PLEXUS CORP
Form 10-K
November 17, 2014
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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 27, 2014
OR

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

Commission file number 001-14423
PLEXUS CORP.
(Exact Name of Registrant as Specified in its Charter)

Wisconsin		39-1344447
(State or other jurisdiction of incorporation or organization)	One Plexus Way Neenah, Wisconsin 54957 (920) 969-6000	(I.R.S. Employer Identification No.)

(Address, including zip code, of principal executive offices and Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 par value	The NASDAQ Global Select Market
Preferred Share Purchase Rights	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes
No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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. [ ]
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company

(Do not check if a smaller reporting company)

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

As of March 29, 2014, 33,867,386 shares of common stock were outstanding, and the aggregate market value of the shares of common stock (based upon the $39.31 closing sale price on that date, as reported on the NASDAQ Global Select Market) held by non-affiliates (excludes 393,070 shares reported as beneficially owned by directors and executive officers – does not constitute an admission as to affiliate status) was approximately $1,315.9 million.

As of November 13, 2014, there were 33,633,307 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Part of Form 10-K Into Which Portions of Document are Incorporated
Proxy Statement for 2015 Annual Meeting of Shareholders	Part III

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September 27, 2014

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"SAFE HARBOR" CAUTIONARY STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

The statements contained in this Form 10-K that are guidance or which are not historical facts (such as statements in the future tense and statements including believe, expect, intend, plan, anticipate, goal, target and similar terms and concepts), including all discussions of periods which are not yet completed, are forward-looking statements that involve risks and uncertainties. These risks and uncertainties include, but are not limited to: the risk of customer delays, changes, cancellations or forecast inaccuracies in both ongoing and new programs; the poor visibility of future orders, particularly in view of changing economic conditions; the economic performance of the industries, sectors and customers we serve; the effects of the volume of revenue from certain sectors or programs on our margins in particular periods; our ability to secure new customers, maintain our current customer base and deliver product on a timely basis; the particular risks relative to new or recent customers, programs or services, which risks include customer and other delays, start-up costs, potential inability to execute, the establishment of appropriate terms of agreements, and the lack of a track record of order volume and timing; the risks of concentration of work for certain customers; the effect of start-up costs of new programs and facilities; possible unexpected costs and operating disruption in transitioning programs; the risk that new program wins and/or customer demand may not result in the expected revenue or profitability; the fact that customer orders may not lead to long-term relationships; the adequacy of restructuring and similar charges as compared to actual expenses; our ability to manage successfully a complex business model characterized by high customer and product mix, low volumes and demanding quality, regulatory, and other requirements; increasing regulatory and compliance requirements; the potential effects of regional results on our taxes and ability to use deferred tax assets; risks related to information technology systems and data security; the effects of shortages and delays in obtaining components as a result of economic cycles or natural disasters; the risks associated with excess and obsolete inventory, including the risk that inventory purchased on behalf of our customers may not be consumed or otherwise paid for by the customer, resulting in an inventory write-off; the weakness of areas of the global economy; the effect of changes in the pricing and margins of products; raw materials and component cost fluctuations; the potential effect of fluctuations in the value of the currencies in which we transact business; the potential effect of world or local events or other events outside our control (such as changes in energy prices, terrorism and weather events); the impact of increased competition; and other risks detailed below in "Risk Factors," otherwise herein, and in our other Securities and Exchange Commission filings.

In addition, see Risk Factors in Part I, Item 1A and Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 for a further discussion of some of the factors that could affect future results.

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PART I

ITEM 1. BUSINESS

Overview

Plexus Corp. and its subsidiaries (together "Plexus," the "Company," or "we") participate in the Electronic Manufacturing Services ("EMS") industry. We deliver optimized solutions to our customers through our unique Product Realization Value Stream. Our customer-focused solutions model seamlessly integrates innovative product conceptualization, design, commercialization, manufacturing, fulfillment and sustaining solutions. Plexus delivers comprehensive end-to-end solutions for customers in the Americas ("AMER"), Europe, Middle East, and Africa ("EMEA") and Asia-Pacific ("APAC") regions.

We provide award-winning customer service to more than 140 branded product companies in the Networking/Communications, Healthcare/Life Sciences, Industrial/Commercial and Defense/Security/Aerospace market sectors. Our customers have stringent quality, reliability and regulatory requirements, requiring exceptional production and supply chain agility. Their products require complex configuration management, direct order fulfillment (to end customers) and global logistics management and aftermarket services. To service the complexities that our customers' products demand, we utilize our Product Realization Value Stream, addressing our customers' products from concept to end of life.

Plexus is passionate about being the leading EMS company in the world at servicing mid-to-low volume, higher complexity customer programs, characterized by unique flexibility, technology, quality and regulatory requirements. To support and deliver on our strategy, we align our operations, processes, workforce and financial metrics through a multidimensional business strategy that includes:

- A high performance, accountable organization with a highly skilled and talented workforce that is deeply passionate about driving growth through customer service excellence,
- A customer driven, disciplined deployment of strategic growth through sector based go-to-market strategies,
- Execution driven by a collaborative, customer centric culture that continuously evaluates and optimizes our business processes to support our economic return goals.

We operate flexible manufacturing facilities and processes designed to accommodate customers with multiple product lines and configurations. Each of our customers is supported by a multi-disciplinary customer team. One or more uniquely configured "focus factories," supported by a supply chain and logistics solution, are designed to meet the flexibility and responsiveness to support customer fulfillment requirements.

Our go-to-market strategy is implemented through the four market sectors we serve. Each market sector has a dedicated business development and customer management team. These teams execute our sector strategies through expertise in markets and technology as well as unique quality and regulatory capabilities. Our sector teams help define Plexus' strategy for growth with a particular focus on expanding the value-added solutions we offer customers.

Our financial model aligns with our business strategy. Our primary focus is to earn a return on invested capital ("ROIC") 500 basis points over our weighted average cost of capital ("WACC"), which we refer to as economic return. We review our internal calculation of WACC annually; at the end of fiscal 2014 our estimated WACC was 11.0 percent. We believe economic profit is a fundamental driver of shareholder value. Plexus measures economic profit by taking the difference between ROIC and WACC and multiplying it by invested capital. By exercising discipline to generate an ROIC in excess of our WACC, with focus on economic profit, our goal is to ensure that Plexus creates value for our shareholders.

Relative to our competition, overriding factors such as lower manufacturing volumes, flexibility and fulfillment requirements, and complex regulatory requirements typically result in higher investments in inventory and selling and administrative costs. The cost variance from our competitors is especially evident relative to those that provide EMS services for high-volume, less complex products, with less stringent requirements (e.g., consumer electronics).

Plexus serves a diverse customer landscape that includes industry-leading, branded product companies, along with many other technology pioneering start-ups or emerging companies that may or may not maintain manufacturing capabilities. As a result of serving market sectors that rely on advanced electronics technology, our business is influenced by critical technological trends such as the level and rate of development of wired and wireless

telecommunications infrastructure, communications data and data bandwidth growth, and Internet usage. In addition to prime technology advancements, key government and policy trends impact our business, including the U.S. Food and Drug Administration's ("FDA") approval of new medical devices, defense procurement practices, and other government and regulatory processes. Plexus may benefit from increasing outsourcing trends. We provide most of our optimized solutions on a turnkey basis, and we procure some or all materials required for product

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assembly. We provide select services on a consignment basis, meaning the customer supplies the necessary materials and Plexus provides the labor and other services required for product assembly. In addition to manufacturing, turnkey services require material procurement and warehousing and involve greater resource investments than consignment services. Other than certain test equipment and software used for internal operations, we do not design or manufacture our own proprietary products.

Established in 1979 as a Wisconsin corporation, we have approximately 12,000 full-time employees, including approximately 1,700 engineers and technologists dedicated to product development and design, test equipment development and design, and manufacturing process development and control, all of whom operate from 25 active facilities, totaling approximately 3.6 million square feet. Plexus' facilities are strategically located to support the global supply chain, as well as manufacturing and engineering needs of customers in our targeted market sectors.

Plexus maintains a website at www.plexus.com. As soon as is reasonably practical, and after we electronically file or furnish all reports to the Securities and Exchange Commission (“SEC”), we provide online copies, free of charge. These reports include: Proxy Statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Specialized Disclosure Reports on Form SD, and amendments to those reports. Our Code of Conduct and Business Ethics is also posted on our website. You may access these SEC reports and the Code of Conduct and Business Ethics by following the links under “Investor Relations” at our website. You may also access these reports at the SEC's website at www.sec.gov.

Solutions

As an integrated, fully accountable partner, we deliver optimized product realization solutions that carry our customers' products from concept to end of life. Tailoring our Product Realization Value Stream to each product and program, Plexus provides unique solutions designed to meet the needs of each of our customers. As our partnerships grow and mature, we aim to engage our customers in full utilization of our Product Realization Value Stream.

Conceptualize. During the product development and conceptualization phases, new product ideas are created and evaluated with both the customer's and Plexus' engineering teams. We closely collaborate with our customers to capture their new product vision and clarify requirements. Our industrial design team attempts to analyze a product through the end user's eyes focusing on ergonomics, use case research, user interface, aesthetics and evaluation mockups. Upon completion of concept evaluations, the Plexus team prototypes what it believes to be the most promising designs, working concurrently with engineering, manufacturing and supply chain teams. Future phases ensure design intent is maintained, while realizing the final product solution.

Design. Plexus invests in the latest technology, design and automation tools to provide comprehensive design and value-engineering solutions. We engage with our customers in a variety of ways - from supporting a short-term expansion of their engineering design capabilities to collaborating on complex turn-key product design. Our disciplined approach and structure enables significant project schedule flexibility via work-sharing across our organization. Product design includes, but is not limited to, the following solutions:

- Program management
- Feasibility studies
- Product conceptualization
- Specification development for product features and functionality
- Circuit design (digital, microprocessor, power, analog, radio frequency (“RF”), optical and micro-electronics)
- Field programmable gate array design (“FPGA”)
- Printed circuit board layout
- Embedded software design
- Mechanical design (thermal analysis, fluidics, robotics, plastic components, sheet metal enclosures and castings)
- Test specifications development and product verification testing
- Automated (robotic) production solutions

Commercialize. Of all the phases in our Product Realization Value Stream, the commercialize phase carries the most influence with respect to converting ideas into viable products. Commercialization starts early in the design phase and extends through manufacturing transition, often in tandem with Design for Excellence (“DFX”). Our DFX solutions

encompass a wide collection of specific design solutions including design for test, design for manufacturability/assembly and design for fabrication. The goal of DFX is to facilitate an efficient transition from engineering to manufacturing. The commercialize phase also includes prototyping, new product introduction, design for supply chain, test development and transition management. We believe our commercialization solutions provide significant value by accelerating time-to-market, reducing change activity and providing customers with a robust and enduring product.

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Manufacture. Plexus applies an optimized manufacturing approach, not a one-size-fits-all model. Our scalable manufacturing solutions integrate flexibility for our customers through tailored supply chain solutions. Our focus-factory model provides a dedicated team designed to drive success while saving time and money. Focus-factories place the customer at the center of operations, executing within a culture of continuous improvement. Plexus exclusively focuses on mid-to-low volume, higher-complexity programs that range from lower-level assemblies to finished electro-mechanical products. Our manufactured products typically fall into one of the following categories in our assembly spectrum:

- Printed circuit board assembly - a printed circuit board (“PCB”) populated with electronic components
- Basic assembly - a sub-assembly that includes PCBs and other components
- System integration - a finished product or sub-system assembly that includes more complex components such as PCBs, basic assemblies, custom engineered components, displays, optics, metering and measurement or thermal management
- Mechatronic integration - more complex system integration that combines electronic controls with mechanical systems and processes such as motion control, robotics, drive systems, fluidics, hydraulics or pneumatics

System and mechatronic integration products may run larger in size than other assemblies; the products range from kiosks to finished healthcare devices and life sciences equipment to other complex electro-mechanical assemblies. These products often combine other integrated solutions we provide and may require further unique facility configurations or supply chain solutions.

Fulfill. Plexus offers fulfillment and logistics solutions to all our customers in the forms of Direct Order Fulfillment (“DOF”), Build to Order (“BTO”) and Configure to Order (“CTO”). Plexus receives DOF orders from our customers that provide the final specifications and configurations required by their end customer. Through BTO and CTO, Plexus delivers the product directly to the end customer. The DOF process relies on Enterprise Resource Planning (“ERP”) systems integrating the overall supply chain, from parts procurement through manufacturing and logistics.

