PLEXUS CORP
Form 10-Q
February 05, 2009

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

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended January 3, 2009

or

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
Commission File Number 000-14824
PLEXUS CORP.
(Exact name of registrant as specified in charter)

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

55 Jewelers Park Drive
Neenah, Wisconsin 54957-0156
(Address of principal executive offices)(Zip Code)
Telephone Number (920) 722-3451
(Registrant s telephone number, including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

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. (Check one):

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

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

Yes o No þ

As of January 29, 2009, there were 39,361,867 shares of Common Stock of the Company outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended	
	January 3, 2009	December 29, 2007
Net sales	$ 456,109	$ 458,251
Cost of sales	409,559	402,697
Gross profit	46,550	55,554
Operating expenses:		
Selling and administrative expenses	25,269	23,626
Restructuring costs	550	
	25,819	23,626
Operating income	20,731	31,928
Other income (expense):		
Interest expense	(2,930)	(735)
Interest income	931	2,548
Miscellaneous	198	(467)
Income before income taxes	18,930	33,274
Income tax expense	1,892	5,989
Net income	$ 17,038	$ 27,285
Earnings per share:		
Basic	$ 0.43	$ 0.59
Diluted	$ 0.43	$ 0.58
Weighted average shares outstanding:		
Basic	39,337	46,448

Diluted	39,472	47,053
Comprehensive income:		
Net income	$ 17,038	$ 27,285
Derivative instrument fair market value adjustment net of income tax	(4,518)	
Foreign currency translation adjustments	(4,050)	387
Comprehensive income	$ 8,470	$ 27,672

See notes to condensed consolidated financial statements.

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

	January 3, 2009	September 27, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 178,391	$ 165,970
Accounts receivable, net of allowances of $2,700 and $2,500, respectively	225,746	253,496
Inventories	346,219	340,244
Deferred income taxes	16,476	15,517
Prepaid expenses and other	11,397	11,742
Total current assets	778,229	786,969
Property, plant and equipment, net	194,122	179,123
Goodwill	5,742	7,275
Deferred income taxes	10,586	2,620
Other	15,562	16,243
Total assets	$ 1,004,241	$ 992,230
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	$ 17,014	$ 16,694
Accounts payable	243,392	231,638
Customer deposits	28,626	26,863
Accrued liabilities:		
Salaries and wages	26,355	41,086
Other	36,186	31,611
Total current liabilities	351,573	347,892
Long-term debt and capital lease obligations, net of current portion	145,517	154,532
Other liabilities	21,435	15,861
Deferred income taxes		
Commitments and contingencies (Note 13)		
Shareholders equity:		
Preferred stock, $.01 par value, 2,000 shares authorized, none issued or outstanding		

Common stock, $.01 par value, 200,000 shares authorized, 46,807 and 46,772 shares issued, respectively, and 39,361 and 39,326 shares outstanding, respectively	468	468
Additional paid-in capital	356,406	353,105
Common stock held in treasury, at cost, 7,446 shares for both periods	(200,110)	(200,110)
Retained earnings	326,746	309,708
Accumulated other comprehensive income	2,206	10,774
	485,716	473,945
Total liabilities and shareholders equity	$ 1,004,241	$ 992,230

See notes to condensed consolidated financial statements.

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

	Three Months Ended	
	January 3, 2009	December 29, 2007
Cash flows from operating activities		
Net income	$ 17,038	$ 27,285
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	8,101	6,993
Gain on sale of property, plant and equipment	10	
Deferred income taxes	(930)	(149)
Stock based compensation expense	2,810	2,360
Changes in assets and liabilities:		
Accounts receivable	26,253	(18,081)
Inventories	(7,688)	(19,575)
Prepaid expenses and other	925	(1,694)
Accounts payable	11,005	10,335
Customer deposits	2,129	3,993
Accrued liabilities and other	(10,300)	5,169
Cash flows provided by operating activities	49,353	16,636
Cash flows from investing activities		
Payments for property, plant and equipment	(23,494)	(13,635)
Proceeds from sales of property, plant and equipment	66	44
Purchases of short-term investments		(39,100)
Sales and maturities of short-term investments		39,600
Cash flows used in investing activities	(23,428)	(13,091)
Cash flows from financing activities		
Payments on debt and capital lease obligations	(7,888)	(309)
Proceeds from exercise of stock options	480	1,089
Income tax benefit of stock option exercises	11	406
Cash flows (used in) provided by financing activities	(7,397)	1,186
Effect of foreign currency translation on cash and cash equivalents	(6,107)	(293)

Net increase in cash and cash equivalents	12,421	4,438
Cash and cash equivalents:		
Beginning of period	165,970	154,109
End of period	$ 178,391	$ 158,547

See notes to condensed consolidated financial statements.

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PLEXUS CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JANUARY 3, 2009 AND DECEMBER 29, 2007
Unaudited

NOTE 1 BASIS OF PRESENTATION

The condensed consolidated financial statements included herein have been prepared by Plexus Corp. and its subsidiaries (Plexus or the Company) without audit and pursuant to the rules and regulations of the United States Securities and Exchange Commission (SEC). In the opinion of the Company, the condensed consolidated financial statements reflect all adjustments, which include normal recurring adjustments necessary for the fair-statement of the consolidated financial position of the Company as of January 3, 2009, and the results of operations for the three months ended January 3, 2009 and December 29, 2007, and the cash flows for the same three month periods.

Certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted pursuant to the SEC rules and regulations dealing with interim financial statements. However, the Company believes that the disclosures made in the condensed consolidated financial statements included herein are adequate to make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company s 2008 Annual Report on Form 10-K.

The Company s fiscal year ends on the Saturday closest to September 30. The Company also uses a 4-4-5 weekly accounting system for the interim periods in each quarter. Each quarter therefore ends on a Saturday at the end of the 4-4-5 period. Periodically, an additional week must be added to the fiscal year to re-align with the Saturday closest to September 30. Fiscal 2009 includes this additional week and the fiscal year-end will be October 3, 2009. Therefore the accounting year for 2009 will include 371 days. The additional week was added to the first fiscal quarter, ended January 3, 2009, which included 98 days. The accounting period for the three months ended December 29, 2007 included 91 days.

NOTE 2 INVENTORIES

The major classes of inventories are as follows (in thousands):

	January 3, 2009	September 27, 2008
Raw materials	$ 240,418	$ 241,041
Work-in-process	37,363	39,810
Finished goods	68,438	59,393
	$ 346,219	$ 340,244

Per contractual terms, customer deposits are received by the Company to offset obsolete and excess inventory risks.

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

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

	January 3, 2009	September 27, 2008
Land, buildings and improvements	$ 104,999	$ 103,047
Machinery and equipment	206,257	200,001
Computer hardware and software	73,738	71,444
Construction in progress	21,392	11,827

	406,386	386,319
Less: accumulated depreciation and amortization	212,264	207,196
	$ 194,122	$ 179,123

NOTE 4 LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

On April 4, 2008, the Company entered into a second amended and restated credit agreement (the Amended Credit Facility) with a group of banks which allows the Company to borrow $150 million in term loans and $100 million in revolving loans. The $150 million in term loans was immediately funded and the $100 million revolving credit facility is currently available. The Amended Credit Facility is unsecured and the revolving credit facility may be increased by an additional $100 million (the accordion feature) if the Company has not previously terminated all or any portion of the Amended Credit Facility, there is no event of default existing under the Amended Credit Facility and both the Company and the administrative agent consent to the increase. The Amended Credit Facility expires on April 4, 2013. Borrowings under the Amended Credit Facility may be either through term loans or revolving or swing loans or letter of credit obligations. As of January 3, 2009, the Company has term loan borrowings of $138.8 million outstanding and no revolving borrowings under the Amended Credit Facility.

The Amended Credit Facility amended and restated the Company s prior revolving credit facility (Revolving Credit Facility) with a group of banks that allowed the Company to borrow up to $200 million of which $100 million was committed. The Revolving Credit Facility was due to expire on January 12, 2012, and was also unsecured. It also contained other terms and financial conditions, which were substantially similar to those under the Amended Credit Facility.

