SOLECTRON CORP
Form 424B5
January 24, 2002

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The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell nor do they seek an offer to buy these securities in any jurisdiction where the offer or sale would not be permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-64454

Subject to Completion. Dated January 23, 2002.

Prospectus Supplement to Prospectus dated August 29, 2001.

$500,000,000

% Senior Notes due 2009

Solectron will pay interest on the notes on and of each year. The first such payment will be made on , 2002. The notes will be issued only in denominations of $1,000 and integral multiples of $1,000.

At any time prior to , 2005, Solectron will have the option to redeem up to 35% of the notes at the redemption price set forth in this prospectus supplement using the proceeds of certain equity offerings. Prior to , 2006, Solectron will have the option to redeem the notes, in whole or in part, from time to time, at a price equal to the greater of % of the principal amount of the notes or a make-whole premium as described in this prospectus supplement. On or after , 2006, Solectron will have the option to redeem all or a portion of the notes at the redemption prices set forth in this prospectus supplement.

The notes will be our general, unsecured, senior obligations and will rank equal in right of payment to all of our existing and future unsecured, unsubordinated indebtedness.

See Risk Factors beginning on page S-12 to read about certain factors you should consider before buying notes.

Neither the Securities and Exchange Commission nor any other regulatory authority has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Initial public offering price	%	$
Underwriting discount	%	$
Proceeds, before expenses, to Solectron	%	$

The initial public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from February , 2002, and must be paid by the underwriters if the notes are delivered after that date.

The underwriters expect to deliver the notes in book-entry form through the facilities of The Depository Trust Company against payment in New York, New York, on or about February , 2002.

Goldman, Sachs & Co.

Sole Book-Running Manager

Banc of America Securities LLC **JPMorgan**

Joint Lead Manager **Joint Lead Manager**

Scotia Capital

Prospectus Supplement dated January , 2002.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the registration statement of which they are a part contain or incorporate by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, but not limited to:

our intention and ability to repurchase, repay or otherwise retire outstanding indebtedness, including, without limitation, certain outstanding indebtedness of C-MAC, and the anticipated financial impact resulting from those activities;

the timing of, and our ability to, enter into the proposed new secured credit facilities;

the anticipated financial impact of recent and future acquisitions, including our recently completed C-MAC combination;

our ability to reduce our operating expenses through our restructuring initiatives;

our projected revenues from our manufacturing orders;

projections relating to our market share in the electronics manufacturing services industry; and

certain statements contained in Management s Discussion and Analysis of Financial Condition and Results of Operations.

We intend that these forward-looking statements be subject to the safe harbors created by those provisions. These forward-looking statements are based on current expectations, forecasts and assumptions involving risks and uncertainties that could cause actual outcomes to differ materially. These statements are generally accompanied by words such as intend, anticipate, believe, estimate, expect and other similar words and statements. These risks and uncertainties, which in some instances are beyond our ability to control, include but are not limited to:

the recent global economic slowdown and declining customer demand for our services and products;

risks associated with the cyclical nature of the electronics industry;

our ability to compete successfully to win new business and customers and to retain existing customers as well as the level of success of our competitors;

opportunities and needs for acquisitions of assets and/or businesses, changes in interest rates and other financial market conditions, and other developments or conditions requiring alternative uses of proceeds which might constrain our ability or willingness to repay our existing indebtedness;

our expectations concerning our ability to realize revenues from customer bid wins depends on our customers actual production schedules which in turn depend on end-user demand that is difficult to predict;

our ability to realize the benefit of anticipated cost-savings, due to our restructuring initiatives and otherwise, is dependent on factors that may be beyond our control; and

our ability to integrate into our existing business the operations of Shinei, NatSteel, Stream, Iphotonics, Artesyn, C-MAC and our other recent and future acquisitions effectively.

For more information about risks and uncertainties, see Risk Factors. Although we believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. Therefore, we can give no assurance that the results implied by these forward-looking statements will be realized. The inclusion of this forward-looking information should not be regarded as a representation by our company or any other person that the future events, plans or expectations contemplated by Solectron will be achieved. Furthermore, past performance in operations

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and share price is not necessarily indicative of future performance. We disclaim any intention or obligation to update or revise any forward-looking statements contained in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference herein, whether as a result of new information, future events or otherwise.

Market data used throughout this prospectus supplement, including information relating to our relative position in the electronics manufacturing services industry, is based on independent industry sources and other publicly available information and the good faith estimates of our management. Although we believe that such sources are reliable, the accuracy and completeness of such information is not guaranteed and has not been independently verified.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary only highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. As a result, it does not contain all of the information that you should consider before purchasing the notes. You should read the entire prospectus supplement, including the accompanying prospectus and the documents incorporated by reference, which are described under Where You Can Find More Information. When used in this prospectus supplement, unless the context requires otherwise, the terms we, our and us refer to Solectron Corporation and its subsidiaries.

Solectron Corporation

Overview

We are a leading provider of electronics manufacturing services (or EMS) to original equipment manufacturers (or OEMs) that design and sell networking equipment, computing equipment (including workstations, notebooks, desktops and peripherals), mobile and wireline telecommunications equipment, and other electronics equipment and products. These companies contract with us to build their products or to obtain other related supply-chain services, such as design, testing, systems integration and after-sales repair and support. Providing these solutions to our customers allows them to reduce their capital investment requirements and fixed overhead costs and to remain competitive by focusing on their core competencies of sales, marketing, and research and development.

For the 12 months ended November 30, 2001 (giving pro forma effect to our combination with C-MAC), we had revenues of $17.9 billion, an operating loss of $326 million and adjusted EBITDA of $927 million. Adjusted EBITDA represents income (loss) before taxes, extraordinary loss and minority interests, plus net interest expense, depreciation, amortization, and restructuring and acquisition costs. See Selected Consolidated Financial Information.

Competitive Strengths

Market Leadership

Our strength in the EMS market is demonstrated by our customer base and our market leadership. We enjoy long-standing relationships with customers such as Apple Computer, Brocade, Cisco Systems, Compaq, Ericsson, Hewlett-Packard, IBM, Nortel Networks, Sony and Sun Microsystems. According to IDC, Solectron is a leader in the EMS industry in sales and was believed to have had an approximate 18% market share for 2001.

Strong Balance Sheet

We are pursuing a plan intended to achieve investment-grade credit ratings for our unsubordinated, unsecured indebtedness by improving our operations and pursuing a prudent financing strategy. We plan to use cash on hand, the net proceeds of this offering and the net proceeds from our offering of $1.1 billion of 7.25% Adjustable Conversion-Rate Equity Security Units (ACES), which occurred after November 30, 2001, to repay existing indebtedness and other commitments. In addition, we have received commitments, subject to certain conditions, including those described in Description of Other Indebtedness Proposed New Secured Credit Facilities , for an aggregate of $500 million of new secured credit facilities to allow additional financial flexibility. As of November 30, 2001, we had $2.9 billion of cash, cash equivalents and short-term investments.

Reduced Cost Structure and Improved Working Capital Management

In response to recent economic conditions and end-market demand, beginning in early 2001 we embarked on a series of aggressive restructuring initiatives. We expect these initiatives will be

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completed by the end of fiscal 2002 and following completion are expected to reduce our annual costs, including non-cash items, by approximately $1 billion, partially mitigating our lower revenue generation. We believe these initiatives will allow us to emerge from the current downturn with a sustainable long-term cost structure to support improved operating efficiency and margins. Restructuring efforts completed to date include eliminating approximately 490 production lines, reducing our headcount by approximately 25,000, and closing or consolidating 17 sites and re-missioning five sites. In the process, we have transferred some operations to lower-cost locations for improved efficiency, disposed of less-useful equipment resulting in more efficient manufacturing lines, and closed facilities that had marginal long-term viability, transferring operations from those locations to other locations better equipped for long-term success due to lower costs.

While we are in the process of restructuring our business for the current economic environment, we believe we have an appropriate level of capacity to ramp up operations quickly should demand return to historical levels. In addition, we have improved our working capital management capabilities through a number of initiatives. For example, we have reduced our inventory over the last three quarters by $2.1 billion. We believe we have the ability to generate additional cash in the future by further improving our inventory and improving our receivables management, although there is no assurance we will be able to achieve this.

Promising New Customers and Ability to Penetrate Existing Customer Base

We plan to increase our market share by winning new customers and more deeply penetrating existing customer accounts with expanded capabilities that we have developed to meet growing OEM needs. We believe recent customer bidding wins represent potential additional revenue of approximately $4 billion, although realization of such revenue is dependent on the expected production ramp of our customers, which is subject to realization of expected end-user demand for our customers products. Our existing customer base is complemented by promising new customer wins. Our opportunities to generate additional business from current customers include providing after-sales services and complete supply-chain management. Examples of such existing customers include Ciena, Cisco, Compaq and Sun Microsystems.

Extensive Geographic and Product Scope

Very large OEMs generally market a broad array of products into a multinational marketplace which often requires complex manufacturing and supply processes. We believe that our extensive geographic reach and product scope allow us to serve our largest targeted OEMs more effectively than do our competitors. We currently have facilities worldwide, in the Asia/Pacific region (including Japan and China), North and South America and Europe. We provide our customers with a comprehensive offering of supply-chain solutions. Customers can turn to us at any stage of the design, manufacturing or after-sales service support process, worldwide, and obtain high quality, flexible solutions to optimize their existing supply-chains. Our objective is to streamline the supply-chain to help our customers attain a faster time-to-market for their products with lower total costs, while enabling them to allocate their resources more efficiently. Our broad range of services includes:

- advanced building block design solutions;
- product design and manufacturing;
- new product introduction;
- prototyping;
- materials purchasing and management;
- printed circuit board assembly;
- system assembly and testing;
- distribution and installation; and
- product repair, technical support, returns processing and warranty services.

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Experienced Management Team

We have assembled a management team with superior vision and experience. All sixteen executive team members contribute to managing our growth and strategic direction. Management has transformed us from a regional provider of assembly services to a global leader providing our customers with integrated supply-chain solutions that span the entire product life cycle. Collectively, our team of executives brings significant high-technology experience and leadership to a company driven to deliver the highest quality services to its global customers.

Our Industry

Industry sources forecast that the EMS industry will grow rapidly. IDC forecasts that the EMS industry will experience a compound annual growth rate of approximately 20% annually from 2001 through 2005, with industry revenue projected at $186 billion by 2005. Additionally, Technology Forecasters, Inc. forecasts EMS industry growth of approximately 29% annually from 2001 through 2005, with industry revenue projected at $288 billion by 2005.

Many OEMs in the electronics and other industries outsource manufacturing and related supply-chain services as part of their business strategies. Outsourcing allows OEMs to take advantage of the supply-chain expertise of EMS providers, thereby enabling OEMs to concentrate on their core competencies. Specifically, OEMs use contract manufacturers to enable:

- faster time-to-market;
- reduced investment;
- access to leading manufacturing technology;
- lower total costs of manufacturing and supply-chain management;
- improved inventory management and purchasing power; and
- access to worldwide manufacturing capabilities.

Our Strategy

Our strategy is to offer our customers significant competitive advantages through electronics outsourcing. We aim to differentiate ourselves from our competitors by providing a superior level of quality, service and value. Additionally, we strive to provide comprehensive, value-added services, including solutions, better than those offered by our competitors. As a result, we create a compelling outsourcing solution that can be used by our customers in whole or in part. To achieve this goal, we emphasize the following key elements.

Capitalize on Industry Growth Trends

We are benefiting from increased worldwide market acceptance of, and reliance upon, the use of outsourced manufacturing services and supply-chain management services by many electronics OEMs. While we are recognized for our printed circuit board assembly business, we have strategically extended our capabilities and competencies to cover the entire range of supply-chain needs, including product design and modular solutions, pre-production planning, new product introduction management, manufacturing, systems assembly test and installation, product distribution, and after-sales product service and support.

Uncompromising Quality

We believe product quality is a defining factor in the electronics manufacturing market. We strive continuously to improve our processes and have adopted a number of quality improvement and measurement techniques to monitor our performance. We have received many service and quality

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awards, including the Malcolm Baldrige National Quality Award in 1991 and again in 1997. All of our manufacturing facilities are certified under ISO-9000 international quality standards for design, manufacturing and distribution management systems.

Strategic Relationships

An important element of our strategy is to establish long-term strategic relationships with major and emerging OEM leaders in diverse electronics industry segments, such as networking, telecommunications, workstations, personal computers, computer peripherals, instrumentation, semiconductor equipment and transportation. We focus our efforts on customers with high potential for long-term business relationships. Our goal is to strengthen these relationships by delivering a total supply-chain solution across the entire product life-cycle, from design to full product manufacturing and distribution to after-sales services such as product repair and support.

Turn-key Capabilities

Another element of our strategy is to provide a complete range of manufacturing management and value-added services, including materials management, board design, concurrent engineering, assembly of complex printed circuit boards and other electronic assemblies, test engineering, software manufacturing, accessory packaging and after-sales services. We believe that as manufacturing technologies become more complex and as product life cycles shorten, OEMs will increasingly contract for supply-chain services on a turn-key basis as they seek to reduce product time-to-market, overall costs and capital assets.

Advanced Manufacturing Process Technology

We intend to continue to offer customers advanced manufacturing process technologies, including design and new product introduction expertise. Our involvement during the early design stage helps to reduce time-to-market and enable a fast ramp to volume manufacturing. We have developed common tools for industrial, electrical, mechanical and manufacturing applications design to shorten the design cycle and maintain cost effectiveness. Our key initiatives in the test area include standardizing on a single functional test platform for the majority of the printed circuit assemblies we produce, and enhancing test capability.

Diverse Geographic Operations

We seek to establish production facilities in areas of high customer density and where we can generate manufacturing efficiencies and lower unit costs. During the last year we undertook a restructuring of our global operations to optimize our mix of facilities and capabilities around the world. We have operations throughout the Asia/ Pacific region, the Americas and Europe. We believe our facilities in these regions enable us better to address our customers requirements, such as cost containment, compliance with local content regulations, and the elimination of expensive freight costs, tariffs and time-consuming customs clearances and shortened product time-to-market.

We were originally incorporated in California in August 1977. In February 1997, we were reincorporated in Delaware. Our principal executive offices are located at 777 Gibraltar Drive, Milpitas, California 95035. Our telephone number is (408) 957-8500 and our Internet address is www.solectron.com. The information contained or incorporated in our website is not a part of this prospectus supplement.

RECENT DEVELOPMENTS

Completion of Adjustable Conversion-Rate Equity Security Units Offering

On December 27, 2001, we completed our public offering of $1 billion, or 40 million units, of 7.25% Adjustable Conversion-Rate Equity Security Units (ACES). Each ACES unit has a stated amount of $25 and initially consists of (a) a contract to purchase, for $25, a number of shares of our common stock to be determined on November 15, 2004 and (b) $25 principal amount of 7.25% subordinated debentures due 2006. On January 8, 2002, we issued another $100 million, or 4 million units, of ACES in satisfaction of the underwriters over-allotment option.

Repurchase of LYONs Due 2019

Holders of our Liquid Yield Option™ Notes (LYONs) due 2019 have the right to require us to repurchase all or a portion of the notes they hold as of January 28, 2002. On December 18, 2001, we announced our intention to use cash to meet any obligations to repurchase such notes in January 2002. The accreted value of the notes outstanding, as of November 30, 2001, was $615 million.

