* in excess of the fair value of tangible and other intangible assets acquired and liabilities assumed in a purchase business combination are recorded as goodwill. SFAS No. 142, Goodwill and Other Intangible Assets, requires that companies no longer amortize goodwill, but instead test for impairment at least annually using a two-step approach. We adopted SFAS No. 142 on September 30, 2001 and evaluated goodwill, at a minimum, on an annual basis and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. Impairment of goodwill is tested at the reporting unit level by comparing the reporting unit s carrying amount, including goodwill, to the fair value of the reporting unit. The fair values of the reporting units are estimated using a combination of the income, or discounted cash flows, approach and the market approach, which utilizes comparable companies data. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired and a second step is performed to measure the amount of impairment loss.

The preparation of the goodwill and other intangible assets impairment analysis requires management to make significant estimates and assumptions with respect to the determination of fair values of reporting units and long-lived assets. These estimates and assumptions may significantly differ from period to period. During fiscal 2005, we recorded a goodwill impairment loss of $600 million for our domestic reporting unit. The factors that caused us to record a write-off of our deferred tax assets, which primarily related to U.S. operations coupled with the then-recent decline in the market price of our common stock, led us to record this goodwill impairment loss during fiscal 2005. In particular, the shift of operations from U.S. facilities and other facilities in high cost locations to facilities in lower-cost locations has resulted in restructuring charges and a decline in sales with respect to our U.S. operations. The fair market valuation of the reporting units was based on an income and market approach. As of the time we performed this analysis, there was no impairment of goodwill or long-lived assets associated with our international operations. In addition at July 1, of fiscal 2006, as well as at July 1, 2005 and 2004, we performed our annual impairment test pursuant to SFAS No. 142 and these tests did not identify any impairment losses. However, during fiscal 2006, we wrote off $3.8 million of goodwill as a result of our decision to align our original design manufacturer (ODM) business (see Note 9 of the Notes to Consolidated Financial Statements).

Income taxes *We* estimate our income tax provision or benefit in each of the jurisdictions in which we operate, including estimating exposures related to examinations by taxing authorities. We believe that our accruals for tax liabilities are adequate for all open years, based on our assessment of many factors, including past experience and interpretations of tax law applied to the facts of each matter. Although we believe that our accruals for tax liabilities are reasonable, tax regulations are subject to interpretation and the tax controversy process is inherently uncertain; therefore, our assessments can involve both a series of complex judgments about future events and rely heavily on estimates and assumptions. To the extent that the probable tax outcome of these matters changes, such changes in estimates will impact the income tax provision in the period in which such determination is made.

We must also make judgments regarding the realizability of deferred tax assets. The carrying value of our net deferred tax asset is based on our belief that it is more likely than not that we will generate sufficient future taxable income in certain jurisdictions to realize these deferred tax assets. A valuation allowance has been established for deferred tax assets which we do not believe meet the more likely than not criteria established by SFAS No. 109, Accounting for Income Taxes. Our judgments regarding future taxable income may change due to changes in market conditions, changes in tax laws, tax planning strategies or other factors. If our assumptions and consequently our estimates change in the future, the valuation allowances we have established may be increased or decreased, resulting in a respective increase or decrease in income tax expense. Our effective tax rate is highly dependent upon the geographic distribution of our worldwide earnings or losses, the tax regulations and tax holidays in each geographic region, the availability of tax credits and carryforwards, and the effectiveness of our tax planning strategies.

During the fiscal 2005, we established a valuation allowance for our U.S. and certain other net deferred tax assets. This was primarily due to cumulative losses from prior years and uncertainty regarding our ability to generate certain minimum levels of future taxable income. Because of continuing losses during fiscal 2006 in the U.S. and certain other countries, we will continue to record a full valuation allowance on future tax benefits in the U.S. and certain foreign jurisdictions.

Results of Operations

Fiscal Years Ended September 30, 2006, October 1, 2005 and October 2, 2004

The following table sets forth, for the fiscal years indicated, certain statement of operations data expressed as a percentage of net sales.

	Fiscal Year ended September 30, 2006	October 1, 2005 (Restated)	October 2, 2004 (Restated)
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	94.3	94.6	95.0
Gross margin	5.7	5.4	5.0
Operating expenses:			
Selling, general and administrative	3.4	3.1	2.8
Research and development	0.4	0.3	0.3
Amortization of intangible assets	0.1	0.1	0.1
In-process research and development			
Goodwill impairment		5.1	
Impairment of tangible assets	0.1		
Restructuring costs	1.2	1.0	1.1
Total operating expenses	5.2	9.6	4.3
Operating income (loss)	0.5	(4.2)	0.7
Interest income	0.2	0.2	
Interest expense	(1.1)	(1.3)	(0.9)
Loss on extinguishment of debt	(0.8)		
Other expense, net	(0.2)	(0.2)	(0.1)
Interest and other expense, net	(1.9)	(1.3)	(1.0)
Loss before income taxes, extraordinary item and cumulative effect of accounting changes	(1.4)	(5.5)	(0.3)
Provision for income taxes	(0.1)	3.3	0.1
Loss before extraordinary item and cumulative effect of accounting changes	(1.3)	(8.8)	(0.4)
Extraordinary gain, net of tax			
Cumulative effect of accounting changes			
Net loss	(1.3)%	(8.8)%	(0.4)%

Net Sales

Net sales in fiscal 2006 decreased 6.6% to $11.0 billion from $11.7 billion in fiscal 2005. Approximately $772 million of the decline in sales in fiscal 2006 was due to decreased demand from existing customers in our personal and business computing business. The remaining decreases in sales for fiscal 2006 were primarily due to a decline in revenue of $262 million and $186 million from our enclosures and storage systems businesses, offset by an increase in other areas of our business.

Net sales in fiscal 2005 decreased 3.9% to $11.7 billion from $12.2 billion in fiscal 2004. The decrease in sales was primarily due to a decrease in sales in the personal and business computing sector of the electronics industry of $556 million, a decrease in sales in the high end computing sector of $245 million and a decrease in sales in the multimedia sector of $84 million, partially offset by increased sales in the communications sector of $225 million, increased sales in the medical sector of $168 million and increased sales in the defense sector of $21 million. The decrease in the personal and business computing and multimedia sectors was primarily attributable to decreased demand from our existing customers in these sectors. The decrease in the high end computing sector was primarily attributable to our decision to terminate certain manufacturing programs. Our sales to IBM accounted for approximately 23% and 28% of total net consolidated sales for years ended October 1, 2005 and October 2, 2004, respectively.

Gross Margin (Restated)

Gross margin was 5.7% in fiscal 2006, 5.4% in fiscal 2005, and 5.0% in fiscal 2004. The increase in gross margin from fiscal 2005 to fiscal 2006 was primarily attributable to changes in product mix as discussed above in *Net Sales* and improved cost efficiencies. We expect gross margins to continue to fluctuate based on overall production and shipment volumes as well as changes in the mix of products demanded by our major customers. The increase in gross margin in fiscal 2005 from fiscal 2004 was primarily attributable to the changes in product mix.

Fluctuations in our gross margins may be caused by a number of factors, including:

- Greater competition in the EMS and pricing pressures from OEMs due to the greater cost reduction focus of global OEMs;

- Changes in the mix of high and low margin products demanded by our customers;

- Changes in customer demand and sales volumes, including demand for our vertically integrated key system components and subassemblies;

- Pricing pressures from OEMs due to the greater cost reduction focus of global OEMs;

- Charges or write offs of excess and obsolete inventory that we are not able to charge back to a customer or sales of inventories previously written down;

- Pricing pressure on electronic components resulting from economic conditions in the electronics industry, with EMS companies competing more aggressively on cost to obtain new or maintain existing business; and

- Our ability to transition manufacturing and assembly operations to lower cost regions in an efficient manner.

We have experienced fluctuations in gross margin in the past and may continue to do so in the future.

Selling, General and Administrative (Restated)

Selling, general and administrative expenses were $364.5 million for fiscal 2006, $362.4 million for fiscal 2005, and $346.4 million for fiscal 2004. As a percentage of net sales, selling, general and administrative expenses were 3.4% for fiscal 2006, 3.1% for fiscal 2005, and 2.8% for fiscal 2004. The increase in terms of dollars from fiscal 2005 to fiscal 2006 was primarily attributable to additional expenses we incurred in connection with our investigation of stock option administration policies and procedures dating back to 1997 of approximately $10.9 million, reduction of recovery of previously reserved accounts receivable of $3.4 million offset by a reduction in stock-based compensation expense (from adoption of SFAS No. 123R in fiscal 2006) of $13.9M. The increase in selling, general and administrative expenses as a percentage of sales was primarily attributable to a decrease in net sales.

The selling, general and administrative expense increase in terms of both dollars and as a percentage of net sales in fiscal 2005 as compared to fiscal 2004 was primarily attributable to additional expenses incurred in connection with the implementation of new internal controls and evaluation and testing of our internal controls over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002 aggregating to approximately $12 million and increases due to various items totaling $8.9 million, none of which are individually significant, partially offset by a recovery of reserves previously established for uncollectible accounts receivable of $5.4 million.

Research and Development (Restated)

Research and development expenses were $40.2 million for fiscal 2006, $31.0 million for fiscal 2005, and $30.6 million for fiscal 2004. As a percentage of net sales, research and development expenses were 0.4% for fiscal 2006, 0.3% for fiscal 2005 and 0.3% for fiscal 2004. The increases in research and development expenses in both dollars and as a percentage of net sales were primarily attributable to increased spending on certain ODM product initiatives in fiscal 2006.

Research and development expenses from fiscal 2004 to fiscal 2005 remained relatively flat.

Goodwill Impairment

During fiscal 2006, we recorded a goodwill impairment loss of $3.8 million due to our decision to align our ODM business to focus on joint development manufacturing opportunities at the end of the fourth quarter of fiscal 2006.

During fiscal 2005, we recorded a goodwill impairment loss of $600 million for our domestic reporting unit. The factors that caused us to record a write-off of our deferred tax assets, which primarily related to U.S. operations coupled with the then-recent decline in the market price of our common stock, led us to record this goodwill impairment loss during our second fiscal quarter. In particular, the shift of operations from U.S. facilities and other facilities in high cost locations to facilities in lower-cost locations has resulted in restructuring charges and a decline in sales with respect to our U.S. operations. The fair market valuation of the reporting units was based on an income and market approach. As of the time we performed this analysis, there was no impairment of goodwill or long-lived assets associated with our international operations. In addition at July 1 of fiscal 2006, as well as at July 1, 2005 and 2004, we performed our annual impairment test pursuant to SFAS No. 142 and these tests did not identify any impairment losses.

Impairment of Tangible and Intangible Assets

During fiscal 2006, we recorded an impairment of tangible and intangible assets of $7.9 million due to our decision to realign our ODM business to focus on joint development manufacturing opportunities at the end of the fourth quarter of fiscal 2006. In addition, we recorded an impairment of tangible assets of $7.2 million related to a manufacturing facility and to our ODM business as a result of our SFAS No. 144 impairment analysis in fiscal 2006.

Restructuring Costs

In recent periods, we have initiated restructuring plans as a result of the slowdown in the global electronics industry and the worldwide economy. These plans were designed to reduce excess capacity and affected facilities across all services offered in our vertically integrated manufacturing organization. The majority of the restructuring charges recorded as a result of these plans related to facilities located in North America and Europe, and in general, manufacturing activities at these plants were transferred to other facilities.

Costs associated with restructuring activities initiated on or after January 1, 2003, other than those activities related to purchase business combinations, are accounted for in accordance with SFAS No. 146 and SFAS No. 112 where applicable. Pursuant to SFAS No. 112, restructuring costs related to employee severance are recorded when probable and estimable. For all other restructuring costs a liability is recognized in accordance with SFAS No. 146 only when incurred. Accrued restructuring costs are included in accrued liabilities in the Consolidated Balance Sheets.

Below is a summary of the activity related to restructuring costs recorded pursuant to SFAS No. 146 and SFAS No. 112 for fiscal 2004, 2005 and 2006:

	Employee Termination Benefits Cash	Lease and Contract Termination Costs Cash	Other Restructuring Costs Cash	Impairment of Fixed Assets Non-Cash	Total
	(In thousands)				
Balance at September 27, 2003	$ 3,870	$ 1,462	$	$	$ 5,332
Charges to operations	59,076	11,186	18,890	18,079	107,231
Charges utilized	(45,618)	(9,677)	(18,848)	(18,079)	(92,222)
Reversal of accrual	(1,832)	(1,384)			(3,216)
Balance at October 2, 2004	15,496	1,587	42		17,125
Charges to operations	84,451	14,070	6,404	6,932	111,857
Charges utilized	(64,823)	(12,533)	(6,446)	(6,932)	(90,734)
Reversal of accrual	(2,508)				(2,508)
Balance at October 1, 2005	32,616	3,124			35,740
Charges to operations	95,563	1,306	12,956	24,165	133,990
Charges utilized	(96,738)	(1,732)	(13,206)	(24,165)	(135,841)
Reversal of accrual	(4,790)		(40)		(4,830)
Balance at September 30, 2006	$ 26,651	$ 2,698	$ (290)	$	$ 29,059

During fiscal 2006, we recorded charges of approximately $129.1 million (net of $4.8 million reversal of accrual) related to restructuring activities pursuant to SFAS No. 146 and SFAS No. 112, all of which related to our phase three restructuring plan. These charges included employee termination benefits of approximately $95.6 million, lease and contract termination costs of approximately $1.3 million, other restructuring costs of approximately $13.0 million, incurred primarily to prepare facilities for closure, and impairment of fixed assets of approximately $24.2 million consisting of excess facilities and equipment to be disposed of. The employee termination benefits were related to the involuntary termination of employees, the majority of which were involved in manufacturing activities. Approximately $99.0 million of employee termination benefits were utilized and a total of approximately 15,042 employees were terminated during fiscal 2006. We also utilized $1.7 million of lease and contract termination costs and $13.2 million of the other restructuring costs (other facilities charges) during fiscal 2006. We incurred charges to operations of $24.1 million during fiscal 2006 for the impairment of excess fixed assets at the vacated facilities, all of which were utilized as of September 30, 2006. We reversed approximately $4.8 million of accrued employee termination benefits. The reversal of accrual was primarily a result of the changes in estimates and economic circumstances.

