

PLEXUS CORP
Form 10-Q
May 08, 2009

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

(X) Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended April 4, 2009

or

() 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
(State of Incorporation)

39-1344447
(IRS Employer Identification No.)

55 Jewelers Park Drive
Neenah, Wisconsin 54957-0156
(Address of principal executive offices)(Zip Code)
(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if smaller reporting company)

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

Yes No

As of May 1, 2009, there were 39,453,703 shares of Common Stock of the Company outstanding.

PLEXUS CORP.
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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		Six Months Ended	
	April 4, 2009	March 29, 2008	April 4, 2009	March 29, 2008
Net sales	\$ 388,895	\$ 451,049	\$ 845,004	\$ 909,300
Cost of sales	353,097	399,497	762,656	802,194
 Gross profit	 35,798	 51,552	 82,348	 107,106
Operating expenses:				
Selling and administrative expenses	22,344	23,989	47,613	47,615
Goodwill impairment costs	5,748	-	5,748	-
Restructuring costs	2,273	-	2,823	-
	30,365	23,989	56,184	47,615
 Operating income	 5,433	 27,563	 26,164	 59,491
Other income (expense):				
Interest expense	(2,733)	(723)	(5,663)	(1,458)
Interest income	472	1,991	1,403	4,538
Miscellaneous	144	(362)	342	(827)
 Income before income taxes	 3,316	 28,469	 22,246	 61,744
Income tax (benefit) expense	(1,712)	6,359	180	12,349
 Net income	 \$ 5,028	 \$ 22,110	 \$ 22,066	 \$ 49,395
 Earnings per share:				
Basic	\$ 0.13	\$ 0.48	\$ 0.56	\$ 1.07
Diluted	\$ 0.13	\$ 0.48	\$ 0.56	\$ 1.06
 Weighted average shares outstanding:				
Basic	39,366	45,611	39,351	46,030

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Diluted	39,463	46,030	39,464	46,546
Comprehensive income:				
Net income	\$ 5,028	\$ 22,110	\$ 22,066	\$ 49,395
Derivative instrument fair market value adjustment net of income tax	356	-	(4,162)	-
Foreign currency translation adjustments	189	1,307	(3,861)	1,694
Comprehensive income	\$ 5,573	\$ 23,417	\$ 14,043	\$ 51,089

See notes to condensed consolidated financial statements.

PLEXUS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

Unaudited

	April 4, 2009	September 27, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 201,330	\$ 165,970
Accounts receivable, net of allowances of \$1,000 and \$2,500, respectively	200,665	253,496
Inventories	336,243	340,244
Deferred income taxes	14,973	15,517
Prepaid expenses and other	13,517	11,742
Total current assets	766,728	786,969
Property, plant and equipment, net	192,788	179,123
Goodwill	-	7,275
Deferred income taxes	9,947	2,620
Other	15,227	16,243
Total assets	\$ 984,690	\$ 992,230
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	\$ 16,920	\$ 16,694
Accounts payable	218,064	231,638
Customer deposits	31,600	26,863
Accrued liabilities:		
Salaries and wages	28,059	41,086
Other	35,422	31,611
Total current liabilities	330,065	347,892
Long-term debt and capital lease obligations, net of current portion	141,376	154,532
Other liabilities	19,203	15,861
Total non-current liabilities	160,579	170,393
Commitments and contingencies	-	-
Shareholders equity:		

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Preferred stock, \$.01 par value, 2,000 shares authorized, none issued or outstanding	-	-
Common stock, \$.01 par value, 200,000 shares authorized, 46,819 and 46,772 shares issued, respectively, and 39,373 and 39,326 shares outstanding, respectively	468	468
Additional paid-in capital	359,163	353,105
Common stock held in treasury, at cost, 7,446 shares for both periods	(200,110)	(200,110)
Retained earnings	331,774	309,708
Accumulated other comprehensive income	2,751	10,774
	494,046	473,945
Total liabilities and shareholders' equity	\$ 984,690	\$ 992,230

See notes to condensed consolidated financial statements.

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

	Six Months Ended	
	April 4, 2009	March 29, 2008
Cash flows from operating activities		
Net income	\$ 22,066	\$ 49,395
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	16,772	14,094
(Gain) on sale of property, plant and equipment	(8)	(107)
Goodwill impairment charges	5,748	-
Deferred income taxes	586	302
Stock based compensation expense	5,390	4,567
Changes in assets and liabilities:		
Accounts receivable	51,092	2,626
Inventories	2,413	(36,469)
Prepaid expenses and other	(827)	(3,168)
Accounts payable	(15,189)	17,156
Customer deposits	5,081	5,871
Accrued liabilities and other	(10,547)	4,951
Cash flows provided by operating activities	82,577	59,218
Cash flows from investing activities		
Purchases of short-term investments	-	(53,400)
Sales and maturities of short-term investments	-	106,400
Payments for property, plant and equipment	(30,301)	(23,902)
Proceeds from sales of property, plant and equipment	215	228
Cash flows (used in) provided by investing activities	(30,086)	29,326
Cash flows from financing activities		
Purchases of common stock	-	(100,000)
Payments on debt and capital lease obligations	(12,201)	(960)
Proceeds from exercises of stock options	638	1,520
Income tax benefit of stock option exercises	30	547
Issuances of common stock under Employee Stock Purchase Plan	-	177
Cash flows used in financing activities	(11,533)	(98,716)

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Effect of foreign currency translation on cash and cash equivalents	(5,598)	228
Net increase (decrease) in cash and cash equivalents	35,360	(9,944)
Cash and cash equivalents:		
Beginning of period	165,970	154,109
End of period	\$ 201,330	\$ 144,165

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 AND SIX MONTHS ENDED APRIL 4, 2009 AND MARCH 29, 2008

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 April 4, 2009, and the results of operations for the three and six months ended April 4, 2009 and March 29, 2008, and the cash flows for the same six-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 on 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 periods for the three and six months ended April 4, 2009, included 91 days and 189 days, respectively. The accounting periods for the three and six months ended March 29, 2008 included 91 days and 182 days, respectively.