The Amended Credit Facility contains certain financial covenants, which include a maximum total leverage ratio, maximum value of fixed rentals and operating lease obligations, a minimum interest coverage ratio and a minimum net worth test, all as defined in the agreement. As of January 3, 2009, the Company was in compliance with all debt covenants. If the Company incurs an event of default, as defined in the Amended Credit Facility (including any failure to comply with a financial covenant), the group of banks has the right to terminate the remaining Revolving Credit Facility and all other obligations, and demand immediate repayment of all outstanding sums (principal and accrued interest). Interest on borrowing varies depending upon the Company s then-current total leverage ratio; as of January 3, 2009, the Company could elect to pay interest at a defined base rate or the LIBOR rate plus 1.25%. Rates would increase upon negative changes in specified Company financial metrics and would decrease upon reduction in the current total leverage ratio to no less than LIBOR plus 1.00%. The Company is also required to pay an annual commitment fee on the unused credit commitment based on its leverage ratio; the current fee is 0.30 percent. Unless the accordion feature is exercised, this fee applies only to the initial $100 million of availability (excluding the $150 million of term borrowings). Origination fees and expenses associated with the Amended Credit Facility totaled approximately $1.3 million and have been deferred. These origination fees and expenses will be amortized over the five-year term of the Amended Credit Facility. Equal quarterly principal repayments of the term loan of $3.75 million per quarter began June 30, 2008 and end on April 4, 2013 with a balloon repayment of $75.0 million.

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

Interest expense related to the commitment fee and amortization of deferred origination fees and expenses for the Amended Credit Facility totaled approximately $0.2 million for the three months ended January 3, 2009 and $0.1 million for the Revolving Credit Facility for the three months ended December 29, 2007.

NOTE 5 DERIVATIVES

All derivatives are recognized in the Condensed Consolidated Balance Sheets at their estimated fair value. On the date a derivative contract is entered into, the Company designates the derivative as a hedge of a recognized asset or liability (a fair value hedge), a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (a cash flow hedge), or a hedge of the net investment in a foreign operation. The Company does not enter into derivatives for speculative purposes. Changes in the fair value of a derivative that qualify as a fair value hedge are recorded in earnings along with the gain or loss on the hedged asset or liability. Changes in the fair value of a derivative that qualifies as a cash flow hedge are recorded in Accumulated other comprehensive income in the Condensed Consolidated Balance Sheets until earnings are affected by the variability of cash flows. Changes in the fair value of a derivative used to hedge the net investment in a foreign operation are recorded in the Accumulated other comprehensive income account within shareholders equity.

In June 2008, the Company entered into three interest rate swap contracts related to the $150 million in term loans under the Amended Credit Facility that have a total notional value of $150 million and mature on April 4, 2013. These interest rate swap contracts will pay the Company variable interest at the three month LIBOR rate, and the Company will pay the counterparties a fixed interest rate. The fixed interest rates for each of these contracts are 4.415%, 4.490% and 4.435%, respectively. These interest rate swap contracts were entered into to convert $150 million of the variable rate term loan under the Amended Credit Facility into fixed rate debt. Based on the terms of the interest rate swap contracts and the underlying debt, these interest rate contracts were determined to be effective, and thus qualify as a cash flow hedge. As such, any changes in the fair value of these interest rate swaps are recorded in Accumulated other comprehensive income on the Consolidated Balance Sheets until earnings are affected by the variability of cash flows. The total fair value of these interest rate swap contracts is $10.7 million at January 3, 2009, and the Company has recorded this in Other current liabilities and Other liabilities in the accompanying Condensed Consolidated Balance Sheets. The fair value reflects the amount that would be paid to transfer the liabilities in an orderly transaction between market participants at the measurement date (the exit price). The fair value was determined based on data provided by the counterparties (level 2 input). The change in fair value for the current period was an increase of approximately $7.8 million to the liability.

NOTE 6 EARNINGS PER SHARE

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

	Three Months Ended	
	January 3, 2009	December 29, 2007
Basic and Diluted Earnings Per Share:		
Net income	$ 17,038	$ 27,285
Basic weighted average common shares outstanding	39,337	46,448
Dilutive effect of stock options	135	605
Diluted weighted average shares outstanding	39,472	47,053
Earnings per share:		
Basic	$ 0.43	$ 0.59
Diluted	$ 0.43	$ 0.58

For the three months ended January 3, 2009 and December 29, 2007, stock-based awards to purchase approximately 2.7 million and 1.5 million shares of common stock, respectively, were outstanding but not included in the computation of diluted earnings per share because the stock-based awards exercise prices were greater than the average market price of the common shares and therefore their effect would be anti-dilutive.

NOTE 7 STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation in accordance with Statement of Financial Accounting Standards No. 123 (R), Share-Based Payment: An Amendment of Financial Accounting Standards Board Statements No. 123 and 95 (SFAS No. 123(R)). The Company recognized $2.8 million and $2.4 million of compensation expense associated with stock-based awards for the three months ended January 3, 2009 and December 29, 2007, respectively.

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

NOTE 8 SHAREHOLDERS EQUITY

In February, 2008, the Company s board of directors approved, and the Company commenced, a share repurchase program authorizing the Company to repurchase up to $200 million of common stock. Through a combination of two accelerated stock repurchase agreements and open market purchases, from February 2008 to July of 2008, the Company repurchased a total of 7.4 million shares at a volume-weighted average price of $26.87 per share, for a total equal to the authorized $200 million.

As of August 28, 2008, the Company declared a dividend of one preferred share purchase right (a Right) for each outstanding share of common stock, par value $0.01 per share, of the Company. The dividend was payable on September 26, 2008 to the shareholders of record upon the close of business on September 12, 2008. Each Right entitled the registered holder to purchase from the Company one one-hundredth of a share of Series B Junior Participating Preferred Stock, $0.01 par value per share (Preferred Share), of the Company, at a price of $125.00 per one one-hundredth of a Preferred Share, subject to adjustment. The Rights will expire on August 28, 2018, subject to extension. This was the renewal of a similar plan that expired on August 12, 2008.

NOTE 9 INCOME TAXES

Income taxes for the three months ended January 3, 2009 and December 29, 2007 were $1.9 million and $6.0 million, respectively. The effective tax rates for the three months ended January 3, 2009 and December 29, 2007 were 10 percent and 18 percent, respectively. The decrease in the effective tax rate for the current year period compared to the prior year period was primarily due to an increase in the proportion of the Company s projected fiscal 2009 pre-tax income in Malaysia and China, where the Company benefits from tax holidays.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. Upon adoption, total accrued penalties and net accrued interest with respect to income taxes was approximately $0.1 million and has not changed materially subsequent to adoption.

As of January 3, 2009, there were no material changes to the liability imposed by Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109 (FIN 48), including interest and penalties. See Note 6 to the Consolidated Financial Statements in the Annual Report on Form 10-K for the fiscal year ended September 27, 2008 for more detailed information regarding unrecognized tax benefits.

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

NOTE 10 GOODWILL AND OTHER INTANGIBLE ASSETS

The Company no longer amortizes goodwill and intangible assets with indefinite useful lives, but instead, the Company tests those assets for impairment at least annually, and recognizes any related losses when incurred. Recoverability of goodwill is measured at the reporting unit level.

The Company is required to perform goodwill impairment tests at least on an annual basis. The Company has selected the third quarter of each fiscal year, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. No assurances can be given that future impairment tests of the Company s remaining goodwill will not result in additional impairment.

The changes in the carrying amount of goodwill for fiscal 2008 and for the three months ended January 3, 2009 for the European reportable segment were as follows (in thousands):

	Europe
Balance as of September 29, 2007	$ 8,062
Foreign currency translation adjustment	(787)
Balance as of September 27, 2008	7,275
Foreign currency translation adjustment	(1,533)
Balance as of January 3, 2009	$ 5,742

NOTE 11 BUSINESS SEGMENT, GEOGRAPHIC AND MAJOR CUSTOMER INFORMATION

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

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

Information about the Company s four reportable segments for the three months ended January 3, 2009 and December 29, 2007 were as follows (in thousands):

	Three Months Ended	
	January 3, 2009	December 29, 2007
Net sales:		
United States	$ 294,702	$ 334,354
Asia	160,071	115,354
Europe	12,608	18,287
Mexico	21,752	16,078
Elimination of inter-segment sales	(33,024)	(25,822)
	$ 456,109	$ 458,251

	Three Months Ended January 3, 2009	Three Months Ended December 29, 2007
Depreciation and amortization:		
United States	$ 2,456	$ 2,201
Asia	3,610	2,800
Europe	192	210
Mexico	559	450
Corporate	1,284	1,332
	$ 8,101	$ 6,993
Operating income (loss):		
United States	$ 21,733	$ 37,498
Asia	18,187	11,701
Europe	1,017	2,024
Mexico	(722)	(395)
Corporate and other costs	(19,484)	(18,900)
	$ 20,731	$ 31,928
Capital expenditures:		
United States	$ 5,089	$ 4,712
Asia	8,403	8,004
Europe	194	314
Mexico	411	25
Corporate	9,397	580
	$ 23,494	$ 13,635

	January 3, 2009	September 27, 2008
Total assets:		
United States	$ 402,072	$ 418,534
Asia	317,764	304,252
Europe	83,460	97,874
Mexico	46,099	41,671
Corporate	154,846	129,899

	$ 1,004,241	$ 992,230

The following enterprise-wide information is provided in accordance with SFAS No. 131. Sales to unaffiliated customers are ascribed to a geographic region based on the Company s location providing product or services (in thousands):

	Three Months Ended	
	January 3, 2009	December 29, 2007
Net sales:		
United States	$ 294,702	$ 334,354
Malaysia	135,285	96,919
China	24,786	18,435
United Kingdom	12,608	18,287
Mexico	21,752	16,078
Elimination of inter-segment sales	(33,024)	(25,822)
	$ 456,109	$ 458,251

	January 3, 2009	September 27, 2008
Long-lived assets:		
United States	$ 48,909	$ 38,900
Malaysia	73,823	71,369
China	15,140	10,398
United Kingdom	12,063	15,238
Mexico	6,963	7,111
Corporate	42,966	43,382
	$ 199,864	$ 186,398

Long-lived assets as of January 3, 2009 and September 27, 2008 exclude other long-term assets totaling $26.1 million and $18.9 million, respectively.

