


The Age of Intelligence is Here.

To Our Shareholders:

The world has changed. This past year, we witnessed the rise of more disruptive products, faster product lifecycles, and increased supply chain complexity, regionalization, and innovation across industries and technologies. In this highly dynamic marketplace, fiscal 2016 was a year of great progress and sustained momentum for our company. Our corporate strategy continued to deliver exceptional results as we operationalized our strategy, demonstrating our ability to expand beyond our once-traditional boundaries, and fully leverage our **Sketch-to-Scale™** offerings.



In addition to delivering strong financial results, our current business model is meeting and exceeding our customers' needs.

A New Name and New Opportunities

In July 2015, we dropped the "tronics" and rebranded the Company to Flex. We did this for various reasons, but a primary driver was our evolution from a company that historically serviced the electronics supply chain exclusively, to one with the capabilities and expertise to strategically partner with the world's leading brands, regardless of industry. This expansion of our market focus was strategically timed to take advantage of the changes that have occurred across industries and technologies, with the demand for embedded connectivity and intelligence in all product categories.

Faced with the challenges of creating intelligent, interconnected products that blur the lines of multiple industries, with faster time-to-market requirements in an increasingly competitive and innovative environment, our customers recognize our value as a trusted partner throughout the entire **Sketch-to-Scale** process.

This represents an entirely new—and open—market opportunity for Flex, and one that we are perfectly suited to address. A great example of this opportunity was the October 2015 announcement by NIKE that it had selected Flex as its strategic partner, "...to accelerate NIKE's vision to bring advanced innovation to its manufacturing revolution and supply chain." This announcement also succinctly captured some key advantages of our strategy: "Working together, NIKE and Flex will deliver footwear innovation that enables product to reach consumers more quickly, with customized solutions and increased performance innovation."

We have made significant investments in strengthening our **Sketch-to-Scale™** services over the past few years and these investments are beginning to show results.

We have developed a systematic approach to innovation

Advantageous Positioning

Today FLEX generates over \$1 billion in revenue from products in 12 different industries where we partner with both today's leaders and tomorrow's disrupters, driving their technology roadmaps. This provides us with a unique vision and expertise across multiple industries and technologies—a distinct advantage in cultivating, developing, identifying, and commercializing innovation. This in turn creates tremendous value for our customers, through our ability to provide **Sketch-to-Scale** solutions for numerous industries, both within and beyond traditional electronics.

We have developed a systematic, collaborative approach to innovation that allows us to quickly bring new technologies to market, regardless of industry, by offering access to a set of diverse and constantly-evolving common technologies that can be applied in endless combinations across industries. These technologies include connectivity solutions, human/machine

interfaces, flexible technologies and miniaturization, power and batteries, security and computing, sensors and actuators, and smart software, among others.

Throughout the **Sketch-to-Scale** innovation process, we bring insights, cultivate ideas, push boundaries, accelerate innovation and lead in design, engineering, advanced manufacturing and forward and reverse logistics.

We believe this deep, multi-industry expertise, along with our collaborative innovation and our balanced and diversified physical infrastructure provides an advantage that very few companies in the world can offer.

systematic, collaborative

Focused Execution

Margin Expansion Initiatives

Financially, fiscal 2016 marked a period of strong execution across multiple fronts, including steady operating profit margin expansion, enabled by two primary levers: portfolio evolution and our **Sketch-to-Scale** service offering.

Portfolio evolution should be nothing new to investors that have been following us closely over the years. We've been documenting our journey from a heavily consumer- and communications-focused company to one that in fiscal 2016 saw over 50% of our adjusted operating profits derived from our Automotive, Health, Industrial, and Energy businesses.*

Our **Sketch-to-Scale** services lead with design and engineering expertise, and focus on enabling customers across all industries to make their products more connected and intelligent. We have made significant investments in strengthening our **Sketch-to-Scale** service

offerings over the past few years, and these investments are beginning to show results. We recently quantified these results at our May 2016 Investor & Analyst Day, where we stated that in fiscal 2013, **Sketch-to-Scale** engagements, as a percentage of total revenue, was only 7%. In fiscal 2016, it rose to 21%. That 3x increase is on the back of organic investments and strategically focused M&A transactions. We believe that percentage is poised to expand further in the years ahead, to approximately 35% in fiscal 2020.**

