FLEXTRONICS INTERNATIONAL LTD.
Form 10-K
May 20, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2014

Or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 000-23354

FLEXTRONICS INTERNATIONAL LTD.

(Exact name of registrant as specified in its charter)

Singapore (State or other jurisdiction of incorporation or organization)	**Not Applicable** (I.R.S. Employer Identification No.)
2 Changi South Lane, Singapore (Address of registrant's principal executive offices)	**486123** (Zip Code)

Registrant's telephone number, including area code

(65) 6876-9899

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

Title of Each Class	**Name of Each Exchange on Which Registered**
Ordinary Shares, No Par Value	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

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 ý No o

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

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 ý No o

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 period that the registrant was required to submit and post such files). Yes ý No o

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 the 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. ý

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

As of September 27, 2013, the aggregate market value of the Company's ordinary shares held by non-affiliates of the registrant was approximately $5.6 billion based upon the closing sale price as reported on the NASDAQ Stock Market LLC (NASDAQ Global Select Market).

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	**Outstanding at May 14, 2014**
Ordinary Shares, No Par Value	585,456,950

DOCUMENTS INCORPORATED BY REFERENCE

Document	**Parts into Which Incorporated**
Proxy Statement to be delivered to shareholders in connection with the Registrant's 2014 Annual General Meeting of Shareholders	Part III

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PART I
FORWARD-LOOKING STATEMENTS

Unless otherwise specifically stated, references in this report to "Flextronics," "the Company," "we," "us," "our" and similar terms mean Flextronics International Ltd. and its subsidiaries.

Except for historical information contained herein, certain matters included in this annual report on Form 10-K are, or may be deemed to be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. The words "will," "may," "designed to," "believe," "should," "anticipate," "plan," "expect," "intend," "estimate" and similar expressions identify forward-looking statements, which speak only as of the date of this annual report. These forward-looking statements are contained principally under Item 1, "Business," and under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." Because these forward-looking statements are subject to risks and uncertainties, actual results could differ materially from the expectations expressed in the forward-looking statements. Important factors that could cause actual results to differ materially from the expectations reflected in the forward-looking statements include those described in Item 1A, "Risk Factors" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." In addition, new risks emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on our business. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements. We undertake no obligation to update or revise these forward-looking statements to reflect subsequent events or circumstances.

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ITEM 1. *BUSINESS*

OVERVIEW

We are a globally-recognized leading provider of supply chain solutions that span from concept through consumption. We design, build, ship and service a complete packaged electronic product for original equipment manufacturers ("OEMs") in the following business groups:

- High Reliability Solutions ("HRS"), which is comprised of our medical, automotive, and defense and aerospace businesses;

- High Velocity Solutions ("HVS"), which includes our mobile devices business, including smart phones; our consumer electronics business, including game consoles and wearable electronics; and our high-volume computing business, including various supply chain solutions for notebook personal computing ("PC"), tablets, and printers;

- Industrial and Emerging Industries ("IEI"), which is comprised of our household appliances, semi-cap equipment, kiosks, energy and emerging industries businesses; and

- Integrated Network Solutions ("INS"), which includes our telecommunications infrastructure, data networking, connected home, and server and storage businesses.

We provide our advanced design, manufacturing and supply chain services through a network of facilities in approximately 30 countries across four continents. We have established this extensive network of manufacturing facilities in the world's major electronics markets (Asia, the Americas and Europe) in order to serve the outsourcing needs of both multinational and regional OEMs. Our services increase customer competitiveness by delivering improved product quality, increased flexibility, leading manufacturability, improved performance, faster time-to-market and competitive costs. Our OEM customers leverage our services to meet their requirements throughout their products' entire life cycles. For the fiscal year ended March 31, 2014, we had revenue of $26.1 billion and net income of $365.6 million.

We believe that the combination of our extensive open innovation platform solutions, design and engineering services, advanced supply chain management solutions and services, significant scale and global presence, provide us with a competitive advantage in the market for designing, manufacturing and servicing electronics products for leading multinational and regional OEMs. Through these services and facilities, we offer our OEM customers accelerated design, increased flexibility and responsiveness, improved time to market, supply chain predictability and real time visibility which enable them to speed up product launches, quickly enter new markets, mitigate risk and improve free cash flow.

Our business has been subject to seasonality primarily due to our mobile devices and consumer electronics market exposures, which historically exhibit particular strength generally in the two quarters leading up to the end of the calendar year in connection with the holiday season.

INDUSTRY OVERVIEW

Our expertise is in the design, manufacturing and supply services for a broad range of products, and as such, the closest definition of our industry is the outsourcing Electronics Manufacturing Services ("EMS") industry. EMS has experienced significant change and growth as an increasing number of companies elected to outsource some or all of their design, manufacturing, and after-market services requirements. During the recent years, we have seen an increased level of diversification by many companies, primarily in the technology sector. Some companies that have historically identified themselves as software providers, internet service providers or e-commerce retailers have started to enter the highly competitive and rapidly evolving hardware markets, such as mobile devices, home entertainment and wearable devices. This trend has resulted in a significant change in the manufacturing and supply chain solutions requirements of such companies. While the products have

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become more complex, the supply chain solutions required by such companies have become more customized and demanding, and it has changed the manufacturing and supply chain landscape significantly. The growth of the overall industry for calendar 2013 is estimated to have been around 3%.

We believe the total available market for outsourcing continues to offer opportunities for growth with current penetration rates estimated to be less than 30%. The intensely competitive nature of the electronics industry, the continually increasing complexity and sophistication of electronics products, and pressure on OEMs to reduce product costs and shorter product life cycles encourage OEMs to utilize broad manufacturing and service providers as part of their business and manufacturing strategies. Utilizing global manufacturing and service providers allows OEMs to take advantage of the global design, manufacturing and supply chain management expertise of such providers, and enables OEMs to concentrate on product research, development, marketing and sales. We believe that OEMs realize the following benefits through their strategic relationships with manufacturing and service providers:

- Reduced production costs;
- Reduced design and development costs and lead time;
- Accelerated time-to-market and time-to-volume production;
- Reduced capital investment requirements and fixed costs;
- Improved inventory management and purchasing power;
- Access to worldwide design, engineering, manufacturing, and after-market service capabilities; and
- Ability to focus on core branding and R&D initiatives.

We believe that growth in the EMS industry will be driven largely by the needs of OEMs to respond to rapidly changing markets and technologies, the increasing complexity of supply chains and the continued pressure to be cost competitive. Additionally, we believe that there are significant opportunities for global manufacturing and service providers to win additional business from OEMs in certain markets or industry segments that have yet to substantially utilize such providers.

SERVICE OFFERINGS

We offer a broad range of customer-tailored services to OEMs. We believe that Flextronics has the broadest worldwide end-to-end supply chain solutions and capabilities in the industry, from concept design resources to aftermarket services. We believe a key competitive advantage is the Flextronics Platform, which is our system for creating value for our customers to increase competitiveness by providing real-time information for speed of decision making, end-to-end solutions with scope to increase their customer competitiveness and a physical infrastructure with unmatched ability to scale globally. Our ability to provide more value and innovation to our customers is another competitive advantage because we offer both global economies of scale in procurement, manufacturing and after-market services, as well as market-focused expertise and capabilities in design and engineering. As a result of our focus on specific markets, we believe we are able to better understand complex market dynamics and anticipate trends that impact our OEM customers' businesses, and can help improve our OEM customers' market positioning by effectively adjusting product plans and roadmaps to deliver low-cost, high quality products and meet their time-to-market requirements. Our services allow us to

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design, build, ship and service a complete packaged electronics product for our OEM customers. These services include:

Innovation Services. To support our customers in addressing their innovation challenges, Flextronics is focusing on product innovation. We launched the Silicon Valley Open Innovation Initiative to create an eco-system of customers, suppliers and design tool makers to drive new technologies in product innovation to improve productivity, cost and time to market. As part of this initiative, we founded the Silicon Valley Open Innovation Summit.

In fiscal 2014, we made significant investments establishing several Product Innovation Centers worldwide and created our flagship Customer Innovation Center in our Silicon Valley facility. Our Innovation services include:

Innovations Labs. Our labs provide global functional leadership across our Centers of Excellence, manage advanced innovation initiatives and enable our customers to speed time to market by leveraging validated innovation technology blocks, which have been developed by Flextronics and our eco-system of technology partners.

Innovation Café. Joint collaboration and development with customers on new product roadmaps and technology offerings utilizing Flextronics' cross segment design and engineering expertise and innovation technology blocks.

LabIX. Flextronics' new startup accelerator program that invests in the next generation of disruptive hardware technology, enabling companies to take their technologies from concept to prototype to manufacturing.

Centers of Excellence. Strategic technology capabilities developed by Flextronics in critical solutions areas which are leveraged across multiple industries and can be integrated into our customer's product. Centers of Excellence include Human Machine Interface, Wireless and Connectivity, Sensors & Actuators, Power & Battery Management, Smart Software, Flexible Technology and Computing and Materials.

Design and Engineering Services. We offer a comprehensive range of value-added design and engineering services that are tailored to the various markets and needs of our customers. These services can be delivered by two primary business models:

Contract Design Services, where the customer purchases engineering and development services on a time and materials basis; and

Joint Development Manufacturing Services, where Flextronics' engineering and development teams work jointly with our customers' teams to ensure product development integrity, seamless manufacturing handoffs, and faster time to market.

Our design and engineering services are provided by our global, market-based engineering teams and cover a broad range of technical competencies:

System Architecture, User Interface and Industrial Design. We help our customers design and develop innovative and cost-effective products that address the needs of the user and the market. These services include product definition, analysis and optimization of performance and functional requirements, 2-D sketch level drawings, 3-D mock-ups and proofs of concept, interaction and interface models, detailed hard models and product packaging.

Mechanical Engineering, Technology, Enclosure Systems, Thermal and Tooling Design. We offer detailed mechanical, structural, and thermal design solutions for enclosures that encompass a wide range of plastic, metal and other material technologies. These capabilities and technologies are increasingly important to our customers' product differentiation goals and are increasingly required to be successful in today's competitive marketplace. Additionally,

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we provide design and development services for prototype and production tooling equipment used in manufacturing.

Electronic System Design. We provide complete electrical and hardware design for products ranging in size from small handheld consumer devices to large high-speed, carrier-grade, telecommunications equipment, which includes embedded microprocessors, memory, digital signal processing design, high-speed digital interfaces, analog circuit design, power management solutions, wired and wireless communication protocols, display imaging, audio/video, and radio frequency systems and antenna design.

Reliability and Failure Analysis. We provide comprehensive design for manufacturing, test and reliability services using robust tools and databases that have been developed internally. These services are important in achieving our customers' time to revenue goals and leverage our core manufacturing competencies.

Component Level Development Engineering. We have developed substantial engineering competencies for product development and lifecycle management in support of various component technologies. These components also form a key part of our strategy and currently include power supplies and power solutions, and printed circuit board and interconnection technologies, both rigid and flexible.

We are exposed to different or greater potential liabilities from our various design services than those we face in our core assembly and manufacturing services. See "Risk Factors The success of certain of our activities depends on our ability to protect our intellectual property rights; intellectual property infringement claims against our customers or us could harm our business."

Systems Assembly and Manufacturing. Our assembly and manufacturing operations, which generate the majority of our revenues, include printed circuit board assembly and assembly of systems and subsystems that incorporate printed circuit boards and complex electromechanical components. We often assemble electronics products with our proprietary printed circuit boards and custom electronic enclosures on either a build-to-order or configure-to-order basis. In these operations, we employ just-in-time, ship-to-stock and ship-to-line programs, continuous flow manufacturing, demand flow processes, and statistical process controls. As OEMs seek to provide greater functionality in smaller products, they increasingly require more sophisticated manufacturing technologies and processes. Our investment in advanced manufacturing equipment and our experience and expertise in innovative miniaturization, packaging and interconnect technologies, enables us to offer a variety of advanced manufacturing solutions. We support a wide range of product demand profiles, from low volume, high-complexity programs to high-volume production. Continuous focus on lean manufacturing, a systematic approach to identifying and eliminating waste (non-value-added activities) through continuous improvement based on customer demand, allows us to increase our efficiency and flexibility to meet our customers' dynamic requirements. Our systems assembly and manufacturing expertise includes the following:

Enclosures. We offer a comprehensive set of custom electronics enclosures and related products and services worldwide. Our services include the design, manufacture and integration of electronics packaging systems, including custom enclosure systems, power and thermal subsystems, interconnect subsystems, cabling and cases. In addition to standard sheet metal and plastic fabrication services, we assist in the design of electronics packaging systems that protect sensitive electronics and enhance functionality. Our enclosure design services focus on functionality, manufacturability and testing. These services are integrated with our other assembly and manufacturing services to provide our customers with overall improved supply chain management.

Testing Services. We offer computer-aided testing services for assembled printed circuit boards, systems and subsystems. These services significantly improve our ability to deliver high-quality products on a consistent basis. Our test services include management defect analysis, in-circuit testing and functional testing as well as environmental stress tests of board and system assemblies. We also offer design for test, design for manufacturing and design for environment services to our customers to jointly improve customer product design and manufacturing.

Materials Procurement and Inventory Management. Our manufacturing and assembly operations capitalize on our materials inventory management expertise and volume procurement capabilities. As a result, we believe that we are able to achieve highly competitive cost reductions and reduce total manufacturing cycle time for our OEM customers. Materials procurement and management consist of the planning, purchasing, expediting and warehousing of components and materials used in the manufacturing process. In addition, our strategy includes having third-party suppliers of custom components located in our industrial parks to reduce material and transportation costs, simplify logistics and facilitate inventory management. We also use a sophisticated automated manufacturing resource planning system and enhanced electronic data interchange capabilities to ensure inventory control and optimization. Through our manufacturing resources planning system, we have real-time visibility of material availability and are able to track the work in process. We utilize electronic data interchange with our customers and suppliers to implement a variety of supply chain management programs. Electronic data interchange allows customers to share demand and product forecasts and deliver purchase orders and assists suppliers with satisfying just-in-time delivery and supplier-managed inventory requirements. This also enables us to implement vendor managed inventory solutions to increase flexibility and reduce overall capital allocation in the supply chain. We procure a wide assortment of materials, including electronic components, plastics and metals. There are a number of sources for these materials, including from customers for whom we are providing systems assembly and manufacturing services. On some occasions, there have been shortages in certain electronic components, most recently with regard to connectors, capacitors, LCD panels and memory (both DRAM and Flash). However, such shortages have not had a material impact on our operating results for any periods presented. See "Risk Factors We may be adversely affected by shortages of required electronic components."

Component businesses. We offer the following components product solutions:

Rigid and Flexible Printed Circuit Board ("PCB") Fabrication. Printed circuit boards are platforms composed of laminated materials that provide the interconnection for integrated circuits, passive and other electronic components and thus are at the heart of almost every electrical system. They are formed out of multi-layered epoxy resin and glass cloth systems with very fine traces and spaces and plated holes (called vias), which interconnect the different layers to an extremely dense circuitry network that carries the integrated circuits and electrical signals. As semiconductor designs become more and more complex and signal speeds increase, there is an increasing demand on printed circuit board integration density requiring higher layer counts, finer lines and spacings, smaller vias (microvias) and base materials with electrically very low electrical loss characteristics. The manufacturing of these complex multilayer interconnect products often requires the use of sophisticated circuit interconnections between layers, and adherence to strict electrical characteristics to maintain consistent circuit transmission speeds and impedances. The global demand for wireless devices and the complexity of wireless products are driving the demand for more flexible printed circuits. Flexible circuit boards facilitate a reduction in the weight of a finished

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electronic product and allow the designer to use the third dimension in designing new products or product features. Flexible circuits have become a very attractive design alternative for many new and emerging application spaces such as automotive rear light-emitting diode ("LED") lighting, tablet computers, and miniaturized radio frequency identification tags or smart cards. We are an industry leader in high-density interconnect with the Every Layer Inter Connect ("ELIC") technology, which is used in smart phone designs, and multilayer constructions which are used in advanced routers and switches, telecom equipment, servers, storage, and flexible printed circuit boards and flexible printed circuit board assemblies. Our PCB business (Multek) manufactures printed circuit boards on a low-volume, quick-turn basis, as well as on a high-volume production basis. We provide quick-turn prototype services that allow us to provide small test quantities to meet the needs of customers' product development groups in as little as 48 hours. Our extensive range of services enables us to respond to our customers' demands for an accelerated transition from prototype to volume production. Multek offers a one stop solution from design to manufacturing of PCB, flexible circuits and rigid flex circuits and sub-assemblies. We have printed circuit board and flexible circuit fabrication service capabilities in North America and Asia. During fiscal year 2014 we completed the closing of our Multek factories in Germany and Brazil. We believe this will drive operational efficiencies, and result in an optimization of our system, which will lower the revenue level required to achieve better margins. Going forward, our PCB capabilities will be centered in Asia and North America.

Power Supplies. We have a full service power supply business ("Flex Power") that specializes in the mobile revolution, with expertise in high efficiency and high density switching power supplies ranging from 1 to 3,000 watts. Our product portfolio includes chargers for smartphones and tablets, adapters for notebooks and gaming, and power supplies for server, storage and networking markets. We pride ourselves on our ability to service the needs of industry leaders in these markets through valuable technology, design expertise, collaborative development and efficient execution. Our products are fully compliant with environmental and Energy Star requirements that drive efficiency specifications in our industry. Customers who engage with Flex Power gain access to compelling innovations and intellectual property in digital control or smart power. We assist customers with quickly bringing products to their markets.

Logistics. Our Flextronics Global Services business is a provider of after-market supply chain logistics services. Our comprehensive suite of services serve customers operating in the computing, consumer digital, infrastructure, industrial, mobile and medical markets. Our expansive global infrastructure consists of 25 sites and more than 12,000 employees strategically located throughout the Americas, Europe and Asia. By leveraging our operational infrastructure, supply chain network, and IT systems, we have the capability of offering globally consistent logistics solutions for our customers' brands. By linking the flow of information from the supply chains, we create supply chain efficiencies delivering value to our customers. We provide multiple logistics solutions including supplier managed inventory, inbound freight management, product postponement, build/configure to order, order fulfillment and distribution, and supply chain network design.

Reverse Logistics and Repair Services. We offer a suite of integrated reverse logistics and repair solutions that are operated on globally consistent processes, which help our customers protect their brand loyalty in the marketplace by improving turnaround times and end-customer satisfaction levels. Our objective is to maintain maximum asset value retention of our customers' products throughout their product life cycle while simultaneously minimizing non-value repair inventory levels and handling in the supply chain. With our suite of end-to-end solutions, we can effectively manage our customers' reverse logistics requirements while also providing critical feedback of data to their supply chain constituents and delivering continuous improvement and efficiencies for both existing and next generation products. Our reverse logistics and repair solutions include returns management, exchange programs, complex repair, asset recovery, recycling and e-waste management. We provide repair expertise to multiple product lines such as consumer and midrange products, printers, smart phones, consumer medical devices, notebooks, PC's, set-top boxes, game consoles and highly complex infrastructure products. With our service parts logistics business, we manage all of the logistics and restocking processes essential to the efficient operation of repair and refurbishment services.

STRATEGY

We are a world-class end-to-end supply chain solutions company. Our strategy is to enable and scale innovation for our customers, maintain our leadership in our core capabilities and build extended offerings in high-growth sectors. Our goal is to empower talented employees to develop global supply chain solutions that transform industries and companies.

Talent. To maintain our competitiveness and world-class capabilities, we focus on hiring and retaining the world's best talent. We have taken steps to attract the best functional and operational leaders and accelerated efforts at developing the future leaders of the company.