Sustain. Plexus provides our customers with a range of aftermarket services to support their products after launch into the market. In support of certain customers, we may provide these tailored solutions for products that we may not have originally manufactured:

Aftermarket Services

- Receiving and diagnostic analysis of returned goods
- Warranty and non-warranty repair
- Refurbishment and upgrade of outdated products
- Advanced field replenishment strategies

Sustaining Engineering Solutions

- Revitalization of existing products to extend the product lifecycle, including redesign for cost reduction, improved reliability and obsolescence mitigation
- Failure and root cause analysis
- Regulatory compliance surveillance and remediation

Sustaining Supply Chain Solutions

- Reverse logistics management
- Logistics optimization
- Component lifecycle analysis including proactive obsolescence management
- Alternate component sourcing and supplier qualification

Regulatory requirements. All Plexus manufacturing and engineering facilities are certified to a baseline Quality Management System standard per ISO9001:2008. We have capabilities to assemble finished medical devices meeting FDA Quality Systems Regulation requirements, and similar regulatory requirements in other countries. Our manufacturing and engineering facilities are certified to the most current revision of the ISO 9001 standard. We have additional certifications and/or registrations held by certain facilities in the following regions:

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	AMER	APAC	EMEA
Medical Standard ISO 13485:2003	X	X	X
21 CFR Part 820 (FDA) (Medical)	X	X	X
CFDA (Medical)		X	
JMGP accreditation	X	X	X
Environmental Standard ISO - 14001	X	X	X
Environmental Standard OSHAS 18001		X	X
ANSI/ESD (Electrostatic Discharge Control Program) S20.20	X	X	
Telecommunications Standard TL 9000	X	X	
ITAR (International Traffic and Arms Regulation) self-declaration	X		
Aerospace Standard AS9100	X	X	X
NADCAP certification	X	X	X
FAR 145 certification (FAA repair station)	X		
ATEX/IECEx certification		X	X

Customers and Market Sectors Served

We provide services to a wide variety of customers, ranging from large multinational companies to smaller emerging technology companies. During fiscal 2014, we served approximately 140 customers. We offer advanced design and production capabilities, allowing our customers to concentrate on their core competencies. Plexus helps accelerate our customers' time to market, reduce their investment in engineering and manufacturing capacity, and optimize total product cost.

ARRIS Group, Inc. (“Arris”) and General Electric Company (“GE”), accounted for 12.5 percent and 11.2 percent, respectively, of our net sales in fiscal 2014. Juniper Networks, Inc. (“Juniper”), which accounted for 12.8 percent of our net sales in fiscal 2013 and 16.0 percent of our net sales in fiscal 2012, disengaged from Plexus in fiscal 2013. Other than Arris and GE in fiscal 2014 and Juniper in fiscal 2013 and fiscal 2012, no other customer accounted for 10.0 percent or more of our net sales in those fiscal years.

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

Many of our large customers contract with us through independent multiple divisions, subsidiaries, production facilities or locations. We believe that in most cases our sales to any one such division, subsidiary, facility or location are independent of sales to others.

The distribution of our net sales by market sectors for fiscal 2014, 2013 and 2012 is shown in the following table:

Industry	2014	2013	2012
Networking/Communications	32%	37%	39%
Healthcare/Life Sciences	29%	25%	22%
Industrial/Commercial	25%	25%	29%
Defense/Security/Aerospace	14%	13%	10%
	100%	100%	100%

Although our current business development focus is based on our targeted market sectors, we evaluate our financial performance and allocate our resources geographically (see Note 12 in Notes to Consolidated Financial Statements

regarding our reportable segments). Plexus offers a uniform array of services for customers in each market sector and we do not dedicate

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operational equipment, personnel, facilities or other resources to particular market sectors, nor internally track our costs and resources per market sector.

Materials and Suppliers

We typically purchase raw materials, including printed circuit boards and electronic components, from manufacturers and distributors. Under certain circumstances, we will purchase components from brokers, customers or competitors. The key electronic components we purchase include: specialized components (such as application-specific integrated circuits), semiconductors, interconnect products, electronic subassemblies (including memory modules, power supply modules and cable and wire harnesses), inductors, resistors and capacitors.

We also purchase non-electronic components used in manufacturing and higher-level assembly. These components include molded/formed plastics, sheet metal fabrications, aluminum extrusions, robotics, motors, vision sensors, motion/actuation, fluidics, displays, die castings and various other hardware and fastener components. All components range from standard to highly customized and vary widely in terms of market availability and price.

Component shortages and subsequent allocations by suppliers and manufacturers are an inherent risk to the electronics industry, and have particularly been an issue for us and the industry from time to time. We discuss the causes of these shortages more fully in “Risk Factors” in Part I, Item 1A herein. We actively manage our business to minimize our exposure to material and component shortages.

The Plexus global supply chain management organization attempts to create strong supplier alliances and ensure a steady flow of components and products at competitive prices. Our global expediting and escalation processes track and analyze supply chain health and anticipate constraints. Plexus can often influence the selection of new product components throughout the design phase of the Product Realization Value Stream. The advanced supply chain solutions we develop in partnership with our customers improve the continuity of supply and supply chain flexibility.

New Business Development

Our new business development team is organized around our targeted market sectors and comprised of dedicated resources. Each market sector vice president has a business development and customer management leader who oversee and provide leadership to business development directors, customer directors, customer managers, business development, supply chain and manufacturing subject matter experts, and market sector analysts. Our sales and marketing efforts focus on targeting new customers and expanding business with existing customers. We believe our ability to provide a full range of product realization services gives Plexus a business advantage.

Competition

Plexus operates in a highly competitive market, with a goal to be best-in-class at meeting the unique needs of our customers. We provide flexible solutions, timely order fulfillment, and strong engineering, testing and production capabilities. A number of competitors may provide electronics manufacturing and engineering services similar to Plexus. Others may be more established in certain industry sectors, or have greater financial, manufacturing or marketing resources. Smaller competitors compete mainly in specific sectors and within limited geographical areas. Plexus occasionally competes with in-house capabilities of current and potential customers. Plexus maintains strong awareness and knowledge of our competitors' capabilities, in order to remain highly competitive within the broad scope of the EMS industry.

Intellectual Property

We own various service marks that we use in our business; these marks are registered in the trademark offices of the United States and other countries. Although we own certain patents, they are not currently material to our business. We do not have any material copyrights.

Information Technology

Our integrated ERP, warehouse management and shop floor control systems serve all of our manufacturing sites, providing a core set of consistent, global business applications. This consistency augments our other management information systems, allowing us to standardize our ability to translate data from multiple production facilities into operational and financial information. The related software licenses are of a general commercial character on terms customary for these types of agreements.

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Environmental Compliance

We are subject to a variety of environmental regulations relating to air emission standards and the use, storage, discharge and disposal of hazardous chemicals used during our manufacturing process. We believe that we are in compliance with all federal, state and foreign environmental laws and do not anticipate any significant expenditures in maintaining our compliance; however, there can be no assurance that violations will not occur which could have a material adverse effect on our financial results.

Social Responsibility

We are committed to social responsibility within our business and global operations. Our commitment to social responsibility extends to human rights, labor practices, the environment, worker health and safety, fair operating practices and the Company’s social impact in the communities where we operate. We are an Applicant Member of the Electronics Industry Citizenship Coalition (the "EICC"). In addition, we consider a variety of standards for socially responsible practices, including local and federal legal requirements in the jurisdictions where we operate, as well as the International Organization for Standardization’s “Guidance on Social Responsibility” (ISO 26000).

Employees

Our employees are one of our primary strengths, and we make a considerable effort to maintain a well-qualified and engaged work force. We have been able to offer enhanced career opportunities to many of our employees. Our human resources department identifies career objectives and monitors specific skill development opportunities for employees with potential for advancement. We invest at all levels of the organization to ensure that employees are well trained. We have a policy of involvement and consultation with employees at every facility and strive for continuous improvement at all levels.

We employ approximately 12,000 full-time employees. Given the quick response times required by our customers, we seek to maintain flexibility to scale our operations as necessary to maximize efficiency. To do so we use skilled temporary labor in addition to our full-time employees. Approximately 240 and 315 of our employees are covered by union agreements in the United Kingdom and Mexico, respectively. These union agreements are typically renewed at the beginning of each year, although in a few cases these agreements may last two or more years. Our employees in China, Germany, Malaysia, Romania and the United States are not covered by union agreements. We have no history of labor disputes at any of our facilities. We believe that our employee relationships are generally positive and stable.

Executive Officers

See Part III, Item 10. “Directors, Executive Officers and Corporate Governance” of this Form 10-K Report for information about the Company's Executive Officers of the Registrant.

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ITEM 1A. RISK FACTORS

Our net sales and operating results may vary significantly from period to period.

Our quarterly and annual results may vary significantly depending on various factors, many of which are beyond our control. These factors include:

- the volume and timing of customer demand relative to our capacity
- the typical short life-cycle of our customers' products
- customers' operating results and business conditions
- changes in our, and our customers', sales mix, as well as the volatility of these changes
- variations in sales and margins among geographic regions
- varying gross margins among different programs, including as a result of pricing concessions to certain customers
- failures of our customers to pay amounts due to us
- claims alleging defective goods or services or breaches of contractual requirements
- challenges associated with the engagement of new customers or additional work from existing customers
- unanticipated customer disengagements
- the timing of our expenditures in anticipation of future orders
- our effectiveness in planning production and managing inventory, fixed assets and manufacturing processes
- changes in cost and availability of labor and components
- exchange rates and
- changes in U.S. and global economic and political conditions and world events.

The majority of our net sales come from a relatively small number of customers and a limited number of market sectors; if we lose any of these customers or if there are problems in those market sectors, our net sales and operating results could decline significantly.

Net sales to our ten largest customers have represented a majority of our net sales in recent periods. Our ten largest customers accounted for 55.1 percent of our net sales for the fiscal year ended September 27, 2014, and 54.5 percent of our net sales for the fiscal year ended September 28, 2013. For the fiscal year ended September 27, 2014, there were two customers that each represented 10.0 percent or more of our net sales. For the fiscal year ended September 28, 2013, there was one customer that represented 10.0 percent or more of our net sales.

Our principal customers may vary from period to period, and our principal customers may not continue to purchase services from us at current levels, or at all, particularly given the volatile nature of certain programs. For example, a customer that formerly represented more than 10.0 percent of our net sales disengaged from us in fiscal 2013 and is no longer a customer; we may experience other significant customer disengagements in the future. Especially given our discrete number of customers, significant reductions in net sales to any of these customers, the loss of major customers or our failure to make appropriate choices as to the customers we serve could seriously harm our business and results of operations.

In addition, we focus our sales efforts on customers in only a few market sectors, and we endeavor to carefully choose those sectors. Each of these sectors is subject to macroeconomic conditions as well as trends and conditions that are sector specific. Shifts in the performance of a sector served by Plexus, as well as the economic, business and/or regulatory conditions that affect the sector, or our failure to choose appropriate sectors, can particularly impact Plexus. For instance, sales in the Healthcare/Life Sciences sector are substantially affected by trends in the healthcare industry, such as government reimbursement rates and uncertainties relating to the financial health of, and pending changes in the structure of, the U.S. health care sector generally, including as a result of the Patient Protection and Affordable Care Act (the "Affordable Care Act").

Further, potential reductions in U.S. government agency spending, including those due to budget cuts or other political developments or issues, could affect opportunities in all of our market sectors. Any weakness in the market sectors in which our customers are concentrated could affect our business and results of operations.

From time to time, our customers, including formerly significant customers, have been affected by merger and acquisition activity. While these transactions may present Plexus with opportunities to capture new business, they also create the risk that these customers will partially or completely disengage as a result of transitioning such business to

other contract manufacturers or deciding to manufacture the products internally.

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Plexus is a multinational corporation and operating in multiple countries exposes us to increased risks, including adverse local developments and currency risks.

We have operations in many countries; operations outside of the U.S. in the aggregate now represent a majority of our net sales. We also purchase a significant number of components manufactured in various countries. These international aspects of our operations, which are likely to increase over time, subject us to the following risks that could materially impact our operations and operating results:

- economic, political or civil instability
- transportation delays or interruptions
- exchange rate fluctuations
- changes in labor markets, such as government mandated wage increases, and difficulties in appropriately staffing and managing personnel in multiple cultures
- compliance with laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, applicable to companies with global operations
- reputational risks related to, among other factors, varying standards and practices among countries
- significant natural disasters and other events or factors impacting local infrastructure
- the effects of other international political developments (such as embargoes, sanctions, boycotts and energy disruptions) and
- regulatory requirements and potential changes to those requirements.

We continue to monitor our risk associated with foreign currency translation and have entered into limited forward contracts to address this risk. As our international operations expand, our failure to appropriately address foreign currency transactions and/or the currency exposures associated with assets and liabilities denominated in non-functional currencies could adversely affect our consolidated financial condition, results of operations and cash flows.

In addition, changes in policies by the U.S. or other governments could negatively affect our operating results due to changes in duties, tariffs, taxes or limitations on currency or fund transfers, as well as government imposed restrictions on producing certain products in, or shipping them to, specific countries. For example, our facilities in Mexico operate under the Mexican Maquiladora ("IMMEX") program. This program provides for reduced tariffs and eased import regulations; we could be adversely affected by changes in the IMMEX program or our failure to comply with its requirements.

Our customers do not make long-term commitments and may cancel or change their production requirements.

EMS companies must respond quickly to the requirements of their customers in both design and production. We generally do not obtain firm, long-term purchase commitments from our customers, and frequently do not have visibility as to their future demand. Customers also cancel requirements, change engineering or other service requirements, change production quantities, delay production or revise their forecasts for a number of reasons that are beyond our control. The success of our customers' products in the market and the strength of the markets themselves affect our business. Cancellations, reductions or delays by a significant customer, or by a group of customers, could seriously harm our operating results and negatively affect our working capital levels. Such cancellations, reductions or delays have occurred from time to time and may continue to occur.

In addition, we make significant decisions based on our estimates of customers' requirements, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, working capital management, facility requirements, personnel needs and other resource requirements. The short-term nature of our customers' commitments and the possibility of rapid changes in demand for their products reduce our ability to accurately estimate the future requirements of those customers. Since many of our operating expenses are fixed, a reduction in customer demand can harm our operating results. Moreover, since our margins vary across customers and specific programs, a reduction in demand with higher margin customers or programs will have a more significant adverse effect on our operating results.