Restructuring and impairment costs are not allocated to reportable segments, as management excludes such costs when assessing the performance of the reportable segments. Such costs are included within the Corporate and other costs section in the above operating income (loss) table. For the three months ended January 3, 2009, the Company incurred $0.6 million of restructuring costs related to severance at the Juarez, Mexico (Juarez) facility.

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

	Three Months Ended	
	January 3, 2009	December 29, 2007
Juniper Networks, Inc.	18%	19%
Defense customer	*	12%

* Represents less than 10 percent of total net sales

No other customers accounted for 10 percent or more of net sales in either period.

NOTE 12 GUARANTEES

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

In the normal course of business, the Company also provides its customers a limited warranty covering workmanship, and in some cases materials, on products manufactured by the Company. Such warranty generally provides that products will be free from defects in the Company s workmanship and meet mutually agreed-upon specifications for periods generally ranging from 12 months to 24 months. If a product fails to comply with the

Company s limited warranty, the Company s obligation is generally limited to correcting, at its expense, any defect by repairing or replacing such defective product. The Company s warranty generally excludes defects resulting from faulty customer-supplied components, customer design defects or damage caused by any party or cause other than the Company.

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

Below is a table summarizing the activity related to the Company s limited warranty liability for fiscal 2008 and for the three months ended January 3, 2009 (in thousands):

Limited warranty liability, as of September 29, 2007	$ 5,043
Accruals for warranties issued during the period	350
Settlements (in cash or in kind) during the period	(1,341)
Limited warranty liability, as of September 27, 2008	4,052
Accruals for warranties issued during the period	281
Settlements (in cash or in kind) during the period	(50)
Limited warranty liability, as of January 3, 2009	$ 4,283

NOTE 13 CONTINGENCIES

Two securities class action lawsuits were filed in the United States District Court for the Eastern District of Wisconsin on June 25 and June 29, 2007, against the Company and certain Company officers and/or directors. On November 7, 2007, the two actions were consolidated, and a consolidated class action complaint was filed on February 1, 2008. The consolidated complaint names the Company and the following individuals as defendants: Dean A. Foate, President, Chief Executive Officer and a Director of the Company; F. Gordon Bitter, the Company s former Senior Vice President and Chief Financial Officer; and Paul Ehlers, the Company s former Executive Vice President and Chief Operating Officer. The consolidated complaint alleges securities law violations and seeks unspecified damages relating generally to the Company s statements regarding its defense sector business in early calendar 2006. On April 15, 2008, the Company and the individual defendants filed a motion to dismiss the consolidated class action complaint. The plaintiff is opposing the dismissal. The briefing on the defendants motion has been completed; however, the Court has not yet held a hearing or ruled on the motion.

The Company believes the allegations in the consolidated complaint are wholly without merit and it intends to vigorously defend against them. Since these matters are in the preliminary stages, the Company is unable to predict the scope or outcome or quantify their eventual impact, if any, on the Company. At this time, the Company is also unable to estimate associated expenses or possible losses. The Company maintains insurance that may reduce its financial exposure for defense costs and liability for an unfavorable outcome, should it not prevail.

The Company is party to certain lawsuits in the ordinary course of business. Management does not believe that these proceedings, individually or in the aggregate, will have a material adverse effect on the Company s consolidated financial position, results of operations or cash flows. Due to their immateriality, all expenses associated with these lawsuits are expensed as incurred.

NOTE 14 RESTRUCTURING COSTS

Fiscal 2009 restructuring costs: For the three months ended January 3, 2009, the Company incurred restructuring costs of $0.6 million related to the reduction of our workforce in Juarez. The workforce reduction affected approximately 280 employees.

Fiscal 2008 restructuring costs: For the three months ended December 29, 2007, the Company did not incur any restructuring costs.

The table below summarizes the Company s accrued restructuring liabilities as of January 3, 2009 (in thousands):

		Employee Termination and Severance Costs
Accrued balance, September 29, 2007	$	989
Restructuring costs		2,350
Adjustments to provisions		(231)
Amounts utilized		(1,070)
Accrued balance, September 27, 2008		2,038
Restructuring costs		550
Amounts utilized		(75)
Accrued balance, January 3, 2009	$	2,513

We expect to pay the remaining accrued restructuring liabilities in the next twelve months.

NOTE 15 SUBSEQUENT EVENT

The Company has had further reductions in workforce, which will result in restructuring costs of approximately $0.5 million in the second quarter of fiscal 2009, and we expect will reduce selling and administrative expenses in future periods.

NOTE 16 NEW ACCOUNTING PRONOUNCEMENTS

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, Business Combinations (SFAS No. 141R). SFAS No. 141R states that all business combinations (whether full, partial or step acquisitions) will result in all assets and liabilities of an acquired business being recorded at their fair values. Certain forms of contingent consideration and certain acquired contingencies will be recorded at fair value at the acquisition date. SFAS No. 141R also states acquisition costs will generally be expensed as incurred and restructuring costs will be expensed in periods after the acquisition date. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2008.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS No. 157). This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value. SFAS No. 157 also expands financial statement disclosures about fair value measurements. On February 12, 2008, the FASB issued FASB Staff Position (FSP) 157-2 (FSP 157-2), which delays the effective date of SFAS No. 157 for one year for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS No. 157 and FSP 157-2 are effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company adopted SFAS 157 on September 28, 2008, as required, with no effect on the measurement of the Company s financial assets and financial liabilities or on its consolidated results of operations, financial position or cash flows. The Company s only financial asset and financial liability to which this standard applied during the three months ended January 3, 2009, was a floating-to-fixed interest rate swap that matures on April 4, 2013. We are continuing to evaluate the impact the standard will have on the determination of fair value related to non-financial assets and non-financial liabilities in the future.

In February 2007, the FASB issued Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 (SFAS No. 159). This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. The fair value option permits a company to choose to measure eligible items at specified election dates. A company will report unrealized gains and losses on items for which the fair value option has been elected in earnings after adoption. The standard was effective for the Company on September 28, 2008 and, as permitted, the Company has not elected the fair value option for its financial assets and financial liabilities.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements an amendment to ARB No. 51 (SFAS 160). SFAS No. 160 will change the accounting and reporting for minority interests, which will now be termed non-controlling interests. SFAS No. 160 requires non-controlling interests to be presented as a separate component of equity and requires the amount of net income attributable to the parent and to the non-controlling interest to be separately identified on the consolidated statement of operations. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The Company is currently assessing the impact of SFAS No. 160 on its consolidated results of operations, financial position and cash flows.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (SFAS No. 161). This statement changes the disclosure requirements for derivative instruments and hedging activities. SFAS No. 161 requires enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133), and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently assessing the impact of SFAS No. 161 on its consolidated results of operations, financial position and cash flows.