Customer-Focus. We believe that serving aspiring leaders in dynamic industries pushes the development of our core skills and results in superior growth and profitability. Our customers come first, and we have a relentless focus on delivering distinctive products and services in a cost-effective manner with fast time-to-market.

Market-Focus. We apply a rigorous approach to managing our portfolio of opportunities by focusing on companies and industries that value our superior capabilities in design, manufacturing, supply chain and aftermarket services and that are leaders in their industry. We are focusing our energy and efforts on high-growth markets where we have distinctive competence and a compelling value proposition. Examples include our investments in energy, healthcare, automotive, industrial markets and investments in a number of enabling components technologies. Our market focused approach to managing our business increases our customers' competitiveness by leveraging our global resources and responsiveness to changes in market dynamics.

Global Operations Capabilities. We continue to invest in maintaining the leadership of our world-class manufacturing and services capabilities. We constantly push the state of the art in manufacturing technology, process development and operations management. We believe these skills represent a significant competitive advantage. We continue to capitalize on our industrial park concept, where we co-locate our manufacturing, design, and service resources in low-cost regions, to provide a competitive advantage by minimizing logistics, manufacturing costs and cycle times while increasing flexibility and responsiveness. Our ability to cost effectively manage a massive worldwide system, is itself a major competitive advantage.

Extended Value Propositions. We continue to extend our distinctiveness in manufacturing into new value propositions that leverage our core capabilities. We opportunistically invest in new capabilities and services to provide our customers with a broader value added suite of services and solutions to meet their product and market requirements. We continue to develop manufacturing process technologies that reduce cost and improve product performance.

COMPETITIVE STRENGTHS

We continue to enhance our business through the development and broadening of our product and service offerings. Our focus is to be a flexible organization with repeatable execution that adapts to macro-economic changes and creates value which increases our customers' competitiveness. We have a focused strategy on delivering scale, scope and speed to our customers through world class operations, innovation and design services, supply chain solutions and industry and market expertise. We provide real-time supply chain applications to enable customers to improve supply chain visibility and monitor and mitigate risks. We believe that the following capabilities differentiate us from our competitors and enable us to better serve our customers' requirements:

Significant Scale and Global Integrated System. We believe that scale is a significant competitive advantage, as our customers' solutions increasingly require cost structures and capabilities that can only be achieved through size and global reach. We are a leader in global procurement, purchasing approximately $23.6 billion of materials during our fiscal year ended March 31, 2014. As a result, we are able to use our worldwide supplier relationships to achieve advantageous pricing and supply chain flexibility for our OEM customers.

We have established an extensive, integrated network of design, manufacturing and logistics facilities in the world's major electronics markets to serve the outsourcing needs of both multinational and regional OEMs. Our extensive global network of facilities in approximately 30 countries with approximately 150,000 permanent employees gives us the ability to increase the competitiveness of our customers by simplifying their global product development processes while also delivering improved product quality with improved performance and accelerated time to market. Operating and executing this complex worldwide solutions system is a competitive advantage.

End-to-End Solutions. We offer a comprehensive range of worldwide supply chain services that simplify and improve the global product development process and provide meaningful time and cost savings to our OEM customers. Our broad based, end-to-end services enable us to cost effectively design, build, ship and service a complete packaged product. We believe that our capabilities also help our customers improve product quality, manufacturability and performance, in addition to reducing costs. We have expanded and enhanced our service offering by adding capabilities in 3D printing, automation, innovation labs, real-time supply chain software, plastics, machining and mobile charging, as well as by introducing new capabilities in areas such as solar equipment, large format stamping and chargers.

Long-Standing Customer Relationships. We believe that maintaining our long-term relationships with key customers is a critical requirement for maintaining our market position, growth and profitability. We believe that our ability to maintain and grow these customer relationships results from our ability to continuously create value that increases our customers' competitiveness. We achieve this through our broad range of service offerings and solutions, and our market-focused approach, which allows us to provide innovative thinking to all of the manufacturing and related services that we provide to our customers. We continue to receive numerous service and quality awards that further validate the success of these programs.

Extensive Design and Engineering Capabilities. We have an industry leading global design service offering with extensive product design engineering resources that provide global design services, products, and solutions to satisfy a wide array of customer requirements across all of our key markets. We combine our design and manufacturing services to provide end-to-end customized solutions that include services from design concept, through product industrialization and product development, including the manufacture of components and complete products (such as smart phones), which are then sold by our OEM customers under the OEMs' brand names.

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Geographic, Customer and End Market Diversification. We believe that we have created a well-diversified and balanced company. We have diversified our business across multiple end markets, significantly expanding our available market. The world is undergoing change and macro-economic disruptions that have led to demand shifts and realignments. We believe that we are well positioned through our market diversification to grow in excess of the industry average and successfully navigate through difficult economic climates. Our broad geographic footprint and experience with multiple types and complexity levels of products provide us a significant competitive advantage. We continually look for new ways to diversify our offering within each market segment.

Product Innovation Centers. We have established state-of-the art innovation centers in the Americas, Asia and Europe, with differentiated offerings and specialized services and focus. Some of these offerings include the most advanced 3D plastic printing, 3D metal printing, surface mount technology (SMT), X-ray and test equipment to support major industries in bringing innovative products to market rapidly. We also have a reliability and failure analysis lab, and automation applications team. Another key feature is our focus on confidentiality and security as we offer dedicated customer-confidential work spaces that include increased security and restricted access to protect our OEM customers' intellectual property ("IP") and confidentiality of new products being launched into the marketplace. These innovation centers offer our customers an ability to take their product from concept to volume production and go to market in a rapid, cost effective and low risk manner.

Industrial Parks; Low-Cost Manufacturing Services. We have developed self-contained campuses that co-locate our manufacturing and logistics operations with our suppliers at a single, low-cost location. These industrial parks enhance our total supply chain management, while providing a low-cost, multi-technology solution for our customers. This approach increases the competitiveness of our customers by reducing logistical barriers and costs, improving communications, increasing flexibility, lowering transportation costs and reducing turnaround times. We have strategically established our industrial parks in Brazil, China, Hungary, Indonesia, Israel, Malaysia, Mexico, Poland, Romania, and the Ukraine.

We have certain of our manufacturing operations situated in low-cost regions of the world to provide our customers with a wide array of manufacturing solutions and low manufacturing costs. As of March 31, 2014, approximately 71% of our manufacturing capacity was located in low-cost locations, such as Brazil, China, Hungary, India, Indonesia, Malaysia, Mexico, Poland, Romania, and the Ukraine. We believe we are a global industry leader in low-cost production capabilities.

CUSTOMERS

Our customers include many of the world's leading technology companies. We have focused on establishing long-term relationships with our customers and have been successful in expanding our relationships to incorporate additional product lines and services. In fiscal year 2014, our ten largest customers accounted for approximately 52% of net sales. Only Google (including Motorola) accounted for greater than 10% of the Company's net sales in fiscal 2014.

The following table lists in alphabetical order a sample of our largest customers in fiscal year 2014 and the end products of those customers for which we provide design, manufacturing or after-market services:

Customer	End Products
Alcatel-Lucent	Business telecommunications systems and core routers and switches
Apple	Mobile communication devices, notebooks and desktop computing, tablets and consumer entertainment devices
Cisco	Core routers and switches, wireless and enterprise telecommunications infrastructure
Ericsson	Radio base stations for Long Term Evolution and GSM infrastructure
Ford Motor Company	SYNC Modules, Lighting Products, Solenoids and Motion Control Electronics
Hewlett-Packard	Notebook and netbook computers, inkjet printers and storage devices
Huawei Technologies	Wireless and enterprise telecommunications infrastructure and smartphones
Microsoft	Computer peripherals and consumer electronics products
Google (including Motorola)	Mobile communication devices and consumer electronics products
Xerox	Office equipment and components

BACKLOG

Although we obtain firm purchase orders from our customers, OEM customers typically do not make firm orders for delivery of products more than 30 to 90 days in advance. In addition, OEM customers may reschedule or cancel firm orders based upon contractual arrangements. Therefore, we do not believe that the backlog of expected product sales covered by firm purchase orders is a meaningful measure of future sales.

COMPETITION

Our market is extremely competitive and includes many companies, several of which have achieved substantial market share. We compete against numerous domestic and foreign manufacturing service providers, as well as our current and prospective customers, who evaluate our capabilities in light of their own capabilities and cost structures. We face particular competition from Asian based competitors, including Taiwanese ODM suppliers who compete in a variety of our end markets and have a substantial share of global information technology hardware production.

We compete with different companies depending on the type of service we are providing or the geographic area in which an activity takes place. We believe that the principal competitive factors in the manufacturing services market are: quality and range of services; design and technological capabilities; cost; location of facilities; responsiveness and flexibility.

SOCIAL RESPONSIBILITY

Our corporate social responsibility practices focus on global human rights, global environmental conditions, business ethics, and the health and safety of all stakeholders. We do this with controlled business processes, thus ensuring that our business is conducted in a manner that goes beyond compliance alone. We operate programs, including compliance audits and compliance capability building programs that focus on driving continuous improvements in social, ethical, and environmental compliance throughout all of our global operating units in accordance with our Code of Conduct. As a guide to achieve this end, Flextronics looks at principles, policies, and standards as prescribed by the

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Electronics Industry Citizenship Coalition ("EICC"), a worldwide association of electronics companies committed to promoting an industry code of conduct for global electronics supply chains to improve working and environmental conditions. Flextronics is a founding member of the EICC.

Being a good corporate citizen does not mean that we should merely conform to the standards. We extend beyond meeting responsibilities by offering a wide range of programs and initiatives that engage our internal and external communities. At the heart of this endeavor lies our pragmatic goal of creating a difference to the people in the community in which we operate. We intend to continue to invest in these global communities through grant-making, financial contributions, volunteer work, support programs and by donating resources.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), Section 1502 introduces reporting requirements related to the verification of whether Flextronics directly (or indirectly through suppliers of materials) is purchasing the minerals or metals gold, columbite-tantalite, also known as coltan (the metal ore from which tantalum is extracted); cassiterite (the metal ore from which tin is extracted); gold; wolframite (the metal ore from which tugsten is extracted); or their derivatives; or any other mineral or its derivatives as determined by the Secretary of State with financing conflicts in the Democratic Republic of the Congo or an adjoin country. Flextronics is working directly with suppliers, industry groups, and customers to comply with the due diligence reporting requirements necessary to comply with the new law. See "Risk Factor Compliance with government regulations regarding the use of "conflict minerals" may result in increased costs and risks to us."

ENVIRONMENTAL REGULATION

Our operations are regulated under various federal, state, local and international laws governing the environment, including laws governing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. We have fully implemented processes and procedures to ensure that our operations are in compliance with all applicable environmental regulations. We do not believe that costs of compliance with these laws and regulations will have a material adverse effect on our capital expenditures, operating results, or competitive position. In addition, we are responsible for cleanup of contamination at some of our current and former manufacturing facilities and at some third-party sites. We engage environmental consulting firms to assist us in the evaluation of environmental liabilities of our ongoing operations, historical disposal activities and closed sites in order to establish appropriate accruals in our financial statements. We determine the amount of our accruals for environmental matters by analyzing and estimating the probability of occurrence and the reasonable possibility of incurring costs in light of information currently available. The imposition of more stringent standards or requirements under environmental laws or regulations, the results of future testing and analysis undertaken by us at our operating facilities, or a determination that we are potentially responsible for the release of hazardous substances at other sites could result in expenditures in excess of amounts currently estimated to be required for such matters. There can be no assurance that additional environmental matters will not arise in the future or that costs will not be incurred with respect to sites as to which no problem is currently known.

We are also required to comply with an increasing number of product environmental compliance regulations focused on the restriction of certain hazardous substances. For example, the electronics industry is subject to the European Union's ("EU") Restrictions on Hazardous Substances ("RoHS") 2011/65/EU, Waste Electrical and Electronic Equipment ("WEEE") 2012/19/EU directives, the regulation EC 1907/2006 EU Directive REACH ("Registration, Evaluation, Authorization, and Restriction of Chemicals"), and China RoHS entitled, Management Methods for Controlling Pollution for Electronic Information Products ("EIPs"). Similar legislation has been or may be enacted in other jurisdictions, including in the United States. Our business requires close collaboration with our customers and suppliers to mitigate risk of non-compliance. We have developed rigorous risk mitigating compliance programs designed to meet the needs of our customers as well as the regulations. These programs vary from collecting compliance or material data from our Flextronics owned suppliers to full laboratory testing, and we require our supply chain to comply. Non-compliance could potentially result in significant costs and/or penalties. RoHS and other similar legislation bans or restricts the use of lead, mercury and certain other specified substances in electronics products and WEEE requires EU importers and/or producers to assume responsibility for the collection, recycling and management of waste electronic products and components. In the case of WEEE, although the compliance responsibility rests primarily with the EU importers and/or producers rather than with EMS companies, OEMs may turn to EMS companies for assistance in meeting their WEEE obligations. New technical classifications of e-Waste being discussed in the Basel Convention technical working group could affect both Flextronics and Flextronics' customers abilities and obligations in electronics repair and refurbishment. Flextronics continues to monitor these discussions and is working with our customers and other technical organizations to minimize the impact to legal and responsibly managed repair operations.

EMPLOYEES

As of March 31, 2014, our global workforce totaled approximately 150,000 permanent employees. In certain international locations, our employees are represented by labor unions and by work councils. We have never experienced a significant work stoppage or strike, and we believe that our employee relations are good.

Our success depends to a large extent upon the continued services of key managerial and technical employees. The loss of such personnel could seriously harm our business, results of operations and business prospects. To date, we have not experienced significant difficulties in attracting or retaining such personnel.

INTELLECTUAL PROPERTY

We own or license various United States and foreign patents relating to a variety of technologies. For certain of our proprietary processes, we rely on trade secret protection. We also have registered our corporate name and several other trademarks and service marks that we use in our business in the United States and other countries throughout the world. As of March 31, 2014 and 2013, the carrying value of our intellectual property was not material.

Although we believe that our intellectual property assets and licenses are sufficient for the operation of our business as we currently conduct it, from time to time third parties do assert patent infringement claims against us or our customers. In addition, we provide design and engineering services to our customers and also design and make our own products. As a consequence of these activities, our customers are requiring us to take responsibility for intellectual property to a greater extent than in our manufacturing and assembly businesses. If and when third parties make assertions regarding the ownership or right to use intellectual property, we could be required to either enter into licensing arrangements or to resolve the issue through litigation. Such license rights might not be available to us on commercially acceptable terms, if at all, and any such litigation might not be resolved in our favor. Additionally, litigation could be lengthy and costly and could materially harm our financial condition regardless of the outcome. We also could be required to incur substantial costs to redesign a product or re-perform design services.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

Refer to note 19 to our consolidated financial statements included under Item 8 for financial information about our geographic areas.

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ADDITIONAL INFORMATION

Our internet address is http://www.flextronics.com. We make available through our Internet website the Company's 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) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

We were incorporated in the Republic of Singapore in May 1990. Our principal corporate office is located at 2 Changi South Lane, Singapore 486123. Our U.S. corporate headquarters is located at 6201 America Center Drive, San Jose, CA, 95002.

ITEM 1A. ***RISK FACTORS***

We depend on industries that continually produce technologically advanced products with short life cycles and our business would be adversely affected if our customers' products are not successful or if our customers lose market share.

We derive our revenues from customers in the following business groups:

- HRS, which is comprised of our medical, automotive, defense and aerospace businesses;
- HVS, which includes our mobile devices business, including smart phones; our consumer electronics business, including game consoles and wearable electronics; and high-volume computing business, including various supply chain solutions for notebook personal computing ("PC"), tablets and printers;
- IEI, which is comprised of our household appliances, semi-cap equipment, kiosks, energy and emerging industries businesses; and
- INS, which includes our telecommunications infrastructure, data networking, connected home, and server and storage businesses.

Factors affecting any of these industries in general or our customers in particular, could adversely impact us. These factors include:

- rapid changes in technology, evolving industry standards and requirements for continuous improvement in products and services result in short product life cycles;
- demand for our customers' products may be seasonal;
- our customers may fail to successfully market their products, and our customers' products may fail to gain widespread commercial acceptance;
- our customers may experience dramatic market share shifts in demand which may cause them to lose market share or exit the business; and
- there may be recessionary periods in our customers' markets, such as the recent global economic downturn.

Our customers may cancel their orders, change production quantities or locations, or delay production, and the inherent difficulties involved in responding to these demands could harm our business.

Cancellations, reductions or delays by a significant customer or by a group of customers have harmed, and may in the future harm, our results of operations by reducing the volumes of products we manufacture and deliver for these customers, by causing a delay in the repayment of our expenditures for inventory in preparation for customer orders and by lowering our asset utilization resulting in lower gross margins. Additionally, current and prospective customers continuously evaluate our capabilities against other providers as well as against the merits of manufacturing products themselves. Our business would be adversely affected if OEMs decide to perform these functions internally or transfer their business to another provider.

As a provider of design and manufacturing services and components for electronics, we must provide increasingly rapid product turnaround time for our customers. We generally do not obtain firm, long-term purchase commitments from our customers, and we often experience reduced lead times in customer orders which may be less than the lead time we require to procure necessary components and materials.

The short-term nature of our customers' commitments and the rapid changes in demand for their products reduces our ability to accurately estimate the future requirements of our customers. This makes it difficult to schedule production and maximize utilization of our manufacturing capacity. In that regard, we must make significant decisions, including determining the levels of business that we will seek and accept, setting production schedules, making component procurement commitments, and allocating personnel and other resources, based on our estimates of our customers' requirements.

On occasion, customers require rapid increases in production or require that manufacturing of their products be transitioned from one facility to another to reduce costs or achieve other objectives. These demands stress our resources and reduce our margins. We may not have sufficient capacity at any given time to meet our customers' demands, and transfers from one facility to another can result in inefficiencies and costs due to excess capacity in one facility and corresponding capacity constraints at another. Due to many of our costs and operating expenses being relatively fixed, customer order fluctuations, deferrals and transfers of demand from one facility to another, as described above, have had a material adverse effect on our operating results in the past and we may experience such effects in the future.

Our industry is extremely competitive; if we are not able to continue to provide competitive services, we may lose business.

We compete with a number of different companies, depending on the type of service we provide or the location of our operations. For example, we compete with major global EMS providers, other smaller EMS companies that have a regional or product-specific focus and ODMs with respect to some of the services that we provide. We also compete with our current and prospective customers, who evaluate our capabilities in light of their own capabilities and cost structures. Our industry is extremely competitive, many of our competitors have achieved substantial market share, and some may have lower cost structures or greater design, manufacturing, financial or other resources than we do. We face particular competition from Asian-based competitors, including Taiwanese ODM suppliers who compete in a variety of our end markets and have a substantial share of global information technology hardware production. If we are unable to provide comparable manufacturing services and improved products at lower cost than the other companies in our market, our net sales could decline.

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The majority of our sales come from a small number of customers and a decline in sales to any of these customers could adversely affect our business.

Sales to our ten largest customers represent a significant percentage of our net sales. Our ten largest customers accounted for approximately 52%, 47% and 55% of net sales in fiscal years 2014, 2013 and 2012, respectively. Only Google (including Motorola) accounted for more than 10% of net sales in fiscal 2014. No customer accounted for greater than 10% of the Company's net sales in fiscal 2013. Our largest customers during fiscal year 2012 were Hewlett-Packard (HP) and Blackberry, which each accounted for more than 10% of net sales. Our principal customers have varied from year to year. These customers may experience dramatic declines in their market shares or competitive position, due to economic or other forces, that may cause them to reduce their purchases from us or, in some cases, result in the termination of their relationship with us. Significant reductions in sales to any of these customers, or the loss of major customers, would materially harm our business. If we are not able to timely replace expired, canceled or reduced contracts with new business, our revenues and profitability could be harmed.