Combination with C-MAC

On December 3, 2001, we completed our combination with C-MAC. Based on our common stock s closing price immediately preceding the completion of the combination, the transaction was valued at approximately $2.3 billion, including the assumption of C-MAC debt.

Restructuring Charge

During the second quarter of fiscal 2002, we adopted additional plans related to our restructuring initiatives. These plans include additional workforce reductions and consolidating and changing the strategic focus of additional facilities. In connection with these plans, we estimate restructuring and impairment charges ranging from $250 to $270 million during the second quarter of fiscal 2002.

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THE TRANSACTIONS

We intend to use the net proceeds of this offering, along with the net proceeds of the aggregate $1.1 billion of ACES that we issued on December 27, 2001 and January 8, 2002 and cash on hand, to repurchase, repay or otherwise retire existing indebtedness and other commitments. Substantially concurrent with and contingent upon the closing of this offering of notes and certain other conditions, we expect to enter into senior secured revolving credit facilities, which we refer to as the proposed new secured credit facilities with, among others, affiliates of certain of the underwriters. The maximum borrowing capacity under these facilities is expected to be $500 million. For more information regarding the proposed new secured credit facilities, see Description of Other Indebtedness Proposed New Secured Credit Facilities. We refer to the ACES issuance, this offering of senior notes and our entering into the proposed new secured credit facilities in this prospectus supplement as the Transactions. The table below sets forth the estimated sources and intended uses for the Transactions based on outstanding balances as of November 30, 2001, assuming the Transactions had been completed on such date (dollars in millions):

Sources	
Proposed new secured credit facilities(1)	$
New senior notes	500
ACES(2)	1,100
Cash(3)	801
Total Sources	**$2,401**

Uses	
Repurchase of LYONs due 2019(3)	$ 615
Repayment of outstanding C-MAC indebtedness	341
Repurchase, redemption and/or retirement of other indebtedness(4)	1,000
Funded Amount(5)	399
Transaction costs	46
Total Uses	**$2,401**

(1) This offering is not contingent upon obtaining the proposed new secured credit facilities, which are expected to be undrawn at closing.

(2) Does not reflect $151 million in cash used to purchase restricted treasury securities sufficient to satisfy the first eight quarterly interest payments on the ACES through November 15, 2003.

(3) These amounts do not take into account the effect of certain repurchases of indebtedness that have occurred since November 30, 2001.

(4) Other indebtedness includes short-term debt, of which $276.6 million was outstanding as of November 30, 2001 (giving effect to our combination with C-MAC), and both series of our LYONs due 2020, of which there was $4,005.7 million outstanding as of November 30, 2001. See Capitalization.

(5) As a result of the Transactions, we may be required to prepay certain of our commitments under operating leases to the extent we are unable to obtain amendments, waivers or consents to such instruments prior to March 1, 2002. We call this amount the Funded Amount.

Although it is our present intention to repurchase, repay or otherwise retire the indebtedness set forth above with the net proceeds of the Transactions and cash on hand, we are not obligated to do so and may choose not to do so depending on market or other conditions, nor can we assure you that we will be able to accomplish this on acceptable terms or at all. In addition, we may be required to pay the Funded Amount as described in Risk Factors We will be required to obtain waivers, consents or amendments from holders of certain of our financial instruments or we will be required to pre-pay those obligations. To the extent that any net proceeds are not used to repay the indebtedness set forth above or the

Funded Amount, we would use such net proceeds for working capital and general corporate purposes, which might include acquisitions.

THE OFFERING

Issuer	Solectron Corporation.
Securities Offered	$500 million aggregate principal amount of % Senior Notes due 2009.
Interest	Interest on the notes will accrue from the date of their issuance at the rate of % per year and will be payable in cash semi-annually in arrears on and of each year, commencing , 2002.
Ranking	The notes will be general, unsecured obligations and:

will be effectively subordinated to all of our existing and future secured, unsubordinated indebtedness, including our proposed new secured credit facilities, to the extent of the value of the assets securing such indebtedness;

will be effectively subordinated to all liabilities of our subsidiaries, including our proposed new secured credit facilities as well as trade payables;

will rank equal in right of payment with all of our existing and future unsubordinated, unsecured indebtedness; and

will rank senior in right of payment to all of our existing and future subordinated indebtedness.

As of November 30, 2001:

we and our subsidiaries had no secured indebtedness but, assuming that the combination with C-MAC and the ACES offering had occurred on that date, that amount would have been $150.6 million and in addition the proposed new secured credit facilities are expected to permit the incurrence of up to an additional $500 million of secured indebtedness;

we and our subsidiaries had $115 million of cash collateralized synthetic leases;

our subsidiaries had total liabilities of $3.4 billion and, assuming that the combination with C-MAC and the ACES offering had occurred on that date, that amount would have been $4.1 billion;

we had $5.1 billion of outstanding unsubordinated unsecured indebtedness that would rank equal in right of payment with the notes and, assuming that the combination with C-MAC and the ACES offering had occurred on that date, that amount would have been $5.6 billion; and

we had no outstanding subordinated indebtedness and, assuming that the combination with C-MAC and the ACES offering had occurred on that date, that amount would have been $949.4 million.

See Description of the Notes and Description of Other Indebtedness Proposed New Secured Credit Facilities.

Optional Redemption	At any time prior to , 2005, Solectron will have the option to redeem up to 35% of the notes at the redemption price set forth in the Description of the Notes Optional Redemption using the proceeds of certain equity offerings. Prior to , 2006,

Solectron will have the option to redeem the notes, in whole or in part, from time to time, at a price equal to the greater of % of the principal amount of the notes or a make-whole premium as set forth in the Description of the Notes Optional Redemption , plus accrued and unpaid interest. On or after , 2006, Solectron will have the option to redeem all or a portion of the notes at the redemption prices set forth in the Description of the Notes Optional Redemption.

Change of Control

Upon a Change of Control, as defined in this prospectus supplement, you will have the right to require us to repurchase all or any part of your notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest to, but excluding, the repurchase date. See Description of the Notes Repurchase at the Option of Holders Change of Control.

Certain Covenants

Prior to the notes being rated at least Baa3 or above by Moody s Investor Services and BBB- or above by Standard & Poors, the indenture governing the notes will contain certain covenants which, among other things, restrict our ability and the ability of our restricted subsidiaries to:

incur additional indebtedness;

pay dividends;

make distributions in respect of our or our subsidiaries capital stock;

make other restricted payments;

give subsidiary guarantees of our other debt;

enter into transactions with affiliates or related persons; and

sell assets.

In addition, before and after the notes receive such ratings, the indenture will restrict our ability and the ability of our restricted subsidiaries to:

enter into sale and leaseback transactions;

create liens; and

consolidate, merge or sell all or substantially all of our or our subsidiaries assets.

When the notes are issued, all of our subsidiaries will be restricted subsidiaries, as defined in the indenture, except for U.S. Robotics Corporation. All of these covenants are subject to important exceptions and qualifications. See Risk Factors Risks Relating to the Notes and Description of the Notes.

Use of Proceeds

We intend to apply the net proceeds of this offering, the net proceeds from our recent offering of $1.1 billion of ACES and cash on hand, to repurchase, repay or otherwise retire existing indebtedness and other commitments. However, we are not obligated to do so and may choose not to do so depending on market or other conditions, nor can we assure you that we will be able to accomplish this on acceptable terms or at all. In addition, we may be required to pay the Funded Amount as described in Risk Factors We will be required to obtain waivers, consents or

	amendments from holders of certain of our financial instruments or we will be required to pre-pay those obligations. To the extent that any net proceeds are not used to repay indebtedness or the Funded Amount, we would use such net proceeds for working capital and general corporate purposes, which might include acquisitions.
Risk Factors	You should consider carefully the information set forth in the section entitled Risk Factors beginning on page S-12 of this prospectus supplement and all other information provided to you in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in deciding whether to invest in the notes.

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SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth summary consolidated historical financial data for each of the fiscal years in the five year period ended August 31, 2001 and for the three months ended November 30, 2000 and 2001. Also included is summary pro forma financial data for the year ended August 31, 2001 and the three months ended November 30, 2001 as well as certain other financial data for the twelve months ended November 30, 2001.

When you read the following summary historical and pro forma data, it is important that you read it along with the historical consolidated financial statements and notes thereto and the unaudited pro forma combined condensed financial information included or incorporated by reference in this prospectus.

	Fiscal Year Ended August 31,						Three Months Ended November 30,		
	1997	1998	1999	2000	2001	2001	2000	2001	2001
	Actual					Pro forma(a)	Actual		Pro forma(a)
	(in millions)								
Income Statement Data									
Net Sales	$4,408.5	$6,102.2	$9,669.2	$14,137.5	$18,692.3	$20,475.9	$ 5,695.5	$ 3,152.2	$ 3,394.7
Operating income (loss)	303.2	368.6	516.1	704.2	(98.6)	(0.6)	276.4	(48.5)	(84.3)
Net interest expense (income)(b)	(4.3)	(6.9)	1.6	(35.3)	59.1	65.5	(3.9)	22.8	24.3
Income (loss) before taxes, extraordinary loss, and cumulative effect of change in accounting principle	307.5	375.5	514.5	739.5	(157.7)	(66.1)	280.3	(71.3)	(108.6)
Net income (loss)	203.7	251.3	350.3	497.2	(123.5)	(60.0)	190.6	(52.5)	(76.0)
Balance Sheet Data									
Cash and cash equivalents and short-term investments	$ 634.0	$ 489.9	$1,881.7	$ 2,434.1	$ 2,790.1	*	$ 4,518.7	$ 2,886.8	$ 3,047.3
Net working capital	1,137.5	1,278.1	3,162.7	5,411.4	6,014.8	*	8,125.6	4,897.0	5,552.7
Total assets	2,209.9	2,843.7	5,420.5	10,375.6	12,930.4	*	14,026.5	12,504.2	15,687.7
Long-term debt	386.2	386.8	922.7	3,319.5	5,027.5	*	4,893.9	4,234.3	4,572.1
Total debt	388.1	410.6	969.6	3,388.7	5,333.7	*	5,012.4	5,122.8	5,463.3
Stockholders equity	1,150.2	1,475.4	3,166.9	3,802.1	5,150.7	*	5,151.3	5,140.6	7,684.8
Other Financial Data									
EBITDA(c)	$ 413.1	$ 503.2	$ 716.5	$ 955.6	$ 425.6	$ 599.4	$ 361.6	$ 53.7	$ 38.3
Adjusted EBITDA(c)	417.1	503.2	716.5	993.5	972.6	1,146.4	361.6	126.6	111.2
Depreciation and Amortization	109.9	134.6	200.4	251.4	536.1	611.9	85.2	102.6	123.0
Capital expenditures(d)	205.7	279.1	449.4	506.0	536.8	614.6	248.9	62.7	69.6
Ratio of earnings to fixed charges(e)	10.10x	11.07x	8.70x	8.38x	0.23x	0.71x	8.13x	-(j)	-(k)

* Not presented

	Twelve Months Ended November 30, 2001
Ratio of pro forma adjusted total debt to pro forma adjusted EBITDA(c)(f)(i)	5.46x
	3.47x

Ratio of pro forma adjusted EBITDA to pro forma interest expense(c)(g)(i)	
Ratio of pro forma adjusted net debt to pro forma adjusted EBITDA(c)(h)	3.66x

(a) The pro forma income statement data for the year ended August 31, 2001 and the three months ended November 30, 2001 is derived from the unaudited pro forma combined condensed financial information included in this prospectus supplement that combines Solectron s audited consolidated statements of operations for the year ended August 31, 2001 and the unaudited three months ended November 30, 2001 with the unaudited consolidated statements of earnings of C-MAC for the twelve months ended September 30, 2001 and the three months ended September 30, 2001, respectively. The pro forma balance sheet data as of November 30, 2001 is derived from the unaudited pro forma combined condensed financial information included in this prospectus supplement that combines Solectron s and C-MAC s unaudited

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consolidated balance sheets as of November 30, 2001. The pro forma other financial data for the year ended August 31, 2001 and the three months ended November 30, 2001 is derived from audited financial data of Solectron for the year ended August 31, 2001 and the unaudited three months ended November 30, 2001 combined with the unaudited financial data of C-MAC for the twelve months ended September 30, 2001 and the three months ended September 30, 2001, respectively.

(b) Net interest expense (income) is interest expense net of interest income.

(c) EBITDA represents income (loss) before taxes, extraordinary loss and minority interests, plus net interest expense, depreciation and amortization. Adjusted EBITDA represents EBITDA, as adjusted to exclude non-recurring charges. Non-recurring charges consist of restructuring and acquisition costs. Some investors have found information like EBITDA and adjusted EBITDA to be useful as a measure of our ability to satisfy principal and interest obligations on our debt and to provide cash for other purposes. EBITDA and Adjusted EBITDA do not represent, and should not be considered a substitute for, income (loss) from operations, net income (loss), operating cash flows or other measures of performance prepared in accordance with generally accepted accounting principles (GAAP). Our definitions of EBITDA and adjusted EBITDA may not be comparable to those reported by other companies and do not correspond to definitions of consolidated cash flow used as a defined term in the indenture as described under the caption Description of the Notes.

(d) Excludes acquisitions of businesses and asset acquisitions (other than capital expenditures).

(e) We have computed the ratio of earnings to fixed charges by dividing earnings available for fixed charges by fixed charges. The computations include us and our consolidated subsidiaries. For these ratios, earnings represents (1) income (loss) before taxes and before adjustment for minority interests, plus (2) fixed charges (excluding capitalized interest), plus (3) amortization of capitalized interest. Fixed charges consist of (1) interest on all indebtedness and amortization of debt discount and expense, plus (2) capitalized interest, plus (3) an interest factor attributable to rentals.

(f) Pro forma adjusted total debt reflects short-term and long-term debt after giving effect to the C-MAC combination which occurred on December 3, 2001, the issuance and sale of the notes offered hereby and the issuance of the ACES as if they had been completed on November 30, 2001. Pro forma adjusted EBITDA is calculated for the twelve months ended November 30, 2001 and gives effect to the C-MAC combination.

(g) Pro forma interest expense reflects interest expense, including non-cash interest related to our LYONs, after giving effect to the C-MAC combination which occurred on December 3, 2001, this offering and the issuance of the ACES as if they had been completed at the beginning of the twelve months ended November 30, 2001. Pro forma adjusted EBITDA is calculated for the twelve months ended November 30, 2001 and gives effect to the C-MAC combination.

(h) Pro forma adjusted net debt reflects total debt less cash on hand after giving effect to the C-MAC combination which occurred on December 3, 2001, this offering and the issuance of the ACES as if they had been completed on November 30, 2001. Upon satisfaction of our commitments under the Funded Amount, our cash balance would be reduced by approximately $399 million as of November 30, 2001, but our reported debt balances will not be reduced because operating leases are not classified as debt on our balance sheet in accordance with GAAP. Pro forma adjusted EBITDA has not been adjusted by the reduction of operating lease expenses that would result from any payment in connection with the Funded Amount. Pro forma adjusted EBITDA is calculated for the twelve months ended November 30, 2001 and gives effect to the C-MAC combination.