NOTE 2 INVENTORIES

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

	April 4, 2009	September 27, 2008
Raw materials	\$ 242,039	\$ 241,041
Work-in-process	29,908	39,810
Finished goods	64,296	59,393
	\$ 336,243	\$ 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):

	April 4, 2009	September 27, 2008
Land, buildings and improvements	\$ 106,046	\$ 103,047
Machinery and equipment	212,101	200,001
Computer hardware and software	71,257	71,444
Construction in progress	18,343	11,827

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	407,747	386,319
Less: accumulated depreciation and amortization	(214,959)	(207,196)
	\$ 192,788	\$ 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 April 4, 2009, the Company has term loan borrowings of \$135 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 April 4, 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 April 4, 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 there be 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 and \$0.3 million for the three and six months ended April 4, 2009, respectively, and \$0.1 million and \$0.2 million for the three and six months ended March 29, 2008, respectively.

NOTE 5 DERIVATIVES AND FAIR VALUE MEASUREMENT

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.

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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. The notional amount of the interest rate swap contracts declines over time at the same rate as the term loans. Based on the terms of the interest rate swap contracts and the underlying debt, these interest rate contracts were determined to be effective, and thus qualify as a cash flow hedge. As such, any changes in the fair value of these interest rate swaps are recorded in Accumulated other comprehensive income on the accompanying Condensed Consolidated Balance Sheets until earnings are affected by the variability of cash flows. The total fair value of these interest rate swap contracts is \$10.1 million at April 4, 2009, and the Company has recorded this in Other current liabilities and Other liabilities in the accompanying Condensed Consolidated Balance Sheets. As of April 4, 2009, the total combined notional amount of the Company's three receive-variable/pay-fixed interest rate swaps was \$135.0 million.

The tables below present information regarding the fair values of derivative instruments and the effects of derivative instruments on the Company's Statements of Operations:

Fair Values of Derivative Instruments

In thousands of dollars

	Asset Derivatives				Liability Derivatives			
	April 4, 2009		March 29, 2008		April 4, 2009		March 29, 2008	
Derivatives designated as hedging instruments under Statement 133	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps		-		-	Current liabilities - Other	\$ 2,378		-
Interest rate swaps		-		-	Other liabilities	\$ 7,729		-

The Effect of Derivative Instruments on the Statements of Operations**for the Three Months Ended***In thousands of dollars*

Derivatives in	Amount of Gain or (Loss) Recognized in		Location of Gain or (Loss) Reclassified from	Amount of Gain or (Loss) Reclassified from		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)		
	Other Comprehensive Income (OCI) on	Accumulated OCI into		Accumulated OCI into	Income (Effective Portion)		Income (Effective Portion)	April 4, 2009	March 29, 2008
Statement 133 Cash									
Flow Hedging Relationships									
Interest rate swaps	\$(423)	\$ -	Interest income (expense)	\$(1,034)	\$ -	Other income (expense)	\$ -	\$ -	

The Effect of Derivative Instruments on the Statements of Operations**for the Six Months Ended***In thousands of dollars*

Derivatives in	Amount of Gain or (Loss) Recognized in		Location of Gain or (Loss) Reclassified from	Amount of Gain or (Loss) Reclassified from		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)		
	Other Comprehensive Income (OCI) on	Accumulated OCI into		Accumulated OCI into	Income (Effective Portion)		Income (Effective Portion)	April 4, 2009	March 29, 2008
Statement 133 Cash									

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Flow Hedging Relationships	OCI on Derivative (Effective Portion)		Income (Effective Portion)	Income (Effective Portion)		Amount Excluded from Effectiveness Testing)	Excluded from Effectiveness Testing)	
	April 4, 2009	March 29, 2008		April 4, 2009	March 29, 2008		April 4, 2009	March 29, 2008
Interest rate swaps	(\$,432)	\$ -	Interest income (expense)	(\$,281)	\$ -	Other income (expense)	\$ -	\$ -

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS No. 157), on September 28, 2008, for financial assets and liabilities. The Company elected to defer adoption of SFAS No. 157 for non-financial assets and liabilities as permitted by Financial Accounting Standard Board (FASB) Staff Position (FSP) No. 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2).

SFAS No. 157 defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (or exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. SFAS No. 157 establishes a fair value hierarchy based on three levels of inputs that may be used to measure fair value. The input levels are:

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

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

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

The following table lists the fair values of our financial instruments as of April 4, 2009, by input level as defined by SFAS No. 157:

Fair Value Measurements Using Input Levels: (in millions)				
	Level 1	Level 2	Level 3	Total
Derivatives				
Interest rate swap derivative	\$ -	\$ 10.1	\$ -	\$ 10.1
Total derivative liabilities at fair value	\$ -	\$ 10.1	\$ -	\$ 10.1

The Company also has \$2.0 million of auction rate securities that are valued using Level 3 inputs.

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		Six Months Ended	
	April 4, 2009	March 29, 2008	April 4, 2009	March 29, 2008
Basic and Diluted Earnings Per Share:				
Net income	\$ 5,028	\$ 22,110	\$ 22,066	\$ 49,395
Basic weighted average common shares outstanding	39,366	45,611	39,351	46,030
Dilutive effect of stock options	97	419	113	516
	39,463	46,030	39,464	46,546

Diluted weighted average shares
outstanding

Earnings per share:

Basic	\$ 0.13	\$ 0.48	\$ 0.56	\$ 1.07
Diluted	\$ 0.13	\$ 0.48	\$ 0.56	\$ 1.06

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For the three and six months ended April 4, 2009, stock-based awards to purchase approximately 3.1 million shares and 3.0 million shares, respectively, of common stock 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.