Our components business is dependent on our ability to quickly launch world-class components products, and our investment in the development of our component capabilities, together with the start-up and integration costs necessary to achieve quick launches of world-class components products, may adversely affect our margins and profitability.

Our components business, which includes rigid and flexible printed circuit board fabrication, and power supplies manufacturing, is part of our strategy to improve our competitive position and to grow our future margins, profitability and shareholder returns by expanding our capabilities. The success of our components business is dependent on our ability to design and introduce world-class components that have performance characteristics which are suitable for a broad market and that offer significant price and/or performance advantages over competitive products.

To create these world class components offerings, we must continue to make substantial investments in the development of our components capabilities, in resources such as research and development, technology licensing, test and tooling equipment, facility expansions and personnel requirements. We may not be able to achieve or maintain market acceptance for any of our components offerings in any of our current or target markets. The success of our components business will also depend upon the level of market acceptance of our customers' end products, which incorporate our components, and over which we have no control.

In addition, OEMs often require unique configurations or custom designs which must be developed and integrated in the OEM's product well before the product is launched by the OEM. Thus, there is often substantial lead time between the commencement of design efforts for a customized component and the commencement of volume shipments of the component to the OEM. As a result, we may make substantial investments in the development and customization of products for our customers, and no revenue may be generated from these efforts if our customers do not accept the customized component. Even if our customers accept the customized component, if our customers do not purchase anticipated levels of products, we may not realize any profits.

Our achievement of anticipated levels of profitability in our components business is also dependent on our ability to achieve efficiencies in our manufacturing as well as to manufacture components in commercial quantities to the performance specifications demanded by our OEM customers. As a result of these and other risks, we have been, and in the future may be, unable to achieve anticipated levels of profitability in our components business.

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Our exposure to financially troubled customers or suppliers may adversely affect our financial results.

We provide manufacturing services to companies and industries that have in the past, and may in the future, experience financial difficulty. If our customers experience financial difficulty, we could have difficulty recovering amounts owed to us from these customers, or demand for our products from these customers could decline. Additionally, if our suppliers experience financial difficulty we could have difficulty sourcing supply necessary to fulfil production requirements and meet scheduled shipments. If one or more of our customers were to become insolvent or otherwise were unable to pay for the services provided by us on a timely basis, or at all, our operating results and financial condition could be adversely affected. Such adverse effects could include one or more of the following: an increase in our provision for doubtful accounts, a charge for inventory write-offs, a reduction in revenue, and an increase in our working capital requirements due to higher inventory levels and increases in days our accounts receivable are outstanding.

We may be adversely affected by shortages of required electronic components.

From time to time, we have experienced shortages of some of the electronic components that we use. These shortages can result from strong demand for those components or from problems experienced by suppliers, such as shortages of raw materials. These unanticipated component shortages could result in curtailed production or delays in production, which may prevent us from making scheduled shipments to customers. Our inability to make scheduled shipments could cause us to experience a reduction in sales, increase in inventory levels and costs, and could adversely affect relationships with existing and prospective customers. Component shortages may also increase our cost of goods sold because we may be required to pay higher prices for components in short supply and redesign or reconfigure products to accommodate substitute components. As a result, component shortages could adversely affect our operating results. Our performance depends, in part, on our ability to incorporate changes in component costs into the selling prices for our products.

Our supply chain may also be impacted by other events outside our control, including macro-economic events, political crises or natural or environmental occurrences. Component shortages impacted our results during fiscal year 2012. The supply constraints were broad based, but the impact was most evident with respect to connectors, capacitors, LCD panels and memory (both DRAM and Flash). The March 2011 earthquake and tsunami in Japan resulted in disruptions to our supply chain, as a large number of our suppliers of semiconductors and other electronic components are located in Japan. These disruptions had a negative impact on our revenue in the first and second quarters of fiscal year 2012.

Our margins and profitability may be adversely affected due to substantial investments, start-up and production ramping costs in our design services.

As part of our strategy to enhance our end-to-end service offerings, we have expanded and continue to expand our design and engineering capabilities. Providing these services can expose us to different or greater potential risks than those we face when providing our manufacturing services.

Although we enter into contracts with our design services customers, we may design and develop products for these customers prior to receiving a purchase order or other firm commitment from them. We are required to make substantial investments in the resources necessary to design and develop these products, and no revenue may be generated from these efforts if our customers do not approve the designs in a timely manner or at all. Even if our customers accept our designs, if they do not then purchase anticipated levels of products, we may not realize any profits. Our design activities often require that we purchase inventory for initial production runs before we have a purchase commitment from a customer. Even after we have a contract with a customer with respect to a product, these contracts may allow the customer to delay or cancel deliveries and may not obligate the customer to

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any particular volume of purchases. These contracts can generally be terminated on short notice. In addition, some of the products we design and develop must satisfy safety and regulatory standards and some must receive government certifications. If we fail to obtain these approvals or certifications on a timely basis, we would be unable to sell these products, which would harm our sales, profitability and reputation.

Due to the increased risks associated with our design services offerings, we may not be able to achieve a high enough level of sales for this business, and the significant investments in research and development, technology licensing, test and tooling equipment, patent applications, facility expansion and recruitment that it requires, to be profitable. The initial costs of investing in the resources necessary to expand our design and engineering capabilities, and in particular to support our design services offerings, have historically adversely affected our profitability, and may continue to do so as we continue to make investments in these capabilities.

In addition, we agree to certain product price limitations and cost reduction targets in connection with these services. Inflationary and other increases in the costs of the raw materials and labor required to produce the products have occurred and may recur from time to time. Also, the production ramps for these programs are typically significant and negatively impact our margin in early stages as the manufacturing volumes are lower and result in inefficiencies and unabsorbed manufacturing overhead costs. We may not be able to reduce costs, incorporate changes in costs into the selling prices of our products, or increase operating efficiencies as we ramp production of our products, which would adversely affect our margins and our results of operations.

We conduct operations in a number of countries and are subject to risks of international operations.

The distances between the Americas, Asia and Europe create a number of logistical and communications challenges for us. These challenges include managing operations across multiple time zones, directing the manufacture and delivery of products across distances, coordinating procurement of components and raw materials and their delivery to multiple locations, and coordinating the activities and decisions of the core management team, which is based in a number of different countries. Facilities in several different locations may be involved at different stages of the production process of a single product, leading to additional logistical difficulties.

Because our manufacturing operations are located in a number of countries throughout the Americas, Asia and Europe, we are subject to risks of changes in economic and political conditions in those countries, including:

- fluctuations in the value of local currencies;
- labor unrest, difficulties in staffing and geographic labor shortages;
- longer payment cycles;
- cultural differences;
- increases in duties and taxation levied on our products;
- imposition of restrictions on currency conversion or the transfer of funds;
- limitations on imports or exports of components or assembled products, or other travel restrictions;
- expropriation of private enterprises;
- exposure to infectious disease and epidemics;
- political unrest; and

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a potential reversal of current favorable policies encouraging foreign investment or foreign trade by our host countries.

The attractiveness of our services to U.S. customers can be affected by changes in U.S. trade policies, such as most favored nation status and trade preferences for some Asian countries. In addition, some countries in which we operate, such as Brazil, Hungary, India, Mexico, Malaysia and Poland, have experienced periods of slow or negative growth, high inflation, significant currency devaluations or limited availability of foreign exchange. Furthermore, in countries such as China, Brazil and Mexico, governmental authorities exercise significant influence over many aspects of the economy, and their actions could have a significant effect on us. We could be seriously harmed by inadequate infrastructure, including lack of adequate power and water supplies, transportation, raw materials and parts in countries in which we operate. In addition, we may encounter labor disruptions and rising labor costs, in particular within the lower-cost regions in which we operate. Any increase in labor costs that we are unable to recover in our pricing to our customers could adversely impact our operating results.

Operations in foreign countries also present risks associated with currency exchange and convertibility, inflation and repatriation of earnings. In some countries, economic and monetary conditions and other factors could affect our ability to convert our cash distributions to U.S. dollars or other freely convertible currencies, or to move funds from our accounts in these countries. Furthermore, the central bank of any of these countries may have the authority to suspend, restrict or otherwise impose conditions on foreign exchange transactions or to approve distributions to foreign investors.

The success of certain of our activities depends on our ability to protect our intellectual property rights; intellectual property infringement claims against our customers or us could harm our business.

We retain certain intellectual property rights to some of the technologies that we develop as part of our engineering, design and manufacturing services and components offerings. The measures we have taken to prevent unauthorized use of our technology may not be successful. If we are unable to protect our intellectual property rights, this could reduce or eliminate the competitive advantages of our proprietary technology, which would harm our business.

Our engineering, design and manufacturing services and components offerings involve the creation and use of intellectual property rights, which subject us to the risk of claims of intellectual property infringement from third parties, as well as claims arising from the allocation of intellectual property rights among us and our customers. In addition, our customers are increasingly requiring us to indemnify them against the risk of intellectual property infringement. If any claims are brought against us or our customers for such infringement, whether or not these have merit, we could be required to expend significant resources in defense of such claims. In the event of such an infringement claim, we may be required to spend a significant amount of money to develop non-infringing alternatives or obtain licenses. We may not be successful in developing such alternatives or obtaining such licenses on reasonable terms or at all.

If our security systems are breached, we may incur significant legal and financial exposure.

We have implemented security systems with the intent of maintaining the physical security of our facilities and inventory and protecting our customers' and our suppliers' confidential information. We regularly face attempts by others to gain unauthorized access through the Internet or to introduce malicious software to our information systems. Despite our efforts, we are subject to, and at times have suffered from, breach of these security systems which have in the past and may in the future result in unauthorized access to our facilities and/or unauthorized use or theft of the inventory or information we are trying to protect. If unauthorized parties gain physical access to our inventory or if they gain electronic access to our information systems or if such information or inventory is used in an unauthorized manner, misdirected, lost or stolen during transmission or transport, any theft or misuse of such information or inventory could result in, among other things, unfavorable publicity, governmental inquiry and oversight, difficulty in marketing our services, allegations by our customers that we have not performed our contractual obligations, litigation by affected parties including our customers and possible financial obligations for damages related to the theft or misuse of such information or inventory, any of which could have a material adverse effect on our profitability and cash flow. We believe that we have adopted appropriate measures to mitigate potential risks to our technology and our operations from the breach of our security systems.

If our compliance policies are breached, we may incur significant legal and financial exposure.

We have implemented local and global compliance policies to ensure compliance with our legal obligations across our operations. A significant legal risk resulting from our international operations is compliance with the U.S. Foreign Corrupt Practices Act or similar local laws of the countries in which we do business, including the UK Anti-Bribery Act, which prohibits covered companies from making payments to foreign government officials to assist in obtaining or retaining business. Our Code of Business Conduct prohibits corrupt payments on a global basis and precludes us from offering or giving anything of value to a government official for the purpose of obtaining or retaining business, to win a business advantage or to improperly influence a decision regarding Flextronics. Nevertheless, there can be no assurance that all of our employees and agents will refrain from taking actions in violation of this and our related anti-corruption policies and procedures. Any such violation could have a material adverse effect on our business.

We are subject to risks relating to litigation, which may have a material adverse effect on our business.

From time to time, we are involved in various claims, suits, investigations and legal proceedings. Additional legal claims or regulatory matters may arise in the future and could involve matters relating to commercial disputes, government regulatory and compliance, intellectual property, antitrust, tax, employment or shareholder issues, product liability claims and other issues on a global basis. Regardless of the merits of the claims, litigation may be both time-consuming and disruptive to our business. The defense and ultimate outcome of any lawsuits or other legal proceedings may result in higher operating expenses and a decrease in operating margin, which could have a material adverse effect on our business, financial condition, or results of operations.

Compliance with government regulations regarding the use of "conflict minerals" may result in increased costs and risks to us.

As part of the Dodd-Frank Act, the SEC has promulgated disclosure requirements regarding the use of certain minerals (the "Minerals"), which may be mined from the Democratic Republic of Congo and adjoining countries. The disclosure requirements will take effect for the Company in May 2014 with regards to products manufactured during calendar year 2013. We will have to publicly disclose whether the products we sell contain these Minerals and have and may continue to incur significant costs related to implementing a process that will meet the mandates of the Act. Additionally, customers rely on us to provide critical data regarding the products they purchase and will likely request information on such Minerals. Our materials sourcing is broad-based and multi-tiered, and we may not be able to easily verify the origins of the Minerals used in the products we sell. We have many suppliers and each may provide the required information in a different manner, if at all. Accordingly, because the supply chain is complex, our reputation may suffer if we are unable to sufficiently verify the origins of the Minerals, if any, used in our products. Additionally, customers may demand that the products they purchase be free of any Minerals originating in the specified countries. The implementation of this requirement could affect the sourcing and availability of products we purchase from our suppliers. This may reduce the number of suppliers that may be able to provide products and may affect our ability to obtain products in sufficient quantities to meet customer demand or at competitive prices.

We may not meet regulatory quality standards applicable to our manufacturing and quality processes for medical devices, which could have an adverse effect on our business, financial condition or results of operations.

As a medical device manufacturer, we have additional compliance requirements. We are required to register with the U.S. Food and Drug Administration ("FDA") and are subject to periodic inspection by the FDA for compliance with the FDA's Quality System Regulation ("QSR") requirements, which require manufacturers of medical devices to adhere to certain regulations, including testing, quality control and documentation procedures. Compliance with applicable regulatory requirements is subject to continual review and is rigorously monitored through periodic inspections and product field monitoring by the FDA. If any FDA inspection reveals noncompliance with QSR or other FDA regulations, and the Company does not address the observation adequately to the satisfaction of the FDA, the FDA may take action against us. FDA actions may include issuing a letter of inspectional observations, issuing a warning letter, imposing fines, bringing an action against the Company and its officers, requiring a recall of the products we manufactured for our customers, refusing requests for clearance or approval of new products or withdrawal of clearance or approval previously granted, issuing an import detention on products entering the U.S. from an offshore facility, or shutting down a manufacturing facility. If any of these actions were to occur, it would harm our reputation and cause our business to suffer.

In the European Union ("EU"), we are required to maintain certain standardized certifications in order to sell our products and must undergo periodic inspections to obtain and maintain these certifications. Continued noncompliance to the EU regulations could stop the flow of products into the EU from us or from our customers. In China, the Safe Food and Drug Administration controls and regulates the manufacture and commerce of healthcare products. We must comply with the regulatory laws applicable to medical device manufactures or our ability to manufacture products in China could be impacted. In Japan, the Pharmaceutical Affairs Laws regulate the manufacture and commerce of healthcare products. These regulations also require that subcontractors manufacturing products intended for sale in Japan register with authorities and submit to regulatory audits. Other Asian countries where we operate have similar laws regarding the regulation of medical device manufacturing.

We are subject to the risk of increased income taxes.

We are subject to taxes in numerous jurisdictions. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory rates and changes in tax laws or their interpretation including changes related to tax holidays or tax incentives. Our taxes could increase if certain tax holidays or incentives are not renewed upon expiration, or if tax rates applicable to us in such jurisdictions are otherwise increased. Our continued ability to qualify for specific tax holiday extensions will depend on, among other things, our anticipated investment and expansion in these countries and the manner in which the local governments interpret the requirements for modifications, extensions or new incentives.

In addition, the Company and its subsidiaries are regularly subject to tax return audits and examinations by various taxing jurisdictions around the world. In determining the adequacy of our provision for income taxes, we regularly assess the likelihood of adverse outcomes resulting from tax examinations. While it is often difficult to predict the final outcome or the timing of the resolution of a tax examination, we believe that our reserves for uncertain tax benefits reflect the outcome of tax positions that are more likely than not to occur. However, we cannot assure you that the final determination of any tax examinations will not be materially different than that which is reflected in

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our income tax provisions and accruals. Should additional taxes be assessed as a result of a current or future examination, there could be a material adverse effect on our tax provision, operating results, financial position and cash flows in the period or periods for which that determination is made.

If our products or components contain defects, demand for our services may decline and we may be exposed to product liability and product warranty liability.

Defects in the products we manufacture or design, whether caused by a design, engineering, manufacturing or component failure or deficiencies in our manufacturing processes, could result in product or component failures, which may damage our business reputation and expose us to product liability or product warranty claims.

Product liability claims may include liability for personal injury or property damage. Product warranty claims may include liability to pay for the recall, repair or replacement of a product or component. Although we generally allocate liability for these claims in our contracts with our customers, increasingly we are unsuccessful in allocating such liability, and even where we have allocated liability to our customers, our customers may not have the resources to satisfy claims for costs or liabilities arising from a defective product or component for which they have assumed responsibility.

If we design, engineer or manufacture a product or component that is found to cause any personal injury or property damage or is otherwise found to be defective, we could spend a significant amount of money to resolve the claim. In addition, product liability and product recall insurance coverage are expensive and may not be available with respect to all of our services offerings on acceptable terms, in sufficient amounts, or at all. A successful product liability or product warranty claim in excess of our insurance coverage or any material claim for which insurance coverage is denied, limited or is not available could have a material adverse effect on our business, results of operations and financial condition.

Our failure to comply with environmental laws could adversely affect our business.

We are subject to various federal, state, local and foreign environmental laws and regulations, including regulations governing the use, storage, discharge and disposal of hazardous substances used in our manufacturing processes. We are also subject to laws and regulations governing the recyclability of products, the materials that may be included in products, and our obligations to dispose of these products after end users have finished with them. Additionally, we may be exposed to liability to our customers relating to the materials that may be included in the components that we procure for our customers' products. Any violation or alleged violation by us of environmental laws could subject us to significant costs, fines or other penalties.

We are also required to comply with an increasing number of global and local product environmental compliance regulations focused on the restriction of certain hazardous substances. We are subject to the EU directives, including the Restrictions on RoHS, the WEEE as well as the EU's REACH regulation. In addition, new technical classifications of e-Waste being discussed in the Basel Convention technical working group could affect both our customers' abilities and obligations in electronics repair and refurbishment. Also of note is China's Management Methods for Controlling Pollution Caused by EIPs regulation, commonly referred to as "China RoHS", which restricts the importation into and production within China of electrical equipment containing certain hazardous materials. Similar legislation has been or may be enacted in other jurisdictions, including in the United States. RoHS and other similar legislation bans or restricts the use of lead, mercury and certain other specified substances in electronics products and WEEE requires EU importers and/or producers to assume responsibility for the collection, recycling and management of waste electronic products and components. We have developed rigorous risk mitigating compliance programs designed to meet the needs of our customers as well as applicable regulations. These programs may include collecting compliance data from our suppliers, full laboratory testing and public reporting of other environmental metrics such as carbon emissions, electronic waste and water, and we also require our supply chain to comply. Non-compliance could potentially result in significant costs and/or penalties. In the case of WEEE, the compliance responsibility rests primarily with the EU importers and/or producers rather than with EMS companies. However, OEMs may turn to EMS companies for assistance in meeting their obligations under WEEE.

In addition, we are responsible for cleanup of contamination at some of our current and former manufacturing facilities and at some third party sites. If more stringent compliance or cleanup standards under environmental laws or regulations are imposed, or the results of future testing and analyses at our current or former operating facilities indicate that we are responsible for the release of hazardous substances into the air, ground and/or water, we may be subject to additional liability. Additional environmental matters may arise in the future at sites where no problem is currently known or at sites that we may acquire in the future. Our failure to comply with environmental laws and regulations or adequately address contaminated sites could limit our ability to expand our facilities or could require us to incur significant expenses, which would harm our business.

If we do not effectively manage changes in our operations, our business may be harmed; we have taken substantial restructuring charges in the past and we may need to take material restructuring charges in the future.