The evidence that these margin expansion initiatives are working can be seen directly in our results. This past quarter, Q4 fiscal 2016, marked our 10th consecutive quarter of year-over-year adjusted operating margin expansion.*



**We hit a key milestone in
fiscal 2016**

our portfolio evolution in

Investment Thesis Strengthened

As a Flex investor, you want to know whether or not the argument for investing in Flex is more compelling today than it was a year ago, or when you made your initial investment. We have consistently articulated our investment thesis over the past few years, which has been underpinned by four key elements: 1) a structural portfolio evolution toward longer product life cycles and higher margin businesses, 2) an expansion of our earnings power, 3) strong sustainable cash flow generation, and 4) consistently returning capital to shareholders. I can confidently say that we have meaningfully strengthened the Flex investment thesis in fiscal 2016.

Portfolio Evolution Well Underway

We hit a key milestone in our portfolio evolution in fiscal 2016, as more than half of our adjusted operating profit was generated by our Automotive, Health, Industrial, and Energy businesses. Total sales from these businesses were \$8.6 billion in fiscal 2016, or 35% of total—almost double the \$4.5 billion, or 19%, from fiscal 2010. We are creating compelling demand in these areas with an increased focus on organic investments and strategic M&A to drive improved performance and growth. The goal here is clear—to steer towards a more balanced portfolio that has longer product lifecycles, more predictability, and increased earnings stability.

Our strong free cash flow enables our investments in new areas that accelerate the evolution of our business and offer higher margin potential and differentiation.

Expansion of Earnings Power

Increased earnings stability is a great thing, but even better is meaningful earnings expansion. At Flex, we believe we are positioned to achieve both. Through a successful portfolio evolution and a higher penetration of **Sketch-to-Scale** engagements, our profitability levels should continue to rise. Specifically, in terms of earnings power, we see our future revenue growth of ~3% between now and fiscal 2020 being magnified by three times or 10% plus growth in adjusted operating profit through improved margins. Moreover, our adjusted EPS* should be amplified even further to four times or 12% plus as we continue to carefully manage our below-the-line expenses and reduce our share count via our stock repurchase program.**

Strong Sustainable Cash Flow Generation

Our strong sustainable cash flow generation remains a hallmark of FLEX. Fiscal 2016 marked the 15th consecutive year Flex has produced positive cash flow from operations, as we generated over \$1.1 billion. We generated \$639 million in free cash flow in fiscal 2016 and remain confidently on track for our five year targeted goal (ending fiscal 2017) of generating \$3 to \$4 billion in free cash flow.*