Rapid increases in customer requirements may stress personnel and other capacity resources. We may not have sufficient resources at any given time to meet all of our customers' demands or to meet the requirements of a specific program.

We have a complex business model, and our failure to properly manage that model could affect our operations, financial results and reputation

Our business model focuses on products and services in the mid-to-lower-volume, higher-complexity segment of the EMS market. Our customers' products typically require significant production and supply-chain flexibility, in some cases necessitating optimized demand-pull-based manufacturing and supply chain solutions across an integrated global platform. The products we manufacture are also typically complex, highly regulated, and require complicated configuration management and direct order fulfillment capabilities to global end customers. Our business model requires a great degree of attention, flexibility

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and resources. These resources include working capital, management and technical personnel, and the development and maintenance of systems and procedures to manage diverse manufacturing, regulatory and service requirements for multiple programs of varying sizes simultaneously, including in multiple locations. We also depend on bringing new customers and programs online and on transitioning production for new customers and programs, which creates added complexities related to managing the start-up risks of such projects, especially for companies that did not previously outsource such activities.

The complexity of our service model often results in complex and challenging contractual obligations as well as commitments from us to our customers. If we fail to meet those obligations, it could result in claims against us and/or adversely affect our reputation and our ability to obtain future business, as well as impair our ability to enforce our rights (including those related to payment) under those contracts.

If we fail to effectively manage or execute our business model, we may lose customer confidence and our reputation may suffer. The Company’s reputation is the foundation of our relationships with key stakeholders. If we are unable to effectively manage real or perceived issues, which could negatively impact sentiments toward the Company, our ability to maintain or expand business opportunities could be impaired and our financial results could suffer on a going-forward basis.

Our products are for end markets that require technologically advanced products with relatively short life-cycles.

Factors affecting the technology-dependent end markets that we serve, in particular short product life-cycles, could seriously affect our customers and, as a result, Plexus. These factors include:

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

Even if our customers successfully respond to these market challenges, their responses, including any consequential changes we must make in our business relationships with them and our production for them, can affect our production cycles, inventory management and results of operations.

Challenges associated with the engagement of new customers or programs, or the provision of new services, could affect our operations and financial results.

Our engagement with new customers, as well as the addition of new work or types of services for existing customers, can present challenges in addition to opportunities. We must initially determine whether it would be in our interests from a business perspective to pursue a particular potential new customer, program or service, including evaluating the customer’s, program’s and/or service's fit with our value proposition as well as its potential end-market success. If we make the decision to proceed, we need to ensure that our terms of engagement, including our pricing and other contractual provisions, appropriately reflect the anticipated costs, risks, and rewards of an opportunity. The failure to make prudent engagement decisions and/or to establish appropriate terms of engagement could adversely affect our profitability and margins.

Also, there are inherent risks associated with the timing and ultimate realization of a new program’s anticipated revenue; these factors can sometimes extend for a significant period. Some new programs require us to devote significant capital and personnel resources to new technologies and competencies. In addition, as a result of production startup costs, new programs are inherently less efficient in their earlier phases than mature programs. We may not meet customer expectations, which could damage our relationships with the affected customers and impact our ability to deliver conforming product on a timely basis. Further, the success of new programs may depend heavily on factors such as product reliability, market acceptance, regulatory approvals and/or economic conditions. The failure of a new program to meet expectations on these factors, or our inability to effectively execute on a new program’s requirements, could result in lost financial opportunities and adversely affect our results of operations.

Start-up costs and inefficiencies related to new, recent or transferred programs can adversely affect our operating results.

In recent years, our revenue growth has been heavily biased toward ramping new program wins as compared to end-market growth of mature programs. The management of resources in connection with the establishment of new or

recent programs and customer relationships, as well as program transfers between facilities, and the need to estimate required resources in advance of production can adversely affect our gross and operating margins and level of working capital. These factors are particularly evident in the early stages of the life-cycle of new products and programs, which lack a track record of order volume and timing as well as production efficiencies in the early stages. We are managing a number of new programs at any given time;

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therefore, we are exposed to these factors in varying magnitudes. In addition, if any of these programs or customer relationships were terminated, our operating results could worsen, particularly in the short term.

The effects of these start-up costs and inefficiencies can also occur when we transfer programs between locations. We conduct these transfers on a regular basis to meet customer needs, seek long-term efficiencies or respond to market conditions, as well as due to facility openings and closures, such as the current transfer of our operations in Mexico from Juarez to our new facility in Guadalajara. Although we try to minimize the potential losses arising from transitioning customer programs between Plexus facilities, there are inherent risks that such transitions can result in operational inefficiencies and the disruption of programs and customer relationships.

While these factors tend to affect new, recent or transferred programs, they can also impact more mature, or maturing programs and customer relationships, especially programs where end-market demand can be somewhat volatile.

Failure to manage periods of growth or contraction, if any, may seriously harm our business.

Our industry frequently sees periods of expansion and contraction to adjust to customers' needs and market demands. Plexus regularly contends with these issues and must carefully manage its business to meet customer and market requirements. If we fail to manage these growth and contraction decisions effectively, we can find ourselves with either excess or insufficient resources and our business, as well as our profitability, may suffer.

Expansion and consolidation, including the transfer of operations to larger facilities or acquisitions, can inherently include additional costs and start-up inefficiencies. In fiscal 2014, we opened new manufacturing facilities in the U.S. (Neenah, Wisconsin) and in Mexico (Guadalajara) to replace existing facilities in those countries. During fiscal 2013, we opened a new manufacturing facility in China (Xiamen) and a replacement facility in Romania (Oradea). If we are unable to effectively manage our recent expansions and consolidations, or related anticipated net sales are not realized, our operating results could be adversely affected. In addition, we may expand our operations in new geographical areas where currently we do not operate. Other risks of current or future expansions, acquisitions and consolidations include:

- the inability to successfully integrate additional facilities or incremental capacity and to realize anticipated efficiencies, economies of scale or other value
- challenges faced as a result of transitioning programs
- incurrence of restructuring or other charges that may not have their intended effects
- additional fixed or other costs, or selling, general and administrative ("SG&A") expenses, which may not be fully absorbed by new business
- a reduction of our return on invested capital, including as a result of excess inventory or excess capacity at new facilities as well as the increased costs associated with opening new facilities
- difficulties in the timing of expansions, including delays in the implementation of construction and manufacturing plans
- diversion of management's attention from other business areas during the planning and implementation of expansions
- strain placed on our operational, financial and other systems and resources and
- inability to locate sufficient customers, employees or management talent to support the expansion.

Periods of contraction or reduced net sales, or other factors affecting particular sites, create other challenges. We must determine whether facilities remain viable, whether staffing levels need to be reduced, and how to respond to changing levels of customer demand. While maintaining excess capacity or higher levels of employment entail short-term costs, reductions in capacity and/or employment could impair our ability to respond to market improvements or to maintain customer relationships. Our decisions to reduce costs and capacity can affect our short-term and long-term results. When we make decisions to reduce capacity or to close facilities, we frequently incur restructuring charges, as we did in fiscal 2014 in connection with the replacement of facilities in the U.S. and Mexico.

In addition, to meet our customers' needs, particularly when the production requirements of certain products is site-specific, or to achieve increased efficiencies, we sometimes require additional capacity in one location while reducing capacity in another. Since customers' needs and market conditions can vary and change rapidly, we may find ourselves in a situation where we simultaneously experience the effects of contraction in one location and expansion in another location. We may also encounter situations where our lack of a physical presence in certain locations may

limit or foreclose opportunities.

Changes in tax laws, potential tax disputes, negative or unforeseen tax consequences and/or further developments affecting our deferred tax assets could affect our results.

Given the scope of our international operations and our international tax arrangements, proposed changes to the manner in which U.S. based multinational companies are taxed in the U.S. could have a material impact on our operating results and

competitiveness. In addition, other recently adopted or potential changes to tax laws in the other jurisdictions in which we operate could also affect our results.

The Company has been granted a tax holiday for its Malaysian subsidiary. This tax holiday expires in 2024 and is subject to certain conditions with which we expect to comply and we would risk adverse tax consequences if we do not.

Plexus is eligible for up to $15.0 million in Wisconsin state tax credits in connection with our new manufacturing facility in Neenah, Wisconsin, which opened in fiscal 2014, if we meet certain requirements related to, among other matters, job creation and retention, employee training and capital investment. If we do not comply with these requirements, we may not be able to realize all, or any, of these tax credits. As of September 27, 2014, approximately $6.0 million has been recorded as an other receivable related to the credits.

The Company reviews the probability of the realization of our net deferred tax assets each period based on forecasts of taxable income in both the U.S. and foreign jurisdictions. This review uses historical results, projected future operating results based upon approved business plans, eligible carryforward periods, tax planning opportunities and other relevant considerations. Adverse changes in the profitability and financial outlook in the U.S. or foreign jurisdictions may require the creation of an additional valuation allowance to reduce our net deferred tax assets. Such changes could result in material non-cash expenses in the period in which the changes are made.

An inability to successfully manage the procurement, development, implementation or execution of information systems, or to adequately maintain these systems and their security, as well as to protect data and other confidential information, may adversely affect our business and reputation.

As a global company with a complex business model, we heavily depend on our information systems to support our customers' requirements and to successfully manage our business. Any inability to successfully manage the procurement, development, implementation, execution or maintenance of our information systems, including matters related to system and data security, privacy, reliability, compliance, performance and access, as well as any inability of these systems to fulfill their intended purpose within our business, could have an adverse effect on our business.

In the ordinary course of business, we collect and store sensitive data and information, including our proprietary and regulated business information and that of our customers, suppliers and business partners, as well as personally identifiable information about our employees. Our information systems, like those of other companies, are susceptible to malicious damage, intrusions and outages due to, among other events, viruses, industrial espionage, break-ins and similar events, other breaches of security, natural disasters, power loss or telecommunications failures. We have taken steps to maintain adequate data security and address these risks and uncertainties by implementing security technologies, internal controls, network and data center resiliency and recovery processes. However, any operational failure or breach of security from increasingly sophisticated cyber threats could lead to the loss or disclosure of both our and our customers' financial, product and other confidential information, result in adverse regulatory actions and have a material adverse effect on our business and reputation.

We and our customers are subject to increasingly extensive government regulations and industry standards, and the impact of certain future regulations remains uncertain; failure to comply with such regulations and standards could have an adverse effect on our business, customer relationships, reputation and profitability.

We are subject to extensive government regulation and industry standards (as well as customer-specific standards) relating to the products we design and manufacture as well as how we conduct our business, including regulations and standards relating to labor and employment practices, workplace health and safety, the environment, sourcing and import/export practices, the market sectors we support and many other facets of our operations. The regulatory climate in the U.S. and other countries has become increasingly complex and fragmented, and regulatory activity has increased in recent periods. Failure or noncompliance with such regulations or standards could have an adverse effect on our reputation, customer relationships, profitability and results of operations.

As a publicly-held company, we are subject to increasingly stringent laws, regulations and other requirements, including those resulting from the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, affecting, among other areas, our accounting, internal controls, corporate governance practices, securities disclosures and reporting. For example, the SEC recently adopted disclosure requirements related to the use of specified "conflict" minerals that are necessary to the functionality or production of products manufactured, or

contracted to be manufactured, by publicly-held companies. Compliance with such requirements could increase costs and affect the manufacturing and sale of our products.

Governments worldwide are becoming increasingly aggressive in adopting and enforcing anti-corruption laws. The U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, among others, apply to us and our operations.

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The Affordable Care Act significantly affects the provision of both health care services and benefits in the United States and is expected to impact our cost of providing our employees and retirees with health insurance and/or benefits, and may also impact various other aspects of our business.

Our Healthcare/Life Sciences sector is subject to statutes and regulations covering the design, development, testing, manufacturing and labeling of medical devices and the reporting of certain information regarding their safety, including Food and Drug Administration ("FDA") regulations and similar regulations in other countries. Failure to comply with these regulations can result in, among other things, fines, injunctions, civil penalties, criminal prosecution, recall or seizure of devices, or total or partial suspension of production.

We also design and manufacture products for customers in the defense, security and aerospace industries. Companies that design and manufacture products for these industries face significant regulation by the Department of Defense, Department of State, Federal Aviation Authority, and other governmental agencies in the U.S. as well as in other countries, and also under the Federal Acquisition Regulation.

In addition, whenever we pursue business in new sectors and subsectors, or our customers pursue new technologies or markets, we need to navigate the potentially heavy regulatory and legislative burdens of such sectors, technologies or markets.

The regulatory climate can itself affect the demand for our services. For example, government reimbursement rates and other regulations, as well as the financial health of health care providers, and pending changes in how health care in the U.S. is structured, including as a result of the Affordable Care Act, and how medical devices are taxed, could affect the willingness and ability of end customers to purchase the products of our customers in this sector as well as impact our margins.

Our customers are also required to comply with various government regulations, legal requirements and industry standards, including many of the industry-specific regulations discussed above. Our customers' failure to comply could affect their businesses, which in turn would affect our sales to them. In addition, if our customers are required by regulation or other requirements to make changes in their product lines, these changes could significantly disrupt particular programs for these customers and create inefficiencies in our business.