In recent years, we have experienced growth in our business through a combination of internal growth and acquisitions. However, our business also has been negatively impacted by the recent adverse global economic conditions. The expansion of our business, as well as business contractions and other changes in our customers' requirements, have in the past, and may in the future, require that we adjust our business and cost structures by incurring restructuring charges. Restructuring activities involve reductions in our workforce at some locations and closure of certain facilities. All of these changes have in the past placed, and may in the future place, considerable strain on our financial and management control systems and resources, including decision support, accounting management, information systems and facilities. If we do not properly manage our financial and management controls, reporting systems and procedures to manage our employees, our business could be harmed.

In recent years, including during fiscal years 2014 and 2013, we undertook initiatives to restructure our business operations through a series of restructuring activities, which were intended to realign our global capacity and infrastructure with demand by our OEM customers and thereby improve our operational efficiency. These activities included reducing excess workforce and capacity, transitioning manufacturing to lower-cost locations and eliminating redundant facilities, and consolidating and eliminating certain administrative facilities.

While we incur severance, asset impairment charges and other charges as a result of changes in our customer mix on an ongoing basis, such individual actions were not considered material and did not qualify as restructuring charges per accounting principles generally accepted in the United States to be separately disclosed as restructuring charges in fiscal year 2012, and are included in either cost of sales or selling, general and administrative expenses, as appropriate. Our restructuring activities undertaken during fiscal years 2014 and 2013 have been disclosed separately on our statement of operations. We may be required to take additional charges in the future to align our operations and cost structures with global economic conditions, market demands, cost competitiveness, and our geographic footprint as it relates to our customers' production requirements. We may consolidate certain manufacturing facilities or transfer certain of our operations to lower cost geographies. If we are required to take additional restructuring charges in the future, our operating results, financial condition, and cash flows could be adversely impacted. Additionally, there are other potential risks associated with our restructurings that could adversely affect us, such as delays encountered with the finalization and implementation of the restructuring activities, work stoppages, and the failure to achieve targeted cost savings.

Fluctuations in foreign currency exchange rates could increase our operating costs.

We have manufacturing operations and industrial parks that are located in lower cost regions of the world, such as Asia, Eastern Europe and Mexico. Most of our purchase and some of our sale transactions are denominated in currencies other than the United States dollar. As a result, we are exposed to fluctuations in these currencies impacting our fixed cost overhead or our supply base relative to the currencies in which we conduct transactions.

Currency exchange rates fluctuate on a daily basis as a result of a number of factors, including changes in a country's political and economic policies. Volatility in the functional and non-functional currencies of our entities and the United States dollar could seriously harm our business, operating results and financial condition. The primary impact of currency exchange fluctuations is on the cash, receivables, payables and expenses of our operating entities. As part of our currency hedging strategy, we use financial instruments, primarily forward exchange and swap contracts, to hedge our foreign currency exposure in order to reduce the short-term impact of foreign currency rate fluctuations on our operating results. If our hedging activities are not successful or if we change or reduce these hedging activities in the future, we may experience significant unexpected fluctuations in our operating results as a result of changes in exchange rates.

We are also exposed to risks related to the valuation of the Chinese currency relative to the U.S. dollar. The Chinese currency is the renminbi ("RMB"). A significant increase in the value of the RMB could adversely affect our financial results and cash flows by increasing both our manufacturing costs and the costs of our local supply base.

We depend on our executive officers and skilled management personnel.

Our success depends to a large extent upon the continued services of our executive officers and other key employees. Generally our employees are not bound by employment or non-competition agreements, and we cannot assure you that we will retain our executive officers and other key employees. We could be seriously harmed by the loss of any of our executive officers or other key employees. We will need to recruit and retain skilled management personnel, and if we are not able to do so, our business could be harmed. In addition, in connection with expanding our design services offerings, we must attract and retain experienced design engineers. There is substantial competition in our industry for highly skilled employees. Our failure to recruit and retain experienced design engineers could limit the growth of our design services offerings, which could adversely affect our business.

Failure to comply with domestic or international employment and related laws could result in the payment of significant damages, which would reduce our net income.

We are subject to a variety of domestic and foreign employment laws, including those related to safety, wages and overtime, discrimination, whistle-blowing, classification of employees and severance payments. Enforcement activity relating to these laws, particularly outside of the United States, can increase as a result of increased media attention due to violations by other companies, changes in law, political and other factors. There can be no assurance that we won't be found to have violated such laws in the future, due to a more aggressive enforcement posture by governmental authorities or for any other reason. Any such violations could lead to the assessment of fines against us by federal, state or foreign regulatory authorities or damages payable to employees, which fines could be substantial and which would reduce our net income.

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We may encounter difficulties with acquisitions, which could harm our business.

We have completed numerous acquisitions of businesses and we may acquire additional businesses in the future. Any future acquisitions may require additional equity financing, which could be dilutive to our existing shareholders, or additional debt financing, which could increase our leverage and potentially affect our credit ratings. Any downgrades in our credit ratings associated with an acquisition could adversely affect our ability to borrow by resulting in more restrictive borrowing terms. As a result of the foregoing, we also may not be able to complete acquisitions or strategic customer transactions in the future to the same extent as in the past, or at all.

To integrate acquired businesses, we must implement our management information systems, operating systems and internal controls, and assimilate and manage the personnel of the acquired operations. The difficulties of this integration may be further complicated by geographic distances. The integration of acquired businesses may not be successful and could result in disruption to other parts of our business. In addition, the integration of acquired businesses may require that we incur significant restructuring charges.

In addition, acquisitions involve numerous risks and challenges, including:

- diversion of management's attention from the normal operation of our business;
- potential loss of key employees and customers of the acquired companies;
- difficulties managing and integrating operations in geographically dispersed locations;
- the potential for deficiencies in internal controls at acquired companies;
- increases in our expenses and working capital requirements, which reduce our return on invested capital;
- lack of experience operating in the geographic market or industry sector of the acquired business; and
- exposure to unanticipated liabilities of acquired companies.

These and other factors have harmed, and in the future could harm, our ability to achieve anticipated levels of profitability at acquired operations or realize other anticipated benefits of an acquisition, and could adversely affect our business and operating results.

Our strategic relationships with major customers create risks.

In the past, we have completed numerous strategic transactions with OEM customers. Under these arrangements, we generally acquire inventory, equipment and other assets from the OEM, and lease or acquire their manufacturing facilities, while simultaneously entering into multi-year manufacturing and supply agreements for the production of their products. We may pursue these OEM divestiture transactions in the future. These arrangements entered into with divesting OEMs typically involve many risks, including the following:

- we may need to pay a purchase price to the divesting OEMs that exceeds the value we ultimately may realize from the future business of the OEM;
- the integration of the acquired assets and facilities into our business may be time-consuming and costly, including the incurrence of restructuring charges;

we, rather than the divesting OEM, bear the risk of excess capacity at the facility;

we may not achieve anticipated cost reductions and efficiencies at the facility;

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- we may be unable to meet the expectations of the OEM as to volume, product quality, timeliness and cost reductions;

- our supply agreements with the OEMs generally do not require any minimum volumes of purchase by the OEMs, and the actual volume of purchases may be less than anticipated; and

- if demand for the OEMs' products declines, the OEM may reduce its volume of purchases, and we may not be able to sufficiently reduce the expenses of operating the facility or use the facility to provide services to other OEMs.

As a result of these and other risks, we have been, and in the future may be, unable to achieve anticipated levels of profitability under these arrangements. In addition, these strategic arrangements have not, and in the future may not, result in any material revenues or contribute positively to our earnings per share.

Our business and operations could be adversely impacted by climate change initiatives.

Concern over climate change has led to international legislative and regulatory initiatives directed at limiting carbon dioxide and other greenhouse gas emissions. Proposed and existing efforts to address climate change by reducing greenhouse gas emissions could directly or indirectly affect our costs of energy, materials, manufacturing, distribution, packaging and other operating costs, which could impact our business and financial results.

Our operating results may fluctuate significantly due to seasonal demand.

Two of our significant end markets are the mobile devices market and the consumer devices market. These markets exhibit particular strength generally in the two quarters leading up to the end of the calendar year in connection with the holiday season. As a result, we have historically experienced stronger revenues in our second and third fiscal quarters as compared to our other fiscal quarters. Economic or other factors leading to diminished orders in the end of the calendar year could harm our business.

Our debt level may create limitations.

As of March 31, 2014, our total debt was approximately $2.1 billion. This level of indebtedness could limit our flexibility as a result of debt service requirements and restrictive covenants, and may limit our ability to access additional capital or execute our business strategy.

Changes in our credit rating may make it more expensive for us to raise additional capital or to borrow additional funds.

Our credit is rated by credit rating agencies. Our 4.625% Notes and our 5.000% Notes are currently rated BB+ by Standard and Poor's ("S&P") and Ba1 by Moody's, and are considered to be below "investment grade" debt by Moody's and S&P. Any further decline in our credit rating may make it more expensive for us to raise additional capital in the future on terms that are acceptable to us, if at all; negatively impact the price of our common stock; increase our interest payments under some of our existing debt agreements; and have other negative implications on our business, many of which are beyond our control. In addition, the interest rate payable on some of our credit facilities is subject to adjustment from time to time if our credit ratings change. Thus, any potential future negative change in our credit rating may increase the interest rate payable on these credit facilities.

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Weak global economic conditions and instability in financial markets may adversely affect our business, results of operations, financial condition and access to capital markets.

Our revenue and gross margin depend significantly on general economic conditions and the demand for products in the markets in which our customers compete. Adverse worldwide economic conditions may create challenging conditions in the electronics industry. These conditions may result in reduced consumer and business confidence and spending in many countries, a tightening in the credit markets, a reduced level of liquidity in many financial markets and high volatility in credit, fixed income and equity markets. In addition, longer term disruptions in the capital and credit markets could adversely affect our access to liquidity needed for our business. If financial institutions that have extended credit commitments to us are adversely affected by the conditions of the U.S. and international capital markets, they may become unable to fund borrowings under their credit commitments to us, which could have an adverse impact on our financial condition and our ability to borrow additional funds, if needed, for working capital, capital expenditures, acquisitions, research and development and other corporate purposes.

The market price of our ordinary shares is volatile.

The stock market in recent years has experienced significant price and volume fluctuations that have affected the market prices of companies, including technology companies. These fluctuations have often been unrelated to or disproportionately impacted by the operating performance of these companies. The market for our ordinary shares has been and may in the future be subject to similar volatility. Factors such as fluctuations in our operating results, announcements of technological innovations or events affecting other companies in the electronics industry, currency fluctuations, general market fluctuations, and macro-economic conditions may cause the market price of our ordinary shares to decline.

The Company's goodwill and identifiable intangible assets could become impaired, which could reduce the value of its assets and reduce its net income in the year in which the write-off occurs.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. The Company also ascribes value to certain identifiable intangible assets, which consist primarily of customer relationships, developed technology and trade names, among others, as a result of acquisitions. The Company may incur impairment charges on goodwill or identifiable intangible assets if it determines that the fair values of goodwill or identifiable intangible assets are less than their current carrying values. The Company evaluates, on a regular basis, whether events or circumstances have occurred that indicate all, or a portion, of the carrying amount of goodwill may no longer be recoverable, in which case an impairment charge to earnings would become necessary.

Refer to Notes 1 and 2 to the consolidated financial statements and 'critical accounting policies' in management's discussion and analysis of financial condition and results of operations for further discussion of the impairment testing of goodwill and identifiable intangible assets.

A decline in general economic conditions or global equity valuations could impact the judgments and assumptions about the fair value of the Company's businesses and the Company could be required to record impairment charges on its goodwill or other identifiable intangible assets in the future, which could impact the Company's consolidated balance sheet, as well as the Company's consolidated statement of operations. If the Company was required to recognize an impairment charge in the future, the charge would not impact the Company's consolidated cash flows, current liquidity, capital resources, and covenants under its existing credit facilities, asset securitization program, and other outstanding borrowings.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

Our facilities consist of a global network of industrial parks, regional manufacturing operations, and design, engineering and product introduction centers, providing approximately 26.0 million square feet of productive capacity as of March 31, 2014. We own facilities with approximately 8.3 million square feet in Asia, 4.1 million square feet in the Americas and 2.3 million square feet in Europe. We lease facilities with approximately 5.7 million square feet in Asia, 3.5 million square feet in the Americas and 2.0 million square feet in Europe.

Our facilities include large industrial parks, ranging in size from under 100,000 to 3.1 million square feet in Brazil, China, Hungary, Indonesia, Israel, Malaysia, Mexico, Poland, Romania, and the Ukraine. We also have regional manufacturing operations, generally ranging in size from under 100,000 to approximately 2.7 million square feet in Austria, Brazil, Canada, China, Czech Republic, France, Germany, Hong Kong, Hungary, India, Ireland, Italy, Japan, Korea, Malaysia, Mexico, the Philippines, Singapore, Sweden, Taiwan, the Ukraine and the United States. We also have smaller design and engineering centers and product introduction centers at a number of locations in the world's major electronics markets.

Our facilities are well maintained and suitable for the operations conducted. The productive capacity of our plants is adequate for current needs.

ITEM 3. *LEGAL PROCEEDINGS*

For a description of our material legal proceedings, see note 12 "Commitments and Contingencies" to the consolidated financial statements, which is incorporated herein by reference.

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable

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PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

PRICE RANGE OF ORDINARY SHARES

Our ordinary shares are quoted on the NASDAQ Global Select Market under the symbol "FLEX." The following table sets forth the high and low per share sales prices for our ordinary shares since the beginning of fiscal year 2013 as reported on the NASDAQ Global Select Market.

	High	Low
Fiscal Year Ended March 31, 2014		
Fourth Quarter	$ 9.42	$ 7.50
Third Quarter	9.25	7.13
Second Quarter	9.50	7.68
First Quarter	7.89	6.64
Fiscal Year Ended March 31, 2013		
Fourth Quarter	$ 6.93	$ 6.18
Third Quarter	6.31	5.54
Second Quarter	6.81	5.96
First Quarter	7.30	6.11

As of May 14, 2014 there were 3,423 holders of record of our ordinary shares and the closing sales price of our ordinary shares as reported on the NASDAQ Global Select Market was $9.56 per share.

DIVIDENDS

Since inception, we have not declared or paid any cash dividends on our ordinary shares. We currently do not have plans to pay any dividends in fiscal 2015.

STOCK PRICE PERFORMANCE GRAPH

The following stock price performance graph and accompanying information is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A under the Securities Exchange Act of 1934 or to the liabilities of Section 18 of the Securities Exchange Act of 1934, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, regardless of any general incorporation language in any such filing.

The graph below compares the cumulative total shareholder return on our ordinary shares, the Standard & Poor's 500 Stock Index and a peer group comprised of Benchmark Electronics, Inc., Celestica, Inc., Jabil Circuit, Inc., and Sanmina-SCI Corporation.

The graph below assumes that $100 was invested in our ordinary shares, in the Standard & Poor's 500 Stock Index and in the peer group described above on March 31, 2009 and reflects the annual return through March 31, 2014, assuming dividend reinvestment.

The comparisons in the graph below are based on historical data and are not indicative of, or intended to forecast, the possible future performances of our ordinary shares.

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COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Flextronics, the S&P 500 Index, and Peer Group

	3/09	3/10	3/11	3/12	3/13	3/14
Flextronics International Ltd	100.00	271.28	258.48	249.83	233.91	319.72
S&P 500 Index	100.00	149.77	173.20	187.99	214.24	261.07
Peer Group	100.00	304.74	320.42	348.00	288.78	337.84

Issuer Purchases of Equity Securities

The following table provides information regarding purchases of our ordinary shares made by us for the period from January 1, 2014 through March 31, 2014.

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(2)
January 1 - February 7, 2014	2,000,000	$ 8.25	2,000,000	$ 391,489,204
February 8 - February 28, 2014	4,987,954	9.03	4,987,954	383,272,529
March 1 - March 31, 2014	5,456,357	9.21	5,456,357	340,663,030
Total	12,444,311		12,444,311	

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(1) During the period from January 1, 2014 through March 31, 2014 all purchases were made pursuant to the program discussed below in open market transactions. All purchases were made in accordance with Rule 10b-18 under the Securities Exchange Act of 1934.

(2) On July 24, 2013, our Board of Directors authorized the repurchase of up to 10% of our outstanding ordinary shares, which was approved by the Company's shareholders at the 2013 Extraordinary General Meeting held on July 29, 2013. As of March 31, 2014, we had 37.0 million

shares available to be repurchased under the plan with an approximate dollar value of $340.7 million at an assumed average price of $9.21 per share.

RECENT SALES OF UNREGISTERED SECURITIES

None.

INCOME TAXATION UNDER SINGAPORE LAW

Dividends. Singapore does not impose a withholding tax on dividends. All dividends are tax exempt to shareholders.

Gains on Disposal. Under current Singapore tax law there is no tax on capital gains, thus any profits from the disposal of shares are not taxable in Singapore unless the gains arising from the disposal of shares are income in nature and subject to tax, especially if they arise from activities which the Inland Revenue Authority of Singapore regards as the carrying on of a trade or business in Singapore (in which case, the profits on the sale would be taxable as trade profits rather than capital gains).

Shareholders who apply, or who are required to apply, the Singapore Financial Reporting Standard 39 Financial Instruments Recognition and Measurement ("FRS 39") for the purposes of Singapore income tax may be required to recognize gains or losses (not being gains or losses in the nature of capital) in accordance with the provisions of FRS 39 (as modified by the applicable provisions of Singapore income tax law) even though no sale or disposal of shares is made.

Stamp Duty. There is no stamp duty payable for holding shares, and no duty is payable on the acquisition of newly-issued shares. When existing shares are acquired in Singapore, a stamp duty is payable on the instrument of transfer of the shares at the rate of two Singapore dollars ("S$") for every S$1,000 of the market value of the shares. The stamp duty is borne by the purchaser unless there is an agreement to the contrary. If the instrument of transfer is executed outside of Singapore, the stamp duty must be paid only if the instrument of transfer is received in Singapore.

Estate Taxation. The estate duty was abolished for deaths occurring on or after February 15, 2008. For deaths prior to February 15, 2008 the following rules apply:

If an individual who is not domiciled in Singapore dies on or after January 1, 2002, no estate tax is payable in Singapore on any of our shares held by the individual.

If property passing upon the death of an individual domiciled in Singapore includes our shares, Singapore estate duty is payable to the extent that the value of the shares aggregated with any other assets subject to Singapore estate duty exceeds S$600,000. Unless other exemptions apply to the other assets, for example, the separate exemption limit for residential properties, any excess beyond S$600,000 will be taxed at 5% on the first S$12,000,000 of the individual's chargeable assets and thereafter at 10%.

An individual shareholder who is a U.S. citizen or resident (for U.S. estate tax purposes) will have the value of the shares included in the individual's gross estate for U.S. estate tax purposes. An individual shareholder generally will be entitled to a tax credit against the shareholder's U.S. estate tax to the extent the individual shareholder actually pays Singapore estate tax on the value of the shares; however, such tax credit is generally limited to the percentage of the U.S. estate tax attributable to the inclusion of the value of the shares included in the shareholder's gross estate for U.S. estate tax purposes, adjusted further by a pro rata apportionment of available exemptions. Individuals who are domiciled in Singapore should consult their own tax advisors regarding the Singapore estate tax consequences of their investment.

Tax Treaties Regarding Withholding. There is no reciprocal income tax treaty between the U.S. and Singapore regarding withholding taxes on dividends and capital gains.

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ITEM 6. *SELECTED FINANCIAL DATA*

These historical results are not necessarily indicative of the results to be expected in the future. The following selected consolidated financial data set forth below was derived from our historical audited consolidated financial statements and is qualified by reference to and should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8, "Financial Statements and Supplementary Data."