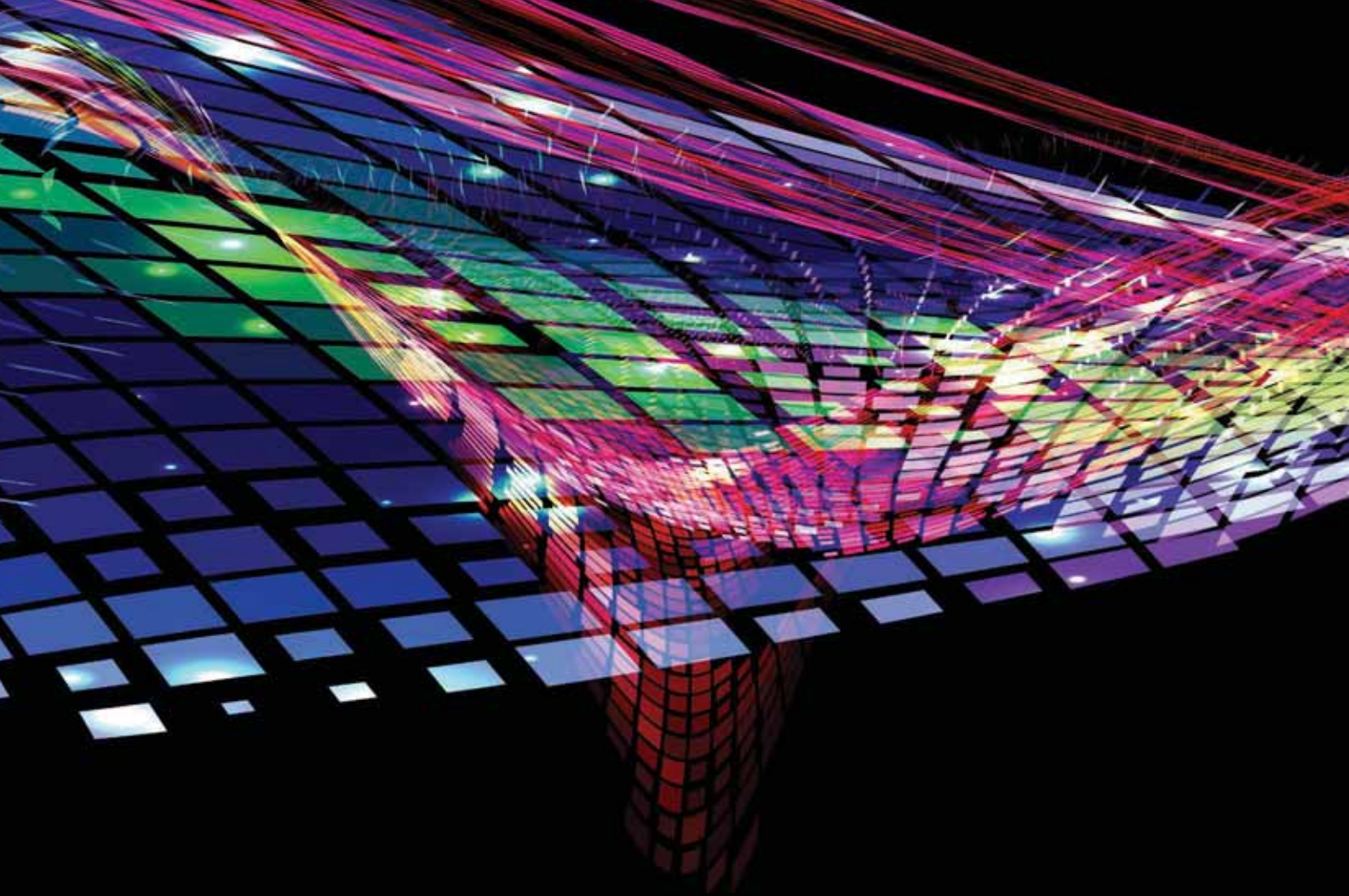
Our strong free cash flow enables our investments in new areas that accelerate the evolution of our business and offer higher margin potential and differentiation. Our acquisition spend remains focused on strengthening capabilities in markets that have longer product life cycles, higher margins, and more predictable revenue streams, providing an accelerant for our portfolio evolution. These criteria have led us to recent

strategic acquisitions such as Mirror Controls international (MCi), NEXTracker, and Farm Design, adding key capabilities in areas such as actuators, solar trackers, and human factors engineering (HFE) for medical devices.

We continue to supplement our acquisition strategy with organic investments in new and differentiated supply chain solutions to address a variety of supply chain challenges and opportunities, such as improving access to real-time information to manage more complex supply chains, improving our automation skills and capabilities, and supporting and strengthening our innovation services strategy, which spearheads our **Sketch-to-Scale** value proposition.

Consistently Returning Value to Shareholders

Our strong levels of sustainable cash flow generation provide us with an opportunity to consistently return value to shareholders. During the past six fiscal years we have used \$2.5 billion to repurchase 335 million shares, which was the primary driver in reducing our net shares outstanding by roughly 33%. This has the effect of allowing long-term investors to realize tax-efficient accretion on their ownership stakes, while also facilitating the retirement of shares that we believe are undervalued relative to our long-term earnings and free cash flow generating potential.



