

BENCHMARK ELECTRONICS INC
Form 10-K
February 27, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

<input checked="" type="checkbox"/>	Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
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For the fiscal year ended December 31, 2014

or

<input type="checkbox"/>	Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
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For the transition period from		to	
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Commission File Number 1-10560

BENCHMARK ELECTRONICS, INC.

(Exact name of registrant as specified in its charter)

Texas	74-2211011
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

3000 Technology Drive

Angleton, Texas 77515

(979) 849-6550

(Address, including zip code, and telephone number, including area code, of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller Reporting Company <input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

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As of June 30, 2014, the number of outstanding Common Shares was 53,958,612. As of such date, the aggregate market value of the Common Shares held by non-affiliates, based on the closing price of the Common Shares on the New York Stock Exchange on such date, was approximately \$1.4 billion.

As of February 25, 2015, there were 52,658,067 Common Shares of Benchmark Electronics, Inc., par value \$0.10 per share, outstanding.

Documents Incorporated by Reference:

Portions of the Company's Proxy Statement for the 2015 Annual Meeting of Shareholders (Part III, Items 10-14).

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PART I

Item 1. *Business.*

This annual report (the Report) contains 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. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts and include words such as “anticipate,” “believe,” “intend,” “plan,” “projection,” “forecast,” “strategy,” “position,” “continue,” “estimate,” “expect,” “may,” “will,” or the negative or other variations thereof. In particular, statements, whether express or implied, concerning future operating results or the ability to generate sales, income or cash flow are forward-looking statements. Undue reliance should not be placed on any forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions that are beyond our ability to control or predict, including those discussed under Item 1A of this Report. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes, including the future results of our operations, may vary materially from those indicated.

The Company’s fiscal year ends on December 31. Consequently, references to 2014 relate to the calendar year ended December 31, 2014; references to 2013 relate to the year ended December 31, 2013, etc.

General

Benchmark Electronics, Inc. (Benchmark), a Texas corporation, began operations in 1979 and has become a worldwide provider of integrated electronic manufacturing services. In this Report, references to Benchmark, the Company or use of the words “we”, “our” and “us” include the subsidiaries of Benchmark unless otherwise noted.

We provide our services to original equipment manufacturers (OEMs) of industrial control equipment (including equipment for the aerospace and defense industry), telecommunication equipment, computers and related products for business enterprises, medical devices, and testing and instrumentation products. Our services are commonly referred to as electronics manufacturing services (EMS).

We offer our customers comprehensive and integrated design and manufacturing services—from initial product design to volume production including direct order fulfillment and post-deployment services. Our operations comprise three principal areas:

- *Manufacturing and assembly operations*, which include printed circuit boards and subsystem assembly, box build and systems integration, the process of integrating subsystems and, often, downloading and integrating software, to produce a fully configured product.
- *Precision technology manufacturing*, which complements our proven electronic manufacturing expertise by providing further vertical integration of critical mechanical components. These capabilities include precision machining, advanced metal joining, assembly and functional testing for multiple industries including medical, instrumentation, aerospace and semiconductor capital equipment.
- *Specialized engineering services*, which include product design, printed circuit board layout, prototyping, automation and test development.

Our core strength lies in the manufacturing process for large, complex, high-density printed circuit boards, as well as the ability to manufacture high- and low-volume products in lower cost regions such as China, Malaysia, Mexico, Romania and Thailand. Our global manufacturing presence increases our ability to respond to our customers’ needs by providing accelerated time-to-market and time-to-volume production of high-quality products.

These capabilities enable us to build strong strategic relationships with our customers and to become an integral part of their operations.

Our customers face challenges in planning, procuring and managing their inventories efficiently due to fluctuations in their customer demand, product design changes, short product life cycles and component price fluctuations. We employ enterprise resource planning (ERP) systems to manage the procurement and manufacturing processes in an efficient and cost-effective manner so that, where possible, components arrive on a just-in-time, as-and-when-needed basis. We are a significant purchaser of electronic components and other raw materials and can capitalize on the economies of scale associated with our relationships with suppliers to negotiate price discounts, obtain components and other raw materials that are in short supply, and return excess components. Our expertise in supply chain management and our relationships with suppliers across the supply chain enable us to help reduce our customers' cost of goods sold and inventory exposure.

Benchmark's worldwide facilities include 1.6 million square feet in our domestic facilities in Alabama, Arizona, California, Minnesota, New Hampshire, North Dakota and Texas; and 2.2 million square feet in our international facilities in China, Malaysia, Mexico, the Netherlands, Romania and Thailand.

We have enhanced our capabilities through acquisitions and through internal expansion:

- In June 2013, we acquired Suntron Corporation (the Suntron Acquisition) to better serve customers in the aerospace and defense industries.
- In October 2013, we acquired the full-service EMS segment of CTS Corporation (the CTS Acquisition). The CTS Acquisition expanded our portfolio of customers in non-traditional and highly regulated markets and strengthened the depth and scope of our new product express capabilities on the West Coast.
- In 2011, we acquired facilities and other assets to expand our precision technology capabilities in Penang, Malaysia.
- In 2009, we added precision machining assets and capabilities in Arizona, California and Mexico through a business acquisition, and leased a larger facility in Brasov, Romania that expanded our manufacturing capacity in Eastern Europe.

Our global operations currently include manufacturing facilities in seven countries.

We believe our primary competitive advantages are our design, manufacturing, testing and supply chain management capabilities provided by a highly skilled team of personnel. We offer our customers flexible manufacturing solutions throughout the life cycle of their products. These solutions provide accelerated time-to-market, time-to-volume production, and reduced production costs. Working closely with our customers and responding promptly to their needs, we become an integral part of their operations.

Our Industry

Outsourcing enables OEMs to concentrate on what they believe to be their core strengths, such as new product definition, marketing and sales. Beginning in the 1990s, the EMS industry changed rapidly as an increasing number of OEMs outsourced their manufacturing requirements. In recent years, the number of industries served by EMS providers and their market penetration in certain industries has increased, and we believe further growth opportunities exist for EMS providers to penetrate the worldwide electronics markets. In 2001 and again in 2008, the industry's revenue declined as a result of significant cutbacks in customers' production requirements, consistent with overall global economic downturns; however, OEMs have continued to turn to outsourcing to reduce product cost, achieve accelerated time-to-market and time-to-volume production, access advanced design and manufacturing technologies, improve inventory management and purchasing power, and reduce their capital investment in manufacturing resources.

Our Strategy

Our goal is to be the EMS outsourcing provider of choice to leading OEMs in the electronics industry that we perceive from time to time to offer the greatest potential for growth. To meet this goal, we have implemented the following strategies:

- *Focus on High-End Products in Growth Industries.* EMS providers produce products for a wide range of OEMs in different industries, such as consumer electronics, internet-focused businesses and information technology equipment. The product scope ranges from easy-to-assemble, low-cost, high-volume products targeted for the consumer market to complicated, state-of-the-art, mission-critical electronic hardware targeted for military, medical and other high-end computer use. Similarly, OEMs' customers range from consumer-oriented companies that compete primarily on price and redesign their products every year to manufacturers of high-end telecommunications equipment and computer and related products for business enterprises that compete on technology and quality. We currently offer state-of-the-art products for industry leaders who require specialized engineering design and production services, as well as high-volume manufacturing capabilities to our customer base. Our ability to offer both of these types of services enables us to expand our business relationships.
- *Maintain and Develop Close, Long-Term Relationships with Customers.* Our core strategy is to establish long-term relationships with leading OEMs in expanding industries by becoming an integral part of their manufacturing operations. To accomplish this, we work closely with our customers throughout the design, manufacturing and distribution process, and we offer flexible and responsive services. We rely on our local management teams to respond to frequently changing customer design specifications and production requirements, which develops stronger customer relationships.
- *Deliver Complete High- and Low-Volume Manufacturing Solutions Globally.* OEMs increasingly require a wide range of specialized engineering and manufacturing services from EMS providers in order to reduce costs and accelerate their time-to-market and time-to-volume production. Building on our integrated engineering and manufacturing capabilities, we offer services from initial product design and test to final product assembly and distribution to OEM customers. Our systems integration assembly and direct order fulfillment services allow our customers to reduce product cost and risk of product obsolescence by reducing their total work-in-process and finished goods inventory. These services are available at many of our manufacturing locations. In 2009, we added precision machining assets and capabilities to provide precision machining, metal joining and complex electromechanical manufacturing services in Arizona, California and Mexico. In 2011, we acquired facilities and other assets to expand our precision technologies capabilities in Penang, Malaysia. This expansion added sheet metal and frames fabrication services, advanced metal joining and grinding services, along with complex mechanical assembly and machining services to our Asia service offerings. All of these full service capabilities allow us to offer customers the flexibility to move quickly from design and initial product introduction to production and distribution. We offer our customers the opportunity to combine the benefits of low-cost manufacturing (for the portions of their products or systems that can benefit from the use of these geographic areas) with the benefits and capabilities of our higher complexity support of systems integration in Asia, Europe and the United States.
- *Leverage Advanced Technological Capabilities.* In addition to traditional strengths in manufacturing large, complex high-density printed circuit boards and systems, we offer customers specialized and tailored advanced design, technology and manufacturing solutions for their primary products. We provide this engineering expertise

through our design capabilities at our design centers and our advanced technology process development in each of our facilities. We believe our capabilities help our customers utilize cutting-edge technologies to improve product performance and reduce costs.

- *Continue to Seek Cost Savings and Operational Excellence.* We seek to optimize all of our facilities to provide cost-efficient services for our customers. This is done through our culture of continuous improvement, sharing best practices and implementing lean principles. We also provide operations in

lower-cost locations to further offer cost saving solutions to our customers. These sites include China, Malaysia, Mexico, Romania and Thailand.

- *Continue Our Global Focus.* A network of strategically positioned facilities can reduce costs, simplify and shorten an OEM's supply chain and provide regional solutions, thus reducing the time it takes to bring products to market. We are committed to maintaining our global focus in order to support our customers with cost-effective and timely delivery of quality products and services worldwide.

- *Pursue Strategic Acquisitions.* Our capabilities have continued to grow through acquisitions and we will continue to selectively seek acquisition opportunities. In addition to expanding our global footprint, our acquisitions have enhanced our business in the following ways:
 - enhanced customer growth opportunities;
 - developed strategic relationships;
 - broadened service offerings;
 - provided vertical solutions;
 - diversified into new market sectors; and
 - added experienced management teams.

We believe that growth by selective acquisitions is critical for achieving the scale, flexibility and breadth of customer services required to remain competitive in the EMS industry.

Services We Provide

We offer a wide range of engineering, automation, test, manufacturing and fulfillment solutions that support our customers' products from initial design through prototyping, design validation, testing, ramp-to-volume production, worldwide distribution and aftermarket support. We support all of our service offerings with supply chain management systems, superior quality program management and sophisticated information technology systems. Our comprehensive service offerings enable us to provide a complete solution for our customers' outsourcing requirements.

Engineering Solutions

Our approach is to coordinate and integrate our design, prototype and other engineering capabilities. Through this approach, we provide a broad range of engineering services and, in some cases, dedicated production lines for prototypes. These services strengthen our relationships with manufacturing customers and attract new customers requiring specialized engineering services.

- *New Product Design, Prototype, Test and Related Engineering Solutions.* We offer a full spectrum of new product design, automation, test development, prototype and related engineering solutions. Our concurrent engineering approach shortens product development cycles and gives our customers a competitive advantage in time-to-market and time-to-profit. Our multi-disciplined engineering teams provide expertise in a number of core competencies critical to serving OEMs in our target markets, including award-winning industrial design, mechanical and electrical hardware, firmware, software and systems integration and support. We create specifications, designs and quick-turn prototypes, and validate and ramp our customers' products into high-volume manufacturing.
- *Custom Test and Automation Equipment Design and Build Solutions.* We provide our customers a comprehensive range of custom automated test equipment, functional test equipment, process automation and replication solutions. We have expertise in tooling, testers, equipment control, systems planning, automation, floor control, systems integration, replication and programming. Our custom functional test equipment, process automation and replication solutions are available to our customers as part of our full service product design and manufacturing solutions package or on a stand-alone basis for products designed and manufactured elsewhere. We also provide custom test equipment and automation system solutions to OEMs. Our ability to provide these solutions allows us to capitalize on OEMs' increasing needs for custom manufacturing solutions and provides an additional opportunity for us to introduce these customers to our comprehensive engineering and manufacturing services.

Manufacturing and Fulfillment Solutions

As OEMs seek to provide greater functionality in smaller products, they increasingly require sophisticated manufacturing technologies and processes. Our investment in advanced manufacturing equipment and process development, as well as our experience in innovative packaging and interconnect technologies, enable us to offer a variety of advanced manufacturing solutions. These packaging and interconnect technologies include:

- *Printed Circuit Board Assembly & Test.* We offer a wide range of printed circuit board assembly and test solutions, including printed circuit board assembly, assembly of subsystems, circuitry and functionality testing of printed assemblies, environmental and stress testing and component reliability testing.
- *Flex Circuit Assembly & Test.* We provide our customers with a wide range of flex circuit assembly and test solutions. We utilize specialized tooling strategies and advanced automation procedures to minimize circuit handling and ensure that consistent processing parameters are maintained throughout the assembly process.

- *Systems Assembly & Test.* We work with our customers to develop product-specific test strategies. Our test capabilities include manufacturing defect analysis, in-circuit tests to test the circuitry of the board and functional tests to confirm that the board or assembly operates in accordance with its final design and manufacturing specifications. We either custom design test equipment and software ourselves or use test equipment and software provided by our customers. We also offer our own internally designed functional test solutions for cost effective and flexible test solutions, and provide environmental stress tests of assemblies of boards or systems.

We also have expertise in advanced precision and electromechanical technologies, micro-electronics and optical manufacturing services. In order to meet our customers' demand for systems assembly and test solutions, we offer subassembly build, final assembly, functionality testing, configuration and software installation and final packaging

services.

Precision Electromechanical Assembly and Test. We offer a full spectrum of precision subsystem and system integration services. These services include assembly, configuration and testing of industrial control equipment (which includes equipment for the aerospace and defense industry), telecommunication equipment, complex computers and related products for business enterprises, medical devices, and testing and instrumentation products. We design, develop and build product specific manufacturing processes utilizing manual, mechanized or fully automated lines to meet our customers' product volume and quality requirements. All of our assembly and test processes are developed according to customer specifications and replicated within our facilities. Product life cycle testing services are provided such as Ongoing Reliability Testing where units are continuously cycled for extended testing while monitoring for early-life failures.

Failure Analysis. We offer an array of analytical solutions and expertise to challenging issues that face our customers. This includes focused techniques for failure mode, failure mechanism, and root cause determination. Specialized analytical skill sets associated with electrical, mechanical, and metallurgical disciplines are used in conjunction with a vast array of equipment such as ion chromatography, x-ray fluorescence, and scanning electron microscopy. Our state-of-the-art lab facilities provide customers with detailed reporting and support in an unbiased, timely and cost-effective manner. Mastering emerging technologies coupled with a complete understanding of potential failure mechanisms positions us to exceed customer expectations and maintain our technological diversity.

Direct Order Fulfillment. We provide direct order fulfillment for some of our OEM customers. Direct order fulfillment involves receiving customer orders, configuring products to quickly fill the orders and delivering the products either to the OEM, a distribution channel or directly to the end customer. We manage our direct order fulfillment processes using a core set of common systems and processes that receive order information from the customer and provide comprehensive supply chain management, including procurement and production planning. These systems and processes enable us to process orders for multiple system configurations and varying production quantities, including single units. Our direct order fulfillment services include build-to-order (BTO) and configure-to-order (CTO) capabilities. BTO involves building a complete system in real-time to a highly customized configuration ordered by the OEM's end customer. CTO involves configuring systems to an end customer's specifications at the time the product is ordered. The end customer typically places this order by choosing from a variety of possible system configurations and options. We are capable of meeting a 2- to 24-hour turnaround time for BTO and CTO. We support our direct order fulfillment services with logistics that include delivery of parts and assemblies to the final assembly site, distribution and shipment of finished systems, and processing of customer returns.

Aftermarket Non-Warranty Services. We provide our customers a range of aftermarket non-warranty services, including repair, replacement, refurbishment, remanufacturing, exchange, systems upgrade and spare part manufacturing throughout a product's life cycle. These services are tracked and supported by specific information technology systems that can be tailored to meet our customers' individual requirements.

Value-Added Support Systems. We support our engineering, manufacturing, distribution and aftermarket support services with an efficient supply chain management system and a superior quality management program. Our value-added support services are primarily implemented and managed through web-based information technology systems that enable us to collaborate with our customers throughout all stages of the engineering, manufacturing and order-fulfillment processes.

Supply Chain Management. Our inventory-management and volume-procurement capabilities contribute to assurance of supply and cost reductions, and reduce total cycle time. Our materials strategy is focused on leveraging our procurement volume company-wide while providing local execution for maximum flexibility at the division level. In addition, our systems integration facilities have developed material processes required to support system integration operations.

We utilize a full complement of electronic data interchange transactions with our suppliers to coordinate forecasts, orders, reschedules, and inventory and component lead times. Our enterprise resource planning systems provide product and production information to our supply chain management, engineering change management and floor control systems. Our information systems include a proprietary module that controls serialization, production and quality data for all of our facilities around the world using state-of-the-art statistical process control techniques for continuous process improvements. To enhance our ability to rapidly respond to changes in our customers' requirements by effectively managing changes in our supply chain, we utilize web-based interfaces and real-time supply chain management software products, which allow for scaling operations to meet customer needs, shifting capacity in response to product demand fluctuations, reducing materials costs and effectively distributing products to our customers or their end-customers.

Manufacturing Technologies. We offer our customers expertise in a wide variety of traditional and advanced manufacturing technologies. Our technical expertise supports standard printed circuit board assembly, as well as complex products that require advanced engineering skills and equipment.

We also provide our customers with a comprehensive set of manufacturing technologies and solutions, which include:

- Pin Thru Hole;
- Surface Mount Technology;
- Fine Pitch;
- Ball Grid Array and Land Grid Array;
- Part on Part;
- Flip Chip;
- Chip On Board/Wire Bonding;
- In-Circuit Test;
- Board Level Functional Test; and
- Stress Testing.

We also provide specialized solutions in support of our customers' components, products and systems, which include:

- Adhesives;
- Conformal Coating;
- Ultrasonic Welding;

- Splicing and Connectorization for Optical Applications;
- Hybrid Optical/Electrical Printed Circuit Board Assembly and Testing; and
- Sub-Micron Alignment of Optical Sub-Assemblies.

Through our Component Engineering Services, we help customers deal with evolving international environmental laws and regulations on content, packaging, labeling and similar issues concerning the environmental impact of their products including: “RoHS” (EU Directive 2011/65/EUC on Restriction of certain Hazardous Substances); “WEE” (EU Directive 2002/96/EC on Waste Electrical and Electronic Equipment); “REACH” (EC Regulation No 1907/2006 on Registration, Evaluation and Authorization of Chemicals); EU Member States’ Implementation of the foregoing; and the People’s Republic of China (PRC) Measures for Administration of the Pollution Control of Electronic Information Products of 2006. Manufacturing sites in the Americas, Asia and European regions are certified in both water soluble and no-clean processes and are currently producing products that are compliant with these environmental laws and regulations.

Precision Technologies. We provide precision machining, metal joining and complex electromechanical manufacturing services and utilize the following precision technologies:

- Complex Small / Medium / Large Computer Numerical Controlled Machining;
- Precision Multi-Axis Grinding of Aerospace Engine Blades, Vanes and Nozzles;

- Precision Grinding of Mass Spectrometer Components;
- Sinker Electrical Discharge Machining;
- Turnkey Precision Clean Room Module Assembly and Functional Test;
- Major Electromechanical Sub Assembly;
- Laser Welding; and
- Advanced Metal Joining.

Marketing and Customers

We market our services primarily through a direct sales force and, in select markets, independent marketing representatives. In addition, our divisional and executive management teams are an integral part of our sales and marketing teams. We generally enter into supply arrangements with our customers. These arrangements, similar to purchase orders, generally govern the conduct of our business with customers relating to, among other things, the manufacture of products which in many cases were previously produced by the customer. Such arrangements generally identify the specific products to be manufactured, quality and production requirements, product pricing and materials management. There can be no assurance that at any time these arrangements will remain in effect or be renewed.

Our key customer accounts are supported by a dedicated team, including a global account manager who is directly responsible for account management. Global account managers coordinate activities across divisions to effectively satisfy customer requirements and have direct access to our executive management to quickly address customer concerns. Local customer account teams further support the global teams and are linked by a comprehensive communications and information management infrastructure. In addition, our executive management is heavily involved in customer relations and devotes significant attention to broadening existing and developing new customer relationships.

The following table sets forth the percentages of our sales by industry for 2014, 2013 and 2012.