(i) Assumes that the net proceeds of the Transactions and cash on hand are used to (i) repurchase approximately $615 million of our LYONs due 2019, which the holders thereof may require us to repurchase on January 28, 2002, (ii) repay approximately $341 million of indebtedness that we assumed in connection with our combination with C-MAC, (iii) repurchase, repay or otherwise retire (allocated on a pro rata basis in proportion to accreted value at November 30, 2001) $1 billion of our outstanding short-term debt and the LYONs other than those referred to above, and (iv) satisfy the Funded Amount composed of approximately $399 million of operating lease commitments as of November 30, 2001 as described in Risk Factors We will be required to obtain waivers, consents or amendments from holders of certain of our financial instruments or we will be required to pre-pay those obligations. Although it is our present intention to repurchase, repay or otherwise retire this indebtedness with the net proceeds of the Transactions and cash on hand, we are not obligated to do so and may choose not to do so depending on market or other conditions, nor can we assure you that we will be able to accomplish this on acceptable terms or at all. To the extent that any net proceeds are not used to repay such indebtedness or the Funded Amount, we would use such net proceeds for working capital and general corporate purposes, which might include acquisitions.

(j) There is a deficiency of fixed charge coverage of $71.1 million.

(k) There is a deficiency of fixed charge coverage of $108.4 million.

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RISK FACTORS

In considering whether to purchase the notes, you should carefully consider all the information we have included or incorporated by reference in this prospectus supplement and the accompanying prospectus. In particular, you should carefully consider the risk factors described below, which supersede the risk factors described in the accompanying prospectus and the documents incorporated by reference prior to the date hereof. You should carefully review the information in this prospectus supplement and the accompanying prospectus about all of these securities.

Risks Relating to the Notes

We will be required to obtain waivers, consents or amendments from holders of certain of our financial instruments or we will be required to pre-pay those obligations.

We and our subsidiaries are parties to various financial instruments, including credit facilities and synthetic leases. Most of these obligations contain negative covenants. Upon issuance of the notes, we will not be in compliance with these covenants with respect to certain synthetic leases in an aggregate amount of $399 million as of November 30, 2001, which would constitute a default.

We are seeking consents, waivers and/or amendments under these synthetic leases. If we fail to reach satisfactory accommodation, the amounts owing under these synthetic leases could be accelerated and, if they are not paid within 30 days following the date of acceleration, could cause an acceleration of our obligations under our LYONs and our 7 3/8% Senior Notes due 2006. To the extent we have not received such consents, waivers or amendments, we intend to pay in full, as necessary, any amounts due under these synthetic leases in order to avoid acceleration of the LYONS and our 7 3/8% Senior Notes due 2006.

Even though we intend to obtain accommodation or prepay all of these synthetic leases on or prior to March 1, 2002, there will exist a period of default from the date of consummation of the sale of the notes until the date such accommodation has been obtained or prepayment made. The existence of this period of default, even after being cured, may have adverse consequences which are beyond our control to mitigate and of which we may not be aware.

Our substantial debt could adversely affect our cash flow and prevent us from fulfilling our obligations.

We have, and will continue to have after the offering of the notes, significant amounts of outstanding indebtedness and interest cost. Our level of indebtedness presents risks to investors, including the possibility that we may be unable to generate cash sufficient to pay the principal of and interest on the indebtedness, including, without limitation, the notes, when due. As of November 30, 2001, after giving effect to our combination with C-MAC and the Transactions (assuming we were unable to apply the net proceeds of the Transactions to repay indebtedness), we would have had (1) pro forma consolidated total debt of approximately $7.0 billion consisting of all short-term and long-term debt as of November 30, 2001 assuming the issuance and sale of notes offered hereby, the issuance of the ACES and the C-MAC combination had been completed on November 30, 2001, and (2) a ratio of pro forma consolidated total debt to stockholders equity as of November 30, 2001 of 1.36x. See Capitalization and Description of Other Indebtedness.

Our substantial debt could have important consequences. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations and other capital resources to debt service, thereby reducing our ability to fund working capital, capital expenditures and other cash requirements;
- increase our vulnerability to adverse economic and industry conditions;
- make it more difficult or impossible for us to make payments on the notes or any other indebtedness or obligations;

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- limit our flexibility in planning for, or reacting to, changes and opportunities in, the electronics manufacturing industry, which may place us at a competitive disadvantage compared to our competitors; and
- limit our ability to incur additional debt on commercially reasonable terms, if at all.

Subject to specified limitations in the indenture, we and our subsidiaries will be able to incur substantial indebtedness in the future, including our ability to borrow up to $500 million under our proposed new secured credit facilities. See Description of Other Indebtedness Proposed New Secured Credit Facilities and Description of the Notes. If new debt is added to our and our subsidiaries current debt levels, the related risks that we and they now face could intensify.

The agreements governing our existing and future debt contain and will contain various covenants that limit our discretion in the operation of our business.

The agreements and instruments governing our existing and future debt and our proposed new secured credit facilities contain and will contain various restrictive covenants that, among other things, require us to comply with or maintain certain financial tests and ratios and restrict our ability to:

- incur debt;
- incur liens;
- redeem and/or prepay debt;
- make acquisitions;
- make investments, including loans and advances;
- make capital expenditures;
- engage in mergers, consolidations or sales of assets;
- engage in transactions with affiliates;
- pay dividends or engage in stock redemptions; and
- enter into certain restrictive agreements.

Our proposed new secured credit facilities are expected to be secured by a pledge of all of the capital stock of our material domestic subsidiaries, 65% of the capital stock of certain of our material foreign subsidiaries and all of our intercompany loans. The covenants governing our proposed new secured credit facilities may also restrict the operations of certain of our subsidiaries, including, in some cases, limiting the ability of our subsidiaries to make distributions to us, and these limitations could impair our ability to make scheduled interest and principal payments.

Our ability to comply with covenants contained in the notes, our proposed new secured credit facilities and other indebtedness to which we are or may become a party may be affected by events beyond our control, including prevailing economic, financial and industry conditions. Our failure to comply with our debt-related obligations could result in an event of default which, if not cured or waived, could result in an acceleration of our indebtedness and cross-defaults under our other indebtedness, which could have a material adverse effect on our financial condition. Acceleration of any indebtedness outstanding under our proposed new secured credit facilities or any of our other indebtedness may cause us to be unable to make interest payments on the notes and to repay the principal amount of the notes. Even if we are able to comply with all applicable covenants, the restrictions on our ability to operate our business in our sole discretion could harm our business by, among other things, limiting our ability to take advantage of financings, mergers, acquisitions and other corporate opportunities.

Your right to receive payments on these notes is effectively subordinated to the rights of our existing and future unsubordinated, secured creditors and our subsidiaries obligations.

The notes are unsecured and therefore will be effectively subordinated to all of our existing and future unsubordinated, secured indebtedness to the extent of the value of the assets securing such indebtedness and to all indebtedness and other liabilities and commitments (including trade payables,

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lease obligations and preferred stock) of our subsidiaries, whether or not secured. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding of our company, our assets will be available to satisfy obligations of our unsubordinated, secured debt before any payment may be made on the notes. To the extent that such assets cannot satisfy in full our unsubordinated, secured debt, the holders of such debt would have a claim for any shortfall that would rank equally in right of payment (or effectively senior if the debt were issued by a subsidiary) with the notes. In such an event, we may not have sufficient assets remaining to pay amounts on any or all of the notes. Our right to receive assets of any of our subsidiaries upon the subsidiary s liquidation or reorganization (and the consequent right of the holders of the notes to participate in those assets) will be effectively subordinated to the claims of that subsidiary s creditors. Consequently, the notes will be effectively subordinate to all liabilities, including trade payables, lease obligations and the liquidation preference on any preferred stock, of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish. As of November 30, 2001, our subsidiaries had approximately $4.1 billion of total liabilities outstanding, and we had $5.6 billion of outstanding unsubordinated, unsecured indebtedness, and $150.6 million of secured indebtedness, assuming in all cases that the combination with C-MAC and the ACES offering had occurred on such date.

We expect that our proposed new secured credit facilities will be secured by a pledge of all of the capital stock of our material domestic subsidiaries, 65% of the capital stock of certain of our material foreign subsidiaries and all of our intercompany loans. See Description of Other Indebtedness Proposed New Secured Credit Facilities. Upon any distribution to our creditors or upon default in payment of or acceleration of the maturity of either of our proposed new secured credit facilities, the lenders under those credit facilities would be entitled to be repaid in full before any payment is made to you from the proceeds of the assets securing such indebtedness. In any of these cases, we may not have sufficient funds to pay all of our creditors, including the holders of the notes.

Our holding company structure makes us dependent on cash flow from our subsidiaries to meet our obligations.

Most of our operations are conducted through, and most of our assets are held by, our subsidiaries. Therefore, we are dependent on the cash flow of our subsidiaries to meet our debt obligations, including our obligations under the notes and certain other securities described in this prospectus supplement. Our subsidiaries are separate legal entities that will have no obligation to pay any amounts due under the notes or to make any funds available therefor, whether by dividends, loans or other payments. Our subsidiaries will not guarantee the payment of the notes. Except to the extent we may ourself be a creditor with recognized claims against our subsidiaries subject to any limitations contained in our other debt agreements, all claims of creditors and holders of preferred stock, if any, of our subsidiaries will have priority with respect to the assets of such subsidiaries over the claims of our creditors, including holders of the notes and certain of our other securities described in this prospectus supplement.

The assets of our subsidiaries may not be available to make payments on the notes.

The notes will not be guaranteed by our subsidiaries, and payments on the notes are required to be made only by us. We may not have direct access to the assets of our subsidiaries unless these assets are transferred by dividend or otherwise to us. The ability of our subsidiaries to pay dividends or otherwise transfer assets to us is subject to various restrictions, including restrictions under other agreements to which we are a party and under applicable law.

We may be unable to repay the notes.

At maturity, the entire outstanding principal amount of any outstanding notes will become due and payable by us. We cannot assure you that we will have sufficient funds or will be able to arrange for additional financing to pay the principal amount due. Material unanticipated events or liabilities related to our business may arise or our business financial condition and results of operations may be materially and adversely affected by general market and economic conditions and those other factors discussed in this Risk Factors section, thereby making it more difficult for us to service our debt obligations with respect to the notes. In addition, any future borrowing arrangements or agreements relating to senior debt to which we become a party may contain restrictions on, or prohibitions against our repayment of the notes. In the event that the maturity date occurs at a time when we are prohibited from repaying the notes, we could attempt to obtain the consent of the lenders under those arrangements to purchase the notes or we could attempt to refinance the borrowings that contain the restrictions. If we do not obtain the necessary consents or refinance these borrowings, we will be unable to repay the notes. In that case, our failure to repay the notes at maturity would constitute an event of default under the indenture. Any such default, in turn, may cause a default under the terms of our other indebtedness, some of which may effectively rank senior to the notes.

There are risks you should consider when reviewing pro forma financial information.

The unaudited pro forma financial data set forth in the Summary, Capitalization and under Selected Consolidated Financial Information and elsewhere in this prospectus supplement are based upon a number of assumptions and estimates, including:

- that the net proceeds of the Transactions and cash on hand are used to (i) repurchase approximately $615 million of our LYONs due 2019 which the holders thereof may require us to repurchase on January 28, 2002, (ii) repay approximately $341 million of indebtedness which we assumed in connection with our combination with C-MAC, (iii) repurchase, repay or otherwise retire (allocated on a pro rata basis in proportion to principal amount and accreted value, as applicable, as of November 30, 2001) an aggregate of $1 billion of our outstanding short-term debt and the LYONs other than those referred to above, and (iv) satisfy the Funded Amount, composed of approximately $399 million of operating lease commitments as of November 30, 2001 as described in Risk Factors We will be required to obtain waivers, consents or amendments from holders of certain of our financial instruments or we will be required to pre-pay those obligations. Although it is our present intention to repurchase, repay or otherwise retire this indebtedness with the net proceeds of the Transactions and cash on hand, we are not obligated to do so and may choose not to do so depending on market or other conditions, nor can we assure you that we will be able to accomplish this on acceptable terms or at all. To the extent that any net proceeds are not used to repay such indebtedness or the Funded Amount, we would use such net proceeds for working capital and general corporate purposes, which might include acquisitions.

- the prices we would be required to pay to repurchase, repay or otherwise retire our outstanding indebtedness and other commitments, which prices in the case of our publicly traded indebtedness, are subject to market forces outside our control;

- those set forth in the notes to the unaudited pro forma combined condensed financial information included in this prospectus supplement with respect to our combination with C-MAC. These assumptions primarily relate to the allocation of consideration paid for the assets and liabilities of C-MAC based on preliminary estimates of their respective fair values. The final allocation of the consideration paid for C-MAC may differ from that reflected in the unaudited pro forma combined condensed financial statements when final valuations are completed; and

- that, upon satisfaction of our commitments under the Funded Amount, our cash balance would be reduced by approximately $399 million, but our reported debt balances will not be reduced because operating leases are not classified as debt on our balance sheet in accordance with GAAP.

These amounts, while presented with numerical specificity based on assumptions considered reasonable by us when taken as a whole, are subject to uncertainties and contingencies that are beyond our control and are based upon assumptions that are subject to change. Accordingly, the unaudited pro forma financial data and such other estimates are for illustrative purposes only and are necessarily speculative in nature, and actual results may differ materially from those reflected in the unaudited pro forma financial data.

Material unanticipated events or liabilities related to our business may arise or our business, financial condition and results of operations may be materially and adversely affected by general market and economic conditions and those other factors discussed in this Risk Factors section. The unaudited pro forma financial data does not purport to represent what Solectron s results of operations actually would have been if the transactions had been consummated on the dates indicated, or what such results will be for any future date or for any future period.

The estimates included for EBITDA, adjusted EBITDA, adjusted total debt, adjusted net debt and interest expense do not qualify as pro forma adjustments under Regulation S-X promulgated under the Securities Act and constitute forward-looking statements which involve risks and uncertainties. Actual results may differ materially from those reflected in these amounts, and there can be no assurance that these amounts would have been realized in such periods or will be realized in the future.

We may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture.

Upon the occurrence of specific change of control events, we will be required to offer to repurchase your notes at 101% of their principal amount, plus accrued and unpaid interest. The lenders under our proposed new secured credit facilities would have a similar right to be repaid upon a change of control. Any of our future debt agreements also may contain a similar provision. Our ability to pay cash to the holders of the notes in connection with such repurchase will be limited by our then existing financial resources. Accordingly, it is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of notes.

If we fail to repurchase any notes submitted in a change of control offer, it would constitute an event of default under the indenture which would, in turn, constitute an event of default under our proposed new credit facilities and could constitute an event of default under our other indebtedness, even if the change of control itself would not cause a default. This would allow some of our lenders to proceed against our assets.

We cannot be sure that an active trading market will develop for the notes.