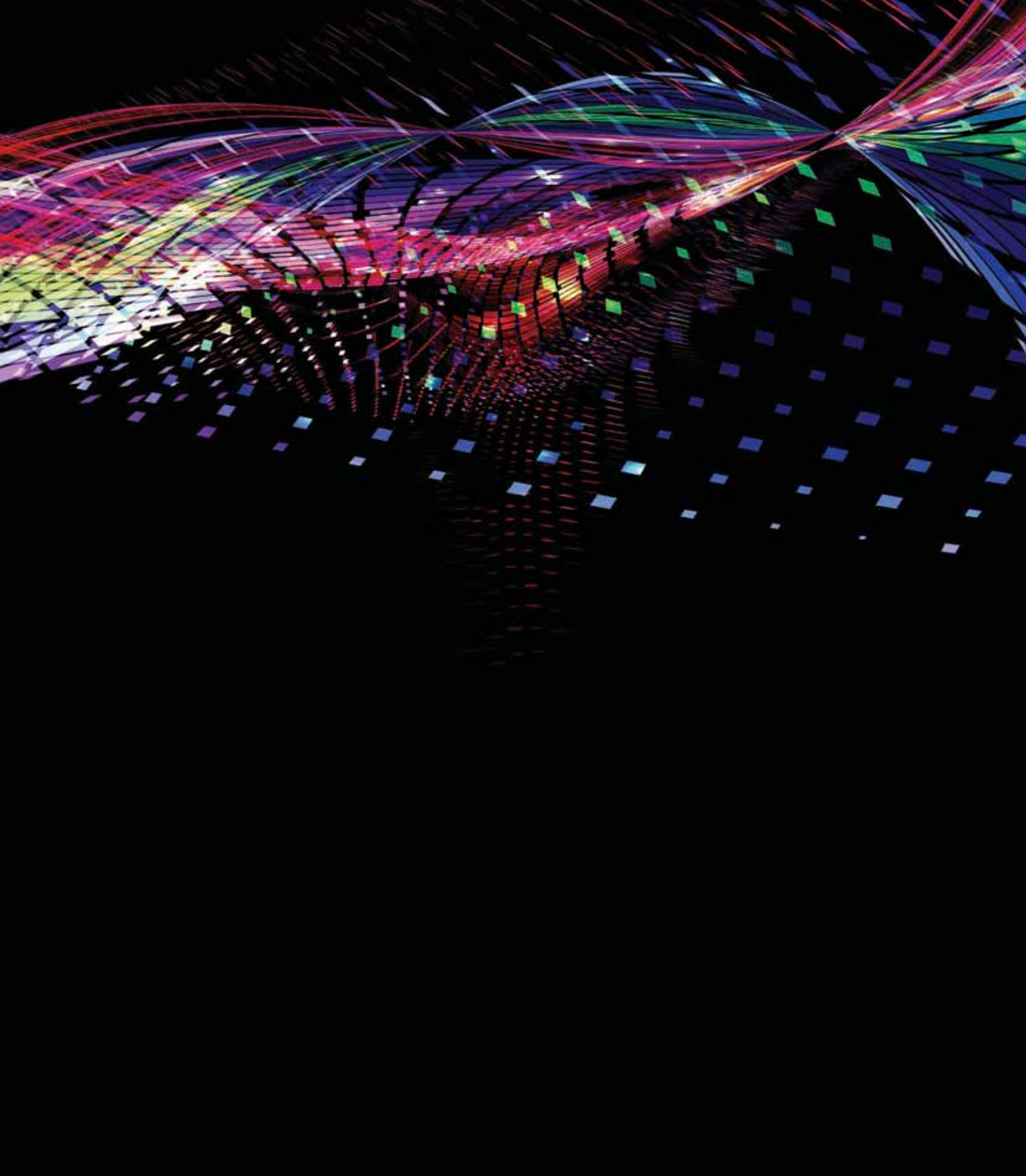
Fiscal 2017 is Poised for Further Improvement

As we embark upon fiscal 2017, we have many opportunities to drive our positive momentum. Both our revenue mix and our **Sketch-to-Scale** penetration are poised to improve as our engagement model continues to take hold. Our corporate strategy has never resonated more with customers and potential customers, both inside and outside of the electronics industry, than it does today.**

We appreciate your interest, support, and investment in our vision. We are committed to creating shareholder value every day that we come to work, and are confident that we will execute on our objectives. With a great strategy and vision, clear objectives and strong execution, we will drive continued improvement and create value for all our stakeholders for many years to come.**

Sincerely,

Mike McNamara
Chief Executive Officer



* Adjusted operating profit dollars, adjusted operating margin, adjusted EPS, and free cash flow are non-GAAP financial measures. A reconciliation of these non-GAAP financial measures to the most comparable GAAP measures is available on the Summary Financials page of the Investor Relations section of our website at www.flextonics.com.

** Please see "Forward Looking Statements" on the Shareholder Information page of this Annual Report.

(This page has been left blank intentionally.)

[Notice & Proxy Statement](#)

[Annual Report](#)

[Singapore Statutory
Financial Statements](#)

[Shareholder Info](#)

(This page has been left blank intentionally.)



FLEXTRONICS INTERNATIONAL LTD.
(Incorporated in the Republic of Singapore)
(Company Registration Number 199002645H)

To our Shareholders:

On August 24, 2016, we will hold our 2016 annual general meeting of our shareholders at our offices located at 847 Gibraltar Drive, Milpitas, CA 95035, U.S.A. Our 2016 annual general meeting of shareholders will begin at 9:00 a.m., Pacific time.