	2014		2013		2012	
Industrial control equipment	30	%	28	%	26	%
Telecommunication equipment	29		23		26	
Computers and related products for business enterprises	21		30		31	
Medical devices	11		11		10	
Testing and instrumentation products	9		8		7	

Seasonality

Seasonality in our business has historically been driven by customer and product mix, particularly the industries that our customers serve. Although we have historically experienced higher sales during the fourth quarter, this pattern does not repeat itself every year. In addition, we typically experience our lowest sales volume in the first quarter of each year.

Suppliers

We maintain a network of suppliers of components and other materials used in our operations. We procure components when a purchase order or forecast is received from a customer and occasionally utilize components or other materials for which a supplier is the single source of supply. If any of these single-source suppliers were unable to provide these materials, a shortage of components could temporarily interrupt our operations and lower our profits until an alternate component could be identified and qualified for use. Although we experience component shortages and longer lead times for various components from time to time, we have generally been able to reduce the impact of component shortages by working with customers to reschedule deliveries, with suppliers to provide the needed components using just-in-time inventory programs, or by purchasing components at somewhat higher prices from distributors rather than directly from manufacturers. In addition, by developing long-term relationships with suppliers, we have been better able to minimize the effects of component shortages compared to manufacturers without such relationships. The goal of these procedures is to reduce our inventory risk.

Backlog

We had sales backlog of approximately \$1.6 billion at December 31, 2014, as compared to the 2013 year-end backlog of \$1.7 billion. Backlog consists of purchase orders received, including, in some instances, forecast requirements released for production under customer contracts. Although we expect to fill substantially all of our year-end backlog during 2015, we do not currently have long-term agreements with all of our customers, and customer orders can be canceled, changed or delayed. The timely replacement of canceled, changed or delayed orders with orders from new customers cannot be assured, nor can there be any assurance that any of our current customers will continue to utilize our services. Because of these factors, our backlog is not a meaningful indicator of future financial results.

Competition

The services we provide are available from many independent sources as well as from the in-house manufacturing capabilities of current and potential customers. Our competitors include Celestica Inc., Flextronics International Ltd., Hon Hai Precision Industry Co., Ltd., Jabil Circuit, Inc., Plexus Corp and Sanmina Corporation, who may be more established in the industry and have substantially greater financial, manufacturing or marketing resources than we do. We believe that the principal competitive factors in our targeted markets are engineering capabilities, product quality, flexibility, cost and timeliness in responding to design and schedule changes, reliability in meeting product delivery schedules, pricing, technological sophistication and geographic location.

In addition, in recent years, original design manufacturers (ODMs) that provide design and manufacturing services to OEMs have significantly increased their share of outsourced manufacturing services provided to OEMs in markets such as notebook and desktop computers, personal computer motherboards, and consumer electronic products. Competition from ODMs may increase if our business in these markets grows or if ODMs expand further into or beyond these markets.

Sustainability

Benchmark is committed to being a responsible corporate citizen. We use the term “sustainability” to describe our long-term approach to social, economic and environmental responsibilities that achieve our business objectives and contribute to a more sustained world. Our sustainability priorities include:

- upholding the principle of human rights and observing fair labor practices within our organization and our supply chain;
- protecting the environment by conserving energy and natural resources and preventing pollution through appropriate management technology and practices;
- ensuring ethical organizational governance; and
- applying fair, transparent and accountable operating practices.

All Benchmark manufacturing facilities are either currently certified or undergoing certification to ISO 14001. We have endorsed the Electronics Industry Citizenship Coalition Code of Conduct, and flowed specific requirements to our supply chain through our contracts, Purchase Order Terms and Conditions, Supplier Assurance Manual, and Supplier Code of Conduct.

Governmental Regulation

Our operations, and the operations of businesses that we acquire, are subject to certain foreign, federal, state and local regulatory requirements relating to security clearance, trade compliance, anticorruption, environmental, waste management, and health and safety matters. We seek to operate in compliance with all applicable requirements. However, significant costs and liabilities may arise from these requirements or from new, modified or more stringent requirements, which could affect our earnings and competitive position. In addition, our past, current and future operations, and those of businesses we acquire, may give rise to claims of exposure by employees or the public or to other claims or liabilities relating to environmental, waste management or health and safety concerns.

We periodically generate and temporarily handle limited amounts of materials that are considered hazardous waste under applicable law. We contract for the off-site disposal of these materials and have implemented a waste management program to address related regulatory issues.

Employees

As of December 31, 2014, we employed 10,940 people, of whom 7,919 were engaged in manufacturing and operations, 1,612 in materials control and procurement, 538 in design and development, 291 in marketing and sales, and 580 in administration. None of our domestic employees are represented by a labor union. In certain international locations, our employees are represented by labor unions and by works councils. Some European countries also often have mandatory legal provisions regarding terms of employment, severance compensation and other conditions of employment that are more restrictive than U.S. laws. We have never experienced a strike or similar work stoppage, and we believe that our employee and labor relations are good.

Segments and International Operations

We have manufacturing facilities in the Americas, Asia and Europe regions to serve our customers. Benchmark is operated and managed geographically, and management evaluates performance and allocates resources on a geographic basis. We currently operate outside the United States in China, Malaysia, Mexico, the Netherlands, Romania and Thailand. During 2014, 2013 and 2012, 53%, 51% and 50%, respectively, of our sales were from our international operations. See Note 9 and Note 13 of Notes to Consolidated Financial Statements in Item 8 of this Report for segment and geographical information.

Available Information

Our internet address is <http://www.bench.com>. We make available free of charge through our internet website our filings with the Securities and Exchange Commission (SEC), including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after electronically filing such material with, or furnishing it to, the SEC. All reports we file with the SEC are also available free of charge via EDGAR through the SEC's website at <http://www.sec.gov> or to read and copy at the SEC Public Reference Room located at 100 F Street NE, Washington, DC 20549. Information can be obtained on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Item 1A. Risk Factors.

The following risk factors should be read carefully when reviewing the Company's business, the forward-looking statements contained in this Report, and the other statements the Company or its representatives make from time to time. Any of the following factors could materially and adversely affect the Company's business, operating results, financial condition and the actual results of the matters addressed by the forward-looking statements.

Adverse market conditions in the electronics industry could reduce our future sales and earnings per share.

Uncertainty over the erosion of global consumer confidence amidst concerns about declining asset values, inflation, volatile energy costs, geopolitical issues, the availability and cost of credit, rising unemployment, and the stability and solvency of financial institutions, financial markets, businesses, and sovereign nations has slowed global economic growth and resulted in recessions in many countries, including in the United States, Europe and certain countries in Asia over the past several years. Even though we have seen signs of an overall economic recovery, such recovery may be weak and/or short-lived and recessionary conditions may return. If any of these potential negative economic conditions occur, they may result in lower spending by businesses in the future, which may affect demand for our customers' products and adversely affect our sales. Consequently, our past operating results, earnings and cash flows may not be indicative of our future operating results, earnings and cash flows.

In addition to our customers or potential customers reducing or delaying orders, a number of other negative effects on our business could materialize, including the insolvency of key suppliers, which could result in production delays, shorter payment terms from suppliers due to reduced availability of credit default insurance in the market, the inability of customers to obtain credit, and the insolvency of one or more customers. Any of these effects could impact our ability to effectively manage inventory levels and collect receivables, increase our need for cash, and decrease our net revenue and profitability.

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

Our business is cyclical and has experienced economic and industry downturns. If economic conditions or demand for our customers' products deteriorate, we may experience a material adverse impact on our business, operating results and financial condition.

In cases where the evidence suggests a customer may not be able to satisfy its obligation to us, we establish reserves in an amount we determine appropriate for the perceived risk. There can be no assurance that our reserves will be adequate. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional receivable and inventory reserves may be required and restructuring charges may be incurred.

Shortages or price increases of components specified by our customers would delay shipments and adversely affect our profitability.

Substantially all of our sales are derived from manufacturing services in which we purchase components specified

by our customers. In the past, supply shortages have substantially curtailed production of all assemblies using a particular component and industry-wide shortages of electronic components, particularly of memory and logic devices, have occurred. For example, the 2011 earthquake and tsunami in Japan disrupted the global supply chain for certain components manufactured in Japan that were incorporated in the products we manufactured, and the 2011 Thailand flood had a similar impact. Any such component shortages may result in delayed shipments, which could have an adverse effect on our profit margins. Also, because of the continued increase in demand for surface mount components, we anticipate component shortages and longer lead times for certain components to occur from time to time. Also, we may bear the risk of component price increases that occur between periodic re-pricings of product during the term of a customer contract. Accordingly, certain component price increases could adversely affect our gross profit margins.

We are dependent on the success of our customers. When our customers experience a downturn in their business, we may be similarly affected.

We are dependent on the continued growth, viability and financial stability of our customers. Our customers are OEMs of:

- industrial control equipment;
- telecommunication equipment;
- computers and related products for business enterprises;
- medical devices; and
- testing and instrumentation products.

These industries are subject to rapid technological change, vigorous competition, short product life cycles and consequent product obsolescence. When our customers are adversely affected by these factors, we may be similarly affected.

The loss of a major customer would adversely affect us.

Historically, a substantial percentage of our sales have been made to a small number of customers. The loss of a major customer, if not replaced, would adversely affect us. Sales to our ten largest customers represented 50%, 53% and 56% of our sales in 2014, 2013 and 2012, respectively. In 2014, sales to Arris Group, Inc. and International Business Machines Corporation each represented 11% of our sales. Our future sales are dependent on the success of our customers, some of which operate in businesses associated with rapid technological change and consequent product

obsolescence. Developments adverse to our major customers or their products, or the failure of a major customer to pay for components or services, could have an adverse effect on us.

We expect to continue to depend on the sales to our largest customers and any material delay, cancellation or reduction of orders from these customers or other significant customers would have a material adverse effect on our results of operations. In addition, we generate significant accounts receivable in connection with providing manufacturing services to our customers. If one or more of our customers were to become insolvent or otherwise unable to pay for the manufacturing services provided by us, our operating results and financial condition would be adversely affected.

Most of our customers do not commit to long-term production schedules, which makes it difficult for us to schedule production and achieve maximum efficiency of our manufacturing capacity.

The volume and timing of sales to our customers vary due to:

- changes in demand for our customers' products;
- our customers' attempts to manage their inventory;
- design changes;

- changes in our customers' manufacturing strategies; and
- acquisitions of, or consolidations among, customers.

Due in part to these factors, most of our customers do not commit to firm production schedules for more than one quarter in advance. Our inability to forecast the level of customer orders with certainty makes it difficult to schedule production and maximize utilization of manufacturing capacity. In the past, we have been required to increase staffing and other expenses in order to meet the anticipated demand of our customers. Anticipated orders from many of our customers have, in the past, failed to materialize or delivery schedules have been deferred as a result of changes in our customers' business needs, thereby adversely affecting our results of operations. On other occasions, our customers have required rapid increases in production, which have placed an excessive burden on our resources. Such customer order fluctuations and deferrals have had a material adverse effect on us in the past, and may again in the future. A business downturn resulting from any of these external factors could have a material adverse effect on our operating income. See Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Report.

Our customers may cancel their orders, change production quantities, delay production or change their sourcing strategies.

EMS providers must provide increasingly rapid product turnaround for their customers. We generally do not obtain firm, long-term purchase commitments from our customers, and we continue to experience reduced lead-times in customer orders. Customers may cancel their orders, change production quantities, delay production or change their sourcing strategy for a number of reasons. The degree of success or failure of our customers' products in the market affects our business. Cancellations, reductions, delays or changes in the sourcing strategy by a significant customer or by a group of customers could negatively impact our operating income.

In addition, we make significant decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs, capital expenditures and other resource requirements, based on our estimate of customer requirements. The short-term nature of our customers' commitments and the possibility of rapid changes in demand for their products impede our ability to accurately estimate the future requirements of those customers.

On occasion, customers require rapid increases in production, which can stress our resources and reduce operating margins. In addition, because many of our costs and operating expenses are relatively fixed, a reduction in customer demand can harm our gross profits and operating results. See Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Report.

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 mitigate 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. See Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Report.

Our international operations may be subject to certain risks.

During 2014, 2013 and 2012, 53%, 51% and 50%, respectively, of our sales were from our international operations. These international operations are subject to a number of risks, including:

- difficulties in staffing and managing foreign operations;
- coordinating communications and logistics across geographic distances and multiple time zones;
- less flexible employee relationships, which complicate meeting demand fluctuations and can be difficult and expensive to terminate;
- political and economic instability (including acts of terrorism and outbreaks of war), which could impact our ability to ship and/or receive product;
- changes in government policies, regulatory requirements and laws, which could impact our business;
- longer customer payment cycles and difficulty collecting accounts receivable;
- export duties, import controls and trade barriers (including quotas);
- governmental restrictions on the transfer of funds;
- risk of governmental expropriation of our property;
- burdens of complying with a wide variety of foreign laws and labor practices, including various and changing minimum wage regulations;
- fluctuations in currency exchange rates, which could affect component costs, local payroll, utility and other expenses; and
- inability to utilize net operating losses incurred by our foreign operations to reduce our U.S. income taxes.

In addition, several of the countries where we operate have emerging or developing economies, which may be subject to greater currency volatility, negative growth, high inflation, limited availability of foreign exchange and other risks. Additionally, some of our operations are in developing countries. Certain events, including natural disasters, can impact the infrastructure of a developing country more severely than they would impact the infrastructure of a developed country. A developing country can also take longer to recover from such events, which could lead to delays in our ability to resume full operations. These factors may harm our results of operations, and any measures that we may implement to reduce the effect of volatile currencies and other risks of our international operations may not be effective. In our experience, entry into new international markets requires considerable management time as well as start-up expenses for market development, hiring and establishing office facilities before any significant revenues are generated. As a result, initial operations in a new market may operate at low margins or may be unprofitable.

Additionally, certain foreign jurisdictions, as well as the U.S. government, restrict the amount of cash that can be transferred to the U.S or impose taxes and penalties on such transfers of cash. To the extent we have excess cash in foreign locations that could be used in, or is needed by, our operations in the United States, we may incur significant penalties and/or taxes to repatriate these funds.

Another significant legal risk resulting from our international operations is compliance with the U.S. Foreign Corrupt Practices Act (FCPA). In many foreign countries, particularly in those with developing economies, it may be a local custom that businesses operating in such countries engage in business practices that are prohibited by the

FCPA, other U.S. laws and regulations, or similar laws of host countries and related anti-bribery conventions. Although we have implemented policies and procedures designed to comply with the FCPA and similar laws, there can be no assurance that all of our employees, agents, or those companies to which we outsource certain of our business operations, will not take actions in violation of our policies. Any such violation, even if prohibited by our policies, could have a material adverse effect on our business.

We operate in a highly competitive industry; if we are not able to compete effectively in the EMS industry, our business could be adversely affected.

We compete against many providers of electronics manufacturing services. Some of our competitors have substantially greater resources and more geographically diversified international operations than we do. Our competitors include large independent manufacturers such as Celestica Inc., Flextronics International Ltd., Hon Hai Precision Industry Co., Ltd., Jabil Circuit, Inc., Plexus Corp and Sanmina Corporation. In addition, we may in the future encounter competition from other large electronic manufacturers that are selling, or may begin to sell, electronics manufacturing services.

We also face competition from the manufacturing operations of our current and future customers, who are continually evaluating the merits of manufacturing products internally against the advantages of outsourcing to EMS providers. In addition, in recent years, ODMs that provide design and manufacturing services to OEMs, have significantly increased their share of outsourced manufacturing services provided to OEMs in several markets, such as notebook and desktop computers, personal computer motherboards, and consumer electronic products. Competition from ODMs may increase if our business in these markets grows or if ODMs expand further into or beyond these markets.

During periods of recession in the electronics industry, our competitive advantages in the areas of quick turnaround manufacturing and responsive customer service may be of reduced importance to electronics OEMs, who may become more price sensitive. We may also be at a competitive disadvantage with respect to price when compared to manufacturers with lower cost structures, particularly those with more offshore facilities located where labor and other costs are lower.

We experience intense competition, which can intensify further as more companies enter the markets in which we operate, as existing competitors expand capacity and as the industry consolidates. The availability of excess manufacturing capacity at many of our competitors creates intense pricing and competitive pressure on the EMS industry as a whole and Benchmark in particular. To compete effectively, we must continue to provide technologically advanced manufacturing services, maintain strict quality standards, respond flexibly and rapidly to customers' design and schedule changes and deliver products globally on a reliable basis at competitive prices. Our inability to do so could have an adverse effect on us.

The integration of acquired operations may pose difficulties for us.

Our capabilities have continued to grow through acquisitions, and we may pursue additional acquisitions over time. These acquisitions involve risks, including:

- integration and management of the operations;
- retention of key personnel;
- integration of purchasing operations and information systems;
- retention of the customer base of acquired businesses;
- management of an increasingly larger and more geographically disparate business;
- the possibility that past transactions or practices may lead to future commercial or regulatory risks; and
- diversion of management's attention from other ongoing business concerns.

Our profitability will suffer if we are unable to successfully integrate an acquisition, or if we do not achieve sufficient revenue to offset the increased expenses associated with these acquisitions.

We may experience fluctuations in quarterly results.

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

- the volume of customer orders relative to our capacity;
- customer introduction and market acceptance of new products;
- changes in demand for customer products;
- seasonality in demand for customer products;
- pricing and other competitive pressures;
- the timing of our expenditures in anticipation of future orders;

- our effectiveness in managing manufacturing processes;
- changes in cost and availability of labor and components;
- changes in our product mix;
- changes in political and economic conditions; and
- local factors and events that may affect our production volume, such as local holidays or natural disasters.

Additionally, as is the case with many high technology companies, a significant portion of our shipments typically occur in the last few weeks of a given quarter. Accordingly, sales shifts from quarter to quarter may not be readily apparent until the end of a given quarter, and may have a significant effect on reported results.

Start-up costs and inefficiencies related to new or transferred programs can adversely affect our operating results and such costs may not be recoverable if the new programs or transferred programs are cancelled.

Start-up costs, the management of labor and equipment resources in connection with the establishment of new programs and new customer relationships, and the need to estimate required resources in advance can adversely affect our gross margins and operating results. These factors are particularly evident in the early stages of the life cycle of new products and new programs or program transfers and in the opening of new facilities. These factors also affect our ability to efficiently use labor and equipment. We are currently managing a number of new programs. If any of these new programs or new customer relationships were terminated, our operating results could be harmed, particularly in the short term. We may not be able to recoup these start-up costs or replace anticipated new program revenues.

We may be affected by consolidation in the electronics industry, which could create increased pricing and competitive pressures on our business.

Consolidation in the electronics industry could result in an increase in excess manufacturing capacity as companies seek to close plants or take other steps to increase efficiencies and realize synergies of mergers. The availability of excess manufacturing capacity could create increased pricing and competitive pressures for the EMS industry as a whole and our business in particular. In addition, consolidation could also result in an increasing number of very large electronics companies offering products in multiple sectors of the electronics industry. The growth of these large companies, with significant purchasing and marketing power, could also result in increased pricing and competitive pressures for us. Accordingly, industry consolidation could harm our business. We may need to increase our efficiencies to compete and may incur additional restructuring charges.

We are subject to the risk of increased taxes.

We base our tax position upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various countries in which we have assets or conduct activities. Our tax position, however, is subject to review and possible challenge by taxing authorities and to possible changes in law. We cannot determine in advance the extent to which some jurisdictions may assess additional tax or interest and penalties on such additional taxes.

Several countries where we operate allow for tax holidays or provide other tax incentives to attract and retain business. We have obtained holidays or other incentives where available. Our taxes could increase if certain tax holidays or incentives are retracted, or if they are not renewed upon expiration, or tax rates applicable to us in such jurisdictions are otherwise increased. In addition, further acquisitions may cause our effective tax rate to increase. Given the scope of our international operations and our international tax arrangements, proposed changes to the manner in which U.S. based multinational companies are taxed in the U.S. could have a material impact on our financial results and competitiveness.

We are exposed to intangible asset risk; our goodwill may become further impaired.

We have recorded intangible assets, including goodwill, in connection with business acquisitions. We are required to assess goodwill and intangible assets for impairment at least on an annual basis and whenever events or circumstances indicate that the carrying value may not be recoverable from estimated future cash flows. A significant and sustained decline in our market capitalization could result in material charges in future periods that could be adverse to our operating results and financial position. As of December 31, 2014, we had \$46.0 million in goodwill and \$19.6 million of identifiable intangible assets. See Note 1(i) to the Consolidated Financial Statements in Item 8 of this Report.

There are inherent uncertainties involved in estimates, judgments and assumptions used in the preparation of financial statements in accordance with U.S. GAAP. Any changes in estimates, judgments and assumptions could have a material adverse effect on our financial position and results of operations.