The notes are new issues of securities with no established trading market and will not be listed on any securities exchange. We do not intend to apply for listing of the notes on any domestic securities exchange or to seek approval for quotation through an automated quotation system. The underwriters have advised us that they presently intend to make a market in the notes as permitted by applicable law. However, the underwriters are not obligated to make a market in the notes and any market-making activities may cease at any time and will be subject to the limitations of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and may be limited during the effectiveness of the registration statement of which this prospectus supplement forms a part. As a result, there can be no assurance that an active trading market will develop for the notes.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the notes. We cannot assure you that the market for the notes, if any, will not be subject to similar disruptions. Any such disruptions may adversely affect you as a holder of the notes. Prospective investors in the notes should be aware that they may be required to bear the financial risks of such investment for an indefinite period of time.

Risks Relating to Our Business

We are exposed to general economic conditions, which could have a material adverse impact on our business, operating results and financial condition.

As a result of unfavorable general economic conditions and reduced capital spending, our sales have continued to decline in recent fiscal quarters. In particular, we started to see sales decline in the

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telecommunications, workstation and server equipment manufacturing industry worldwide during the second half of fiscal 2001. If the economic conditions in the United States and the other markets we serve worsen, we may experience a material adverse impact on our business, operating results and financial condition.

We have significant debt leverage and debt service obligations; if we are unable to service these debt obligations, our business, operating results and financial condition could be materially adversely impacted.

We had a deficiency in our fixed charge coverage of $71.1 million for the first quarter of fiscal 2002 as compared to our ratio of earnings to fixed charges of 0.23x for fiscal 2001 and 8.38x for fiscal 2000. This decline in the ratio is primarily due to interest expense growing at a greater rate than income during the first fiscal quarter of 2002. As of November 30, 2001, we had approximately $888.5 million of short-term indebtedness and $4.2 billion of long-term indebtedness. In addition, on December 3, 2001 we assumed approximately $341 million of indebtedness in connection with our combination with C-MAC. The degree to which we may be leveraged could materially and adversely affect our ability to obtain financing for working capital, acquisitions or other purposes and could make us more vulnerable to industry downturns and competitive pressures. Our ability to meet our debt service obligations will be dependent upon our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control.

We will require substantial amounts of cash to fund scheduled payments of principal and interest on our outstanding indebtedness, as well as future capital expenditures and any increased working capital requirements. In addition, we may require substantial amounts of cash in connection with our obligations to purchase our Liquid Yield Option™ Notes. On January 28, 2002, holders of our 4% LYONs due 2019 will have the option to require us to repurchase their notes in an amount of $510.03 per $1,000 principal amount at maturity for a total of up to approximately $615 million as of November 30, 2001. We have announced that we will satisfy any of the 4% LYONS due 2019 put to us with cash. Based on the aggregate amount outstanding on November 30, 2001, on May 8, 2003, holders of our 2.75% LYONs due 2020 will have the option to require us to repurchase their notes in an amount of $628.57 per $1,000 principal amount at maturity for a total of up to approximately $2.5 billion. Based on the aggregate amount outstanding on November 30, 2001, on May 20, 2004, holders of our 3.25% LYONs due 2020 will have the option to require us to repurchase their notes in an amount of $587.46 per $1,000 principal amount at maturity for a total of approximately $1.7 billion. Instead of repurchasing the LYONs with cash, we may elect to offer holders our common stock or a combination of our cash and common stock. If we elect to pay the purchase price, in whole or in part, in shares of our common stock, we may dilute our earnings per share.

If we are unable to meet our cash requirements out of cash flow from operations, there can be no assurance that we will be able to obtain alternative financing, that any such financing would be on favorable terms, or that we will be permitted to do so under the terms of our existing financing arrangements, or our financing arrangements in effect in the future. In the absence of such financing, our ability to respond to changing business and economic conditions, make future acquisitions, experience adverse operating results or fund required capital expenditures or increased working capital requirements may be adversely affected.

Most of our net sales come from a small number of customers; if we lose any of these customers, our net sales could decline significantly.

Most of our annual net sales come from a small number of our customers. Our ten largest customers accounted for approximately 70% of net sales in the first quarter of fiscal 2002 and approximately 78% of net sales in the same period of fiscal 2001. Since we depend on continued net sales from our ten largest customers, any material delay, cancellation or reduction of orders from these or other major customers could cause our net sales to decline significantly. Some of these customers individually account for more than ten percent of our annual net sales. We cannot guarantee that we will be able to retain any of our ten largest customers or any other accounts. In addition, our customers may materially reduce the level of services ordered from us at any time. This could cause a significant decline in our net sales and we may not be able to reduce the accompanying expenses at the same time. Moreover, our business, market share, financial condition and results of operations will continue to depend significantly on our ability to obtain orders from new customers, as well as on the financial condition and success of our customers. Therefore, any adverse factors affecting any of our customers or their customers could have a material adverse effect on our business, financial condition and results of operations. In addition to the above, some industry sources have projected that our market share by revenues may decline in the near term.

We may encounter significant delays or defaults in payments owed to us by customers for products we have manufactured or components that are unique to particular customers.

We structure our agreements with customers to minimize our risks related to obsolete or unsold inventory. However, enforcement of these contracts may result in material expense and delay in payment for inventory. If any of our significant customers become unable or unwilling to purchase such inventory, our business may be materially harmed.

Our contracts generally do not include minimum purchase requirements and our projections of future revenues from customer bid wins may be lower than expected.

Although we have long-term contracts with a few of our top ten customers, including Ericsson and Nortel, under which these customers are obligated to obtain services from us, only Nortel is obligated to purchase any minimum amount of services. As a result, we cannot guarantee that we will receive any net sales from these contracts or any of our other contracts with customers. In addition, the customers with whom we have contracts may materially reduce the level of services ordered at any time, which they have done in the past. This could cause a significant decline in our net sales, and we may not be able to reduce our accompanying expenses at the same time.

Our projection of the potential additional revenue from customer bid wins in the Summary section under the subheading Promising New Customers and Ability to Penetrate Existing Customer Base is based on our good faith estimate. This amount is dependent on the expected production ramp of our customers, which in turn is subject to realization of expected end-user demand for our customers products. The reliability of these expectations is subject to circumstances and events beyond our control. Actual amounts could be significantly lower, particularly if such customers reduce the level of services ordered, which they may do at any time.

If we are unable to manage our growth and cost effectively assimilate new operations, our profitability could decline further.

We have experienced rapid growth over many years. In recent years, we have established operations in different locations throughout the world. For example, in fiscal 1998, we opened offices, acquired facilities or commenced manufacturing operations in nine foreign locations. Furthermore, through acquisitions in fiscal 1998 and 1999, we acquired or expanded our capabilities in six domestic facilities.

In fiscal 2000, we completed acquisitions of AMERICOM, SMART and Bluegum. Through additional acquisitions, we also acquired facilities in fourteen foreign locations. During fiscal 2001, we completed acquisitions of NEL, Shinei, Centennial, MCC-Sequel, and Sony s manufacturing facilities in Japan and Taiwan as well as IBM s repair center in the Netherlands. Thus far in fiscal 2002, we have completed acquisitions of Stream International, Iphotonics, Inc., Artesyn Solutions, Inc. and C-MAC Industries Inc. We intend to continue to make acquisitions of companies and strategic assets under our acquisition strategy. These acquisitions may be for cash, capital stock or any combination of cash and capital stock, and may include the incurrence or assumption of indebtedness and a reduction of our available cash.

In order to achieve anticipated revenue and other financial performance targets, we must manage our assets and operations efficiently. Our expansion and growth place a heavy strain on our personnel and management, manufacturing and other resources. Our ability to manage the expansion

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to date, as well as any future expansion, will require progressive increases in manufacturing infrastructure, as well as enhancements or upgrades of accounting and other internal management systems and the implementation of a variety of procedures and controls. We cannot assure you that significant problems in these areas will not occur. Any failure to enhance or expand these systems and implement such procedures and controls in an efficient manner and at a pace consistent with our business activities could harm our financial condition and results of operations. In addition, should we continue to expand geographically, we may experience inefficiencies from the management of geographically dispersed facilities.

As we manage and continue to expand new operations, we may incur substantial infrastructure and working capital costs. If we do not achieve sufficient growth to offset increased expenses associated with rapid expansion, our ability to return to profitability will be harmed.

Possible fluctuation of operating results from quarter to quarter could affect the market price of our securities.

Our quarterly earnings may fluctuate in the future due to a number of factors including the following:

- differences in the profitability of the types of manufacturing services we provide. For example, high velocity and low complexity printed circuit boards and systems assembly services have lower gross margins than low volume/complex printed circuit boards and systems assembly services;
- our ability to maximize the hours of use of our equipment and facilities is dependent on the duration of the production run time for each job and customer;
- the amount of automation that we can use in the manufacturing process for cost reduction varies, depending upon the complexity of the product being made;
- our customers ability to take delivery of our products and to make timely payments for delivered products;
- our ability to optimize the ordering of inventory as to timing and amount to avoid holding inventory in excess of immediate production needs;
- fluctuations in demand for our services or the products being manufactured;
- fluctuations in the availability and pricing of components;
- timing of expenditures in anticipation of increased sales;
- cyclicality in our target markets; and
- expenses associated with acquisitions.

Therefore, our operating results in the future could be below the expectations of securities analysts and investors. If this occurs, the market price of our common stock could be harmed.

We depend upon economic developments in the electronics industry as a whole, which continually produces technologically advanced products with short life cycles; our inability to continually manufacture such products in a cost effective manner would harm our business, financial condition and results of operations.

Most of our net sales are to companies in the electronics industry, which is subject to rapid technological change and product obsolescence. If our customers are unable to create products that keep pace with the changing technological environment, our customers products could become obsolete and the demand for our services could decline significantly. If we are unable to offer technologically advanced, cost effective, quick response manufacturing services to customers, demand for our services will also decline. In addition, a substantial portion of our net sales is derived from our ability to offer complete service solutions for our customers. For example, if we fail to maintain high-quality design and engineering services, our net sales would significantly decline.

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For our technology solutions business, we have experienced, and may in the future experience, delays from time to time in the development and introduction of new products. Moreover, we cannot ensure that we will be successful in selecting, developing, manufacturing and marketing new products or enhancements. We cannot ensure that defects or errors will not be found in our products after commencement of commercial shipments, which could result in the delay in market acceptance of such products. The inability to introduce new products or enhancements could harm our business, financial condition and results of operations.

We depend on limited or sole source suppliers for critical components. The inability to obtain sufficient components as required would cause harm to our business.

We are dependent on certain suppliers, including limited and sole source suppliers, to provide key components used in our products. We have experienced, and may continue to experience, delays in component deliveries, which could cause delays in product shipments and require the redesign of certain products. Also for our technology solutions business, we are dependent upon certain limited or sole source suppliers for critical components used for our memory module, communications card and embedded computer products. The electronics industry has experienced in the past, and may experience in the future, shortages in semiconductor devices, including DRAM, SRAM, flash memory, tantalum capacitors and other commodities that may be caused by such conditions as overall market demand surges or supplier production capacity constraints. Except for certain commodity parts, we generally have no written agreements with our suppliers. We cannot give any assurance that we will receive adequate component supplies on a timely basis in the future. The inability to continue to obtain sufficient components as required, or to develop alternative sources as required, could cause delays, disruptions or reductions in product shipments or require product redesigns which could damage relationships with current or prospective customers, thereby causing harm to our business.

We potentially bear the risk of price increases associated with potential shortages in the availability of electronics components.

At various times, there have been shortages of components in the electronics industry. One of the services that we perform for many customers is purchasing electronics components used in the manufacturing of the customers products. As a result of this service, we potentially bear the risk of price increases for these components because we are unable to purchase components at the pricing level anticipated to support the margins assumed in our agreements with our customers.

Our net sales could decline if our competitors provide comparable manufacturing services and improved products at a lower cost.

We compete with different contract manufacturers, depending on the type of service we provide or the geographic locale of our operations. The memory module, communications card and embedded computer subsystem industries are also intensely competitive. These competitors may have greater manufacturing, financial, R&D and/or marketing resources than we have. In addition, we may not be able to offer prices as low as some of our competitors because those competitors may have lower cost structures as a result of their geographic location or the services they provide. Our inability to provide comparable or better manufacturing services at a lower cost than our competitors could cause our net sales to decline. We also expect our competitors to continue to improve the performance of their current products or services, to reduce their current products or service sales prices and to introduce new products or services that may offer greater performance and improved pricing. Any of these could cause a decline in sales, loss of market acceptance of our products or services, or profit margin compression.

We depend on the memory module product market.

Most of our technology solutions net sales are derived from memory modular products. The market for these products is characterized by frequent transitions in which products rapidly incorporate new features and performance standards. A failure to develop products with required feature sets or performance standards or a delay as short as a few months in bringing a new product to market could reduce our net sales which may materially harm our business, financial condition and results of operations. In addition, the market for semiconductor memory devices has been cyclical. The industry has experienced significant economic downturns at various times including at the present time, characterized by diminished product demand, accelerated erosion of average selling prices and excess production. In the past, there have been significant declines in the prices for DRAM, SRAM and flash memory. Similar occurrences will reduce our profit.

We depend on the continuing trend of OEMs to outsource.

A substantial factor in our revenue growth is attributable to the transfer of manufacturing and supply base management activities from our OEM customers. Future growth is partially dependent on new outsourcing opportunities. To the extent that these opportunities are not available, our future growth would be unfavorably impacted. These outsourcing opportunities may include the transfer of assets such as facilities, equipment and inventory.

Our non-U.S. locations represent a significant and growing portion of our net sales; we are increasingly exposed to risks associated with operating internationally.

In the first quarter of fiscal 2002, approximately 65% of net sales came from sites outside the United States, while approximately 45% of net sales came from sites outside the United States in the same period of fiscal 2001. As a result of our foreign sales and facilities, our operations are subject to a variety of risks that are unique to international operations, including the following:

- adverse movement of foreign currencies against the U.S. dollar in which our results are reported;
- import and export duties, and value added taxes;
- import and export regulation changes that could erode our profit margins or restrict exports;
- potential restrictions on the transfer of funds;
- inflexible employee contracts in the event of business downturns; and
- the burden and cost of compliance with foreign laws.

In addition, we have operations in several locations in emerging or developing economies that have a potential for higher risk. The risks associated with these economies include but are not limited to currency volatility, and other economic or political risks. In the future, these factors may harm our results of operations. Our locations in emerging or developing economies include Mexico, Brazil, China, Malaysia, Hungary and Romania. As of November 30, 2001, we recorded $336.0 million in cumulative foreign exchange translation losses on our balance sheet which was primarily due to dollar denominated debt held by our foreign subsidiaries. While, to date, these factors have not had a significant adverse impact on our results of operations, we cannot give any assurance that there will not be such an impact. Furthermore, while we may adopt measures to reduce the impact of losses resulting from volatile currencies and other risks of doing business abroad, we cannot assure that such measures will be adequate.

The Malaysian government adopted currency exchange controls, including controls on its currency, the ringgit, held outside Malaysia, and established a fixed exchange rate for the ringgit against the U.S. dollar. The fixed exchange rate provides a stable rate environment when applied to local expenses denominated in ringgit. The long-term impact of such controls is not predictable due to dynamic economic conditions that also affect or are affected by other regional or global economies.