The matters to be voted upon at the meeting are listed in the notice that follows this letter and are described in more detail in the accompanying proxy statement. We urge you to read the entire proxy statement carefully before returning your proxy cards. Part I of the accompanying proxy statement provides general information about the meeting, Part II describes the proposals to be voted upon at the 2016 annual general meeting of shareholders and related information, and Part III provides additional information, including information about our executive officers and their compensation.

IMPORTANT NOTE REGARDING PROXY CARDS: If you are a registered shareholder, you will receive one proxy card for the 2016 annual general meeting. It is very important that you return the proxy card to ensure that your vote is represented at the 2016 annual general meeting. Whether or not you plan to attend the meeting, please complete, date and sign the enclosed proxy card and return it in the enclosed envelope as promptly as possible so that your shares may be represented at the meeting and voted in accordance with your wishes.

You may revoke your proxy at any time prior to the time it is voted. Shareholders who are present at the meeting may revoke their proxies and vote in person or, if they prefer, may abstain from voting in person and allow their proxies to be voted.

Sincerely,

A handwritten signature in black ink that reads "Regina". The signature is written in a cursive, flowing style.

Tay Hong Chin Regina
Company Secretary
Singapore
July 11, 2016



FLEXTRONICS INTERNATIONAL LTD.
(Incorporated in the Republic of Singapore)
(Company Registration Number 199002645H)

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

To Be Held on August 24, 2016

To our Shareholders:

You are cordially invited to attend, and NOTICE IS HEREBY GIVEN of, the annual general meeting of shareholders of FLEXTRONICS INTERNATIONAL LTD. ("Flex" or the "Company"), which will be held at our offices located at 847 Gibraltar Drive, Milpitas, CA 95035, U.S.A, at 9:00 a.m., Pacific time, on August 24, 2016, for the following purposes:

- To re-elect the following directors: H. Raymond Bingham and Willy C. Shih (*Proposal No. 1*);
- To re-appoint Lawrence A. Zimmerman as a director of Flex (*Proposal No. 2*);
- To approve the re-appointment of Deloitte & Touche LLP as our independent auditors for the 2017 fiscal year and to authorize the Board of Directors, upon the recommendation of the Audit Committee, to fix their remuneration (*Proposal No. 3*);
- To approve a general authorization for the Directors of Flex to allot and issue ordinary shares (*Proposal No. 4*);
- To hold a non-binding, advisory vote on executive compensation (*Proposal No. 5*);
- To approve a renewal of the Share Purchase Mandate permitting Flex to purchase or otherwise acquire its own issued ordinary shares (*Proposal No. 6*);
- To approve the change in the Company's name from Flextronics International Ltd. to Flex Ltd. (*Proposal No. 7*); and
- To approve the adoption of the Company's new Constitution (*Proposal No. 8*).

The full text of the resolutions proposed for approval by our shareholders is as follows:

As Ordinary Business

1. To re-elect each of the following directors, who will retire by rotation pursuant to Article 95 of our existing Constitution, to the Board of Directors:
 - (a) Mr. H. Raymond Bingham; and
 - (b) Dr. Willy C. Shih.
2. To re-appoint Lawrence A. Zimmerman, who will cease to hold office under the resolution passed at our 2015 annual general meeting pursuant to Section 153(6) of the Singapore Companies Act, Cap. 50, which Section 153(6) was then in force, to hold office as a director from the date of the 2016 annual general meeting.
3. To consider and vote upon a proposal to re-appoint Deloitte & Touche LLP as our independent auditors for the fiscal year ending March 31, 2017, and to authorize our Board of Directors, upon the recommendation of the Audit Committee of the Board of Directors, to fix their remuneration.

4. To pass the following resolution as an Ordinary Resolution:

“RESOLVED THAT, pursuant to the provisions of Section 161 of the Singapore Companies Act, Cap. 50, but subject otherwise to the provisions of the Singapore Companies Act, Cap. 50 and our Constitution, authority be and is hereby given to our Directors to:

- (a) (i) allot and issue ordinary shares in our capital; and/or
- (ii) make or grant offers, agreements or options that might or would require ordinary shares in our capital to be allotted and issued, whether after the expiration of this authority or otherwise (including but not limited to the creation and issuance of warrants, debentures or other instruments convertible into ordinary shares in our capital),

at any time to and/or with such persons and upon such terms and conditions and for such purposes as our Directors may in their absolute discretion deem fit, and with such rights or restrictions as our Directors may think fit to impose and as are set forth in our Constitution; and

- (b) (notwithstanding that the authority conferred by this resolution may have ceased to be in force) allot and issue ordinary shares in our capital in pursuance of any offer, agreement or option made or granted by our Directors while this resolution was in force,

and that such authority shall continue in force until the conclusion of our next annual general meeting or the expiration of the period within which our next annual general meeting is required by law to be held, whichever is the earlier.”