	Fiscal Year Ended March 31,				
	2014	2013	2012(4)	2011(4)	2010(4)
	(In thousands, except per share amounts)				
CONSOLIDATED STATEMENT OF OPERATIONS DATA(1):					
Net sales	$ 26,108,607	$ 23,569,475	$ 29,343,029	$ 28,442,633	$ 23,962,135
Cost of sales	24,609,738	22,187,393	27,825,079	26,859,288	22,668,077
Restructuring charges(2)	58,648	215,834			87,442
Gross profit	1,440,221	1,166,248	1,517,950	1,583,345	1,206,616
Selling, general and administrative expenses	874,796	805,235	877,564	801,772	750,213
Intangible amortization	28,892	29,529	49,572	66,188	84,890
Restructuring charges(2)	16,663	11,600			14,572
Other charges (income), net(3)	57,512	(65,190)	(19,935)	6,127	206,604
Interest and other, net	61,904	56,259	36,019	74,948	155,498
Income (loss) from continuing operations before income taxes	400,454	328,815	574,730	634,310	(5,161)
Provision for (benefit from) income taxes	34,860	26,313	53,960	22,049	(37,059)
Income from continuing operations	365,594	302,502	520,770	612,261	31,898
Loss from discontinued operations, net of tax		(25,451)	(32,005)	(16,042)	(13,304)
Net income	$ 365,594	$ 277,051	$ 488,765	$ 596,219	$ 18,594
Diluted earnings (loss) per share:					
Continuing operations	$ 0.59	$ 0.45	$ 0.72	$ 0.77	$ 0.04
Discontinued operations	$	$ (0.04)	$ (0.04)	$ (0.02)	$ (0.02)
Total	$ 0.59	$ 0.41	$ 0.67	$ 0.75	$ 0.02

	As of March 31,				
	2014	2013	2012	2011	2010
			(In thousands)		
CONSOLIDATED BALANCE SHEET DATA(1):					
Working capital	$ 1,743,639	$ 1,598,616	$ 2,246,365	$ 2,225,268	$ 1,642,790
Total assets	12,500,150	10,591,555	11,033,804	11,633,152	10,642,552
Total long-term debt, excluding current portion	2,070,020	1,650,973	2,149,333	2,198,942	1,988,876
Shareholders' equity(5)	2,201,679	2,246,758	2,283,979	2,294,696	1,984,567

(1) In fiscal year 2013, the Company finalized the sales of two non-core businesses. These non-core businesses represent separate asset groups and the divestitures qualify as discontinued operations, and accordingly, the Company has reported the results of operations and financial position of these businesses in discontinued operations within the consolidated statements of operations and the consolidated balance sheets for all periods presented.

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(2) Restructuring charges incurred during fiscal years 2014, 2013 and 2010 were primarily intended to realign our corporate cost structure, and rationalize the Company's global manufacturing capacity and infrastructure in response to weakened macro-economic conditions and decline in demand from our OEM customers.

(3) The net other charge in the fiscal year 2014 includes $55.0 million of charges related to a contractual obligation. Refer to note 12 to the consolidated financial statements for further discussion. Additionally, the Company recorded a loss of $7.1 million related to the sale of the underlying shares related to warrants to purchase common shares of a certain supplier, and recognized a $4.6 million gain on the sale of certain investments.

The net other income in the fiscal year 2013 includes the fair value change in warrants to purchase common shares of a certain supplier amounting to $74.4 million and loss on sale of two investments.

The net other income in the fiscal year 2012, relates to the $20.0 million gain on sale of certain international entities.

During fiscal year 2011, the Company recognized a $13.2 million loss associated with the early redemption of the 6.25% Senior Subordinated Notes and an $11.7 million loss in connection with the divestiture of certain international entities. Additionally, the Company recognized a gain of $18.6 million associated with a sale of an equity investment that was previously fully impaired.

The Company recognized charges of $199.4 million in fiscal years 2010, for the loss on disposition, other-than-temporary impairment and other related charges on its investments in, and notes receivable from, certain non-publicly traded companies.

(4) During the fourth quarter of fiscal year 2012, the Company identified certain accounting errors in the statutory-to-U.S. GAAP adjustments at one of its foreign sites that originated in prior annual periods. Management conducted additional procedures and concluded that these errors were isolated to that location. These errors, which primarily understated cost of sales, totaled $10.4 million and $8.0 million for the fiscal years ended March 31, 2011 and 2010 respectively, and were corrected by the Company as an out-of-period adjustment in the fourth quarter of fiscal year 2012. Management believes the impact of this item, to the fiscal year ended March 31, 2012 and to prior fiscal years presented was not material. As a result of recording these adjustments in the fourth quarter of fiscal year 2012, net income for the year ended March 31, 2012 was reduced by $24.9 million ($0.03 per share).

(5) During fiscal 2014, a previously wholly-owned subsidiary of the Company issued a non-controlling equity interest to certain third party investors in exchange for $38.6 million in cash for an ownership interest of less than 20% of the outstanding shares in the subsidiary. Accordingly, as of March 31, 2014, the non-controlling interest has been included on the consolidated balance sheet as a component of total shareholders' equity.

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ITEM 7. ***MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

This report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. The words "expects," "anticipates," "believes," "intends," "plans" and similar expressions identify forward-looking statements. In addition, any statements which refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. We undertake no obligation to publicly disclose any revisions to these forward-looking statements to reflect events or circumstances occurring subsequent to filing this Form 10-K with the Securities and Exchange Commission. These forward-looking statements are subject to risks and uncertainties, including, without limitation, those discussed in this section and in Item 1A, "Risk Factors." In addition, new risks emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on our business. Accordingly, our future results may differ materially from historical results or from those discussed or implied by these forward-looking statements. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements.

OVERVIEW

We are a globally-recognized leading provider of supply chain solutions that span from concept through consumption. We design, build, ship and service a complete packaged electronic product for original equipment manufacturers ("OEMs") in the following business groups: High Reliability Solutions ("HRS"), which is comprised of our medical, automotive, and defense and aerospace businesses; High Velocity Solutions ("HVS"), which includes our mobile devices business, including smart phones; our consumer electronics business, including game consoles and wearable electronics; and our high-volume computing business, including various supply chain solutions for notebook personal computing ("PC"), tablets and printers; Industrial and Emerging Industries ("IEI"), which is comprised of our household appliances, semi-cap equipment, kiosks, energy and emerging industries businesses; and Integrated Network Solutions ("INS"), which includes our telecommunications infrastructure, data networking, connected home, and server and storage businesses.

Our strategy is to provide customers with a full range of cost competitive, vertically-integrated global supply chain solutions through which we can design, build, ship and service a complete packaged product for our OEM customers. This enables our OEM customers to leverage our supply chain solutions to meet their product requirements throughout the entire product life cycle.

During the recent years, we have seen an increased level of diversification by many companies, primarily in the technology sector. Some companies that have historically identified themselves as software providers, internet service providers or e-commerce retailers have started to enter the highly competitive and rapidly evolving hardware markets, such as mobile devices, home entertainment and wearable devices. This trend has resulted in a significant change in the manufacturing and supply chain solutions requirements of such companies. While the products have become more complex, the supply chain solutions required by such companies have become more customized and demanding, and it has changed the manufacturing and supply chain landscape significantly.

We use a portfolio management approach to manage our extensive service offerings. As our OEM customers change in the way they go to market, we reorganize and rebalance our business portfolio in order to align with our customers' needs and requirements and to optimize our operating results. With the acquisition of certain manufacturing operations from Google's Motorola Mobility LLC during the first quarter of fiscal 2014, we have experienced an increase in the percentage of our revenues from the HVS business group, and expect the amount of revenue from our HVS business group, relative to total revenue, to stabilize going forward. The objective of our operating model is to allow us to redeploy and

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reposition our assets and resources to meet specific customer needs across all of the markets we serve, and we have been able to successfully reposition our assets and capacity between various business groups to serve our customers as required, which illustrates the overall flexibility of our model.

During fiscal years 2013 and 2014, we launched multiple programs broadly across our portfolio of services, and, in some instances, we deployed certain new technologies. We expect that these new programs will continue to increase in complexity in order to provide competitive advantages to our customers. We anticipate these programs will continue ramping with an increase in volume production during fiscal year 2015 and beyond. Until we achieve such higher levels of revenue, we expect that our gross margin and operating margin may be negatively impacted as profitability normally lags revenue growth due to incremental start-up costs, operational inefficiencies, under-absorbed overhead costs and lower manufacturing program volumes while in the ramp phase. We expect that our margins for these programs will improve over time as the revenue increases due to increased volumes.

We are one of the world's largest providers of global supply chain solutions, with revenues of $26.1 billion in fiscal year 2014. We have established an extensive network of manufacturing facilities in the world's major electronics markets (Asia, the Americas and Europe) in order to serve the growing outsourcing needs of both multinational and regional OEMs. We design, build, ship, and service electronics products for our customers through a network of facilities in approximately 30 countries across four continents. As of March 31, 2014, our total manufacturing capacity was approximately 26.0 million square feet. In fiscal year 2014, our net sales in Asia, the Americas and Europe represented approximately 53%, 31% and 16%, respectively, of our total net sales, based on the location of the manufacturing site. The following tables set forth net sales and net property and equipment, by country, based on the location of our manufacturing sites and the relative percentages:

	Fiscal Year Ended March 31,					
Net sales:	**2014**		**2013**		**2012**	
	(In thousands)					
China	$ 10,521,169	40%	$ 8,132,776	35%	$ 11,212,310	38%
Mexico	3,565,803	14%	3,534,067	15%	4,005,653	14%
U.S	2,829,807	11%	2,539,460	11%	2,971,757	10%
Malaysia	2,142,437	8%	2,440,902	10%	2,868,990	10%
Brazil	1,699,209	6%	1,023,790	4%	1,269,203	4%
Other	5,350,182	21%	5,898,480	25%	7,015,116	24%
	$ 26,108,607		$ 23,569,475		$ 29,343,029	

	Fiscal Year Ended March 31,			
Property and equipment, net:	**2014**		**2013**	
	(In thousands)			
China	$ 941,850	41%	$ 855,032	39%
U.S	362,199	16%	245,590	11%
Mexico	326,287	14%	286,026	13%
Malaysia	153,194	7%	152,594	7%
Hungary	103,266	5%	113,173	5%
Other	401,860	17%	522,173	25%
	$ 2,288,656		$ 2,174,588	

We believe that the combination of our extensive open innovation platform solutions, design and engineering services, advanced supply chain management solutions and services, significant scale and global presence, and industrial campuses in low-cost geographic areas provide us with a competitive advantage and strong differentiation in the market for designing, manufacturing and servicing

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electronics products for leading multinational and regional OEMs. Specifically, we have launched multiple product innovation centers ("PIC") focused exclusively on offering our OEM customers the ability to simplify their global product development, manufacturing process, and after sales services, and enable them to achieve meaningful time to market and cost savings.

Our operating results are affected by a number of factors, including the following:

- changes in the macro-economic environment and related changes in consumer demand;
- the mix of the manufacturing services we are providing, the number and size of new manufacturing programs, the degree to which we utilize our manufacturing capacity, seasonal demand, shortages of components and other factors;
- the effects on our business when our customers are not successful in marketing their products, or when their products do not gain widespread commercial acceptance;
- our ability to achieve commercially viable production yields and to manufacture components in commercial quantities to the performance specifications demanded by our OEM customers;
- the effects on our business due to our customers' products having short product life cycles;
- our customers' ability to cancel or delay orders or change production quantities;
- our customers' decision to choose internal manufacturing instead of outsourcing for their product requirements;
- our exposure to financially troubled customers;
- integration of acquired businesses and facilities;
- increased labor costs due to adverse labor conditions in the markets we operate; and
- changes in tax legislation.

We also are subject to other risks as outlined in Item 1A, "Risk Factors."

Net revenues for fiscal year 2014 increased 10.8% or $2.5 billion to $26.1 billion. This increase was primarily attributable to our acquisition of certain manufacturing operations from Google's Motorola Mobility LLC (Motorola), which was partially offset by the disengagement of our assembly activities with Blackberry during fiscal 2013, which contributed revenue in that year of approximately $0.9 billion. Our revenue increased across all of the business groups we serve except for INS. Our fiscal year 2014 gross profit totaled $1.4 billion, representing an increase of $274.0 million, or 23.5%, and our income from continuing operations totaled $365.6 million, representing an increase of $63.1 million, compared to fiscal year 2013. Both gross profit and income from continuing operations increased primarily due to lower restructuring charges incurred during fiscal year 2014 as a result of less cost reduction activities as compared to prior year. Additionally, the increase in income from continuing operations was partially offset by $55.0 million of other charges for a contractual obligation for certain performance provisions as defined in an existing manufacturing agreement with a customer. Additionally, our income from continuing operations in fiscal year 2013 included a gain from the fair value adjustment of $74.4 million relating to warrants to purchase common shares of a supplier. These warrants were exercised and the underlying shares were sold for total proceeds of $67.3 million resulting in a loss of $7.1 million that was recognized during fiscal 2014.

Cash provided by operations increased approximately $101.0 million to $1.2 billion for fiscal year 2014 compared with $1.1 billion for fiscal year 2013 primarily due to increased net income and to a lesser extent due to changes in operating assets and liabilities. Our average net working capital, defined as accounts receivable, including deferred purchase price receivable from our asset-backed securitization programs plus inventory less accounts payable, as a percentage of annual sales was approximately 6.8%, 7.8% and 6.2% for the years ended March 31, 2014, 2013 and 2012, respectively. The decrease in the percentage for the year ended March 31, 2014 is primarily attributable to higher revenue from our HVS business which carries significantly higher inventory turns and customers with contractually shorter payment terms resulting in a decrease in our average net working capital in fiscal year 2014. Our free cash flow, which we define as cash from operating activities less net purchases of property and equipment, was $701.5 million for fiscal year 2014 compared to $680.1 million for fiscal year 2013, primarily due to higher cash flows from operations partially offset by higher net capital expenditure. Refer to the Liquidity and Capital Resources section for the free cash flows reconciliation to our most directly comparable GAAP financial measure of cash flows from operations. Cash used in financing activities amounted to $410.8 million during fiscal year 2014 and included repurchases of approximately 60.7 million ordinary shares at an aggregate purchase value of $475.3 million. As of March 31, 2014 and 2013, $5.5 million and $12.0 million was included in accrued expenses for approximately 0.6 million and 1.8 million ordinary shares, respectively, that were not settled by the end of the year.

Additionally, in response to a challenging macroeconomic environment, we initiated certain restructuring activities in fiscal years 2013 and 2014 intended to improve our operational efficiencies by reducing excess workforce and capacity. The restructuring activities are intended to realign our corporate cost structure, and rationalize our global manufacturing capacity and infrastructure which will result in a further shift of manufacturing capacity to locations with higher efficiencies. During the fiscal year ended March 31, 2014, we recognized $75.3 million of pre-tax restructuring charges primarily comprised of $73.4 million of cash charges predominantly related to employee severance costs. During the fiscal year ended March 31, 2013, we recognized $227.4 million of pre-tax restructuring charges comprised of $123.0 million of cash charges primarily related to employee severance costs and $104.4 million of non-cash charges primarily related to asset impairment and other exit charges.

We believe that our business transformation has strategically positioned us very well to take advantage of the long-term, future growth prospects for outsourcing of advanced manufacturing capabilities, design and engineering services and after-market services, which remain strong.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP" or "GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements. For further discussion of our significant accounting policies, refer to note 2 to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data."

Revenue Recognition

We recognize manufacturing revenue when we ship goods or the goods are received by our customer, title and risk of ownership have passed, the price to the buyer is fixed or determinable and recoverability is reasonably assured. Generally, there are no formal substantive customer acceptance requirements or further obligations related to manufacturing services. If such requirements or obligations exist, then we recognize the related revenues at the time when such requirements are completed and the obligations are fulfilled. Some of our customer contracts allow us to recover certain costs related to manufacturing services that are over and above the prices we charge for the related products. We determine the amount of costs that are recoverable based on historical experiences and agreements with those customers. Also, certain customer contracts may contain certain commitments and obligations that may result in additional expenses or decrease in revenue. We accrue for these commitments and obligations based on facts and circumstances and contractual terms. We also make provisions for estimated sales returns and other adjustments at the time revenue is recognized based upon contractual terms and an analysis of historical returns. Provisions for sales returns and other adjustments were not material to our consolidated financial statements for any of the periods presented.

We provide a comprehensive suite of services for our customers that range from advanced product design to manufacturing and logistics to after-sales services. We recognize service revenue when the services have been performed, and the related costs are expensed as incurred. Our net sales for services were less than 10% of our total sales for all periods presented, and accordingly, are included in net sales in the consolidated statements of operations.

Customer Credit Risk

We have an established customer credit policy through which we manage customer credit exposures through credit evaluations, credit limit setting, monitoring, and enforcement of credit limits for new and existing customers. We perform ongoing credit evaluations of our customers' financial condition and make provisions for doubtful accounts based on the outcome of those credit evaluations. We evaluate the collectability of accounts receivable based on specific customer circumstances, current economic trends, historical experience with collections and the age of past due receivables. To the extent we identify exposures as a result of credit or customer evaluations, we also review other customer related exposures, including but not limited to inventory and related contractual obligations.

Restructuring Charges

We recognize restructuring charges related to our plans to close or consolidate excess manufacturing and administrative facilities and to realign our corporate cost structure. In connection with these activities, we recognize restructuring charges for employee termination costs, long-lived asset impairment and other exit-related costs.

The recognition of these restructuring charges requires that we make certain judgments and estimates regarding the nature, timing and amount of costs associated with the planned exit activity. To the extent our actual results differ from our estimates and assumptions, we may be required to revise the estimates of future liabilities, requiring the recognition of additional restructuring charges or the reduction of liabilities already recognized. Such changes to previously estimated amounts may be material to the consolidated financial statements. At the end of each reporting period, we evaluate the remaining accrued balances to ensure that no excess accruals are retained and the utilization of the provisions are for their intended purpose in accordance with developed exit plans.

Refer to note 14 to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data" for further discussion of our restructuring activities.

Carrying Value of Long-Lived Assets

We review property and equipment and acquired amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized when the carrying amount of these long-lived assets exceeds their fair value. Recoverability of property and equipment and acquired amortizable intangible assets are measured by comparing their carrying amount to the projected cash flows the assets are expected to generate. If such assets are considered to be impaired, the impairment loss recognized, if any, is the amount by which the carrying amount of the property and equipment and acquired amortizable intangible assets exceeds fair value. Our judgments regarding projected cash flows for an extended period of time and the fair value of assets may be impacted by changes in market conditions, general business environment and other factors. To the extent our estimates relating to cash flows and fair value of assets change adversely we may have to recognize additional impairment charges in the future.

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Inventory Valuation

Our inventories are stated at the lower of cost (on a first-in, first-out basis) or market value. Our industry is characterized by rapid technological change, short-term customer commitments and rapid changes in demand. We purchase our inventory based on forecasted demand, and we estimate write downs for excess and obsolete inventory based on our regular reviews of inventory quantities on hand, and the latest forecasts of product demand and production requirements from our customers. If actual market conditions or our customers' product demands are less favorable than those projected, additional write downs may be required. In addition, unanticipated changes in the liquidity or financial position of our customers and/or changes in economic conditions may require additional write downs for inventories due to our customers' inability to fulfill their contractual obligations with regard to inventory procured to fulfill customer demand.

Contingent Liabilities

We may be exposed to certain liabilities relating to our business operations, acquisitions of businesses and assets and other activities. We make provisions for such liabilities when it is probable that the settlement of the liability will result in an outflow of economic resources or the impairment of an asset. We make these assessments based on facts and circumstances that may change in the future resulting in additional expenses.