We have been granted tax holidays, which are effective through 2011, subject to some conditions, for our Malaysian and Singapore sites. We have also been granted various tax holidays in China. These tax holidays are effective for various terms and are subject to some conditions. It is possible that the current tax holidays will be terminated or modified or that future tax holidays that we may seek will not be granted. If the current tax holidays are terminated or modified, or if additional tax holidays are not granted in the future, our effective income tax rate would likely increase.

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We are exposed to fluctuations in foreign currency exchange rates.

We do not use derivative financial instruments for speculative purposes. Our policy is to hedge our foreign currency denominated transactions in a manner that substantially offsets the effects of changes in foreign currency exchange rates. Presently, we use foreign currency borrowings and foreign currency forward 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.

As of November 30, 2001, the majority of the foreign currency hedging contracts were scheduled to mature in approximately three months and there were no material deferred gains or losses. In addition, our international operations in some instances act as a natural hedge because both operating expenses and a portion of sales are denominated in local currency. In these instances, including our experience involving the devaluation of the Brazilian real, although an unfavorable change in the exchange rate of a foreign currency against the U.S. dollar will result in lower sales when translated to U.S. dollars, operating expenses will also be lower in these circumstances. Although approximately 24% of our net sales in the first quarter of fiscal 2002 were denominated in currencies other than U.S. dollar, we do not believe our total exposure to be significant because of natural hedges.

We have currency exposure arising from both sales and purchases denominated in currencies other than the functional currency of our sites. Fluctuations in the rate of exchange between the currency of the exposure and the functional currency of our site could seriously harm our business, operating results and financial condition. For example, if there is an increase in the rate at which a foreign currency is exchanged for U.S. dollars, it will require more of the foreign currency to equal a specified amount of U.S. dollars than before the rate increase. In such cases, and if we price our products and services in the foreign currency, we will receive less in U.S. dollars than we did before the rate increase went into effect. If we price our products and services in U.S. dollars and competitors price their products in local currency, an increase in the relative strength of the U.S. dollar could result in our prices being uncompetitive in markets where business is transacted in the local currency.

We are exposed to interest rate fluctuations.

The primary objective of our investment activities is to preserve principal, while at the same time, maximize yields without significantly increasing risk. To achieve this objective, we maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including both government and corporate obligations, certificates of deposit and money market funds. As of November 30, 2001, approximately 89% of our total portfolio was scheduled to mature in less than six months. In addition, our investments are diversified and of relatively short maturity. A hypothetical 10% increase in interest rates would not have a material effect on our investment portfolios.

The following table presents the amounts of our cash equivalents and short-term investments that are subject to interest rate risk by calendar year of expected maturity and weighted average interest rates as of November 30, 2001:

	2002	2003	Total	Fair Value
Cash equivalents and short-term investments (in millions)	$724.4	$67.6	$792.0	$792.0
Average interest rate	2.54%	3.55%		

We have entered into an interest rate swap transaction under which we pay a fixed rate of interest hedging against the variable interest rates implicit in the rent charged by the lessor for the facility lease at Milpitas, California. The interest rate swap expires June 3, 2002, which coincides with the maturity date of the lease term. As we intend to hold the interest rate swap until the maturity date, we are not subject to market risk. In substance, such interest rate swap has fixed the interest rate for the facility lease, thus reducing interest rate risk.

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Our long-term debt instruments are subject to fixed interest rates. In addition, the amount of principal to be repaid at maturity is also fixed. In the case of the convertible notes, such notes are based on fixed conversion ratios into common stock. Therefore, we are not exposed to variable interest rates related to our long-term debt instruments, but we may become exposed if there were to be material borrowings under the facility.

We may not be able to adequately protect or enforce our intellectual property rights; and we could become involved in intellectual property disputes.

Our ability to effectively compete may be affected by our ability to protect our proprietary information. We hold a number of patents and other license rights. These patent and license rights may not provide meaningful protection for our manufacturing processes and equipment innovations. In the past, third parties have asserted infringement claims against us or our customers and are likely to do so in the future. In the event of a successful infringement claim, we may be required to spend a significant amount of money to develop a non-infringing alternative or to obtain licenses. We may not be successful in developing such an alternative or obtaining a license on reasonable terms, if at all. In addition, any such litigation could be lengthy and costly and could harm our financial condition.

Failure to comply with environmental regulations could harm our business.

As a company in the electronics manufacturing services industry, we are subject to a variety of environmental regulations relating to the use, storage, discharge and disposal of hazardous chemicals used during our manufacturing process. Although we have never sustained any significant loss as a result of non-compliance with such regulations, any failure by us to comply with environmental laws and regulations could result in liabilities or the suspension of production. In addition, these laws and regulations could restrict our ability to expand our facilities or require us to acquire costly equipment or incur other significant costs to comply with regulations. The addition of numerous production and manufacturing service facilities as a result of our recent combination with C-MAC could generate additional risks that we have been unable to fully evaluate as of this time.

The investigations of the C-MAC facilities to date indicate that there are some contaminated sites for which C-MAC has been indemnified by third parties with respect to any required remediation, sites for which there is a risk of the presence of contamination, and sites with some levels of contamination for which C-MAC may be liable and which may or may not ultimately require any remediation. We have obtained environmental insurance to mitigate certain environmental liabilities posed by C-MAC s operations and facilities. We believe, based on our current knowledge, that the cost of any groundwater or soil clean-up that may be required at C-MAC facilities would not materially harm our business, financial condition and results of operations. Nevertheless, the process of remediating contamination in soil and groundwater at the facilities is costly, and there can be no assurance that the costs of such activities would not harm our business, financial condition and results of operations in the future.

Our administrative facilities and principal business operations are located in California, and any disruption in the available power supply in California could disrupt our operations, reduce our revenues, and increase our expenses.

A substantial portion of our operating activities and facilities, including our headquarters and principal administrative facilities, as well as certain of our third party service providers are located in California. During acute power shortages, California has implemented, and may in the future continue to implement, rolling blackouts throughout the state. The rolling blackouts that have occurred to date have not materially disrupted the operations of our facilities. Should these blackouts continue or increase in severity, however, they could materially disrupt the operations of one or more of our facilities. We currently do not have a backup generator or long-term alternate sources of power in the event of a blackout. If blackouts interrupt our power supply, we would be temporarily unable to continue operations at our affected facilities. Our current insurance does not provide coverage for any damages we or our customers may suffer as a result of any interruption in our power supply.

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Consequently, any interruption in our ability to continue operations at our facilities could damage our reputation, harm our ability to retain existing customers and to obtain new customers, and could result in lost revenue, any of which would substantially harm our business and results of operations.

In addition, the utility deregulation program instituted in 1996 by the California government deregulated wholesale prices while continuing to regulate the retail prices charged by the electrical utilities. While wholesale prices have increased dramatically, retail prices have, until recently, not increased at a comparable rate. Our business is substantially dependent on the availability and price of electricity. If retail electricity prices rise dramatically, we would expect our expenses to increase, our operating results to be harmed.

Failure to retain key personnel and skilled associates could hurt our operations.

Our continued success depends to a large extent upon the efforts and abilities of key managerial and technical associates. Losing the services of key personnel could harm us. Our business also depends upon our ability to continue to attract and retain senior managers and skilled associates. Failure to do so could harm our operations.

This prospectus supplement, the accompanying prospectus and the registration statement of which they are a part contain or incorporate forward-looking statements which are based on current expectations, forecasts and assumptions that could cause outcomes to differ materially from those set forth herein.

This prospectus supplement, the accompanying prospectus and the registration statement of which they are a part contain or incorporate by reference forward-looking statements, including, but not limited to:

- our intention and ability to repurchase, repay or otherwise retire outstanding indebtedness, including, without limitation, certain outstanding indebtedness of C-MAC, and the anticipated financial impact resulting from those activities;
- the timing of, and our ability to, enter into the proposed new secured credit facilities;
- the anticipated financial impact of recent and future acquisitions, including our recently completed C-MAC combination;
- our ability to reduce our operating expenses through our restructuring initiatives;
- our projected revenues from our manufacturing orders;
- projections relating to our market share in the electronics manufacturing services industry; and
- certain statements contained in Management s Discussion and Analysis of Financial Condition and Results of Operations.

These forward-looking statements are based on current expectations, forecasts and assumptions involving risks and uncertainties that could cause actual outcomes to differ materially. These statements are generally accompanied by words such as intend, anticipate, believe, estimate, expect and other similar words and statements. These risks and uncertainties, which in some instances are beyond our ability to control, include but are not limited to:

- the recent global economic slowdown and declining customer demand for our services and products;
- risks associated with the cyclical nature of the electronics industry;
- our ability to compete successfully to win new business and customers and to retain existing customers as well as the level of success of our competitors;
- opportunities and needs for acquisitions of assets and/or businesses, changes in interest rates and other financial market conditions, and other developments or conditions requiring alternative uses of proceeds which might constrain our ability or willingness to repay our existing indebtedness;

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- our expectations concerning our ability to realize revenues from customer bid wins depends on our customers actual production schedules which in turn depend on end-user demand that is difficult to predict;

- our ability to realize the benefit of anticipated cost-savings, due to our restructuring initiatives and otherwise, is dependent on factors that may be beyond our control; and

- our ability to integrate into our existing business the operations of Shinei, NatSteel, Stream, Iphotonics, Artesyn, C-MAC and our other recent and future acquisitions effectively.

Although we believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. Therefore, we can give no assurance that the results implied by these forward-looking statements will be realized. The inclusion of this forward-looking information should not be regarded as a representation by our company or any other person that the future events, plans or expectations contemplated by Solectron will be achieved. Furthermore, past performance in operations and share price are not necessarily indicative of future performance. We disclaim any intention or obligation to update or revise any forward-looking statements contained in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference herein, whether as a result of new information, future events or otherwise.

Market data used throughout this prospectus supplement, including information relating to the Company s relative position in the electronics manufacturing services industry, is based on independent industry sources and other publicly available information and the good faith estimates of our management. Although we believe that such sources are reliable, the accuracy and completeness of such information is not guaranteed and has not been independently verified.

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USE OF PROCEEDS

The proceeds from this offering are expected to be approximately $500 million. We intend to use the proceeds to repurchase, repay or otherwise retire indebtedness. In addition, we may be required to pay the Funded Amount as described in Risk Factors We will be required to obtain waivers, consents or amendments from holders of certain of our financial instruments or we will be required to pre-pay those obligations . We will also be required to pay underwriting discounts, commissions and expenses related to this offering. For information concerning the interest rates and maturities of such indebtedness, see, as to outstanding C-MAC indebtedness, our Form 8-K/A filed with the SEC on December 18, 2001, as to short-term debt, our Form 10-K filed with the SEC on November 15, 2001, and, as to our outstanding LYONs, Description of Other Indebtedness. Pending the application of the net proceeds from this offering, we expect to invest the proceeds from the sale of the notes in short-term interest-bearing securities. Although it is our present intention to repurchase, repay or otherwise retire our indebtedness with the proceeds of this offering, we are not obligated to do so and may choose not to do so depending on market or other conditions, nor can we assure you that we will be able to accomplish this on acceptable terms or at all. To the extent that any such net proceeds are not used to repay indebtedness or the Funded Amount, we will use such net proceeds for working capital and general corporate purposes, which might include acquisitions.

THE TRANSACTIONS

We intend to use the net proceeds of this offering, along with the net proceeds of the aggregate $1.1 billion of ACES that we issued on December 27, 2001 and January 8, 2002 and cash on hand, to repurchase, repay or otherwise retire existing indebtedness and other commitments. Substantially concurrent with and contingent upon the closing of this offering of notes and certain other conditions, we expect to enter into senior secured revolving credit facilities, which we refer to as the proposed new secured credit facilities with, among others, affiliates of certain of the underwriters. The maximum borrowing capacity under these facilities, is expected to be $500 million. For more information regarding the proposed new secured credit facilities, see Description of Other Indebtedness Proposed New Secured Credit Facilities. We refer to the ACES issuance, this offering of senior notes and our entering into the proposed new secured credit facilities in this prospectus supplement as the Transactions. The table below sets forth the estimated sources and intended uses for the Transactions based on outstanding balances as of November 30, 2001, assuming the Transactions had been completed on such date (dollars in millions):

Sources	
Proposed new secured credit facilities(1)	$
New senior notes	500
ACES(2)	1,100
Cash(3)	801
Total Sources	**$2,401**

Uses	
Repurchase of LYONs due 2019(3)	$ 615
Repayment of outstanding C-MAC indebtedness	341
Repurchase, redemption and/or retirement of other indebtedness(4)	1,000
Funded Amount(5)	399
Transaction Costs	46
Total Uses	**$2,401**

(1) This offering is not contingent upon obtaining the proposed new secured credit facilities, which are expected to be undrawn at closing.

(2) Does not reflect $151 million in cash used to purchase restricted treasury securities sufficient to satisfy the first eight quarterly interest payments on the ACES through November 15, 2003.

(3) These amounts do not take into account the effect of certain repurchases of indebtedness that have occurred since November 30, 2001.

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(4) Other indebtedness includes short-term debt, of which $276.6 million was outstanding as of November 30, 2001 (giving effect to our combination with C-MAC), and both series of our LYONs due 2020, of which there was $4,005.7 million outstanding as of November 30, 2001. See Capitalization.

(5) As a result of the Transactions, we may be required to prepay certain of our commitments under operating leases to the extent we are unable to obtain amendments, waivers or consents to such instruments prior to March 1, 2002. We call this amount the Funded Amount.

Although it is our present intention to repurchase, repay or otherwise retire the indebtedness set forth above with the net proceeds of the Transactions and cash on hand, we are not obligated to do so and may choose not to do so depending on market or other conditions, nor can we assure you that we will be able to accomplish this on acceptable terms or at all. In addition, we may be required to pay the Funded Amount as described in Risk Factors We will be required to obtain waivers, consents or amendments from holders of certain of our financial instruments or we will be required to pre-pay those obligations. To the extent that any net proceeds are not used to repay the indebtedness set forth above, we would use such net proceeds for working capital and general corporate purposes, which might include acquisitions.

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CAPITALIZATION

The following table sets forth our unaudited capitalization as of November 30, 2001: (1) on a historical basis; (2) pro forma to give effect as of November 30, 2001 to the C-MAC combination which was completed on December 3, 2001; and (3) pro forma as adjusted to give effect to the C-MAC combination, issuance and sale of the notes offered hereby, issuance of our ACES and our proposed new secured credit facilities, which we expect to be undrawn on the closing date, and assuming retirement of $1,956 million of existing debt and satisfaction of $399 million of operating lease commitments, as described in The Transactions and in footnote (4) to the table. You should read this table together with our financial statements and notes thereto and other financial and operating data included elsewhere in this prospectus supplement or in the prospectus or incorporated by reference into this prospectus supplement or the prospectus.