For the three and six months ended March 29, 2008, stock-based awards to purchase approximately 2.1 million shares and 1.7 million shares, respectively, of common stock 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 SFAS 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 \$2.6 million and \$5.4 million of compensation expense associated with stock-based awards for the three and six months ended April 4, 2009, respectively, and \$2.2 million and \$4.6 million for the three and six months ended March 29, 2008, 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 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.

NOTE 9 INCOME TAXES

Income taxes for the three and six months ended April 4, 2009 were \$(1.7) million and \$0.2 million, respectively. The effective tax rates, excluding the effect of discrete events, for the three and six months ended April 4, 2009 were approximately (10) percent and 7 percent, respectively. The net discrete events for the quarter were \$1.4 million, consisting of approximately \$1.6 million, including interest, related to the conclusion of federal and state audits, which resulted in a reduction of the liability imposed by FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 (FIN 48), offset by an additional provision of \$0.2 million for changes in state tax laws.

Income taxes for the three and six months ended March 29, 2008 were \$6.4 million and \$12.3 million, respectively. The effective tax rates for the three and six months ended March 29, 2008 were 22 percent and 20 percent, respectively. The change in the effective tax rate for the current year period compared to the prior year period was primarily due to a larger proportion of the Company's projected fiscal 2009 pre-tax income in Malaysia and China, where the Company benefits from tax holidays.

The Company has evaluated legislative changes for various jurisdictions in which it operates and determined that they should not have a material impact on the expected effective income tax rate for the current year.

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.

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

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.

During the second quarter of fiscal 2009, the Company recorded a goodwill impairment charge of \$5.7 million, writing off the entire carrying value of its goodwill related to its Kelso, Scotland (Kelso) facility, which is the sole reporting unit in the European reportable segment. The impairment charge was driven by adverse macroeconomic conditions that contributed to an overall reduction in demand for the Company's offerings in the Kelso facility. These conditions led to an interim triggering event under SFAS No. 142, Goodwill and Other Intangible Assets (SFAS No. 142), leading management to perform an interim goodwill impairment test. This test resulted in the determination that the carrying value of the goodwill relating to Kelso was fully impaired and therefore an impairment charge of \$5.7 million was taken. This was the Company's sole goodwill asset.

The changes in the carrying amount of goodwill for fiscal 2008 and for the six months ended April 4, 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	(1,527)
Goodwill impairment	(5,748)
Balance as of April 4, 2009	\$ -

NOTE 11 BUSINESS SEGMENT, GEOGRAPHIC AND MAJOR CUSTOMER INFORMATION

SFAS 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.

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Information about the Company's four reportable segments for the three and six months ended April 4, 2009 and March 29, 2008 were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	April 4, 2009	March 29, 2008	April 4, 2009	March 29, 2008
Net sales:				
United States	\$ 250,466	\$ 317,634	\$ 545,168	\$ 651,988
Asia	126,508	129,658	286,579	245,012
Europe	12,352	18,036	24,960	36,323
Mexico	16,293	17,159	38,045	33,237
Elimination of inter-segment sales	(16,724)	(31,438)	(49,748)	(57,260)
	\$ 388,895	\$ 451,049	\$ 845,004	\$ 909,300
Depreciation and amortization:				
United States	\$ 2,654	\$ 2,181	\$ 5,110	\$ 4,382
Asia	4,050	2,982	7,660	5,782
Europe	178	209	370	419
Mexico	513	450	1,072	900
Corporate	1,276	1,279	2,560	2,611
	\$ 8,671	\$ 7,101	\$ 16,772	\$ 14,094
Operating income (loss):				
United States	\$ 16,329	\$ 30,142	\$ 38,062	\$ 67,640
Asia	11,314	13,680	29,502	25,381
Europe	912	2,131	1,929	4,155
Mexico	(953)	(710)	(1,675)	(1,105)
Corporate and other costs	(22,169)	(17,680)	(41,654)	(36,580)
	\$ 5,433	\$ 27,563	\$ 26,164	\$ 59,491
Capital expenditures:				
United States	\$ 2,203	\$ 4,078	\$ 15,176	\$ 8,790
Asia	3,714	5,121	12,117	13,125
Europe	173	104	367	418
Mexico	336	83	747	108
Corporate	381	881	1,894	1,461
	\$ 6,807	\$ 10,267	\$ 30,301	\$ 23,902

	April 4, 2009	September 27, 2008
Total assets:		

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United States	\$ 373,328	\$ 418,534
Asia	309,889	304,252
Europe	80,709	97,874
Mexico	51,664	41,671
Corporate	169,100	129,899
	\$ 984,690	\$ 992,230

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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		Six Months Ended	
	April 4, 2009	March 29, 2008	April 4, 2009	March 29, 2008
Net sales:				
United States	\$ 250,466	\$ 317,634	\$ 545,168	\$ 651,988
Malaysia	109,800	110,692	245,085	207,611
China	16,708	18,966	41,494	37,401
United Kingdom	12,352	18,036	24,960	36,323
Mexico	16,293	17,159	38,045	33,237
Elimination of inter-segment sales	(16,724)	(31,438)	(49,748)	(57,260)
	\$ 388,895	\$ 451,049	\$ 845,004	\$ 909,300

	April 4, 2009	September 27, 2008
	Long-lived assets:	
United States	\$ 50,431	\$ 38,900
Malaysia	72,653	71,369
China	14,941	10,398
United Kingdom	6,426	15,238
Mexico	6,806	7,111
Corporate	41,531	43,382
	\$ 192,788	\$ 186,398

Long-lived assets as of April 4, 2009 and September 27, 2008 exclude other long-term assets totaling \$25.2 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 Corporate and other costs in the above operating income (loss) table. For the three and six months ended April 4, 2009, the Company incurred \$8.0 million and \$8.6 million of restructuring and impairment costs, respectively.