A failure to comply with customer-driven policies and standards, and third party certification requirements, including those related to social responsibility, could adversely affect our business and reputation.

In addition to government regulations and industry standards, our customers may require us to comply with their own social responsibility, conflict minerals, quality or other business policies or standards, which may be more restrictive than current laws and regulations as well as our pre-existing policies, before they commence, or continue, doing business with us. Such policies or standards may be customer-driven, established by the industry sectors in which we operate or imposed by third party organizations. For example, in fiscal 2014 the Company became an Applicant Member in the EICC. The EICC is a non-profit coalition of electronics companies and establishes standards for its members in responsible and ethical practices in the areas of labor, environmental compliance, employee health and safety, ethics and social responsibility.

Our compliance with these policies, standards and third party certification requirements could be costly, and our failure to comply could adversely affect our operations, customer relationships, reputation and profitability.

There may be problems with the products we design or manufacture that could result in liability claims against us and reduced demand for our services.

The products that we design and/or manufacture may be subject to liability or claims in the event that defects are discovered or alleged. We design and manufacture products to our customers’ specifications, many of which are highly complex, and produce products for industries, such as health care, defense and aerospace, that tend to have higher risk profiles. Despite our quality control and quality assurance efforts, problems may occur, or may be alleged, in the design and/or manufacturing of these products, including as a result of business continuity issues. Whether or not we are responsible, problems in the products we manufacture, whether real or alleged, whether caused by faulty customer specifications, the design or manufacturing processes or a component defect, may result in delayed shipments to customers and/or reduced or canceled customer orders. If these problems were to occur in large quantities or too frequently, our business reputation may also be tarnished. In addition, problems may result in liability claims against us, whether or not we are responsible. These potential claims may include damages for the recall of a product and/or

injury to person or property.

Even if customers or third parties, such as component suppliers, are responsible for defects, they may not, or may not be able to, assume responsibility for any such costs or required payments to us. While we seek to insure against many of these risks, insurance coverage may be inadequate, not cost effective or unavailable, either in general or for particular types of products or issues. We occasionally incur costs defending claims, and any such disputes could affect our business relationships.

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If we are unable to maintain our engineering, technological and manufacturing process expertise, our results may be adversely affected.

The markets for our manufacturing, engineering and other services are characterized by rapidly changing technology and evolving process developments. Our internal processes are also subject to these factors. The continued success of our business will depend upon our continued ability to:

- retain our qualified engineering and technical personnel, and attract additional such personnel
- maintain and enhance our technological capabilities
- choose and maintain appropriate technological and service capabilities
- successfully manage the implementation and execution of information systems
- develop and market manufacturing services which meet changing customer needs and
- successfully anticipate, or respond to, technological changes on a cost-effective and timely basis.

Although we believe that our operations utilize the assembly and testing technologies, equipment and processes that are currently required by our customers, we cannot be certain that we will develop the capabilities required by our customers in the future. The emergence of new technology, industry standards or customer requirements may render our equipment, inventory or processes obsolete or noncompetitive. In addition, we may have to acquire new design, assembly and testing technologies and equipment to remain competitive. The acquisition and implementation of new technologies and equipment may require significant expense or capital investment that could reduce our liquidity and negatively affect our operating results. Our failure to anticipate and adapt to our customers' changing technological needs and requirements, and our need to maintain our personnel and other resources during times of fluctuating demand, could have an adverse effect on our business.

Intellectual property infringement claims against our customers or us could harm our business.

Our design and manufacturing services and the products offered by our customers involve the creation and use of intellectual property rights, which subject us and our customers to the risk of claims of intellectual property infringement from third parties. In addition, our customers may require that we indemnify them against the risk of intellectual property infringement. If any claims are brought against us or our customers for infringement, whether or not these have merit, we could be required to expend significant resources in defense of those claims. In the event of an infringement claim, we may be required to spend a significant amount of money to develop non-infringing alternatives or obtain licenses. We may not be successful in developing alternatives or obtaining licenses on reasonable terms or at all. Infringement by our customers could cause them to discontinue production of some of their products, potentially with little or no notice, which may reduce our net sales to them and disrupt our production. Additionally, if third parties on whom we rely for products or services, such as component suppliers, are responsible for an infringement (including through the supply of counterfeit parts), we may or may not be able to hold them responsible and we may incur costs in defending claims or providing remedies. Such infringements may also cause our customers to abruptly discontinue selling the impacted products, which would adversely affect our net sales of those products, and could affect our customer relationships more broadly. Similarly, claims affecting our suppliers could cause those suppliers to discontinue selling materials and components upon which we rely.

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

The EMS industry is highly competitive. We compete against numerous EMS providers with global operations, as well as those which operate on only a local or regional basis. In addition, current and prospective customers continually evaluate the merits of designing and manufacturing products internally and may choose to design and/or manufacture products themselves rather than outsource such activities. Consolidations and other changes in the EMS industry result in a changing competitive landscape.

Some of our competitors have a larger geographic footprint than we do, in addition to substantially greater managerial, manufacturing, engineering, technical, financial, systems, sales and marketing resources than ourselves. These competitors may:

- respond more quickly to new or emerging technologies
- have greater name recognition, critical mass and geographic and market presence
- be better able to take advantage of acquisition opportunities
- adapt more quickly to changes in customer requirements

- devote greater resources to the development, promotion and sale of their services and
- be better positioned to compete on price for their services.

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We may operate at a cost disadvantage compared to other EMS providers that have lower internal cost structures or greater direct buying power with component suppliers, distributors and raw material suppliers. Our manufacturing processes are generally not subject to significant proprietary protection, and companies with greater resources or a greater market presence may enter our market or become increasingly competitive. Increased competition could result in significant price reductions, reduced sales and margins, or loss of market share.

Our manufacturing services involve inventory risk.

Most of our contract manufacturing services are provided on a turnkey basis, under which we purchase some, or all, of the required materials and components based on customer forecasts and/or orders. Suppliers may require us to purchase materials and components in minimum order quantities that may exceed customer requirements. A customer's cancellation, delay or reduction of forecasts or orders can also result in excess inventory or additional expense to us. Engineering changes by a customer may result in obsolete materials or components. While we attempt to cancel, return or otherwise mitigate excess and obsolete inventory and require customers to reimburse us for these items, we may not actually be reimbursed timely or be able to collect on these obligations. Excess or obsolete inventory, or other failures to manage our working capital, could adversely affect our operating results, including our return on invested capital.

In addition, we provide managed inventory programs for some of our customers under which we hold and manage finished goods or work-in-process inventories. These managed inventory programs result in higher inventory levels, further reduce our inventory turns and increase our financial exposure with such customers. Even though our customers generally have contractual obligations to purchase such inventories from us, we remain subject to the risk of enforcing those obligations.

We may experience raw material and component shortages and price fluctuations.

We do not have any long-term supply agreements. At various times in the recent past, we have experienced raw material and component shortages due to supplier capacity constraints or their failure to deliver. We also could experience disruptions in energy supplies. Periodic shortages may occur in the future. Such constraints can also be caused by world events, such as government policies, terrorism, armed conflict, natural disasters, economic recession and other localized events. We rely on a limited number of suppliers for many of the raw materials and components used in the assembly process and, in some cases, may be required to use suppliers that are the sole provider of a particular raw material or component. Such suppliers may encounter quality problems, labor disputes, financial difficulties or business continuity issues that could preclude them from delivering raw materials or components timely or at all. Some suppliers have ceased doing business due to economic or other circumstances, and more may do so in the future. Supply shortages and delays in deliveries of raw materials or components have in some cases resulted in delayed production of assemblies, which have increased our inventory levels and adversely affected our operating results in certain periods. An inability to obtain sufficient inventory on a timely basis could also harm relationships with our customers.

In addition, raw materials and components that are delivered to us may not meet our specifications or other quality criteria. Certain materials provided to us may be counterfeit or violate the intellectual property rights of others. The need to obtain replacement materials and parts may negatively affect our manufacturing operations. The inadvertent use of any such parts or products may also give rise to liability claims.

Raw material and component supply shortages and delays in deliveries can also result in increased pricing. While many of our customers permit quarterly or other periodic adjustments to pricing based on changes in raw material or component prices and other factors, we may bear the risk of price increases that occur between any such repricing or, if such repricing is not permitted, during the balance of the term of the particular customer contract. Conversely, as a result of our pricing strategies and practices, raw material and component price reductions have contributed positively to our operating results in the past. Our inability to continue to benefit from such reductions in the future could adversely affect our operating results.

We depend on our workforce, including certain key personnel, and the loss of key personnel or other personnel disruptions, including the inability to hire and retain sufficient personnel, may harm our business.

Our success depends in large part on the continued services of our key technical and management personnel, and on our ability to attract, develop and retain qualified employees, particularly highly skilled design, process and test

engineers involved in the development of new products and processes and the manufacture of products. The competition for these individuals is significant, and the loss of key employees could harm our business.
From time to time, there are changes and developments, such as retirements, disability, death and other terminations of service that affect our executive officers and other key employees. Transitions of responsibilities among officers and key employees, particularly those that are unplanned, inherently can cause disruptions to our business and operations, which could have an effect on our results.

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We also depend on good relationships with our workforce generally. Any disruption in our relationships with our personnel, including as a result of potential union organizing activities, work actions or other labor issues, could substantially affect our operations and results.

In addition, when we expand operations in either existing areas or new locations, including internationally, we need to attract and retain the services of sufficient qualified personnel to conduct those operations. If we fail to retain and maintain sufficient qualified personnel, the operations at those locations, and consequently our financial results, could be adversely affected. In new or existing facilities we may be subject to local labor practices or union activities, wage pressure and changing wage requirements, increasing health care costs, differing employment laws and regulations in various countries, local competition for employees as well as high turnover, and other issues affecting our workforce, all of which could affect operations at particular locations, which also could have adverse effects on our operational results.

Natural disasters, breaches of security and other events outside our control, and the ineffective management of such events, may harm our business.

Some of our facilities are located in areas that may be impacted by natural disasters, including tornadoes, hurricanes, earthquakes, water shortages, tsunamis and floods. All facilities are subject to other natural or man-made disasters such as those related to global climate change, fires, acts of terrorism or war, breaches of security, theft or espionage, and failures of utilities. If such an event was to occur, our business could be harmed due to the event itself or due to our inability to effectively manage the effects of the particular event. Potential harms include the loss of business continuity, the loss of business data and damage to infrastructure.

In addition, some of our facilities possess certifications necessary to work on specialized products that our other locations lack. If work is disrupted at one of these facilities, it may be impractical or we may be unable to transfer such specialized work to another facility without significant costs and delays. Thus, any disruption in operations at a facility possessing specialized certifications could adversely affect our ability to provide products and services to our customers, and thus negatively affect our relationships and financial results.

Although we have implemented policies and procedures with respect to physical security, we remain at risk of unauthorized access to our facilities and the possible unauthorized use or theft of inventory, information or other physical assets. If unauthorized persons gain physical access to our facilities, or our physical assets or information are stolen or used in an unauthorized manner (whether through outside theft or industrial espionage), we could be subject to, among other consequences, negative publicity, governmental inquiry and oversight, loss of government contracts, litigation by affected parties and/or other future financial obligations related to the loss, misuse or theft of our or our customers' data, inventory or physical assets, any of which could have a material adverse effect on our reputation and results of operations.

We may fail to secure or maintain necessary additional financing and/or capital.

We cannot be certain that our existing credit facilities will provide all of the financing capacity that we will need in the future or that we will be able to change the credit facilities or revise covenants, if necessary, to accommodate changes or developments in our business and operations. In addition, it is possible that counterparties to our financial agreements, including our credit agreement and our interest rate swap agreements, may not be willing or able to meet their obligations, either due to instability in the global financial markets or otherwise.

Our future success may depend on our ability to obtain additional financing and capital to support possible future growth and future initiatives. We may seek to raise capital by issuing additional common stock, other equity securities or debt securities, modifying our existing credit facilities (as we did in fiscal 2014) or obtaining new credit facilities, or through a combination of these methods.

We may not be able to obtain capital when we want or need it, and capital may not be available on satisfactory terms. If we issue additional equity securities or convertible securities to raise capital, it may be dilutive to shareholders' ownership interests; we may not be able offer our securities on attractive or acceptable terms in the event of volatility or weakness in our stock price. Furthermore, any additional financing may have terms and conditions that adversely affect our business, such as restrictive financial or operating covenants, and our ability to meet any financing covenants will largely depend on our financial performance, which in turn will be subject to general economic conditions and financial, business and other factors.

We may fail to successfully complete future acquisitions, as well as strategic arrangements, and may not successfully integrate acquired businesses or recognize the anticipated benefits, which could adversely affect our operating results.
We have previously grown, in part, through acquisitions and strategic arrangements. If we were to pursue future growth through acquisitions, this would involve significant risks that could have a material adverse effect on us. These risks include:

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Operating risks, such as:

- the inability to integrate successfully our acquired operations' businesses, systems and personnel
- the inability to realize anticipated synergies, economies of scale or other value
- the difficulties in scaling up production and coordinating management of operations at new sites
- the strain placed on our personnel, systems and resources
- the possible modification or termination of an acquired business' customer programs, including the loss of customers and the cancellation of current or anticipated programs and
- the loss of key employees of acquired businesses.