During fiscal 2005, we recorded charges of approximately $109.3 million (net of $2.5 million reversal of accrual) related to restructuring activities pursuant to SFAS No. 146 and SFAS No. 112, of which $106.3 million related to our phase three restructuring plan and $3.0 million related to our phase two restructuring plan. These charges included employee termination benefits of approximately $84.5 million, lease and contract termination costs of approximately $14.1 million, other restructuring costs of approximately $6.4 million, incurred primarily to prepare facilities for closure, and impairment of fixed assets of approximately $6.9 million consisting of excess facilities and equipment to be disposed of. The employee termination benefits were related to the involuntary termination of employees, the majority of which were involved in manufacturing activities. Approximately $64.8 million of employee termination benefits were utilized and a total of approximately 11,800 employees were terminated during fiscal 2005. We also utilized $12.5 million of lease and contract termination costs and $6.4 million of the other restructuring costs (other facilities charges) during fiscal 2005. We incurred charges to operations of $6.9 million during fiscal 2005 for the impairment of excess fixed assets at the vacated facilities, all of which were utilized as of October 1, 2005. We reversed approximately $2.5 million of accrued employee termination benefits. The reversal of accrual was a result of the changes in estimates and economic circumstances in one of our European entities.

In fiscal 2004, we recorded restructuring charges of approximately $107.2 million (net of $3.2 million reversal of accrual) related to restructuring activities initiated after January 1, 2003. With the exception of $7.8 million of restructuring charges associated with our phase three restructuring plan announced in July 2004, these restructuring charges were incurred in connection with our phase two restructuring plan announced in October 2002. These charges included employee termination benefits of approximately $59.0 million, lease and contract termination costs of approximately $11.2 million, other restructuring costs of approximately $18.9 million, primarily costs incurred to prepare facilities for closure, and impairment of fixed assets of $18.1 million consisting of excess facilities and equipment to be disposed of. The employee termination benefits were related to the involuntarily termination of approximately 2,000 employees, the majority of which were involved in manufacturing activities. Approximately $45.6 million of employee termination benefits were utilized during fiscal 2004 for the termination of approximately 1,900 employees. We also utilized $9.7 million of lease and contract termination costs and $18.8 million of the other restructuring costs during fiscal 2004. In fiscal 2004, we reversed approximately $1.8 million of accrued employee termination benefits and approximately $1.4 million of accrued lease costs due to revisions of estimates.

Costs associated with restructuring activities initiated prior to January 1, 2003, other than those activities related to purchase business combinations, are accounted for in accordance with EITF 94-3 and SFAS 112 where applicable. Accordingly, costs associated with such plans are recorded as restructuring costs in the consolidated statements of operations generally at the commitment date. The accrued restructuring costs are included in accrued liabilities in the consolidated balance sheet. Below is a summary of the activity related to restructuring costs recorded pursuant to EITF 94-3 and SFAS No. 112 for fiscal 2004, 2005 and 2006:

	Employee Severance and Related Expenses Cash	**Facilities Shutdown and Consolidation Costs Cash**	**Write-off Impaired or Redundant Fixed Assets Non-cash**	**Total**
	(In thousands)			
Balance at September 27, 2003	$ 9,739	$ 14,490	$	$ 24,229
Charges to operations	4,071	35,730	3,500	43,301
Charges utilized	(5,533)	(28,279)	(3,500)	(37,312)
Reversal of accrual	(7,050)	(7,016)		(14,066)
Balance at October 2, 2004	1,227	14,925		16,152
Charges to operations	2,285	2,522	4,107	8,914
Charges utilized	(3,010)	(7,890)	(4,107)	(15,007)
Balance at October 1, 2005	502	9,557		10,059
Charges to operations	1,549	2,577	(136)	3,990
Charges utilized	(545)	(4,424)	136	(4,833)
Reversal of accrual	(51)	(420)		(471)
Balance at September 30, 2006	$ 1,455	$ 7,290	$	$ 8,745

The following sections separately present the charges to the restructuring liability and charges utilized that are set forth in the above table on an aggregate basis.

Fiscal 2002 Plans

September 2002 Restructuring. During fiscal 2006, we recorded charges to operations of approximately $112,000 and utilized approximately $1.7 million related to the shutdown of facilities. In addition, $603,000 was charged to operations and utilized due to the impairment of fixed assets to be disposed of.

During fiscal 2005, we recorded charges to operations of approximately $203,000 and utilized $216,000 for employee severance expenses. There was no reduction of work force during fiscal 2005 pursuant to this restructuring plan. During fiscal 2005, we also recorded charges to operations of approximately $544,000 and utilized approximately $2.7 million for non-cancelable lease payments, lease termination costs and related costs for the shutdown of facilities. In addition, $800,000 was charged to operations and utilized due to the impairment of fixed assets to be disposed of. The closing of the plants discussed above as well as employee terminations and other related activities have been completed, however, the leases of the related facilities expire in 2009; therefore, the remaining accrual will be reduced over time as the lease payments, net of sublease income, are made.

In fiscal 2004, we recorded charges to operations of approximately $1.9 million and utilized $2.6 million for employee severance expenses. Approximately 10 employees were terminated during fiscal 2004. In fiscal 2004, we also recorded charges to operations of approximately $26.7 million and utilized approximately $16.1 million for non-cancelable lease payments, lease termination costs and related costs for the shutdown of facilities. In addition, in fiscal 2004 we reversed approximately $3.6 million of accrued employee severance due to lower than anticipated payments at various plants and approximately $5.8 million of accrued facilities shutdown costs due to a change in use of the facilities or we achieving greater sublease income than anticipated. We also incurred and utilized charges to operations of $3.7 million related to the impairment of buildings and leasehold improvements at permanently vacated facilities in fiscal 2004.

October 2001 Restructuring. During fiscal 2005, we recorded charges to operations of approximately $2.0 million for employee severance costs, of which $1.9 million was related to the settlement of pension plan at a Canadian site. We also recorded approximately $82,000 for non-cancelable lease payments and other costs related to the shutdown of facilities. We utilized accrued severance charges of approximately $2.7 million and accrued facilities shutdown related charges of $811,000 during fiscal 2005. In addition, we incurred and utilized charges of $633,000 in fiscal 2005 related to write-offs of fixed assets consisting of excess equipment and leasehold improvements to facilities that were permanently vacated. Manufacturing activities at the facilities affected by this plan ceased in fiscal year 2003 or prior; however, final payments of accrued costs may not occur until later periods.

In fiscal 2004, we recorded charges to operations of approximately $1.1 million for employee severance costs and approximately $4.8 million for non-cancelable lease payments and other costs related to the shutdown of facilities. We utilized accrued severance charges of approximately $2.5 million and accrued facilities shutdown related charges of $3.7 million during fiscal 2004. In fiscal 2004, we reversed approximately $1.3 million of accrued severance and approximately $530,000 of accrued lease costs due to lower than expected payments at various sites. Approximately 5,400 employees were associated with these plant closures and we had terminated all employees affected under this plan.

Fiscal 2001 Plans

Segerström Restructuring. During fiscal 2005, we completed the restructuring activities at a cost of $835,000 which was related to accrued facility charges.

In March 2001, we acquired Segerström in a pooling of interests business combination and announced our restructuring plan. In fiscal 2004, we utilized approximately $300,000 of accrued severance charges. In addition, in fiscal 2004 we recorded charges to operations of approximately $103,000 and utilized approximately $818,000 with respect to the shutdown and consolidation of facilities. We also reversed $642,000 of accrued facilities shutdown costs due to lower than expected payments during fiscal 2004.

July 2001 Restructuring. During fiscal 2006, we recorded approximately $1.5 million of accrued severance for our Mexican facilities. In addition, we recorded approximately $2.3 million and utilized $2.6 million of accrued costs related to the shutdown of facilities. We also incurred and utilized $234,000 for the impairment of fixed assets to be disposed of. Manufacturing activities at the plants affected by this plan had ceased by the fourth quarter of fiscal 2002; however, the leases of the related facilities expire between 2005 and 2010, therefore, the remaining accrual will be reduced over time as the lease payments, net of sublease income, are made.

During fiscal 2005, we recorded approximately $43,000 and utilized approximately $100,000 of accrued severance. In addition, we recorded approximately $1.9 million and utilized approximately $3.5 million of accrued costs related to the shutdown of facilities. We also incurred and utilized $2.7 million for the impairment of fixed assets to be disposed of. Manufacturing activities at the plants affected by this plan had ceased by the fourth quarter of fiscal 2002; however, the leases of the related facilities expire between 2005 and 2010, therefore, the remaining accrual will be reduced over time as the lease payments, net of sublease income, are made.

In fiscal 2004, we recorded approximately $4.1 million and utilized approximately $7.7 million of accrued costs related to the shutdown of facilities. In addition, we recorded charges to operations of approximately $1.1 million, utilized $164,000 and reversed approximately $2.1 million of accrued severance due to lower than anticipated payments in fiscal 2004.

Cost associated with restructuring activities related to purchase business combinations are accounted for in accordance with EITF 95-3. Below is a summary of the activity related to restructuring costs recorded pursuant to EITF 95-3 for fiscal 2004, 2005 and 2006:

	Employee Severance and Related Expenses Cash (In thousands)	**Facilities Shutdown and Consolidation Costs Cash**	**Write-off Impaired or Redundant Fixed Assets Non-cash**	**Total**
Balance at September 27, 2003	$ 12,052	$ 13,612	$	$ 25,664
Additions to restructuring accrual	10,858		6,024	16,882
Accrual utilized	(20,826)	(11,434)	(6,024)	(38,284)
Balance at October 2, 2004	2,084	2,178		4,262
Accrual utilized	(773)	(393)		(1,166)
Balance at October 1, 2005	1,311	1,785		3,096
Charges to Operations	114	125		239
Charges utilized	(40)	(1,804)		(1,844)
Reversal of accrual	(687)			(687)
Balance at September 30, 2006	$ 698	$ 106	$	$ 804

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The following sections separately present the charges to the restructuring liability and charges utilized that are set forth in the above table on an aggregate basis.

Other Acquisition-Related Restructuring Actions. In fiscal 2004, we utilized $6.6 million of accrued severance to terminate 60 employees related to a manufacturing facility in Germany acquired in fiscal 2002. In addition, we recorded charges to the restructuring liability of $10.9 million, and utilized $10.8 million, related to employee terminations at manufacturing facilities in Europe and Mexico acquired in fiscal 2003 due to the transfer of a portion of the manufacturing activities to an existing plant. The charges were related to the elimination of approximately 340 employees. We also recorded and utilized charges to the restructuring liability of approximately $6.0 million related to excess machinery and equipment to be disposed of.

SCI Acquisition Restructuring. In December 2001, we merged with SCI in a purchase business combination and formally changed our name to Sanmina-SCI Corporation. In fiscal 2004, we utilized a total of approximately $11.4 million of facilities-related accruals and $3.4 million of accrued severance. During fiscal 2005, we utilized $731,000 related to employee severance and utilized $393,000 due to facilities shutdown. During fiscal 2006, we utilized a total of $1.7 million of facilities-related accruals and reversed $687,000 of accrued severance due to a change in estimate.

During fiscal 2005 year end, we realigned our structure based on different types of manufacturing services offered to our customers. As a result, our operating segments have changed resulting in the identification of two new reportable segments (Standard Electronic Manufacturing Services and Personal and Business Computing). In fiscal 2004, we reported our segmented information based on geographical locations (refer to Note 22 of the Notes to Consolidated Financial Statements). The following table summarizes the total restructuring costs incurred with respect to our reported segments:

	Fiscal Year Ended September 30, 2006 (In thousands)	October 1, 2005	October 2, 2004	Total
Personal computing	$ 46,999	$ 41,674	$ 7,561	$ 96,234
Standard electronic manufacturing services	85,231	74,571	125,130	284,932
Total	$ 132,230	$ 116,245	$ 132,691	$ 381,166
Cash	$ 108,201	$ 107,423	$ 111,671	$ 327,295
Non-cash	24,029	8,822	21,020	53,871
Total	$ 132,230	$ 116,245	$ 132,691	$ 381,166

The cumulative restructuring costs per segment have not been disclosed as it is impractical to do so. The recognition of restructuring charges requires our management to make judgments and estimates regarding the nature, timing, and amount of costs associated with the planned exit activity, including estimating sublease income and the fair value, less selling costs, of property, plant and equipment to be disposed of. Management s estimates of future liabilities may change, requiring us to record additional restructuring charges or reduce the amount of liabilities already recorded.

On November 16, 2006, we announced two strategic decisions: to realign our ODM activities to focus on joint development manufacturing and to create a more separable personal and business computing business unit. We also announced that we may further consolidate operations in higher-cost geographies to further enhance profitability. We expect to record additional charges that are currently not estimable related to these anticipated actions during fiscal year 2007.

We plan to fund cash restructuring costs with cash flows generated by operating activities.

Interest Expense

Interest expense was $121.8 million in fiscal 2006, $147.3 million in fiscal 2005, and $115.3 million in fiscal 2004. The decrease in interest expense from fiscal 2005 to fiscal 2006 is primarily attributed to the retirement of the high yield 10.375% Notes during the second quarter ended April 1, 2006 and a $61 million reduction in overall debt.

Although average debt balances were down, interest expense increased in fiscal 2005 from fiscal 2004, primarily due to higher interest rates on our 6.75% Notes which replaced the Zero Coupon Debentures (4%), and the write-off of deferred financing costs of $6.1 million in connection with the redemption of our Zero Coupon Debentures.

Loss on Extinguishment of Debt (Restated)

On February 15, 2006, we issued $600 million aggregate principal amount of our 8.125% Notes. In connection with the debt issuance, we also made a cash tender offer for the redemption of all of our $750 million aggregate principal amount of our outstanding 10.375% Senior Subordinated Notes. The 10.375% Notes, which had been previously swapped to floating, cost us approximately $80 million in annual interest expense. In the process of evaluating our capital structure and other alternatives, we concluded on a net present value basis that our best economic strategy was to tender for the 10.375% Notes. The refinancing resulted in interest expense savings of approximately $31 million per year; was cash flow positive by approximately $21 million per year, net of forgone interest income on cash used; and was positive on a net present value basis over the long-term and extend our debt maturities, by way of issuance of the 8.125% Notes. The refinancing was also accretive to future earnings by approximately $0.05 per share per annum.

The 10.375% Notes were redeemed in full. As a result of the 10.375% Notes redemption, we recorded a loss on extinguishment of debt of approximately $84.6 million during the quarter ended April 1, 2006. The loss was comprised of $70.8 million of redemption premium, $2.2 million related to interest rate swap termination, $13.9 million in unamortized financing fees relating to the 10.375% Notes and $0.9 million of tender expenses offset by $3.2 million unamortized gain from previously terminated swaps. The tender offer was financed by net proceeds from the 8.125% Notes offering together with approximately $263.8 million of existing cash.