The consolidated financial statements included in the periodic reports we file with the SEC are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The preparation of financial statements in accordance with U.S. GAAP involves making estimates, judgments and assumptions that affect reported amounts of assets (including intangible assets), liabilities and related reserves, revenues, expenses and income. Estimates, judgments and assumptions are inherently subject to change in the future, and any such changes could result in corresponding changes to the amounts of assets, liabilities, revenues, expenses and income. Any such changes could have a material adverse effect on our financial position and results of operations.

Any litigation, even where a claim is without merit, could result in substantial costs and diversion of resources.

In the past, we have been notified of claims relating to various matters including intellectual property rights, contractual matters, labor issues or other matters arising in the ordinary course of business. In the event of any such claim, we may be required to spend a significant amount of money and resources, even where the claim is without merit. Accordingly, the resolution of such disputes, even those encountered in the ordinary course of business, could have a material adverse effect on our business, consolidated financial conditions and results of operations.

Our success will continue to depend to a significant extent on our key personnel.

We depend significantly on our executive officers and other key personnel. The unexpected loss of the services of any one of these executive officers or other key personnel could have an adverse effect on us.

If we are unable to maintain our technological and manufacturing process expertise, our business could be adversely affected.

The market for our manufacturing services is characterized by rapidly changing technology and continuing process development. We are continually evaluating the advantages and feasibility of new manufacturing processes. We believe that our future success will depend upon our ability to develop and provide manufacturing services which meet our customers' changing needs. This requires that we maintain technological leadership and successfully anticipate or respond to technological changes in manufacturing processes on a cost-effective and timely basis. Our failure to maintain our technological and manufacturing process expertise could have a material adverse effect on our business.

Our stock price is volatile.

Our common shares have experienced significant price volatility, which may continue in the future. The price of our shares could fluctuate widely in response to a range of factors, including our financial results and changing conditions in the economy generally or in our industry in particular. In addition, stock markets generally experience significant price and volume volatility from time to time which may affect the market price of our shares for reasons unrelated to our performance.

Provisions in our governing documents and state law may make it harder for others to obtain control of our company.

Certain provisions of our governing documents and the Texas Business Organizations Code may delay, inhibit or prevent someone from gaining control of our company through a tender offer, business combination, proxy contest or some other method, even if shareholders might consider such a development beneficial. These provisions include:

- a provision in our certificate of formation granting the Board of Directors authority to issue preferred stock in one or more series and to fix the relative rights and preferences of such preferred stock;
- provisions in our bylaws restricting shareholders from acting by less than unanimous written consent and requiring advance notification of shareholder nominations and proposals;
- a provision in our bylaws restricting anyone, other than the Chief Executive Officer, the President, the Board of Directors or the holders of at least 10% of all outstanding shares entitled to vote, from calling a special meeting of the shareholders;
- a statutory restriction on the ability of shareholders to take action by less than unanimous written consent; and
- a statutory restriction on business combinations with some types of interested shareholders.

Compliance or the failure to comply with environmental regulations could cause us significant expense.

We are subject to a variety of federal, state, local and foreign environmental laws and regulations relating to environmental, waste management, and health and safety concerns, including the handling, storage, discharge and disposal of hazardous materials used in or derived from our manufacturing processes. If we or companies we acquire have failed or fail in the future to comply with such laws and regulations, then we could incur liabilities and fines and our operations could be suspended. Such laws and regulations could also restrict our ability to modify or expand our facilities, could require us to acquire costly equipment, or could impose other significant expenditures. In addition, our operations may give rise to claims of property contamination or human exposure to hazardous chemicals or conditions.

Our worldwide operations are subject to local laws and regulations. Over the last several years, we have become subject to the RoHS directive and the Waste Electrical and Electronic Equipment Directive. These directives restrict the distribution of products containing certain substances, including lead, within applicable geographies and require a manufacturer or importer to recycle products containing those substances.

These directives affect the worldwide electronics and electronics components industries as a whole. If we or our customers fail to comply with such laws and regulations, we could incur liabilities and fines and our operations could be suspended.

In addition, as climate change issues become more prevalent, the U.S. and foreign governments are beginning to respond to these issues. This increasing governmental focus on climate change may result in new environmental regulations that may negatively affect us, our suppliers and our customers. This could cause us to incur additional direct costs or obligations in complying with any new environmental regulations, as well as increased indirect costs resulting from our customers, suppliers or both incurring additional compliance costs that get passed on to us. These costs may adversely impact our operations and financial condition.

Our business may be adversely impacted by geopolitical events.

As a global business, we operate and have customers located in many countries. Geopolitical events such as terrorist acts may affect the overall economic environment and negatively impact the demand for our customers' products or our ability to ship or receive products. As a result, customer orders may be lower and our financial results may be adversely affected.

Our business may be adversely impacted by natural disasters.

Some of our facilities, including our corporate headquarters, are located in areas that may be impacted by hurricanes, earthquakes, water shortages, tsunamis, floods, typhoons, fires, extreme weather conditions and other natural or manmade disasters. Our insurance coverage with respect to natural disasters is limited and is subject to deductibles and coverage limits. Such coverage may not be adequate, or may not continue to be available at commercially reasonable rates and terms. For example, we have been unable to renew or otherwise obtain adequate cost-effective flood insurance to cover assets at our facilities in Thailand as a result of the flooding that occurred in 2011. We continue to monitor the insurance market in Thailand. In the event we were to experience a significant uninsured loss in Thailand or elsewhere, it could have a material adverse effect on our business, financial condition and results of operations.

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

We may be exposed to interest rate fluctuations.

We will have exposure to interest rate risk under our variable rate revolving credit facilities to the extent we incur indebtedness under such facilities. These facilities' interest rates are based on the spread over the bank's prime rate or LIBOR. We are also exposed to interest rate risk on our invested cash balances.

Changes in financial accounting standards or policies have affected, and in the future may affect, our reported financial condition or results of operations. Additionally, changes in securities laws and regulations have increased, and are likely to continue to increase, our operating costs.

We prepare our financial statements in conformity with U.S. GAAP. These principles are subject to interpretation by the Financial Accounting Standards Board (FASB), the American Institute of Certified Public Accountants (AICPA), the SEC and various bodies formed to interpret and create appropriate accounting policies. A change in those policies can have a significant effect on our reported results and may affect our reporting of transactions that are completed before a change is announced. Changes to those rules or the questioning of how we interpret or implement those rules may have a material adverse effect on our reported financial results or on the way we conduct business. For example, although not yet currently required, we could be required to adopt International Financial Reporting Standards (IFRS), which is different from U.S. GAAP.

In addition, in connection with our Section 404 certification process, we may identify from time to time deficiencies in our internal controls. Any material weakness or deficiency in our internal controls over financial reporting could materially and negatively impact our reported financial results and the market price of our stock. Additionally, adverse publicity related to the disclosure of a material weakness or deficiency in internal controls over financial reporting could have a negative impact on our reputation, business and stock price.

Finally, corporate governance, public disclosure and compliance practices continue to evolve based upon continuing legislative action, agency rulemaking and stockholder advisory group policies. As a result, the number of rules and

regulations applicable to us may increase, which would also increase our legal and financial compliance costs and the amount of time management must devote to compliance activities. For example, the Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability concerning the supply of certain minerals originating from the Democratic Republic of Congo (DRC) and adjoining countries that are believed to be benefitting armed groups. As a result, the SEC adopted new due diligence, disclosure and reporting requirements for companies which manufacture products that include components containing such minerals, regardless of whether the minerals are mined in the DRC or adjoining countries. These requirements may decrease the acceptable sources of supply of such minerals, increase their cost and disrupt our supply chain if we need to obtain components from different suppliers. Since we manufacture products containing such minerals for our customers, we are required to comply with these rules. As the method of complying with the new regulation is unclear, the compliance process may become time-consuming and costly. Failure to comply with this new regulation could result in additional costs (including but not limited to, fines or penalties) as well as affect our reputation. Increasing regulatory burdens could also make it more difficult for us to attract and retain members of our board of directors, particularly to serve on our audit committee, and executive officers in light of an increase in actual or perceived workload and liability for serving in such positions.

Energy price increases may negatively impact our results of operations.

Certain of the components that we use in our manufacturing activities are petroleum-based. In addition, we, along with our suppliers and customers, rely on various energy sources (including oil) in our transportation activities. While significant uncertainty currently exists about the future levels of energy prices, a significant increase is possible. Increased energy prices could cause an increase to our raw material costs and transportation costs. In addition, increased transportation costs of certain of our suppliers and customers could be passed along to us. We may not be able to increase our product prices enough to offset these increased costs. In addition, any increase in our product prices may reduce our future customer orders and profitability.

Introducing programs requiring implementation of new competencies, including new process technology within our mechanical operations, could affect our operations and financial results.

The introduction of programs requiring implementation of new competencies, including new process technology within our mechanical operations, presents challenges in addition to opportunities. Deployment of such programs may require us to invest significant resources and capital in facilities, equipment and/or personnel. We may not meet our customers' expectations or otherwise execute properly or in a cost-efficient manner, which could damage our customer relationships and result in remedial costs or the loss of our invested capital and anticipated revenues and profits. In addition, there are risks of market acceptance and product performance that could result in less demand than anticipated and our having excess capacity. The failure to ensure that our agreed terms appropriately reflect the anticipated costs, risks, and rewards of such an opportunity could adversely affect our profitability. If we do not meet one or more of these challenges, our operations and financial results could be adversely affected.

If our manufacturing processes and services do not comply with applicable regulatory requirements, or if we manufacture products containing design or manufacturing defects, demand for our services may decline and we may be subject to liability claims.

We manufacture and design products to our customers' specifications, and, in some cases, our manufacturing processes and facilities may need to comply with applicable regulatory requirements. For example, medical devices that we manufacture or design, as well as the facilities and manufacturing processes that we use to produce them, are regulated by the U.S. Food and Drug Administration and non-U.S. counterparts of this agency. Similarly, items we manufacture for customers in the defense and aerospace industries, as well as the processes we use to produce them, are regulated by the Department of Defense and the Federal Aviation Authority, which have increased their focus and penalties related to counterfeit materials. In addition, our customers' products and the manufacturing processes or documentation that we use to produce them often are highly complex. As a result, products that we manufacture may at times contain manufacturing or design defects, and our manufacturing processes may be subject to errors or

not be in compliance with applicable statutory and regulatory requirements. Defects in the products we manufacture or design, whether caused by a design, manufacturing or component failure or error, or deficiencies in our manufacturing processes, may result in delayed shipments to customers or reduced or cancelled customer orders. If these defects or deficiencies are significant, our business reputation may also be damaged. The failure of the products that we manufacture or our manufacturing processes and facilities to comply with applicable statutory and regulatory requirements may subject us to legal fines or penalties and, in some cases, require us to shut down or incur considerable expense to correct a manufacturing process or facility. In addition, these defects may result in liability claims against us or expose us to liability to pay for the recall of a product. The magnitude of such claims may increase as we expand our medical and aerospace and defense manufacturing services, as defects in medical devices and aerospace and defense systems could seriously harm or kill users of these products and others. Even if our customers are responsible for the defects, they may not, or may not have resources to, assume responsibility for any costs or liabilities arising from these defects, which could expose us to additional liability claims.

Customer relationships with emerging companies may present more risks than with established companies.

Customer relationships with emerging companies present special risks because such companies do not have an extensive product history. As a result, there is less demonstration of market acceptance of their products, making it harder for us to anticipate needs and requirements than with established customers. In addition, due to the current economic environment, additional funding for such companies may be more difficult to obtain and these customer relationships may not continue or materialize to the extent we planned or we previously experienced. This tightening of financing for start-up customers, together with many start-up customers' lack of prior operations and unproven product markets increase our credit risk, especially in trade accounts receivable and inventories. Although we perform ongoing credit evaluations of our customers and adjust our allowance for doubtful accounts receivable for all customers, including start-up customers, based on the information available, these allowances may not be adequate. This risk may exist for any new emerging company customers in the future.

We are subject to breach of our security systems.

We have implemented security systems to secure our physical facilities and protect our confidential information, as well as that of our customers and suppliers. Information technology plays an ever-increasing role in today's business; we maintain some of our information systems, but also rely on third parties for a portion of our needs. The recent successes of sophisticated hackers have been well publicized and, despite our efforts, we are subject to breach of security systems, which could result in unauthorized access to our facilities and the information we are trying to protect. If unauthorized parties gain physical access to one of our facilities or electronic access to our information systems, or if information is misdirected, lost or stolen during transmission or transport, any theft or misuse of such information could result, among other things, in unfavorable publicity, governmental inquiry and oversight, difficulty in marketing our services, allegations of contractual breach, litigation by affected parties and possible financial obligations for damages related to the theft or misuse of the information, any of which could have a material adverse effect on our profitability and cash flow. In addition, we rely on our information systems to run our business; despite our efforts to create appropriate redundancies and ensure continuous information flow, even simple failures in these systems resulting from natural disasters or facility damage can lead to supply or production interruptions that result in lost profits, contractual penalties and reputational damage.

The risk of uninsured losses will be borne by Benchmark.

As a result of the massive flooding in the Fall of 2011, we have been unable to renew or otherwise obtain cost-effective flood insurance to adequately cover assets at our facilities in Thailand. We continue to monitor the insurance market in Thailand. We maintain insurance on all our properties and operations—including our assets in Thailand—for risks and in amounts customary in the industry. While such insurance includes general liability, property & casualty, and directors & officers liability coverage, not all losses are insured, and we retain certain risks of loss through deductibles, limits and self-retentions. In the event we were to experience a significant uninsured loss in Thailand or elsewhere, it could have a material adverse effect on our business, financial condition and results

of operations.

Item 1B. *Unresolved Staff Comments.*

None.

Item 2. Properties.

Our customers market numerous products throughout the world and therefore need to access manufacturing services on a global basis. To enhance our EMS offerings, we seek to locate our facilities either near our customers and our customers' end markets in major centers for the electronics industry or, where appropriate, in lower cost locations. Many of our plants located near customers and their end markets are focused primarily on final system assembly and test, while plants located in lower cost areas are engaged primarily in less complex component and subsystem manufacturing and assembly.

The following chart summarizes the approximate square footage of our principal manufacturing facilities by country:

Location	Sq. Ft.
United States:	
Alabama	233,000
Arizona	48,000
California	323,000
Minnesota	431,000
New Hampshire	161,000
Texas	155,000
China	326,000
Malaysia	293,000
Mexico	554,000
Netherlands	132,000
Romania	131,000
Thailand	758,000
Total	3,545,000

Our principal manufacturing facilities consist of 1,901,000 square feet in facilities that we own, with the remaining 1,644,000 square feet in leased facilities whose terms expire between 2015 and 2021. We lease other facilities with a total of 15,000 square feet dedicated to engineering and procurement services. We also have 264,000 square feet of space in leased facilities and 45,000 square feet in owned facilities that we plan to exit in 2015. We are currently attempting to sublease or terminate leases for these facilities.

Item 3. Legal Proceedings.

We are involved in various legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position or results of operations.

Item 4. *Mine Safety Disclosures.*

Not applicable.

PART II**Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.**

Our common shares are listed on the New York Stock Exchange under the symbol "BHE." The following table shows the high and low sales prices for our common shares as reported on the New York Stock Exchange for the quarters (or portions thereof) indicated.

		High	Low
2015			
	First quarter (through February 25, 2015)	\$ 25.63	\$ 22.32
2014			
	Fourth quarter	\$ 25.92	\$ 20.37
	Third quarter	\$ 26.06	\$ 22.20
	Second quarter	\$ 25.53	\$ 21.66
	First quarter	\$ 24.64	\$ 22.01
2013			
	Fourth quarter	\$ 23.63	\$ 21.73
	Third quarter	\$ 23.22	\$ 19.90
	Second quarter	\$ 20.57	\$ 16.08
	First quarter	\$ 18.44	\$ 16.46

The last reported sale price of our common shares on February 25, 2015, as reported by the New York Stock Exchange, was \$23.59. There were approximately 735 record holders of our common shares as of February 25, 2015.

We have not paid any cash dividends on our common shares in the past. In addition, our credit facility includes restrictions on the amount of dividends we may pay to shareholders. We currently expect to retain future earnings for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future.

Issuer Purchases of Equity Securities

The following table provides information about the Company's repurchase of its equity securities that are registered pursuant to Section 12 of the Exchange Act during the quarter ending December 31, 2014, at a total cost of \$18.8 million:

						(d)
						Maximum
						Number (or
					(c)	Approximate
				Total Number of		Dollar Value)
				Shares (or		of Shares (or
				Units)		Units) that
				Purchased as		May Yet Be
		(a)		Part of		
		Total Number of	(b)	Publicly		Purchased
		Shares (or	Average Price	Announced		Under the
		Units)	Paid per Share	Plans or		Plans or
Period		Purchased ⁽¹⁾	(or Unit) ⁽²⁾	Programs		Programs ⁽³⁾
October 1 to 31, 2014		345,000	\$21.88	345,000		\$14.3 million
November 1 to 30, 2014		222,500	\$23.92	222,500		\$8.9 million
December 1 to 31, 2014		240,000	\$24.44	240,000		\$103.1 million
Total		807,500	\$23.20	807,500		

(1) All share repurchases were made on the open market.

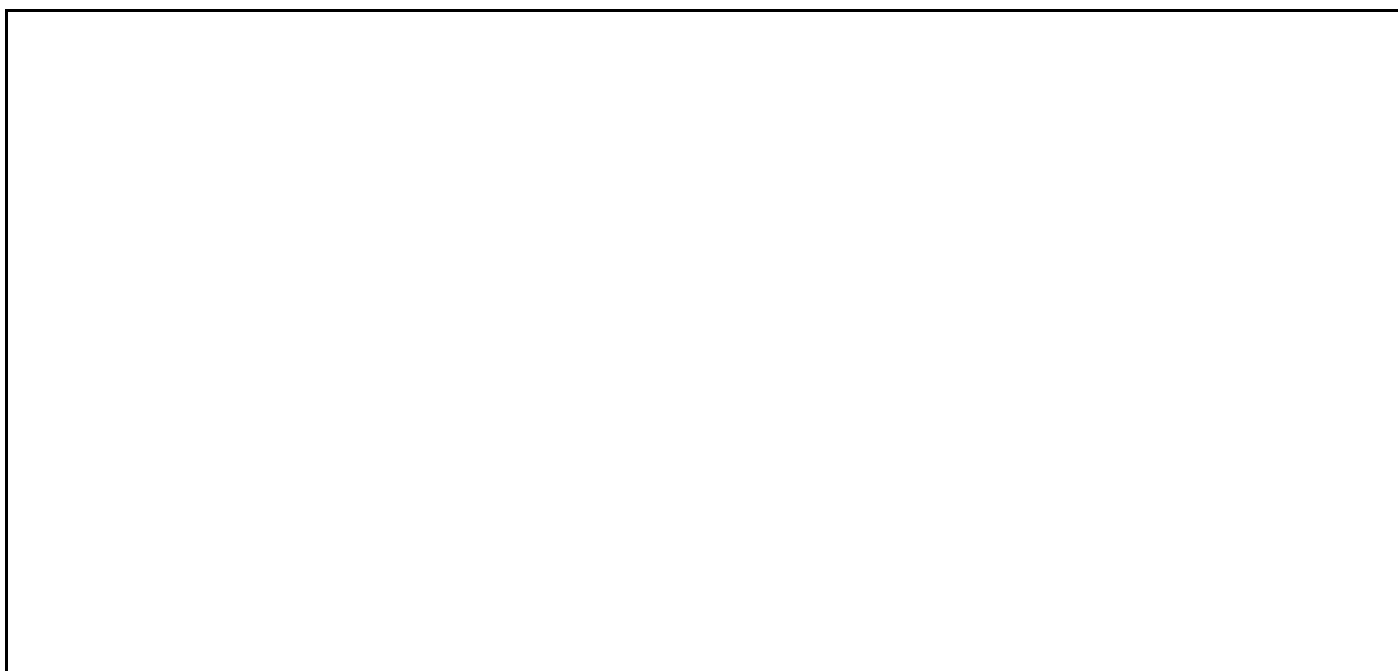
(2) Average price paid per share is calculated on a settlement basis and excludes commission.

(3) On June 13, 2012, and again on December 4, 2014, the Board of Directors approved the repurchase of up to \$100 million of the Company's outstanding common shares (the 2012 Repurchase Program and the 2014 Repurchase Program, respectively). Share purchases may be made in the open market, in privately negotiated transactions or block transactions, at the discretion of the Company's management and as market conditions warrant. Purchases will be funded from available cash and may be commenced, suspended or discontinued at any time without prior notice. Shares repurchased under the program will be retired.

During 2014, the Company repurchased a total of 1.9 million common shares for \$43.8 million at an average price of \$23.51 per share. All share purchases were made in the open market and the shares repurchased in 2014 were retired.