5. To consider and put to a non-binding, advisory vote the following non-binding, advisory resolution:

“RESOLVED THAT, the shareholders of Flex approve, on a non-binding, advisory basis, the compensation of the Company’s named executive officers, as disclosed pursuant to Item 402 of SEC Regulation S-K, including the Compensation Discussion and Analysis and the compensation tables and related disclosures contained in the section of the accompanying proxy statement captioned ‘Executive Compensation’.”

This resolution is being proposed to shareholders as required pursuant to Section 14A of the U.S. Securities Exchange Act of 1934, as amended. The shareholders’ vote on this resolution is advisory and non-binding in nature, will have no legal effect and will not be enforceable against Flex or its Board of Directors.

As Special Business

The full text of the resolutions proposed for approval by our shareholders is as follows:

6. To pass the following resolution as an Ordinary Resolution:

“RESOLVED THAT:

- (a) for the purposes of Sections 76C and 76E of the Singapore Companies Act, Cap. 50, the exercise by our Directors of all of our powers to:
 - (i) purchase or otherwise acquire issued ordinary shares in the capital of the Company not exceeding in aggregate the number of issued ordinary shares representing 20% of the total number of issued ordinary shares outstanding as of the date of the passing of this Resolution (excluding any ordinary shares which are held as treasury shares as at that date) at such price or prices as may be determined by our Directors from time to time up to the maximum purchase price described in paragraph (c) below, whether by way of:
 - (A) market purchases on the NASDAQ Global Select Market or any other stock exchange on which our ordinary shares may for the time being be listed and quoted; and/or
 - (B) off-market purchases (if effected other than on the NASDAQ Global Select Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted) in accordance with any equal access scheme(s) as may be determined or formulated by our Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Singapore Companies Act, Cap. 50,

and otherwise in accordance with all other laws and regulations and rules of the NASDAQ Global Select Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted as may be applicable, be and is hereby authorized and approved generally and unconditionally;

- (b) unless varied or revoked by our shareholders in a general meeting, the authority conferred on our Directors pursuant to the mandate contained in paragraph (a) above may be exercised by our Directors at any time and from time to time during the period commencing from the date of the passing of this resolution and expiring on the earlier of:
 - (i) the date on which our next annual general meeting is held; or
 - (ii) the date by which our next annual general meeting is required by law to be held;
- (c) the maximum purchase price (excluding brokerage commission, applicable goods and services tax and other related expenses) which may be paid for an ordinary share purchased or acquired by us pursuant to the mandate contained in paragraph (a) above, shall not exceed:
 - (i) in the case of a market purchase of an ordinary share, the highest independent bid or the last independent transaction price, whichever is higher, of our ordinary shares quoted or reported on the NASDAQ Global Select Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted, or shall not exceed any volume weighted average price, or other price determined under any pricing mechanism, permitted under SEC Rule 10b-18, at the time the purchase is effected; and
 - (ii) in the case of an off-market purchase pursuant to an equal access scheme, 150% of the Prior Day Close Price, which means the closing price of our ordinary shares as quoted on the NASDAQ Global Select Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted, on the day immediately preceding the date on which we announce our intention to make an offer for the purchase or acquisition of our ordinary shares from holders of our ordinary shares, stating therein the purchase price (which shall not be more than the maximum purchase price calculated on the foregoing basis) for each ordinary share and the relevant terms of the equal access scheme for effecting the off-market purchase; and
- (d) our Directors and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorized by this resolution.”

7. To pass the following resolution which will be proposed as a Special Resolution:

“RESOLVED THAT, subject to and contingent upon the approval of the Registrar of Companies, the name of the Company be changed to Flex Ltd., and that the name “Flex Ltd.” be substituted for “Flextronics International Ltd.” wherever the latter name appears in the Constitution of the Company.”