Other Expense, net (Restated)

Other expense, net was $(16.5) million in fiscal 2006, $(22.2) million in fiscal 2005, and $(13.9) million in fiscal 2004. The following table summarizes the major component of other expense, net:

	Fiscal Year Ended September 30, 2006	**October 1, 2005 (Restated)**	**October 2, 2004 (Restated)**
Foreign exchange losses	$ (3.9)	$ (6.2)	$ (2.3)
Interest rate swap	(9.0)	(17.1)	
Loss from investment	(2.8)		(15.8)
Gain from sale of available-for-sale securities/ investments			1.1
Other, net	(0.8)	1.1	3.1
Total other expense, net	$ (16.5)	$ (22.2)	$ (13.9)

The reduction of other expense, net, from $22.2 million in fiscal 2005 to $16.5 million in fiscal 2006 was mainly attributable to the change in the market value and additional interest expense on the interest rate swap on the 10.375% Notes as well as increased effectiveness of hedging of our foreign currency exposures, offset by write-off of $2.8 million related to an other-than-temporary impairment of one of our long-term investments in fiscal 2006.

The increase of other expense, net, from $13.9 million in fiscal 2004 to $22.2 million in fiscal 2005 was mainly attributable to the interest rate swap on the 10.375% Notes in fiscal 2005 and elimination of equity loss from a 49.9% ownership interest in Inboard, a manufacturer of complex printed circuit boards located in Germany in fiscal 2005. We acquired the remaining 50.1% ownership from Siemens A.G. in fiscal 2004.

Provision for (Benefit from) Income Taxes (Restated)

Our effective tax rate was (3.84)% during fiscal 2006, 61.60% during fiscal 2005, 50.03% and during fiscal 2004. The effective tax rate for fiscal 2006 is substantially lower than the federal statutory rate due primarily to a favorable income tax adjustment of $39.0 million relating to previously accrued income taxes that were reversed as a result of a settlement reached with the U.S. Internal Revenue Service and related closing of statutes of limitations. The settlement was in relation to certain U.S. tax audits. Notification of approval of the settlement by the Congressional Joint Committee on Taxation was received in the first quarter of fiscal year 2006. The total adjustment to previously accrued income taxes was $105.6 million, of which $39.0 million was recorded as an income tax benefit to earnings during fiscal 2006. The remaining $66.6 million was recorded as an adjustment to goodwill for pre-merger tax items associated with SCI Systems, one of our subsidiaries.

The effective tax rate for fiscal 2005 is substantially higher than the federal statutory rate due primarily to the establishment of a valuation allowance for deferred tax assets of the U.S. and selected foreign jurisdictions and the impact of non-deductible goodwill impairment during fiscal 2005. Because of continuing losses during fiscal 2006 in the U.S. and certain other countries, we continue to record a full valuation allowance on future tax benefits in the U.S. and certain foreign jurisdictions.

The effective tax rate for fiscal 2004 is substantially higher than the federal statutory rate due to the impact of deemed dividends arising from intercompany transactions between us and certain of its controlled foreign corporations.

Cumulative Effect of Accounting Changes, Net of Tax

Cumulative effect of accounting changes, net of tax, was a net benefit of $2.8 million which resulted from the adoption of SFAS No. 123R and FIN No. 47 during fiscal 2006.

During the fourth quarter of fiscal 2006, we accrued $5.3 million of environmental costs in regards to the adoption of FIN No. 47, of which $2.9 million was recorded as cumulative effect of accounting changes, net of tax. In addition, a one-time, non-cash benefit of approximately $5.7 million for estimated future forfeitures of restricted stock awards previously expensed was recorded as of the SFAS No. 123R implementation date and reported as a cumulative effect of accounting changes, net of tax. Pursuant to APB No. 25, stock compensation expense was not reduced for estimated future forfeitures, but instead was reversed upon actual forfeiture.

Liquidity and Capital Resources

	Fiscal Year Ended September 30, 2006	October 1, 2005 (Restated)	October 2, 2004 (Restated)
	(In thousands)		
Net cash provided by (used in):			
Operating activities	$ (334,304)	$ 415,994	$ 215,844
Investing activities	(86,167)	(170,050)	(116,393)
Financing activities	(144,059)	(239,247)	86,823
Effect of exchange rate changes	(11,694)	(8,091)	(6,401)
Increase (decrease) in cash and cash equivalents	$ (576,224)	$ (1,394)	$ 179,873

Cash, cash equivalents and short-term investments were $505.6 million at September 30, 2006 and $1.2 billion at October 1, 2005, including restricted cash of $13.8 million and $25.5 million at September 30, 2006 and October 1, 2005, respectively.

Net cash (used in) provided by operating activities was $(334.3) million for fiscal 2006, $416.0 million for fiscal 2005, and $216.0 million for fiscal 2004. Cash used in operating activities of $334.3 million for fiscal 2006 was primarily due to an increase in inventory attributable to our efforts to drive materials loading to customer request dates in order to provide better product mix and upside flexibility for some of our long-term strategic customers and a decrease in accounts payable and accrued liabilities due to payments made to vendors. Cash provided by operating activities for fiscal 2005 was primarily the result of $223 million in proceeds from the sales of accounts receivable and cash generated from a reduction in inventory balances, partially offset by an increase in accounts receivable (excluding the impact of the sales) and a decrease in accounts payable from fiscal 2004. Cash provided by operating activities in fiscal 2004 was primarily the result of improved working capital management as evidenced by reduced cash cycle days in fiscal 2004. Absent the improvement in cash cycle days, we would have used cash from operating activities in fiscal 2004 due to growth in sales and business activities. While accounts receivable increased in fiscal 2004, this increase was offset by a $121.3 million accounts receivable payment acceleration by a customer. Working capital was $1.6 billion and $1.7 billion at September 30, 2006 and October 1, 2005, respectively.

Net cash used in investing activities was $86.2 million for fiscal 2006, $170.1 million for fiscal 2005, and $116.4 million for fiscal 2004. Net cash used in investing activities for fiscal 2006 was primarily due to the purchase of approximately $139.2 million of additional property, plant and equipment in lower cost regions and payments of approximately $44.7 million for businesses acquired, offset by approximately $74.8 million of proceeds from the sales and maturity of our short-term investments and $42.5 million of proceeds from the sale of property, plant and equipment. Net cash used in fiscal 2005 was primarily related to our payment of $77.0 million to acquire Pentex Schweizer Circuits Limited, or Pentex. As a result of cash provided by operating activities, we had increased our holdings of short-term investments by $37.3 million. Our capital expenditures, net of proceeds from sale of assets, in fiscal 2005 were $34.4 million. The decrease in cash used for investing activities in fiscal 2004 was primarily due to less cash being expended for business acquisitions, decreased purchases of short-term investments and increased proceeds from maturities of short-term investments, offset by increased capital expenditures and purchases of long-term investments.

Net cash (used in) provided for financing activities was $(144.1) million of fiscal 2006, $(239.2) million for fiscal 2005, and $86.8 million for fiscal 2004. Net cash used in financing activities for fiscal 2006 was primarily related to the redemption of our 10.375% Senior Secured Notes of $851.5 million partially offset by proceeds from issuance of our 8.125% Notes due 2016 (net of issuance costs) of $587.1 million, receipt of $22.5 million in restricted cash associated with the termination of the interest rate swap related to the

10.375% Senior Secured Notes, proceeds of $12.8 million from the employee stock purchase plan and exercise of common stock options by our employees and $100.0 million of outstanding borrowings under our Senior Credit Facility as of September 30, 2006. Net cash used in financing activities for fiscal 2005 was primarily related to the repurchase of $224.8 million of the Zero Coupon Subordinated Debentures in September 2005. Net cash provided by financing activities for fiscal 2004 was primarily related to the relief of restricted cash of $90.4 million into cash and cash equivalents and proceeds from the sale of common stock of $35.7 million, partially offset by payments of long-term debt and notes and credit facilities, net of $21.8 million and $17.4 million, respectively.

8.125% Senior Subordinated Notes. On February 15, 2006, we issued $600 million aggregate principal amount of 8.125% Senior Subordinated Notes due 2016 (the 8.125% Notes). Interest is payable on the 8.125% Notes on March 1 and September 1 of each year, beginning on September 1, 2006. The maturity date of the 8.125% Notes is March 1, 2016. Debt issuance costs of $12.9 million are included in prepaid expenses and other current assets and other non-current assets and amortized over the life of the debt as interest expense. The 8.125% Notes are unsecured and subordinated in right of payment to all of our existing and future senior debt, as defined in the indenture under which the 8.125% Notes were issued.

We may redeem the 8.125% Notes, in whole or in part, at any time prior to March 1, 2011, at a redemption price that is equal to the sum of (1) the principal amount of the 8.125% Notes to be redeemed, (2) accrued and unpaid interest on those 8.125% Notes to, but excluding, the redemption date and (3) a make-whole premium calculated in the manner specified in the Indenture for the 8.125% Notes. We may redeem the 8.125% Notes, in whole or in part, beginning on March 1, 2011, at declining redemption prices ranging from 104.063% to 100% of the principal amount of the 8.125% Notes, plus accrued and unpaid interest to, but excluding, the redemption date, with the actual redemption price to be determined based on the date of redemption. At any time prior to March 1, 2009, we may redeem up to 35% of the 8.125% Notes with the proceeds of certain equity offerings at a redemption price equal to 108.125% of the principal amount of the 8.125% Notes, plus accrued and unpaid interest to, but excluding, the redemption date, so long as after giving effect to any such redemption, at least 65% of the aggregate principal amount of the 8.125% Notes remains outstanding.

Following a change of control, as defined in the Indenture, we will be required to make an offer to repurchase all or any portion of the 8.125% Notes at a purchase price of 101% of the principal amount, plus accrued and unpaid interest to, but excluding, the date of repurchase.

The 8.125% Notes Indenture includes covenants that limit our ability and our restricted subsidiaries to, among other things: incur additional debt, make investments and other restricted payments, pay dividends on capital stock, or redeem or repurchase capital stock or subordinated obligations; create specified liens; sell assets; create or permit restrictions on the ability of our restricted subsidiaries to pay dividends or make other distributions to us; engage in transactions with affiliates; incur layered debt; and consolidate or merge with or into other companies or sell all or substantially all of our assets. The restrictive covenants are subject to a number of important exceptions and qualifications set forth in the Indenture for the 8.125% Notes.

The 8.125% Notes Indenture provides for customary events of default, including:

- payment defaults;
- breaches of covenants;
- certain payment defaults at final maturity or acceleration of certain other indebtedness;
- failure to pay certain judgments;
- certain events of bankruptcy, insolvency and reorganization; and
- certain instances in which a guarantee ceases to be in full force and effect.

If any event of default occurs and is continuing, subject to certain exceptions, the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding 8.125% Notes may declare all the 8.125% Notes to be due and payable immediately, together with any accrued and unpaid interest, if any, to the acceleration date. In the case of an event of default resulting from certain events of bankruptcy, insolvency or reorganization, such amounts with respect to the 8.125% Notes will be due and payable immediately without any declaration or other act on the part of the trustee or the holders of the 8.125% Notes.

On January 3, 2007, the Company and U.S. Bank National Association, as trustee, entered into a supplemental indenture to the indenture under which the Company s 8.125% Senior Subordinated Notes due 2016 were issued. As permitted by the indenture, the supplemental indenture released each of the notes guarantors from its respective obligations under its notes guarantee and the indenture.

6.75% Senior Subordinated Notes. On February 24, 2005, we issued $400 million aggregate principal amount of our 6.75% Senior Subordinated Notes due 2013 (the 6.75% Notes). Interest is payable on the 6.75% Notes on March 1 and September 1 of each year, beginning on September 1, 2005. The maturity date of the 6.75% Notes is March 1, 2013. In June 2005, we completed an exchange offer pursuant to which substantially all of the 6.75% Notes were exchanged for notes registered under the Securities Act of 1933. These notes evidence the same debt as the original 6.75% Notes and are issued and entitled to the benefits of the same indenture that governs the original the 6.75% Notes except that they are not subject to transfer restrictions.

The 6.75% Notes are unsecured and subordinated in right of payment to all of our existing and future senior debt as defined in the 6.75% Notes Indenture. We may redeem the 6.75% Notes, in whole or in part, at any time prior to March 1, 2009, at a redemption price that is equal to the sum of (1) the principal amount of the 6.75% Notes to be redeemed, (2) accrued and unpaid interest to, but excluding, the redemption date on those 6.75% Notes and (3) a make-whole premium calculated in the manner specified in the 6.75% Notes Indenture. We may redeem the 6.75% Notes, in whole or in part, beginning on March 1, 2009, at declining redemption prices ranging from 103.375% to 100% of the principal amount, plus accrued and unpaid interest to, but excluding, the redemption date, with the actual redemption price to be determined based on the date of redemption. At any time prior to March 1, 2008, we may redeem up to 35% of the 6.75% Notes with the proceeds of certain equity offerings at a redemption price equal to 106.75% of the principal amount of the 6.75% Notes, plus accrued and unpaid interest to, but excluding, the redemption date, so long as after giving effect to any such redemption, at least 65% of the aggregate principal amount of the 6.75% Notes remains outstanding.

Following a change of control, as defined in the 6.75% Notes Indenture, we will be required to make an offer to repurchase all or any portion of the 6.75% Notes at a purchase price of 101% of the principal amount, plus accrued and unpaid interest to, but excluding, the date of repurchase.

The 6.75% Notes Indenture includes covenants that limit our ability and the ability of our restricted subsidiaries to, among other things: incur additional debt, make investments and other restricted payments, pay dividends on capital stock, or redeem or repurchase capital stock or subordinated obligations; create specified liens; sell assets; create or permit restrictions on the ability of our restricted subsidiaries to pay dividends or make other distributions to us; engage in transactions with affiliates; incur layered debt; and consolidate or merge with or into other companies or sell all or substantially all of our assets. The restricted covenants are subject to a number of important exceptions and qualifications set forth in the 6.75% Notes Indenture.

The 6.75% Notes Indenture provides for customary events of default, including payment defaults, breaches of covenants, certain payment defaults at final maturity or acceleration of certain other indebtedness, failure to pay certain judgments, certain events of bankruptcy, insolvency and reorganization and certain instances in which a guarantee ceases to be in full force and effect. If any event of default occurs and is continuing, subject to certain exceptions, the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding 6.75% Notes may declare all the 6.75% Notes to be due and payable immediately, together with any accrued and unpaid interest, if any, to the acceleration date. In the case of an event of default resulting from certain events of bankruptcy, insolvency or reorganization, such amounts with respect to the 6.75% Notes will be due and payable immediately without any declaration or other act on the part of the trustee or the holders of the 6.75% Notes.

On January 3, 2007, the Company and U.S. Bank National Association, as trustee, entered into a supplemental indenture to the indenture under which the Company s 6.75% Senior Subordinated Notes due 2013 were issued. As permitted by the indenture, the supplemental indenture released each of the notes guarantors from its respective obligations under its notes guarantee and the indenture.