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		Six Months Ended	
	April 4, 2009	March 29, 2008	April 4, 2009	March 29, 2008
Juniper Networks, Inc.	23%	20%	20%	19%

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 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 six months ended April 4, 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	285
Settlements (in cash or in kind) during the period	(26)
Limited warranty liability, as of April 4, 2009	\$ 4,311

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 named 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 alleged securities law violations and sought 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, which was opposed by the plaintiffs.

On March 6, 2009, the court granted the motion of the Company and the individual defendants to dismiss the consolidated class action complaint. Although the court gave leave to the plaintiffs to file an amended complaint until March 31, 2009, no such amended complaint was filed. The parties are awaiting the entry by the court of the judgment formally dismissing the action; the plaintiffs will have a period of time thereafter during which they may exercise a right of appeal.

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 AND IMPAIRMENT COSTS

Fiscal 2009 restructuring and impairment costs: For the three months ended April 4, 2009, the Company incurred restructuring and impairment costs of \$8.0 million, which consisted of the following:

- \$5.7 million related to goodwill impairment (see Note 10 above)
- \$1.2 million related to severance from the reduction of our workforce across our United States facilities, which affected approximately 125 employees
- \$0.2 million related to severance from the reduction of our workforce in Juarez, Mexico, which affected approximately 40 employees and
- \$0.9 million related to the fixed assets written-down related to the closure of our Ayer, Massachusetts facility and at Corporate.

For the six months ended April 4, 2009, the Company incurred \$8.6 million of restructuring and impairment costs, which consisted of the following:

- \$5.7 million related to goodwill impairment (see Note 10 above)
- \$1.2 million related to severance from the reduction of our workforce across our United States facilities, which affected approximately 125 employees
- \$0.8 million related to severance from the reduction of our workforce in Juarez, Mexico, which affected approximately 320 employees and
- \$0.9 million related to the fixed assets written-down related to the closure of our Ayer, Massachusetts facility and at Corporate.

Fiscal 2008 restructuring and impairment costs: For the three and six months ended March 29, 2008, the Company did not incur any restructuring or impairment costs.

The table below summarizes the Company's accrued restructuring and impairment liabilities as of April 4, 2009 (in thousands):

	Employee Termination and Severance Costs	Lease Obligations and Other Exit Costs	Non-cash Asset Impairments	Total
Accrued balance, September 29, 2007	\$ 989	\$ -	\$ -	\$ 989
Restructuring costs	2,350	-	-	2,350
Adjustments to provisions	(231)	-	-	(231)
Amounts utilized	(1,070)	-	-	(1,070)
Accrued balance, September 27, 2008	2,038	-	-	2,038
Restructuring and impairment costs	1,947	875	5,748	8,570
Amounts utilized	(1,459)	(453)	(5,748)	(7,660)
Accrued balance, April 4, 2009	\$ 2,526	\$ 422	\$ -	\$ 2,948

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

NOTE 15 NEW ACCOUNTING PRONOUNCEMENTS

In December 2007, the FASB issued SFAS 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 SFAS 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 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 No. 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 April 4, 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 SFAS 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 No. 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 adopted SFAS No. 161 during the second fiscal quarter of 2009. The principal impact to the Company was to require the expansion of its disclosure regarding its derivative instruments.

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 provide guidance or are not historical facts (such as statements in the future tense and statements including believe, expect, intend, plan, anticipate, goal, target and similar terms and concepts), including all discussions of periods which are not yet completed, are forward-looking statements that involve risks and uncertainties, 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
- our ability to secure new customers and maintain our current customer base and deliver product on a timely basis
- the risks relative to new customers, including a new confidential customer in the Industrial/Commercial sector, which risks include 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
- the weakness of the global economy and the continuing instability of the global financial markets and banking system, including the potential inability on our part or that of our customers or suppliers to access cash investments and credit facilities
- 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, such as our new facility in Oradea, Romania
- the adequacy of restructuring and similar charges as compared to actual expenses, including the recently completed closure of our Ayer, Massachusetts facility and workforce reductions at our Juarez, Mexico facility and other North American facilities
- 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 potential effect of world and local events (such as changes in oil prices, terrorism, epidemics, 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 of 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 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 two quarters of fiscal 2009 and fiscal 2008 reflect that the first two quarters of fiscal 2009 included 189 days while the first two quarters in fiscal 2008 included 182 days.

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Three months ended April 4, 2009. Net sales for the three months ended April 4, 2009 decreased by \$62.1 million, or 13.8 percent, as compared to the three months ended March 29, 2008 to \$388.9 million. Net sales declined in

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each of our market sectors except medical, which had a slight increase, as compared to the prior-year period due to decreased demand resulting from overall economic conditions.

The impact of overall economic conditions has significantly contributed to reduced revenue, gross margin and ROIC below our normal expectations for the business. As a result, we took action in the second fiscal quarter to control costs, including reducing discretionary spending and workforce reductions, as described in Note 14 in Notes to Condensed Consolidated Financial Statements. In addition, we are taking what we believe are prudent steps to reduce capital expenditures and working capital investments to balance potential future growth with current results. New program wins in the last three quarters have been higher than our average of approximately \$100 million per quarter; as a result we believe we need to continue to invest cautiously to support these new customers and programs. We have also identified other cost-cutting measures that could be implemented quickly if forecasted revenues decline further or market conditions worsen.