8. To pass the following resolution which will be proposed as a Special Resolution:

“RESOLVED THAT, the document attached as Annex A to the proxy statement as attached hereto and for the purpose of identification, subscribed to by the Chairman hereof, be and hereby is approved and adopted as the new Constitution of the Company, in substitution for and to the exclusion of, the existing Constitution of the Company.”

9. To transact any other business which may properly be put before the annual general meeting.

Notes

Singapore Financial Statements. At the 2016 annual general meeting, our shareholders will have the opportunity to discuss and ask any questions that they may have regarding our Singapore audited financial statements for the fiscal year ended March 31, 2016, together with the directors’ statement and auditors’ report

thereon, in compliance with Singapore law. Shareholder approval of our audited financial statements is not being sought by this proxy statement and will not be sought at the 2016 annual general meeting.

Eligibility to Vote at Annual General Meeting; Receipt of Notice. The Board of Directors has fixed the close of business on June 27, 2016 as the record date for determining those shareholders of the Company who will be entitled to receive copies of this notice and accompanying proxy statement. However, all shareholders of record on August 24, 2016, the date of the 2016 annual general meeting, will be entitled to vote at the 2016 annual general meeting.

Quorum. Representation of at least 33-1/3% of all outstanding ordinary shares of the Company is required to constitute a quorum to transact business at a general meeting of our shareholders.

Proxies. A shareholder entitled to attend and vote at the 2016 annual general meeting is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not also be a shareholder. **Whether or not you plan to attend the meeting, please complete, date and sign the enclosed proxy card and return it in the enclosed envelope.** A proxy card must be received by Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717 not less than 48 hours before the time appointed for holding the 2016 annual general meeting. You may revoke your proxy at any time prior to the time it is voted. Shareholders who are present at the meeting may revoke their proxies and vote in person or, if they prefer, may abstain from voting in person and allow their proxies to be voted.

Availability of Proxy Materials on the Internet. We are pleased to take advantage of Securities and Exchange Commission rules that allow issuers to furnish proxy materials to some or all of their shareholders on the Internet. In accordance with Singapore law, our registered shareholders (shareholders who own our ordinary shares in their own name through our transfer agent, Computershare Investor Services, LLC) will not be able to vote their shares over the Internet, but we will be providing this service to our beneficial holders (shareholders whose ordinary shares are held by a brokerage firm, a bank or other nominee). We believe these rules will allow us to provide our shareholders with the information they need, while lowering the costs of delivery and reducing the environmental impact of our annual general meeting of shareholders.

Disclosure Regarding Share Purchase Mandate Funds. Only funds legally available for purchasing or acquiring our issued ordinary shares in accordance with our Constitution and the applicable laws of Singapore will be used for the purchase or acquisition by us of our own issued ordinary shares pursuant to the proposed renewal of the Share Purchase Mandate referred to in this notice. We intend to use our internal sources of funds and/or borrowed funds to finance the purchase or acquisition of our issued ordinary shares. The amount of financing required for us to purchase or acquire our issued ordinary shares, and the impact on our financial position, cannot be ascertained as of the date of this notice, as these will depend on the number of ordinary shares purchased or acquired and the price at which such ordinary shares are purchased or acquired and whether the ordinary shares purchased or acquired are held in treasury or cancelled. Our net tangible assets and the consolidated net tangible assets of the Company and its subsidiaries will be reduced by the purchase price of any ordinary shares purchased or acquired and cancelled. We do not anticipate that the purchase or acquisition of our ordinary shares in accordance with the Share Purchase Mandate would have a material impact on our financial condition and cash flows.

Personal Data Privacy. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 2016 annual general meeting and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by us (or our agents or service providers) for the purpose of the processing, administration and analysis by us (or our agents or service providers) of proxies and representatives appointed for the 2016 annual general meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 2016 annual general meeting (including any adjournment thereof), and in order for us (or our agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to us (or our agents or service providers), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by us (or our agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the

Purposes, and (iii) agrees that the shareholder will indemnify us in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

By order of the Board of Directors,

A handwritten signature in black ink, appearing to read 'Regina', written in a cursive style.

Tay Hong Chin Regina
Company Secretary
Singapore
July 11, 2016

**You should read the entire proxy statement
carefully prior to returning your proxy card.**

Important Notice Regarding the Availability of Proxy Materials for the 2016 Annual General Meeting of Shareholders to Be Held on August 24, 2016. The accompanying proxy statement and our annual report to shareholders are available on our website at <http://investors.flextronics.com/investor-relations/financials/proxy-materials>.