Income Taxes

Our deferred income tax assets represent temporary differences between the carrying amount and the tax basis of existing assets and liabilities which will result in deductible amounts in future years, including net operating loss carry forwards. Based on estimates, the carrying value of our net deferred tax assets assumes that it is more likely than not that we will be able to generate sufficient future taxable income in certain tax jurisdictions to realize these deferred income tax assets. Our judgments regarding future profitability may change due to future market conditions, changes in U.S. or international tax laws and other factors. If these estimates and related assumptions change in the future, we may be required to increase or decrease our valuation allowance against deferred tax assets previously recognized, resulting in additional or lesser income tax expense.

We are regularly subject to tax return audits and examinations by various taxing jurisdictions and around the world, and there can be no assurance that the final determination of any tax examinations will not be materially different than that which is reflected in our income tax provisions and accruals. Should additional taxes be assessed as a result of a current or future examination, there could be a material adverse effect on our tax position, operating results, financial position and cash flows. Refer to note 13 to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data" for further discussion of our tax position.

Translation of Foreign Currencies

The financial position and results of operations for certain of our subsidiaries are measured using a currency other than the U.S. dollar as their functional currency. Accordingly, all assets and liabilities for these subsidiaries are translated into U.S. dollars at the current exchange rates as of the respective balance sheet dates. Revenue and expense items are translated at the average exchange rates prevailing during the period. Cumulative gains and losses from the translation of these subsidiaries' financial statements are reported as other comprehensive loss, a component of shareholders' equity. Foreign exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved, and re-measurement adjustments for foreign operations where the U.S. dollar is the functional currency, are included in operating results.

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RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain statements of operations data expressed as a percentage of net sales. The financial information and the discussion below should be read in conjunction with the consolidated financial statements and notes thereto included in Item 8, "Financial Statements and Supplementary Data." The data below, and discussion that follows, represents our results from operations.

	Fiscal Year Ended March 31,		
	2014	2013	2012
Net sales	100.0%	100.0%	100.0%
Cost of sales	94.3	94.2	94.8
Restructuring charges	0.2	0.9	
Gross profit	5.5	4.9	5.2
Selling, general and administrative expenses	3.4	3.4	3.0
Intangible amortization	0.1	0.1	0.2
Restructuring charges	0.1	0.1	
Other charges (income), net	0.2	(0.2)	
Interest and other, net	0.2	0.2	0.1
Income from continuing operations before income taxes	1.5	1.3	1.9
Provision from income taxes	0.1	0.1	0.2
Income from continuing operations	1.4	1.2	1.7
Loss from discontinued operations, net of tax		(0.1)	(0.1)
Net income	1.4%	1.1%	1.6%

Net sales

Net sales during fiscal year 2014 totaled $26.1 billion, representing an increase of $2.5 billion, or 10.8%, from $23.6 billion during fiscal year 2013. During fiscal year 2014, net sales increased $2.0 billion in Asia and $0.9 billion in the Americas, offset by a decrease of $0.4 billion in Europe.

Net sales during fiscal year 2013 totaled $23.6 billion, representing a decrease of $5.8 billion, or 19.7%, from $29.3 billion during fiscal year 2012. Net sales decreased across all of the geographical regions we serve, consisting of decreases of $3.7 billion in Asia, $1.2 billion in the Americas and $0.9 billion in Europe.

The following table sets forth net sales by business groups and their relative percentages. Historical information has been recast to reflect realignment of customers and/or products between business groups:

	Fiscal Year Ended March 31,					
Business groups:	**2014**		**2013**		**2012**	
	(In thousands)					
Integrated Network Solutions	$ 10,135,777	39%	$ 10,636,529	45%	$ 11,451,863	39%
High Velocity Solutions	8,909,559	34%	6,363,337	27%	11,553,858	39%

Industrial & Emerging Industries		3,805,933	15%		3,751,867	16%		3,979,788	14%
High Reliability Solutions		3,257,338	12%		2,817,742	12%		2,357,520	8%
	$	26,108,607		$	23,569,475		$	29,343,029	

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Net sales during fiscal year 2014 increased (i) $2.5 billion or 40.0% in the HVS business group, (ii) $0.4 billion or 15.6% in the HRS business group and (iii) less than $0.1 billion or 1.4% in the IEI business group. The increase in revenues from the HVS business group was primarily as a result of our acquisition of certain manufacturing operations from Google's Motorola Mobility LLC (Motorola) during the first quarter of fiscal 2014, which were partially offset by revenue reductions due to our disengagement with Blackberry during fiscal 2013 which contributed revenues of $0.9 billion in that year. The increase in revenue from our HRS business group was attributable to our acquisition of Saturn Electronics and Engineering Inc. during the last quarter of fiscal 2013 and our continued expansion with existing and new customers. The increase in these business groups was partially offset by a decrease in sales from our INS business group amounting to $0.5 billion or 4.7% primarily attributable to broad softness in our connected home and telecom businesses, and server, storage and networking businesses versus the prior year.

Net sales during fiscal year 2013 decreased (i) $5.2 billion or 44.9% in the HVS business group, (ii) $0.8 billion or 7.1% in the INS business group and (iii) $0.2 billion or 5.7% in the IEI business group. The decline in sales for our HVS business group was primarily due to our disengagement from our assembly business with Blackberry, which resulted in an approximately $2.2 billion reduction of sales and our exit from the ODM PC business during fiscal 2012, which resulted in an approximately $1.6 billion reduction of sales. The remainder of the decrease across the other business groups was attributable to reduced overall demand during fiscal year 2013. The decrease in these business groups was partially offset by an increase in sales from our HRS business group amounting to $0.5 billion or 19.5%, primarily due to increased demand for our customer products in the automotive market and to a lesser extent from our acquisition of Saturn Electronics and Engineering, Inc. during the last quarter of fiscal 2013.

Our ten largest customers during fiscal years 2014, 2013 and 2012 accounted for approximately 52%, 47% and 55% of net sales, respectively. During fiscal year 2014, only Google (including Motorola) accounted for greater than 10% of net sales. No customer accounted for greater than 10% of our net sales during fiscal year 2013. During fiscal year 2012 Hewlett-Packard (HP) and Blackberry each accounted for greater than 10% of net sales.

Gross profit

Gross profit is affected by a number of factors, including the number and size of new manufacturing programs, product mix, component costs and availability, product life cycles, unit volumes, pricing, competition, new product introductions, capacity utilization and the expansion and consolidation of manufacturing facilities. The flexible design of our manufacturing processes allows us to build a broad range of products in our facilities and better utilize our manufacturing capacity. In the cases of new programs, profitability normally lags revenue growth due to product start-up costs, lower manufacturing program volumes in the start-up phase, operational inefficiencies, and under-absorbed overhead. Gross margin for these programs often improves over time as manufacturing volumes increase, as our utilization rates and overhead absorption improve, and as we increase the level of manufacturing services content. As a result of these various factors, our gross margin varies from period to period.

Gross profit during fiscal year 2014 increased $274.0 million to $1.4 billion from $1.2 billion during fiscal year 2013. Gross margin increased to 5.5% of net sales in fiscal year 2014 as compared with 4.9% of net sales in fiscal year 2013. Gross margins improved 60 basis points in fiscal year 2014 compared to that of fiscal year 2013 primarily due to restructuring charges of $58.6 million, or 20 basis points in fiscal year 2014 as compared to $215.8 million, or 90 basis points, in fiscal year 2013 included in cost of sales.

Gross profit during fiscal year 2013 decreased $351.7 million to $1.2 billion from $1.5 billion during fiscal year 2012. Gross margin decreased to 4.9% of net sales in fiscal year 2013 as compared with 5.2% of net sales in fiscal year 2012. Gross margins deteriorated 30 basis points in fiscal year 2013 compared to that of fiscal year 2012 primarily due to restructuring charges of $215.8 million, or 90 basis points, included in cost of sales. The impact of the restructuring charges was partially offset by lower sales from our HVS business group which generally carry lower margins than the overall margins in our other business groups. Further our fiscal 2012 operating results included a correction of an accounting error that had an unfavorable impact of $23.9 million on our gross profit in that year.

Restructuring charges

In response to a challenging macroeconomic environment, we initiated certain restructuring activities to improve our operational efficiencies by reducing excess workforce and capacity. The restructuring activities are intended to realign our corporate cost structure, and rationalize our global manufacturing capacity and infrastructure which will further shift manufacturing capacity to locations with higher efficiencies.

During fiscal year 2014, we recognized $75.3 million of pre-tax restructuring charges comprised of $73.4 million of cash charges predominantly related to employee severance costs and $1.9 million of non-cash charges related to asset impairment. The restructuring charges by geographic region amounted to $34.5 million in Asia, $24.9 million in the Americas and $15.9 million in Europe. We classified $58.6 million of the charges incurred in fiscal 2014 as a component of cost of sales and $16.7 million as a component of selling, general and administrative expenses. As of March 31, 2014, all plans have been completed and accrued costs related to restructuring charges incurred were $42.4 million, of which $36.3 million was classified as a current obligation. We expect these restructuring activities will allow for potential savings through reduced employee expenses and lower operating costs and to yield annualized cost reductions of approximately $15 million.

During fiscal year 2013, we recognized $227.4 million of pre-tax restructuring charges comprised of $123.0 million of cash charges predominantly related to employee severance costs and $104.4 million of non-cash charges primarily related to asset impairment and other exit charges. The restructuring charges by geographic region amounted to $108.4 million in Asia, $91.8 million in Europe and $27.2 million in the Americas. We classified $215.8 million of these charges as a component of cost of sales and $11.6 million of these charges as a component of selling, general and administrative expenses during fiscal year 2013.

Refer to note 14 to the consolidated financial statements in Item 8, "Financial Statements and Supplementary Data" for further discussion of our restructuring activities.

Selling, general and administrative expenses

Selling, general and administrative expenses ("SG&A") totaled $874.8 million or 3.4% of net sales, during fiscal year 2014, compared to $805.2 million, or 3.4% of net sales, during fiscal year 2013, increasing by $69.6 million or 8.6%. The increase in SG&A in dollars was primarily attributable to acquisitions, investments in our supply chain solutions, enhancement of our selling and business development activities and incremental corporate infrastructure to support the increasing complexities of our business. While we continue to make investments to support our innovation initiatives and remain focused on our profitable growth in late fiscal year 2014, we have implemented certain cost control measures.

Selling, general and administrative expenses totaled $805.2 million or 3.4% of net sales, during fiscal year 2013, compared to $877.6 million, or 3.0% of net sales, during fiscal year 2012, decreasing by $72.4 million or 8.2%. The decrease in SG&A in dollars was primarily attributable to the elimination of costs relating to our ODM PC business which we fully exited during fiscal year 2012 and a

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$28.0 million provision for doubtful accounts recorded in fiscal 2012 related to a customer concentrated in the solar photovoltaic market. The increase of SG&A expenses as a percentage of net sales is primarily attributable to lower revenues in fiscal 2013.

Intangible amortization

Amortization of intangible assets in fiscal year 2014 decreased by $0.6 million to $28.9 million from $29.5 million in fiscal year 2013. Amortization of intangible assets in fiscal year 2013 decreased by $20.1 million from $49.6 million in fiscal year 2012 primarily due to the use of the accelerated method of amortization for certain customer-related intangibles, which results in decreasing expense over time. Certain high valued intangible assets were fully amortized by the end of fiscal 2012, resulting in lower amortization expense in the subsequent years.

Other charges (income), net

During fiscal year 2014, we recognized other charges of $57.5 million primarily due to a contractual obligation of $55.0 million related to certain performance provisions as defined in an existing manufacturing agreement with a customer. Refer to note 12 to the consolidated financial statements for further discussion. Additionally, we exercised warrants to purchase common shares of a certain supplier and sold the underlying shares for a loss of $7.1 million, as further discussed below, offset by a gain of $4.6 million recognized in connection with the sales of certain investments.

During fiscal year 2013, we recognized other income of $65.2 million primarily due to an unrealized gain from the fair value adjustment of $74.4 million of warrants we held to purchase common shares of a supplier. As discussed above we sold the underlying shares in 2014. The gain was offset by various losses from sale, or direct impairments of certain non-core equity investments and notes receivable, and losses from sales of international entities that are individually immaterial.

During fiscal year 2012, we recognized a net gain of $20.0 million, in connection with the sale of certain international entities.

Interest and other, net

Interest and other, net was $61.9 million during fiscal year 2014, compared to $56.3 million during fiscal year 2013, an increase of $5.6 million that was primarily due to the refinancing of our lower rate floating interest debt with higher rate fixed interest Notes in February of fiscal 2013. Additionally, the gains on foreign currency transactions attributable to our cross-border foreign currency transactions and the revaluation of RMB denominated net asset positions of our U.S. dollar functional currency sites based in China decreased in fiscal year 2014. There can be no assurance that further gains from various arbitrage opportunities related to foreign exchange settlements in China will be available in the future.

Interest and other, net was $56.3 million during fiscal year 2013, compared to $36.0 million during fiscal year 2012, an increase of $20.3 million that was primarily due to a decrease in gains on foreign exchange transactions attributable to our cross-border foreign currency transactions and the revaluation of RMB denominated net asset positions of our U.S. dollar functional currency sites based in China.

Income taxes

Certain of our subsidiaries have, at various times, been granted tax relief in their respective countries, resulting in lower income taxes than would otherwise be the case under ordinary tax rates. The consolidated effective tax rates were 8.7%, 8.0% and 9.4% for the fiscal years 2014, 2013 and 2012, respectively. The effective rate varies from the Singapore statutory rate of 17.0% as a result of recognition of earnings in different jurisdictions, operating loss carry forwards, income tax credits, previously established valuation allowances for deferred tax assets, liabilities for uncertain tax positions,

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as well as because of the effect of certain tax holidays and incentives granted to our subsidiaries primarily in China, Malaysia, Israel, and Singapore. We generate most of our revenues and profits from operations outside of Singapore.

We are regularly subject to tax return audits and examinations by various taxing jurisdictions and around the world, and there can be no assurance that the final determination of any tax examinations will not be materially different than that which is reflected in our income tax provisions and accruals. Should additional taxes be assessed as a result of a current or future examination, there could be a material adverse effect on our tax position, operating results, financial position and cash flows.

We provide a valuation allowance against deferred tax assets that in our estimation are not more likely than not to be realized. During fiscal year 2014, we released valuation allowances totalling $36.9 million related to our operations in Brazil, India and Japan as these amounts were deemed to be more likely than not to be realized.

The Mexican government enacted significant tax reform legislation during the third quarter fiscal 2014, which resulted in a net $4.3 million discrete tax expense. We do not anticipate this tax reform to have a material impact to the ongoing effective tax rate.

See note 13, "Income Taxes," to the consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data" for further discussion.

Discontinued Operations

Consistent with our strategy to evaluate the strategic and financial contributions of each of our operations and to focus on the primary growth objectives in our core manufacturing business activities, we finalized the sale of two of our non-core businesses during fiscal year 2013. These non-core businesses represent separate asset groups and the divestitures qualify for reporting as discontinued operations within the consolidated statements of operations and the consolidated balance sheets for all periods presented, as applicable.

The results from discontinued operations were as follows:

	Fiscal Year Ended March 31,	
	2013	**2012**
	(In thousands)	
Net sales	$ 40,593	$ 127,258
Cost of sales	42,793	145,403
Gross loss	(2,200)	(18,145)
Selling, general and administrative expenses	1,930	8,932
Intangibles amortization and impairment	11,000	6,325
Interest and other, net	11,280	(7)
Loss before income taxes	(26,410)	(33,395)
Benefit from income taxes	(959)	(1,390)
Net loss of discontinued operations	$ (25,451)	$ (32,005)

Net sales in fiscal year 2013 decreased $86.7 million as we decelerated operations while evaluating strategic alternatives for the businesses and due to the end of certain product life cycles. We recognized a loss of $12.1 million as a result of the disposition of these non-core businesses in fiscal 2013 which is included in interest and other, net in the results from discontinued operations.

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LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2014, we had cash and cash equivalents of $1.6 billion and bank and other borrowings of $2.1 billion. We have a $1.5 billion revolving credit facility, under which we had no borrowings outstanding as of March 31, 2014.

Our cash balances are held in numerous locations throughout the world. As of March 31, 2014, over half of our cash and cash equivalents were held by foreign subsidiaries outside of Singapore. Although substantially all of the amounts held outside of Singapore could be repatriated, under current laws, a significant amount could be subject to income tax withholdings. We provide for tax liabilities on these amounts for financial statement purposes, except for certain of our foreign earnings that are considered indefinitely reinvested outside of Singapore (approximately $779.0 million as of March 31, 2014). Repatriation could result in an additional income tax payment, however, our intent is to permanently reinvest these funds outside of Singapore and our current plans do not demonstrate a need to repatriate them to fund our operations in jurisdictions outside of where they are held. Where local restrictions prevent an efficient intercompany transfer of funds, our intent is that cash balances would remain outside of Singapore and we would meet our liquidity needs through ongoing cash flows, external borrowings, or both.

Fiscal Year 2014

Cash provided by operating activities was $1.2 billion during fiscal year 2014, which resulted primarily from $365.6 million of net income for the period plus $450.0 million of non-cash charges such as depreciation, amortization, impairment charges and stock-based compensation expense that are included in the determination of net income. We generated $400.9 million in cash as a result of decreases in net operating assets. Net working capital ("NWC"), defined as net accounts receivable, including deferred purchase price receivables, plus inventory less accounts payable increased by $233.7 million primarily to support the increase in our customers' forecasted business levels. The increases in accounts receivable and inventory are primarily as a result of the increase in sales in our HVS business, which generally carry higher volumes than our other complex business groups. The cash outflows to support NWC were offset by $540.6 million of cash received from certain customers as advances during the period. In certain instances the level of inventory reduction or consumption was lower than expected causing an increase to inventory and usage of cash. In response, we worked with these customers to fund the elevated inventory balances we held on their behalf. We have recorded these advances as other current liabilities in the consolidated balance sheet as of March 31, 2014 and expect these amounts to decrease as we produce or sell the associated inventory in the future.

Cash used in investing activities during fiscal year 2014 was $783.9 million. This resulted primarily from $515.0 million in capital expenditures for equipment, net of proceeds on sales. Our capital expenditures were related to investments to support innovation, expanding design capabilities, and improving our mechanicals and automation capabilities. Additionally, we paid $238.0 million for the acquisition of four businesses during the fiscal year, of which the majority relates to the acquisition of certain manufacturing operations from Google's Motorola Mobility LLC for $178.9 million and the acquisition of all outstanding shares of Riwisa AG for a total cash consideration of $44.0 million, net of cash acquired amounting to $9.4 million. Refer to note 17 to the consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data".

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Cash used in financing activities amounted to $410.8 million during fiscal year 2014, which was primarily attributable to the repurchase of approximately 60.7 million shares for an aggregate purchase value of approximately $475.3 million. Other financing cash inflows of $52.1 million includes $38.6 million received from certain third parties for the non-controlling interest in one of our subsidiaries as further discussed in note 5 to the consolidated financial statements included in Item 8, "Financial Statements and Supplementary Data". Additionally, we entered into a $600 million term loan agreement due August 30, 2018 and used all of the proceeds to repay the outstanding balances of our term loan due October 2014 and the Asia Term Loans in full amounting to $170.3 million and $374.5 million, respectively, and part of the term loan due March 2019.