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

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

The statements contained in this Form 10-Q that are not historical facts (such as statements in the future tense and statements including believe, expect, intend, plan, anticipate, goal, target and similar terms and concepts, i discussions of periods which are not yet completed) are forward-looking statements that involve risks and uncertainties, including, but not limited to:

- the economic performance of the electronics, technology and defense industries
- the risk of customer delays, changes or cancellations in both ongoing and new programs
- the poor visibility of future orders, particularly in view of current economic conditions
- the effects of the volume of revenue from certain sectors or programs on our margins in particular periods
- the increasing weakness of the global economy and the continuing instability of the global financial markets and banking system, including the potential inability of Plexus or our customers or suppliers to access cash investments and credit facilities
- our ability to secure new customers, maintain our current customer base and deliver product on a timely basis
- the risks relative to a new confidential mechatronics program in the Industrial/Commercial sector, including customer delays, start-up costs, our potential inability to execute and lack of a track record of order volume and timing
- the risks of concentration of work for certain customers
- material cost fluctuations and the adequate availability of components and related parts for production
- the effect of changes in average selling prices
- the effect of start-up costs of new programs and facilities, including our recent and planned expansions
- the adequacy of restructuring and similar charges as compared to actual expenses, including the announced closure of our Ayer, Massachusetts facility and workforce reductions at our Juarez, Mexico facility
- the degree of success and the costs of efforts to improve the financial performance of our Mexican operations
- possible unexpected costs and operating disruption in transitioning programs
- the costs and inherent uncertainties of pending litigation
- the potential effect of world or local events (such as changes in oil prices, terrorism, drug cartel-related violence in Juarez, Mexico and war in the Middle East)
- the impact of increased competition and

other risks detailed below, in Risk Factors , otherwise herein, and in our Securities and Exchange Commission filings.

OVERVIEW

The following information should be read in conjunction with our condensed consolidated financial statements included herein and the Risk Factors section in Item 1A located in Part II Other Information.

Plexus Corp. and its subsidiaries (together Plexus, the Company, or we) participate in the Electronic Manufacturing Services (EMS) industry. We provide product realization services to original equipment manufacturers (OEMs) and other technology companies in the wireline/networking, wireless infrastructure, medical, industrial/commercial and defense/security/aerospace market sectors. We provide advanced electronics design, manufacturing and testing services to our customers with a focus on the mid-to-lower-volume, higher-mix segment of the EMS market. Our customers products typically require exceptional production and supply-chain flexibility, necessitating an optimized demand-pull-based manufacturing and supply chain solution across an integrated global platform. Many of our customers products require complex configuration management and direct

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order fulfillment to their customers across the globe. In such cases we provide global logistics management and after-market service and repair. Our customers products may have stringent requirements for quality, reliability and regulatory compliance. We offer our customers the ability to outsource all phases of product realization, including product specifications; development, design and design validation; regulatory compliance support; prototyping and new product introduction; manufacturing test equipment development; materials sourcing, procurement and supply-chain management; product assembly/manufacturing, configuration and test; order fulfillment, logistics and service/repair.

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

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

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

Our customers include both industry-leading OEMs and other technology companies that have never manufactured products internally. As a result of our focus on serving market sectors that rely on advanced electronics technology, our business is influenced by technological trends such as the level and rate of development of telecommunications infrastructure, the expansion of networks and use of the Internet. In addition, the federal Food and Drug Administration s approval of new medical devices, defense procurement practices and other governmental approval and regulatory processes can affect our business. Our business has also benefited from the trend to increased outsourcing by OEMs.

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

EXECUTIVE SUMMARY

As a consequence of the Company s use of a 4-4-5 weekly accounting system, periodically an additional week must be added to the fiscal year to re-align with a fiscal year end at the Saturday closest to September 30. In fiscal 2009, this requires an additional week, which was added to the first fiscal quarter. Therefore, the comparisons between the first quarters of fiscal 2009 and fiscal 2008 reflect that the first quarter of fiscal 2009 included 98 days while the first quarter in fiscal 2008 included 91 days.

Three months ended January 3, 2009. Net sales for the three months ended January 3, 2009 decreased by $2.2 million, or 0.5 percent, as compared to the three months ended December 29, 2007 to $456.1 million. The net sales decline in the current year period was driven by decreased demand from several existing customers, in particular due to weakened demand from an unnamed defense customer compared to the prior year period. Although the current period included seven additional days, we received no material revenue benefit due to the timing of the holiday season.

Gross margins were 10.2 percent for the three months ended January 3, 2009, which compared unfavorably to 12.1 percent for the three months ended December 29, 2007. Gross margins in the current year period declined as a result of the reduced net sales as well as changes in customer mix.

Selling and administrative expenses for the three months ended January 3, 2009 were $25.3 million, an increase of $1.7 million, or 7.2 percent, over the three months ended December 29, 2007. The current year period, which had one additional week, had increased salaries and benefits, reflecting additional headcount, annual wage increases, and additional compensation expense for stock-based compensation. The current quarter also included additional expenses related to expansions in our Asian facilities to support our continued growth and enhance our manufacturing capacity in this region.

Net income for the three months ended January 3, 2009 decreased to $17.0 million, or 37.7 percent, from $27.3 million for the three months ended December 29, 2007, and diluted earnings per share decreased to $0.43 in the current year period from $0.58 in the prior year period. Net income decreased from the prior year period due to lower gross margins and higher selling and administrative expenses related to salaries and benefits as described above, partially offset by a lower effective tax rate in the current year period. The effective tax rate in the current year period was 10 percent versus an 18 percent effective tax rate in the prior year period. The decrease in the effective tax rate from the prior year period was due to an increase in the proportion of our projected fiscal 2009 pre-tax income in Malaysia and China (where we currently benefit from reduced rates due to tax holidays) when compared to fiscal 2008 pre-tax income.

We currently expect the annual effective tax rate for fiscal 2009 to be approximately 10 percent, which is 5 percent lower than we originally anticipated due to a decrease in expected U.S. pre-tax income for fiscal 2009.

Fiscal 2009 outlook. Our financial goals for fiscal 2009 are to build on the prior year s achievements and to continue to focus on attaining organic net sales growth while maintaining our ROIC above our estimated WACC. Given the current macroeconomic environment and our uncertainty in longer range customer forecasts, we are continuing to refrain from providing full year fiscal 2009 revenue targets until forecasts begin to stabilize and visibility improves.

We currently expect net sales in the second quarter of fiscal 2009 to be in the range of $375 million to $405 million; however, our results will ultimately depend upon the actual level of customer orders and production, which could vary, and may be affected further by the weakened economy. Assuming that net sales are in the range noted above, we would currently expect to earn, before any restructuring and impairment costs, between $0.17 to $0.24 per diluted share in the second quarter of fiscal 2009.

REPORTABLE SEGMENTS

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

	Three Months Ended	
	January 3, 2009	December 29, 2007
Net sales:		
United States	$ 294.7	$ 334.4
Asia	160.1	115.3
Europe	12.6	18.3

Mexico	21.7	16.1
Elimination of inter-segment sales	(33.0)	(25.8)
	$ 456.1	$ 458.3

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	Three Months Ended January 3, 2009	Three Months Ended December 29, 2007
Operating income (loss):		
United States	$ 21.7	$ 37.5
Asia	18.2	11.7
Europe	1.0	2.0
Mexico	(0.7)	(0.4)
Corporate and other costs	(19.5)	(18.9)
	$ 20.7	$ 31.9

United States: Net sales for the current year period decreased due primarily to reduced demand from several customers, including our unnamed defense customer and Juniper Networks, Inc. (Juniper), offset by smaller increases from several customers in the wireline/networking and medical sectors. Our net sales to the unnamed defense customer decreased $43.8 million over the prior year period to approximately $12.4 million in the current year period. In addition, net sales to our largest customer, Juniper, decreased by 12 percent over the prior year period. Operating income for the current year period decreased primarily as a result of lower revenues from the customers noted above and changes in customer mix.

Asia: Net sales growth for the current year period reflected increased net sales to several customers with the most significant customer growth coming from one customer in the wireline/networking sector. Operating income in the current year period improved as a result of the net sales growth.

Europe: Net sales in the current year period decreased due primarily to reduced demand from a customer program in the industrial/commercial sector. Operating income in the current year period decreased as a result of the net sales decrease as well as changes in customer mix.

Mexico: Net sales growth for the current year period was primarily driven by a new wireline/networking customer and increased demand for an industrial/commercial customer program. Operating loss for the current year period increased slightly due to reduced sales volume in the current year period and also the effect of a reserve release in the prior year period.

For our significant customers, we generally manufacture product in more than one location. Net sales to Juniper, our largest customer, occur in the United States and Asia. Net sales to our unnamed defense customer occur entirely in the United States. See Note 11 in Notes to Condensed Consolidated Financial Statements for certain financial information regarding our reportable segments, including a detail of net sales by reportable segment.

RESULTS OF OPERATIONS

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

	Three months ended January 3, 2009	Three months ended December 29, 2007	Increase	
Net Sales	$456.1	$ 458.3	$(2.2)	(0.5)%

Our net sales decrease of 0.5 percent reflected decreased demand in the defense/security/aerospace and industrial/commercial sectors. Demand from Juniper and the unnamed defense customer decreased in comparison

to the prior year period, as noted above. This was offset by favorable impacts mainly in the wireline/networking and medical sectors.