Performance Graph

The following Performance Graph compares the cumulative total shareholder return on our common shares for the five year period commencing December 31, 2009 and ending December 31, 2014, with the cumulative total return of the Standard & Poor’s 500 Stock Index (which does not include Benchmark), and the Peer Group Index, which is composed of Celestica Inc., Flextronics International, Ltd., Jabil Circuit, Inc., Plexus Corp and Sanmina Corporation. Dividend reinvestment has been assumed.



	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14
Benchmark Electronics, Inc.	\$ 100.00	\$ 96.00	\$ 71.20	\$ 87.90	\$ 122.10	\$ 134.50
Peer Group	\$ 100.00	\$ 109.70	\$ 91.70	\$ 96.50	\$ 115.30	\$ 148.80
S&P 500	\$ 100.00	\$ 115.10	\$ 117.50	\$ 136.30	\$ 180.40	\$ 205.10

NOTES: Assumes \$100 invested on December 31, 2009 in Benchmark Electronics, Inc. Common Shares, in the S&P 500, and in the Peer Group Index. Reflects month-end dividend reinvestment.

Item 6. Selected Financial Data.

		Year Ended December 31,					
(in thousands, except per share data)		2014	2013	2012	2011	2010	
Selected Statements of Income Data							
Sales		\$ 2,797,061	\$ 2,506,467	\$ 2,468,150	\$ 2,253,030	\$ 2,402,143	
Cost of sales		2,577,204	2,319,983	2,291,412	2,114,195	2,214,728	
	Gross profit	219,857	186,484	176,738	138,835	187,415	
Selling, general and administrative expenses		115,700	99,331	89,951	89,665	92,245	
Restructuring charges and integration and acquisition-related charges ⁽¹⁾		7,131	9,348	2,200	4,515	6,724	
Thailand flood-related items, net of insurance ⁽²⁾		(1,571)	(41,325)	9,028	3,362	—	
Asset impairment charge and other ⁽³⁾		(1,547)	2,606	—	—	—	
	Income from operations	100,144	116,524	75,559	41,293	88,446	
Interest expense		(1,890)	(1,934)	(1,580)	(1,327)	(1,362)	
Interest income		2,048	1,688	1,306	1,768	1,621	
Other income (expense)		(452)	(101)	154	(602)	(1,689)	
Income tax expense (benefit) ⁽⁴⁾		17,408	5,018	18,832	(10,827)	7,258	
	Net income	\$ 82,442	\$ 111,159	\$ 56,607	\$ 51,959	\$ 79,758	
Earnings per share:⁽⁵⁾							
	Basic	\$ 1.54	\$ 2.05	\$ 1.01	\$ 0.88	\$ 1.28	
	Diluted	\$ 1.52	\$ 2.03	\$ 1.00	\$ 0.87	\$ 1.27	
Weighted-average number of shares outstanding:							
	Basic	53,538	54,213	56,320	59,284	62,141	
	Diluted	54,222	54,779	56,634	59,773	62,692	

		December 31,				
(in thousands)		2014	2013	2012	2011	2010
Selected Balance Sheet Data						
Working capital		\$ 1,029,455	\$ 944,456	\$ 883,676	\$ 849,051	\$ 891,637
Total assets		1,678,889	1,657,371	1,501,477	1,499,998	1,477,068

Total debt		9,521		10,103		10,600		11,019		11,381
Shareholders' equity	\$	1,291,040	\$	1,227,033	\$	1,139,525	\$	1,115,748	\$	1,119,225

- (1) See Note 16 to the Consolidated Financial Statements for a discussion of the restructuring charges and integration and acquisition-related charges occurring in 2014, 2013 and 2012. During 2011 and 2010, the Company recognized restructuring totaling \$4.5 million and \$6.7 million related to reductions in workforce and the resizing and closure of certain facilities.
- (2) See Note 17 to the Consolidated Financial Statements for a discussion of Thailand flood-related items, net of insurance.
- (3) During the fourth quarter of 2014, the Company recorded a \$1.5 million gain on the sale of its Tianjin, China subsidiary, including its manufacturing facility which had been held for sale since 2008. During the second quarter of 2013, the Company recorded a non-cash impairment charge of \$3.8 million related to this facility. Also during the second quarter of 2013, the Company disposed a non-manufacturing facility in Thailand for \$1.6 million resulting in a gain of \$1.2 million.
- (4) See Note 9 to the Consolidated Financial Statements for a discussion of income taxes. During the third quarter of 2011, the Company reduced its deferred tax valuation allowance by \$17.5 million in the U.S. and, at the same time, increased its valuation allowance by \$1.2 million in foreign jurisdictions.
- (5) See Note 1(j) to the Consolidated Financial Statements for the basis of computing earnings per share.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto in Item 8 of this Report. You should also bear in mind the Risk Factors set forth in Item 1A, any of which could materially and adversely affect the Company's business, operating results, financial condition and the actual results of the matters addressed by the forward-looking statements contained in the following discussion.

2014 HIGHLIGHTS

Sales for 2014 were \$2.8 billion, a 12% increase from sales of \$2.5 billion in 2013. The overall increase in sales related primarily to increased demand from existing customers, including new programs, new customers and the impact of the Suntron and CTS Acquisitions.

Our gross profit as a percentage of sales increased to 7.9% for 2014 from 7.4% in the same period of 2013, primarily due to higher sales volumes, changes in the mix of programs and the impact of our acquisitions. We experience fluctuations in gross profit from period to period. Different programs contribute different gross profits depending on factors such as the types of services involved, location of production, size of the program, complexity of the product and level of material costs associated with the various products. Moreover, new programs can contribute relatively less to our gross profit in their early stages when manufacturing volumes are usually lower, resulting in inefficiencies and unabsorbed manufacturing overhead costs. In addition, a number of our new and higher volume programs remain subject to competitive constraints that could exert downward pressure on our margins. During periods of low production volume, we generally have idle capacity and reduced gross profit.

We have undertaken initiatives to restructure our business operations with the intention of improving utilization and realizing cost savings in the future. During 2014, the Company recognized \$6.1 million (pre-tax) of integration and acquisition-related costs, primarily related to integration costs of the CTS Acquisition, and \$1.0 million (pre-tax) of restructuring charges in connection with reductions in workforce of certain facilities primarily in the Americas.

RESULTS OF OPERATIONS

The following table presents the percentage relationship that certain items in our Consolidated Statements of Income bear to sales for the periods indicated. The financial information and the discussion below should be read in conjunction with the Consolidated Financial Statements and Notes thereto in Item 8 of this Report.

	Year ended December 31,					
	2014		2013		2012	
Sales	100.0	%	100.0	%	100.0	%
Cost of sales	92.1		92.6		92.8	
Gross profit	7.9		7.4		7.2	
Selling, general and administrative expenses	4.1		4.0		3.6	
Restructuring charges and integration and acquisition-related costs	0.3		0.4		0.1	
Thailand flood related items, net of insurance	(0.0)		(1.6)		0.4	
Asset impairment charge and other	(0.0)		0.1		—	
Income from operations	3.6		4.6		3.1	
Other expense, net	(0.0)		(0.0)		(0.0)	
Income before income taxes	3.6		4.6		3.1	
Income tax expense	0.6		0.2		0.8	
Net income	2.9	%	4.4	%	2.3	%

2014 Compared With 2013

Sales

As noted above, sales increased 12% in 2014. The percentages of our sales by industry was as follows:

	2014		2013	
Industrial control equipment	30	%	28	%
Telecommunication equipment	29		23	
Computers and related products for business enterprises	21		30	
Medical devices	11		11	
Testing and instrumentation products	9		8	
	100	%	100	%

Industrial Control Equipment. 2014 sales increased 19% to \$845.9 million from \$712.4 million in 2013 primarily as a result of increased demand from existing customers, including new programs, and the impact of the Suntron and CTS Acquisitions.

Telecommunication Equipment. 2014 sales increased 39% to \$807.2 million from \$579.8 million in 2013. The increase was primarily due to new programs, increased demand from existing customers and the impact of the CTS Acquisition.

Computers and Related Products for Business Enterprises. 2014 sales decreased 22% to \$577.1 million from \$737.4 million in 2013. The decrease was primarily due to the timing of program transitions as well as lower demand from our customers.

Medical Devices. 2014 sales increased 10% to \$310.7 million from \$281.7 million in 2013 primarily as a result of new programs, and, to a lesser extent, the impact of the CTS Acquisition.

Testing and Instrumentation Products. 2014 sales increased 31% to \$256.2 million from \$195.2 million in 2013 primarily due to new programs, improvement in the semiconductor industry, and the impact of the Suntron Acquisition.

Sales to our ten largest customers represented 50% and 53% of our sales in 2014 and 2013, respectively. In 2014, sales to Arris Group, Inc. and International Business Machines Corporation each represented 11% of our sales. In 2013, sales to International Business Machines Corporation, the only customer to account for more than 10% of our net sales, represented 17% of our sales. Sales to this customer decreased to \$312.6 million in 2014 compared to \$430.2 million in 2013 primarily due to the timing of new program ramps and product transitions, as well as market uncertainty in the global economy, which reduced demand.

Our international operations are subject to the risks of doing business abroad. See Item 1A for factors pertaining to our international sales and fluctuations in the exchange rates of foreign currency and for further discussion of potential adverse effects in operating results associated with the risks of doing business abroad. During 2014 and 2013, 53% and 51%, respectively, of our sales were from our international operations.

We had a backlog of approximately \$1.6 billion at December 31, 2014, as compared to the 2013 year-end backlog of \$1.7 billion. Backlog consists of purchase orders received, including, in some instances, forecast requirements released for production under customer contracts. Although we expect to fill substantially all of our backlog at December 31, 2014 during 2015, we do not have long-term agreements with all of our customers and customer orders can be canceled, changed or delayed by customers. The timely replacement of canceled, changed or delayed orders with orders from new customers cannot be assured, nor can there be any assurance that any of our current customers will continue to utilize our services. Because of these factors, backlog is not a meaningful indicator of future financial results.

Gross Profit

Gross profit increased 18% to \$219.9 million for 2014 from \$186.5 million in 2013 due primarily to an increase in sales. Our 2014 gross profit as a percentage of sales increased to 7.9% from 7.4% in 2013 primarily due to higher sales volume, changes in the mix of programs and the impact of the acquisitions. We experience fluctuations in gross profit from period to period. Different programs contribute different gross profits depending on factors such as the types of services involved, location of production, size of the program, complexity of the product and level of material costs associated with the various products. Moreover, new programs can contribute relatively less to our gross profit in their early stages when manufacturing volumes are usually lower, resulting in inefficiencies and unabsorbed manufacturing overhead costs. In addition, a number of our new and higher volume programs remain subject to competitive constraints that could exert downward pressure on our margins. During periods of low production volume, we generally have idle capacity and reduced gross profit.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to \$115.7 million in 2014 from \$99.3 million in 2013. The increase in selling, general and administrative expenses is primarily associated with the Suntron and CTS acquisitions, support of increased sales volumes and a \$2.7 million charge for provisions to accounts receivable associated with the bankruptcy filing of our former customer, GT Advance Technologies, on October 6, 2014. Selling, general and administrative expenses, as a percentage of sales, were 4.1% and 4.0%, respectively, for 2014 and 2013. Excluding the provisions to accounts receivable associated with the referenced bankruptcy, SG&A, as a percentage of sales, was 4.0% in both 2014 and 2013.

Restructuring Charges and Integration and Acquisition-Related Costs

During 2014, we recognized \$7.1 million of restructuring charges and integration and acquisition-related costs primarily related to integration costs of the CTS Acquisition. In 2013, we recognized \$9.3 million in restructuring charges and integration and acquisition-related costs primarily related to the closure of our Brazil and Singapore facilities and the acquisitions of Suntron and CTS. See Notes 2 and 16 to the Consolidated Financial Statements in Item 8 of this Report.

Thailand Flood-Related Items

Our facilities in Ayudhaya, Thailand flooded and remained closed from October 13, 2011 to December 20, 2011. As a result of the flooding and temporary closing of these facilities, we incurred property losses and flood related costs during 2012 and 2011, which were partially offset by insurance recoveries. During 2014, Thailand flood-related items resulted in a gain of \$1.6 million of insurance proceeds. The recovery process with our insurance carriers is complete. During 2013, Thailand flood-related items resulted in a gain of \$41.3 million. See Note 17 to the Consolidated Financial Statements in Item 8 of this Report.

Asset Impairment Charge and Other

We disposed of our Tianjin, China subsidiary in 2014, which included a non-manufacturing facility, for \$5.7 million, resulting in a gain of \$1.5 million. In 2013, we had recognized a non-cash asset impairment charge of \$3.8 million related to the Tianjin facility and disposed of a non-manufacturing facility in Thailand for \$1.6 million resulting in a gain of \$1.2 million.

Income Tax Expense

Income tax expense of \$17.4 million represented an effective tax rate of 17.4% for 2014, compared with \$5.0 million that represented an effective tax rate of 4.3% for 2013. We had a tax incentive in China that expired at the end of 2012, but was extended in the first quarter of 2014 until 2015 and retroactively applied to the 2013 calendar year. The tax adjustment for the \$1.2 million retroactive incentive for 2013 was recorded as a discrete tax benefit as of March 31, 2014. In 2013, we recorded a discrete U.S. tax benefit of \$17.5 million related to reduced valuation allowance on U.S. net operating losses and other deferred tax assets and a discrete tax benefit of approximately \$0.8 million related to the American Taxpayer Relief Act of 2012 (ATRA) consisting of research and experimentation credits and decreases in U.S. taxable income related to previously taxed foreign transactions. The ATRA retroactively restored the research and experimentation credit and other U.S. income tax benefits for 2012 and extends these provisions through the end of 2013. Excluding these tax items, the effective tax rate would have been 18.7% in 2014 compared to 19.1% in 2013. The decrease in the effective tax rate results primarily from higher taxable income in geographies with lower tax rates.

We have been granted certain tax incentives, including tax holidays, for our subsidiaries in China, Malaysia and Thailand that will expire at various dates, unless extended or otherwise renegotiated, through 2015 in China, 2016 in Malaysia, and 2026 in Thailand. See Note 9 to the Consolidated Financial Statements in Item 8 of this Report.

The Tax Increase Prevention Act of 2014 was enacted on December 19, 2014 and retroactively extended the research and experimentation (R&E) tax credit for 2014. As a result, our income tax provision for the fourth quarter of 2014 includes a tax benefit of approximately \$0.9 million. This R&E tax credit has not been extended for 2015 and may increase the effective tax rate in future years by a similar amount if not extended.

Net Income

We reported net income of \$82.4 million, or \$1.52 per diluted share for 2014, compared with net income of \$111.2 million, or \$2.03 per diluted share for 2013. The net decrease of \$28.7 million in 2014 was due to the factors discussed above.

2013 Compared With 2012

Sales

Sales in both 2013 and 2012 were \$2.5 billion. The following table sets forth the percentages of our sales by industry.

	2013		2012	
Computers and related products for business enterprises	30	%	31	%
Industrial control equipment	28		26	
Telecommunication equipment	23		26	
Medical devices	11		10	
Testing and instrumentation products	8		7	
	100	%	100	%

Computers and Related Products for Business Enterprises. Sales in 2013 decreased 4% to \$737.4 million from \$771.5 million in 2012. The decrease was primarily due to the timing of program ramps and product transitions as well as market uncertainty in the global economy, which led to lower demand from our existing customers.

Industrial Control Equipment. Sales in 2013 increased 10% to \$712.4 million from \$648.4 million in 2012 primarily as a result of new customers, new programs and the impact of the acquisitions of Suntron and CTS.

Telecommunication Equipment. Sales in 2013 decreased 9% to \$579.8 million from \$637.9 million in 2012. The decrease was primarily due to lower demand from our customers and timing of program ramps and transitions somewhat offset by the impact of the CTS acquisition. In addition, in 2012, our telecommunication sector had a strong rebound as a result of the recovery from the Thailand flooding.

Medical Devices. Sales in 2013 increased 15% to \$281.7 million from \$244.1 million in 2012 primarily as a result of new programs and the impact of the Suntron and CTS acquisitions.

Testing and Instrumentation Products. Sales in 2013 increased 17% to \$195.2 million from \$166.2 million in 2012 as a result of improvement in the semiconductor industry and the impact of the Suntron and CTS acquisitions.

During 2013 and 2012, 51% and 50%, respectively, of our sales were from our international operations.

We had a backlog of approximately \$1.7 billion at December 31, 2013, as compared to the 2012 year-end backlog of \$1.5 billion.

Gross Profit

Gross profit increased 6% to \$186.5 million for 2013 from \$176.7 million in 2012 due primarily to an increase in sales. Our 2013 gross profit as a percentage of sales increased to 7.4% from 7.2% in 2012 primarily due to changes in the mix of programs and the impact of the acquisitions.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to \$99.3 million in 2013 from \$90.0 million in 2012. Selling, general and administrative expenses, as a percentage of sales, were 4.0% and 3.6%, respectively, for 2013 and 2012. The increase in selling, general and administrative expenses is primarily associated with the Suntron and CTS acquisitions.

Restructuring Charges

We recognized \$9.3 million in restructuring charges and integration and acquisition-related costs during 2013 primarily related to the closure of our Brazil and Singapore facilities and the acquisitions of Suntron and CTS.

Thailand Flood-Related Items

During 2013, Thailand flood related items resulted in a gain of \$41.3 million including \$41.2 million of insurance proceeds.

Asset Impairment Charge and Other

We recognized a non-cash asset impairment charge of \$3.8 million related to our facility in Tianjin, China in 2013. Also in 2013, we disposed of a non-manufacturing facility in Thailand for \$1.6 million resulting in a gain of \$1.2 million.

Income Tax Expense

Income tax expense of \$5.0 million represented an effective tax rate of 4.3% for 2013, compared with \$18.8 million that represented an effective tax rate of 25.0% for 2012. In 2013, we recorded a discrete U.S. tax benefit of \$17.5 million related to reduced valuation allowance on U.S. net operating losses and other deferred tax assets and a discrete tax benefit of approximately \$0.8 million related to the American Taxpayer Relief Act of 2012 (ATRA) consisting of research and experimentation credits and decreases in U.S. taxable income related to previously taxed foreign transactions. The ATRA retroactively restored the research and experimentation credit and other U.S. income tax benefits for 2012 and extends these provisions through the end of 2013. In 2012, we recorded a \$0.5 million tax expense related to changes in tax rates in foreign jurisdictions. Excluding these tax items, the effective tax rate would have been 20.1% in 2013 compared to 24.3% in 2012. The decrease in the effective tax rate is primarily a result of higher taxable income in Thailand as a result of the flood related items. See Note 9 to the Consolidated Financial Statements in Item 8 of this Report.

Net Income

We reported net income of \$111.2 million, or \$2.03 per diluted share for 2013, compared with net income of \$56.6 million, or \$1.00 per diluted share for 2012. The net increase of \$54.6 million in 2013 was due to the factors discussed above.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed our growth and operations through funds generated from operations and proceeds from the sale and maturity of our investments. Cash and cash equivalents totaled \$427.4 million at December 31, 2014 and \$345.6 million at December 31, 2013, of which \$333.3 million at December 31, 2014 and \$307.3 million at December 31, 2013 was held outside the U.S. in various foreign subsidiaries. Substantially all of the amounts held outside of the U.S. are intended to be permanently reinvested in foreign operations. Under current tax laws and regulations, if cash and cash equivalents held outside the U.S. were to be distributed to the U.S. in the form of dividends or otherwise, we would be subject to additional U.S. income taxes and foreign withholding taxes.

Cash provided by operating activities was \$136.7 million in 2014, which included \$1.1 million of Thailand flood insurance recoveries. The cash provided by operations during 2014 consisted primarily of \$82.4 million of net income adjusted for \$46.4 million of depreciation and amortization, and a \$37.9 million decrease in accounts receivable, offset by a \$36.6 million decrease in accounts payable. The decrease in accounts receivable was primarily driven by the decline in fourth quarter sales from 2013 to 2014. The decrease in accounts payable in 2014 is a result of lower fourth quarter activity in 2014 compared to 2013. Working capital was \$1.0 billion at December 31, 2014 and \$0.9 billion at December 31, 2013.

We are continuing the practice of purchasing components only after customer orders or forecasts are received, which mitigates, but does not eliminate, the risk of loss on inventories. Supplies of electronic components and other materials used in operations are subject to industry-wide shortages. In certain instances, suppliers may allocate available quantities to us. If shortages of these components and other material supplies used in operations occur, vendors may not ship the quantities we need for production and we may be forced to delay shipments, which would increase backorders and therefore impact cash flows.

Cash used in investing activities was \$27.5 million in 2014 primarily due to the purchases of additional property, plant and equipment totaling \$44.2 million offset by \$10.3 million from the redemption of investments. Purchases of additional property, plant and equipment were primarily of machinery and equipment in the Americas.