	At November 30, 2001		
	Actual	**Pro Forma**	**Pro Forma as Adjusted(4)**
	(in millions, except share data)		
Cash, cash equivalents and short-term investments	$ 2,886.8	$ 3,047.3	$ 2,095.7(1)
Short-term debt	273.9	276.6	209.9
LYONs due 2019	614.6	614.6	
Total Short-term debt	888.5	891.2	209.9
Long-term liabilities			
Senior Secured Credit Facilities(2)			
% Senior Notes offered hereby			500.0
7.375% Senior Notes due 2006	149.9	149.9	149.9
LYONs due 2020	2,432.4	2,432.4	1,863.4
LYONs due 2020	1,573.3	1,573.3	1,205.3
7.25% Subordinated Debentures due 2006			1,051.6
Other long-term debt	78.7	416.5	78.7
Total long-term debt	4,234.3	4,572.1	4,848.9
Stockholders equity			
Preferred Stock, 1,200,000 shares authorized; none issued and outstanding(3)			
Common Stock, 1,600,000,000 shares authorized; 669,203,905 shares issued and outstanding(3)	0.7	0.8	0.8
Additional paid-in capital	3,997.5	6,547.7	6,594.8
Retained earnings	1,478.8	1,478.8	1,478.8
Accumulated other comprehensive losses	(336.4)	(336.4)	(336.4)
Deferred compensation		(6.1)	(6.1)
Total stockholders equity	5,140.6	7,684.8	7,731.9
Total capitalization	$10,263.4	$13,148.1	$12,790.7

(1) Net of $399 million representing the Funded Amount, which we may not be required to spend. If we do repay the Funded Amount, our reported debt balances will not be reduced because operating leases are not classified as debt under GAAP. Also net of $151 million in cash used to purchase restricted treasury securities sufficient to satisfy the first eight quarterly interest payments on the ACES through November 15, 2003.

(2) See Description of Other Indebtedness Proposed New Secured Credit Facilities.

(3) On December 3, 2001, in connection with the C-MAC combination, we issued 98,795,122 shares of our common stock, 52,494,493 exchangeable shares of Solectron Global Services Canada Inc., which are exchangeable on a one-to-one basis for our common stock and one share of our Series B preferred stock. Our outstanding common stock does not include options outstanding as of November 30, 2001 to purchase approximately 63.9 million shares of our common stock issued under the Company s stock option plans. As of November 30, 2001 these options had an average weighted exercise price of $19.25.

(4) Assumes that the net proceeds of the Transactions and cash on hand are used to (i) repurchase approximately $615 million of our LYONs due 2019 which the holders thereof may require us to repurchase on January 28, 2002, (ii) repay approximately $341 million of indebtedness which we assumed in connection with our combination with

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C-MAC, (iii) repurchase, repay or otherwise retire (allocated on a pro rata basis in proportion to accreted value on November 30, 2001) an aggregate of $1 billion of our outstanding short-term debt and the LYONs other than these referred to above, and (iv) satisfy the Funded Amount, composed of approximately $399 million of operating lease commitments as of November 30, 2001 as described in Risk Factors We will be required to obtain waivers, consents or amendments from holders of certain of our financial instruments or we will be required to pre-pay those obligations. Although it is our present intention to repurchase, repay or otherwise retire this indebtedness with the net proceeds of the Transactions and cash on hand, we are not obligated to do so and may choose not to do so depending on market or other conditions, nor can we assure you that we will be able to accomplish this on acceptable terms or at all. To the extent that any net proceeds are not used to repay such indebtedness or the Funded Amount, we would use such net proceeds for working capital and general corporate purposes, which might include acquisitions.

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected consolidated historical financial data for each of the fiscal years in the five year period ended August 31, 2001 and for the three months ended November 30, 2000 and 2001. Also included is selected pro forma financial data for the year ended August 31, 2001 and the three months ended November 30, 2001 as well as certain other financial data for the twelve months ended November 30, 2001.

When you read the following selected historical and pro forma data, it is important that you read it along with the historical consolidated financial statements and notes thereto and the unaudited pro forma combined condensed financial information included or incorporated by reference in this prospectus.

	Fiscal Year Ended August 31,						Three Months Ended November 30,		
	1997	1998	1999	2000	2001	2001	2000	2001	2001
	Actual					Pro forma(a)	Actual		Pro forma(a)
						(in millions)			
Income Statement Data									
Net Sales	$4,408.5	$6,102.2	$9,669.2	$14,137.5	$18,692.3	$20,475.9	$ 5,695.5	$ 3,152.2	$ 3,394.7
Operating income (loss)	303.2	368.6	516.1	704.2	(98.6)	(0.6)	276.4	(48.5)	(84.3)
Net interest expense (income)(b)	(4.3)	(6.9)	1.6	(35.3)	59.1	65.5	(3.9)	22.8	24.3
Income (loss) before taxes, extraordinary loss, and cumulative effect of change in accounting principle	307.5	375.5	514.5	739.5	(157.7)	(66.1)	280.3	(71.3)	(108.6)
Net income (loss)	203.7	251.3	350.3	497.2	(123.5)	(60.0)	190.6	(52.5)	(76.0)
Balance Sheet Data									
Cash and cash equivalents and short-term investments	$ 634.0	$ 489.9	$1,881.7	$ 2,434.1	$ 2,790.1	*	$ 4,518.7	$ 2,886.8	$ 3,047.3
Net working capital	1,137.5	1,278.1	3,162.7	5,411.4	6,014.8	*	8,125.6	4,897.0	5,552.7
Total assets	2,209.9	2,843.7	5,420.5	10,375.6	12,930.4	*	14,026.5	12,504.2	15,687.7
Long-term debt	386.2	386.8	922.7	3,319.5	5,027.5	*	4,893.9	4,234.3	4,572.1
Total debt	388.1	410.6	969.6	3,388.7	5,333.7	*	5,012.4	5,122.8	5,463.3
Stockholders equity	1,150.2	1,475.4	3,166.9	3,802.1	5,150.7	*	5,151.3	5,140.6	7,684.8
Other Financial Data									
EBITDA(c)	$ 413.1	$ 503.2	$ 716.5	$ 955.6	$ 425.6	$ 599.4	$ 361.6	$ 53.7	$ 38.3
Adjusted EBITDA(c)	417.1	503.2	716.5	993.5	972.6	1,146.4	361.6	126.6	111.2
Depreciation and Amortization	109.9	134.6	200.4	251.4	536.1	611.9	85.2	102.6	123.0
Capital expenditures(d)	205.7	279.1	449.4	506.0	536.8	614.6	248.9	62.7	69.6
Ratio of earnings to fixed charges(e)	10.10x	11.07x	8.70x	8.38x	0.23x	0.71x	8.13x	-(j)	-(k)

* Not presented

	Twelve Months Ended November 30, 2001
Ratio of pro forma adjusted total debt to adjusted EBITDA(c)(f)(i)	5.46x
	3.47x

Ratio of pro forma adjusted EBITDA to pro forma interest expense(c)(g)(i)	
Ratio of pro forma adjusted net debt to pro forma adjusted EBITDA(c)(h)	3.66x

(a) The pro forma income statement data for the year ended August 31, 2001 and the three months ended November 30, 2001 is derived from the unaudited pro forma combined condensed financial information included in this prospectus supplement that combines Solectron s audited consolidated statements of operations for the year ended August 31, 2001 and the unaudited three months ended November 30, 2001 with the unaudited consolidated statements of earnings of C-MAC for the twelve months ended September 30, 2001 and the three months ended September 30, 2001, respectively. The pro forma balance sheet data as of November 30, 2001 is derived from the unaudited pro forma combined condensed financial information included in this prospectus supplement that combines Solectron s and C-MAC s unaudited consolidated balance sheets as of November 30, 2001. The pro forma other financial data for the year ended August 31, 2001 and the three months ended November 30, 2001 is derived from audited financial data of Solectron for the year

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ended August 31, 2001 and the unaudited three months ended November 30, 2001 combined with the unaudited financial data of C-MAC for the twelve months ended September 30, 2001 and the three months ended September 30, 2001, respectively.

(b) Net interest expense (income) is interest expense net of interest income.

(c) EBITDA represents income (loss) before taxes, extraordinary loss and minority interests, plus net interest expense, depreciation and amortization. Adjusted EBITDA represents EBITDA, as adjusted to exclude non-recurring charges. Non-recurring charges consist of restructuring and acquisition costs. Some investors have found information like EBITDA and adjusted EBITDA to be useful as a measure of our ability to satisfy principal and interest obligations on our debt and to provide cash for other purposes. EBITDA and Adjusted EBITDA do not represent, and should not be considered a substitute for, income (loss) from operations, net income (loss), operating cash flows or other measures of performance prepared in accordance with generally accepted accounting principles (GAAP). Our definitions of EBITDA and adjusted EBITDA may not be comparable to those reported by other companies and do not correspond to definitions of consolidated cash flow used as a defined term in the indenture as described under the caption Description of the Notes.

(d) Excludes acquisitions of businesses and asset acquisitions (other than capital expenditures).

(e) We have computed the ratio of earnings to fixed charges by dividing earnings available for fixed charges by fixed charges. The computations include us and our consolidated subsidiaries. For these ratios, earnings represents (1) income (loss) before taxes and before adjustment for minority interests, plus (2) fixed charges (excluding capitalized interest), plus (3) amortization of capitalized interest. Fixed charges consist of (1) interest on all indebtedness and amortization of debt discount and expense, plus (2) capitalized interest, plus (3) an interest factor attributable to rentals.

(f) Pro forma adjusted total debt reflects short-term and long-term debt after giving effect to the C-MAC combination which occurred on December 3, 2001, the issuance and sale of the notes offered hereby and the issuance of the ACES as if they had been completed on November 30, 2001. Pro forma adjusted EBITDA is calculated for the twelve months ended November 30, 2001 and gives effect to the C-MAC combination.

(g) Pro forma interest expense reflects interest expense, including non-cash interest related to our LYONs, after giving effect to the C-MAC combination which occurred on December 3, 2001, this offering and the issuance of the ACES as if they had been completed at the beginning of the twelve months ended November 30, 2001. Pro forma adjusted EBITDA is calculated for the twelve months ended November 30, 2001 and gives effect to the C-MAC combination.

(h) Pro forma adjusted net debt reflects total debt less cash on hand after giving effect to the C-MAC combination which occurred on December 3, 2001 this offering and the issuance of the ACES as if they had been completed on November 30, 2001. Upon satisfaction of our commitments under the Funded Amount, our cash balance would be reduced by approximately $399 million, as of November 30, 2001, but our reported debt balances will not be reduced because operating leases are not classified as debt on our balance sheet in accordance with GAAP, Pro Forma adjusted EBITDA has not been adjusted by the reduction of operating lease expense that would result from any payment in connection with the Funded Amount. Pro forma adjusted EBITDA is calculated for the twelve months ended November 30, 2001 and gives effect to the C-MAC combination.

(i) Assumes that the net proceeds of the Transactions and cash on hand are used to (i) repurchase approximately $615 million of our LYONs due 2019, which the holders thereof may require us to repurchase on January 28, 2002, (ii) repay approximately $341 million of indebtedness that we assumed in connection with our combination with C-MAC, (iii) repurchase, repay or otherwise retire (allocated on a pro rata basis in proportion to accreted value at November 30, 2001) $1 billion of our outstanding short-term debt and the LYONs other than those referred to above, and (iv) satisfy the Funded Amount composed of approximately $399 million of operating lease commitments as of November 30, 2001 as described in Risk Factors We will be required to obtain waivers, consents or amendments from holders of certain of our financial instruments or we will be required to pre-pay those obligations. Although it is our present intention to repurchase, repay or otherwise retire this indebtedness with the net proceeds of the Transactions and cash on hand, we are not obligated to do so and may choose not to do so depending on market or other conditions, nor can we assure you that we will be able to accomplish this on acceptable terms or at all. To the extent that any net proceeds are not used to repay such indebtedness or the Funded Amount, we would use such net proceeds for working capital and general corporate purposes, which might include acquisitions.

(j) There is a deficiency of fixed charge coverage of $71.1 million.

(k) There is a deficiency of fixed charge coverage of $108.4 million.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This prospectus supplement contains, in addition to historical information, forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause our actual outcomes to differ materially from the results expressed or implied by the forward-looking statements. See Special Note Regarding Forward-Looking Statements and Risk Factors This prospectus supplement, the accompanying prospectus and the registration statement of which they are a part contain or incorporate forward-looking statements which are based on current expectations, forecasts and assumptions that could cause outcomes to differ materially from those set forth herein. You should carefully consider all of the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the discussion under the caption Risk Factors of specific risks involved in an investment in the notes.

Results of Operations

The electronics industry is subject to rapid technological change, product obsolescence and price competition. These and other factors affecting the electronics industry, or any of our major customers in particular, could materially harm our results of operations. See Risk Factors for additional factors relating to possible fluctuations of our operating results. This discussion of our results of operations is divided into two parts, the first of which addresses our results of operations for the three months ended November 30, 2001 compared to the three months ended November 30, 2000, and the second of which addresses our results of operations for the fiscal year ended August 31, 2001 compared to the fiscal year ended August 31, 2000 and the fiscal year ended August 31, 1999.

Three Months Ended November 30, 2001 Compared to Three Months Ended November 30, 2000

The following table sets forth, for the periods indicated, certain items in the Consolidated Statements of Operations as a percentage of net sales. The financial information and the discussion below should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto.

	Three Months Ended November 30,	
	2001	2000
Net sales	100.0%	100.0%
Cost of sales	93.6	91.5
Gross profit	6.4	8.5
Operating expenses:		
Selling, general and administrative	5.2	3.3
Research and development	0.4	0.3
Restructuring and impairment costs	2.3	
Operating income (loss)	(1.5)	4.9
Interest income	0.6	0.6
Interest expense	(1.4)	(0.6)
Income (loss) before income taxes and extraordinary loss	(2.3)	4.9
Income taxes (benefit)	(0.7)	1.6
Income (loss) before extraordinary loss	(1.6)	3.3
Extraordinary loss, net of income tax benefit	(0.1)	
Net income (loss)	(1.7)%	3.3%

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Net Sales

We are organized in three business units including the global operations business unit, the technology solutions business unit and the global services business unit. Our core business unit, the global operations business unit, provided 90.6% of net sales for the first quarter of fiscal 2002 and 90.3% of net sales for the same period in fiscal 2001. Our technology solutions business unit contributed 4.9% and 8.6%, respectively, of net sales for the first quarter of fiscal 2002 and 2001. The global services business unit contributed 4.5% and 1.1% of net sales for the first quarter of fiscal 2002 and 2001, respectively.

Net sales for the first quarter of fiscal 2002 were $3.2 billion, compared with $5.7 billion in the same period of fiscal 2001, a decrease of 44.7%. The decrease in sales was primarily attributable to reduction in demand from our customers worldwide, especially in the personal computer and telecommunications segments.

Global Operations Business Unit

Net sales from our global manufacturing business unit fell to $2.9 billion for the first quarter in fiscal 2002, compared to $5.1 billion in the same period in fiscal 2001, a decrease of 44.4%. The decrease was principally due to reduction in customer demand, especially from personal computing and telecommunication customers.

Within the Americas, there are two sub-regions, North America and Latin America. Net sales in North America decreased to $855.0 million in the first quarter of fiscal 2002, a decrease of 65.6% from the same period of fiscal 2001. The Milpitas, California, Charlotte, North Carolina, and Austin, Texas sites accounted for most of the decline. Latin America sales decreased 49.7% to $327.1 million in the first quarter of fiscal 2002. Our Guadalajara, Mexico site experienced the largest decline in Latin America. The decreases, both in North and Latin America, were primarily due to continued deterioration in general economic conditions and project transfers to low cost locations in Asia.