Financial risks, such as:

- the use of cash resources, or incurrence of additional debt and related interest expense
- the dilutive effect of the issuance of additional equity securities
- the effect of potential volatility or weakness in our stock price on its use as consideration for acquisitions
- the inability to achieve expected operating margins to offset the increased fixed costs associated with acquisitions, and/or inability to increase margins of acquired businesses to our desired levels
- the incurrence of large write-offs or write-downs
- the impairment of goodwill and other intangible assets and
- the unforeseen liabilities of the acquired businesses.

ITEM 1B. UNRESOLVED SEC STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Our facilities comprise an integrated network of engineering and manufacturing centers with our corporate headquarters located in Neenah, Wisconsin. We own or lease facilities with approximately 3.8 million square feet of capacity. This includes approximately 2.0 million square feet in AMER (of which 0.2 million square feet will close in fiscal 2015), approximately 1.4 million square feet in APAC and approximately 0.4 million square feet in EMEA. Approximately 0.2 million square feet of this capacity is subleased. Our facilities as of September 27, 2014, are described in the following table:

Location	Type	Size (sq. ft.)	Owned/Leased
AMER			
Neenah, Wisconsin (3)	Manufacturing	418,000	Owned
Guadalajara, Mexico (2)	Manufacturing	265,000	Leased
Nampa, Idaho	Manufacturing	216,000	Owned
Juarez, Mexico (2)	Manufacturing	210,000	Leased
Appleton, Wisconsin	Manufacturing	205,000	Owned
Buffalo Grove, Illinois (1)	Manufacturing	163,000	Leased
Neenah, Wisconsin	Engineering	105,000	Owned
Neenah, Wisconsin	Global Headquarters	104,000	Owned
Fremont, California	Manufacturing	46,000	Leased
Raleigh, North Carolina	Engineering	25,000	Leased
Louisville, Colorado	Engineering	24,000	Leased
APAC			
Penang, Malaysia (1)	Manufacturing/Engineering	1,048,000	Owned
Xiamen, China (1)	Manufacturing	193,000	Leased
Hangzhou, China	Manufacturing	117,000	Leased
EMEA			
Oradea, Romania	Manufacturing/Engineering	296,000	Owned
Livingston, Scotland	Manufacturing/Engineering	62,000	Leased
Kelso, Scotland	Manufacturing	57,000	Owned
Darmstadt, Germany	Engineering	16,000	Leased
Other			
San Diego, California (4)	Inactive	198,000	Leased

(1) The facilities in Penang, Malaysia, Xiamen, China, and Buffalo Grove, Illinois include more than one building.
(2) The facility in Guadalajara, Mexico opened during the fourth quarter of fiscal 2014 to replace the facility in Juarez, Mexico. The facility in Juarez is expected to close during the first quarter of fiscal 2015.
(3) The manufacturing facility in Neenah, Wisconsin opened during fiscal 2014.
(4) The facility in San Diego, California is subleased and no longer used in operations.

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ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price per Share

For the fiscal years ended September 27, 2014 and September 28, 2013, the Company's common stock has traded on the NASDAQ Stock Market, in the NASDAQ Global Select Market tier. The price information below represents high and low sale prices of our common stock for each quarterly period.

Fiscal Year Ended September 27, 2014			Fiscal Year Ended September 28, 2013		
	High	Low		High	Low
First Quarter	$43.41	$36.06	First Quarter	$31.38	$19.63
Second Quarter	$44.16	$36.81	Second Quarter	$27.36	$23.45
Third Quarter	$45.53	$38.84	Third Quarter	$30.67	$23.71
Fourth Quarter	$44.77	$37.05	Fourth Quarter	$37.29	$29.57

Performance Graph

The following graph compares the cumulative total return on Plexus common stock with the NASDAQ Stock Market Index for U.S. Companies and the NASDAQ Stock Market Index for Electronic Components Companies, both of which include Plexus. The values on the graph show the relative performance of an investment of $100 made on October 3, 2009, in Plexus common stock and in each of the indices as of the last business day of the respective fiscal year.

Comparison of Cumulative Total Return

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	2009	2010	2011	2012	2013	2014
Plexus	$100	$121	$89	$119	$145	$148
NASDAQ-US	100	116	115	150	183	216
NASDAQ-Electronics	100	124	110	138	191	210

Shareholders of Record; Dividends

As of November 13, 2014, there were 515 shareholders of record. We have not paid any cash dividends in the past. We currently anticipate that the majority of earnings in the foreseeable future will be retained to finance the development of our business and our authorized share repurchase. However, the Company evaluates from time to time potential uses of excess cash, which in the future may include additional share repurchases, a special dividend or recurring dividends. See also Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources", for a discussion of the Company's intentions regarding dividends, and loan covenants which could restrict dividend payments.

Issuer Purchases of Equity Securities

The following table provides the specified information about the repurchases of shares by the Company during the three months ended September 27, 2014:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum approximate dollar value of shares that may yet be purchased under the plans or programs*
June 29, 2014 to July 26, 2014	55,491	$42.70	55,491	$—
July 27, 2014 to August 23, 2014	61,763	39.95	61,763	$—
August 24, 2014 to September 27, 2014	71,141	40.48	71,141	$—
	188,395	$40.96	188,395	

* On August 19, 2013, the Board of Directors approved a stock repurchase program under which the Company was authorized to repurchase up to $30.0 million of its common stock in fiscal 2014. During fiscal 2014, the Company repurchased 733,447 shares under this program for $30.0 million, at an average price of $40.90 per share. These shares were recorded as treasury stock.

On August 13, 2014, the Board of Directors approved a stock repurchase program under which the Company is authorized to repurchase up to $30.0 million of its common stock in fiscal 2015. Accordingly, since this program became effective subsequent to September 27, 2014, the $30.0 million authorization is excluded from the table above.

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ITEM 6. SELECTED FINANCIAL DATA

Financial Highlights (dollars in thousands, except per share amounts)

	Fiscal Years Ended				
Income Statement Data	September 27, 2014	September 28, 2013	September 29, 2012	October 1, 2011	October 2, 2010
Net sales	$2,378,249	$2,228,031	$2,306,732	$2,231,232	$2,013,393
Gross profit	225,569	213,185	219,913	214,742	206,922
Gross margin percentage	9.5 %	9.6 %	9.5 %	9.6 %	10.3 %
Operating income [1]	100,607	96,623	104,159	101,179	99,652
Operating margin percentage	4.2 %	4.3 %	4.5 %	4.5 %	4.9 %
Net income	87,213	82,259	62,089 [3]	89,256	89,533
Earnings per share (diluted)	$2.52	$2.36	$1.75 [3]	$2.30	$2.19
Cash Flow Statement Data					
Cash flows provided by (used in) operations	$88,432	$207,647	$157,503	$158,451	$(7,639)
Capital equipment additions	65,284	108,122	63,697	70,819	65,073
Balance Sheet Data					
Working capital	$683,524	$607,646	$619,934	$553,893	$523,472
Total assets	1,609,026	1,447,684	1,411,467	1,304,525	1,290,379
Long-term debt and capital lease obligations, net of current portion	262,046	257,773	260,211	270,292	112,466
Shareholders' equity	781,133	699,301	649,022	558,882	651,855
Return on invested capital [2]	15.2 %	14.0 %	15.5 % [3]	15.6 %	19.5 %
Inventory turnover ratio	4.6x	5.1x	4.6x	4.4x	3.7x

(1) During fiscal 2014, the Company recorded $11.3 million in restructuring and impairment charges, which are included in operating income. These charges largely related to the Company's consolidation of its facilities in the Fox Cities (Neenah and Appleton), Wisconsin, as well as its relocation of manufacturing operations from Juarez, Mexico to a new manufacturing facility in Guadalajara, Mexico.

(2) The Company defines return on invested capital as tax-effected operating income divided by average invested capital over a rolling five-quarter period. Invested capital is defined as equity plus debt, less cash and cash equivalents, as discussed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(3) In fiscal 2012, the Company established a valuation allowance against its U.S. deferred tax assets resulting in an additional tax provision of approximately $20.6 million ($22.8 million provision, offset by $2.2 million to other comprehensive income) and a decrease in diluted earnings per share of $0.64. Return on invested capital excludes the $20.6 million net deferred tax asset reduction. An additional $1.3 million of valuation allowance

established for fiscal 2012 relates to operating losses in Germany and Romania making the total valuation allowance for that year $24.1 million.

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ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Plexus Corp. and its subsidiaries (together “Plexus,” the “Company,” or "we") participate in the Electronic Manufacturing Services (“EMS”) industry. We deliver optimized solutions to our customers through our unique Product Realization Value Stream. Our customer-focused solutions model seamlessly integrates innovative product conceptualization, design, commercialization, manufacturing, fulfillment and sustaining solutions. Plexus delivers comprehensive end-to-end solutions for customers in the Americas (“AMER”), Europe, Middle East, and Africa (“EMEA”) and Asia-Pacific (“APAC”) regions.

We provide award-winning customer service to more than 140 branded product companies in the Networking/Communications, Healthcare/Life Sciences, Industrial/Commercial and Defense/Security/Aerospace market sectors. Our customers have stringent quality, reliability and regulatory requirements, requiring exceptional production and supply chain agility. Their products require complex configuration management, direct order fulfillment (to end customers) and global logistics management and aftermarket services. To service the complexities that our customers' products demand, we utilize our Product Realization Value Stream, addressing our customers' products from concept to end of life.

The following information should be read in conjunction with our consolidated financial statements included herein and “Risk Factors” included in Part I, Item 1A herein.

Recent Developments

We opened our new manufacturing facility in Guadalajara, Mexico during the fourth quarter of fiscal 2014. This facility is replacing our existing facility in Juarez, Mexico, which will be closed during the first quarter of fiscal 2015. This transition resulted in approximately $7.0 million of restructuring and impairment charges during fiscal 2014. Closure of the facility in Juarez is expected to result in approximately $1.5 to $1.8 million of additional restructuring charges in the first quarter of fiscal 2015.

We opened our new manufacturing facility in Neenah, Wisconsin during the first quarter of fiscal 2014. This facility consolidated one owned and two leased facilities in the Fox Cities (Neenah and Appleton), Wisconsin. The consolidation of these facilities resulted in approximately $4.3 million of restructuring charges during fiscal 2014.

RESULTS OF OPERATIONS

Consolidated Performance Summary. The following table presents selected consolidated financial data for fiscal 2014, 2013 and 2012 (dollars in millions, except per share data):

	2014	2013	2012
Net sales	$2,378.2	$2,228.0	$2,306.7
Gross profit	225.6	213.2	219.9
Gross margin	9.5 %	9.6 %	9.5 %
Operating income	100.6	96.6	104.2
Operating margin	4.2 %	4.3 %	4.5 %
Net income	87.2	82.3	62.1 *
Earnings per share (diluted)	$2.52	$2.36	$1.75 *
Return on invested capital	15.2 %	14.0 %	15.5 %

*See Note 7 in Notes to Consolidated Financial Statements for discussion regarding the fiscal 2012 valuation allowance for deferred tax assets.

Net sales. Net sales for fiscal 2014 increased $150.2 million, or 6.7 percent, as compared to fiscal 2013. The net sales increase was primarily the result of a $134.1 million increase in net sales in the healthcare/life sciences sector, as well as net sales increases in the industrial/commercial and defense/security/aerospace sectors, partially offset by a reduction in net sales in the networking/communication sector. The reduction in the networking/communications sector resulted from a $282.6 million

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headwind related to the disengagement of Juniper Networks, Inc. ("Juniper") in fiscal 2013, partially offset by a $230.3 million increase in net sales to two key customers in that sector primarily resulting from new product ramps.
Net sales for fiscal 2013 decreased $78.7 million, or 3.4 percent, as compared to fiscal 2012. The net sales decrease was primarily the result of a $113.6 million decrease in net sales for one of our larger customers in the industrial/commercial sector, as a result of its decreased end-market demand, as well as an $85.3 million decrease in net sales to Juniper as a result of its disengagement and lower end-market demand for the products we formerly produced for Juniper. These decreases were partially offset by a $102.4 million increase in net sales to various significant customers in all sectors.
Our net sales by market sector for fiscal 2014, 2013 and 2012 were as follows (in millions):

Market Sector	2014	2013	2012
Networking/Communications	$762.5	$826.3	$903.6
Healthcare/Life Sciences	697.3	563.2	494.4
Industrial/Commercial	583.5	551.0	670.8
Defense/Security/Aerospace	334.9	287.5	237.9
	$2,378.2	$2,228.0	$2,306.7

Networking/Communications. Net sales for fiscal 2014 in the networking/communications sector decreased $63.8 million, or 7.7 percent, as compared to fiscal 2013. The change was primarily the result of a $282.6 million decrease in net sales to Juniper, related to its disengagement, partially offset by a $230.3 million increase in sales related to two key customers in this sector primarily resulting from new program ramps.
Net sales for fiscal 2013 in the networking/communications sector decreased $77.3 million as compared to fiscal 2012. The change was primarily the result of an $85.3 million decrease in net sales to Juniper, related to its disengagement, partially offset by increased sales to existing customers in this sector as well as program ramps with new customers.
Healthcare/Life Sciences. Net sales for fiscal 2014 in the healthcare/life sciences sector increased $134.1 million, or 23.8 percent, as compared to fiscal 2013. The increase was primarily due to $89.3 million of new program ramps and increased end-market demand for two key customers in this sector and increased end-market demand and new program ramps across several other customers in this sector.
Net sales for fiscal 2013 in the healthcare/life sciences sector increased $68.8 million as compared to fiscal 2012. The increase was primarily due to market share gains and new program ramps with existing customers.
Industrial/Commercial. Net sales for fiscal 2014 in the industrial/commercial sector increased $32.5 million, or 5.9 percent, as compared to fiscal 2013. The increase was primarily the result of the expansion of current business with one of our larger customers in the sector, which accounted for $30.7 million of the increased net sales as compared to the prior year.
Net sales for fiscal 2013 in the industrial/commercial sector decreased $119.8 million as compared to fiscal 2012. The decrease was primarily a result of decreased end-market demand for one of our larger customers in the sector, which accounted for $113.6 million of the decreased net sales as compared to the prior year.
Defense/Security/Aerospace. Net sales for fiscal 2014 in the defense/security/aerospace sector increased $47.4 million, or 16.5 percent, as compared to fiscal 2013. The increase was primarily due to $37.5 million resulting from new program ramps and increased end-market demand for one of our larger customers in the sector.
Net sales for fiscal 2013 in the defense/security/aerospace sector increased $49.6 million as compared to fiscal 2012. The increase was the result of new program ramps as well as increased end-market demand for the products we produce for our customers.