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

	Three months ended	
Market Sector	January 3, 2009	December 29, 2007
Wireline/Networking	44%	38%
Wireless Infrastructure	10%	9%
Medical	24%	21%
Industrial/Commercial	13%	15%
Defense/Security/Aerospace	9%	17%

The percentages of net sales to customers representing 10 percent or more of net sales and net sales to our ten largest customers for the three months ended January 3, 2009 and December 29, 2007 were as follows:

	Three months ended	
	January 3, 2009	December 29, 2007
Juniper	18%	19%
Defense customer	*	12%
Top 10 customers	61%	63%

* Represents less than 10 percent of total net sales

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

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

	Three months ended			
	January 3, 2009	December 29, 2007	Increase	
Gross Profit	$46.6	$ 55.6	$(9.0)	(16.2)%
Gross Margin	10.2%	12.1%		

For the three months ended January 3, 2009, gross profit and gross margin were affected primarily by decreased net sales in the U.S. and European reportable segments, along with unfavorable changes in customer mix, including the unnamed defense program, and increased fixed expenses related to salaries and benefits as a result of annual wage increases and an additional week in the current quarter.

Gross margins reflect a number of factors that can vary from period to period, including product and service mix, the level of new facility start-up costs, inefficiencies resulting from the transition of new programs, product life cycles, sales volumes, price reductions, overall capacity utilization, labor costs and efficiencies, the management of inventories, component pricing and shortages, the mix of turnkey and consignment business, fluctuations and timing of customer orders, changing demand for our customers products and competition within the electronics industry. Additionally, turnkey manufacturing involves the risk of inventory management, and a change in component costs can directly impact average selling prices, gross margins and net sales. Although we focus on maintaining gross margins, there can be no assurance that gross margins will not decrease in future periods.

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

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

	Three months ended			
	January 3, 2009	December 29, 2007	Increase	
S&A	$25.3	$ 23.6	$1.7	7.2%
Percent of net sales	5.5%	5.2%		

For the three months ended January 3, 2009, the dollar increase in S&A was due primarily to increased salaries and benefits, which reflects an additional week in the current quarter, additional employees, annual wage increases, and increased compensation costs related to stock-based compensation. Also, additional expenses were incurred related to multiple expansions occurring in Asia to support our continued growth, including work to begin full utilization of our third facility in Penang, Malaysia and our new facility in Hangzhou, China.

Restructuring Actions. During the three months ended January 3, 2009, we incurred restructuring charges of $0.6 million related to severance at our Juarez, Mexico facility. During the three months ended December 29, 2007, we did not incur any restructuring charges.

As of January 3, 2009, we have remaining restructuring liability of approximately $2.5 million, which is expected to be paid within the next twelve months. See Note 14 in Notes to the Condensed Consolidated Financial Statements for further information on restructuring costs.

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

	Three months ended	
	January 3, 2009	December 29, 2007
Income tax expense	$1.9	$ 6.0
Effective tax rate	10%	18%

The decrease in the effective tax rate for the three months ended January 3, 2009 compared to the three months ended December 29, 2007 was due to an increase in our projected fiscal 2009 pre-tax income in Malaysia and China, where we currently benefit from tax holidays, when compared to fiscal 2008 pre-tax income.

We currently expect the annual effective tax rate for fiscal 2009 to be approximately 10 percent, which is 5 percent lower than we originally anticipated due to a decrease in expected U.S. pre-tax income for fiscal 2009.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities. Cash flows provided by operating activities were $49.4 million for the three months ended January 3, 2009, compared to cash flows provided by operating activities of $16.6 million for the three months ended December 29, 2007. During the three months ended January 3, 2009, cash flows provided by operating activities were primarily generated by earnings after adjusting for the non-cash effects of depreciation, amortization and stock-based compensation expenses, increased accounts payable and decreased accounts receivable. These positive cash flow effects were offset, in part, by increased inventories.

As of January 3, 2009, days sales outstanding in accounts receivable for the current year period were 45 days which compared favorably to the 50 days sales outstanding for fiscal 2008.

Our inventory turns decreased to 4.7 turns for the three months ended January 3, 2009, from 5.3 turns for fiscal year ended September 27, 2008. Inventories increased $6.0 million during the three months ended January 3, 2009, primarily as a result of increased finished goods to enhance flexibility and support inventory models, such as Direct Order Fulfillment (DOF), for various customers.

Investing Activities. Cash flows used in investing activities totaled $23.4 million for the three months ended January 3, 2009, and were primarily for additions to property, plant and equipment in the United States and Asia as we expand in those regions. See Note 11 in Notes to the Condensed Consolidated Financial Statements for further information regarding our first quarter of fiscal 2009 capital expenditures by reportable segment.

We utilize available cash as the primary means of financing our operating requirements. We currently estimate capital expenditures for fiscal 2009 to be in the range of $70 million to $75 million, of which $23.5 million of expenditures were made during the first quarter of fiscal 2009.

Financing Activities. Cash flows used in financing activities totaled $7.4 million for the three months ended January 3, 2009, which primarily represented payments on our outstanding term loan described below.

On February 25, 2008, Plexus adopted a common stock buyback program that permitted it to acquire shares of its common stock for an amount up to $200 million. The authorized stock repurchase program consisted of a $100 million accelerated stock repurchase (ASR) program and an additional $100 million of open market purchases. In July 2008, the Company completed the $200 million share repurchase program with a total purchase of 7.4 million shares at a volume-weighted average price of $26.87 per share.

On April 4, 2008, we entered into a second amended and restated credit agreement (the Amended Credit Facility) with a group of banks which allows us to borrow $150 million in term loans and $100 million in revolving loans. The $150 million in term loans was immediately funded and the $100 million revolving credit facility is currently available. The Amended Credit Facility is unsecured and may be increased by an additional $100 million (the accordion feature) if we have not previously terminated all or any portion of the Amended Credit Facility, there is no event of default existing under the credit agreement and both we and the administrative agent consent to the increase. The Amended Credit Facility expires on April 4, 2013. Borrowings under the Amended Credit Facility may be either through term loans, revolving or swing loans or letter of credit obligations. As of January 3, 2009, we had term loan borrowings of $138.8 million outstanding and no revolving borrowings under the Amended Credit Facility.

The Amended Credit Facility amended and restated our prior revolving credit facility (Revolving Credit Facility) with a group of banks that allowed us to borrow up to $200 million of which $100 million was committed. The Revolving Credit Facility was due to expire on January 12, 2012 and was also unsecured. It also contained other terms and financial conditions, which were substantially similar to those under the Amended Credit Facility.

The Amended Credit Facility contains certain financial covenants, which include a maximum total leverage ratio, maximum value of fixed rentals and operating lease obligations, a minimum interest coverage ratio and a minimum net worth test, all as defined in the agreement. As of January 3, 2009, we were in compliance with all debt covenants. If we incur an event of default, as defined in the Amended Credit Facility (including any failure to comply with a financial covenant), the group of banks has the right to terminate the remaining Revolving Credit Facility and all other obligations, and demand immediate repayment of all outstanding sums (principal and accrued interest). Interest on borrowing varies depending upon our then-current total leverage ratio; as of January 3, 2009, the Company could elect to pay interest at a defined base rate or the LIBOR rate plus 1.25%. Rates would increase upon negative changes in specified Company financial metrics and would decrease upon reduction in the current total leverage ratio to no less than LIBOR plus 1.00%. We are also required to pay an annual commitment fee on the unused credit commitment based on our leverage ratio; the current fee is 0.30 percent. Unless the accordion feature is exercised, this fee applies only to the initial $100 million of availability (excluding the $150 million of term borrowings). Origination fees and expenses associated with the Amended Credit Facility totaled approximately $1.3 million and have been deferred. These origination fees and expenses will be amortized over the five-year term of the Amended Credit Facility. Quarterly principal repayments on the term loan of $3.75 million each began June 30, 2008, and end on April 4, 2013, with a final balloon repayment of $75.0 million.

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

As of January 3, 2009, we held $2.0 million of auction rate securities, which were classified as long-term investments and whose underlying assets were in guaranteed student loans backed by a U. S. government agency. Auction rate securities are adjustable rate debt instruments whose interest rates are reset every 7 to 35 days through an auction process, with underlying securities that have original contractual maturities greater than 10 years. Auctions for these investments failed during fiscal 2008 and the first quarter of fiscal 2009 and there is no assurance that future auctions on these securities will succeed.

An auction failure means that the parties wishing to sell their securities could not do so. As a result, our ability to liquidate and fully recover the carrying value of our adjustable rate securities in the near term may be limited or not exist. These developments have resulted in the classification of these securities as long-term investments in our consolidated financial statements. If the issuers of these adjustable rate securities are unable to successfully close future auctions or their credit quality deteriorates, we may in the future be required to record an impairment charge on these investments. We may be required to wait until market stability is restored for these instruments or until the final maturity of the underlying notes to realize our investments recorded value.