8.125% and 6.75% Senior Subordinated Notes. On September 6, 2006, we completed its consent solicitation from the holders of its 6.75% Notes and from the holders of 8.125% Notes. Holders of a majority of the outstanding aggregate principal amount of its 6.75% Notes and 8.125% Notes submitted, and did not revoke, letters of consent prior to the expiration of the consent solicitation period. Pursuant to the consent, we received a waiver, until December 14, 2006, of any default or event of default under the terms of the indentures governing such notes that may arise by virtue of our failure to file with the Securities and Exchange Commission and furnish to the trustee and holders of such notes certain reports required to be filed under the Securities Exchange Act of 1934. We incurred $12.5 million in aggregate consent fees. These fees have been capitalized and are being amortized over the remaining life of the 6.75% Notes and 8.125% Notes, respectively. The waiver for each series of notes became effective following the payment of the consent fee to each consenting holder of such series of notes, which we paid on September 11, 2006. We filed Form 10-Q for the quarter ended July 1, 2006 with the Securities and Exchange Commission on December 13, 2006. As a result of filing the Form 10-Q before December 14, 2006, we were not in default under the terms of the indentures governing such notes as of December 14, 2006.

The Company has not timely filed with Securities and Exchange Commission or furnished to the trustee and holders of the 6.75% and 8.125% notes certain fiscal 2006 year-end reports and information required to be filed under the Securities and Exchange Act of 1934 as required by the 6.75% and 8.125% note indenture agreements. Filing the Form 10-K with the Securities and Exchange Commission and furnishing the required information to the trustee and note holders prior to January 14, 2007, the Company s non compliance with this covenant provision will be cured.

10.375% Senior Secured Notes due 2010. On December 23, 2002, we issued $750.0 million of 10.375% Senior Secured Notes due January 15, 2010 (the 10.375% Notes) in a private placement to qualified investors as part of a refinancing transaction pursuant to which we also entered into a $275.0 million senior secured credit facility. On February 28, 2006, the Offer to Purchase and Consent Solicitation by us (the Offer to Purchase) for any or all of its $750 million 10.375% Notes expired. The total consideration was $1,103.17, which represented the present value of the remaining scheduled payments of principal and interest on the 10.375% Notes due on January 15, 2007 (which is the earliest redemption date for the 10.375% Notes) determined using a discount factor equal to the yield on the Price Determination Date of February 13, 2006 of the 3% U.S. Treasury Notes due December 31, 2006 plus 50 basis points and included a consent fee and accrued and unpaid interest. In conjunction with the offer, we solicited consents to proposed amendments to the indenture governing the 10.375% Notes, which eliminated substantially all of the restrictive covenants and certain events of default in the indenture.

We offered a consent payment (which is included in the total consideration described above) of $30.00 per $1,000 principal amount of 10.375% Notes to holders who validly tendered their 10.375% Notes and delivered their consents prior to the Consent Payment Deadline of February 13, 2006. Holders who tendered their 10.375% Notes after the Consent Payment Deadline but prior to the expiration date received total consideration referred to above, less the consent payment, plus accrued and unpaid interest to the payment date.

As a result of our offer to purchase the 10.375% Notes on January 31, 2006, we purchased approximately $721.7 million in aggregate principal. All of the net proceeds of $587 million from the issuance of the 8.125% Notes, together with approximately $239.2 million cash on hand were used to repurchase the 10.375% Notes. Additionally, in connection with the termination of the interest rate swap related to the 10.375% Notes, we released $22.5 million in restricted cash.

On February 16, 2006, we called for redemption on March 20, 2006, (the Redemption Date) of all the remaining outstanding 10.375% Notes. The aggregate principal amount to be redeemed was approximately $28.3 million. The total consideration amount of $1,108.56 for each $1,000 principal amount was calculated based on the principal amount of the Notes, plus accrued and unpaid interest up to but excluding the redemption date, plus the make-whole premium totaling approximately $31.3 million. In the aggregate, the 10.375% Notes were redeemed in full on March 20, 2006, and no further interest was accrued.

We recorded a loss of approximately $84.6 million from the early extinguishment of the $750 million 10.375% Notes which is comprised of approximately $70.8 million of redemption premium, $2.2 million related to interest rate swap termination, $13.9 million unamortized finance fees relating to the 10.375% Notes and $0.9 million of tender expenses offset by $3.2 million unamortized gain from previously terminated swaps. The loss on debt extinguishment is included in other income (expense), net in the accompanying Consolidated Statements of Operations.

3% Convertible Subordinated Notes due 2007. In March 2000, SCI Systems, Inc., one of our wholly owned subsidiaries (SCI Systems) issued $575.0 million aggregate principal amount of 3% Convertible Subordinated Notes due March 15, 2007 (3% Notes). Interest on the 3% Notes is payable semi-annually on each March 15 and September 15. In connection with the merger with SCI, we entered into a supplemental indenture with respect to the 3% Notes providing a guaranty for the 3% Notes and allowing for the conversion of the 3% Notes into shares of our common stock, at a conversion price of $41.35 per share, subject to adjustment in certain events. The 3% Notes were subordinated in right of payment to all existing and future senior debt, as defined, of Sanmina-SCI. The 3% Notes were redeemable at SCI s option at any time on or after March 20, 2003, although there was no mandatory redemption prior to final maturity. During fiscal 2003, we repurchased approximately $50.0 million aggregate principal amount of our 3% Convertible Subordinated Notes due 2007 through unsolicited privately negotiated transactions.

On October 13, 2006, SCI Systems initiated, in accordance with the terms thereof, the satisfaction and discharge of the Indenture, dated as of March 15, 2000, by and between SCI Systems and The Bank of New York Trust Company, National Association, as trustee (as supplemented, the Indenture), pursuant to which SCI Systems issued its 3% Notes due 2007. As a result, $532,875,000 in cash was deposited with the trustee, which amount is equal to the principal and interest due on the 3% Notes at maturity on March 15, 2007. The net proceeds obtained from the Senior Unsecured Term Loan (see below) were used to initiate the satisfaction and discharge of the 3% Notes. Accordingly, the outstanding balance of the 3% Notes is included in long-term debt as of September 30, 2006.

Senior Credit Facility. On October 26, 2004, we entered into a Credit and Guaranty Agreement (the Original Credit Agreement) providing for $500 million senior secured revolving credit facility with a $150 million letter of credit sub-limit. The senior secured credit facility provided for a maturity date of October 26, 2007. We entered into an Amended and Restated Credit and Guaranty Agreement, dated as of December 16, 2005, among us, certain of our subsidiaries, as guarantors, and the lenders that are parties thereto from time to time (the Restated Credit Agreement). The Restated Credit Agreement amended and restated the Original Credit Agreement among other things, to:

- Extend the maturity date from October 26, 2007 to December 16, 2008;
- Amend the leverage ratio;

- Permit us and the guarantors to sell domestic receivables pursuant to factoring or similar arrangements if certain conditions are met; and

- Revise the collateral release provisions.

All of our existing and future domestic subsidiaries guaranty the obligations under the Restated Credit Agreement, subject to some limited exceptions. Our obligations and the obligations of our subsidiaries under the credit facility are secured by: substantially all of our assets; substantially all of the assets of substantially all of our United States subsidiaries located in the United States; a pledge of all capital stock of substantially all of our United States subsidiaries; a pledge of 65% of the capital stock of certain of our and our United States subsidiaries first-tier foreign subsidiaries; and mortgages on certain domestic real estate.

The Restated Credit Agreement requires us to comply with a fixed charge coverage ratio and a ratio of total debt to earnings before income tax, depreciation and amortization (EBITDA). Additionally, the credit facility contains numerous affirmative covenants, including covenants regarding the payment of taxes and other obligations, maintenance of insurance, reporting requirements and compliance with applicable laws and regulations. Further, the credit facility contains negative covenants limiting the ability of us and our subsidiaries, among other things, to incur debt, grant liens, make acquisitions, make certain restricted payments, sell assets and enter into sale and lease back transactions. The events of default under the credit facility include payment defaults, cross defaults with certain other indebtedness, breaches of covenants and bankruptcy events.

At any time the aggregate face amount of receivables sold by us and the guarantors together with any outstanding amounts exceeds the thresholds set forth in the Restated Credit Agreement, the revolving credit commitments for purposes of making loans and issuing letters of credit will be zero. The Restated Credit Agreement provides for the release of the security interests in our and the guarantors accounts receivable at such time as specified conditions are met, including that we have paid at least 85% of the original principal amount of our 10.375% Senior Subordinated Notes, the liens granted there under have been released and our credit ratings meet specified thresholds. The Restated Credit Agreement provides for the collateral (other than stock pledges and other collateral we request not to be released) to be released at such time as specified conditions are met, including that we have paid at least 85% of the principal amount of the SCI Systems 3% Convertible Subordinated Notes due 2007 and our credit ratings meet specified thresholds. If following the release of any portion of the collateral pursuant to the provisions of the credit agreement described above, our credit ratings fall below specified thresholds, then we are required to take such actions as are necessary to grant and perfect a security interest in the assets and properties that would at that time comprise the collateral if the relevant collateral documents were still in effect.

On June 30, 2006, we entered into an amendment to the Restated Credit Agreement related to accounts receivable which made some modifications to certain definitions and one of the negative covenants on liens.

On August 10, 2006, we entered into a Letter Waiver (Credit Agreement with Waiver Letter) with the lenders under its Restated Credit Agreement, which waiver was extended multiple times pursuant to a Letter Waiver Extension entered into most recently on December 7, 2006 (the December Waiver). Pursuant to the December Waiver, the lenders under the Restated Credit Agreement waived compliance by us with the requirements of the Restated Credit Agreement to deliver financial statements and the compliance certificate for the quarter ended July 1, 2006 and any cross defaults with other indebtedness that may arise from such failure through December 14, 2006. The December Waiver provided the waiver termination date for the Credit Agreement Waiver Letter to December 14, 2006, provided, that if the required date of delivery of the financial statements for the fiscal quarter ended July 1, 2006 under our 8.125% Notes and 6.75% Notes has been extended (by waiver or otherwise) beyond December 14, 2006, the waiver terminates on the earlier of (i) March 31, 2007 and (ii) the third business day preceding the required date of delivery beyond December 14, 2006 for such financial statements as provided in the initial extension thereof by the respective requisite holders of such Notes. We filed Form 10-Q for the quarter ended July 1, 2006 with the Securities and Exchange Commission on December 13, 2006. As a result of filing the Form 10-Q before December 14, 2006, we were not in default under the terms of the indentures governing such notes as of December 14, 2006.

In addition, the December Waiver waived compliance by us with the requirements of the Restated Credit Agreement to deliver financial statements, related reports, statements and a compliance certificate for the fiscal year ended September 30, 2006 and any cross defaults with other indebtedness that may arise from such failure through January 10, 2007, provided, that if the required date of delivery of the financial statements for the 2006 fiscal year under our 8.125% Notes and the 6.75% Notes has been extended (by waiver or otherwise) beyond January 10, 2007, the earlier of (i) March 31, 2007 or (ii) the third business day preceeding the required date of delivery beyond January 10, 2007 for such financial statements as provided in the initial extension thereof by the respective holders of such Notes. During the same period, the lenders waived compliance with certain conditions to extensions of credit under the Restated Credit Agreement.

On December 29, 2006, the Company entered into an amendment and waiver to the Restated Credit Agreement. Among other things, this amendment amended the minimum required levels for both financial covenants and certain related definitions and waived the violation of one of the financial covenants for the fiscal quarter ended September 30, 2006.

After giving effect to the Credit Agreement Waiver Letter and the December 29, 2006 amendment and waiver, we were in compliance with the covenants under the Restated Credit Agreement as of September 30, 2006.

There was approximately $100 million of loans outstanding under the Restated Credit Agreement as of September 30, 2006.

Senior Unsecured Term Loan. On October 13, 2006, we entered into a Credit and Guaranty Agreement (the Credit Agreement) providing for a $600.0 million senior unsecured term loan which matures on January 31, 2008. We drew down the $600.0 million term loan simultaneously with the closing of the transaction. A portion of the proceeds were used to effect the satisfaction and discharge of the 3% Notes. We intend to use the remaining proceeds for working capital and general corporate purposes.

The loans will bear interest at our election at either the prime rate plus a margin or at an adjusted LIBOR rate plus 2.5%. On the 181st day after closing, the margins with respect to all loans will increase by 0.5% for the remaining life of the loans. Interest is payable quarterly in arrears with respect to prime rate loans. Interest is payable at the end of each interest period in the case of LIBOR rate loans depending on our election of the length of borrowing period (i.e. one month, three months or six months). Principal, together with accrued and unpaid interest, is due at maturity. In addition, we are required to make mandatory prepayments of principal with the net cash proceeds from the sale of certain assets and the incurrence of certain debt.

All of our existing and future domestic subsidiaries will guaranty the obligations under the Credit Agreement, subject to some limited exceptions.

The Credit Agreement contains affirmative covenants, including covenants regarding the payment of taxes and other obligations, maintenance of insurance, reporting requirements and compliance with applicable laws and regulations. Further, the Credit Agreement contains negative covenants limiting our ability of and our subsidiaries, among other things, to incur debt, grant liens and make certain restricted payments. The events of default under the Credit Agreement include payment defaults, cross defaults with certain other indebtedness, breaches of covenants and bankruptcy events.

Sale of Accounts Receivable. On April 1, 2005, Sanmina-SCI UK Limited and Sanmina-SCI Hungary Electronics Limited Liability Company each a wholly-owned subsidiary of Sanmina-SCI (Subsidiaries), each entered into a Committed Account Receivable Purchase Agreement. These agreements have a term of one year and permit the Subsidiaries to sell specified accounts receivable to the bank from time to time.

On July 14, 2006, Sanmina-SCI UK Limited and Sanmina-SCI Hungary Electronics Limited Liability Company (each, a Subsidiary), wholly-owned subsidiaries, each entered into an Amended and Restated Committed Account Receivable Purchase Agreement (collectively, the Receivables Agreements) with a financial institution (the Bank), amending and restating the original receivables agreements entered into on April 1, 2005. The Receivables Agreements permit the Subsidiaries to sell specified accounts receivable to the Bank from time to time with an aggregate purchase price under both Receivables Agreements of up to $150.0 million. The Receivables Agreement has a term expiring on July 14, 2007. Under the terms of the Receivables Agreements, either the Subsidiary party or the Bank may terminate the agreement by not less than 90 days prior written notice to the other party.

The purchase price for a receivable under a Receivables Agreement is equal to 95.5% of its face amount less a discount charge (based on LIBOR plus a spread) for the period from the date the receivable is sold to its maturity date; provided that such discount shall be adjusted from time to time as necessary so that the purchase price is at least equal to 95% of the face amount of the receivable sold. The Receivables Agreements provide for a facility fee based on the aggregate size of the facilities.