Fiscal Year 2013

Cash provided by operating activities was $1.1 billion during fiscal year 2013, which resulted primarily from $277.1 million of net income for the period plus $522.5 million of non-cash charges such as depreciation, amortization, impairment charges and stock-based compensation expense that are included in the determination of net income. We generated $315.9 million in cash as a result of decreases in net operating assets. Our changes in operating assets and liabilities, net of acquisitions is primarily due to a decrease of $519.1 million in accounts receivable and a decrease of $596.1 million in inventory, which was partially offset by a decrease in accounts payable of $671.4 million and a decrease in other current and noncurrent liabilities of $189.5 million. The decreases in accounts receivable and inventory are primarily as a result of the decrease in sales in our HVS business, which generally carry higher volumes than our other complex business groups. The decrease in accounts payable is principally related to the decrease in inventory and timing of supplier payments.

Cash used in investing activities during fiscal year 2013 was $697.2 million. This resulted primarily from $435.3 million in capital expenditures for equipment, net of proceeds on sales, and $184.1 million paid for the acquisition of four businesses during the fiscal year. We also spent approximately $115.3 million included in other investing cash flows, offset by the receipt of cash included in other financing activities further discussed below to purchase assets financed by a third party banking institution on behalf of a customer.

Cash used in financing activities amounted to $339.6 million during fiscal year 2013, which was primarily attributable to the repurchase of approximately 49.9 million shares for an aggregate purchase value of approximately $322.0 million and repayment of the outstanding balance under our revolving line of credit of $140.0 million. These cash outflows were offset by the receipt of $101.9 million included in other financing activities to purchase assets financed by a third party banking institution on behalf of a customer.

Fiscal Year 2012

Cash provided by operating activities was $804.3 million during fiscal year 2012, which resulted primarily from $488.8 million of net income for the period plus $566.1 million of non-cash charges such as depreciation, amortization, impairment charges and stock-based compensation expense that are included in the determination of net income. We used $250.6 million in cash as a result of an increase in net operating assets. Our working capital accounts increased primarily due to a decrease of $750.2 million in accounts payable and an increase of $30.2 million in accounts receivable, which was partially offset by a decrease in inventory of $301.1 million principally due to the decline of sales in our HVS business groups, and an increase in deferred revenue and customer working capital advances of $249.8 million. The decrease in accounts payable is principally related to the decrease in inventory and timing of supplier payments.

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Cash used in investing activities during fiscal year 2012 was $481.4 million. This resulted primarily from $388.0 million in capital expenditures for equipment, net of proceeds on sales, and $92.3 million paid for three acquisitions completed during the year.

Cash used in financing activities amounted to $522.2 million during fiscal year 2012, which was primarily attributable to the repurchase of approximately 81.7 million shares for an aggregate purchase value of approximately $509.8 million. During fiscal year 2012 we also repaid $20.0 million of debt outstanding on our $2.0 billion revolving credit facility.

Key Liquidity Metrics

Free Cash flow

We believe free cash flow is an important liquidity metric because it measures, during a given period, the amount of cash generated that is available to repay debt obligations, make investments, fund acquisitions, repurchase company shares and for certain other activities. Our free cash flow, which is calculated as cash provided by operations less net purchases of property and equipment, was $701.5 million, $680.1 million and $416.3 million for fiscal years 2014, 2013 and 2012, respectively.

Free cash flow is not a measure of liquidity under generally accepted accounting principles in the United States, and may not be defined and calculated by other companies in the same manner. Free cash flow should not be considered in isolation or as an alternative to net cash provided by operating activities. Free cash flows reconcile to the most directly comparable GAAP financial measure of cash flows from operations as follows:

	Fiscal Year Ended March 31,		
	2014	**2013**	**2012**
		(In thousands)	
Net cash provided by operating activities	$ 1,216,460	$ 1,115,430	$ 804,268
Purchases of property and equipment	(609,643)	(488,993)	(437,191)
Proceeds from the disposition of property and equipment	94,640	53,665	49,187
Free cash flow	$ 701,457	$ 680,102	$ 416,264

Cash Conversion Cycle

	Fiscal Year Ended March 31,		
	2014	**2013**	**2012**
Days in trade accounts receivable	42 days	46 days	45 days
Days in inventory	54 days	52 days	52 days
Days in accounts payable	70 days	72 days	70 days
Cash conversion cycle	26 days	26 days	27 days

Days in trade accounts receivable was calculated as average accounts receivable for the current and prior quarter, adding back the reduction in accounts receivable resulting from non-cash accounts receivable sales, divided by annualized sales for the current quarter by day. During the fiscal year ended March 31, 2014, days in trade accounts receivable decreased by 4 days to 42 days compared to the fiscal year ended March 31, 2013 largely due to a $409.1 million increase in sales of our accounts receivables for cash. Non-cash accounts receivable sales or deferred purchase price receivables included for the purposes of the calculation were $470.9 million, $412.4 million and $514.9 million for the years ended March 31, 2014, 2013 and 2012, respectively. Deferred purchase price receivables were recorded in other current assets in the consolidated balance sheets.

Days in inventory was calculated as average inventory for the current and prior quarter divided by annualized cost of sales for the current quarter by day. During the fiscal year ended March 31, 2014, days in inventory increased by 2 days to 54 days as compared to the fiscal year ended March 31, 2013. The increase was primarily as a result of the positioning of raw material inventory to support the production ramp of several programs launched in the current fiscal year and also due to increased levels of inventory that we held as of March 31, 2014 on behalf of certain customers, as discussed in the operating cash flow section above.

Days in accounts payable was calculated as average accounts payable for the current and prior quarter divided by annualized cost of sales for the current quarter by day. During the fiscal year ended March 31, 2014, days in accounts payable decreased by 2 days to 70 days compared to the fiscal year ended March 31, 2013 primarily due to timing of supplier payments and the increase in cost of sales in the fourth quarter of fiscal 2014.

Our cash conversion cycle was calculated as days in trade receivables plus days in inventory, minus days in accounts payable and is a measure of how efficient we are at managing our working capital. Our cash conversion cycle remained consistent at 26 days for the fiscal year ended March 31, 2014 compared to that of fiscal 2013 due to the factors affecting each of the components in the calculation discussed above.

Liquidity is affected by many factors, some of which are based on normal ongoing operations of the business and some of which arise from fluctuations related to global economics and markets. Cash balances are generated and held in many locations throughout the world. Local government regulations may restrict our ability to move cash balances to meet cash needs under certain circumstances; however, any current restrictions are not material. We do not currently expect such regulations and restrictions to impact our ability to pay vendors and conduct operations throughout the global organization. We believe that our existing cash balances, together with anticipated cash flows from operations and borrowings available under our credit facilities, will be sufficient to fund our operations through at least the next twelve months.

Future liquidity needs will depend on fluctuations in levels of inventory, accounts receivable and accounts payable, the timing of capital expenditures for new equipment, the extent to which we utilize operating leases for new facilities and equipment, and the levels of shipments and changes in the volumes of customer orders.

Historically, we have funded operations from cash and cash equivalents generated from operations, proceeds from public offerings of equity and debt securities, bank debt and lease financings. We also sell designated pools of trade receivables under our asset-backed securitization ("ABS") programs and sell certain trade receivables, which are in addition to the trade receivables sold in connection with these securitization agreements. During fiscal years 2014, 2013 and 2012 we received approximately $4.2 billion, $3.5 billion and $4.7 billion, respectively from sales of receivables under our ABS programs, and $3.4 billion, $1.1 billion and $2.0 billion, respectively from other sales of receivables. As of March 31, 2014 and 2013, the outstanding balance on receivables sold for cash was $1.1 billion and $720.5 million, respectively, under all our accounts receivable sales programs, which are removed from accounts receivable balances in our consolidated balance sheets.

We anticipate that we will enter into debt and equity financings, sales of accounts receivable and lease transactions to fund acquisitions and anticipated growth. The sale or issuance of equity or convertible debt securities could result in dilution to current shareholders. Further, we may issue debt securities that have rights and privileges senior to those of holders of ordinary shares, and the terms of this debt could impose restrictions on operations and could increase debt service obligations. This increased indebtedness could limit our flexibility as a result of debt service requirements and restrictive covenants, potentially affect our credit ratings, and may limit our ability to access additional capital or execute our business strategy. Any downgrades in credit ratings could adversely affect our ability to borrow as a result of more restrictive borrowing terms. We continue to assess our capital structure and evaluate the merits of redeploying available cash to reduce existing debt or repurchase ordinary shares.

Historically we have been successful in refinancing and extending the maturity dates on our term loans and credit facilities. On March 31, 2014, we extended the maturity date to March 2019 of our $2.0 billion credit facility consisting of a $1.5 billion revolving credit facility and a $500.0 million term loan, which was due to expire in October 2016. Further during fiscal 2013, we issued Notes of $1 billion with fixed interest rates and used such proceeds to repay our term loan that was due to mature in October 2014 that carried floating interest rates.

On July 24, 2013, our Board of Directors authorized the repurchase of up to 10% of our outstanding ordinary shares which was approved by our shareholders at the 2013 Extraordinary General Meeting held on July 29, 2013. Share repurchases by us under the share repurchase plans are subject to an aggregate limit of 10% of our ordinary shares outstanding as of the date of the 2013 Extraordinary General Meeting. During fiscal year 2014, we repurchased approximately 59.5 million shares for an aggregate purchase value of approximately $468.8 million. As of March 31, 2014, approximately 37.0 million shares were available to be repurchased under the current plan.

On September 30, 2013, the Singapore Companies Act was amended to increase the share repurchase limit for companies incorporated in Singapore, from 10% to 20% of their shares outstanding as of the most recent shareholder approval date, subject to the requirements under the Singapore Companies Act.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

We have a $2.0 billion credit facility consisting of a $1.5 billion revolving credit facility and a $500 million term loan facility due to mature in March 2019. As of March 31, 2014, there were no borrowings outstanding under the revolving credit facility. Quarterly repayments of principal under this term loan will commence on June 30, 2014 in the amount of $6.3 million up to March 31, 2016 and will increase to $9.4 million thereafter with the remainder due upon maturity. The credit facility requires that we maintain a maximum ratio of total indebtedness to earnings before interest expense, taxes, depreciation and amortization ("EBITDA"), and a minimum interest coverage ratio, as defined therein, during its term. As of March 31, 2014, we were in compliance with these covenants. Borrowings under this credit facility bear interest, at the Company's option, either at (i) LIBOR plus the applicable margin for LIBOR loans ranging between 1.125% and 2.125%, based on the Company's credit ratings or (ii) the base rate (the greatest of the agent's prime rate, the federal funds rate plus 0.50% and LIBOR for a one-month interest period plus 1.00%) plus an applicable margin ranging between 0.125% and 1.125%, based on the Company's credit rating. The Company is required to pay a quarterly commitment fee ranging between 0.15% and 0.40% per annum on the daily unused amount of the $1.5 billion Revolving Credit Facility based on the Company's credit rating.

In addition, we have a $600 million term loan agreement which matures in August 2018. This loan is repayable in quarterly installments of $3.75 million, which will commence in December 2014 through June 2018, with the remaining amount due at maturity. This term loan agreement also requires that we maintain a maximum ratio of total indebtedness to EBITDA, and a minimum interest coverage ratio, as defined therein, during its term. As of March 31, 2014, we were in compliance with the covenants under this term loan agreement. Borrowings under this term loan bear interest, at the Company's option, either at (i) LIBOR plus the applicable margin for LIBOR loans ranging between 1.00% and 2.00%, based on the Company's credit ratings or (ii) the base rate (the greatest of the agent's prime rate, the federal funds rate plus 0.50% and LIBOR for a one-month interest period plus 1.00%) plus an applicable margin ranging between 0.00% and 1.00%, based on the Company's credit rating.

Further, during fiscal 2013, we issued an aggregate amount of $1.0 billion in Notes which are senior unsecured obligations, rank equally with all of our other existing and future senior and

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unsecured debt obligations, and are guaranteed, jointly and severally, fully and unconditionally on an unsecured basis, by each of our 100% owned subsidiaries that guarantees indebtedness under, or is a borrower under, our $2.0 billion credit facility. In July 2013, the Company exchanged these notes for new notes with substantially similar terms and completed the registration of these notes with the Securities and Exchange Commission. As of March 31, 2014, we were in compliance with the covenants under these credit facilities. Interest on the Notes is payable semi-annually, which commenced on August 15, 2013.

As of March 31, 2014, we and certain of our subsidiaries had various uncommitted revolving credit facilities, lines of credit and other loans in the amount of $267.7 million in the aggregate under which there were no borrowings outstanding as of that date.

Refer to the discussion in note 7, "Bank Borrowings and Long-Term Debt" to the consolidated financial statements for further details of our debt obligations.

We have purchase obligations that arise in the normal course of business, primarily consisting of binding purchase orders for inventory related items and capital expenditures. Additionally, we have leased certain of our property and equipment under capital lease commitments, and certain of our facilities and equipment under operating lease commitments.

Future payments due under our purchase obligations, debt including capital leases and related interest obligations and operating lease contracts are as follows:

	Total	Less Than 1 Year	1 - 3 Years	4 - 5 Years	Greater Than 5 Years
			(In thousands)		
Contractual Obligations:					
Purchase obligations	$ 2,952,983	$ 2,952,983	$	$	$
Long-term debt and capital lease obligations					
Long-term debt	2,102,595	32,575	92,500	975,000	1,002,520
Capital lease	8,883	4,218	4,592	73	
Interest on long-term debt obligations	484,156	68,749	158,340	136,907	120,160
Operating leases, net of subleases	555,121	137,274	190,946	120,888	106,013
Restructuring costs	42,396	36,317	6,079		
Customer contractual obligation	55,000		55,000		
Total contractual obligations	$ 6,201,134	$ 3,232,116	$ 507,457	$ 1,232,868	$ 1,228,693

We have excluded $243.9 million of liabilities for unrecognized tax benefits from the contractual obligations table as we cannot make a reasonably reliable estimate of the periodic settlements with the respective taxing authorities. See note 13, "Income Taxes" to the consolidated financial statements for further details.

Our purchase obligations can fluctuate significantly from period-to-period and can materially impact our future operating asset and liability balances, and our future working capital requirements. We intend to use our existing cash balances, together with anticipated cash flows from operations to fund our existing and future contractual obligations.

As part of an existing manufacturing agreement with a customer, we are obligated to reimburse the customer for certain performance provisions as defined in the contract. Also defined in the contract are certain provisions that would allow us to recover these losses in future periods. The maximum commitment under this arrangement was initially $88.0 million and declines as we manufacture and deliver products under the arrangement, which expires in August 2016. As of March 31, 2014, per the terms of the agreement and in conjunction with negotiations with the customer during the fourth

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quarter of fiscal 2014, the contractual obligation for reimbursement was determined to be probable and accordingly we recorded $55.0 million to other charges (income), net in the consolidated statements of operations. Reimbursement is not payable until August 2016 or upon contract termination and as a result is included in other liabilities. We are finalizing an amendment to this agreement with the customer that includes a waiver of the $55.0 million contractual obligation. Upon the execution of the amendment, if the contractual obligation is waived, we will reverse this charge with a corresponding credit to other income in the period the amendment is executed.

OFF-BALANCE SHEET ARRANGEMENTS

We sell designated pools of trade receivables to unaffiliated financial institutions under our ABS programs, and in addition to cash, we receive a deferred purchase price receivable for each pool of the receivables sold. Each of these deferred purchase price receivables serves as additional credit support to the financial institutions and is recorded at its estimated fair value. As of March 31, 2014 and 2013, the fair value of our deferred purchase price receivable was approximately $470.9 million and $412.4 million, respectively. As of March 31, 2014 and 2013, the outstanding balance on receivables sold for cash was $1.1 billion and $720.5 million, respectively, under all our accounts receivable sales programs, which were removed from accounts receivable balances in our consolidated balance sheets. For further information see note 10 to the consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

Refer to note 2 to the consolidated financial statements for recent accounting pronouncements.

ITEM 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

INTEREST RATE RISK

A portion of our exposure to market risk for changes in interest rates relates to our investment portfolio, which consists of highly liquid investments or bank deposits with maturities of three months or less from original dates of purchase and are classified as cash equivalents on our consolidated balance sheet. We do not use derivative financial instruments in our investment portfolio. We place cash and cash equivalents with various major financial institutions and highly rated money market accounts. Our investment policy has strict guidelines focusing on preservation of capital. The portfolio is comprised of various instruments including term deposits with banks, marketable securities and money market accounts. . Our cash is principally invested in the U.S. dollar and China renminbi serving as a natural hedge of our RMB denominated costs. As of March 31, 2014, the outstanding amount in the investment portfolio was $0.6 billion, the largest components of which were RMB denominated money market accounts with an average return of 4.5%. A hypothetical 10% change in interest rates would not be expected to have a material effect on our financial position, results of operations and cash flows over the next fiscal year.

We had variable rate debt outstanding of approximately $1.1 billion as of March 31, 2014. Variable rate debt obligations consisted of borrowings under our term loans. Interest on these obligations is discussed above.

Our variable rate debt instruments create exposures for us related to interest rate risk. Primarily due to the current low interest rates a hypothetical 10% change in interest rates would not be expected to have a material effect on our financial position, results of operations and cash flows over the next fiscal year.

As of March 31, 2014, the approximate fair value of our debt outstanding under our term loan facilities that matures in March 2019 and August 2018, and Notes due February 2020 and 2023 was 101.0% of the face value of the debt obligations based on broker trading prices.

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FOREIGN CURRENCY EXCHANGE RISK

We transact business in various foreign countries and are, therefore, subject to risk of foreign currency exchange rate fluctuations. We have established a foreign currency risk management policy to manage this risk. To the extent possible, we manage our foreign currency exposure by evaluating and using non-financial techniques, such as currency of invoice, leading and lagging payments and receivables management. In addition, we may borrow in various foreign currencies and enter into short-term foreign currency forward and swap contracts to hedge only those currency exposures associated with certain assets and liabilities, mainly accounts receivable and accounts payable, and cash flows denominated in non-functional currencies.

We endeavor to maintain a partial or fully hedged position for certain transaction exposures. These exposures are primarily, but not limited to, revenues, customer and vendor payments and inter-company balances in currencies other than the functional currency unit of the operating entity. The credit risk of our foreign currency forward and swap contracts is minimized since all contracts are with large financial institutions and accordingly, fair value adjustments related to the credit risk of the counter-party financial institution were not material. The gains and losses on forward and swap contracts generally offset the losses and gains on the assets, liabilities and transactions hedged. The fair value of currency forward and swap contracts is reported on the balance sheet. The aggregate notional amount of outstanding contracts as of March 31, 2014 amounted to $4.5 billion and the recorded fair values of the associated assets and liabilities were not material. The majority of these foreign exchange contracts expire in less than three months and all expire within one year. They will settle primarily in Brazilian real, British pound, Canadian dollar, China renminbi, Danish kroner, the Euro, Hungarian forint, Israeli shekel, Japanese yen, Malaysian ringgit, Mexican peso, Singapore dollar, Indian rupee, Swiss franc and the U.S. dollar.

Based on our overall currency rate exposures as of March 31, 2014, including the derivative financial instruments intended to hedge the nonfunctional currency-denominated monetary assets, liabilities and cash flows, a near-term 10% appreciation or depreciation of the U.S. dollar from its cross-functional rates would not be expected to have a material effect on our financial position, results of operations and cash flows over the next fiscal year.

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ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Flextronics International Ltd.
Singapore

We have audited the accompanying consolidated balance sheets of Flextronics International Ltd. and subsidiaries (the "Company") as of March 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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, such consolidated financial statements present fairly, in all material respects, the financial position of Flextronics International Ltd. and subsidiaries as of March 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

We have also 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 March 31, 2014, based on the criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 20, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

San Jose, California
May 20, 2014

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FLEXTRONICS INTERNATIONAL LTD.