Gross margins were 9.2 percent for the three months ended April 4, 2009, which compared unfavorably to 11.4 percent for the three months ended March 29, 2008. Gross margins in the current-year period were negatively impacted by the decline in net sales and unfavorable changes in customer mix, particularly related to our large unnamed defense customer. Fixed manufacturing costs remained fairly consistent across periods.

Selling and administrative expenses decreased \$1.6 million, or 6.9 percent, to \$22.3 million for the three months ended April 4, 2009. The decrease can be attributed primarily to lower compensation expenses associated with decreased accruals for variable incentive compensation compared to the prior-year period.

The Company also recorded restructuring and impairment charges of \$8.0 million for the three months ended April 4, 2009. These charges were mainly due to goodwill impairment and severance related to the workforce reduction across our facilities. See *Restructuring and impairment actions* in *Results of Operations* below.

Net income for the three months ended April 4, 2009 decreased to \$5.0 million from \$22.1 million in the prior-year period, and diluted earnings per share decreased to \$0.13 from \$0.48 in the prior-year period. In addition to the items noted above, net income was favorably impacted by a decrease in our effective tax rate to (51) percent in the current-year period as compared to 22 percent in the prior-year period. The benefit in income tax expense for the current-year period was the result of adjusting year-to-date income tax expense to the effective rate of 7 percent and the net discrete tax adjustment of \$1.4 million, as discussed in Note 9 in Notes to the Condensed Consolidated Financial Statements. We currently expect the annual effective tax rate for fiscal 2009 to be approximately 7 percent, excluding the discrete events, which is 3 percentage points lower than we anticipated at the end of first fiscal quarter due to a larger proportion of the Company's projected fiscal 2009 pre-tax income in Malaysia and China, where the Company benefits from tax holidays.

Six months ended April 4, 2009. Net sales for the six months ended April 4, 2009 decreased by \$64.3 million or 7.1 percent, over the six months ended March 29, 2008 to \$845.0 million. Net sales declined in all of our market sectors during the current-year period, except for the medical and wireline/networking sectors. The overall reduction in our net sales was driven primarily by customers in the defense/security/aerospace and industrial/commercial sectors.

Gross margins were 9.8 percent for the six months ended April 4, 2009, which was less than the 11.8 percent for the six months ended March 29, 2008. Gross margins in the current-year period were negatively impacted by the decline in net sales and unfavorable changes in customer mix, particularly related to our large unnamed defense customer.

Selling and administrative expenses were comparable between the current-year period and prior-year period. Increases attributable to an additional week in the current-year period, additional compensation expense for stock-based compensation and expenses related to expansions in our Asian facilities were offset by lower variable incentive compensation.

The Company also recorded restructuring and impairment charges of \$8.6 million for the six months ended April 4, 2009. These charges were mainly due to goodwill impairment and severance related to the reduction of workforce across our facilities. See *Restructuring and impairment actions* in *Results of Operations* below.

Net income for the six months ended April 4, 2009 decreased to \$22.1 million from \$49.4 million in the prior-year period, and diluted earnings per share decreased to \$0.56 from \$1.06 in the prior-year period.

We currently expect the annual effective tax rate for fiscal 2009, excluding discrete events, to be approximately 7 percent, as explained above, which is 3 percentage points lower than earlier anticipated.

Fiscal 2009 outlook. 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 third quarter of fiscal 2009 to be in the range of \$355 million to \$385 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 \$0.18 to \$0.25 per diluted share in the third quarter of fiscal 2009.

REPORTABLE SEGMENTS

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

	Three Months Ended		Six Months Ended	
	April 4, 2009	March 29, 2008	April 4, 2009	March 29, 2008
Net sales:				
United States	\$ 250.5	\$ 317.6	\$ 545.2	\$ 652.0
Asia	126.5	129.6	286.6	245.0
Europe	12.3	18.0	25.0	36.3
Mexico	16.3	17.2	38.0	33.2
Elimination of inter-segment sales	(16.7)	(31.4)	(49.8)	(57.2)
	\$ 388.9	\$ 451.0	\$ 845.0	\$ 909.3
Operating income (loss):				
United States	\$ 16.3	\$ 30.1	\$ 38.1	\$ 67.6
Asia	11.3	13.7	29.5	25.4
Europe	1.0	2.1	1.9	4.2
Mexico	(1.0)	(0.7)	(1.7)	(1.1)
Corporate and other costs	(22.2)	(17.6)	(41.6)	(36.6)
	\$ 5.4	\$ 27.6	\$ 26.2	\$ 59.5

United States: Net sales for the three months ended April 4, 2009 decreased \$67.1 million, or 21.1 percent, from the three months ended March 29, 2008, to \$250.5 million. This reportable segment experienced significant net sales decline due to decreased demand mainly from our unnamed defense/security/aerospace customer, as well as the transfer of production for a wireline/networking customer's product to our Asian reportable segment. Decreased demand was also noted from another wireline/networking customer and one industrial/commercial customer. Operating income for the three months ended April 4, 2009 decreased \$13.8 million from the three months ended March 29, 2008. Operating income in the current-year period was negatively impacted by the decline in net sales and unfavorable changes in customer mix, particularly related to our unnamed defense customer.

Net sales for the six months ended April 4, 2009 decreased \$106.8 million, or 16.4 percent, over the six months ended March 29, 2008 to \$545.2 million. Net sales decreased in the current-year period due to decreased demand mainly from our unnamed defense/security/aerospace customer, as well as the transfer of production for a wireline/networking customer's product to our Asian reportable segment. Decreased demand

was also noted from two wireline/networking customers and one industrial/commercial customer. Operating income for the six months ended April 4, 2009 decreased \$29.5 million from the six months ended March 29, 2008. Operating income in the current-year period was negatively impacted by the decline in net sales and unfavorable changes in customer mix, particularly related to our unnamed defense customer.