On September 23, 2005, our Subsidiaries in Hungary and Mexico entered into a Revolving Trade Receivables Purchase Agreement (the Bank Receivables Agreement) with banks and financial institutions (the Purchasers). The Receivables Agreement has a term of two years and permits the Subsidiaries to sell specified accounts receivable to the Purchasers from time to time. The amount of the face/invoice amount of receivable sold to the Purchasers and outstanding may not exceed $100.0 million. The Bank Receivables Agreement allows for the designation of additional subsidiaries and the increase of the aggregate investment limits of the Purchasers to up to $400.0 million, in each case subject to the satisfaction of the conditions set forth in the Bank Receivables Agreement including the agreement of the Purchasers to increase their respective investment limits.

On August 10, 2006, we entered into a Letter Waiver (the Receivables Waiver Letter) with the Purchasers under the Bank Receivables Agreement in which the waiver was extended pursuant to a Letter Waiver Extension entered into on October 5, 2006. Pursuant to the Receivables Waiver Letter, the purchasers under the Bank Receivables Agreement waived our compliance with the requirements of the Bank Receivables Agreement to deliver financial statements for the quarter ended July 1, 2006 and any cross defaults with other indebtedness that may arise from the failure to deliver such financial statements. The waiver was granted for the period commencing on the date of the Receivables Agreement Waiver Letter through December 11, 2006. During the same waiver period, the purchasers waived compliance with certain conditions to the sale of receivables under the Bank Receivables Agreement.

The waiver period under the Receivables Waiver Letter was further extended pursuant to a Letter Waiver Extension, dated December 7, 2006, so that the waiver extends through the later to occur of (i) December 14, 2006 and (ii) if the required date of delivery of the financial statements for the fiscal quarter ended July 1, 2006 under our 8.125% Notes and 6.75% Notes has been extended (by waiver or otherwise) beyond December 14, 2006, the third business day preceding the required date of delivery beyond December 14, 2006 for such financial statements as provided in the initial extension thereof by the respective requisite holders of such Notes, but in any event no later than March 31, 2007.

In addition, on December 8, 2006, we entered into a Letter Waiver with the purchasers under the Bank Receivables Agreement which waives compliance by us with the requirements of the Receivables Purchase Agreement to deliver financial statements and related reports for the fiscal year ended September 30, 2006 and any cross defaults with other indebtedness that may arise from such failure through the later to occur of (i) January 10, 2007 and (ii) the earlier of (A) March 31, 2007 and (B) if the required date of delivery of the financial statements for our fiscal year ended September 30, 2006 under our 8.125% Notes and 6.75% Notes has been extended (by waiver or otherwise) beyond January 10, 2007, the third business day preceeding the required date of delivery beyond January 10, 2007 for such financial statements as provided in the initial extension thereof by the respective holders of such Notes. During the same waiver period, the purchasers waived compliance with certain conditions to the sale of receivables under the Bank Receivables Agreement.

On September 26, 2006, our Subsidiaries in Hungary and Mexico entered into a Amended and Restated Revolving Trade Receivables Purchase Agreement (the Bank Receivables Agreement) with banks and financial institutions (the Purchasers), amending and restating the original agreement entered into on September 23, 2005. The Bank Receivables Agreement has a term of two years and permits the Subsidiaries to sell specified accounts receivable to the Purchasers from time to time. The amount of the face/invoice amount of receivable sold to the Purchasers and outstanding may not exceed $242.5 million. The Bank Receivables Agreement allows for the designation of additional subsidiaries and the increase of the aggregate investment limits of the Purchasers to up to $400.0 million, in each case subject to the satisfaction of the conditions set forth in the Bank Receivables Agreement including the agreement of the Purchasers to increase their respective investment limits.

The purchase price for a receivable under the Bank Receivables Agreement ranges from 95% to 100% of its invoice/face amount. The selling Subsidiaries pay the Purchasers interest during the period from the date the receivable is sold to its maturity date. The Bank Receivables Agreement provide for a commitment fee based on the unused portion of the facility.

The obligations of the Subsidiaries under the Receivables Agreements and the Bank Receivables Agreements are guaranteed by us. Each Subsidiary has provided a lien in favor of the Bank or Purchasers, as applicable, in the account in which the proceeds of the sold receivables are remitted.

Accounts receivable sales under these agreements were $1.5 billion in the aggregate through September 30, 2006. Receivables sold under the Receivables Agreements and Bank Receivables Agreement are subject to certain limited recourse provisions. In accordance with SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liability, accounts receivable sold will be removed from the Consolidated Balance Sheet and will be reflected as cash provided by operating activities in the Consolidated Statement of Cash Flows. As of September 30, 2006, $299.0 million of sold accounts receivable remain subject to certain recourse provisions. We have not experienced any credit losses under these recourse provisions. The amounts of discount charge recorded during the periods were not material to the financial statements.

As of September 30, 2006 there were no other term loans. At October 1, 2005, we had $1.3 million of other term loans at interest rates that fluctuate.

Contractual Obligations

The following is a summary of our long-term debt, and capital and operating lease obligations and commitments as of September 30, 2006:

		Fiscal Year(s)					
	Total	**2007**	**2008**	**2009**	**2010**	**2011**	**Thereafter**
	Dollars in thousands						
Long-term debt and capital lease obligations(1)	$2,257,002	$717,225	$ 75,858	$ 75,750	$ 75,750	$ 75,750	$ 1,236,669
Operating leases(2)	74,617	19,056	14,129	8,023	5,616	4,621	23,172
Total contractual obligations	$ 2,331,619	$ 736,281	$ 89,987	$ 83,773	$ 81,366	$ 80,371	$ 1,259,841

(1) In February 2006, we repurchased the remaining Zero Coupon Subordinated Debentures due 2020. Future payments in fiscal 2007 include interest on long term debt of $9.9 million.

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(2) Future operating lease payments include the obligations for closed facilities (totaling approximately $7.8 million) which have been fully or partially accrued in restructuring costs.

We also have outstanding firm purchase orders with certain suppliers for the purchase of inventory. These purchase orders are generally short-term in nature. Orders for standard, or catalog, items can typically be canceled with little or no financial penalty. Our policy regarding non-standard or customized items dictates that such items are only ordered specifically for customers who have contractually assumed liability for the inventory. In addition, a substantial portion of the catalog items covered by our purchase orders were procured for specific customers based on their purchase orders or a forecast under which the customer has contractually assumed liability for such material. Accordingly, the amount of liability from purchase obligations under these purchase orders is not significant or meaningful.

Certain acquisition agreements that we entered into in connection with purchase business combinations may require us to pay additional consideration determined by the future performance of the acquired entity. The amount and likelihood of the payments are not determinable as of September 30, 2006.

We provided guarantees to various third parties in the form of letters of credit totaling $29.6 million as of September 30, 2006. The letters of credit cover various guarantees including workers compensation claims and customs duties.

We have defined benefit pension plans (refer to Note 17 of the Notes to Consolidated Financial Statements).

Our future needs for financial resources include increases in working capital to support anticipated sales growth, investments in manufacturing inventory, facilities and equipment, and repayments of outstanding indebtedness. We have evaluated and will continue to evaluate possible business acquisitions within the parameters of the restrictions set forth in the agreements governing certain of our debt obligations. These possible business acquisitions could require substantial cash payments. Additionally, we anticipate incurring additional expenditures in connection with the integration of our recently acquired businesses and our restructuring activities. We expect to incur additional cash restructuring charges in fiscal 2007 which are currently not estimable.

We believe that our existing cash resources, together with cash generated from operations, will be sufficient to meet our working capital requirements through at least the next 12 months. Should demand for our products decrease over the next 12 months, the available cash provided by operations could be negatively impacted. Other sources of liquidity include our available line of credit and sale of accounts receivable. We may also seek to raise additional capital through the issuance of either debt or equity securities. Our senior secured credit facility, the indentures governing our 8.125% Notes and our 6.75% Notes and our senior unsecured term loan include covenants that, among other things, limit in certain respects us and our restricted subsidiaries from incurring debt, making investments and other restricted payments, paying dividends on capital stock, redeeming capital stock or subordinated obligations and creating liens. In addition to existing collateral and covenant requirements, future debt financing may require us to pledge assets as collateral and comply with financial ratios and covenants. Equity financing may result in dilution to stockholders.

Recent Accounting Pronouncements

On September 13, 2006, the Financial Accounting Standards Board (FASB) issued SAB No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements . SAB No. 108, addresses quantifying the financial statement effects of misstatements; specifically, how the effects of prior year uncorrected misstatements must be considered in quantifying misstatements in the current year financial statements. In addition, SAB No. 108 provides guidance on the correction of misstatements, including the correction of prior period financial statements for immaterial misstatements. Importantly, SAB No. 108 offers a one-time special transition provision for correcting certain prior year misstatements that were uncorrected as of the beginning of the fiscal year of adoption. SAB No. 108 is effective for fiscal years ending after November 15, 2006. We expect to adopt this standard at September 29, 2007. We do not expect the adoption of SAB No. 108 to have a material impact on our results of operations or financial position.

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an Amendment of FASB Statements No. 87, 88, 106 and 132(R). The statement requires an employer to recognize in its statement of financial position an asset for a plan s over-funded status or a liability for a plan s under-funded status. The measurement date of the plans assets and obligations that determine the funded status will be as of the end of the employer s fiscal year. The statement will be effective in fiscal 2007. We are currently reviewing the statement to determine the potential impact to our financial position, results of operations, and related cash flows.

In July 2006, the FASB issued FIN No. 48 as an interpretation of SFAS No. 109. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with SFAS No. 109 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. We are currently evaluating the impact, if any, that the adoption of this standard will have on our financial position or results of operations.

In March 2005, the FASB issued FIN No. 47 as an interpretation of SFAS No. 143, Accounting for Asset Retirement Obligations. This interpretation clarifies that the term conditional asset retirement obligation as used in SFAS No. 143 refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. This interpretation also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN No. 47 is effective no later than the end of fiscal years ending after December 15, 2005. We have adopted this standard in the fourth quarter of fiscal 2006, and as a result, increased our environmental accrual by $5.3 million on the Consolidated Balance Sheet as of September 30, 2006 and recorded a charge of $2.9 million to cumulative effect of accounting changes on the Consolidated Statement of Operations for the year ended September 30, 2006.

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets , an amendment of SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS No. 156 requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable, and permits an entity to subsequently measure those servicing assets and servicing liabilities at fair value. SFAS No. 156 is effective for fiscal years beginning after September 15, 2006. We do not expect the adoption of SFAS No. 156 to have a material impact on our results of operations or financial position.

Quarterly Results (*Unaudited*)

The following tables contain selected unaudited quarterly financial data for the eight fiscal quarters in the period ended September 30, 2006. In management s opinion, the unaudited data has been prepared on the same basis as the audited information and includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the data for the periods presented. Our results of operations have varied and may continue to fluctuate significantly from quarter to quarter. The results of operations in any period should not be considered indicative of the results to be expected from any future period.

The selected quarterly information has been restated for all quarters of fiscal 2005 and the first two quarters of fiscal 2006 from previously reported information filed on Form 10-Q and Form 10-K, as a result of the restatement of our financial results discussed in this Annual Report on Form 10-K.

	Fiscal Year ended September 30, 2006			
	First Quarter (Restated)	**Second Quarter (Restated)**	**Third Quarter**	**Fourth Quarter(3)**
Net sales	$ 2,861,797	$ 2,668,418	$ 2,707,900	$ 2,717,306
Gross profit	$ 168,487	$ 164,559	$ 162,138	$ 126,552
Gross margin	5.9 %	6.2 %	6.0 %	4.7 %
Operating income (loss)	$ 31,476	$ 44,412	$ (15,146)	$ (7,425)
Operating margin (loss)	1.1 %	1.7 %	(0.6)%	(0.3)%
Net income (loss)	$ 17,394	$ (76,062)	$ (54,802)	$ (28,087)
Basic net income (loss) per share	$ 0.03	$ (0.14)	$ (0.10)	$ (0.05)
Diluted net income (loss) per share	$ 0.03	$ (0.14)	$ (0.10)	$ (0.05)

	Fiscal Year ended October 1, 2005			
	First Quarter (Restated)(2a)	**Second Quarter (Restated)(1)(2b)**	**Third Quarter (Restated)(2c)**	**Fourth Quarter (Restated)(2d)**
Net sales	$ 3,252,706	$ 2,885,402	$ 2,831,264	$ 2,765,302
Gross profit	$ 174,265	$ 150,347	$ 153,376	$ 152,194
Gross margin	5.4 %	5.2 %	5.4 %	5.5 %
Operating income (loss)	$ 53,592	$ (603,730)	$ 22,628	$ 37,749
Operating margin (loss)	1.6 %	(20.9)%	0.8 %	1.4 %
Net income (loss)	$ (1,892)	$ (1,019,948)	$ (4,116)	$ (7,991)
Basic net income (loss) per share	$ 0.00	$ (1.96)	$ (0.01)	$ (0.02)
Diluted net income (loss) per share	$ 0.00	$ (1.96)	$ (0.01)	$ (0.02)

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(1) Includes a goodwill impairment charge of $600 million and $379 million for a deferred tax asset valuation allowance.

(2) As a result of our ongoing efforts to remediate the conditions that resulted in the material weakness disclosed in Item 9A of our 2004 Annual Report on Form 10-K, several adjustments were identified and recorded in the Condensed Consolidated Statement of Operations for the three month periods ended July 2, 2005 and October 1, 2005 which relate to previous periods. The cumulative effect on the quarterly results of operations is as follows:

(a) Three month period ended January 1, 2005: (1) our gross margin of 5.4% (restated) would have been approximately 4.6%, (2) the operating income (restated) of $54 million would have been approximately $26 million, (3) the tax provision (restated) of $21 million would have been approximately $11 million and (4) the net loss (restated) of $1.9 million would have been a net loss of approximately $16 million.

(b) Three month period ended April 2, 2005: (1) our gross margin (restated) of 5.2% would have been approximately 4.8%, (2) the operating loss (restated) of $604 million would have been approximately $614 million loss, (3) the tax provision (restated) of $361 million would have been

approximately $366 million and (4) the net loss (restated) of $1,020 million would have been approximately $1,031 million.

(c) Three month period ended July 2, 2005: (1) our gross margin (restated) of 5.4% would have been approximately 5.8%, (2) the operating income (restated) of $23 million would have been approximately $33 million, (3) the tax provision (restated) of $6 million would have been approximately $13 million and (4) the restated net loss of $4.1 million would have been approximately $1 million loss.

(d) Three month period ended October 2, 2005: (1) our gross margin (restated) of 5.5% would have been approximately 6.2%, (2) the operating income (restated) of $38 million would have been approximately $55 million, (3) the tax provision (restated) of $7 million would have been approximately $2 million benefit and (4) the net loss (restated) of $8.0 million would have been approximately $20 million net income.