CONSOLIDATED BALANCE SHEETS

	As of March 31, 2014	2013
	(In thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,593,728	$ 1,587,087
Accounts receivable, net of allowance for doubtful accounts of $5,529 and $10,877 as of March 31, 2014 and 2013, respectively	2,697,985	2,111,996
Inventories	3,599,008	2,722,500
Other current assets	1,509,605	1,349,818
Total current assets	9,400,326	7,771,401
Property and equipment, net	2,288,656	2,174,588
Goodwill and other intangible assets, net	377,218	343,552
Other assets	433,950	302,014
Total assets	$ 12,500,150	$ 10,591,555
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank borrowings and current portion of long-term debt	$ 32,575	$ 416,654
Accounts payable	4,747,779	3,705,297
Accrued payroll	354,889	351,683
Other current liabilities	2,521,444	1,699,151
Total current liabilities	7,656,687	6,172,785
Long-term debt, net of current portion	2,070,020	1,650,973
Other liabilities	571,764	521,039
Commitments and contingencies (Note 12)		
Shareholders' equity		
Flextronics International Ltd. Shareholders' equity		
Ordinary shares, no par value; 641,666,347 and 689,159,139 issued, and 591,426,992 and 638,919,784 outstanding as of March 31, 2014 and 2013, respectively	7,614,515	8,015,142
Treasury stock, at cost; 50,239,355 shares as of March 31, 2014 and 2013	(388,215)	(388,215)
Accumulated deficit	(4,937,094)	(5,302,688)
Accumulated other comprehensive loss	(126,156)	(77,481)
Total Flextronics International Ltd. shareholders' equity	2,163,050	2,246,758
Noncontrolling interests	38,629	
Total shareholders' equity	2,201,679	2,246,758

Total liabilities and shareholders' equity	$	12,500,150	$	10,591,555

The accompanying notes are an integral part of these consolidated financial statements.

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FLEXTRONICS INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended March 31,		
	2014	2013	2012
	(In thousands, except per share amounts)		
Net sales	$ 26,108,607	$ 23,569,475	$ 29,343,029
Cost of sales	24,609,738	22,187,393	27,825,079
Restructuring charges	58,648	215,834	
Gross profit	1,440,221	1,166,248	1,517,950
Selling, general and administrative expenses	874,796	805,235	877,564
Intangible amortization	28,892	29,529	49,572
Restructuring charges	16,663	11,600	
Other charges (income), net	57,512	(65,190)	(19,935)
Interest and other, net	61,904	56,259	36,019
Income from continuing operations before income taxes	400,454	328,815	574,730
Provision for income taxes	34,860	26,313	53,960
Income from continuing operations	365,594	302,502	520,770
Loss from discontinued operations, net of tax		(25,451)	(32,005)
Net income	$ 365,594	$ 277,051	$ 488,765
Earnings per share:			
Income from continuing operations:			
Basic	$ 0.60	$ 0.46	$ 0.73
Diluted	$ 0.59	$ 0.45	$ 0.72
Loss from discontinued operations:			
Basic	$	$ (0.04)	$ (0.04)
Diluted	$	$ (0.04)	$ (0.04)

Net income:						
Basic	$	0.60	$	0.42	$	0.68
Diluted	$	0.59	$	0.41	$	0.67
Weighted-average shares used in computing per share amounts:						
Basic		610,497		662,874		716,247
Diluted		623,479		675,033		727,807

The accompanying notes are an integral part of these consolidated financial statements.

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FLEXTRONICS INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Fiscal Year Ended March 31,		
	2014	**2013**	**2012**
		(In thousands)	
Net income	$ 365,594	$ 277,051	$ 488,765
Other comprehensive loss:			
Foreign currency translation adjustments, net of zero tax	(34,683)	(16,289)	(53,616)
Unrealized loss on derivative instruments and other, net of zero tax	(13,992)	(20,755)	(7,575)
Comprehensive income	$ 316,919	$ 240,007	$ 427,574

The accompanying notes are an integral part of these consolidated financial statements.

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FLEXTRONICS INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Ordinary Shares			Accumulated Other Comprehensive Income (Loss)					Total
	Shares Outstanding	Amount	Retained Earnings (Deficit)	Unrealized gain (loss) on derivative instruments and other	Foreign currency translation adjustments	Total accumulated other comprehensive income (loss)	Total Flextronics Interantional Ltd. Shareholders' Equity	Noncontrolling Interests	Shareholders' Equity
				(In thousands)					
BALANCE AT MARCH 31, 2011	756,994	$ 8,342,446	$ (6,068,504)	$ 9,473	$ 11,281	$ 20,754	$ 2,294,696	$	$ 2,294,696
Repurchase of Flextronics International Ltd. ordinary shares at cost	(81,688)	(509,800)					(509,800)		(509,800)
Exercise of stock options	5,879	23,055					23,055		23,055
Issuance of Flextronics International Ltd. vested shares under share bonus awards	2,555								
Net income			488,765				488,765		488,765
Stock-based compensation, net of tax		48,454					48,454		48,454
Total other comprehensive loss				(7,575)	(53,616)	(61,191)	(61,191)		(61,191)
BALANCE AT MARCH 31, 2012	683,740	7,904,155	(5,579,739)	1,898	(42,335)	(40,437)	2,283,979		2,283,979
Repurchase of Flextronics International Ltd. ordinary shares at cost	(51,725)	(334,014)					(334,014)		(334,014)
Exercise of stock options	5,398	22,257					22,257		22,257
Issuance of Flextronics International Ltd. vested shares under share bonus awards	1,507								
Net income			277,051				277,051		277,051
Stock-based compensation, net of tax		34,529					34,529		34,529
Total other comprehensive loss				(20,755)	(16,289)	(37,044)	(37,044)		(37,044)
BALANCE AT MARCH 31, 2013	638,920	7,626,927	(5,302,688)	(18,857)	(58,624)	(77,481)	2,246,758		2,246,758
Repurchase of Flextronics International Ltd. ordinary shares at cost	(59,546)	(468,847)					(468,847)		(468,847)
Exercise of stock options	6,572	28,140					28,140		28,140
Issuance of Flextronics International Ltd. vested shares under share bonus awards	5,481								
Issuance of subsidiary shares								38,650	38,650
Net income			365,594				365,594	(380)	365,214
Stock-based compensation, net of tax		40,080					40,080	359	40,439
Total other comprehensive loss				(13,992)	(34,683)	(48,675)	(48,675)		(48,675)
BALANCE AT MARCH 31, 2014	591,427	$ 7,226,300	$ (4,937,094)	$ (32,849)	$ (93,307)	$ (126,156)	$ 2,163,050	$ 38,629	$ 2,201,679

The accompanying notes are an integral part of these consolidated financial statements.

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FLEXTRONICS INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended March 31,		
	2014	**2013**	**2012**
		(In thousands)	
Cash flows from operating activities:			
Net income	$ 365,594	$ 277,051	$ 488,765
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and other impairment charges	464,543	566,357	521,923
Provision for doubtful accounts	2,029	6,643	30,330
Non-cash other income	(20,753)	(52,408)	(33,563)
Stock-based compensation	40,439	34,529	48,454
Deferred income taxes and other non-cash income taxes	(36,261)	(32,647)	(1,022)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(592,346)	519,140	(30,249)
Inventories	(758,846)	596,131	301,053
Other current and noncurrent assets	(165,760)	61,567	29,683
Accounts payable	1,117,449	(671,424)	(750,169)
Other current and noncurrent liabilities	800,372	(189,509)	199,063
Net cash provided by operating activities	1,216,460	1,115,430	804,268
Cash flows from investing activities:			
Purchases of property and equipment	(609,643)	(488,993)	(437,191)
Proceeds from the disposition of property and equipment	94,640	53,665	49,187
Acquisition of businesses, net of cash acquired	(238,031)	(184,097)	(92,257)
Proceeds from divestitures of operations, net	4,599	22,585	1,398
Other investing activities, net	(35,497)	(100,359)	(2,501)
Net cash used in investing activities	(783,932)	(697,199)	(481,364)
Cash flows from financing activities:			
Proceeds from bank borrowings and long-term debt	1,066,653	1,250,213	2,833,704
Repayments of bank borrowings and long-term debt and capital lease obligations	(537,580)	(391,859)	(2,389,121)
Payments for early retirement of long-term debt	(544,840)	(1,000,000)	(480,000)
Payments for repurchases of ordinary shares	(475,314)	(322,040)	(509,800)
Proceeds from exercise of stock options	28,140	22,257	23,055
Other financing activities, net	52,149	101,851	
Net cash used in financing activities	(410,792)	(339,578)	(522,162)
Effect of exchange rates on cash	(15,095)	(9,895)	(30,884)
Net change in cash and cash equivalents	6,641	68,758	(230,142)
Cash and cash equivalents, beginning of year	1,587,087	1,518,329	1,748,471

Cash and cash equivalents, end of year	$ 1,593,728	$ 1,587,087	$ 1,518,329

The accompanying notes are an integral part of these consolidated financial statements.

FLEXTRONICS INTERNATIONAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION OF THE COMPANY

Flextronics International Ltd. ("Flextronics" or the "Company") was incorporated in the Republic of Singapore in May 1990. The Company's operations have expanded over the years through a combination of organic growth and acquisitions. The Company is a globally-recognized leading provider of supply chain solutions that span from concept through consumption. The Company designs, builds, ships and services a complete packaged electronic product for original equipment manufacturers ("OEMs") in the following business groups: High Reliability Solutions ("HRS"), which is comprised of our medical, automotive, and defense and aerospace businesses; High Velocity Solutions ("HVS"), which includes our mobile devices business, including smart phones; our consumer electronics business, including game consoles and wearable electronics; and our high-volume computing business, including various supply chain solutions for notebook personal computing ("PC"), tablets, and printers; Industrial and Emerging Industries ("IEI"), which is comprised of our household appliances, semi-cap equipment, kiosks, energy and emerging industries businesses; and Integrated Network Solutions ("INS"), which includes our telecommunications infrastructure, data networking, connected home, and server and storage businesses. The Company's strategy is to provide customers with a full range of cost competitive, global supply chain solutions through which the Company can design, build, ship and service a complete packaged product for its OEM customers. OEM customers leverage the Company's supply chain solutions to meet their product requirements throughout the entire product life cycle.

The Company's service offerings include a comprehensive range of value-added design and engineering services that are tailored to the various markets and needs of its customers. Other focused service offerings relate to manufacturing (including enclosures, metals, plastic injection molding, precision plastics, machining, and mechanicals), system integration and assembly and test services, materials procurement, inventory management, logistics and after-sales services (including product repair, warranty services, re-manufacturing and maintenance), supply chain management software solutions, and component product offerings (including rigid and flexible printed circuit boards and power adapters and chargers).

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The Company's third fiscal quarter ends on December 31, and the fourth fiscal quarter and year ends on March 31 of each year. The first fiscal quarter ended on June 28, 2013 and June 29, 2012, respectively, and the second fiscal quarter ended on September 27, 2013 and September 28, 2012, respectively. Amounts included in the consolidated financial statements are expressed in U.S. dollars unless otherwise designated.

The accompanying consolidated financial statements include the accounts of Flextronics and its majority-owned subsidiaries, after elimination of intercompany accounts and transactions. The Company consolidates all majority-owned subsidiaries and investments in entities in which the Company has a controlling interest. For consolidated majority-owned subsidiaries in which the Company owns less than 100%, the Company recognizes a non-controlling interest for the ownership of the non-controlling owners. As of March 31, 2014, the non-controlling interest has been included on the consolidated balance sheets as a component of total shareholders' equity. The associated non-controlling owners' interest in the income or losses of these companies has not been material to the Company's results of operations for any of the periods presented, and has been classified as a component of interest and other, net, in the consolidated statements of operations.

FLEXTRONICS INTERNATIONAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

During fiscal year 2013, the Company finalized the sale of two of its non-core businesses. In accordance with the accounting guidance, these non-core businesses represent separate asset groups and the divestitures qualify as discontinued operations, and accordingly, the Company has reported the results of operations and financial position of these businesses in discontinued operations within the consolidated statements of operation and consolidated balance sheets for all periods presented as applicable.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP" or "GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used in accounting for, among other things: allowances for doubtful accounts; inventory write-downs; valuation allowances for deferred tax assets; uncertain tax positions; valuation and useful lives of long-lived assets including property, equipment, intangible assets and goodwill; asset impairments; fair values of financial instruments including investments, notes receivable and derivative instruments; restructuring charges; contingencies; fair values of assets and liabilities obtained in business combinations and the fair values of stock options and share bonus awards granted under the Company's stock-based compensation plans. Actual results may differ from previously estimated amounts, and such differences may be material to the consolidated financial statements. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period they occur.

Translation of Foreign Currencies

The financial position and results of operations for certain of the Company's subsidiaries are measured using a currency other than the U.S. dollar as their functional currency. Accordingly, all assets and liabilities for these subsidiaries are translated into U.S. dollars at the current exchange rates as of the respective balance sheet dates. Revenue and expense items are translated at the average exchange rates prevailing during the period. Cumulative gains and losses from the translation of these subsidiaries' financial statements are reported as other comprehensive loss, a component of shareholders' equity. Foreign exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved, and re-measurement adjustments for foreign operations where the U.S. dollar is the functional currency, are included in operating results. Non-functional currency transaction gains and losses, and re-measurement adjustments were not material to the Company's consolidated results of operations for any of the periods presented, and have been classified as a component of interest and other, net in the consolidated statements of operations.

Revenue Recognition

The Company recognizes manufacturing revenue when it ships goods or the goods are received by its customer, title and risk of ownership have passed, the price to the buyer is fixed or determinable and recoverability is reasonably assured. Generally, there are no formal substantive customer acceptance requirements or further obligations related to manufacturing services. If such requirements or obligations exist, then the Company recognizes the related revenues at the time when such requirements are completed and the obligations are fulfilled. Some of the Company's customer

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FLEXTRONICS INTERNATIONAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

contracts allow the recovery of certain costs related to manufacturing services that are over and above the prices charged for the related products. The Company determines the amount of costs that are recoverable based on historical experiences and agreements with those customers. Also, certain customer contracts may contain certain commitments and obligations that may result in additional expenses or decrease in revenue. The Company accrues for these commitments and obligations based on facts and circumstances and contractual terms. The Company also makes provisions for estimated sales returns and other adjustments at the time revenue is recognized based upon contractual terms and an analysis of historical returns. Provisions for sales returns and other adjustments were not material to the consolidated financial statements for any of the periods presented.

The Company provides a comprehensive suite of services for our customers that range from advanced product design to manufacturing and logistics to after-sales services. The Company recognizes service revenue when the services have been performed, and the related costs are expensed as incurred. Sales for services were less than 10% of the Company's total sales for all periods presented, and accordingly, are included in net sales in the consolidated statements of operations. The Company recognized research and development costs related to its ODM personal computing business of $78.9 million for the fiscal years ended March 31, 2012. Research and development activities related to ODM personal computing had ceased by the end of fiscal year 2012.

Customer Credit Risk

The Company has an established customer credit policy, through which it manages customer credit exposures through credit evaluations, credit limit setting, monitoring, and enforcement of credit limits for new and existing customers. The Company performs ongoing credit evaluations of its customers' financial condition and makes provisions for doubtful accounts based on the outcome of those credit evaluations. The Company evaluates the collectability of its accounts receivable based on specific customer circumstances, current economic trends, historical experience with collections and the age of past due receivables. To the extent the Company identifies exposures as a result of credit or customer evaluations, the Company also reviews other customer related exposures, including but not limited to inventory and related contractual obligations.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk are primarily accounts receivable, cash and cash equivalents, and derivative instruments.

FLEXTRONICS INTERNATIONAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

The following table summarizes the activity in the Company's allowance for doubtful accounts during fiscal years 2014, 2013 and 2012:

	Balance at Beginning of Year	Charged to Costs and Expenses	Deductions/ Write-Offs	Balance at End of Year
		(In thousands)		
Allowance for doubtful accounts:				
Year ended March 31, 2012(1)(2)	$ 13,222	$ 30,122	$ (4,439)	$ 38,905
Year ended March 31, 2013(2)(3)	$ 38,905	$ 6,643	$ (34,671)	$ 10,877
Year ended March 31, 2014	$ 10,877	$ 2,029	$ (7,377)	$ 5,529

(1) Deductions/write-offs amount for fiscal year 2012 includes $3.9 million, which was previously reserved and the underlying accounts receivable balance was reclassified to non-current assets in fiscal year 2012, and carried net of its specific reserve.

(2) Included in amounts charged to costs and expenses in fiscal year 2012 is $28.0 million related to a distressed customer, which was written off in fiscal year 2013 and $0.2 million, related to discontinued operations.

(3) Deductions/write-offs amount for fiscal year 2013 includes $5.8 million, which was previously reserved and the underlying accounts receivable balance was reclassified to non-current assets in fiscal year 2013 and is carried net of its specific reserve.

One customer accounted for approximately 13% of the Company's net sales in fiscal 2014. No customer accounted for greater than 10% of the Company's net sales in fiscal 2013. Two customers accounted for approximately 11% and 10%, respectively of the Company's net sales in fiscal 2012. The Company's ten largest customers accounted for approximately 52%, 47%, and 55% of its net sales in fiscal years 2014, 2013 and 2012, respectively. As of March 31, 2014, one customer accounted for approximately 14% of the Company's total accounts receivables. As of March 31, 2013, no single customer accounted for greater than 10% of the Company's total accounts receivable.

The Company maintains cash and cash equivalents with various financial institutions that management believes to be of high credit quality. These financial institutions are located in many different locations throughout the world. The Company's investment portfolio, which consists of short-term bank deposits and money market accounts, and are classified as cash equivalents on the consolidated balance sheet.

The amount subject to credit risk related to derivative instruments is generally limited to the amount, if any, by which a counterparty's obligations exceed the obligations of the Company with that counterparty. To manage counterparty risk, the Company limits its derivative transactions to those with recognized financial institutions. See additional discussion of derivatives at note 8 to the consolidated financial statements.

Cash and Cash Equivalents

All highly liquid investments with maturities of three months or less from original dates of purchase are carried at cost, which approximates fair market value, and are considered to be cash

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FLEXTRONICS INTERNATIONAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

equivalents. Cash and cash equivalents consist of cash deposited in checking accounts, money market funds and time deposits.

Cash and cash equivalents consisted of the following:

	As of March 31,	
	2014	2013
	(In thousands)	
Cash and bank balances	$ 1,040,800	$ 1,089,697
Money market funds and time deposits	552,928	497,390
	$ 1,593,728	$ 1,587,087

Inventories

Inventories are stated at the lower of cost (on a first-in, first-out basis) or market value. The stated cost is comprised of direct materials, labor and overhead. The components of inventories, net of applicable lower of cost or market write-downs, were as follows:

	As of March 31,	
	2014	2013
	(In thousands)	
Raw materials	$ 2,349,278	$ 1,683,098
Work-in-progress	608,284	421,706
Finished goods	641,446	617,696
	$ 3,599,008	$ 2,722,500

Property and Equipment, Net

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is recognized on a straight-line basis over the estimated useful lives of the related assets, with the exception of building leasehold improvements, which are amortized over the

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FLEXTRONICS INTERNATIONAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

term of the lease, if shorter. Repairs and maintenance costs are expensed as incurred. Property and equipment was comprised of the following:

	Depreciable Life (In Years)	As of March 31, 2014	2013
		(In thousands)	
Machinery and equipment	3 - 10	$ 2,929,449	$ 2,668,996
Buildings	30	1,069,376	1,032,595
Leasehold improvements	up to 30	470,960	384,519
Furniture, fixtures, computer equipment and software	3 - 7	427,038	399,368
Land		127,567	127,241
Construction-in-progress		88,687	139,032
		5,113,077	4,751,751
Accumulated depreciation and amortization			