Cash used in financing activities was \$24.9 million in 2014. Share repurchases totaled \$43.8 million, and we received \$18.9 million from the exercise of stock options.

Under the terms of a credit agreement (the Credit Agreement), we have a \$200.0 million five-year revolving credit facility to be used for general corporate purposes with a maturity date of July 30, 2017. The Credit Agreement includes an accordion feature under which total commitments under the facility may be increased by an additional \$100 million, subject to satisfaction of certain conditions and lender approval. As of December 31, 2014 and 2013, we had no borrowings outstanding under the Credit Agreement, \$1.2 million and \$0.8 million, respectively, in outstanding letters of credit and \$198.8 million and \$199.2 million, respectively, was available for future borrowings.

See Note 6 to the Consolidated Financial Statements in Item 8 of this Report for more information regarding the terms of the Credit Agreement.

Our operations, and the operations of businesses we acquire, are subject to certain foreign, federal, state and local regulatory requirements relating to environmental, waste management, health and safety matters. We believe we operate in substantial compliance with all applicable requirements and we seek to ensure that newly acquired businesses comply or will comply substantially with applicable requirements. To date, the costs of compliance and workplace and environmental remediation have not been material to us. However, material costs and liabilities may arise from these requirements or from new, modified or more stringent requirements in the future. In addition, our past, current and future operations, and the operations of businesses we have or may acquire, may give rise to claims of exposure by employees or the public, or to other claims or liabilities relating to environmental, waste management or health and safety concerns.

As of December 31, 2014, we had cash and cash equivalents totaling \$427.4 million and \$198.8 million available for

borrowings under the Credit Agreement. During the next twelve months, we believe our capital expenditures will be approximately \$45 million to \$55 million, principally for machinery and equipment to support our ongoing business around the globe.

On both December 4, 2014 and June 13, 2012, our Board of Directors approved the repurchase of up to \$100 million of our outstanding common shares (the 2014 Repurchase Program and the 2012 Repurchase Program, respectively). As of December 31, 2014, we have \$100.0 million and \$3.1 million, respectively, remaining under the 2014 and 2012 Repurchase Programs to repurchase additional shares. We are under no commitment or obligation to repurchase any particular amount of common shares. Management believes that our existing cash balances and funds generated from operations will be sufficient to permit us to meet our liquidity requirements over the next twelve months. Management further believes that our ongoing cash flows from operations and any borrowings we may incur under our credit facilities will enable us to meet operating cash requirements in future years. Should we desire to consummate significant acquisition opportunities, our capital needs would increase and could possibly result in our need to increase available borrowings under our Credit Agreement or access public or private debt and equity markets. There can be no assurance, however, that we would be successful in raising additional debt or equity on terms that we would consider acceptable.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. Our significant accounting policies are summarized in Note 1 to the Consolidated Financial Statements in Item 8 of this Report. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to accounts receivable, inventories, income taxes, long-lived assets, stock-based compensation and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Allowance for doubtful accounts

Our accounts receivable balance is recorded net of allowances for amounts not expected to be collected from our customers. Because our accounts receivable are typically unsecured, we periodically evaluate the collectibility of our accounts based on a combination of factors, including a particular customer's ability to pay as well as the age of the receivables. To evaluate a specific customer's ability to pay, we analyze financial statements, payment history and various information or disclosures by the customer or other publicly available information. In cases where the evidence suggests a customer may not be able to satisfy its obligation to us, we establish a specific allowance in an amount we determine appropriate for the perceived risk. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventory obsolescence

We purchase inventory based on forecasted demand and record inventory at the lower of cost or market. We write down inventory for estimated obsolescence as necessary in an amount equal to the difference between the cost of inventory and estimated market value based on assumptions of future demands and market conditions. We evaluate our inventory valuation on a quarterly basis based on current and forecasted usage and the latest forecasts of product demand and production requirements from our customers. Customers frequently make changes to their forecasts, which requires us to make changes to our inventory purchases, commitments, and production scheduling and may require us to cancel open purchase commitments with our vendors. This process may lead to on-hand inventory

quantities and on-order purchase commitments that are in excess of our customers' revised needs, or parts that become obsolete before use in production. We write down excess and obsolete inventory when we determine that our customers are not responsible for it, or if we believe our customers will be unable to fulfill their obligation to ultimately purchase it. If actual market conditions are less favorable than those we projected, additional inventory write-downs may be required.

Income Taxes

We estimate our income tax provision in each of the jurisdictions in which we operate, including estimating exposures related to uncertain tax positions. We must also make judgments regarding the ability to realize the deferred tax assets. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. Our valuation allowance as of December 31, 2014 of \$36.7 million primarily relates to deferred tax assets from our United States federal and state net operating loss tax carryforwards of \$30.4 million (federal losses are primarily acquired and subject to Internal Revenue Code Section 382 limitations), foreign net operating loss tax carryforwards of \$9.9 million, and United States federal and state tax credit carryforwards of \$7.1 million.

Differences in our future operating results as compared to the estimates utilized in the determination of the valuation allowances could result in adjustments in valuation allowances in future periods. For example, a significant increase in our operations in the United States, future accretive acquisitions in the United States and any movement in the mix of profits from our international operations to the United States would result in a reduction in the valuation allowance and would increase income in the period such determination was made. Alternatively, significant economic downturns in the United States generating additional operating loss carryforwards and potential movements in the mix of profits to international locations would result in an increase in the valuation allowance and would decrease income in the period such determination was made.

During 2013 and 2011, we evaluated the recoverability of our deferred tax assets using the criteria described above and concluded that our projected future taxable income in the U.S. is sufficient to utilize additional net operating loss carryforwards and other deferred tax assets. As a result, we reduced our U.S. valuation allowance by \$17.5 million and \$19.1 million, respectively, in 2013 and 2011.

We are subject to examination by tax authorities for varying periods in various U.S. and foreign tax jurisdictions. During the course of such examinations, disputes may occur as to matters of fact and/or law. In most tax jurisdictions the passage of time without examination will result in the expiration of applicable statutes of limitations, thereby precluding the taxing authority from conducting an examination of the tax period(s) for which such statute of limitations has expired. We believe that we have adequately provided for our tax liabilities.

Our subsidiary in Thailand has filed for a refund of \$7.9 million of previously paid income taxes for years 2004 and 2005, which is included in other assets. The Thai tax authorities conducted an initial examination of the applicable refund filings, and in 2011, we recorded a reserve for uncertain tax benefits of \$7.1 million against this refund claim. In 2012, we received official notification that the tax authorities had rejected our refund claim. We have appealed the rejected claim and are awaiting the tax authorities' decision.

Impairment of Long-Lived Assets and Goodwill

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge would be recognized by the amount that the carrying amount of the asset exceeds the fair value of the asset.

Goodwill is tested for impairment on an annual basis, at a minimum, and whenever events and circumstances that the carrying amount may be impaired. Circumstances that may lead to the impairment of goodwill include unforeseen decreases in future performance or industry demand or the restructuring of our operations as a result of a change in our business strategy. We perform a qualitative assessment to determine if goodwill is potentially impaired. If the qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, or if we elect to not perform a qualitative assessment, then we would be required to perform a quantitative impairment test for goodwill. This two-step process involves determining the fair values of the reporting units and comparing those fair values to the carrying values, including goodwill, of the reporting unit. An impairment loss would be recognized to the extent that the carrying amount exceeds the asset's fair value. For purposes of performing our goodwill impairment assessment, our reporting units are the same as our operating segments as defined in Note 13 to the Consolidated Financial Statements in Item 8 of this Report. As of December 31, 2014 and 2013, we had goodwill of approximately \$46.0 million and \$44.7 million, respectively, associated with our Americas and Asia business segments.

Based on our qualitative assessment of goodwill as of December 31, 2014, 2013 and 2012, we concluded that it was more likely than not that the fair value of our Americas and Asia business segments were greater than their carrying amounts, and therefore no further testing was required.

Changes in economic and operating conditions that occur after the annual impairment analysis or an interim impairment analysis, and that impact these assumptions, may result in a future goodwill impairment charge.

Stock-Based Compensation

We recognize stock-based compensation expense in our consolidated statements of income. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. Option-pricing models require the input of subjective assumptions, including the expected life of the option and the expected stock price volatility. Judgment is also required in estimating the number of stock-based awards that are expected to vest as a result of satisfaction of time-based vesting schedules. If actual results or future changes in estimates differ significantly from our current estimates, stock-based compensation could increase or decrease. For performance-based restricted stock unit awards, compensation expense is based on the probability that the performance goals will be achieved, which is monitored by management throughout the requisite service period. If it becomes probable, based on our expectation of performance during the measurement period, that more or less than the previous estimate of the awarded shares will vest, an adjustment to stock-based compensation expense is recognized as a change in accounting estimate. See Note 1(m) to the Consolidated Financial Statements in Item 8 of this Report.

Recently Enacted Accounting Principles

See Note 1(q) to the Consolidated Financial Statements in Item 8 of this Report for a discussion of recently enacted accounting principles.

CONTRACTUAL OBLIGATIONS

We have certain contractual obligations that extend out beyond 2015 under lease obligations and debt arrangements. Non-cancelable purchase commitments do not typically extend beyond the normal lead-time of several weeks. Purchase orders beyond this time frame are typically cancelable. We do not utilize off-balance sheet financing techniques other than traditional operating leases and we have not guaranteed the obligations of any entity that is not one of our wholly owned subsidiaries. The total contractual cash obligations in existence at December 31, 2014 due pursuant to contractual commitments are:

	Payments due by period							
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years			
(in thousands)								
Operating lease obligations	\$ 41,283	\$ 14,577	\$ 13,372	\$ 6,643	\$ 6,691			
Capital lease obligations	14,309	1,613	3,323	3,458	5,915			
Total obligations	\$ 55,592	\$ 16,190	\$ 16,695	\$ 10,101	\$ 12,606			

The amount of unrecognized tax benefits as of December 31, 2014 including interest and penalties was \$18.0 million. We have not provided a detailed estimate of the timing of future cash outflows associated with the liabilities recognized in this balance due to the uncertainty of when the related tax settlements may become due. See Note 9 to the Consolidated Financial Statements in Item 8 of this Report.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2014, we did not have any significant off-balance sheet arrangements. See Note 11 to the Consolidated Financial Statements in Item 8 of this Report.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

Our international sales comprise a significant portion of our net sales. We are exposed to risks associated with operating internationally, including:

- Foreign currency exchange risk;
- Import and export duties, taxes and regulatory changes;
- Inflationary economies or currencies; and
- Economic and political instability.

Additionally, some of our operations are in developing countries. Certain events, including natural disasters, can impact the infrastructure of a developing country more severely than they would impact the infrastructure of a developed country. A developing country can also take longer to recover from such events, which could lead to delays in our ability to resume full operations.

We do not use derivative financial instruments for speculative purposes. As of December 31, 2014, we did not have any foreign currency hedges. In the future, significant transactions involving our international operations may cause us to consider engaging in hedging transactions to attempt to mitigate our exposure to fluctuations in foreign exchange rates. These exposures relate primarily to vendor payments and customer receivable balances in currencies other than the primary currency generated and used by our foreign operations and our net investment in foreign operations. Some of our international operations operate in a natural hedge because both operating expenses and a portion of sales are denominated in local currency. Our sales are substantially denominated in U.S. dollars. Our foreign currency cash flows are generated in certain Asian and European countries and Mexico.

We are also exposed to market risk for changes in interest rates, a portion of which relates to our invested cash balances. We do not use derivative financial instruments in our investing activities. We place cash and cash equivalents and investments with various major financial institutions. We protect our invested principal funds by limiting default risk, market risk and reinvestment risk. We mitigate default risk by generally investing in investment grade securities.

Item 8. Financial Statements and Supplementary Data.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES									
Consolidated Balance Sheets									
						December 31,			
(in thousands, except par value)						2014	2013		
Assets									
Current assets:									
Cash and cash equivalents						\$	427,376	\$	345,555
Accounts receivable, net of allowance for doubtful accounts of \$2,943 and \$338, respectively							520,389		559,763
Inventories, net							401,261		396,699
Prepaid expenses and other assets							30,453		26,283
Income taxes receivable							572		3,231
Deferred income taxes							8,502		11,302
Total current assets							1,388,553		1,342,833
Long-term investments							1,008		9,921
Property, plant and equipment, net							190,180		185,319
Goodwill, net							45,970		44,691
Deferred income taxes							25,017		33,856
Other, net							28,161		40,751
						\$	1,678,889	\$	1,657,371
Liabilities and Shareholders' Equity									
Current liabilities:									
Current installments of capital lease obligations						\$	676	\$	582
Accounts payable							289,786		320,953
Income taxes payable							5,470		9,570
Accrued liabilities							63,166		67,272
Total current liabilities							359,098		398,377
Capital lease obligations, less current installments							8,845		9,521
Other long-term liabilities							17,800		20,369
Deferred income taxes							2,106		2,071
Shareholders' equity:									
Preferred shares, \$0.10 par value; 5,000 shares authorized, none issued									
Common shares, \$0.10 par value; 145,000 shares authorized; issued – 52,994 and 53,936, respectively; outstanding – 52,994 and 53,825, respectively							5,300		5,383

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		Additional paid-in capital		649,715		644,594
		Retained earnings		645,500		586,422
		Accumulated other comprehensive loss		(9,475)		(9,094)
		Less treasury shares, at cost; 0 and 111 shares, respectively		—		(272)
		Total shareholders' equity		1,291,040		1,227,033
		Commitments and contingencies				
				\$ 1,678,889		\$ 1,657,371
See accompanying notes to consolidated financial statements.						

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES						
Consolidated Statements of Income						
		Year ended December 31,				
(in thousands, except per share data)		2014		2013		2012
Sales	\$	2,797,061	\$	2,506,467	\$	2,468,150
Cost of sales		2,577,204		2,319,983		2,291,412
Gross profit		219,857		186,484		176,738
Selling, general and administrative expenses		115,700		99,331		89,951
Restructuring charges and integration and acquisition-related costs		7,131		9,348		2,200
Thailand flood-related items, net of insurance		(1,571)		(41,325)		9,028
Asset impairment charge and other		(1,547)		2,606		
Income from operations		100,144		116,524		75,559
Interest expense		(1,890)		(1,934)		(1,580)
Interest income		2,048		1,688		1,306
Other income (expense)		(452)		(101)		154
Income before income taxes		99,850		116,177		75,439
Income tax expense		17,408		5,018		18,832
Net income	\$	82,442	\$	111,159	\$	56,607
Earnings per share:						
Basic	\$	1.54	\$	2.05	\$	1.01
Diluted	\$	1.52	\$	2.03	\$	1.00
Weighted-average number of shares outstanding:						
Basic		53,538		54,213		56,320
Diluted		54,222		54,779		56,634

See accompanying notes to consolidated financial statements.							

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES										
Consolidated Statements of Comprehensive Income										
Year ended December 31,										
(in thousands)					2014		2013		2012	
Net income				\$	82,442		\$	111,159	\$	56,607
Other comprehensive income (loss):										
	Foreign currency translation adjustments				(1,598)		591		993	
	Unrealized gain on investments, net of tax				1,369		418		1,476	
	Other				(152)		433		445	
Other comprehensive income (loss)					(381)		1,442		2,914	
Comprehensive income				\$	82,061		\$	112,601	\$	59,521

See accompanying notes to consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES								
Consolidated Statements of Shareholders' Equity								
			Additional		Accumulated			Total
(in thousands)	Shares	Common	paid-in	Retained	other	Treasury	comprehensive	shareholders
		shares	capital	earnings	loss	shares	loss	equity
Balances, December 31, 2011	57,791	\$ 5,779	\$ 674,498	\$ 449,193	\$ (13,450)	\$ (272)		\$ 1,115,748
Stock-based compensation expense	—	—	6,270	—	—	—	—	6,270
Shares repurchased and retired	(3,224)	(322)	(34,650)	(12,134)	—	—	—	(47,106)
Stock options exercised	375	38	4,619	—	—	—	—	4,657
Issuance of restricted shares, net of forfeitures	244	24	(24)	—	—	—	—	—
Excess tax benefit of stock-based compensation	—	—	435	—	—	—	—	435
Comprehensive income	—	—	—	56,607	2,914	—	—	59,521
Balances, December 31, 2012	55,186	5,519	651,148	493,666	(10,536)	(272)		1,139,525
Stock-based compensation expense	—	—	6,267	—	—	—	—	6,267
Shares repurchased and retired	(2,093)	(209)	(22,556)	(18,403)	—	—	—	(41,168)
Stock options exercised	713	71	11,132	—	—	—	—	11,203
Issuance of restricted shares, net of forfeitures	27	3	(3)	—	—	—	—	—
Restricted shares withheld for taxes	(8)	(1)	(141)	—	—	—	—	(142)

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Excess tax shortfall of									
stock-based compensation			(1,253)						(1,253)
Comprehensive income				111,159	1,442				112,601
Balances, December 31, 2013	53,825	5,383	644,594	586,422	(9,094)	(272)			1,227,033
Stock-based compensation expense			7,213						7,213
Shares repurchased and retired	(1,861)	(186)	(20,250)	(23,364)					(43,800)
Stock options exercised	940	94	18,773						18,867
Issuance of restricted shares, net									
of forfeitures	103	10	(10)						
Restricted shares withheld									
for taxes	(13)	(1)	(308)						(309)
Excess tax shortfall of									
stock-based compensation			(25)						(25)
Cancellation of treasury shares			(272)			272			
Comprehensive income				82,442	(381)				82,061
Balances, December 31, 2014	52,994	\$ 5,300	\$ 649,715	\$ 645,500	\$ (9,475)	\$			\$ 1,291,040

See accompanying notes to consolidated financial statements.

BENCHMARK ELECTRONICS, INC. AND SUBSIDIARIES										
Consolidated Statements of Cash Flows										
Year Ended December 31,										
(in thousands)										
					2014		2013		2012	
Cash flows from operating activities:										
Net income					\$	82,442	\$	111,159	\$	56,607
Adjustments to reconcile net income to net cash provided										
by operating activities:										
Depreciation						41,259		36,179		31,757
Amortization						5,190		4,763		3,956
Deferred income taxes						12,027		(5,786)		9,064
Asset impairments						802		5,504		—
Thailand flood insurance recovery						(550)		(10,748)		—
Gain on sale of subsidiary						(1,547)		—		—
Gain on the sale of property, plant and equipment						(78)		(1,161)		(229)
Stock-based compensation expense						6,427		7,053		6,270
Excess tax benefits from stock-based compensation						(634)		(354)		(76)
Changes in operating assets and liabilities, net of effects from										
business acquisitions:										
Accounts receivable						37,862		(56,633)		(34,359)
Inventories						(6,153)		(17,832)		66,089
Prepaid expenses and other assets						(1,278)		6,335		32,375
Accounts payable						(36,646)		19,725		(21,081)
Accrued liabilities						(1,178)		(9,305)		3,176
Income taxes						(1,284)		10,178		(2,402)
Net cash provided by operations						136,661		99,077		151,147
Cash flows from investing activities:										
Proceeds from sales and redemptions of investments						10,282		821		15,825
Additions to property, plant and equipment						(44,211)		(26,829)		(47,911)
Proceeds from the sale of property, plant and equipment						452		1,908		346
Additions to purchased software						(1,178)		(1,908)		(1,124)
Business acquisitions, net of cash acquired						750		(94,271)		—
Proceeds from sale of subsidiary, net of cash disposed						5,512		—		—
Thailand flood property insurance proceeds						550		10,748		23,372
Other						367		814		—
Net cash used in investing activities						(27,476)		(108,717)		(9,492)
Cash flows from financing activities:										
Proceeds from stock options exercised						18,867		11,203		4,657
Excess tax benefits from stock-based compensation						634		354		76

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	Principal payments on capital lease obligations		(582)		(497)		(419)
	Share repurchases		(43,800)		(41,168)		(47,106)
	Debt issuance costs						(931)
	Net cash used in financing activities		(24,881)		(30,108)		(43,723)
	Effect of exchange rate changes		(2,483)		724		2,727
	Net increase (decrease) in cash and cash equivalents		81,821		(39,024)		100,659
	Cash and cash equivalents at beginning of year		345,555		384,579		283,920
	Cash and cash equivalents at end of year	\$	427,376	\$	345,555	\$	384,579
See accompanying notes to consolidated financial statements.							

Notes to Consolidated Financial Statements

(amounts in thousands, except per share data, unless otherwise noted)

Note 1—Summary of Significant Accounting Policies

(a) Business

Benchmark Electronics, Inc. (the Company) is a Texas corporation that provides worldwide integrated electronic manufacturing services (EMS). The Company provides services to original equipment manufacturers (OEMs) of industrial control equipment (which includes equipment for the aerospace and defense industry), telecommunication equipment, computers and related products for business enterprises, medical devices, and testing and instrumentation products. The Company has manufacturing operations located in the Americas, Asia and Europe.