We concluded that these adjustments were not material to any of the periods affected pursuant to APB No. 28 Interim Financial Reporting and SAB No. 99 Materiality .

(3) Includes a charge under cost of sales of approximately $15 million associated with excess and obsolete inventories in our ODM business. The results also include a goodwill impairment charge of $3.8 million and impairment of tangible and intangible assets of $7.9 million as a result of our decision to realign our ODM business to focus on joint development manufacturing opportunities at the end of the fourth quarter of fiscal 2006. Additionally, it includes an impairment of tangible assets related to a manufacturing facility and our ODM business of $7.2 million as a result of our SFAS No. 144 impairment analysis.

The following tables present the impact of the financial statement adjustments on our previously reported Condensed Consolidated Statements of Operations for the three month periods ended December 31, 2005 and April 1, 2006:

	Three Months Ended December 31, 2005 (Restated) (Unaudited)			**Three Months Ended April 1, 2006 (Restated) (Unaudited)**		
	Previously Reported	**Adjustments**	**As Restated**	**Previously Reported**	**Adjustments**	**As Restated**
		(In thousands, except per share amount)				
Net sales	$ 2,861,797		$ 2,861,797	$ 2,668,418	$	$ 2,668,418
Cost of sales	2,692,117	1,193 A	2,693,310	2,503,810	49 A	2,503,859
Gross profit	169,680	(1,193)	168,487	164,608	(49)	164,559
Operating expenses:						
Selling, general, administrative and research and development	97,627	1,523 A	99,150	97,324	159 A	97,483
Amortization of intangible assets	2,233		2,233	2,071		2,071
Restructuring costs	35,628		35,628	20,593		20,593
Total operating expenses	135,488	1,523	137,011	119,988	159	120,147
Operating income (loss)	34,192	(2,716)	31,476	44,620	(208)	44,412
Interest income	5,925		5,925	5,091		5,091
Interest expense	(34,248)	1,296 B	(32,952)	(32,989)	2,265 B	(30,724)
Loss on extinguishment of debt				(112,166)	27,566 B	(84,600)
Other income (expense), net	1,054	(6,761)B	(5,707)	(1,417)	(2,265)B	(3,682)
Interest and other expense, net	(27,269)	(5,465)	(32,734)	(141,481)	27,566	(113,915)
Income (loss) before income taxes and cumulative effect of accounting changes	6,923	(8,181)	(1,258)	(96,861)	27,358	(69,503)
Provision for (benefit from) income taxes	(12,957)		(12,957)	6,559		6,559
Income (loss) before cumulative effect of accounting changes	19,880	(8,181)	11,699	(103,420)	27,358	(76,062)
Cumulative effect of accounting changes, net of tax	(4,752)	(943)A	(5,695)			
Net income (loss)	$ 24,632	$ (7,238)	$ 17,394	$ (103,420)	$ 27,358	$ (76,062)
Net income (loss) per share:						
Basic	$ 0.05	$ (0.02)	$ 0.03	$ (0.20)	$ 0.06	$ (0.14)
Diluted	$ 0.05	$ (0.02)	$ 0.03	$ (0.20)	$ 0.06	$ (0.14)
Weighted average shares used in computing per share amounts:						
Basic	524,311		524,311	525,256		525,256
Diluted	524,703		524,694	525,256		525,256

A: Adjustment for additional stock compensation expense pursuant to APB No. 25.

B: Adjustment for interest rate swap.

The following tables present the impact of the financial statement adjustments on our previously reported Condensed Consolidated Statements of Operations for the three month periods ended January 1, 2005 and April 2, 2005:

	Three Months Ended January 1, 2005 (Restated) (Unaudited)			**Three Months Ended April 2, 2005 (Restated) (Unaudited)**		
	Previously Reported	**Adjustments**	**As Restated**	**Previously Reported**	**Adjustments**	**As Restated**
	(In thousands, except per share amounts)					
Net sales	$ 3,252,706	$	$ 3,252,706	$ 2,885,402	$	$ 2,885,402
Cost of sales	3,075,739	2,702 A	3,078,441	2,735,235	(180)A	2,735,055
Gross profit	176,967	(2,702)	174,265	150,167	180	150,347
Operating expenses:						
Selling, general administrative and research and development	94,913	3,519 A	98,432	94,531	(176)A	94,355
Amortization of intangible assets	2,030		2,030	2,071		2,071
Goodwill impairment				600,000		600,000
Restructuring costs	20,425	(214)A	20,211	57,636	15 A	57,651
Total operating expenses	117,368	3,305	120,673	754,238	(161)	754,077
Operating income (loss)	59,599	(6,007)	53,592	(604,071)	341	(603,730)
Interest income	3,507		3,507	5,778		5,778
Interest expense	(30,056)	(3,386)B	(33,442)	(41,535)	(964)B	(42,499)
Loss on extinguishment of debt				(3,059)		(3,059)
Other income (expense), net	270	(4,987)B	(4,717)	(2,195)	(13,713)B	(15,908)
Interest and other expense, net	(26,279)	(8,373)	(34,652)	(41,011)	(14,677)	(55,688)
Income (loss) before income taxes	33,320	(14,380)	18,940	(645,082)	(14,336)	(659,418)
Provision for (benefit from) income taxes	8,954	11,878 D	20,832	390,426	(29,896)C	360,530
Net Income (loss)	$ 24,366	$ (26,258)	$ (1,892)	$ (1,035,508)	$ 15,560	$ (1,019,948)
Net Income (loss) per share:						
Basic	$ 0.05	$ (0.05)	$ 0.00	$ (1.99)	$ 0.03	$ (1.96)
Diluted	$ 0.05	$ (0.05)	$ 0.00	$ (1.99)	$ 0.03	$ (1.96)
Weighted average shares used in computing per share amounts:						
Basic	519,205		519,205	519,700		519,700
Diluted	525,008		519,205	519,700		519,700

A: Adjustment for additional stock compensation expense pursuant to APB No. 25.

B: Adjustment for interest rate swap.

C: Net decrease in provision for income taxes principally due to a reduction of the valuation allowance originally recorded during the second quarter of fiscal 2005 against certain of our deferred tax assets. The adjustment to the valuation allowance resulted from the decrease in deferred tax assets arising from $10.5 million related to the the reversal of fixed asset reserves in fiscal year 2001 and $41.0 million related to the net operating losses from the 956 Deemed Dividend, partially offset by an increase in deferred tax assets of $21.6 million arising from the stock-based compensation charge.

D: Adjustment to the deferred tax assets arising from $14.9 million related to the net operating losses from the 956 Deemed Dividend partially offset by $3.1 million related to the stock-based compensation charge.

The following tables present the impact of the financial statement adjustments on our previously reported Condensed Consolidated Statements of Operations for the three month periods ended July 2, 2005 and October 1, 2005:

	Three Months Ended July 2, 2005 (Restated) (Unaudited)			Three Months Ended October 1, 2005 (Restated) (Unaudited)		
	Previously Reported	Adjustments	As Restated	Previously Reported	Adjustments	As Restated
	(In thousands, except per share amounts)					
Net sales	$ 2,831,264	$	$ 2,831,264	$ 2,765,302	$	$ 2,765,302
Cost of sales	2,670,438	7,450 A	2,677,888	2,612,219	889 A	2,613,108
Gross profit	160,826	(7,450)	153,376	153,083	(889)	152,194
Operating expenses:						
Selling, general administrative and research and development	99,608	9,205 A	108,813	92,762	651 A	93,413
Amortization of intangible assets	1,894		1,894	2,690		2,690
Goodwill impairment						
Restructuring costs	20,041		20,041	18,342		18,342
Total operating expenses	121,543	9,205	130,748	113,794	651	114,445
Operating income (loss)	39,283	(16,655)	22,628	39,289	(1,540)	37,749
Interest income	4,732		4,732	8,519		8,519
Interest expense	(34,437)	(860)B	(35,297)	(36,291)	187 B	(36,104)
Other income (expense), net	(3,721)	13,601 B	9,880	525	(11,980)B	(11,455)
Interest and other expense, net	(33,426)	12,741	(20,685)	(27,247)	(11,793)	(39,040)
Income (loss) before income taxes	5,857	(3,914)	1,943	12,042	(13,333)	(1,291)
Provision for income taxes	6,059		6,059	6,700		6,700
Net income (loss)	$ (202)	$ (3,914)	$ (4,116)	$ 5,342	$ (13,333)	$ (7,991)
Net Income (loss) per share:						
Basic	$ 0.00	$ (0.01)	$ (0.01)	$ 0.01	$ (0.03)	$ (0.02)
Diluted	$ 0.00	$ (0.01)	$ (0.01)	$ 0.01	$ (0.03)	$ (0.02)
Weighted average shares used in computing per share amounts:						
Basic	521,584		521,584	521,792		521,792
Diluted	521,584		521,584	523,621		521,792

A: Adjustment for additional stock compensation expense pursuant to APB No. 25.

B: Adjustment for interest rate swap.

The following tables present the impact of the financial statement adjustments on our previously reported Condensed Consolidated Balance Sheets as of December 31, 2005 and April 1, 2006:

	As of December 31, 2005 (Unaudited)				As of April 1, 2006 (Unaudited)			
	Previously Reported (In Thousands)	Adjustments		As Restated	Previously Reported	Adjustments		As Restated
Current assets:								
Cash and cash equivalents	$ 1,011,098	$		$ 1,011,098	$ 625,206	$		$ 625,206
Short-term investments	28,178			28,178				
Accounts receivable, net	1,612,325			1,612,325	1,434,055			1,434,055
Inventories	1,122,773			1,122,773	1,159,351			1,159,351
Deferred income taxes	39,107			39,107	33,920			33,920
Prepaid expenses and other current assets	104,142			104,142	100,692			100,692
Total current assets	3,917,623			3,917,623	3,353,224			3,353,224
Property, plant and equipment, net	606,895	27,353	D	634,248	630,157	27,353	D	657,510
Other intangible assets, net	33,658			33,658	33,450			33,450
Goodwill	1,654,126			1,654,126	1,668,082			1,668,082
Other non-current assets	80,363			80,363	82,844			82,844
Restricted cash	25,538			25,538	3,078			3,078
Total assets	$ 6,318,203	$ 27,353		$ 6,345,556	$ 5,770,835	$ 27,353		$ 5,798,188
Current liabilities:								
Accounts payable	$ 1,636,397	$		$ 1,636,397	$ 1,402,136	$		$ 1,402,136
Accrued liabilities	353,322			353,322	273,952			273,952
Accrued payroll and related benefits	141,141	458	C	141,599	151,541	458	C	151,999
Current portion of long-term debt	1,259			1,259	523,683			523,683
Total current liabilities	2,132,119	458		2,132,577	2,351,312	458		2,351,770
Long-term liabilities:								
Long-term debt, net of current portion	1,635,847	27,567	B	1,663,414	978,768			978,768
Other	152,774			152,774	131,322			131,322
Total long-term liabilities	1,788,621	27,567		1,816,188	1,110,090			1,110,090
Commitments and contingencies								
Stockholders equity:								
Common stock	5,475			5,475	5,512			5,512
Treasury stock	(188,200)			(188,200)	(187,897)			(187,897)
Additional paid-in capital	5,749,864	189,138	A	5,939,002	5,755,236	189,347	A	5,944,583
Accumulated other comprehensive income	25,623			25,623	35,301			35,301
Accumulated deficit	(3,195,299)	(189,810)		(3,385,109)	(3,298,719)	(162,452)		(3,461,171)
Total stockholders equity	2,397,463	(672)		2,396,791	2,309,433	26,895		2,336,328
Total liabilities and stockholders equity	$ 6,318,203	$ 27,353		$ 6,345,556	$ 5,770,835	$ 27,353		$ 5,798,188

A: Adjustment for additional stock compensation expense pursuant to APB No. 25.

B: Adjustment for interest rate swap.

C: Adjustment for payroll tax associated with the adjustment to stock-based compensation.

D: Reversal of excess fixed asset impairment reserve.

The following tables present the impact of the financial statement adjustments on our previously reported Condensed Consolidated Balance Sheets as of January 1, 2005 and April 2, 2005:

	As of January 1, 2005 (Unaudited)				**As of April 2, 2005 (Unaudited)**			
	Previously Reported (In Thousands)	**Adjustments**		**As Restated**	**Previously Reported**	**Adjustments**		**As Restated**
Current assets:								
Cash and cash equivalents	$ 1,063,380	$ (46,609)	E	$ 1,016,771	$ 1,183,817	$ (50,986)	I	$ 1,132,831
Short-term investments	19,042	8,100	G	27,142	21,614			21,614
Accounts receivable, net	1,802,862			1,802,862	1,595,983			1,595,983
Inventories	1,003,112			1,003,112	962,242			962,242
Deferred income taxes	306,674	(10,531)	F	296,143	25,109			25,109
Prepaid expenses and other current assets	108,860			108,860	102,416			102,416
Total current assets	4,303,930	(49,040)		4,254,890	3,891,181	(50,986)		3,840,195
Property, plant and equipment, net	801,498	27,353	C	828,851	751,978	27,353	C	779,331
Other intangible assets, net	33,852			33,852	33,461			33,461
Goodwill	2,292,122			2,292,122	1,694,739			1,694,739
Other non-current assets	194,446	(19,364)	F	175,082	92,071			92,071
Restricted Cash		25,470	J	25,470		25,487	J	25,487
Total assets	$ 7,625,848	$ (15,581)		$ 7,610,267	$ 6,463,430	$ 1,854		$ 6,465,284
Current liabilities:								
Accounts payable	$ 1,624,599	$		$ 1,624,599	$ 1,510,491	$		$ 1,510,491
Accrued liabilities	408,404			408,404	400,214			400,214
Accrued payroll and related benefits	164,767	3,581	D	168,348	162,880	3,581	D	166,461
Current portion of long-term debt	615,794			615,794	223,595			223,595
Total current liabilities	2,813,564	3,581		2,817,145	2,297,180	3,581		2,300,761
Long-term liabilities:								
Long-term debt, net of current portion	1,290,060	(4,665)	B	1,285,395	1,680,106	(2,450)	H	1,677,656
Other	120,410			120,410	125,997			125,997
Total long-term liabilities	1,410,470	(4,665)		1,405,805	1,806,103	(2,450)		1,803,653
Commitments and contingencies								
Stockholders equity:								
Common stock	5,426			5,426	5,440			5,440
Treasury stock	(188,633)			(188,633)	(188,566)			(188,566)
Additional paid-in capital	5,724,165	166,389	A	5,890,554	5,724,831	166,049	A	5,890,880
Accumulated other comprehensive income	50,419			50,419	43,513			43,513
Accumulated deficit	(2,189,563)	(180,886)		(2,370,449)	(3,225,071)	(165,326)		(3,390,397)
Total stockholders equity	3,401,814	(14,497)		3,387,317	2,360,147	723		2,360,870
Total liabilities and stockholders equity	$ 7,625,848	$ (15,581)		$ 7,610,267	$ 6,463,430	$ 1,854		$ 6,465,284

A: Adjustment for additional stock compensation expense pursuant to APB No. 25.