Based on current expectations, we believe that our projected cash flows from operations, available cash and short-term investments, the Amended Credit Facility, and our leasing capabilities should be sufficient to meet our working capital and fixed capital requirements. We currently do not anticipate having to use our Amended Credit Facility to satisfy any of our cash needs. 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 instability of the credit and financial markets, we cannot be certain that we will be able to make any such arrangements on acceptable terms.

We have not paid cash dividends in the past and do not anticipate paying them in the foreseeable future.

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 January 3, 2009 (dollars in millions):

	Payments Due by Fiscal Period				
Contractual Obligations	Total	Remaining in 2009	2010-2011	2012-2013	2014 and thereafter
Long-Term Debt Obligations (1)	$ 138.8	$ 7.5	$ 30.0	$ 101.3	$
Capital Lease Obligations	34.7	3.2	7.9	8.4	15.2
Operating Lease Obligations	41.4	7.9	13.4	10.7	9.4
Purchase Obligations (2)	196.7	194.9	1.8		
Other Long-Term Liabilities on the Balance Sheet (3)	9.0	3.4	2.0	0.1	3.5
Other Long-Term Liabilities not on the Balance Sheet (4)	2.5	0.7	1.8		
Total Contractual Cash Obligations	$ 423.1	$ 217.6	$ 56.9	$ 120.5	$ 28.1

(1) - As of April 4, 2008, we entered into the Amended Credit Facility and immediately funded a term loan for $150 million. See Note 4 in Notes to Condensed Consolidated Financial Statements for further information.

(2) - As of January 3, 2009, purchase obligations consist of purchases of inventory and equipment in the ordinary course of business.

(3) - As of January 3, 2009, other long-term obligations on the balance sheet included deferred compensation obligations to certain of our former and current executive officers and other key employees, and an asset retirement obligation related to Financial Accounting Standards Board (FASB) Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations. We have excluded from the above table the impact of approximately $5.0 million as of January 3, 2009 related to unrecognized income tax benefits, due to the adoption of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB

Statement No. 109. The Company cannot make reliable estimates of the future cash flows by period related to this obligation.

(4) - As of January 3, 2009, other long-term obligations not on the balance sheet consist of a commitment for salary continuation in the event employment of one executive officer of the Company is terminated without cause. We did not have, and were not subject to, any lines of credit, standby letters of credit, guarantees, standby repurchase obligations, other off-balance sheet arrangements or other commercial commitments that are material.

DISCLOSURE ABOUT CRITICAL ACCOUNTING POLICIES

Our accounting policies are disclosed in our 2008 Report on Form 10-K. During the first quarter of fiscal 2009, there were no material changes to these policies. Our more critical accounting policies are as follows:

Impairment of Long-Lived Assets In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which was effective for fiscal years beginning after December, 2001, we review property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of property, plant and equipment is measured by comparing its carrying value to the projected cash flows the property, plant and equipment are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying value of the property exceeds its fair market value. The impairment analysis is based on significant assumptions of future results made by management, including revenue and cash flow projections. Circumstances that may lead to impairment of property, plant and equipment include reduced expectations for future performance or industry demand and possible further restructurings.

Intangible Assets Under SFAS No. 142, Goodwill and Other Intangible Assets, which was effective October 1, 2002, we no longer amortize goodwill and intangible assets with indefinite useful lives, but instead we test those assets for impairment, at least annually, and recognize any related losses when incurred. We perform goodwill impairment tests annually during the third quarter of each fiscal year or more frequently if an event or circumstance indicates that an impairment has occurred.

We measure the recoverability of goodwill under the annual impairment test by comparing a reporting unit s carrying amount, including goodwill, to the reporting unit s estimated fair market value, which is primarily estimated using the present value of expected future cash flows, although market valuations may also be employed. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired and a second test is performed to measure the amount of impairment. Circumstances that may lead to impairment of goodwill include, but are not limited to, the loss of a significant customer or customers and unforeseen reductions in customer demand, future operating performance or industry demand.

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 and 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 of twelve months or less duration, are recognized as costs are incurred utilizing a percentage-of-completion method; any losses are recognized when anticipated.

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.

Derivatives and Hedging Activities All derivatives are recognized on the balance sheet at their estimated fair value. On the date a derivative contract is entered into, the Company designates the derivative as a hedge of a recognized asset or liability (a fair value hedge), a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (a cash flow hedge), or a hedge of the net investment in a foreign operation. The Company does not enter into derivatives for speculative purposes. Changes in the fair value of a derivative that qualify as a fair value hedge are recorded in earnings along with the gain or loss on the hedged asset or liability. Changes in the fair value of a derivative that qualifies as a cash flow hedge are recorded in Accumulated other comprehensive income , until earnings are affected by the variability of cash flows. Changes in the fair value of a derivative used to hedge the net investment in a foreign operation are recorded in the Accumulated other comprehensive income accounts within shareholders equity.

In June 2008, the Company entered into three interest rate swap contracts related to the $150 million in term loans under the Amended Credit Facility that have a total notional value of $150 million and mature on April 4, 2013. These interest rate swap contracts will pay the Company variable interest at the three month LIBOR rate, and the Company will pay the counterparties a fixed interest rate. The fixed interest rates for each of these contracts are 4.415%, 4.490% and 4.435%, respectively. These interest rate swap contracts were entered into to convert $150 million of the variable rate term loan under the Amended Credit Facility into fixed rate debt. Based on the terms of the interest rate swap contracts and the underlying debt, these interest rate contracts were determined to be effective, and thus qualify as a cash flow hedge. As such, any changes in the fair value of these interest rate swaps are recorded in Accumulated other comprehensive income on the accompanying Condensed Consolidated Balance Sheets until earnings are affected by the variability of cash flows. Any gain or loss on the derivatives will be recorded in the income statement in Interest expense . The total fair value of these interest rate swap contracts is $10.7 million at January 3, 2009, and the Company has recorded this amount in Other current liabilities and Other liabilities in the accompanying Condensed

Consolidated Balance Sheets.

Income Taxes Deferred income taxes are provided for differences between the bases of assets and liabilities for financial and income tax reporting purposes. We record a valuation allowance against deferred income tax assets when management believes it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Realization of deferred income tax assets is dependent on our ability to generate sufficient future taxable income.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 16 in Notes to Condensed Consolidated Financial Statements for further information regarding new accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Currency Risk

We do not use derivative financial instruments for speculative purposes. Our policy is to selectively hedge our foreign currency denominated transactions in a manner that substantially offsets the effects of changes in foreign currency exchange rates. Historically, we have used 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. As of January 3, 2009, we had no foreign currency contracts outstanding. Our percentages of transactions denominated in currencies other than the U.S. dollar for the indicated periods were as follows:

	Three months ended	
	January 3, 2009	December 29, 2007
Net Sales	3%	4%
Total Costs	10%	10%

Interest Rate Risk

We have financial instruments, including cash equivalents and short-term investments, 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 $150 million in term loans as described in Note 5 in Notes to Condensed Consolidated Financial Statements. As with any agreement of this type, our 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 and short-term investments in a variety of highly rated securities, money market funds and certificates of deposit and limit the amount of principal exposure to any one issuer.

Our only material interest rate risk is associated with our Amended Credit Facility under which we borrowed $150 million on April 4, 2008. Through the use of interest rate swaps, as described above, we have fixed the basis over which we pay interest, thus eliminating much of our interest rate risk. A 10 percent change in the weighted average interest rate on our average long-term borrowings would have had only a nominal impact on net interest expense in the first quarter of fiscal 2009 and fiscal 2008, respectively.

Auction Rate Securities

As of January 3, 2009, we held $2.0 million of auction rate securities, which were classified as long-term other assets. On February 21, 2008, we were unable to liquidate these investments, whose underlying assets were in guaranteed student loans backed by a U.S. government agency. Additional auctions for these investments failed during fiscal 2008 and in the first quarter of fiscal 2009. We have the ability and intent to hold these securities until a successful auction occurs and these securities are liquidated at par value. At this time, we believe that the securities will eventually be recovered. However, we may be required to hold these securities until market stability is restored for these instruments or final maturity of the underlying notes to realize our investments recorded value. Accordingly, we have classified these securities as long-term other assets.