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of Benchmark Electronics, Inc. and its wholly owned and majority owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(c) Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with an original maturity at the date of purchase of three months or less to be cash equivalents. Cash equivalents of \$314.1 million and \$247.0 million at December 31, 2014 and 2013, respectively, consist primarily of money-market funds and time deposits with an initial term of less than three months.

(d) Allowance for Doubtful Accounts

Accounts receivable are recorded net of allowances for amounts not expected to be collected. In estimating the allowance, management considers a specific customer's financial condition, payment history, and various information or disclosures by the customer or other publicly available information. Accounts receivable are charged off against the allowance after all reasonable efforts to collect the full amount (including litigation, where appropriate) have been exhausted. During 2014, the Company recorded a \$2.7 million charge for provisions to accounts receivable associated with the bankruptcy filing of a former customer, GT Advance Technologies, on October 6, 2014.

(e) Investments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-tier fair value hierarchy of inputs is employed to determine fair value measurements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 2 inputs are observable prices that are not quoted on active exchanges, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable. Level 3 inputs are unobservable inputs employed for measuring the fair value of assets or liabilities. This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

As of December 31, 2014, \$1.1 million (par value) of long-term investments were recorded at fair value. The long-term investments consist of auction rate securities classified as available-for-sale. These securities are classified as long-term investments and the contractual maturity of these securities is over ten years.

These long-term investments were valued using Level 3 inputs as of December 31, 2014 since the assets were subject to valuation using significant unobservable inputs. The Company estimated the fair value of each security with the assistance of an independent valuation firm using a discounted cash flow model to calculate the present

value of projected cash flows based on a number of inputs and assumptions including the security structure and terms, the current market conditions and the related impact on the expected weighted-average life, interest rate estimates and default risk of the securities.

As of December 31, 2014, the Company has recorded an unrealized loss of \$0.1 million on the long-term investments based upon this valuation. This unrealized loss reduced the fair value of the Company's auction rate securities as of December 31, 2014 to \$1.0 million. These investments have been in an unrealized loss position for greater than 12 months. During 2014, 2013 and 2012, the Company recorded unrealized gains of \$1.4 million, \$0.4 million and \$1.5 million, respectively, on its long-term investments. The Company has determined that there was no credit loss associated with its auction rate securities as of December 31, 2014 as shown by the cash flows expected to be received over the remaining life of the securities.

The following table provides a reconciliation of the beginning and ending balance of the Company's auction rate securities classified as long-term investments measured at fair value using significant unobservable inputs (Level 3 inputs):

(in thousands)		2014		2013
Balance as of January 1	\$	9,921	\$	10,324
Net unrealized gains included in other comprehensive income		1,369		418
Sales of investments at par value		(10,282)		(821)
Balance as of December 31	\$	1,008	\$	9,921
Unrealized losses still held as of December 31	\$	64	\$	1,433

The cumulative unrealized loss is included as a component of accumulated other comprehensive loss within shareholders' equity in the accompanying consolidated balance sheet. As of December 31, 2014, there were no long-term investments measured at fair value using Level 1 or Level 2 inputs. All income generated from these investments is recorded as interest income.

(f) Inventories

Inventories include material, labor and overhead and are stated at the lower of cost (principally first-in, first-out method) or market.

(g) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is calculated on the straight-line method over the useful lives of the assets – 5 to 40 years for buildings and building improvements, 2 to 10 years for machinery and equipment,

2 to 10 years for furniture and fixtures and 2 to 5 years for vehicles. Leasehold improvements are amortized on the straight-line method over the shorter of the useful life of the improvement or the remainder of the lease term.

(h) Goodwill and Other Intangible Assets

Goodwill represents the excess of purchase price over fair value of net assets acquired. Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but instead assessed for impairment at least annually. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values.

(i) Impairment of Long-Lived Assets and Goodwill

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying

amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of would be separately disclosed and reported at the lower of the carrying amount or estimated fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be disclosed separately in the appropriate asset and liability sections of the balance sheet.

Goodwill is tested for impairment on an annual basis, at a minimum, and whenever events and changes in circumstances suggest that the carrying amount may be impaired. Circumstances that may lead to the impairment of goodwill include unforeseen decreases in future performance or industry demand or the restructuring of our operations as a result of a change in our business strategy. A qualitative assessment is allowed to determine if goodwill is potentially impaired. Based on this qualitative assessment, if the Company determines that it is more likely than not that the reporting unit's fair value is less than its carrying value, then it performs a two-step goodwill impairment test, otherwise no further analysis is required. In connection with its annual goodwill impairment assessments as of December 31, 2014, 2013 and 2012, the Company concluded that goodwill was not impaired.

(j) Earnings Per Share

Basic earnings per share is computed using the weighted-average number of shares outstanding. Diluted earnings per share is computed using the weighted-average number of shares outstanding adjusted for the incremental shares attributed to outstanding stock equivalents. Stock equivalents include common shares issuable upon the exercise of stock options and other equity instruments, and are computed using the treasury stock method. Under the treasury stock method, the exercise price of a share, the amount of compensation cost, if any, for future service that the Company has not yet recognized, and the amount of estimated tax benefits that would be recorded in paid-in-capital, if any, when the option is exercised or the share vests are assumed to be used to repurchase shares in the current period.

The following table sets forth the calculation of basic and diluted earnings per share.

		Year Ended December 31,				
(in thousands, except per share data)		2014		2013		2012
Net income		\$ 82,442		\$ 111,159		\$ 56,607
Denominator for basic earnings per share – weighted-average number of common shares outstanding during the period		53,538		54,213		56,320
Incremental common shares attributable to exercise of dilutive options		450		324		150
Incremental common shares attributable to outstanding restricted shares and restricted stock units		234		242		164
Denominator for diluted earnings per share		54,222		54,779		56,634
Basic earnings per share		\$ 1.54		\$ 2.05		\$ 1.01
Diluted earnings per share		\$ 1.52		\$ 2.03		\$ 1.00

Options to purchase 0.7 million, 1.2 million and 3.7 million common shares in 2014, 2013 and 2012, respectively, were not included in the computation of diluted earnings per share because their effect would have been anti-dilutive.

(k) Revenue Recognition

Revenue from the sale of manufactured products built to customer specifications and excess inventory is recognized when title and risk of ownership have passed, the price to the buyer is fixed or determinable and recoverability is reasonably assured, which generally is when the goods are shipped. Revenue from design, development and

engineering services is recognized when the services are performed and collectibility is reasonably certain. Such services provided under fixed price contracts are accounted for using the percentage-of-completion method. The Company assumes no significant obligations after shipment as it typically warrants workmanship only. Therefore, the warranty provisions are generally not significant.

(I) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. The Company records a valuation allowance to reduce its deferred tax assets to the amounts that are more likely than not to be realized. The Company has considered the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in assessing the need for the valuation allowance.

(m) Stock-Based Compensation

All share-based payments to employees, including grants of employee stock options, are recognized in the financial statements based on their fair values. The total compensation cost recognized for stock-based awards was \$6.4 million, \$7.1 million and \$6.3 million for 2014, 2013 and 2012, respectively. The total income tax benefit recognized in the income statement for stock-based awards was \$2.6 million, \$2.6 million and \$2.1 million for 2014, 2013 and 2012, respectively. The compensation expense for stock-based awards includes an estimate for forfeitures and is recognized over the vesting period of the awards using the straight-line method. Cash flows from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for stock-based awards (excess tax benefits) are classified as cash flows from financing activities. Awards of restricted shares, restricted stock units and performance-based restricted stock units are valued at the closing market price of the Company's common shares on the date of grant. For performance-based restricted stock units, compensation expense is based on the probability that the performance goals will be achieved, which is monitored by management throughout the requisite service period. If it becomes probable, based on the Company's expectation of performance during the measurement period, that more or less than the previous estimate of the awarded shares will vest, an adjustment to stock-based compensation expense will be recognized as a change in accounting estimate.

As of December 31, 2014, the unrecognized compensation cost and remaining weighted-average amortization related to stock-based awards were as follows:

								Performance-
								based
								Restricted
		Stock		Restricted		Stock		Stock
(in thousands)		Options		Shares		Units		Units⁽¹⁾
Unrecognized compensation cost	\$	4,380	\$	817	\$	5,996	\$	1,742
Remaining weighted-average amortization period		1.6 years		0.8 years		2.5 years		2.2 years

⁽¹⁾ Based on the probable achievement of the performance goals identified in each award.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The weighted-average assumptions used to value the options granted during 2014, 2013 and 2012 were as follows:

		Year Ended December 31,		
(in thousands)		2014	2013	2012
Options granted		378	348	432
Expected term of options		7.0 years	7.4 years	6.3 years
Expected volatility		39%	42%	42%
Risk-free interest rate		2.081%	1.396%	1.305%

	Dividend yield		zero		zero		zero
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The expected term of the options represents the estimated period of time until exercise and is based on historical experience, giving consideration to the contractual terms, vesting schedules and expectations of future plan participant behavior. Separate groups of plan participants that have similar historical exercise behavior are considered separately for valuation purposes. Expected stock price volatility is based on the historical volatility of the Company's common shares. The risk-free interest rate is based on the U.S. Treasury zero-coupon rates in effect at the time of grant with an equivalent remaining term. The dividend yield reflects that the Company has not paid any cash dividends since inception and does not anticipate paying cash dividends in the foreseeable future.

The weighted-average fair value per option granted during 2014, 2013 and 2012 was \$9.91, \$7.87 and \$6.83, respectively. The total cash received as a result of stock option exercises in 2014, 2013 and 2012 was approximately \$18.9 million, \$11.2 million and \$4.7 million, respectively. The tax benefit realized as a result of stock option exercises and the vesting of other share-based awards during 2014, 2013 and 2012 was \$2.9 million, \$2.2 million

and \$1.3 million, respectively. For 2014, 2013 and 2012, the total intrinsic value of stock options exercised was \$3.7 million, \$3.2 million and \$1.4 million, respectively.

The Company awarded performance-based restricted stock units to employees during 2014, 2013 and 2012. The number of performance-based restricted stock units that will ultimately be earned will not be determined until the end of the corresponding performance periods, and may vary from as low as zero to as high as three times the target number depending on the level of achievement of certain performance goals. The level of achievement of these goals is based upon the audited financial results of the Company for the last full calendar year within the performance period. The performance goals consist of certain levels of achievement using the following financial metrics: revenue growth, operating income margin expansion, and return on invested capital. If the performance goals are not met based on the Company's financial results, the applicable performance-based restricted stock units will not vest and will be forfeited. Shares subject to forfeited performance-based restricted stock units will be available for issuance under the Company's 2010 Omnibus Incentive Compensation Plan (the 2010 Plan).

(n) Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in accordance with generally accepted accounting principles. Actual results could differ from those estimates.

(o) Fair Values of Financial Instruments

The Company's financial instruments consist of cash equivalents, accounts receivable, accrued liabilities, accounts payable and capital lease obligations. The Company believes that the carrying values of these instruments approximate their fair value. As of December 31, 2014, the Company's long-term investments are recorded at fair value. See Note 11.

(p) Foreign Currency

For foreign subsidiaries using the local currency as their functional currency, assets and liabilities are translated at exchange rates in effect at the balance sheet date and income and expenses are translated at average exchange rates. The effects of these translation adjustments are reported in other comprehensive income. Exchange losses arising from transactions denominated in a currency other than the functional currency of the entity involved are included in other expense and totaled approximately \$1.3 million, \$0.9 million and \$1.2 million in 2014, 2013 and 2012, respectively.

(q) Recently Enacted Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard that will supersede most of the existing revenue recognition requirements in current U.S. GAAP. The new standard will require companies to recognize revenue in an amount reflecting the consideration to which they expect to be entitled in exchange for

transferring goods or services to a customer. The new standard will also require significantly expanded disclosures regarding the qualitative and quantitative information of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The new standard will be effective for reporting periods beginning after December 15, 2016, and will permit the use of either the retrospective or cumulative effect transition method, with early application not permitted. The Company will adopt the new standard effective January 1, 2017, and is currently evaluating the impact the pronouncement will have on its consolidated financial statements and related disclosures and has not yet selected a transition method. As the new standard will supersede all existing revenue guidance affecting the Company under U.S. GAAP, it could impact revenue and cost recognition on contracts across all its business segments, in addition to its business processes and information technology systems. As a result, the Company's evaluation of the effect of the new standard will likely extend over several future periods.

The Company has determined that all other recently issued accounting standards will not have a material impact on its consolidated financial position, results of operations and cash flows, or do not apply to its operations.

(r) Reclassifications

Certain reclassifications of prior period amounts have been made to conform to the current year presentation.

Note 2—Acquisitions

On June 3, 2013, the Company acquired all of the outstanding common stock of Suntron Corporation (the Suntron Acquisition) for \$18.5 million in cash, as adjusted in accordance with the acquisition agreement. The Suntron Acquisition strengthened the Company's capabilities to better serve customers in the aerospace and defense industries.

The allocation of the Suntron Acquisition net purchase price resulted in no goodwill. The final allocation of the purchase price, which the Company completed in June 2014, reflects a \$0.8 million purchase price adjustment received during the quarter ended June 30, 2014.

The purchase price paid for Suntron has been allocated as follows (in thousands):

Purchase price paid	\$	18,582
Cash acquired		(62)
Purchase price, net of cash received	\$	18,520
Integration and acquisition-related costs for 2014	\$	72
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash	\$	62
Accounts receivable		11,561
Inventories		14,570
Other current assets		1,072
Property, plant and equipment		1,437
Other assets		255
Deferred income taxes		3,893
Current liabilities		(13,987)
Other long-term liabilities		(281)
Total identifiable net assets	\$	18,582

On October 2, 2013, the Company acquired all of the outstanding common stock of CTS Electronics Manufacturing Solutions, Inc. and CTS Electronics Corporation (Thailand) Ltd., the full-service EMS segment of CTS Corporation (CTS), for \$75 million (the CTS Acquisition). The CTS Acquisition expanded the Company's portfolio of customers in

non-traditional and highly regulated markets and strengthened the depth and scope of the Company's new product express capabilities on the West Coast.

Based on management's estimates resulting from reviews of information obtained after the acquisition date that relates to facts and circumstances existing at the acquisition date, the purchase price allocation was adjusted resulting in additional goodwill during 2014. See Note 5 for additional information. The final allocation of the CTS Acquisition net purchase price resulted in \$8.1 million of goodwill. The purchase price paid for CTS has been allocated as follows (in thousands):

Purchase price paid	\$	75,982
Cash acquired		(981)
Purchase price, net of cash received	\$	75,001
Integration and acquisition-related costs for 2014	\$	6,010
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash	\$	981
Accounts receivable		32,480
Inventories		40,494
Other current assets		1,472
Property, plant and equipment		15,175
Goodwill		8,058
Customer relationships intangible		15,500
Other assets		129
Deferred income taxes		(1,620)
Current liabilities		(36,687)
Total identifiable net assets	\$	75,982

The following summary pro forma condensed consolidated financial information reflects the Suntron and CTS Acquisitions as if they had occurred on January 1, 2012 for purposes of the statements of income. This summary pro forma information is not necessarily representative of what the Company's results of operations would have been had these acquisitions in fact occurred on January 1, 2012 and is not intended to project the Company's results of operations for any future period.

Pro forma condensed consolidated financial information for 2013 and 2012 (unaudited):

		Year Ended December 31,	
		2013	2012
(in thousands)			
Net sales	\$	2,693,145	\$ 2,804,757
Net income	\$	45,485	\$ 51,563

Note 3—Inventories

Inventory costs are summarized as follows:

(in thousands)	December 31,		
	2014		2013
Raw materials	\$ 266,556	\$	245,455
Work in process	84,673		84,710
Finished goods	50,032		66,534
	\$ 401,261	\$	396,699

Note 4—Property, Plant and Equipment

Property, plant and equipment consists of the following:

(in thousands)	December 31,		
	2014		2013
Land	\$ 6,339	\$	6,359
Buildings and building improvements	92,599		92,267
Machinery and equipment	426,780		410,183
Furniture and fixtures	7,843		7,934
Vehicles	1,002		174
Leasehold improvements	18,237		14,767
Construction in progress	—		135
	552,800		531,819
Less accumulated depreciation	(362,620)		(346,500)
	\$ 190,180	\$	185,319

Note 5—Goodwill and Other Intangible Assets

The changes each year in goodwill allocated to the Company's reportable segments were as follows:

(in thousands)		Americas		Asia		Total
Goodwill at December 31, 2011	\$	—	\$	37,912	\$	37,912
Acquisitions		—		—		—
Goodwill at December 31, 2012		—		37,912		37,912
Acquisitions		6,641		138		6,779
Goodwill at December 31, 2013		6,641		38,050		44,691
Purchase accounting adjustments		1,227		52		1,279
Goodwill at December 31, 2014	\$	7,868	\$	38,102	\$	45,970

The purchase accounting adjustments related to the CTS Acquisition were based on management's estimates resulting from review of information obtained after the acquisition date that related to facts and circumstances that existed at the acquisition date. See Note 2.

Other assets consist primarily of acquired identifiable intangible assets and capitalized purchased software costs. Other intangible assets as of December 31, 2014 and 2013 were as follows:

	Gross		Net			
	Carrying		Carrying			
(in thousands)	Amount		Amount			
Customer relationships	\$	33,188	\$	(16,099)	\$	17,089
Technology licenses		11,300		(9,434)		1,866
Other		868		(190)		678
Other intangible assets, December 31, 2014	\$	45,356	\$	(25,723)	\$	19,633
	Gross		Net			
	Carrying		Carrying			
(in thousands)	Amount		Amount			
Customer relationships	\$	33,348	\$	(12,900)	\$	20,448
Technology licenses		11,300		(8,999)		2,301
Other		868		(166)		702
Other intangible assets, December 31, 2013	\$	45,516	\$	(22,065)	\$	23,451

Customer relationships are being amortized on a straight-line basis over a period of ten years. Technology licenses are being amortized over their estimated useful lives in proportion to the economic benefits consumed. Amortization of other intangible assets for 2014, 2013 and 2012 was \$3.8 million, \$3.3 million and \$2.7 million, respectively.

The estimated future amortization expense of other intangible assets for each of the next five years is as follows (in thousands):

Year ending December 31,	Amount
2015	\$ 4,018
2016	4,077
2017	2,022
2018	1,574
2019	1,574

During 2014, 2013 and 2012, \$1.2 million, \$1.9 million and \$1.1 million, respectively, of purchased software costs were capitalized. As of December 31, 2014 and 2013, purchased software, net of accumulated amortization totaled \$2.7 million and \$2.5 million, respectively. The accumulated amortization of purchased software costs at December 31, 2014 and 2013 was \$26.6 million and \$25.0 million, respectively. Capitalized purchased software costs are amortized straight-line over the estimated useful life of the related software, which ranges from 3 to 7 years.

As of December 31, 2013, the Company had an asset held for sale in other assets with a net book value of \$5.4 million. During 2014, the Company completed the sale of its Tianjin subsidiary which included this asset for \$5.7 million resulting in a \$1.5 million gain.

Note 6—Borrowing Facilities

Under the terms of a credit agreement (the Credit Agreement), the Company has a \$200 million five-year revolving credit facility for general corporate purposes with a maturity date of July 30, 2017. The Credit Agreement includes an accordion feature under which total commitments under the facility may be increased by an additional \$100 million, subject to satisfaction of certain conditions and lender approval.

Interest on outstanding borrowings under the Credit Agreement is payable quarterly, at the Company's option, at either LIBOR plus 1.75% to 2.75% or a prime rate plus 0.75% to 1.75%, based upon the Company's leverage ratio as specified in the Credit Agreement. A commitment fee of 0.30% to 0.40% per annum (based upon the Company's liquidity ratio as specified in the Credit Agreement) on the unused portion of the revolving credit line is payable quarterly in arrears. As of December 31, 2014 and 2013, the Company had no borrowings outstanding under the Credit Agreement, \$1.2 million and \$0.8 million, respectively, in outstanding letters of credit and \$198.8 million and \$199.2 million, respectively, was available for future borrowings.

The Credit Agreement is secured by the Company's domestic inventory and accounts receivable, 100% of the stock of the Company's domestic subsidiaries and 65% of the voting capital stock of each direct foreign subsidiary and substantially all of the other tangible and intangible assets of the Company and its domestic subsidiaries. The Credit Agreement contains customary financial covenants as to debt leverage and fixed charges, and restricts the Company's ability to incur additional debt, pay dividends, repurchase shares, sell assets and merge or consolidate with other persons. As of both December 31, 2014 and 2013, the Company was in compliance with all of these covenants and restrictions.

The Company's Thailand subsidiary has a multi-purpose credit facility with Kasikornbank Public Company Limited (the Thai Credit Facility) that provides for 350 million Thai baht working capital availability. The Thai Credit Facility is secured by land and buildings in Thailand owned by the Company's Thailand subsidiary. Availability of funds under the Thai Credit Facility is reviewed annually and is currently accessible through October 2015. As of both December 31, 2014 and 2013, there were no working capital borrowings outstanding under the facility.