B: Adjustment of certain overdraft facilities from long-term debt to cash and cash equivalents of $13.0 million, offset by adjustment for interest rate swap of $8.4 million.

C: Reversal of excess fixed asset impairment reserve.

D: Adjustment for payroll tax associated with the adjustment to stock-based compensation.

E: Adjustment of certain overdraft facilities from long-term debt to cash and cash equivalents of $13.0 million, adjustment of restricted cash of $25.5 million from cash and cash equivalents to other non-current assets and auction rate securities of $8.1 million were adjusted from cash and cash equivalents to short-term investments.

F: Adjustment to the deferred tax assets arising from $10.5 million related to the reversal of fixed asset reserves in fiscal year 2001 and $41.0 million related to the net operating losses from the 956 Deemed Dividend offset by $21.6 million arising from the stock-based compensation charge.

G: Auction rate securities were adjusted from cash and cash equivalent to short-term investments.

H: Adjustment of certain overdraft facilities from long-term debt to cash and cash equivalents of $25.5 million, offset by adjustment for interest rate swap of $23.0 million.

I: Adjustment of certain overdraft facilities from long-term debt to cash and cash equivalents of $25.5 million and adjustment of restricted cash of $25.5 million from cash and cash equivalents to other non-current assets.

J: Adjustment of restricted cash of $25.5 million from cash and cash equivalents to other non-current assets.

The following tables present the impact of the financial statement adjustments on our previously reported Condensed Consolidated Balance Sheets as of July 2, 2005 and October 1, 2005:

	As of July 2, 2005 (Unaudited)				**As of October 1, 2005**			
	Previously Reported (In Thousands)	**Adjustments**		**As Restated**	**Previously Reported**	**Adjustments**		**As Restated**
Current assets:								
Cash and cash equivalents	$ 1,219,725	$ (48,747)	E	$ 1,170,978	$ 1,068,053	$		$ 1,068,053
Short-term investments	45,963			45,963	57,281			57,281
Accounts receivable, net	1,602,723			1,602,723	1,477,401			1,477,401
Inventories	948,674			948,674	1,015,035			1,015,035
Deferred income taxes	23,048			23,048	42,767			42,767
Prepaid expenses and other current assets	117,043			117,043	86,620			86,620
Total current assets	3,957,176	(48,747)		3,908,429	3,747,157			3,747,157
Property, plant and equipment, net	713,557	27,353	C	740,910	662,101	27,353	C	689,454
Other intangible assets, net	31,638			31,638	35,907			35,907
Goodwill	1,689,807			1,689,807	1,689,198			1,689,198
Other non-current assets	88,577			88,577	81,874			81,874
Restricted cash		25,506	G	25,506	25,538			25,538
Total assets	$ 6,480,755	$ 4,112		$ 6,484,867	$ 6,241,775	$ 27,353		$ 6,269,128
Current liabilities:								
Accounts payable	$ 1,489,362	$		$ 1,489,362	$ 1,559,172	$		$ 1,559,172
Accrued liabilities	449,308			449,308	366,920			366,920
Accrued payroll and related benefits	157,010	3,581	D	160,591	146,687	458	D	147,145
Current portion of long-term debt	225,210			225,210	1,439			1,439
Total current liabilities	2,320,890	3,581		2,324,471	2,074,218	458		2,074,676
Long-term liabilities:								
Long-term debt, net of current portion	1,695,145	(12,932)	F	1,682,213	1,644,666	22,102	B	1,666,768
Other	102,462			102,462	143,873			143,873
Total long-term liabilities	1,797,607	(12,932)		1,784,675	1,788,539	22,102		1,810,641
Commitments and contingencies								
Stockholders equity:								
Common stock	5,442			5,442	5,457			5,457
Treasury stock	(188,575)			(188,575)	(188,519)			(188,519)
Additional paid-in capital	5,727,736	182,702	A	5,910,438	5,745,125	187,365	A	5,932,490
Accumulated other comprehensive income	42,928			42,928	36,886			36,886
Accumulated deficit	(3,225,273)	(169,239)		(3,394,512)	(3,219,931)	(182,572)		(3,402,503)
Total stockholders equity	2,362,258	13,463		2,375,721	2,379,018	4,793		2,383,811
Total liabilities and stockholders equity	$ 6,480,755	$ 4,112		$ 6,484,867	$ 6,241,775	$ 27,353		$ 6,269,128

A: Adjustment for additional stock compensation expense pursuant to APB No. 25.

B: Adjustment for interest rate swap.

C: Reversal of excess fixed asset impairment reserve.

D: Adjustment for payroll tax associated with the adjustment to stock-based compensation.

E: Adjustment of certain overdraft facilities from long-term debt to cash and cash equivalents of $23.2 million and adjustment of restricted cash of $25.5 million from cash and cash equivalents to other non-current assets.

F: Adjustment of certain overdraft facilities from long-term debt to cash and cash equivalents of $23.2 million, partially offset by adjustment for interest rate swap of $10.3 million.

G: Adjustment of restricted cash of $25.5 million from cash and cash equivalents to other non-current assets.

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Gross Margin (Restated)

Three Months Ended December 31, 2005

Gross margin increased from 5.4% in the first quarter of fiscal 2005 to 5.9% in the first quarter of fiscal 2006. The increase in gross margin for the three months ended December 31, 2005 as compared to the three months ended January 1, 2005 was primarily attributable to changes in product mix as sales to customers in the personal business computing sector, which typically have lower gross margins, represented a smaller percentage of total revenue.

Three Months Ended April 1, 2006

Gross margin increased from 5.2% in the second quarter of fiscal 2005 to 6.2% in the second quarter of fiscal 2006. The increase in gross margin was primarily attributable to changes in product mix.

Three Months Ended January 1, 2005

Gross margin increased from 4.6% in the first quarter of fiscal 2004 to 5.4% in the first quarter of fiscal 2005 attributable primarily to increased sales of products to customers in the communications sector as well as increases in gross margin for customers in various other market sectors.

Three Months Ended April 2, 2005

Gross margin increased from 5.0 % in the second quarter of fiscal 2004 to 5.2% in the second quarter of fiscal 2005. The increase was attributable primarily to increased sales of products to customers in the communications sector as well as cost savings realized as a result of our restructuring activities.

Three Months Ended July 2, 2005

Gross margin increased from 5.1% in the third quarter of fiscal 2004 to 5.4% in the third quarter of fiscal 2005. The increase was attributable primarily to increased sales of products to communications, medical and industrial instrumentation customers, favorable product mix, cost savings realized as a result of our ongoing restructuring activities and an increase in vertical integration sales, offset by an increase in stock-based compensation expense of $5.9 million.

Three Months Ended October 1, 2005

Gross margin increased from 5.2% in the fourth quarter of fiscal 2004 to 5.5% in the fourth quarter of fiscal 2005. The increase in gross margin was primarily attributable to continuous cost improvements, cost savings from our restructuring activities and increased margins in our PCB fabrication, enclosure, High Volume EMS and enterprise-class servers businesses, offset by out of period adjustments (net of favorable in quarter benefits) incurred in the fourth quarter of fiscal 2005 as part of the remediation of material weaknesses previously reported.

Selling, general and administrative expenses (Restated)

Three Months Ended December 31, 2005

Selling, general and administrative expenses decreased $0.5 million to $90.1 million in the first quarter of fiscal 2006 from $90.6 million in the first quarter of fiscal 2005. Selling, general and administrative expenses increased as a percentage of net sales, to 3.1% in the first quarter of fiscal 2006 from 2.8% in the first quarter of fiscal 2005. The dollar decrease in selling, general, and administrative expenses in the first quarter of fiscal 2006 as compared to the first quarter of fiscal 2005 was primarily attributable to a reduction of $1.0 million in stock-based compensation expenses, offset by an increase in expenses we incurred in connection with the implementation of new internal controls and completion of our evaluation of our internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002. The increase in selling, general, and administrative expenses in the first quarter of fiscal 2006 as compared to the first quarter of fiscal 2005 in terms of percentage of sales was primarily attributable to the decrease in sales in the first quarter of fiscal 2006.

Three Months Ended April 1, 2006

Selling, general and administrative expenses decreased from $87.1 million in the second quarter of fiscal 2005 to $87.0 million in the second quarter of fiscal 2006. Selling, general and administrative expenses increased as a percentage of net sales, from 3.0% in the second quarter of fiscal 2005 to 3.3% in the second quarter of fiscal 2006. The decrease in selling, general and administrative expenses in the second quarter of fiscal 2006 as compared to the second quarter of fiscal 2005 was primarily attributable to reduction in professional fees due to completion of our evaluation of our internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002. The increase in selling, general, and administrative expenses as a percentage of net sales for the three months ended April 1, 2006 was primarily attributable to the decrease in sales in the same period.

Three Months Ended January 1, 2005

Selling, general and administrative expenses increased from $83.6 million in the first quarter of fiscal 2004 to $90.6 million in the first quarter of fiscal 2005. Selling, general and administrative expenses as a percentage of net sales remained flat at 2.8% for both first quarters of fiscal 2005 and fiscal 2004. The increase in selling, general, and administrative expenses in the first quarter of fiscal 2005 as compared to the first quarter of fiscal 2004 was attributable to a number of factors including increased sales commissions as a result of the increase in net sales, additional information technology expenses, professional fees related to Sarbanes-Oxley Act Section 404 activities as well as the inclusion of selling, general and administrative expenses associated with recently acquired businesses.

Three Months Ended April 2, 2005

Selling, general and administrative expenses increased from $86.6 million in the second quarter of fiscal 2004 to $87.1 million in the second quarter of fiscal 2005. Selling, general and administrative expenses as a percentage of net sales remained flat at 3.0% for both second quarters of fiscal 2005 and fiscal 2004. The increase in selling, general, and administrative expenses in the second quarter of fiscal 2005 as compared to the second quarter of fiscal 2004 was attributable to a number of factors including increased sales and marketing expenses, internal costs and professional fees related to Sarbanes-Oxley Act Section 404 activities as well as additional information technology expenses. The increased expenses were partially offset by a reduction in the allowance for doubtful accounts which was the result of improved collection efforts, credit management performance, a continued trend of insignificant write offs and a reduction of stock-based compensation expense of $3.5 million. In addition, several accounts which had been fully reserved, resulted in modest settlements, thus reducing reserves for required exposures.

Three Months Ended July 2, 2005

Selling, general and administrative expenses increased from $87.2 million in the third quarter of fiscal 2004 to $100.6 million in the third quarter of fiscal 2005. Selling, general and administrative expenses increased as a percentage of net sales, from 2.8 % in the third quarter of fiscal 2004 to 3.6% in the third quarter of fiscal 2005. The increase in selling, general, and administrative expenses in the third quarter of fiscal 2005 as compared to the third quarter of fiscal 2004 was attributable to a number of factors including increased sales and marketing expenses, internal costs and professional fees related to Sarbanes-Oxley Act Section 404 activities and an increase in stock-based compensation expenses of $6.5 million.

Three Months Ended October 1, 2005

Selling, general and administrative expenses decreased from $93.2 million in the fourth quarter of fiscal 2004 to $85.7 million in the fourth quarter of fiscal 2005. As a percentage of net sales, selling, general and administrative expenses increased from 2.8% in the fourth quarter of fiscal 2004 to 3.1% in the fourth quarter of fiscal 2005. The decrease in selling, general and administrative expenses, in dollar terms, was primarily attributable to lower employee related benefit costs, lower bad debt expenses and other cost savings offset by expenses we incurred in connection with the implementation of new internal controls and evaluation and testing of our internal controls over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002. The increase in selling, general, and administrative expenses as a percentage of net sales for the three months ended October 1, 2005 was primarily attributable to the decrease in sales in the same period.

Research and Development (Restated)

Three Months Ended December 31, 2005

Research and development expenses increased from $7.8 million in the first quarter of fiscal 2005 to $9.0 million in the first quarter of fiscal 2006. Research and development increased as a percentage of net sales, from 0.2% in the first quarter of fiscal 2005 to 0.3% in the first quarter of fiscal 2006. The increase in spending is primarily related to the new research and development project started in the first quarter of fiscal 2006.

Three Months Ended April 1, 2006

Research and development expenses increased from $7.3 million in the second quarter of fiscal 2005 to $10.4 million in the second quarter of fiscal 2006. Research and development increased as a percentage of net sales, from 0.3% in the second quarter of fiscal 2005 to 0.4% in the second quarter of fiscal 2006. The increase in research and development expenses was due to our continued investment in ODM business as well as $643,000 of research and development expenses associated with the Eurologic acquisition during the second quarter.

Three Months Ended January 1, 2005

Research and development expenses increased from $7.4 million in the first quarter of fiscal 2004 to $7.8 million in the first quarter of fiscal 2005. Research and development as a percentage of net sales remained flat at 0.2% for both first quarters of fiscal 2005 and fiscal 2004.

Three Months Ended April 2, 2005

Research and development expenses decreased from $7.4 million in the second quarter of fiscal 2004 to $7.3 million in the second quarter of fiscal 2005. Research and development as a percentage of net sales remained flat at 0.3% for both second quarters of fiscal 2005 and fiscal 2004.

Three Months Ended July 2, 2005

Research and development expenses increased from $7.5 million in the third quarter of fiscal 2004 to $8.2 million in the third quarter of fiscal 2005. Research and development increased as a percentage of net sales, from 0.2% in the third quarter of fiscal 2004 to 0.3% in the third quarter of fiscal 2005. The increase of research and development expenses is mainly related to increased stock-based compensation expenses of $0.6 million and Newisys, our internally developed enterprise-class servers. The Newisys team of hardware and software design engineers engages in research and development activities focused on developing server and storage systems targeted to major OEMs.

Three Months Ended October 1, 2005

Research and development expenses decreased from $8.3 million in the fourth quarter of fiscal 2004 to $7.7 million in the fourth quarter of fiscal 2005. Research and development as a percentage of net sales remained flat at 0.3% for both fourth quarters of fiscal 2005 and fiscal 2004.

Risk Factors Affecting Operating Results

We are exposed to general market conditions in the electronics industry which could have a material adverse impact on our business, operating results and financial condition.