ITEM 4. CONTROLS AND PROCEDURES

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

Changes in Internal Control Over Financial Reporting: During the first quarter of fiscal 2009, there have been no changes to the Company s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Limitations on the Effectiveness of Controls: Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls and internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

Two securities class action lawsuits were filed in the United States District Court for the Eastern District of Wisconsin on June 25 and June 29, 2007, against the Company and certain Company officers and/or directors. On November 7, 2007, the two actions were consolidated, and a consolidated class action complaint was filed on

February 1, 2008. The consolidated complaint names the Company and the following individuals as defendants: Dean A. Foate, President, Chief Executive Officer and a Director of the Company; F. Gordon Bitter, the Company s former Senior Vice President and Chief Financial Officer; and Paul Ehlers, the Company s former Executive Vice President and Chief Operating Officer. The consolidated complaint alleges securities law violations and seeks unspecified damages relating generally to the Company s statements regarding its defense sector business in early calendar 2006. On April 15, 2008, the Company and the individual defendants filed a motion to dismiss the consolidated class action complaint. The plaintiff is opposing the dismissal. The briefing on the defendants motion has been completed; however, the Court has not yet held a hearing or ruled on the motion.

The Company believes the allegations in the consolidated complaint are without merit and it intends to vigorously defend against them. Since these matters are in the preliminary stages, the Company is unable to predict the scope or outcome or quantify their eventual impact, if any, on the Company. At this time, the Company is also unable to estimate associated expenses or possible losses. The Company maintains insurance that may reduce its financial exposure for defense costs and liability for an unfavorable outcome, should it not prevail.

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

ITEM 1A. Risk Factors

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 orders relative to our capacity
- the typical short life-cycle of our customers products
- customers operating results and business conditions
- changes in our customers sales mix
- failures of our customers to pay amounts due to us
- volatility of customer orders for certain programs and sectors
- possible non-compliance with the statutes and regulations covering the design, development, testing, manufacturing and labeling of medical devices
- 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 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 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 approximately 61 percent and 63 percent of our net sales for the three months ended January 3, 2009 and December 29, 2007, respectively. For the three months ended January 3, 2009, there was one customer that represented 10 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. Significant reductions in net sales to any of these customers, or the loss of other major customers, could seriously harm our business.

In addition, we focus our net sales to customers in only a few market sectors. For example, net sales to customers in the wireline/networking sector recently have increased significantly in absolute dollars, making us more dependent upon the performance of that sector and the economic and business conditions that affect it. In addition, net sales in the defense/security/aerospace sector have become increasingly important in some periods;

however, net sales in this sector are particularly susceptible to significant period-to-period variations. Any weakness in the market sectors in which our customers are concentrated could affect our business and results of operations.

The global credit market crisis and continuing economic weakness may adversely affect our earnings, liquidity and financial condition.

Global financial and credit markets have been, and continue to be, extremely unstable and unpredictable. Worldwide economic conditions have been weak and may be further deteriorating. The instability of the markets and weakness of the economy could affect the demand for our customers products, the amount, timing and stability of their orders to us, the financial strength of our customers and suppliers, their ability or willingness to do business with us, our willingness to do business with them, and/or our suppliers and customers ability to fulfill their obligations to us and/or the ability of us, our customers or our suppliers to obtain credit. Further, the global credit market and economic crisis may affect the ability of counterparties to our agreements, including our credit agreement and interest rate swap agreements, to perform their obligations under those agreements. These factors could adversely affect our operations, earnings and financial condition.

In addition, continued, and potentially increased, volatility, instability and weakness in the financial and credit markets could affect our ability to sell our investment securities and other financial assets, which in turn could adversely affect our liquidity and financial position. We encountered a situation in which we were unable to make such sales as described above in Item 3, Quantitative and Qualitative Disclosures About Market Risk Auction Rate Securities. This instability also could affect the prices at which we could make any such sales, which also could adversely affect our earnings and financial condition. These conditions could also negatively affect our ability to secure funds or raise capital, if needed.

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. We generally do not obtain firm, long-term purchase commitments from our customers. Customers also cancel requirements, change production quantities or delay production 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. Such cancellations, reductions or delays have occurred 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, 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.

Defense contracting can be subject to extensive procurement processes and other factors that can affect the timing and duration of contracts and orders. For example, defense orders are subject to continued Congressional appropriations for these programs, as well as continued determinations by the Department of Defense regarding whether to continue them. Products for the military are also subject to continued testing of their operations in the field and changing military operational needs, which could affect the possibility and timing of future orders. While those arrangements may result in a significant amount of net sales in a short period of time as happened in the first half of fiscal 2008, they may or may not result in continuing long-term projects or relationships. Even in the case of continuing long-term projects or relationships, orders in the defense sector can be episodic, can vary significantly from period to period, and are subject to termination.

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 raw materials and component parts. Excess or obsolete inventory could adversely affect our operating results.

In our turnkey operations, we order 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 raw materials or component parts. While we attempt to cancel, return or otherwise mitigate excess and obsolete materials and components and require customers to reimburse us for excess and obsolete inventory, we may not actually be reimbursed timely or be able to collect on these obligations.

In addition, we provide managed inventory programs for some of our key 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 parts shortages and price fluctuations.

We do not have any long-term supply agreements. At various times, we have experienced raw material and component parts shortages due to supplier capacity constraints or their failure to deliver. At times, raw material and component parts shortages have been prevalent due to industry-wide conditions, and such shortages can be expected to recur from time to time. World events, such as foreign government policies, terrorism, armed conflict, economic recession and epidemics, could also affect supply chains. We rely on a limited number of suppliers for many of the raw materials and component parts 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 part. Such suppliers may encounter quality problems or financial difficulties which could preclude them from delivering raw materials or component parts timely or at all. Supply shortages and delays in deliveries of raw materials or component parts have 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.

Raw material and component part supply shortages and delays in deliveries have also resulted in increased pricing. While many of our customers permit quarterly or other periodic adjustments to pricing based on changes in raw material or component part prices and other factors, we typically bear the risk of price increases that occur between any such repricings or, if such repricing is not permitted, during the balance of the term of the particular customer contract. Conversely, raw material and component part 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.

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 can inherently include additional costs and start-up inefficiencies. We are currently contemplating possible expansion of our operations to other countries. In late fiscal 2008, we announced expansions in Hangzhou, China and Appleton, Wisconsin. If we are unable to effectively manage our currently anticipated growth, 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 expansion include:

- the inability to successfully integrate additional facilities or incremental capacity and to realize anticipated synergies, economies of scale or other value

additional fixed costs which may not be fully absorbed by new business

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 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 multiple facilities or higher levels of employment entail short-term costs, reductions in facilities 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.

In addition, to meet our customers needs, or to achieve increased efficiencies, we sometimes require additional capacity in one location while reducing capacity in another. For example, in fiscal 2008 we announced that we would close our Ayer, Massachusetts facility and in fiscal 2009 we announced a reduction in headcount in Juarez, Mexico, even though we are expanding in other areas. 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, such as those noted above.

Operating in foreign countries exposes us to increased risks, including adverse local developments and foreign currency risks.

We have operations in China, Malaysia, Mexico and the United Kingdom, which in the aggregate represented approximately 43 percent of our revenues in the quarter ended January 3, 2009. We have announced expansion plans in China and are considering expanding to additional countries. We also purchase a significant number of components manufactured in foreign countries. These international aspects of our operations subject us to the following risks that could materially impact our operating results:

economic, political or civil instability, including a recent increase in drug cartel-related violence in Juarez, Mexico

transportation delays or interruptions

foreign exchange rate fluctuations

difficulties in staffing and managing foreign personnel in diverse cultures

the effects of international political developments and

foreign regulatory requirements.

We do not generally hedge foreign currencies. As our foreign operations expand, our failure to adequately hedge 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 foreign governments could negatively affect our operating results due to changes in duties, tariffs, taxes or limitations on currency or fund transfers. For example, our facility in Mexico operates under the Mexican Maquiladora program, which provides for reduced tariffs and eased import regulations;

we could be adversely affected by changes in that program or our failure to comply with its requirements. Also, our Malaysian and Chinese subsidiaries currently receive favorable tax treatments from these governments which extend for approximately 11 years and 5 years, respectively, which may not be extended. Finally, China and Mexico have passed new tax laws that took effect on January 1, 2008. These new laws did not materially impact our tax rates in fiscal 2008 or the first fiscal quarter of 2009, but may result in higher tax rates on our operations in those countries in future periods.

We and our customers are subject to extensive government regulations.

We are subject to extensive regulation relating to the products we design and manufacture and as to how we conduct our business. These regulations affect the sectors we serve and every aspect of our business, including our labor, employment, workplace safety, environmental and import/export practices, and many other facets of our operations. Our failure to comply with these regulations could seriously affect our operations and profitability.