Note 7—Commitments

The Company leases certain manufacturing equipment, office equipment, vehicles and office, warehouse and manufacturing facilities under operating leases. Some of the leases provide for escalation of the lease payments as maintenance costs and taxes increase. The leases expire at various times through 2021. Leases for office space and manufacturing facilities generally contain renewal options. Rental expense for 2014, 2013 and 2012 was \$14.6 million, \$11.2 million and \$9.1 million, respectively.

The Company is obligated under a capital lease that expires in 2023. As of December 31, 2014, property, plant and equipment included the following amounts under capital leases (in thousands):

Buildings and building improvements	\$	12,207
Less accumulated depreciation		(6,010)
	\$	6,197

Capital lease obligations outstanding consist of the following:				
		December 31,		
(in thousands)		2014		2013
Capital lease obligations	\$	9,521	\$	10,103
Less current installments		676		582
Capital lease obligations, less current installments	\$	8,845	\$	9,521

Future minimum lease payments under noncancelable operating leases and future minimum capital lease payments are as follows (in thousands):

		Capital		Operating
Year ending December 31,		Leases		Leases
2015	\$	1,613	\$	14,577
2016		1,645		9,097
2017		1,678		4,275
2018		1,712		3,622
2019		1,746		3,021
Thereafter		5,915		6,691
Total minimum lease payments	\$	14,309	\$	41,283
Less: amount representing interest		4,788		
Present value of minimum lease payments		9,521		
Less: current installments		676		
Capital lease obligations, less current installments	\$	8,845		

The Company enters into contractual commitments to deliver products and services in the ordinary course of business. The Company believes that all such contractual commitments will be performed or renegotiated such that no material adverse financial impact on the Company's financial position, results of operations or liquidity will result from these commitments.

Note 8—Common Shares and Stock-Based Awards Plans

On both December 4, 2014 and June 13, 2012, the Board of Directors approved the repurchase of up to \$100 million of the Company's outstanding common shares (the 2014 Repurchase Program and the 2012 Repurchase Program, respectively). As of December 31, 2014, the Company had \$100.0 million and \$3.1 million, respectively, remaining under the 2014 and 2012 Repurchase Programs to repurchase additional shares.

Share purchases may be made in the open market, in privately negotiated transactions or block transactions, at the discretion of the Company's management and as market conditions warrant. Purchases will be funded from available cash and may be commenced, suspended or discontinued at any time without prior notice. Shares repurchased under the program will be retired. During 2014, the Company repurchased a total of 1.9 million common shares for \$43.8 million at an average price of \$23.51 per share. During 2013, the Company repurchased a total of 2.1 million common shares for \$41.2 million at an average price of \$19.65 per share. During 2012, the Company repurchased a total of 3.2 million common shares for \$47.1 million at an average price of \$14.59 per share.

The Benchmark Electronics, Inc. 2000 Stock Awards Plan (the 2000 Plan) authorized, and the 2010 Plan authorizes, the Company, upon approval of the compensation committee of the Board of Directors, to grant a variety of awards, including stock options, restricted shares, restricted stock units, stock appreciation rights, performance compensation awards, phantom stock awards and deferred share units, or any combination thereof, to any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of the Company. Stock options are granted to employees with an exercise price equal to the market price of the Company's common shares on the date of grant, generally vest over a four-year period from the date of grant and have a term of ten years. Restricted shares and restricted stock units granted to employees generally vest over a four-year period from the date of grant, subject to the continued employment of the employee by the Company. The 2000 Plan expired in February 2010, and no additional grants can be made under that plan. The 2010 Plan was approved by the Company's shareholders in May 2010 and amended in May 2014. Members of the Board of Directors who are not employees of the Company hold awards under the Benchmark Electronics, Inc. 2002 Stock Option Plan for Non-Employee Directors (the 2002 Plan) and the 2010 Plan. Stock options were granted pursuant to the 2002 Plan upon the occurrence of the non-employee director's election or re-election to the Board of Directors. All awards under the 2002 Plan were fully vested upon the date of grant and have a term of ten years. The 2002 Plan was approved by the Company's shareholders in May 2002 and expired in February 2012. No additional grants may be made under the 2002 Plan. Non-employee directors currently receive equity awards under the 2010 Plan. Since 2011, awards under the 2010 Plan to non-employee directors have been in the form of restricted stock units, which vest in equal quarterly installments over a one-year period, starting on the grant date.

As of December 31, 2014, 4.4 million additional common shares were available for issuance under the Company's existing plans.

The following table summarizes activities related to the Company's stock options:

				Weighted-	
				Average	
				Remaining	Aggregate
	Number of		Exercise	Contractual	Intrinsic
(in thousands, except per share data)	Options		Price	Term (Years)	Value
Outstanding at December 31, 2011	4,525	\$	19.69		
Granted	432		15.77		
Exercised	(375)		12.42		
Forfeited or expired	(342)		20.42		
Outstanding at December 31, 2012	4,240		19.88		
Granted	348		17.37		
Exercised	(713)		15.72		
Forfeited or expired	(791)		22.88		
Outstanding at December 31, 2013	3,084		19.79		
Granted	378		22.94		
Exercised	(940)		20.06		
Forfeited or expired	(85)		22.61		
Outstanding at December 31, 2014	2,437	\$	20.07	5.04	\$ 13,617
Exercisable at December 31, 2014	1,616	\$	20.32	3.13	\$ 8,819

The aggregate intrinsic value in the table above is before income taxes and is calculated as the difference between the exercise price of the underlying options and the Company's closing stock price as of the last business day of 2014 for options that had exercise prices that were below the closing price.

At December 31, 2014, 2013 and 2012, the number of options exercisable was 1.6 million, 2.4 million and 3.5 million, respectively, and the weighted-average exercise price of those options was \$20.32, \$20.63 and \$20.46, respectively.

The following table summarizes the activities related to the Company's restricted shares:

				Weighted-
				Average
			Number of	Grant Date
(in thousands, except per share data)			Shares	Fair Value
Non-vested shares outstanding at December 31, 2011			244	\$ 18.23
Granted			209	15.56

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Vested		(87)		17.57
Forfeited		(26)		17.49
Non-vested shares outstanding at December 31, 2012		340		16.81
Vested		(106)		17.42
Forfeited		(40)		16.40
Non-vested shares outstanding at December 31, 2013		194		16.56
Vested		(76)		16.87
Forfeited		(9)		16.85
Non-vested shares outstanding at December 31, 2014		109	\$	16.33

The following table summarizes the activities related to the Company's time-based restrictive stock units:

				Weighted-
				Average
		Number of		Grant Date
(in thousands, except per share data)		Units		Fair Value
Non-vested awards outstanding at December 31, 2011		83	\$	17.88
Granted		95		15.50
Vested		(61)		16.35
Forfeited		(14)		17.07
Non-vested awards outstanding at December 31, 2012		103		16.70
Granted		277		17.66
Vested		(67)		17.06
Forfeited		(10)		17.36
Non-vested awards outstanding at December 31, 2013		303		17.48
Granted		246		22.92
Vested		(112)		18.34
Forfeited		(25)		19.99
Non-vested awards outstanding at December 31, 2014		412	\$	20.33

The following table summarizes the activities related to the Company's performance-based restricted stock units:

				Weighted-
				Average
		Number of		Grant Date
(in thousands, except per share data)		Units		Fair Value
Non-vested awards outstanding at December 31, 2011		68	\$	18.57
Granted ⁽¹⁾		103		15.11
Forfeited		(7)		18.57
Non-vested awards outstanding at December 31, 2012		164		16.39
Granted ⁽¹⁾		76		17.37
Forfeited		(25)		16.03
Non-vested awards outstanding at December 31, 2013		215		16.78
Granted ⁽¹⁾		88		22.92
Forfeited		(29)		18.52
Non-vested awards outstanding at December 31, 2014		274	\$	18.56

⁽¹⁾ Represents target number of units that can vest based on the achievement of the performance goals.

Note 9—Income Taxes						
Income tax expense (benefit) based on income before income taxes consisted of the following:						
		Year Ended December 31,				
(in thousands)		2014		2013		2012
Current:						
	U.S. Federal	\$ (87)		\$ (358)		\$ 776
	State and local	822		152		640
	Foreign	4,646		11,010		8,352
		5,381		10,804		9,768
Deferred:						
	U.S. Federal	8,999		(11,069)		9,914
	State and local	1,663		1,437		1,560
	Foreign	1,365		3,846		(2,410)
		12,027		(5,786)		9,064
		\$ 17,408		\$ 5,018		\$ 18,832

Worldwide income before income taxes consisted of the following:						
		Year Ended December 31,				
(in thousands)		2014		2013		2012
	United States	\$ 24,260		\$ 19,093		\$ 27,538
	Foreign	75,590		97,084		47,901
		\$ 99,850		\$ 116,177		\$ 75,439

Income tax expense differed from the amounts computed by applying the U.S. Federal statutory income tax rate to income before income taxes as a result of the following:

		Year Ended December 31,				
(in thousands)		2014		2013		2012
	Tax at statutory rate	\$ 34,947		\$ 40,662		\$ 26,404
	State taxes, net of federal tax effect	1,615		1,033		2,012
	Effect of foreign operations and tax incentives	(24,737)		(19,138)		(11,710)
	Change in valuation allowance	(118)		(17,880)		(44)
	Chinese retroactive tax incentive	(1,227)		—		—
	Losses in foreign jurisdictions for which no benefit has been provided	5,812		1,013		927
	American Taxpayer Relief Act of 2012	—		(844)		—
	Other	1,116		172		1,243
	Total income tax expense	\$ 17,408		\$ 5,018		\$ 18,832

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

		December 31,	
(in thousands)		2014	2013
Deferred tax assets:			
Carrying value of inventories		\$ 4,772	\$ 6,241
Accrued liabilities and allowances deductible for tax purposes			
	on a cash basis	5,620	5,383
Goodwill		8,433	13,346
Stock-based compensation		6,583	7,169
Net operating loss carryforwards		40,217	40,915
Tax credit carryforwards		7,148	5,970
Other		8,977	7,394
		81,750	86,418
Less: valuation allowance		(36,682)	(30,312)
Net deferred tax assets		45,068	56,106
Deferred tax liabilities:			
Plant and equipment, due to differences in depreciation		(5,402)	(5,063)
Intangible assets, due to differences in amortization		(6,102)	(6,117)
Other		(2,151)	(1,839)
Gross deferred tax liability		(13,655)	(13,019)
Net deferred tax asset		\$ 31,413	\$ 43,087
Recorded as:			
Current deferred tax assets		\$ 8,502	\$ 11,302
Non-current deferred tax assets		25,017	33,856
Non-current deferred tax liabilities		(2,106)	(2,071)
Net deferred tax asset		\$ 31,413	\$ 43,087

The net change in the total valuation allowance for 2014, 2013 and 2012 was an increase (decrease) of \$6.4 million, \$(11.5) million and \$(0.7) million, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances as of December 31, 2014. During 2013, the Company evaluated the recoverability of its deferred tax assets using the criteria described above and concluded that the Company's projected future taxable income in the U.S. is sufficient to utilize additional net operating loss carryforwards and other deferred tax assets. As a result, during 2013, the Company reduced its valuation allowance by \$17.5 million. In addition, the Company established valuation allowances totaling \$4.6 million for acquired deferred tax assets during 2013.

As of December 31, 2014, the Company had \$73.6 million in U.S. Federal operating loss carryforwards which will expire from 2022 to 2034; state operating loss carryforwards of approximately \$84.4 million which will expire from 2017 to 2031; foreign operating loss carryforwards of approximately \$31.0 million with indefinite carryforward periods; and foreign operating loss carryforwards of approximately \$14.4 million which will expire at varying dates through 2024. The utilization of these net operating loss carryforwards is limited to the future operations of the Company in the tax jurisdictions in which such carryforwards arose. The Company has U.S. federal tax credit carryforwards of \$5.5 million, which will expire at varying dates through 2031. The Company has state tax credit carryforwards of \$1.6 million which will expire at varying dates through 2027.

Cumulative undistributed earnings of certain foreign subsidiaries amounted to approximately \$717 million as of December 31, 2014. The Company considers earnings from foreign subsidiaries to be indefinitely reinvested and, accordingly, no provision for U.S. federal and state income taxes has been made for these earnings. Upon distribution of foreign subsidiary earnings in the form of dividends or otherwise, such distributed earnings would be reportable for U.S. income tax purposes (subject to adjustment for foreign tax credits). Determination of the amount of any unrecognized deferred tax liability on these undistributed earnings is not practicable.

The Company has been granted certain tax incentives, including tax holidays, for its subsidiaries in China, Malaysia and Thailand that will expire at various dates, unless extended or otherwise renegotiated, through 2015 in China, 2016 in Malaysia and 2026 in Thailand, and are subject to certain conditions with which the Company expects to comply. The Company's Chinese subsidiary had a tax incentive that expired at the end of 2012. During the first quarter of 2014, this tax incentive was extended until 2015 and was retroactively applied to the 2013 calendar year. The tax adjustment for the retroactive income tax incentive for 2013 totaling \$1.2 million was recorded as of March 31, 2014. The net impact of these tax incentives was to lower income tax expense for 2014, 2013, and 2012 by approximately \$12.7 million (approximately \$0.23 per diluted share), \$8.8 million (approximately \$0.16 per diluted share) and \$8.0 million (approximately \$0.14 per diluted share), respectively, as follows:

(in thousands)	Year Ended December 31,			
	2014		2013	2012
China	\$ 2,800	\$	—	\$ 2,449
Malaysia	2,299		1,559	992
Thailand	7,622		7,283	4,594
	\$ 12,721	\$	8,842	\$ 8,035

The Company must determine whether it is “more-likely-than-not” that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets the more-likely-than-not recognition threshold, the position is measured to determine the amount of benefit to recognize in the financial statements. As of December 31, 2014, the total amount of the reserve for uncertain tax benefits including interest and penalties is \$18.0 million. A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, is as follows:

(in thousands)	December 31,			
	2014		2013	2012
Balance as of January 1	\$ 18,174	\$	18,070	\$ 18,091
Additions related to current year tax positions	968		—	—
Additions related to prior year tax positions	—		104	141
Decreases related to prior year tax positions	(4,386)		—	(162)
Balance as of December 31	\$ 14,756	\$	18,174	\$ 18,070

The decrease in the total amount of unrecognized tax benefits reserve during 2014 was primarily the result of a decrease in the unrecognized tax benefits reserve as a result of the disposal of the Tianjin subsidiary.

The reserve is classified as a current or long-term liability in the consolidated balance sheet based on the Company's expectation of when the items will be settled. The Company records interest expense and penalties accrued in relation to uncertain income tax benefits as a component of current income tax expense. The amount of accrued potential interest and penalties, respectively, on unrecognized tax benefits included in the reserve as of December 31, 2014 is \$1.7 million and \$1.6 million. The total amount of interest and penalties included in income tax expense during 2014 was \$0.1 million. The Company did not incur any interest and penalties in 2013 or 2012.

The Company and its subsidiaries in Brazil, China, Ireland, Luxembourg, Malaysia, Mexico, the Netherlands,

Romania, Singapore, Thailand and the United States remain open to examination by the various local taxing authorities, in total or in part, for fiscal years 2004 to 2014.

The Company is subject to examination by tax authorities for varying periods in various U.S. and foreign tax jurisdictions. In the second quarter of 2014, the Internal Revenue Service (IRS) initiated a federal income tax audit of the calendar year 2011 for the Company and its U.S. subsidiaries. During the fourth quarter of 2014, the IRS determined that no adjustments were necessary for the Company and its U.S. subsidiaries. Currently, the Company does not have any ongoing IRS income tax audits. During the course of such examinations, disputes may occur as to matters of fact or law. Also, in most tax jurisdictions, the passage of time without examination will result in the expiration of applicable statutes of limitations thereby precluding examination of the tax period(s) for which such statute of limitation has expired. The Company believes that it has adequately provided for its tax liabilities.

Note 10—Major Customers

The Company's customers operate in industries that are, to a varying extent, subject to rapid technological change, vigorous competition and short product life cycles. Developments adverse to the electronics industry, the Company's customers or their products could impact the Company's overall credit risk.

The Company extends credit based on evaluation of its customers' financial condition and generally does not require collateral or other security from its customers and would incur a loss equal to the carrying value of the accounts receivable if its customer failed to perform according to the terms of the credit arrangement.

Sales to the ten largest customers represented 50%, 53% and 56% of total sales for 2014, 2013 and 2012, respectively. Sales to our largest customers were as follows for the indicated periods:

(in thousands)	Year ended December 31,					
	2014		2013		2012	
Arris Group, Inc.	\$ 315,688	\$	*	\$	*	
International Business Machines Corporation	\$ 312,611	\$	430,205	\$	506,126	

* amount is less than 10% of total.

Note 11—Financial Instruments and Concentration of Credit Risk

The carrying amounts of cash equivalents, accounts receivable, accrued liabilities, accounts payable and capital lease obligations approximate fair value. As of December 31, 2014, the Company's investments are recorded at fair value. See Note 1(e). As of December 31, 2014, the Company had no significant off-balance sheet concentrations of credit risk such as foreign currency exchange contracts or other hedging arrangements. Financial instruments that subject the Company to credit risk consist of cash and cash equivalents, investments and trade accounts receivable. Management maintains the majority of the Company's cash and cash equivalents with financial institutions. One of the most significant credit risks is the ultimate realization of accounts receivable. This risk is mitigated by (i) sales to well established companies, (ii) ongoing credit evaluation of customers, and (iii) frequent contact with customers, thus enabling management to monitor current changes in business operations and to respond accordingly. Management considers these concentrations of credit risks in establishing our allowance for doubtful accounts and believes these allowances are adequate. The Company had two customers whose gross accounts receivable each represented approximately 14% of total gross accounts receivable as of December 31, 2014.

Note 12—Concentrations of Business Risk

Substantially all of the Company's sales are derived from manufacturing services in which the Company purchases components specified by its customers. The Company uses numerous suppliers of electronic components and other materials for its operations. Some components used by the Company have been subject to industry-wide shortages, and suppliers have been forced to allocate available quantities among their customers. The Company's inability to obtain any needed components during periods of allocation could cause delays in manufacturing and could adversely affect results of operations.

Note 13—Segment and Geographic Information

The Company currently has manufacturing facilities in the United States, Mexico, Asia and Europe to serve its customers. The Company is operated and managed geographically, and management evaluates performance and allocates the Company's resources on a geographic basis. Intersegment sales are generally recorded at prices that approximate arm's length transactions. Operating segments' measure of profitability is based on income from operations. The accounting policies for the reportable operating segments are the same as for the Company taken as a whole. The Company has three reportable operating segments: the Americas, Asia, and Europe. Information about operating segments was as follows:

		Year Ended December 31,				
(in thousands)		2014		2013		2012
Net sales:						
	Americas	\$ 1,699,110		\$ 1,490,954		\$ 1,440,298
	Asia	1,066,885		957,162		978,093
	Europe	152,558		142,508		139,684
	Elimination of intersegment sales	(121,492)		(84,157)		(89,925)
		\$ 2,797,061		\$ 2,506,467		\$ 2,468,150
Depreciation and amortization:						
	Americas	\$ 21,810		\$ 17,142		\$ 14,755
	Asia	17,351		17,270		15,180
	Europe	2,739		2,732		2,544
	Corporate	4,549		3,798		3,234
		\$ 46,449		\$ 40,942		\$ 35,713
Income from operations:						
	Americas	\$ 58,813		\$ 55,147		\$ 60,320
	Asia	78,643		93,463		51,978
	Europe	9,535		8,517		1,117
	Corporate and intersegment eliminations	(46,847)		(40,603)		(37,856)
		\$ 100,144		\$ 116,524		\$ 75,559
Capital expenditures:						
	Americas	\$ 33,968		\$ 19,256		\$ 19,437
	Asia	6,633		5,110		25,636
	Europe	3,932		2,316		2,274
	Corporate	856		2,055		1,688
		\$ 45,389		\$ 28,737		\$ 49,035
Total assets:						
	Americas	\$ 712,588		\$ 702,378		\$ 569,212
	Asia	666,717		658,668		636,481
	Europe	239,274		255,644		200,563
	Corporate and other	60,310		40,681		95,221

		\$	1,678,889	\$	1,657,371	\$	1,501,477
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Geographic net sales information provided below reflects the destination of the product shipped. Long-lived assets information is based on the physical location of the asset.