Asia: Net sales for the three months ended April 4, 2009 decreased \$3.1 million, or 2.4 percent, over the three months ended March 29, 2008 to \$126.5 million. This decline reflected decreased demand from a

wireline/networking customer and a wireless infrastructure customer, partially offset by the transfer of production for a wireline/networking customer's product from the United States reportable segment to the Asian reportable segment. Operating income for the three months ended April 4, 2009 decreased \$2.4 million over the three months ended March 29, 2008, as a result of decreased net sales, changes in customer mix and operating inefficiencies.

Net sales for the six months ended April 4, 2009 increased \$41.6 million, or 17.0 percent, over the six months ended March 29, 2008 to \$286.6 million. This growth reflected increased net sales to several customers with the most significant customer growth coming from two customers in the wireline/networking sector, a customer in the medical sector and the transfer of production of a wireline/networking customer's product from the United States reportable segment to the Asian reportable segment. Operating income for the six months ended April 4, 2009 improved \$4.1 million over the six months ended March 29, 2008, primarily as a result of higher net sales in the first quarter of fiscal 2009.

Europe: Net sales for the three months ended April 4, 2009 decreased \$5.7 million, or 31.7 percent, to \$12.3 million, from the three months ended March 29, 2008. The net sales decline was primarily due to decreased demand from an industrial/commercial customer. Operating income for the three months ended April 4, 2009 decreased by \$1.1 million to \$1.0 million from the prior-year period due primarily to decreased net sales and an unfavorable change in customer mix.

Net sales for the six months ended April 4, 2009 decreased \$11.3 million, or 31.1 percent, to \$25.0 million, from the six months ended March 29, 2008. The change in net sales can be attributed to a decrease in the exchange rate as well as decreased demand from one customer in the industrial/commercial sector. Operating income for the six months ended April 4, 2009 decreased \$2.3 million from the six months ended March 29, 2008 primarily as a result of a decreased net sales as well as unfavorable change in customer mix.

Mexico: Net sales for the three months ended April 4, 2009 decreased \$0.9 million or 5.2 percent, from the three months ended March 29, 2008, to \$16.3 million. The net sales decrease was primarily driven by decreased demand from a wireline/networking customer, an industrial/commercial customer and a medical customer. These losses were offset, in part, by increased demand from a wireline/networking customer. Operating loss for the three months ended April 4, 2009 increased by \$0.3 million over the three months ended March 29, 2008, primarily as a result of reduced net sales.

Net sales for the six months ended April 4, 2009 increased \$4.8 million, or 14.5 percent, from the six months ended March 29, 2008, to \$38.0 million. The net sales increase was primarily attributable to the addition of a new customer in the wireline/networking sector. In addition, there was increased demand from an industrial/commercial customer, offset by decreased demand from a wireline/networking customer and an industrial/commercial customer. Operating loss for the six months ended April 4, 2009 increased \$0.6 million over the six months ended March 29, 2008 to \$1.7 million, as a result of reduced net sales.

For our significant customers, we generally manufacture products in more than one location. Net sales to Juniper Networks, Inc. (Juniper), our largest customer, occur in the United States and Asia. Net sales to General Electric Company (GE), a significant customer, occur in the United States, Asia and Mexico. 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		Variance Increase/ (Decrease)		Six Months Ended		Variance Increase/ (Decrease)
	April 4, 2009	March 29, 2008			April 4, 2009	March 29, 2008	
Net Sales	\$388.9	\$451.0	\$(62.1)	(14)%	\$845.0	\$909.3	\$(64.3) (7)%

For the three months ended April 4, 2009, we experienced net sales decline in each of our market sectors, except for a small increase in medical. The net sales decline in the industrial/commercial sector was spread across many customers and was primarily a result of decreased demand. Our net sales decline in the wireline/networking sector was driven by decreased demand from an existing customer as well as the disengagement of another customer, partially offset by the addition of three new customers. Our net sales decline in the defense/security/aerospace was primarily due to decreased demand of \$17.0 million from our unnamed defense customer, offset by increases to other customers. Our wireless infrastructure sector declined as a result of decreased demand primarily from one customer and our medical sector increased net sales slightly over the prior-year period.

For the six months ended April 4, 2009, net sales declined in all of our market sectors as compared to the prior-year period, except for the medical and wireline/networking sectors, due primarily to decreased demand by customers in the defense/security/aerospace and industrial/commercial sectors. Leading the decline was the defense/security/aerospace sector as it experienced demand decreases of \$60.8 million from our unnamed defense customer. Net sales in our industrial/commercial sector was unfavorably impacted by decreased demand from many existing customers. Offsetting these net sales declines were increases in demand from two existing customers in the wireline/networking sector and one existing medical customer.

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

Industry	Three Months Ended		Six Months Ended	
	April 4, 2009	March 29, 2008	April 4, 2009	March 29, 2008
Wireline/Networking	45%	43%	45%	41%
Wireless Infrastructure	9%	9%	10%	9%
Medical	24%	20%	24%	20%
Industrial/Commercial	12%	17%	12%	16%
Defense/Security/Aerospace	10%	11%	9%	14%

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

	Three Months Ended		Six Months Ended	
	April 4, 2009	March 29, 2008	April 4, 2009	March 29, 2008
Juniper	23%	20%	20%	19%
Top 10 customers	58%	60%	59%	62%

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.