As a percentage of consolidated net sales, net sales attributable to customers representing 10.0 percent or more of consolidated net sales as well as the percentage of net sales attributable to our ten largest customers for fiscal 2014, 2013 and 2012, were as follows:

	2014	2013	2012
ARRIS Group, Inc. ("Arris")	12.5%	*	*
General Electric Company ("GE")	11.2%	*	*
Juniper Networks, Inc. ("Juniper")	*	12.8%	16.0%
Top 10 customers	55.1%	54.5%	60.0%

* Net sales attributable to the customer were less than 10.0 percent of consolidated net sales for the period.

Gross profit. Gross profit for fiscal 2014 increased $12.4 million, or 5.8 percent, as compared to fiscal 2013. Overall gross margin decreased to 9.5 percent from 9.6 percent. Gross profit increased $34.2 million primarily as a result of increased sales. This favorable effect was largely offset by a $21.9 million increase in fixed costs due to our investment in a new manufacturing facility in Neenah, Wisconsin, the ramp up of new business in the AMER region, and increased depreciation and personnel expenses with our new manufacturing facility in Oradea, Romania.
Gross profit for fiscal 2013 decreased $6.7 million, or 3.1 percent, as compared to fiscal 2012 primarily due to decreased net sales, increased fixed expenses related to site investments in Penang, Malaysia, Xiamen, China, and Oradea, Romania, and unfavorable changes in customer mix. The decrease was partially offset by the sale of certain inventory that had previously been written down. A slightly larger percentage decrease in revenue as compared to the decrease in gross profit for fiscal 2013 led to an increase in gross margin to 9.6 percent for fiscal 2013 from 9.5 percent for fiscal 2012.
Operating income. Operating income for fiscal 2014 increased $4.0 million as compared to fiscal 2013. A $2.9 million decrease in selling and administrative expenses ("S&A") as compared to prior year and the previously discussed increase to gross profit were partially offset by $11.3 million of restructuring and impairment charges primarily related to the consolidation of facilities in the Fox Cities, Wisconsin, and the relocation of manufacturing operations from Juarez, Mexico, to Guadalajara, Mexico. As a result, operating margin decreased to 4.2 percent for fiscal 2014 from 4.3 percent for fiscal 2013.
Operating income for fiscal 2013 decreased $7.5 million as compared to fiscal 2012. The operating income decrease reflected the $6.7 million decrease in gross profit described above as well as a $0.8 million increase in S&A expenses. The increase in S&A was primarily due to approximately $2.4 million of recoveries of receivables previously at risk in the prior fiscal year, with no such recovery in the current fiscal year, and approximately $0.8 million of additional amortization expense in fiscal 2013 related to the Kontron arrangement. These increases were partially offset by a $1.3 million decrease in incentive compensation expense and additional reductions due to focused cost management efforts. As a result of the factors discussed above, for fiscal 2013 compared to fiscal 2012, operating margin decreased from 4.5 percent to 4.3 percent.
Other income (expense). Other expense for fiscal 2014 decreased $4.4 million as compared to fiscal 2013. The decrease in other expense for fiscal 2014 was primarily the result of a $1.3 million increase in interest income, a $1.1 million decrease in currency exchange losses, a $0.8 million decrease in miscellaneous expense due to a favorable outcome related to a previous accrual for expenses related to the termination of an agreement for additional land in Hangzhou, China, and a $0.3 million decrease in interest expense.
Other expense decreased to $11.6 million for fiscal 2013 from $12.9 million for fiscal 2012. The decrease in expense was largely due to $3.4 million of decreased interest expense related to our former term loan. Interest rate swaps associated with the original term loan expired in fiscal 2013. This resulted in lower floating interest rates prior to the establishment of a new interest rate swap agreement and lower fixed interest rates subsequent to the establishment of the new interest rate swap agreement. This decrease was offset by a $1.4 million increase in foreign exchange losses and a $0.8 million increase in other expense as the result of an accrual for property-related expenses related to the termination of an agreement for additional land in Hangzhou, China.

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Income taxes. Income tax expense and effective annual income tax rates, with and without the annual valuation allowance, for fiscal 2014, 2013 and 2012 were as follows (dollars in millions):

	2014	2013	2012
Income tax expense, as reported	$6.1	$2.7	$29.1
Valuation allowance (expense)	(7.9)	(7.0)	(24.1)
Income tax (benefit) expense, as adjusted*	$(1.8)	$(4.3)	$5.0
Effective annual tax rate, as reported	6.5 %	3.2 %	31.9 %
Impact of valuation allowance	(8.4)%	(8.2)%	(26.4)%
Effective annual tax rate, as adjusted*	(1.9)%	(5.0)%	5.5 %

*The Company believes that the non-GAAP presentation of income tax (benefit) expense and effective annual tax rate excluding the impact of the valuation allowance provides a more meaningful comparison of reporting periods.

Income tax expense for fiscal 2014 was $6.1 million compared to $2.7 million for fiscal 2013 and $29.1 million for fiscal 2012. The Company's effective annual tax rates vary from the U.S. statutory rate of 35.0% primarily as a result of the mix of earnings from U.S. and foreign jurisdictions and tax holidays granted to subsidiaries located in the APAC region where the Company derives a significant portion of its earnings. The effective tax rate for fiscal 2014 was higher than the effective rate for fiscal 2013 primarily as a result of the geographic distribution of worldwide earnings. The effective tax rate for fiscal 2013 was significantly lower than the effective tax rate in fiscal 2012 primarily due to the amount of the additional valuation allowance recorded in fiscal 2012 on deferred tax assets in the U.S. as well as discrete tax benefits recorded in fiscal 2013.

In fiscal 2014, the Company recorded a $7.9 million addition to its valuation allowance relating to continuing losses in certain jurisdictions within the AMER and EMEA regions. At the close of fiscal 2014, using the measurement criteria found in ASC Topic 740, “Income Taxes” ("ASC 740"), the Company believes that the positive evidence does not outweigh the negative and the valuation allowance should remain in place. During fiscal 2014, the Company also recorded tax benefits of $3.8 million primarily related to the lapse of statutes of limitations related to U.S. tax examinations during the fiscal year.

In fiscal 2013, the Company recorded a $7.0 million addition to its valuation allowance, of which $5.2 million related to continuing losses certain jurisdictions within the AMER and EMEA regions. During fiscal 2013, the Company performed an analysis of all available evidence, both positive and negative, regarding the need for a valuation allowance against its U.K. deferred tax assets, consistent with the provisions of ASC 740. Accordingly, the Company established an additional $1.8 million valuation allowance against the U.K. deferred tax assets. During fiscal 2013 the Company also identified and recorded several out-of-period tax errors that reduced tax expense by $3.2 million. The Company believes these out-of-period tax errors were not material to the fiscal 2013, or previously issued, financial statements.

In fiscal 2012, the Company recorded a valuation allowance of $24.1 million, of which $1.3 million related to continuing losses in certain jurisdictions within the EMEA region. During the preparation of the fiscal 2012 consolidated financial statements, the Company performed an analysis of all available evidence, both positive and negative, regarding the need for a valuation allowance against its U.S. deferred tax assets, consistent with the provisions of ASC 740. Accordingly, the Company established an additional $22.8 million valuation allowance against its U.S. deferred tax assets.

The Company has been granted a tax holiday for a foreign subsidiary operating in the APAC region. This tax holiday will expire in fiscal 2024 and is subject to certain conditions with which the Company expects to comply. The Company benefited from a second tax holiday within the APAC region until December 31, 2013, when it expired under the terms of the Company's agreement with the local taxing authority. The expiration of this holiday did not have a material impact on the Company’s effective tax rate or results of operations. In fiscal 2014, 2013, and 2012, these holidays resulted in tax reductions of approximately $24.1 million ($0.71 per basic share), $22.7 million ($0.66 per basic share), and $17.5 million ($0.50 per basic share), respectively.

We currently expect the annual effective tax rate for fiscal 2015 to be approximately 8.0 to 10.0 percent.

Net Income. Net income, both including and excluding the annual valuation allowance and out-of-period tax adjustments, for fiscal 2014, 2013 and 2012 was as follows (dollars in millions):

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	2014	2013	2012
Net income, as reported	$87.2	$82.3	$62.1
Valuation allowance	7.9	7.0	24.1
Out-of-period tax adjustments	—	(3.2)	—
Net income, as adjusted*	$95.1	$86.1	$86.2

*The Company believes that the non-GAAP presentation of net income excluding valuation allowances and out-of-period tax adjustments provides a more meaningful comparison of reporting periods.

Net income for fiscal 2014 increased $5.0 million, or 6.0 percent, to $87.2 million from fiscal 2013. Net income increased primarily as a result of increased gross profit and lower S&A expenses, partially offset by increased restructuring and impairment charges and increased income tax expense, as discussed previously.

Net income for fiscal 2013 increased $20.2 million, or 32.5 percent, to $82.3 million from fiscal 2012. This increase was primarily as a result of the net $17.1 million year-over-year valuation allowance adjustment. Excluding the valuation allowance and fourth quarter fiscal 2013 tax out-of-period adjustments, fiscal 2013 net income decreased by $0.1 million, or 0.1 percent, from fiscal 2012 to $86.1 million.

Diluted earnings per share. Diluted earnings per share increased to $2.52, or 6.8 percent, for fiscal 2014 from $2.36 for fiscal 2013 primarily as a result of increased net income. Further improvement was due to the positive impact of fewer outstanding shares in 2014 due to our common stock repurchase program. These improvements were offset by restructuring and impairment costs. See Note 14, "Shareholders' Equity" in Notes to the Consolidated Financial Statements for information regarding the Company's stock repurchase programs. See Note 15, "Restructuring and Impairment Costs," in Notes to the Consolidated Financial Statements for information regarding restructuring and impairment costs.

Diluted earnings per share increased to $2.36, or 34.9 percent, for fiscal 2013 from $1.75 for fiscal 2012 primarily as a result of the impact of the valuation allowances and fiscal 2013 out-of-period tax adjustments discussed above. Excluding the impact of the valuation allowances and out-of-period tax adjustments, diluted earnings per share increased by $0.04 in fiscal 2013 as compared to fiscal 2012. The increase in diluted earnings per share, as adjusted was primarily due to the positive impact of fewer outstanding shares in 2013 due to the stock repurchase program.

Return on Invested Capital (“ROIC”). We use a 5-5 financial model which is aligned with our business strategy, and includes a ROIC goal of 500 basis points over our weighted average cost of capital (“WACC”), which we refer to as economic return and a 5.0 percent operating margin target. Our primary focus is on our economic return goal of 5.0 percent, which is designed to create shareholder value and generate enough cash to self-fund our targeted organic revenue growth rate of 12.0 percent.

We review our internal calculation of WACC annually. Our WACC was 11.0 percent, 12.0 percent, and 12.5 percent for fiscal 2014, 2013, and 2012, respectively. For fiscal 2015, our estimated WACC is 11.0 percent. By exercising discipline to generate ROIC in excess of our WACC, our goal is to create value for our shareholders. ROIC was 15.2 percent, 14.0 percent, and 15.5 percent (excluding a $20.6 million net deferred tax asset reduction) for fiscal 2014, 2013 and 2012, respectively. The increase in ROIC in fiscal 2014 from fiscal 2013 was due to higher operating income, partially offset by the effect of an increase in average invested capital as a result of capital expenditures for facility expansions. See the table below for our calculation of ROIC (dollars in millions):

	2014	2013	2012
Operating income (tax effected)	$101.8	$89.9	$96.9
Average invested capital	669.7	642.1	623.0
After-tax ROIC	15.2 %	14.0 %	15.5 %
WACC	11.0 %	12.0 %	12.5 %
Economic return	4.2 %	2.0 %	3.0 %

We define ROIC as tax-effected operating income before restructuring and impairment charges divided by average invested capital over a rolling five-quarter period for the fiscal year. Invested capital is defined as equity plus debt, less cash and cash equivalents. Other companies may not define or calculate ROIC in the same way. ROIC and other non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of our financial performance prepared in accordance with U.S. generally accepted accounting principles (“GAAP”).