Our medical sector business, which represented approximately 24 percent of our net sales for the first quarter of fiscal 2009, is subject to substantial government regulation, primarily from the federal Food and Drug Administration (FDA) and similar regulatory bodies in other countries. We must comply with statutes and regulations covering the design, development, testing, manufacturing and labeling of medical devices and the reporting of certain information regarding their safety. 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. The FDA also has the authority to require repair or replacement of equipment, or the refund of the cost of a device manufactured or distributed by our customers. Violations may lead to penalties or shutdowns of a program or a facility. Failure or noncompliance could have an adverse effect on our reputation as well as our results of operations.

We also design and manufacture products for customers in the defense and aerospace industries. Companies that design and manufacture products for these industries face significant regulation by the Department of Defense, Federal Aviation Authority, and other governmental agencies. Failure to comply with those requirements could result in fines, penalties, injunctions, criminal prosecution, and an inability to participate in contracts with the government or their contractors, any of which could materially affect our financial condition and results of operations.

The end-markets for most of our customers in the wireline/networking and wireless infrastructure sectors are subject to regulation by the Federal Communications Commission, as well as by various state and foreign government agencies. The policies of these agencies can directly affect both the near-term and long-term demand and profitability of the sector and therefore directly impact the demand for products that we manufacture.

At the corporate level, as a publicly-held company, we are subject to increasingly stringent laws, regulation and other requirements affecting among other things our accounting, corporate governance practices, and securities disclosures. Our failure to comply with these requirements could materially affect our financial condition and results of operations.

The growth and changing requirements of our business are imposing on us heightened import and export compliance requirements. We have been notified that we are a potential candidate for audit by U.S. Customs. The timing and scope of this audit is uncertain. In preparation for a potential audit, we have reassessed internal policies, procedures and controls respecting import law compliance. We have uncovered some deficiencies during this assessment but do not yet know whether such deficiencies affected duties owed by us and, if so, whether they will have a material adverse effect on Plexus or our results of operations.

Our operations are subject to federal, state, and local environmental regulations pertaining to air, water, and hazardous waste and the health and safety of our workplace. If we fail to comply with present and future regulations, we could be subject to liabilities or the suspension of business. These regulations could restrict our ability to expand our facilities or require us to acquire costly equipment or incur significant expense associated with the ongoing operation of our business or remediation efforts.

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

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

The markets for our manufacturing and engineering services are characterized by rapidly changing technology and evolving process developments. Our manufacturing and design 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
- maintain and enhance our technological 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 could have an adverse effect on our business.

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

The management of labor and production capacity in connection with the establishment of new programs and new customer relationships, and the need to estimate required resources in advance of production can adversely affect our gross and operating margins. These factors are particularly evident in the early stages of the life-cycle of new products and new programs, such as our recently announced new mechatronics program, as well as in program transfers between facilities. We are managing a number of new programs at any given time. Consequently, we are exposed to these factors. In addition, if any of these new programs or new 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 those transfers on a regular basis to address factors such as meeting customer needs, seeking long-term efficiencies or responding to market conditions. As a result of our decision to close our Ayer, Massachusetts facility, we will also be transitioning customer programs from that site to other Plexus facilities. 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.

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. Despite our quality control and quality assurance efforts, problems may occur, or may be alleged, in the design and/or manufacturing of these products. Problems in the products we manufacture, whether real or alleged, whether caused by faulty customer specifications or in the design or manufacturing processes or by a component defect, and whether or not we are responsible, may result in delayed shipments to customers and/or reduced or cancelled 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. We occasionally incur costs defending claims, and any such disputes could affect our business relationships.

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.

We are defendants in a securities class action lawsuit.

Two securities class action lawsuits were filed against us and several of our current or former officers and/or directors during June 2007. The two actions were consolidated, and a consolidated class action complaint was filed on February 1, 2008. Although the Company and the individual defendants filed a motion to dismiss the consolidated class action complaint, the plaintiff has asked the court to deny our motion and the court has not yet held a hearing or ruled on it. The consolidated complaint alleges securities law violations and seeks unspecified damages relating generally to the Company s statements regarding its defense sector business in early calendar 2006. We could be subject to additional or related lawsuits or other inquiries in connection with this matter. The defense of this lawsuit, and any future lawsuits, could result in the diversion of management s time and attention away from business operations and negative developments with respect to the lawsuits and the costs incurred defending ourselves could have an adverse impact on our business and our stock price. Adverse outcomes or settlements could also require us to pay damages or incur liability for other remedies that could have a material adverse effect on our consolidated results of operations, financial position and cash flows.

Our products are for the electronics industry, which produces technologically advanced products with relatively short life-cycles.

Factors affecting the electronics industry, 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.

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

The EMS industry is highly competitive and has become more so as a result of excess capacity in the industry. We compete against numerous U.S. and foreign EMS providers with global operations, as well as those which operate on only a local or regional basis.

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In addition, current and prospective customers continually evaluate the merits of manufacturing products internally and may choose to manufacture products themselves rather than outsource that process. Consolidations and other changes in the EMS industry result in a changing competitive landscape. The consolidation trend in the industry also results in larger and more geographically diverse competitors that may have significantly greater resources with which to compete against us.

Some of our competitors have 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.

We may operate at a cost disadvantage compared to other EMS providers which have lower internal cost structures or have 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 price reductions, reduced sales and margins or loss of market share.

We depend on certain key personnel, and the loss of key 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 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 existing 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.

Energy price increases may reduce our profits.

We use some components made with petroleum-based materials. In addition, we use various energy sources transporting, producing and distributing products. Energy prices have recently been subject to increases and volatility caused by market fluctuations, supply and demand, currency fluctuation, production and transportation disruption, world events, and changes in governmental programs.

Energy price increases raise both our material and operating costs. We may not be able to increase our prices enough to offset these increased costs. Increasing our prices also may reduce our level of future customer orders and profitability.

We may fail to successfully complete future acquisitions and may not successfully integrate acquired businesses, which could adversely affect our operating results.

We have previously grown, in part, through acquisitions. 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:

Operating risks, such as:

- the inability to integrate successfully our acquired operations businesses 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 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.

We may fail to secure or maintain necessary financing.

Under our Amended Credit Facility, we have borrowed $150 million in term loans and can borrow up to $200 million in revolving loans of which $100 million is currently available, depending upon compliance with its defined covenants and conditions. However, we cannot be certain that the credit facility will provide all of the financing capacity that we will need in the future or that we will be able to change the credit facility or revise covenants, if necessary or appropriate in the future, to accommodate changes or developments in our business and operations. In addition, as a consequence of the turmoil in the global financial markets and banking system, 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.

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 or obtaining new credit facilities or 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. 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.

If we are unable to maintain effective internal control over our financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a reduction in the value of our common stock.

As required by Section 404 of the Sarbanes-Oxley Act, the SEC adopted rules requiring public companies to include a report of management on the company s internal control over financial reporting in their annual reports on Form 10-K; that report must contain an assessment by management of the effectiveness of our internal control over financial reporting. In addition, the independent registered public accounting firm auditing a company s financial statements must attest to and report on the effectiveness of the company s internal control over financial reporting.

We are continuing our comprehensive efforts to comply with Section 404 of the Sarbanes-Oxley Act. If we are unable to maintain effective internal control over financial reporting, this could lead to a failure to meet our reporting obligations to the SEC, which in turn could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

The price of our common stock has been and may continue to be volatile.

Our stock price has fluctuated significantly in recent periods. The price of our common stock may fluctuate in response to a number of events and factors relating to us, our competitors and the market for our services, many of which are beyond our control.

In addition, the stock market in general, and share prices for technology companies in particular, have from time to time experienced extreme volatility, including weakness, that sometimes has been unrelated to the operating performance of these companies. These broad market and industry fluctuations, and concerns affecting the economy generally, may adversely affect the market price of our common stock, regardless of our operating results.

Among other things, volatility and weakness in our stock price could mean that investors may not be able to sell their shares at or above the prices that they paid. Volatility and weakness could also impair our ability in the future to offer common stock or convertible securities as a source of additional capital and/or as consideration in the acquisition of other businesses.

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

There were no repurchases of shares by the Company during the first quarter of fiscal 2009.

ITEM 6. Exhibits

10.1 Amended and Restated Plexus Corp. 1998 Stock Option Plan*

10.2 Amended and Restated Plexus Corp. 2005 Equity Incentive Plan*

10.3 Amended and Restated Plexus Corp. 2008 Long-Term Incentive Plan*

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

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

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

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

* Reflects non-material changes that were finalized in November 2008.

SIGNATURES

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

2/5/09	/s/ Dean A. Foate
Date	Dean A. Foate President and Chief Executive Officer
2/5/09	/s/ Ginger M. Jones
Date	Ginger M. Jones Vice President and Chief Financial Officer