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

	Three Months Ended		Variance Increase/ (Decrease)	Six Months Ended		Variance Increase/ (Decrease)
	April 4, 2009	March 29, 2008		April 4, 2009	March 29, 2008	
Gross Profit	\$ 35.8	\$ 51.6	\$ (15.8) (31)%	\$ 82.3	\$ 107.1	\$ (24.8) (23)%
Gross Margin	9.2%	11.4%		9.8%	11.8%	

For the three months ended April 4, 2009, gross profit and gross margin were impacted by the following: decreased net sales in all four of the reportable segments and

unfavorable changes in customer mix, including for the unnamed defense customer discussed above.

For the six months ended April 4, 2009, gross profit and gross margin were adversely impacted by the following: decreased net sales in the U.S. and European reportable segments

unfavorable changes in customer mix, including for the unnamed defense customer and

a moderate increase in fixed manufacturing costs associated with salaries and benefits as a result of annual wage increases and an additional week in the six month period.

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		Variance Increase/ (Decrease)	Six Months Ended		Variance Increase/ (Decrease)
	April 4, 2009	March 29, 2008		April 4, 2009	March 29, 2008	
S&A	\$ 22.3	\$ 24.0	\$ (1.7) (7)%	\$ 47.6	\$ 47.6	\$ 0.0 0%
Percent of net sales	5.8%	5.3%		5.6%	5.2%	

The dollar decrease in S&A for the three months ended April 4, 2009 is attributed to decreased compensation expenses for variable incentive compensation. S&A as a percentage of net sales increased as a result of the decreased net sales in the three months ended April 4, 2009, as compared to the prior-year period.

The dollar S&A expense for the six months ended April 4, 2009 was essentially flat to the prior-year period. Increases attributable to an additional week in the current-year period, additional compensation expense for stock-based compensation and expenses related to expansions in our Asian facilities were offset by lower variable incentive compensation. S&A as a percentage of net sales increased as a result of the decreased net sales in the six months ended April 4, 2009 as compared to the prior-year period.

Restructuring and impairment actions: For the three months ended April 4, 2009, the Company incurred restructuring and impairment costs of \$8.0 million, which consisted of the following:

- \$5.7 million related to goodwill impairment in our European reportable segment
- \$1.2 million related to severance from the reduction of our workforce across our United States facilities, which affected approximately 125 employees
- \$0.2 million related to severance from the reduction of our workforce in Juarez, Mexico, which affected approximately 40 employees and
- \$0.9 million related to the fixed assets written-down related to the closure of our Ayer, Massachusetts facility and at Corporate.

For the six months ended April 4, 2009, the Company incurred \$8.6 million of restructuring and impairment costs, which consisted of the following:

- \$5.7 million related to goodwill impairment in our European reportable segment
- \$1.2 million related to severance from the reduction of our workforce across our United States facilities, which affected approximately 125 employees
- \$0.8 million related to severance from the reduction of our workforce in Juarez, Mexico, which affected approximately 320 employees and
- \$0.9 million related to the fixed assets written-down related to the closure of our Ayer, Massachusetts facility and at Corporate.

For both the three and six months ended March 29, 2008, the Company did not incur any restructuring charges.

As of April 4, 2009, we have a remaining restructuring liability of approximately \$2.9 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		Six Months Ended	
	April 4, 2009	March 29, 2008	April 4, 2009	March 29, 2008
Income tax expense	\$ (1.7)	\$ 6.4	\$ 0.2	\$ 12.3
Effective annual tax rate	(51)%	22%	1%	20%

The decrease in our effective tax rates for the three and six months ended April 4, 2009, as compared to the three and six months ended March 29, 2008 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 as well as the net effect of discrete tax events of \$1.4 million that resulted in a tax benefit for the current-year quarter ended April 4, 2009.

The discrete events consisted of approximately \$1.6 million, including interest, related to the conclusion of federal and state audits, which resulted in a reduction of the liability imposed by FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* an Interpretation of FASB Statement No. 109 (FIN 48), offset by an additional provision of \$0.2 million for changes in state tax laws.

We currently expect the annual effective tax rate for fiscal 2009 to be approximately 7 percent, before discrete tax items.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities. Cash flows provided by operating activities were \$82.6 million for the six months ended April 4, 2009, compared to cash flows provided by operating activities of \$59.2 million for the six months ended March 29, 2008. The increase in cash flows provided by operating activities during the six months ended April 4, 2009 was primarily due to a decrease in accounts receivable, partially moderated by a decrease in accounts payable.

As of April 4, 2009, quarterly days sales outstanding in accounts receivable were 47 days as compared to the 50 days for the fiscal year ended September 27, 2008.

Inventory turnover decreased to 4.2 turns for the six months ended April 4, 2009 as compared to 5.3 turns for fiscal year ended September 27, 2008. Although inventory decreased \$4.0 million from September 27, 2008 to April 4, 2009 as a result of our efforts to control levels, the percent decrease was not as large as our percent change in revenue. As a result, we saw a decrease in inventory turns.

Investing Activities. Cash flows used in investing activities totaled \$30.1 million for the six months ended April 4, 2009 and were primarily used for purchases of property, plant and equipment. See Note 11 in Notes to the Condensed Consolidated Financial Statements for further information regarding our 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 \$60 million to \$65 million, of which \$30.3 million were made during the first half of fiscal 2009.

Financing Activities. Cash flows used in financing activities totaled \$11.5 million for the six months ended April 4, 2009, and primarily represented payments on our term note and capital leases.