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Non-GAAP financial measures, including ROIC, are used for internal management assessments because such measures provide additional insight into ongoing financial performance. In particular, we provide ROIC because we believe it offers insight into the metrics that are driving management decisions because we view ROIC as an important measure in evaluating the efficiency and effectiveness of our long-term capital requirements. We also use a derivative measure of ROIC as a performance criteria in determining certain elements of compensation.
For a reconciliation of ROIC to our financial statements that were prepared using GAAP, see exhibit 99.1 to this annual report on Form 10-K, which exhibit is incorporated herein by reference.
REPORTABLE SEGMENTS
A further discussion of our fiscal 2014, 2013 and 2012 financial performance by reportable segment is presented below (in millions):

	2014	2013	2012
Net sales:			
AMER	$1,238.2	$1,062.8	$1,255.9
APAC	1,132.5	1,146.3	1,110.4
EMEA	115.9	122.5	95.4
Elimination of inter-segment sales	(108.4)	(103.6)	(155.0)
	$2,378.2	$2,228.0	$2,306.7
Operating income (loss):			
AMER	$74.9	$70.9	$91.1
APAC	135.5	116.3	101.9
EMEA	(11.9)	(3.1)	(2.3)
Corporate and other costs	(97.9)	(87.5)	(86.5)
	$100.6	$96.6	$104.2

Americas. Net sales for fiscal 2014 in the AMER segment increased $175.4 million, or 16.5 percent, as compared to fiscal 2013, primarily due to increased net sales of $154.8 million to a key networking/communications customer resulting from a new product ramp. Increased end-market demand and new product ramps on several of our larger customers across all four sectors drove further increased sales for fiscal 2014. Partially offsetting these increases was a $115.8 million decrease in net sales from the disengagement of Juniper. Operating income for fiscal 2014 increased $4.0 million from fiscal 2013 due primarily to the increase in net sales. Excluding the impact of restructuring and impairment charges, operating income for fiscal 2014 increased $15.3 million from fiscal 2013.
Net sales for fiscal 2013 in the AMER segment decreased $193.1 million, or 15.4 percent, from fiscal 2012, due primarily to $113.6 million of decreased sales resulting from lower end-market demand from a significant industrial/commercial sector customer as well as a $71.1 million decrease in net sales due to a drop in demand from Juniper related to its disengagement and lower end-market demand for the products we formerly produced for Juniper. Operating income for fiscal 2013 decreased $20.2 million from fiscal 2012 due primarily to the decrease in net sales.
Asia-Pacific. Net sales for fiscal 2014 in the APAC segment decreased $13.8 million, or 1.2 percent, as compared to fiscal 2013, primarily due to a $166.8 million decrease in net sales resulting from the disengagement of Juniper. Partially offsetting this decrease was an increase in net sales of $82.9 million to one of our larger networking/communications customers as a result of new product ramps and an increase in net sales of $61.8 million to two of our larger healthcare/life sciences customers. Operating income increased $19.2 million in fiscal 2014 as compared to fiscal 2013, primarily as a result of favorable changes in customer mix and supply chain productivity.
Net sales for fiscal 2013 in the APAC segment increased $35.9 million, or 3.2 percent, from fiscal 2012. The increase in net sales was primarily experienced in the healthcare/life sciences sector as a result of new program wins which more than offset the $14.2 million decrease in sales to Juniper as a result of its disengagement. Operating income increased $14.4 million in fiscal 2013 as compared to fiscal 2012, primarily as a result of the increase in net sales and favorable changes in customer mix combined with higher costs incurred in fiscal 2012 related to facility expansion and the Kontron arrangement.
Europe, Middle East and Africa. Net sales for fiscal 2014 in the EMEA segment decreased $6.6 million, or 5.4 percent, as compared to fiscal 2013, due primarily to the disengagement of two customers. Operating loss increased

$8.8 million in the

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current year as compared to the prior year due to increased fixed manufacturing expenses in both Oradea, Romania and the U.K., resulting from increased depreciation and personnel expenses associated with facility investments.

Net sales for fiscal 2013 in the EMEA segment increased $27.1 million, or 28.4 percent, from fiscal 2012. The increase in net sales was driven primarily by approximately $22.0 million from the ramp of new customers in each of our market sectors, partially offset by decreased net sales of $8.5 million due to the disengagement of an industrial/commercial customer. Operating loss increased in fiscal 2013 as compared to fiscal 2012 due to an increase in fixed costs associated with the new facility in Oradea, Romania and the ramping of new customers in the U.K. An increase in labor and parts costs in the fourth quarter of fiscal 2013 also contributed to the increased operating loss.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents were $346.6 million as of September 27, 2014 as compared to $341.9 million as of September 28, 2013. Cash generated from operations and stock option exercises in fiscal 2014 was substantially offset by cash used for capital expenditures primarily related to facility investments, purchases of common stock as part of our stock repurchase program, and capital lease payments.

As of September 27, 2014, 90.9 percent of our cash and cash equivalents balance was held outside of the U.S. by our foreign subsidiaries. Certain foreign countries impose taxes and overall penalties on transfers of cash; however, our intent is to permanently reinvest funds held in these countries. If this cash were remitted to the U.S., additional tax obligations may result that would reduce the amount of cash ultimately available to us in the U.S. Currently, we believe that cash held in the U.S., together with cash available under U.S. credit facilities and cash provided by operating activities, will be sufficient to meet our U.S. liquidity needs for the next twelve months and for the foreseeable future.

Cash Flows. The following table provides a summary of cash flows for fiscal 2014, 2013 and 2012, excluding the effect of exchange rates on cash and cash equivalents (in millions):

	2014	2013	2012
Cash provided by operating activities	$88.4	$207.6	$157.5
Cash used in investing activities	$(62.6)	$(107.2)	$(92.2)
Cash used in financing activities	$(21.0)	$(57.4)	$(10.8)

Operating Activities. Cash flows provided by operating activities were $88.4 million for fiscal 2014, as compared to cash flows provided by operating activities of $207.6 million for fiscal 2013. The decrease was primarily attributable to the increase in net sales, which resulted in higher inventory and accounts receivable balances at the end of fiscal 2014. Additionally, increases in forecasted net sales for the first quarter of fiscal 2015 relative to the first quarter of fiscal 2014 also resulted in higher inventory and accounts payable balances at the end of fiscal 2014.

Cash flows provided by operating activities were $207.6 million for fiscal 2013, as compared to cash flows provided by operating activities of $157.5 million for fiscal 2012. Cash flows provided by operating activities increased due to overall improved working capital management.

The following table provides a summary of cash cycle days for the periods indicated (in days):

	Three months ended		
	September 27, 2014	September 28, 2013	September 29, 2012
Days in accounts receivable	44	49	49
Days in inventory	80	72	78
Days in accounts payable	60	56	58
Days in cash deposits	8	12	6
Annualized cash cycle	56	53	63

We calculate days in accounts receivable as accounts receivable for the respective quarter divided by annualized sales for the respective quarter by day. We calculate days in inventory, accounts payable, and cash deposits as each balance sheet line item for the respective quarter divided by annualized cost of sales for the respective quarter by day. We calculate annualized cash cycle as the sum of days in accounts receivable and days in inventory, less days in accounts payable and days in cash deposits.

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Days in accounts receivable for the three months ended September 27, 2014 decreased five days compared to the three months ended September 28, 2013. The decrease is primarily attributable to new product ramps related to a key customer with shorter payment terms than our other customers.

Days in inventory for the three months ended September 27, 2014 increased eight days compared to the three months ended September 28, 2013. The increase is primarily attributable to the timing of inventory build-up to support forecasted net sales.

Days in accounts payable for the three months ended September 27, 2014 increased four days compared to the three months ended September 28, 2013. The improvement was primarily attributable to increased purchases from suppliers with more favorable terms to support increases in net sales.

Days in cash deposits for the three months ended September 27, 2014 decreased four days compared to the three months ended September 28, 2013. The decrease was primarily attributable to the return of approximately $11.0 million of excess deposit funds to Juniper in the first quarter of fiscal 2014.

As of September 27, 2014 cash cycle days increased three days compared to September 28, 2013 due to the factors discussed above.

Free Cash Flow. Free cash flow (“FCF”), which we define as cash flow provided by (used in) operations less capital expenditures, was $23.1 million for fiscal 2014, as compared to $99.5 million for fiscal 2013. The decrease of $76.4 million from fiscal 2013 was primarily attributable to the decrease in cash provided by operating activities, partially offset by a reduction in capital expenditures, which is discussed below.

Non-GAAP financial measures, including FCF, are used for internal management assessments because such measures provide additional insight into ongoing financial performance. In particular, we provide FCF because we believe it offers insight into the metrics that are driving management decisions. We view FCF as an important financial metric as it demonstrates our ability to generate cash and allows us to pursue opportunities that enhance shareholder value. FCF is a non-GAAP financial measure which should be considered in addition to, not as a substitute for, measures of our financial performance prepared in accordance with U.S. GAAP.

The following table provides a reconciliation of FCF to our financial statements that were prepared using GAAP (in millions):

	2014	2013	2012
Cash provided by operating activities	$88.4	$207.6	$157.5
Capital expenditures	(65.3)	(108.1)	(63.7)
Free cash flow	$23.1	$99.5	$93.8

Investing Activities. Cash flows used in investing activities were $62.6 million for fiscal 2014 as compared to cash flows used in investing activities of $107.2 million for fiscal 2013. The reduction was due to decreases in capital expenditures, which were $65.3 million in fiscal 2014 compared to $108.1 million in fiscal 2013. This decrease was primarily attributable to a facility investment at one location (Guadalajara, Mexico) during fiscal 2014, relative to facility investments at three locations during fiscal 2013 (Xiamen, China; Oradea, Romania; and Neenah, Wisconsin).

Cash flows used in investing activities for fiscal 2013 increased to $107.2 million from $92.2 million in fiscal 2012. Cash flows used in investing activities increased primarily due to the additional investments in footprint expansions, partially offset by payments for business acquisitions in the prior period, including the Kontron arrangement.

We utilized available cash and operating cash flows as the sources for funding our operating requirements during fiscal 2014. We currently estimate capital expenditures for fiscal 2015 will be approximately $50.0 million.

Financing Activities. Cash flows used in financing activities were $21.0 million for fiscal 2014, as compared to cash flows used in financing activities of $57.4 million for fiscal 2013. The decrease was primarily attributable to lower common stock repurchase activity in fiscal 2014 relative to fiscal 2013, as well as term loan repayments in fiscal 2013. The decrease was further enhanced by the effect of higher stock option exercise activity in fiscal 2014 relative to fiscal 2013 due to more favorable market conditions during fiscal 2014.

Cash flows used in financing activities totaled $57.4 million for fiscal 2013, as compared to cash flows used in financing activities of $10.8 million for fiscal 2012. Cash flows used in financing activities for fiscal 2013 were comprised primarily of $49.9 million of purchases of common stock as part of our stock repurchase program as well as payments on debt and capital

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leases. Cash flows used in financing activities for fiscal 2012 were comprised primarily of payments on debt, partially offset by debt proceeds and proceeds from the exercise of stock options.
On August 13, 2014, the Board of Directors authorized a stock repurchase program under which the Company is authorized to repurchase up to $30.0 million of its common stock in fiscal 2015. The Company expects to complete this program on a relatively consistent basis during fiscal 2015.
On August 19, 2013, the Board of Directors authorized a stock repurchase program under which the Company was authorized to repurchase up to $30.0 million of its common stock in fiscal 2014. During fiscal 2014, the Company repurchased 733,447 shares under this program for $30.0 million, at an average price of $40.90 per share. These shares were recorded as treasury stock.
On October 23, 2012, the Board of Directors authorized a stock repurchase program under which the Company was authorized to repurchase up to $50.0 million of its common stock. During fiscal 2013, the Company repurchased 1,821,698 shares under this program for $49.9 million, at an average price of $27.37 per share. These shares were recorded as treasury stock.
On May 15, 2014, the Company entered into an amendment (the "Amendment") to its credit agreement, dated as of May 15, 2012 (as amended, the "Credit Agreement"), related to its five-year senior unsecured credit facility (the “Credit Facility”). As a result of the Amendment, the Credit Facility, which was formerly a $250.0 million facility consisting of a $160.0 million revolving credit facility and a $90.0 million term loan (balance of $75.0 million as of May 15, 2014), was converted into a $235.0 million revolving credit facility, and its termination date was extended from May 15, 2017 to May 15, 2019. The Credit Facility may potentially be increased by $100.0 million to $335.0 million generally by mutual agreement of the Company and the lenders, subject to certain customary conditions. Quarterly principal repayments on the former term loan of $3.8 million per quarter ended on March 28, 2013. As of September 27, 2014, the Company had $75.0 million of revolving borrowings outstanding under the Credit Facility. During fiscal 2014, the Company borrowed and repaid $281.0 million of revolving borrowings under the Credit Facility.
The financial covenants (as defined under the Credit Agreement) require that the Company maintain, as of each fiscal quarter end, a maximum total leverage ratio and a minimum interest coverage ratio. As of September 27, 2014, the Company was in compliance with all financial covenants of the Credit Agreement. Borrowings under the Credit Facility, at the Company's option, bear interest at a defined base rate or the LIBOR rate plus, in each case, an applicable margin based upon the Company's leverage ratio as defined in the Credit Agreement. Rates would increase upon negative changes in specified Company financial metrics and would decrease to no less than LIBOR plus 1.000% or base rate plus 0.000% upon reduction in the current total leverage ratio. As of September 27, 2014, the Company had a borrowing rate of LIBOR plus 1.125%. As of September 27, 2014, all outstanding debt under the Credit Facility is effectively at a fixed interest rate as a result of the interest rate swap contract discussed in Note 5, "Derivatives and Fair Value Measurements," in Notes to Consolidated Financial Statements. There is no floating rate debt outstanding under the Credit Facility as of September 27, 2014. The Company is required to pay an annual commitment fee on the unused revolver credit commitment based on the Company's leverage ratio; the fee was 0.175% as of September 27, 2014.
The Company also has outstanding 5.20% Senior Notes, due on June 15, 2018 (the "Notes"); $175.0 million principal of the Notes was outstanding as of both September 27, 2014 and September 28, 2013.
The Credit Facility and Note Purchase Agreement allow for the future payment of cash dividends or the future repurchases of shares provided that no event of default (including any failure to comply with a financial covenant) exists at the time of, or would be caused by, the dividend payment or the share repurchases. We have not paid cash dividends in the past and do not currently anticipate paying them in the future. However, we evaluate from time to time potential uses of excess cash, which in the future may include share repurchases above those already authorized, a special dividend or recurring dividends.
Based on current expectations, we believe that our projected cash flows from operations, available cash and cash equivalents, potential borrowings under the Credit Facility, and our leasing capabilities should be sufficient to meet our working capital and fixed capital requirements for the next twelve months and for the foreseeable future. If our future financing needs increase, we may need to arrange additional debt or equity financing. Accordingly, we evaluate

and consider from time to time various financing alternatives to supplement our financial resources. However, particularly due to the current uncertainty of the credit and financial markets, we cannot be assured that we will be able to make any such arrangements on acceptable terms.