As a result of the downturn in the electronics industry, demand for our manufacturing services declined significantly during the past fiscal years. The decrease in demand for manufacturing services by OEMs resulted primarily from reduced capital spending by communications service providers. Consequently, our operating results were adversely affected as a result of the deterioration in the communications market and the other markets that we serve. Although we have seen evidence of a recovery in several markets that we serve in more recent fiscal years, if capital spending in these markets does not continue to improve, or improves at a slower pace than we anticipate, our revenue and profitability will be adversely affected. As many of these markets have recovered, OEMs have continued to be highly sensitive to costs and have continued to place pressure on EMS companies to minimize costs. This will likely result in continued significant price competition among EMS companies, and this competition will likely continue to affect our results of operations. In addition, OEM customers are increasingly requiring us and other EMS companies to move production of their products to lower-cost locations and away from high cost locations such as the United States and Western Europe. As a result, we have had to close facilities in the United States and Europe and incur costs for facility closure, employee severance and related items. We may need to close additional facilities and incur related closure costs in future fiscal periods.

We cannot accurately predict future levels of demand for our customers electronics products. As a result of this uncertainty, we cannot accurately predict if the improvement in the electronics industry will continue. Consequently, our past operating results, earnings and cash flows may not be indicative of our future operating results, earnings and cash flows. In particular, if the economic recovery in the electronics industry does not demonstrate sustained momentum, and if price competition for EMS services continues to be intense, our operating results may be adversely affected.

If demand for our higher-end, higher margin manufacturing services does not improve, our future gross margins and operating results may be lower than expected.

Before the economic downturn in the communications sector and before our merger with SCI Systems, Inc., sales of our services to OEMs in the communications sector accounted for a substantially greater portion of our net sales and earnings than in recent periods. As a result of reduced sales to OEMs in the communications sector, our gross margins have declined because the services that we provided to these OEMs often were more complex, thereby generating higher margins than those that we provided to OEMs in other sectors of the electronics industry. For example, a substantial portion of our net sales are currently derived from sales of personal computers. Margins on personal computers are typically lower than margins that we have historically realized on communication products. OEMs are continuing to seek price decreases from us and other EMS companies and competition for this business remains intense. Pricing pressure is typically more intense for less complex, lower margin EMS services. Pricing pressure on EMS companies continues to be strong and there continues to be intense price competition for EMS services. This price competition has affected, and could continue to adversely affect, our gross margins. If demand for our higher-end, higher margin manufacturing services does not improve in the future, our gross margins and operating results in future periods may be adversely affected.

Our operating results are subject to significant uncertainties.

Our operating results are subject to significant uncertainties, including the following:

- economic conditions in the electronics industry;

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- the timing of orders from major customers and the accuracy of their forecasts;
- the timing of expenditures in anticipation of increased sales, customer product delivery requirements and shortages of components or labor;
- the mix of products ordered by and shipped to major customers, as high volume and low complexity manufacturing services typically have lower gross margins than more complex and lower volume services;
- the degree to which we are able to utilize our available manufacturing capacity;
- our ability to effectively plan production and manage our inventory and fixed assets;
- customer insolvencies resulting in bad debt exposures that are in excess of our accounts receivable reserves;
- our ability to efficiently move manufacturing activities to lower cost regions without adversely affecting customer relationships and while controlling facilities closure and employee severance costs;
- pricing and other competitive pressures;
- seasonality in customers product requirements;
- fluctuations in component prices;
- political and economic developments in countries in which we have operations;
- component shortages, which could cause us to be unable to meet customer delivery schedules; and
- new product development by our customers.

A portion of our operating expenses is relatively fixed in nature, and planned expenditures are based in part on anticipated orders, which are difficult to estimate. If we do not receive anticipated orders as expected, our operating results will be adversely impacted. Moreover, our ability to reduce our costs as a result of current or future restructuring efforts may be limited because consolidation of operations can be costly and a lengthy process to complete.

The Special Committee investigation, our internal review of our historical financial statements, the restatement of our consolidated financial statements, investigations by the SEC and related events have had, and will continue to have, an adverse effect on us.

In May 2006, we were contacted by the SEC with respect to our stock option practices. As a result, our Board of Directors created a Special Committee of independent disinterested directors to conduct a comprehensive review of grants of stock options and restricted stock. The Special Committee determined that the measurement date used by us for accounting purposes (the Record Date) for most of the options and restricted stock issued by the Company from fiscal January 1997 to June 2006 did not correspond to the closing price of our common stock on the appropriate measurement date. In nearly all such cases, the Record Date preceded the appropriate measurement date and the stock price on the Record Date was lower than the price on the appropriate measurement date. Because our stock price on the Record Dates was lower than the price on the appropriate measurement date, we determined we should have recognized material amounts of stock-based compensation expense that was not accounted for in our previously issued financial statements. Therefore, on September 11, 2006, our Board of Directors concluded that our financial statements that were filed for any years or periods affected by these errors and all earnings and press releases and similar communications issued by us related to those periods should no longer be relied upon.

In assessing how the errors relating to stock option accounting occurred, the Special Committee s investigation report identified concerns with respect to the actions of two former executives who were each involved in the authorization, recording and reporting of stock option grants, restricted stock and stock option modifications related to employee terminations. In addition, the investigation report also identified deficiencies in internal controls, including the process of preparing and retaining accurate documentation relating to our stock option plan administration activities.

As a result of the events described above, we have become subject to the following significant risks. Each of these risks could have an adverse effect on our business, financial condition and results of operations:

- we are subject to significant pending civil litigation, including shareholder class action lawsuits and derivative claims made on behalf of us, the defense of which will require us to devote significant management attention and to incur significant legal expense and which litigation, if decided against us, could require us to pay substantial judgments, settlements or other penalties;

- we are subject to an ongoing informal investigation by the SEC which could require significant management time and attention and cause us to incur significant accounting and legal expense and which could require us to pay substantial fines or other penalties;

- we are subject to the risk of additional litigation and regulatory proceedings or actions;

- many members of our senior management team and our Board of Directors have been and will be required to devote a significant amount of time on matters relating to the continuing informal SEC investigation, the restatement, our outstanding periodic reports, remedial efforts and related litigation; and

We have identified a material weakness in our internal controls over financial reporting that could cause investors to lose confidence in the reliability of our financial statements and result in a decrease in the value of our securities.

Due to the errors relating to our stock option administration practices and stock option accounting, management has identified a material weakness in our system of internal controls in connection with our accounting for stock-based compensation as of September 30, 2006, as discussed in Management s Report on Internal Control Over Financial Reporting in item 9A. In addition, due to the identification of a material weakness in internal control over financial reporting related to our accounting for stock-based compensation as described above, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2006 our disclosure controls and procedures were not effective.

We will need to continue to evaluate, upgrade and enhance our internal controls. Because of inherent limitations, our internal control over financial reporting may not prevent or detect misstatements, errors or omissions, and any projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate. We cannot be certain in future periods that other control deficiencies that may constitute one or more significant deficiencies (as defined by the relevant auditing standards) or material weaknesses in our internal control over financial reporting, will not be identified. If we fail to maintain the adequacy of our internal controls, including any failure to implement or difficulty in implementing required new or improved controls, our business and results of operations could be harmed, the results of operations we report could be subject to adjustments, we could fail to be able to provide reasonable assurance as to our financial results or the effectiveness of our internal controls or meet our reporting obligations and there could be a material adverse effect on the price of our securities.

Through the twelve month period ended September 30, 2006, we expended significant resources in connection with the Section 404 process. In future periods, we will likely continue to expend substantial amounts in connection with the Section 404 process and with ongoing evaluation of, and improvements and enhancements to, our internal control over financial reporting. These expenditures may make it difficult for us to control or reduce the growth of our selling, general and administrative expenses, which could adversely affect our results of operations and the price of our securities.

Adverse changes in the key end markets we target could harm our business.

We provide EMS services for companies that sell products in the communications, computing and storage, multimedia, industrial and semiconductor systems, defense and aerospace, medical and automotive sectors of the electronics industry. Adverse changes in these markets can reduce demand for our customers products and make these customers more price sensitive, either of which could adversely affect our business and results of operations. For example, in calendar year 2001, the communications equipment industry was afflicted by a significant downturn, which caused a substantial reduction in demand for our services from these customers. In addition, the declining financial performance of these customers made them more price sensitive which resulted in increased competition and pricing pressures on us. Future developments of this nature in end markets we serve, particularly in those markets which account for more significant portions of our revenues, could harm our business and our results of operations.

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

Interest to be paid by us on any borrowings under any of our credit facilities and other long-term debt obligations may be at interest rates that fluctuate based upon changes in various base interest rates. Recently, interest rates have trended upwards in major global financial markets. These interest rate trends have resulted in increases in the base rates upon which our interest rates are determined. Continued increases in interest rates could have a material adverse effect on our financial position, results of operations and cash flows, particularly if such increases are substantial. In addition, interest rate trends could affect global economic conditions.

We generally do not obtain long-term volume purchase commitments from customers and, therefore, cancellations, reductions in production quantities and delays in production by our customers could adversely affect our operating results.

We generally do not obtain firm, long-term purchase commitments from our customers. Customers may cancel their orders, reduce production quantities or delay production for a number of reasons. In the event our customers experience significant decreases in demand for their products and services, our customers may cancel orders, delay the delivery of some of the products that we manufacture or place purchase orders for fewer products than we previously anticipated. Even when our customers are contractually obligated to purchase products from us, we may be unable or, for other business reasons, choose not to enforce our contractual rights. Cancellations, reductions or delays of orders by customers would:

- adversely affect our operating results by reducing the volumes of products that we manufacture for our customers;
- delay or eliminate recoupment of our expenditures for inventory purchased in preparation for customer orders; and
- lower our asset utilization, which would result in lower gross margins.

In addition, customers may require that we transfer the manufacture of their products from one facility to another to achieve cost reductions and other objectives. These transfers may result in increased costs to us due to resulting facility downtime or less than optimal utilization of our manufacturing capacity. These transfers may also require us to close or reduce operations at certain facilities, particularly those in high cost locations, and as a result we could incur increased costs for facilities closure, employee severance and related matters.

We rely on a small number of customers for a substantial portion of our net sales, and declines in sales to these customers could adversely affect our operating results.

Sales to our ten largest customers accounted for 60.8% of our net sales during fiscal 2006 and sales to three customers [each] accounted for more than 10% of our net sales for that period. We depend on the continued growth, viability and financial stability of our customers, substantially all of which operate in an environment characterized by rapid technological change, short product life cycles, consolidation, and pricing and margin pressures. We expect to continue to depend upon a relatively small number of customers for a significant percentage of our revenue. Consolidation among our customers may further concentrate our business in a limited number of customers and expose us to increased risks relating to dependence on a small number of customers. In addition, a significant reduction in sales to any of our large customers or significant pricing and margin pressures exerted by a key customer would adversely affect our operating results. In the past, some of our large customers have significantly reduced or delayed the volume of manufacturing services ordered from us as a result of changes in their business, consolidations or divestitures or for other reasons. In particular, certain of our customers have from time to time entered into manufacturing divestiture transactions with other EMS companies, and such transactions could adversely affect our revenues with these customers. We cannot assure you that present or future large customers will not terminate their manufacturing arrangements with us or significantly change, reduce or delay the amount of manufacturing services ordered from us, any of which would adversely affect our operating results.

If our business declines or improves at a slower pace than we anticipate, we may further restructure our operations, which may adversely affect our financial condition and operating results.

We have incurred approximately $246.7 million of restructuring costs associated with our phase 3 plan. We incurred approximately 87% of the charges as cash charges and approximately 13% as non-cash charges. We anticipate incurring additional restructuring charges in fiscal 2007 under our phase 3 restructuring plan. We cannot be certain as to the actual amount of these restructuring charges or the timing of their recognition for financial reporting purposes. Additionally, On November 16, 2006, we announced two strategic decisions: to realign our ODM activities to focus on joint development manufacturing and to create a more separable personal and business computing business unit. We also announced that we may further consolidate operations in higher-cost geographies to further enhance profitability. We expect to record additional charges that are currently not estimable, related to these anticipated actions during fiscal year 2007. We may need to take additional restructuring charges in the future if our business declines or improves at a slower pace than we anticipate or if the expected benefits of recently completed and currently planned restructuring activities do not materialize. These benefits may not materialize if we incur unanticipated costs in closing facilities or transitioning operations from closed facilities to other facilities or if customers cancel orders as a result of facility closures. If we are unsuccessful in implementing our restructuring plans, we may experience disruptions in our operations and higher ongoing costs, which may adversely affect our operating results.

If our backlog decreases in the future, our operating results may be adversely affected.

Our backlog decreased from $1.8 billion in fiscal 2005 to $1.5 billion in fiscal 2006. We cannot predict how our backlog will fluctuate or to what extent business conditions that affected the backlog will change in the future. If our backlog declines, or business conditions change for the worse in the future, these events could adversely affect our results of operations and financial condition. Due to our relatively fixed cost structure, our margins could be adversely affected if we experience a significant decline in customer orders.

We are subject to intense competition in the EMS industry, and our business may be adversely affected by these competitive pressures.

The EMS industry is highly competitive. We compete on a worldwide basis to provide electronics manufacturing services to OEMs in the communications, personal and business computing, enterprise computing and storage, multimedia, industrial and semiconductor capital equipment, defense and aerospace, medical and automotive industries. Our competitors include major global EMS providers such as Celestica, Inc., Flextronics International Ltd., Hon Hai (FoxConn), Jabil Circuit, Inc., and Solectron Corporation, as well as other EMS companies that have a regional or product, service or industry specific focus. Some of these companies have greater manufacturing and financial resources than we do. We also face competition from current and potential OEM customers, who may elect to manufacture their own products internally rather than outsource the manufacturing to EMS providers.

Consolidation in the electronics industry may adversely affect our business.

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

Our failure to comply with applicable environmental laws could adversely affect our business.

We are subject to various federal, state, local and foreign environmental laws and regulations, including those governing the use, storage, discharge and disposal of hazardous substances and wastes in the ordinary course of our manufacturing operations. We also are subject to laws and regulations governing the recyclability of products, the materials that may be included in products, and the obligations of a manufacturer to dispose of these products after end users have finished using them. If we violate environmental laws, we may be held liable for damages and the costs of remedial actions and may be subject to revocation of permits necessary to conduct our businesses. We cannot assure you that we will not violate environmental laws and regulations in the future as a result of our inability to obtain permits, human error, equipment failure or other causes. Any permit revocations could require us to cease or limit production at one or more of our facilities, which could adversely affect our business, financial condition and operating results. Although we estimate our potential liability with respect to violations or alleged violations and reserve for such liability, we cannot assure you that any accruals will be sufficient to cover the actual costs that we incur as a result of these violations or alleged violations. Our failure to comply with applicable environmental laws and regulations could limit our ability to expand facilities or could require us to acquire costly equipment or to incur other significant expenses to comply with these laws and regulations.

Over the years, environmental laws have become, and in the future may become, more stringent, imposing greater compliance costs and increasing risks and penalties associated with violations. We operate i