In Europe, net sales decreased 51.6% in the first quarter of fiscal 2002 as compared to the same period in fiscal 2001. The decrease primarily resulted from weaker demand from our customers in Europe. A majority of the decrease occurred at our sites in France and Ostersund, Sweden.

In Asia, net sales stayed relatively stable in the first quarter of fiscal 2002 as compared to the same period of fiscal 2001 in spite of continued weakening global demand. Sales remained steady through transfers of business from our Americas region as well as through our acquisitions of Shinei, NEL sites and two Sony manufacturing plants in Asia.

Technology Solutions Business Unit

Net sales from our technology solutions business unit fell 68.4% to $154.5 million in the first quarter of fiscal 2002 as compared to the same period of fiscal 2001. The decrease in net sales primarily resulted from lower customer demand and decreasing average selling prices of memory components.

Global Services Business Unit

Net sales from our global services business unit increased to $141.8 million in the first quarter of fiscal 2002 from $62.9 million in the same period of fiscal 2001. The increase of 125.4% is due to higher demand for the after-sales service support provided by this business unit and the recent acquisition of Stream International.

International Sales

Net sales from our international sites, as a percentage of total consolidated net sales, grew to 64.6% in the first quarter of fiscal 2002 compared to 45.1% in the same period of fiscal 2001. The increase was primarily due to project transfers from sites in the United States to Asian sites. Our international operations are subject to various risks of doing business abroad. See Risk Factors for additional factors relating to possible fluctuations of our international operating results. While these dynamic factors have not materially harmed our results of operations, we cannot ensure that there will not be such an impact in the future.

Major Customers

The following table details major customers and the percentage of net sales attributed to them.

	Three Months Ended November 30,	
	2001	**2000**
Ericsson	*	14.8%
Cisco	11.1%	12.7%
Nortel	13.7%	12.3%

* Less than 10% of net sales

Our top 10 customers accounted for approximately 69.6% and 77.8%, respectively, of consolidated net sales in the first quarters of fiscal 2002 and 2001. We depend on continued revenues from Ericsson, Cisco and Nortel as well as our other top 10 customers. We cannot guarantee that these or any other customers will not increase or decrease as a percentage of consolidated net sales either individually or as a group. Consequently, any material decrease in sales to these or other customers could materially harm our results of operations.

We believe that our ability to grow depends on increasing sales to existing customers for their current and future products and on successfully attracting new customers. Customer contracts can be canceled and volume levels can be changed or delayed. The timely replacement of delayed, canceled or reduced orders with new business cannot be assured. In addition, we cannot ensure that any of our current customers will continue to utilize our services. Because of these factors, we cannot ensure that our historical revenue growth rate will continue.

Gross Profit

The gross margin decreased to 6.4% for the first quarter of fiscal 2002, compared with 8.5% for the same period of fiscal 2001. Our gross margin was affected by inefficiencies associated with reduced workload and restructuring activities. We continue to shift capacity to low-cost locations and programs are being transferred at an accelerated pace. Those transfer costs are accounted for as operational costs versus restructuring costs and consequently, they affected our margins. We have begun seeing the benefits of the restructuring activities on our margins. Gross margins improved from 5.8% in the fourth quarter of fiscal 2001 to 6.4% for first quarter fiscal 2002.

For our global operations business unit, we anticipate a larger percentage of our sales may be derived from systems-build projects that generally yield lower profit margins than PCB assembly. We expect most of our technology solutions sales may continue to be derived from turn-key projects, which typically yield lower profit margins than consignment projects. In addition, factors affecting technology solutions profit margins include the sales mix of specialty memory modules, standard memory modules, communication card products and embedded computer modules, as well as changes in average memory densities used in memory products.

In the foreseeable future, our overall gross margin will depend on several factors, including but not limited to, product mix, production efficiencies, utilization of manufacturing capacity, start-up and integration costs of new and acquired businesses, percentage of sales derived from systems-build

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and turn-key projects, pricing within the electronics industry, component costs and delivery linearity, and the cost structure at individual sites. Over time, gross margins at the individual sites and for us as a whole may continue to fluctuate.

In past years, we have experienced component shortages. While component availability fluctuates from time to time and is subject to lead-time and other constraints, this could possibly have a negative impact on our sales and gross margins for the foreseeable future. Therefore, we cannot assure you that our gross margin will not fluctuate or decrease in future periods.

Selling, General and Administrative Expenses

In absolute dollars, selling, general and administrative (SG&A) expenses decreased 13.7% for the first quarter of fiscal 2002 over the same period of fiscal 2001. As a percentage of net sales, SG&A expenses were 5.2% and 3.3%, respectively, for the first quarter in fiscal 2002 and 2001. The decrease in absolute dollars for the first quarter of fiscal 2002 primarily resulted from a reduction in our overall headcount due to restructuring. The increase as a percentage of net sales resulted from a decrease in net sales as a major portion of these expenses are fixed. SG&A expenses may increase in terms of absolute dollars in the future, as we continue to invest in infrastructure necessary to support our current and prospective business.

Research and Development Expenses

With the exception of our technology solutions unit, our research and development (R&D) activities have been primarily developing prototype and engineering design capabilities, developing common tools for electrical, mechanical design, standardizing a single functional test platform, developing methods for handling, processing and re-flow of high I/ O ball grid array, high reliability environmental stress technology and the implementation of environmentally friendly assembly processes such as lead free and no-clean. Technology solutions R&D efforts are concentrated on new product development and improvement of product designs through improvements in functionality and the use of microprocessors in embedded applications.

In absolute dollars, R&D expenses decreased 30.6% in the first quarter of fiscal 2002 over the same period of fiscal 2001. As a percentage of net sales, R&D expenses were 0.4% and 0.3%, respectively, for the first quarter in fiscal 2002 and fiscal 2001. The decrease in absolute dollars in R&D expenses in the first quarter of fiscal 2002 was primarily due to efforts to keep costs under control. The closure of our Force Westborough, Massachusetts site also contributed to the reduction.

Net Interest Income (Expense)

Net interest expense was $22.8 million for the first quarter of fiscal 2002 compared to net interest income of $3.9 million in the same period of fiscal 2001. The increase in net interest expense in the first quarter of fiscal 2002 primarily resulted from our 3.25% yield zero-coupon convertible senior notes and a decrease in interest income earned on undeployed cash and investments due to lower average interest rates. We incurred minimal interest expense from the 3.25% yield zero-coupon convertible senior notes in the first quarter of fiscal year 2001 as these notes were issued only 11 days before the quarter end.

Income Taxes

For the first quarter of fiscal 2002, we recorded an income tax benefit of $20.8 million on a pretax net loss of $71.3 million. We incurred income tax expense of $89.7 million in the same period of fiscal 2001. The difference was primarily due to our loss before income taxes for the quarter. In general, the effective income tax rate is largely a function of the balance between income from domestic and international operations. Our international operations, taken as a whole, have been taxed at a lower rate than those in the United States primarily due to a tax holiday granted to several of our overseas sites in Malaysia, Singapore, and China. The Malaysian tax holiday is effective through July

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2011, subject to some conditions, including certain levels of research and development expenditures. In addition, we also have has also been granted a tax holiday for certain operations in Singapore, which is effective through March 2011. We also have been granted various tax holidays in China, which are effective for various terms and are subject to some conditions.

Fiscal Year Ended August 31, 2001 Compared to Fiscal Year Ended August 31, 2000 and Fiscal Year Ended August 31, 1999

The following table summarizes certain items in the Consolidated Statements of Operations as a percentage of net sales. The financial information and the discussion below should be read in conjunction with the consolidated financial statements and notes thereto.

	Years Ended August 31,		
	2001	**2000**	**1999**
Net sales	100.0%	100.0%	100.0%
Cost of sales	92.0	91.0	90.3
Gross profit	8.0	9.0	9.7
Operating expenses:			
Selling, general and administrative	4.4	3.3	3.9
Research and development	0.4	0.4	0.4
Goodwill amortization expense	0.7		
Acquisition costs	0.2	0.2	
Restructuring and impairment costs	2.8	0.1	
Operating income (loss)	(0.5)	5.0	5.4
Net interest income (expense)	(0.3)	0.2	
Income (loss) before income taxes	(0.8)	5.2	5.4
Income taxes (benefit)	(0.2)	1.7	1.7
Net income (loss)	(0.6)%	3.5%	3.7%

Net Sales

Our net sales increased in each of our past fiscal years, reflecting the growing trend toward outsourcing within the electronics industry. For the year ended August 31, 2001, net sales grew to $18.7 billion, an increase of 32.2% over fiscal 2000. Net sales of $14.1 billion in fiscal 2000 were 46.2% greater than fiscal 1999. The sales growth in fiscal 2001 compared with fiscal 2000 was primarily attributable to increased demand from our personal computer, notebook and consumer automotive business sectors in the first half of fiscal 2001, and our acquisitions during fiscal 2001. The sales growth in fiscal 2000 over fiscal 1999 was primarily due to new program ramp-ups, strong demand from our customers worldwide and acquisitions made during fiscal 2000.

The global manufacturing operations unit provided 91.9%, 87.8%, and 87.5% of net sales, respectively, for fiscal 2001, 2000 and 1999. Our technology solutions business unit contributed 6.4%, 10.5% and 11.7% of net sales, respectively, for fiscal 2001, 2000 and 1999. Our global services business unit contributed 1.7%, 1.7% and 0.8% of net sales, respectively, in fiscal 2001, 2000 and 1999.

Global Operations Business Unit

Fiscal year 2001 net sales grew to $17.2 billion, an increase of 38.4% over fiscal year 2000. This increase was due to higher demand growth from our customers during the first half of fiscal 2001 and the acquisitions of NEL and Shinei as well as two Sony manufacturing plants during fiscal year 2001. Fiscal year 2000 net sales grew to $12.4 billion, an increase of 46.8% over fiscal 1999. The increase was primarily due to strong demand growth from our customers and to acquisitions, including

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Alcatel s telecommunications manufacturing business in Liverpool, Australia, by our subsidiary Bluegum; IBM ECAT in Austin, Texas; Trimble of California; IBM s Netfinity server operations in Greenock, Scotland; Ericsson s telecommunications infrastructure equipment operations in Longuenesse, France, and Ostersund, Sweden; and Zhone Technologies of California; as well as our acquisition of Alcatel s manufacturing business in Aguadilla, Puerto Rico.

Within the Americas, net sales increased to $9.7 billion, a 16% increase in fiscal 2001 over 2000. The Milpitas site in California, Guadalajara site in Mexico and Austin site in Texas were the largest contributors to the sales increase. The increase in fiscal 2001 compared to fiscal 2000 was primarily due to higher demand from our customers in the first half of fiscal 2001 and to our acquisition of Nortel sites in North Carolina, Mexico and Canada, partially offset by the decrease in customer demand in the second half of fiscal 2001. The increase in fiscal 2000 versus 1999 was primarily due to new programs from our customers and sales growth in the Americas. Sales continued to grow in the Milpitas site despite our strategic transfer of personal computer PCB programs and computer peripherals systems assembly programs to Mexico and networking business to Penang, Malaysia.

In Europe, net sales increased to $3.3 billion, a 67.3% increase in fiscal 2001 over fiscal 2000. The increase in net sales was principally due to higher demand in the first half of fiscal 2001 and acquisition of Ericsson s manufacturing assets in Ostersund, Sweden during the third quarter of fiscal 2000. Our France and Ostersund sites were the largest contributors to the sales increase in the region. Net sales stayed relatively flat in fiscal 2000 versus fiscal 1999.

In Asia/ Pacific, net sales grew to $4.3 billion, an 89.1% increase in fiscal 2001 over fiscal 2000. The increase over the prior year was primarily due to demand growth from our customers in the first half of fiscal 2001 and acquisitions during fiscal 2001, as well as the transfer of networking business from our Milpitas site to our Penang site in Malaysia. Our Penang site and Suzhou site as well as former NEL and Shinei sites from our acquisitions during fiscal 2001 were the major contributors to the increase. Net sales growth in fiscal 2000 was primarily due to demand growth in mobile phone, networking and personal computer projects. In particular, sales growth in the Penang site was attributable to the growth of networking business. In addition, our subsidiary Bluegum s acquisition of Alcatel s telecommunications manufacturing operations in Liverpool, Australia, also contributed to our sales increase in the region.

Technology Solutions Business Unit

Net sales for fiscal years 2001, 2000 and 1999 for this business unit were $1.2 billion, $1.5 billion and $1.1 billion, respectively. The decrease in fiscal 2001 of 19.2% from fiscal 2000 was principally due to decrease in demand and declines in average selling prices of memory components partially offset by the acquisition of Centennial. The increase in fiscal 2000 of 31.5% over fiscal 1999 resulted from an overall increase in standard memory products incorporated with average memory densities, as well as an increase in embedded computer modules and communications card products.

Global Services Business Unit

Net sales for this business unit were $309.6 million, $232.5 million and $78.5 million in fiscal years 2001, 2000 and 1999, respectively. Net sales increased 33.2% in fiscal 2001 compared to fiscal 2000. The increase in net sales in fiscal 2001 was primarily due to stronger customer demand, acquisitions of Nortel assets and Bluegum Group during fiscal 2000, and acquisitions of IBM Netherlands service facilities as well as MCC-Sequel during fiscal 2001. The increase in fiscal 2000 was due to higher customer demand and the acquisition of AMERICOM.

International Sites

Net sales from our international sites as a percentage of consolidated net sale have grown over the last three fiscal years. International locations contributed 51% of consolidated net sales in fiscal

2001 compared with 41% in fiscal 2000 and 33% in fiscal 1999. See Risk Factors Our non-U.S. locations represent a significant and growing portion of our net sales; we are increasingly exposed to risks associated with operating internationally.

Major Customers

Only four major customers accounted for more than 10% of our net sales in fiscal 2001, 2000 and 1999, as summarized in the following table.

	Years Ended August 31,		
	2001	2000	1999
Cisco	11.5%	12.0%	11.1%
Compaq			11.8%
Ericsson	13.7%	13.0%	
Nortel	11.9%		

Our top ten customers accounted for 70% of net sales in fiscal 2001, 72% of net sales in fiscal 2000 and 74% of net sales in fiscal 1999. We depend on continued revenues from Ericsson, Compaq, Cisco, Nortel and our other top ten customers.

Gross Profit

Our gross margin percentages were 8.0%, 9.0% and 9.7% respectively, for fiscal 2001, 2000 and 1999. The decrease in gross margin in fiscal 2001 compared to fiscal 2000 was primarily due to under-absorbed fixed costs that could not be taken out immediately in response to the decline in our customers end market demand. In the second quarter of fiscal 2001, we began to experience manufacturing inefficiencies due to higher-than-normal costs associated with the additional manpower required in the materials management area and under-utilization of capacity which occurred later in the second quarter. Our gross margin was also affected by inefficiencies associated with restructuring. We are shifting capacity to low-cost locations, and programs are being transferred at an accelerated pace. Those transfer costs are accounted for as operational costs versus restructuring costs, consequently they affected our margins. The decrease in fiscal 2000 over fiscal 1999 was attributed primarily to sales derived from lower margin mobile telecommunication equipment, manufacturing inefficiencies due to non-linearity of material receipts, a high level of business development activities and new site integration support expenditures, as well as capacity ramp-up for future demand growth. Our start-up operations also contributed to the decrease. In addition, the amortization of intellectual property resulting from certain acquisitions reduced gross margins.