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CONTRACTUAL OBLIGATIONS, COMMITMENTS AND OFF-BALANCE SHEET OBLIGATIONS

Our disclosures regarding contractual obligations and commercial commitments are located in various parts of our regulatory filings. Information in the following table provides a summary of our contractual obligations and commercial commitments as of September 27, 2014 (dollars in millions):

	Payments Due by Fiscal Year				
Contractual Obligations	Total	2015	2016-2017	2018-2019	2020 and thereafter
Long-Term Debt Obligations (1,2)	$289.2	$10.3	$20.4	$258.5	$—
Capital Lease Obligations	8.4	4.4	4.0	—	—
Operating Lease Obligations	18.8	7.6	7.3	2.4	1.5
Purchase Obligations (3)	515.5	512.4	2.9	—	0.2
Other Long-Term Liabilities on the Balance Sheet (4)	8.5	0.9	0.6	0.3	6.7
Other Long-Term Liabilities not on the Balance Sheet (5)	3.0	1.0	2.0	—	—
Other financing obligations (6)	$15.7	$1.4	$2.9	$3.1	$8.3
Total Contractual Cash Obligations	$859.1	$538.0	$40.1	$264.3	$16.7

1) Includes amounts outstanding under the Credit Facility. As of September 27, 2014, the outstanding balance was $75.0 million. The amounts listed above include interest; see Note 5 in Notes to Consolidated Financial Statements for further information.

2) Includes $175.0 million in principal amount of Notes issued in fiscal 2011. The amounts listed above include interest; see Note 5 in Notes to Consolidated Financial Statements for further information.

3) As of September 27, 2014, purchase obligations consist of purchases of inventory and equipment in the ordinary course of business.

4) As of September 27, 2014, other long-term obligations on the balance sheet included deferred compensation obligations to certain of our former and current executive officers, as well as other key employees, and an asset retirement obligation. We have excluded from the above table the impact of approximately $2.4 million, as of September 27, 2014, related to unrecognized income tax benefits. The Company cannot make reliable estimates of the future cash flows by period related to this obligation.

5) As of September 27, 2014, other long-term obligations not on the balance sheet consisted of a commitment for salary continuation and certain benefits in the event employment of one executive officer of the Company is terminated without cause. Excluded from the amounts disclosed are certain bonus and incentive compensation amounts, which would be paid on a prorated basis in the year of termination.

6) Includes future minimum payments under the base lease agreement in Guadalajara, Mexico. Excludes $20.3 million of future minimum payments under renewal options from 2025 through 2034. See Note 4 in Notes to Consolidated Financial Statements for further information.

DISCLOSURE ABOUT CRITICAL ACCOUNTING ESTIMATES

Our accounting policies are disclosed in Note 1 of Notes to the Consolidated Financial Statements. During fiscal 2014, there were no material changes to these policies. Our more critical accounting estimates are described below:

Revenue – Net sales from manufacturing services are recognized when the product has been shipped, the risk of ownership has transferred to the customer, the price to the buyer is fixed or determinable, and recoverability is reasonably assured. This point depends on contractual terms and generally occurs upon shipment of the goods from Plexus. Generally, there are no formal customer acceptance requirements or further obligations related to manufacturing services; if such requirements or obligations exist, then a sale is recognized at the time when such requirements are completed and such obligations fulfilled.

Net sales from engineering design and development services, which are generally performed under contracts with durations of twelve months or less, are typically recognized as costs are incurred utilizing the proportional performance model. The completed performance model is used if certain customer acceptance criteria exist. Any losses are recognized when anticipated.

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Sales are recorded net of estimated returns of manufactured product based on management's analysis of historical rates of returns, current economic trends and changes in customer demand. Net sales also include amounts billed to customers for shipping and handling, if applicable. The corresponding shipping and handling costs are included in cost of sales.
Income Taxes - The Company accounts for income taxes in accordance with ASC 740. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company does not currently provide for additional U.S. and foreign income taxes which would become payable upon repatriation of undistributed earnings of certain foreign subsidiaries. The Company maintains valuation allowances when it is more likely than not that all or a portion of a deferred tax asset will not be realized. In determining whether a valuation allowance is required, the Company takes into account such factors as prior earnings history, expected future earnings, carryback and carryforward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset.
Stock-Based Compensation – The Financial Accounting Standard Board ("FASB") requires all share-based payments to employees, including grants of employee stock options, to be measured at fair value and expensed in the consolidated statements of comprehensive income over the service period (generally the vesting period) of the grant. We used the modified prospective application, under which compensation expense is only recognized in the consolidated statements of comprehensive income beginning with the first period that we adopted the FASB regulation and continuing to be expensed thereafter. We use the Black-Scholes valuation model to value stock options and the Monte Carlo valuation model to value performance stock units. See Note 10, "Benefit Plans" in Notes to Consolidated Financial Statements for further information.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 1, "Description of Business and Significant Accounting Policies," in Notes to Consolidated Financial Statements regarding recent accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Currency Risk

We do not use derivative financial instruments for speculative purposes. Our policy is to selectively hedge our foreign currency denominated transactions in a manner that partially offsets the effects of changes in foreign currency exchange rates. We typically use foreign currency contracts to hedge only those currency exposures associated with certain assets and liabilities denominated in non-functional currencies. Corresponding gains and losses on the underlying transaction generally offset the gains and losses on these foreign currency hedges. Our international operations create potential foreign exchange risk.
Our percentages of transactions denominated in currencies other than the U.S. dollar for fiscal 2014, 2013 and 2012 were as follows:

	2014	2013	2012
Net Sales	7%	7%	5%
Total Costs	13%	11%	14%

The Company has evaluated the potential foreign currency exchange rate risk on transactions denominated in currencies other than the U.S. dollar for the periods presented above. Based on the Company's overall currency exposure, as of September 27, 2014, a 10.0 percent change in the value of the U.S. dollar relative to our other transactional currencies would not have a material effect on the Company's financial position, results of operations, or cash flows.

Interest Rate Risk

We have financial instruments, including cash equivalents, which are sensitive to changes in interest rates. We consider the use of interest rate swaps based on existing market conditions and have entered into interest rate swaps for our Credit Facility. For

more information, refer to Note 6, "Derivatives and Fair Value Measurements," in Notes to Consolidated Financial Statements. Interest rate swap agreements are subject to the further risk that the counterparties to these agreements may fail to comply with their obligations thereunder.
The primary objective of our investment activities is to preserve principal, while maximizing yields without significantly increasing market risk. To achieve this, we maintain our portfolio of cash equivalents in a variety of highly rated securities, money market funds and certificates of deposit, and limit the amount of principal exposure to any one issuer.
As of September 27, 2014, our only material interest rate risk is associated with our Credit Facility. Through the use of interest rate swaps, as described above, we fixed the basis on which we pay interest, and the borrowings under the Note Purchase Agreement are based on a fixed interest rate, thus eliminating much of our interest rate risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

PLEXUS CORP.
List of Financial Statements and Financial Statement Schedule
September 27, 2014

Contents	Pages
Report of Independent Registered Public Accounting Firm	37
Consolidated Financial Statements:	
Consolidated Statements of Comprehensive Income for the fiscal years ended September 27, 2014, September 28, 2013 and September 29, 2012	38
Consolidated Balance Sheets as of September 27, 2014 and September 28, 2013	39
Consolidated Statements of Shareholders’ Equity for the fiscal years ended September 27, 2014, September 28, 2013 and September 29, 2012	40
Consolidated Statements of Cash Flows for the fiscal years ended September 27, 2014, September 28, 2013 and September 29, 2012	41
Notes to Consolidated Financial Statements	42
Financial Statement Schedule:	
Schedule II - Valuation and Qualifying Accounts for the fiscal years ended September 27, 2014, September 28, 2013 and September 29, 2012	70

NOTE: All other financial statement schedules are omitted because they are not applicable or the required information is included in the Consolidated Financial Statements or notes thereto.

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Report of Independent Registered Public Accounting Firm
To the Shareholders
and Board of Directors
of Plexus Corp.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Plexus Corp. and its subsidiaries at September 27, 2014 and September 28, 2013, and the results of their operations and their cash flows for each of the three years in the period ended September 27, 2014 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 27, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness 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 the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Milwaukee, WI
November 17, 2014

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PLEXUS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
for the fiscal years ended September 27, 2014, September 28, 2013 and September 29, 2012
(in thousands, except per share data)

	2014	2013	2012
Net sales	$2,378,249	$2,228,031	$2,306,732
Cost of sales	2,152,680	2,014,846	2,086,819
Gross profit	225,569	213,185	219,913
Selling and administrative expenses	113,682	116,562	115,754
Restructuring and impairment charges	11,280	—	—
Operating income	100,607	96,623	104,159
Other income (expense):			
Interest expense	(12,295)	(12,638)	(16,064)
Interest income	2,934	1,640	1,761
Miscellaneous	2,079	(642)	1,375
Income before income taxes	93,325	84,983	91,231
Income tax expense	6,112	2,724	29,142
Net income	$87,213	$82,259	$62,089
Earnings per share:			
Basic	$2.58	$2.40	$1.78
Diluted	$2.52	$2.36	$1.75
Weighted average shares outstanding:			
Basic	33,785	34,330	34,874
Diluted	34,655	34,892	35,529
Comprehensive income:			
Net income	$87,213	$82,259	$62,089
Other comprehensive income:			
Derivative instrument fair value adjustment - net of income tax	1,565	(2,701)	6,821
Foreign currency translation adjustments	(3,220)	6,754	1,234
Other comprehensive (loss) income	(1,655)	4,053	8,055
Total comprehensive income	$85,558	$86,312	$70,144

The accompanying notes are an integral part of these consolidated financial statements.

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PLEXUS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
as of September 27, 2014 and September 28, 2013
(in thousands, except per share data)

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$346,591	$341,865
Accounts receivable, net of allowances of $1,188 and $1,008, respectively	324,072	305,350
Inventories	525,970	404,020
Deferred income tax	6,449	3,917
Prepaid expenses and other	27,757	23,870
Total current assets	1,230,839	1,079,022
Property, plant and equipment, net	334,926	325,061
Deferred income tax	3,675	2,510
Other	39,586	41,091
Total assets	$1,609,026	$1,447,684
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	$4,368	$3,574
Accounts payable	396,363	313,404
Customer deposits	56,155	69,295
Deferred income tax	647	—
Accrued liabilities:		
Salaries and wages	52,043	42,553
Other	37,739	42,550
Total current liabilities	547,315	471,376
Long-term debt and capital lease obligations, net of current portion	262,046	257,773
Deferred income tax	5,191	2,128
Other liabilities	13,341	17,106
Total non-current liabilities	280,578	277,007
Shareholders' equity:		
Preferred stock, $.01 par value, 5,000 shares authorized, none issued or outstanding	—	—
Common stock, $.01 par value, 200,000 shares authorized, 49,962 and 49,176 shares issued, respectively, and 33,653 and 33,600 shares outstanding, respectively	500	492
Additional paid-in capital	475,634	449,368
Common stock held in treasury, at cost, 16,309 and 15,576 shares, respectively	(479,968)	(449,968)
Retained earnings	766,385	679,172
Accumulated other comprehensive income	18,582	20,237

Total shareholders' equity	781,133	699,301
Total liabilities and shareholders' equity	$1,609,026	$1,447,684

The accompanying notes are an integral part of these consolidated financial statements.

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PLEXUS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
for the fiscal years ended September 27, 2014, September 28, 2013 and September 29, 2012
(in thousands)

Common Stock				Accumulated Other
Shares	Amount	Additional Paid-In Capital	Treasury Stock	