		Year Ended December 31,				
(in thousands)		2014		2013		2012
Geographic net sales:						
	United States	\$ 2,038,544		\$ 1,772,212		\$ 1,739,794
	Asia	371,820		386,251		398,890
	Europe	264,674		271,414		273,560
	Other	122,023		76,590		55,906
		\$ 2,797,061		\$ 2,506,467		\$ 2,468,150
Long-lived assets:						
	United States	\$ 93,679		\$ 96,287		\$ 76,216
	Asia	88,375		98,816		107,151
	Europe	8,114		10,333		10,948
	Other	28,173		20,634		15,200
		\$ 218,341		\$ 226,070		\$ 209,515

Note 14—Employee Benefit Plans

The Company has defined contribution plans qualified under Section 401(k) of the Internal Revenue Code for the benefit of all its U.S. employees. The Company's contributions to the plans are based on employee contributions and compensation. During 2014, 2013 and 2012, the Company made contributions to the plans of approximately \$4.7 million, \$4.1 million and \$3.5 million, respectively. The Company also has defined contribution benefit plans for certain of its international employees primarily dictated by the custom of the regions in which it operates. During 2014, 2013 and 2012, the Company made contributions to the international plans of approximately \$0.2 million, \$0.2 million and \$0.1 million, respectively.

Note 15—Contingencies

The Company is involved in various legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

Note 16—Restructuring Charges

The Company has undertaken initiatives to restructure its business operations to improve utilization and realize cost savings. These initiatives have included changing the number and location of production facilities, largely to align capacity and infrastructure with current and anticipated customer demand. This alignment includes transferring programs from higher cost geographies to lower cost geographies. The process of restructuring entails, among other activities, moving production between facilities, reducing staff levels, realigning our business processes and reorganizing our management.

The Company recognized restructuring charges during 2014, 2013 and 2012 primarily related to the closure of facilities, capacity reduction and reductions in workforce in certain facilities across various regions.

The following table summarizes the 2014 activity in the accrued restructuring balances related to the various restructuring activities initiated prior to December 31, 2014:

		Balance as of					Foreign	Balance as of
		December 31,	Restructuring	Cash	Non-Cash		Exchange	December 31,
(in thousands)		2013	Charges	Payment	Activity		Adjustments	2014
2014 Restructuring:								
	Severance	\$ —	\$ 876	\$ (876)	\$ —			\$ —
	Other exit costs	—	3	(3)	—			—
		—	879	(879)	—			—
2013 Restructuring:								
	Severance	120	87	(193)	—		(14)	
	Other exit costs	833	99	(627)	(344)		39	
		953	186	(820)	(344)		25	
2012 Restructuring:								
	Severance	34	45	(79)	—		—	
	Other exit costs	104	(61)	(31)	—		(12)	
		138	(16)	(110)	—		(12)	
Total		\$ 1,091	\$ 1,049	\$ (1,809)	\$ (344)		13	\$ —

The components of the restructuring charges initiated during 2014 were as follows:

		Americas		Asia		Total
(in thousands)						
Severance costs	\$	827	\$	49	\$	876
Other exit costs		—		3		3
	\$	827	\$	52	\$	879

During 2014, the Company recognized \$0.9 million of employee termination costs associated with the involuntary terminations of 104 employees in connection with reductions in workforce of certain facilities primarily in the Americas.

The following table summarizes the 2013 activity in the accrued restructuring balances related to the various restructuring activities initiated prior to December 31, 2013:

		Balance as of				Foreign	Balance as of
		December 31, 2012	Restructuring Charges	Cash Payment	Non-Cash Activity	Exchange Adjustments	December 31, 2013
(in thousands)							
2013 Restructuring:							
	Severance	\$ —	\$ 2,202	\$ (2,003)	\$ —	\$ (79)	\$ 120
	Lease facility costs	—	142	(139)	—	(3)	—
	Other exit costs	—	3,246	(1,245)	(1,224)	56	833
		—	5,590	(3,387)	(1,224)	(26)	953
2012 Restructuring:							
	Severance	538	660	(1,262)	—	98	34
	Lease facility costs	—	798	(328)	(466)	(4)	—
	Other exit costs	166	138	(107)	—	(93)	104
		704	1,596	(1,697)	(466)	1	138
2011 Restructuring:							
	Lease facility costs	13	(102)	87	—	2	—
		13	(102)	87	—	2	—
	Total	\$ 717	\$ 7,084	\$ (4,997)	\$ (1,690)	\$ (23)	\$ 1,091

The components of the restructuring charges initiated during 2013 were as follows:

		Americas		Asia		Total
(in thousands)						
	Severance costs	\$ 2,202		\$ —		\$ 2,202
	Facility lease costs	142		—		142
	Other exit costs	2,118		1,128		3,246
		\$ 4,462		\$ 1,128		\$ 5,590

During 2013, the Company recognized \$2.2 million of employee termination costs associated with the involuntary terminations of 144 employees in connection with reductions in workforce of certain facilities in the Americas. The identified involuntary employee terminations were primarily in connection with the closure of the Campinas, Brazil facility. The Company also reported \$3.2 million for other exit costs, including \$1.2 million of asset impairments, associated with the closure of the Campinas facility, and \$0.1 million for facility lease obligations.

The components of the restructuring charges initiated during 2012 were as follows:

(in thousands)		Americas		Europe		Asia	Total
Severance costs	\$	494	\$	531	\$	504	\$ 1,529
Facility lease costs		—		—		55	55
Other exit costs		—		176		33	209
	\$	494	\$	707	\$	592	\$ 1,793

During 2012, the Company recognized \$1.5 million of employee termination costs associated with the involuntary terminations of 139 employees in connection with reductions in workforce of certain facilities worldwide. The identified involuntary employee terminations by reportable geographic region amounted to approximately 68, 61 and 10 for the Americas, Asia and Europe, respectively.

Note 17—Thailand Flood-Related Items, Net of Insurance

The Company's facilities in Ayudhaya, Thailand were flooded and remained closed from October 13, 2011 to December 20, 2011. As a result of the flooding and temporary closing of these facilities, the Company incurred property losses and flood related costs during 2012 and 2011, which were partially offset by insurance recoveries. During 2014, Thailand flood-related items resulted in a gain of \$1.6 million of insurance proceeds. The recovery process with the insurance carriers was completed in the first quarter of 2014. During 2013, Thailand flood-related items resulted in a gain of \$41.3 million.

As a result of the flooding, the Company has been unable to renew or otherwise obtain adequate cost-effective flood insurance to cover assets at its facilities in Thailand. The Company continues to monitor the insurance market in Thailand. In the event the Company was to experience a significant uninsured loss in Thailand or elsewhere, it could have a material adverse effect on its business, financial condition and results of operations.

Note 18—Quarterly Financial Data (Unaudited)

The following table sets forth certain unaudited quarterly information with respect to the Company's results of operations for the years 2014, 2013 and 2012. Earnings per share are computed independently for each of the quarters presented. Therefore, the sum of the quarterly earnings per share may not equal the total earnings per share amounts for the fiscal year.

		2014 Quarter					
(in thousands, except per share data)		1st		2nd		3rd	4th
Sales		\$ 639,344		\$ 716,868		\$ 731,302	\$ 709,547
Gross profit		51,123		57,751		55,294	55,689
Net income		19,125		22,150		17,156	24,011
Earnings per common share:							
	Basic	0.36		0.41		0.32	0.45
	Diluted	0.35		0.41		0.32	0.45
		2013 Quarter					
(in thousands, except per share data)		1st		2nd		3rd	4th
Sales		\$ 542,444		\$ 607,522		\$ 599,658	\$ 756,843
Gross profit		36,834		44,367		45,440	59,843
Net income		11,487		8,457		23,726	67,489
Earnings per common share:							
	Basic	0.21		0.16		0.44	1.26
	Diluted	0.21		0.16		0.43	1.24
		2012 Quarter					
(in thousands, except per share data)		1st		2nd		3rd	4th
Sales		\$ 593,417		\$ 630,031		\$ 610,769	\$ 633,933
Gross profit		40,508		45,991		44,780	45,459
Net income		5,598		13,580		19,314	18,115
Earnings per common share:							
	Basic	0.10		0.24		0.35	0.33
	Diluted	0.10		0.24		0.34	0.33

Note 19—Accumulated Other Comprehensive Loss

The changes in accumulated other comprehensive loss by component were as follows:

		Foreign	Unrealized			
		currency	loss on			
		translation	investments,			
(in thousands)		adjustments	net of tax		Other	Total
Balances, December 31, 2011		\$ (9,674)	\$ (3,327)		\$ (449)	\$ (13,450)
	Other comprehensive gain (loss) before					
	reclassifications	993	1,476		(87)	2,382
	Amounts reclassified from accumulated					
	other comprehensive loss	—	—		532	532
	Net current period other comprehensive gain	993	1,476		445	2,914
Balances, December 31, 2012		(8,681)	(1,851)		(4)	(10,536)
	Other comprehensive gain before					
	reclassifications	591	418		433	1,442
	Net current period other comprehensive gain	591	418		433	1,442
Balances, December 31, 2013		(8,090)	(1,433)		429	(9,094)
	Other comprehensive gain (loss) before					
	reclassifications	(4,528)	1,369		(122)	(3,281)
	Amounts reclassified from accumulated					
	other comprehensive loss	2,930	—		(30)	2,900
	Net current period other comprehensive gain (loss)	(1,598)	1,369		(152)	(381)
Balances, December 31, 2014		\$ (9,688)	\$ (64)		\$ 277	\$ (9,475)

Amounts reclassified from accumulated other comprehensive loss during 2012 primarily affected selling, general and administrative expenses. There were no amounts reclassified from accumulated other comprehensive loss during 2013. The amounts reclassified from accumulated other comprehensive loss and the affected line item in the consolidated statement of income during 2014 were as follows:

		Year		
		Ended		
(in thousands)		December 31,		Affected line items on the
		2014		Consolidated Statement of
				Income

Foreign currency translation adjustments					
	Disposal of Tianjin subsidiary	\$	2,979		Asset impairment charge and other
	Foreign currency translations		(49)		Other income (expense)
		\$	2,930		Net of tax
Other					
	Actuarial net gains	\$	(30)		Selling, general and administrative expenses
		\$	(30)		Net of tax

Note 20—Supplemental Cash Flow and Non-Cash Information

The following is additional information concerning supplemental disclosures of cash payments.							
			Year ended December 31,				
(in thousands)		2014		2013		2012	
Income taxes paid, net	\$	5,821	\$	62	\$	11,975	
Interest paid	\$	1,717	\$	1,757	\$	1,353	
Non-cash investing activity:							
Additions to property, plant and equipment in accounts payable	\$	9,113	\$	3,170	\$	2,020	

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Benchmark Electronics, Inc.:

We have audited the accompanying consolidated balance sheets of Benchmark Electronics, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Benchmark Electronics, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control-Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

(signed) KPMG LLP

Houston, Texas

February 27, 2015

Management's Report

Benchmark's management has prepared and is responsible for the consolidated financial statements and related financial data contained in this Report. The consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles and necessarily include certain amounts based upon management's best estimates and judgments. The financial information contained elsewhere in this Report is consistent with that in the consolidated financial statements.

The Company maintains internal accounting control systems that are adequate to prepare financial records and to provide reasonable assurance that the assets are safeguarded from loss or unauthorized use. We believe these systems are effective, and the cost of the systems does not exceed the benefits obtained.

The Audit Committee, composed exclusively of independent, outside directors, has reviewed all financial data included in this Report and recommended to the full Board inclusion of the audited financial statements contained in the Report. The committee meets periodically with the Company's management and independent registered public accountants on financial reporting matters. The independent registered public accountants have complete access to the Audit Committee and may meet with the committee, without management present, to discuss their audit results and opinions on the quality of financial reporting.

The role of independent registered public accountants is to render a professional, independent opinion on management's financial statements to the extent required by the standards of the Public Company Accounting Oversight Board (United States). Benchmark's responsibility is to conduct its affairs according to the highest standards of personal and corporate conduct.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

None.

Item 9A. *Controls and Procedures.*

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of the end of the period covered by this Report, the Company's management (with the participation of its chief executive officer and chief financial officer) conducted an evaluation pursuant to Rule 13a-15 promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Company's chief executive officer and chief financial officer concluded that as of the end of the period covered by this Report such disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Company's chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting that occurred during the last fiscal quarter covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework (1992)* (the 1992 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the 1992 Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2014.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2014 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included below.

On May 14, 2013, COSO issued an updated version of its *Internal Control - Integrated Framework* (the 2013 Framework) which officially superseded the 1992 Framework on December 15, 2014. Originally issued in 1992, the framework helps organizations design, implement and evaluate the effectiveness of internal control concepts and simplify their use and application. Neither COSO, the Securities and Exchange Commission or any other regulatory body has mandated adoption of the 2013 Framework by a specified date. We are currently in the process of performing an analysis to evaluate what changes to our control environment, if any, would be needed to successfully implement the 2013 Framework. Until such time as our transition to the 2013 Framework is complete, we will continue to use the 1992 Framework in connection with our assessment of internal control.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Benchmark Electronics, Inc.:

We have audited Benchmark Electronics, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control-Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made

only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Benchmark Electronics, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control-Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Benchmark Electronics, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated February 27, 2015, expressed an unqualified opinion on those consolidated financial statements.

(signed) KPMG LLP

Houston, Texas

February 27, 2015

Item 9B. Other Information.

Not applicable.

PART III**Item 10. Directors, Executive Officers and Corporate Governance.**

The information under the captions “Election of Directors,” “Executive Officers” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company’s Proxy Statement for the 2015 Annual Meeting of Shareholders (the 2015 Proxy Statement), to be filed not later than 120 days after the close of the Company’s fiscal year, is incorporated herein by reference in response to this item.

Item 11. Executive Compensation.

The information under the captions “Compensation Discussion and Analysis” and “Report of Compensation Committee” in the 2015 Proxy Statement is incorporated herein by reference in response to this item.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.

The information under the caption “Common Share Ownership of Certain Beneficial Owners and Management” in the 2015 Proxy Statement is incorporated herein by reference in response to this item.

The following table sets forth certain information relating to our equity compensation plans as of December 31, 2014:

			Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
Plan Category					
Equity compensation plans approved by security holders			3,123,857 ⁽¹⁾	\$20.07 ⁽¹⁾	4,416,455

⁽¹⁾Includes 686,636 restricted share units and performance restricted share units. The weighted-

average exercise price does not take these awards into account.

Item 13. *Certain Relationships and Related Transactions, and Director Independence.*

The information under the caption “Election of Directors” in the 2015 Proxy Statement is incorporated herein by reference in response to this item.

Item 14. *Principal Accounting Fees and Services.*

The information under the caption “Audit Committee Report to Shareholders” in the 2015 Proxy Statement is incorporated herein by reference in response to this item.

Report of Independent Registered Public Accounting Firm on Schedule

The Board of Directors and Shareholders

Benchmark Electronics, Inc.:

Under date of February 27, 2015, we reported on the consolidated balance sheets of Benchmark Electronics, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014, included in this annual report on Form 10-K for the year 2014. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule II. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

(signed) KPMG LLP

Houston, Texas

February 27, 2015

(3) Exhibits

Exhibit Number	Description of Exhibit
3.1	Restated Certificate of Formation dated November 4, 2014 (incorporated by reference to Exhibit 3.1 to the Company's quarterly report on Form 10-Q filed with the SEC on November 7, 2014) (the 10-Q) (Commission file number 1-10560)
3.2	Amended and Restated Bylaws of the Company dated November 4, 2014 (incorporated by reference to Exhibit 3.2 to the 10-Q)
4.1	Specimen form of certificate evidencing the Common Shares (incorporated by reference to Exhibit 4.1 to the 10-Q)
10.1	Form of Indemnity Agreement between the Company and its directors and senior officers (incorporated by reference to Exhibit 10.1 to the 10-Q)
10.2*	Benchmark Electronics, Inc. 2000 Stock Awards Plan (2000 Plan) (incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form S-8 (Registration Number 333-54186))
10.3*	Form of nonqualified stock option agreement for use under the 2000 Plan (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008 (Commission file number 1-10560))
10.4*	Benchmark Electronics, Inc. 2002 Stock Option Plan for Non-Employee Directors (2002 Plan) (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed April 15, 2002 (Commission file number 1-10560))
10.5*	Amendment No. 1 to the 2002 Plan (incorporated by reference to Exhibit 99.3 to the Company's Form 8-K dated May 18, 2006 filed on May 19, 2006 (Commission file number 1-10560))
10.6*	Benchmark Electronics, Inc. 2010 Omnibus Incentive Compensation Plan (2010 Plan) (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (Registration Number 333-168426))
10.7*	First Amendment to the 2010 Plan (incorporated by reference to Annex A to the Company's Definitive Proxy Statement on Schedule 14A filed March 28, 2014 (Commission file number 1-10560))
10.8*	Form of option award agreement for use under the 2010 Plan (incorporated by reference to Exhibit 4.10 to the Company's Registration Statement on Form S-8 (Registration Number 333-168426))
10.9*	

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	Form of restricted share award agreement for use under the 2010 Plan (incorporated by reference to Exhibit 4.11 to the Company's Registration Statement on Form S-8 (Registration Number 333-168426))
10.10*	Form of restricted stock unit award agreement for use under the 2010 Plan (incorporated by reference to Exhibit 4.12 to the Company's Registration Statement on Form S-8 (Registration Number 333-168426))
10.11*	Benchmark Electronics, Inc. Deferred Compensation Plan dated as of December 16, 2008 (incorporated by reference to Exhibit 99.1 to the Company's Form S-8 (Registration Number 333-156202)).
10.12*	Amended and Restated Employment Agreement dated November 8, 2011 between the Company and Gayla J. Delly (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K dated November 8, 2011 (Commission file number 1-10560))
10.13*	Employment Agreement between the Company and Donald F. Adam dated as of March 10, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated March 10, 2009 (Commission file number 1-10560))
10.14	Code of Conduct (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 2009 (Commission file number 1-10560)).
10.15	Fourth Amended and Restated Credit Agreement dated as of July 30, 2012 among the Company; the borrowing subsidiaries; the lenders party thereto; JPMorgan Chase Bank, N.A. as administrative agent, collateral agent and issuing lender; Bank of America, N.A., Wells Fargo Bank, N.A. and Comerica Bank as co-documentation agents; and J.P. Morgan Securities Inc. as lead arranger (incorporated by reference from Exhibit 10.1 to the Company's Form 8-K dated July 30, 2012 and filed on August 3, 2012 (Commission file number 1-10560))
10.16	First Amendment to the Fourth Amended and Restated Credit Agreement dated June 9, 2014 (incorporated by reference from Exhibit 10.1 to the Company's quarterly report on Form 10-Q filed with the SEC on August 6, 2014 (Commission file number 1-10560))
11	Statement regarding Computation of Per-Share Earnings (incorporated by reference to "Notes to Consolidated Financial Statements, Note 1(j) – Earnings Per Share" in Item 8 of this Report)
21**	Subsidiaries of Benchmark Electronics, Inc.
23**	Consent of Independent Registered Public Accounting Firm concerning incorporation by reference in the Company's Registration Statements on Form S-8 (Registration No. 333-28997, No. 333-101744, No. 333-156202, No. 333-168427 and No. 333-198404)
31.1**	Section 302 Certification of Chief Executive Officer
31.2**	Section 302 Certification of Chief Financial Officer
32.1**	Section 1350 Certification of Chief Executive Officer

32.2**	Section 1350 Certification of Chief Financial Officer
101.INS (1)	XBRL Instance Document
101.SCH (1)	XBRL Taxonomy Extension Schema Document
101.CAL (1)	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB (1)	XBRL Taxonomy Extension Label Linkbase Document
101.PRE (1)	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF (1)	XBRL Taxonomy Extension Definition Linkbase Document

(1) XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934 and otherwise is not subject to liability under these sections.

* Indicates management contract or compensatory plan or arrangement.

** Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

BENCHMARK ELECTRONICS, INC.

By: /s/ Gayla J. Delly

Gayla J. Delly

Chief Executive Officer

Date: February 27, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant, in the capacities and on the dates indicated.

<u>Name</u>	<u>Position</u>	<u>Date</u>
/s/ Peter G. Dorflinger Peter G. Dorflinger	Chairman of the Board	February 27, 2015
/s/ Gayla J. Delly Gayla J. Delly	President, Chief Executive Officer and Director (principal executive officer)	February 27, 2015
/s/ Donald F. Adam Donald F. Adam	Chief Financial Officer (principal financial and accounting officer)	February 27, 2015
/s/ Michael R. Dawson Michael R. Dawson	Director	February 27, 2015
/s/ Douglas G. Duncan Douglas G. Duncan	Director	February 27, 2015
/s/ Kenneth T. Lamneck Kenneth T. Lamneck	Director	February 27, 2015
/s/ David W. Scheible David W. Scheible	Director	February 27, 2015
/s/ Bernee D. L. Strom Bernee D. L. Strom	Director	February 27, 2015
/s/ Clay C. Williams Clay C. Williams	Director	February 27, 2015