Selling, General and Administrative Expenses

In absolute dollars, our selling, general and administrative (SG&A) expenses increased 77.2% in fiscal 2001 compared to fiscal 2000, and 23.1% in fiscal 2000 over fiscal 1999. As a percentage of net sales, SG&A expenses were 4.4% in fiscal 2001, 3.3% in fiscal 2000 and 3.9% in fiscal 1999. The increases in absolute dollars and as a percentage of net sales in fiscal 2001 compared to fiscal 2000 were due to higher human resource costs, information systems cost, and higher SG&A resulting from our acquisitions of NEL, Centennial, MCC-Sequel, Shinei and two Sony manufacturing facilities. The increase in absolute dollars in fiscal 2000 compared to 1999 was caused by an increase in our head count and information systems costs to support our sales growth and increased costs of acquisition related activities. The primary reasons for the decrease in fiscal 2000 over 1999 in SG&A expenses as a percentage of net sales were the significant increase in sales volume and our continued effort to manage operating expenses, partially offset by the costs associated with investments in our business infrastructure, information systems and start-up costs for new sites.

Research and Development Expenses

In absolute dollars, R&D expenses increased 15.0% in fiscal 2001 compared to fiscal 2000 and 50.1% in fiscal 2000 over fiscal 1999. As a percentage of net sales, R&D expense was 0.4% of net

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sales for fiscal 2001, 2000 and 1999. The increases in absolute dollars in R&D expenses in fiscal 2001 and 2000, were primarily due to our increased R&D effort in SMART and Force and new R&D projects initiated at our various sites.

Goodwill Amortization Expense

The goodwill amortization expense of $139.9 million in fiscal 2001 primarily resulted from the NEL acquisition. During the second quarter of fiscal 2001, we purchased all of the outstanding issued share capital and convertible bonds of NEL for approximately $2.3 billion and $122.4 million, respectively. The NEL acquisition was accounted for under the purchase accounting method and, as a result, we recorded approximately $1.97 billion of goodwill. Goodwill is amortized in equal annual amounts over a ten-year period.

Acquisition Costs

During fiscal 2001, we recorded $29.7 million in acquisition and integration costs, which were primarily related to the NEL acquisition. A charge for acquisition costs of $26.8 million was incurred in fiscal 2000 as a result of the acquisitions of SMART, AMERICOM and Bluegum during fiscal 2000. Our acquisition costs consist of investment banker fees, legal fees, accounting fees, registration fees and other direct costs.

Restructuring and Impairment Costs

The 2001 fiscal year restructuring and impairment charge was taken in connection with our plan to review our operations in light of the economic downturn that occurred in 2000 and 2001 and our plan to undertake several measures to restructure the company. The measures, which included reducing the workforce, consolidating certain facilities and changing the strategic focus of a number of sites, were largely intended to align our capacity and infrastructure to anticipated customer demand as well as rationalize our footprint worldwide.

During fiscal 2001 and primarily in the third and fourth quarters, total restructuring and impairment costs of $517.3 million were charged against earnings. These restructuring and impairment charges included employee severance and benefit costs of approximately $70.0 million, costs related to facilities that will be abandoned and subleased of approximately $56.4 million, costs related to equipment that will be abandoned of approximately $117.5 million, impairment of equipment of approximately $188.2 million, impairment of facilities of approximately $37.7 million, impairment of goodwill, intangible and other assets related to closed facilities of approximately $42.2 million and other exit costs of approximately $5.3 million.

The employee severance and benefit costs related to the elimination of approximately 11,800 positions worldwide. Approximately 67% of the positions eliminated were in the Americas region, 23% were in Europe and 10% were in Asia/ Pacific. The employment reductions primarily affected employees in manufacturing and back office support functions. Facilities and equipment subject to restructuring were primarily located in the Americas and Europe. For leased facilities that will be abandoned and subleased, the lease costs represent future lease payments subsequent to abandonment less estimated sublease income. For facilities and equipment, the impairment loss recognized was based on the fair value less costs to sell, with fair value based on estimates of existing market prices for similar assets. As of August 31, 2001, all 11,800 employees had left Solectron under this plan.

We recorded restructuring costs of approximately $11.1 million in fiscal 2000 primarily related to the consolidations of certain facilities acquired in the SMART and Sequel mergers. Approximately $4.4 million related to lease exit costs, $3.4 million related to asset write-offs and other incidental costs, $1.2 million related to severance costs and $2.1 million related to other costs.

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Net Interest Income (Expense)

Net interest expense was $59.1 million in fiscal 2001 compared to net interest income of $35.3 million in fiscal 2000, and compared to net interest expense of $1.6 million in fiscal 1999. The net interest expense in fiscal 2001 primarily resulted from our 4.0% yield zero-coupon convertible senior notes, 2.75% and 3.25% yield zero-coupon convertible senior notes and 7.38% senior notes, partially offset by interest income earned on deployed cash and investments. The net interest income in fiscal 2000 was attributed primarily to interest income earned on cash and investments from the proceeds of the 2.75% zero-coupon convertible senior notes which were issued in May 2000, offset partially with interest expense on the 4% and 2.75% yield zero-coupon convertible senior notes as well as on the 7.38% senior notes. The net interest expense in fiscal 1999 was related to interest expenses from the 4% yield zero coupon convertible senior notes and the 6% convertible subordinated notes.

Income Taxes

We reported income tax benefit of $34.2 million in fiscal 2001 arising from the loss incurred in the period. Income tax expense was $238.8 million in fiscal 2000 and $164.2 million in fiscal 1999. Our effective income tax benefit rate was 21.7% in fiscal 2001. Our effective income tax expense rate was 32.3% in fiscal 2000 and 31.9% in fiscal 1999. Our benefit rate was lower than our expense rate in prior years because we did not recognize some of the income tax benefits for which future realization is uncertain.

Liquidity and Capital Resources

Net working capital was $4.9 billion on November 30, 2001, compared to $6.0 billion at the end of fiscal 2001. The decrease reflected our continued efforts to reduce inventory and the average days outstanding of our accounts receivable.

Accounts receivable decreased $429.8 million during the first quarter of fiscal 2002 from the 2001 fiscal year end. The decrease in accounts receivable is primarily due to our revenue decrease during the first quarter of fiscal 2002. Inventories decreased $458.4 million during the first quarter of fiscal 2002. The inventory decrease was primarily due to the sale of excess inventory to customers.

We had approximately $185 million and $597 million, respectively, in committed and uncommitted foreign lines of credit and other bank facilities as of November 30, 2001. Borrowings were payable on demand. The interest rates ranged from the bank s prime lending rate to the bank s prime rate plus 2.0%. As of November 30, 2001, borrowings and guaranteed amounts under committed and uncommitted foreign lines of credit were $140 million and $223 million, respectively. The weighted-average interest rate was 3.5% for committed and 4.2% for uncommitted foreign lines of credit.

Due to defaults triggered by the issuance of these notes and our previous issuance of ACES, we may be required to repay up to approximately $399 million of synthetic leases by March 1, 2002, if we do not obtain amendments, consents or waivers to such synthetic leases, and we most likely will be required to repay our $341 million C-MAC credit facility on or prior to the closing of this transaction. We intend to repay these amounts, to the extent required, from cash on hand and from the proceeds of the offering of these notes. These statements are forward-looking statements and actual results could vary. See Risk Factors We will be required to obtain waivers, consents or amendments from holders of certain of our financial instruments or we will be required to pre-pay those obligations.

We have purchased in the past and intend to continue to purchase in the future our LYONs on an opportunistic and unsolicited basis. In addition, our cash and liquidity could be adversely affected if we require substantial amounts of cash in connection with our obligations to purchase our LYONs as they become due. Instead of repurchasing the LYONs with cash, we may elect to offer holders our common stock or combination of our cash and common stock. On January 28, 2002, holders of our

4% LYONs due 2019 will have the option to require us to repurchase their notes in the amount of $510.03 per $1,000 principal amount at maturity for a total of up to approximately $615 million as of November 30, 2001. We have announced that we will satisfy any of the 4% LYONs due 2019 to put to us with cash. We have elected to satisfy this obligation with cash. Based on the aggregate amount outstanding on November 30, 2001, on May 8, 2003, holders of our 2.75% LYONs due 2020 will have the option to require us to repurchase their notes in an amount of $628.57 per $1,000 principal amount at maturity for a total up to approximately $2.5 billion. Based on the aggregate amount outstanding on November 30, 2001, on May 20, 2004, holders of our 3.25% LYONs due 2020 will have the option to require us to repurchase their notes in an amount of $587.46 per $1,000 principal amount at maturity for a total of approximately $1.7 billion. See Risk Factors We have significant debt leverage and debt service obligations; if we are unable to service these debt obligations, our business, operating results and financial condition could be materially adversely impacted.

In December 2001 we completed our public offering of an aggregate $1.1 billion, or 44 million units, of our 7.25% Adjustable Conversion-Rate Equity Security Units (or ACES). Substantially concurrent with and contingent upon the closing of this offering of notes and certain other conditions, we expect to enter into the proposed new senior secured revolving credit facilities with a maximum borrowing capacity of $500 million. For more information concerning the effect of our recent issuance of ACES, this offering of notes and our proposed new secured credit facilities on our liquidity and capital resources, see Description of Other Indebtedness and The Transactions.

We intend to pursue acquisitions of companies or strategic assets from time to time in accordance with our acquisition strategy. These acquisitions may be for cash, capital stock or a combination of cash and capital stock and may include the incurrence or assumption of indebtedness. The use of cash and the increased interest expense which may be associated with these acquisitions may adversely affect our liquidity in future periods.

We believe that our current cash and cash equivalents, short-term investments, line of credit and cash generated from operations will satisfy our expected working capital, capital expenditure, investment and debt service requirements through at least the next 12 months.

Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standard Board (FASB) issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated or completed after June 30, 2001. SFAS No. 141 also specifies the criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated lives to their estimated residual values, and be reviewed for impairment in accordance with SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 were amortized prior to adoption of SFAS No. 142.

In accordance with SFAS No. 141, we are accounting for all business combinations initiated or completed after June 30, 2001 using the purchase method of accounting. We adopted the remaining provisions of SFAS No. 141 and SFAS No. 142 effective September 1, 2001.

SFAS No. 141 requires, upon adoption of SFAS No. 142, that we evaluate our existing intangible assets and goodwill that were acquired in prior purchase business combinations, and to make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. Upon adoption of SFAS No. 142, we reassessed the useful lives and residual values of all intangible assets acquired in purchase business combinations, and no significant changes were deemed necessary. We were also required to test the intangible assets for impairment in

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accordance with the provisions of SFAS No. 142 during the first quarter of fiscal 2002. No impairment loss as of the date of adoption was deemed necessary.

In connection with the transitional goodwill impairment evaluation, SFAS No. 142 requires us to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To accomplish this, we must identify our reporting units and determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. The standard allows up to six months from the date of adoption to determine the fair value of each reporting unit and compare it to the reporting unit s carrying value. To the extent a reporting unit s carrying amount exceeds its fair value, an indication exists that the reporting unit s goodwill may be impaired and we must perform the second step of the transitional impairment test. In the second step, we must compare the implied fair value of the reporting unit s goodwill, determined by allocating the reporting unit s fair value to all its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with SFAS No. 141, to its carrying amount, both of which would be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss will be recognized as a cumulative effect of a change in accounting principle in our statement of operations.

The FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations, in August 2001, and SFAS No. 144, Accounting for the Impairment or Disposal of Long-lived Assets, in October 2001. SFAS No. 143 requires that the fair value of an asset retirement obligation be recorded as a liability in the period in which it incurs the obligation. SFAS No. 144 services to clarify and further define the provisions of SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. SFAS No. 144 does not apply to goodwill and other intangible assets that are not amortized. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002 and SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. We expect to adopt both effective September 1, 2002. The effect of the adopting these statements is not expected to have a material effect on the Company s consolidated financial position or results of operations.

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BUSINESS

Overview

We provide electronics manufacturing services to original equipment manufacturers (OEMs) who design and sell networking equipment, mobile and mobile and wireless telecommunications equipment, computing equipment, including workstations, notebooks, desktops and peripherals, and other electronics equipment and products. These OEMs include Cisco Systems, Inc. (Cisco), Compaq Computer Corporation (Compaq), Ericsson Telecom AB (Ericsson), Hewlett-Packard Company (HP), International Business Machines Corporation (IBM), Nortel Networks Limited (Nortel) and Apple Computer Inc. (Apple). These companies contract with us to build their products or to obtain other related supply-chain services, such as design, testing, systems integration and after-sales repair and support or to obtain other related services from us.

We furnish integrated supply-chain solutions that span the entire product life-cycle from technology solutions, to global manufacturing, to global services. Our range of services includes:

- advanced building block design solutions;
- product design and manufacturing;
- new product introduction management;
- prototyping;
- materials purchasing and management;
- printed circuit board assembly (the process of placing components on an electrical printed circuit board that controls the processing functions of a personal computer or other electronic equipment);
- system assembly (for example, building complete systems such as high-end routers and servers, and testing them to ensure functionality);
- distribution and installation;
- product repair; and
- warranty services.

Providing these services to our customers allows them to remain competitive by focusing on their core competencies of sales, marketing, and research and development. We have manufacturing facilities in the Asia/ Pacific, Americas and Europe. This geographic presence gives our customers access to manufacturing services in the locations close to their markets for faster product delivery.

We were originally incorporated in California in August 1977. In February 1997, we were reincorporated in Delaware.

Competitive Strengths

Market Leadership

Our strength in the EMS market is demonstrated by our customer base and our market leadership. We enjoy long-standing relationships with customers such as Apple Computer, Brocade, Cisco Systems, Compaq, Ericsson, Hewlett-Packard, IBM, Nortel Networks, Sony and Sun Microsystems. According to IDC, Solectron is a leader in the EMS industry in sales and was believed to have had an approximate 18% market share for 2001.

Strong Balance Sheet

We are pursuing a plan intended to achieve investment-grade credit ratings for our unsubordinated, unsecured indebtedness by improving our operations and pursuing a prudent financing strategy. We plan to use cash on hand, the net proceeds of this offering and the net proceeds from our offering of $1.1 billion of 7.25% Adjustable Conversion-Rate Equity Security Units

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(ACES), which occurred after November 30, 2001, to repay existing indebtedness and other commitments. In addition, we have received commitments, subject to certain conditions, including those described in Description of Other Indebtedness Proposed New Secured Credit Facilities , for an aggregate of $500 million of new secured credit facilities to allow additional financial flexibility. As of November 30, 2001, we had $2.9 billion of cash, cash equivalents and short-term investments.

Reduced Cost Structure and Improved Working Capital Management

In response to recent economic conditions and end-market demand, beginning in early 2001 we embarked on a series of aggressive restructuring initiatives. We expect these initiatives will be completed by the end of fiscal 2002 and following completion are expected to reduce our annual costs, including non-cash items, by approximately $1 billion, partially mitigating our lower revenue generation. We believe these initiatives will allow us to emerge fr