ST. PETERSBURG, FL – **Jabil Circuit** reported second-quarter net income dropped 273% to a loss of $24 million year-over-year. The EMS company was hit hard by a $42 million restructuring charge.

Second-quarter net revenue was $3.1 billion, up 4% year-over-year. Operating income was $1.6 million, down 96% compared to the same period in 2007.

Core operating income increased 22% to $67.8 million, or 2.2% of net revenue, and core earnings increased 48% to $42 million. Operating margins were 3.2% for the EMS sector and –1% for consumer.

Inventory days increased by four days sequentially, to eight. Cash flow from operations was $134 million, while return on invested capital was 8%, up one point over 2007. Capital expenditures during the quarter were approximately $87 million, including approximately $27 million for expansions in China, India, Poland and the Ukraine.

Sales to consumer markets made up $900 million (29%) of second quarter sales, down 28%, on seasonality. The largest declines came in telecommunications and displays but most sectors experienced a reduction, the company said. Computing and storage were up, however.

The company cautioned about slowing end-markets through the summer. “We expect revenue in the second half of fiscal 2008 to be consistent with the first half of the year, resulting in a year of modest growth, but below our previous expectations,” said president and CEO Timothy L. Main. “It appears the slowdown in end-markets will reduce our growth rate and impede margin expansion for the next quarter or two.”

The company expects third quarter net revenue in a range of $3.05 billion to $3.15 billion. Capital expenditures of $60 million to $80 million are expected for the third quarter, and the company maintains its fiscal 2008 forecast of $250 million to $300 million in capex spending.

The EMS division is estimated to increase by 3% from the second quarter, or 10% on a year-over-year basis. By sector, automotive is expected to increase 10%, reflecting product ramps with a new customer; computing and storage sector is estimated to be flat with the second quarter; industrial, instrumentation, and medical is estimated to increase 8% on growth in medical; and networking and telecom are expected to be flat.

Net revenue for 2008 is expected to be in the range between $12.6 billion and $12.8 billion. The company expects 2008 EMS sales of $8.3 billion, consumer sales of $.8 billion, and AMS sales of $700 million.

On a conference call with analysts, Main said, “We are hitting a pretty significant macroeconomic air pocket here and I don’t think anybody is immune from that. Usually for us, it’s a quarter or two, looking back on previous recessionary periods. Before OEMs get back to outsourcing, they start to look at their own internal operations and outsource a little bit more. Things kind of settle out, some of the weaker players have to exit or get consolidated, creating opportunities for us.”