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 April 4, 2009, we had term loan borrowings of \$135.0 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 April 4, 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 April 4, 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 April 4, 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 and second quarters 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 for the next twelve months. 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 April 4, 2009 (dollars in millions):

	Total	Payments Due by Fiscal Period			2014 and thereafter
		Remaining in 2009	2010-2011	2012-2013	
Long-Term Debt Obligations (1)	\$ 135.0	\$ 3.8	\$ 30.0	\$ 101.2	\$ -
Capital Lease Obligations	33.7	2.1	7.9	8.5	15.2
Operating Lease Obligations	39.0	5.2	13.8	10.6	9.4
Purchase Obligations (2)	157.0	151.4	5.3	-	0.3
Other Long-Term Liabilities on the Balance Sheet (3)	9.0	3.4	1.9	0.5	3.2
Other Long-Term Liabilities not on the Balance Sheet (4)	18.3	4.7	13.6	-	-
Total Contractual Cash Obligations	\$ 392.0	\$ 170.6	\$ 72.5	\$ 120.8	\$ 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 April 4, 2009, purchase obligations consist of purchases of inventory and equipment in the ordinary course of business.

(3) As of April 4, 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 table the impact of approximately \$3.5 million, as of April 4, 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 April 4, 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 as well as a subsequent commitment for approximately \$16 million to build a new corporate headquarters in Neenah, Wisconsin. 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 Annual Report on Form 10-K. During the first and second quarters 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 (SFAS No. 142), 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.

During the second quarter of fiscal 2009, the Company recorded a goodwill impairment charge of \$5.7 million, writing off the entire carrying value of its goodwill related to its Kelso, Scotland (Kelso) facility, which is the sole reporting unit in the European reportable segment. The impairment charge was driven by adverse macroeconomic conditions that contributed to an overall reduction in demand for the Company's offerings in the Kelso facility. These conditions led to an interim triggering event under SFAS No. 142, leading management to perform an interim goodwill impairment test. This test resulted in the determination that the carrying value of the goodwill relating to Kelso was fully impaired and therefore an impairment charge of \$5.7 million was taken. This was the Company's sole goodwill asset.

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 \$10.1 million at April 4, 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 15 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 April 4, 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		Six Months Ended	
	April 4, 2009	March 29, 2008	April 4, 2009	March 29, 2008
Net sales	4%	4%	3%	4%
Total costs	10%	11%	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 for both the three and six months ended April 4, 2009 and March 29, 2008, respectively.

Auction Rate Securities

As of April 4, 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 and second quarters 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) that such information is accumulated and communicated to the Company s management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting: During the second 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 named 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 alleged securities law violations and sought 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, which was opposed by the plaintiffs.

On March 6, 2009, the court granted the motion of the Company and the individual defendants to dismiss the consolidated class action complaint. Although the court gave leave to the plaintiffs to file an amended complaint until March 31, 2009, no such amendment was filed. The parties are awaiting the entry by the court of the judgment formally dismissing the action; the plaintiffs will have a period of time thereafter during which they may exercise a right of appeal.

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 58 percent and 59 percent of our net sales for the three and six months ended April 4, 2009, respectively, and 60 percent and 62 percent for the three and six months ended March 29, 2008, respectively. For the three and six months ended April 4, 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, and we recently announced expansion to a new facility in Oradea, Romania. 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 as we did due to the closure of our Ayer, Massachusetts facility in the second quarter of fiscal 2009.

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, we recently ceased operations at our former Ayer, Massachusetts facility and reduced headcount in Juarez, Mexico and other North American facilities, 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.

Plexus is a multinational corporation and 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 40 percent of our revenues in the quarter ended April 4, 2009. We have announced expansion plans in China and Romania 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 operations and operating results:

- economic, political or civil instability, including significant drug cartel-related violence in Juarez, Mexico
- epidemics and health concerns, including the recent swine flu outbreaks (and related government actions) in 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 10 years and 4 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 thus far in fiscal 2009, but may result in higher tax rates on our operations in those countries in future

periods. Proposed changes to the manner in which U.S. based multinational companies are taxed in the U.S. could also have an impact on our operating results and competitiveness.

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 second 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 by U.S. Customs and Border Protection that it will conduct a customary Focused Assessment audit of our import activities during fiscal 2008 and of our internal controls to comply with U.S. Customs laws and regulations. This audit is scheduled to occur in the summer of 2009. In preparation for this audit, we have reassessed internal policies, procedures and controls respecting U.S. 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 any unpaid duties or deficiencies in policies, procedures, or controls 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 the closure of our Ayer, Massachusetts facility, we transitioned 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.

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. 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.

We have been 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. Although the consolidated class action complaint was dismissed by the court in March 2009, and the plaintiffs did not file an amended complaint within the time period specified by the court, the plaintiffs may still exercise their right of appeal. 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.

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 second quarter of fiscal 2009.

ITEM 4. Submission of Matters to a Vote of Security Holders

At the Company's annual meeting of shareholders on February 4, 2009, the nine management nominees for re-election to the board of directors were re-elected by the shareholders. The nominees/directors were re-elected with the following votes:

<u>Director's Name</u>	Authority Granted to Vote For	Authority Withheld
Ralf R. Boër	18,197,784	19,593,908
Stephen P. Cortinovis	22,776,362	15,015,330
David J. Drury	22,749,693	15,041,999
Dean A. Foate	22,726,845	15,064,847
Peter Kelly	22,786,664	15,005,028
John L. Nussbaum	22,645,341	15,146,351
Michael V. Schrock	22,210,429	15,581,263
Charles M. Strother, M.D.	22,778,323	15,013,369
Mary A. Winston	22,883,008	14,908,684

In addition, shareholders ratified the selection of PricewaterhouseCoopers LLP as the independent auditors for fiscal 2009. The vote on the proposal was as follows:

For: 36,668,389 Against: 992,117 Abstain: 131,186

ITEM 6. EXHIBITS

- 31.1 Certification of Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of the CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

5/7/09 /s/ Dean A. Foate
Date Dean A. Foate
 President and Chief Executive Officer

5/7/09 /s/ Ginger M. Jones
Date Ginger M. Jones
 Vice President and Chief Financial Officer

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