Table of Contents

	Page #
NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS.....	ii
PROXY STATEMENT SUMMARY	ix
PROXY STATEMENT.....	1
PART I—INFORMATION ABOUT THE MEETING	1
VOTING RIGHTS AND SOLICITATION OF PROXIES.....	2
PART II—PROPOSALS TO BE CONSIDERED AT THE 2016 ANNUAL GENERAL MEETING OF SHAREHOLDERS	3
PROPOSAL NOS. 1 AND 2: RE-ELECTION AND RE-APPOINTMENT OF DIRECTORS	3
CORPORATE GOVERNANCE	7
NON-MANAGEMENT DIRECTORS’ COMPENSATION FOR FISCAL YEAR 2016.....	12
PROPOSAL NO. 3: RE-APPOINTMENT OF INDEPENDENT AUDITORS FOR FISCAL YEAR 2017 AND AUTHORIZATION OF OUR BOARD TO FIX THEIR REMUNERATION	16
AUDIT COMMITTEE REPORT	17
PROPOSAL NO. 4: ORDINARY RESOLUTION TO AUTHORIZE ORDINARY SHARE ISSUANCES.....	19
PROPOSAL NO. 5: NON-BINDING, ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION	21
PROPOSAL NO. 6: ORDINARY RESOLUTION TO RENEW THE SHARE PURCHASE MANDATE.....	24
PROPOSAL NO. 7: SPECIAL RESOLUTION TO APPROVE ADOPTION OF NAME CHANGE FROM FLEXTRONICS INTERNATIONAL LTD. TO FLEX LTD.....	28
PROPOSAL NO. 8: SPECIAL RESOLUTION TO APPROVE OF NEW CONSTITUTION	29
PART III—ADDITIONAL INFORMATION.....	34
EXECUTIVE OFFICERS.....	34
COMPENSATION COMMITTEE REPORT	35
COMPENSATION DISCUSSION AND ANALYSIS	35
COMPENSATION RISK ASSESSMENT	56
EXECUTIVE COMPENSATION	57
EQUITY COMPENSATION PLAN INFORMATION	67
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	68
CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS	70
SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE	71
SHAREHOLDER PROPOSALS FOR THE 2017 ANNUAL GENERAL MEETING	71
INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE	72
SINGAPORE STATUTORY FINANCIAL STATEMENTS	72
OTHER MATTERS	72
ANNEX A.....	A-1

ELECTRONIC DELIVERY OF OUR SHAREHOLDER COMMUNICATIONS

We strongly encourage our shareholders to conserve natural resources, as well as significantly reduce our printing and mailing costs, **by signing up to receive your shareholder communications via e-mail**. With electronic delivery, we will notify you when the annual report and the proxy statement are available on the Internet. Electronic delivery can also help reduce the number of bulky documents in your personal files and eliminate duplicate mailings. To sign up for electronic delivery:

1. If you are a registered holder (that is, you hold your Flextronics ordinary shares in your own name through our transfer agent, Computershare Investor Services, LLC), visit: www.computershare-na.com/green to enroll. Select the Investor Centre link and then LOGIN. Select MY PROFILE and then UPDATE your Communication preference.
2. If you are a beneficial holder (that is, your shares are held by a brokerage firm, a bank or other nominee), the voting instruction form provided by most banks or brokers will contain instructions for enrolling in electronic delivery.

Your electronic delivery enrollment will be effective until you cancel it. If you have questions about electronic delivery, please call our Investor Relations department at (408) 576-7985.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2016 ANNUAL GENERAL MEETING OF SHAREHOLDERS

We have elected to provide access to our proxy materials to (i) our registered shareholders by mailing them a full set of proxy materials, including a proxy card, unless the shareholder previously consented to electronic delivery, and (ii) our beneficial holders by notifying them of the availability of our proxy materials on the Internet. For beneficial holders and registered shareholders who previously consented to electronic delivery, instructions on how to request a printed copy of our proxy materials may be found in the Notice of Availability of Proxy Materials on the Internet.

FLEXTRONICS INTERNATIONAL LTD.

PROXY STATEMENT SUMMARY

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting. For more complete information regarding the Company's 2016 fiscal year performance, please review the Company's 2016 Annual Report.

2016 Annual General Meeting of Shareholders

Time and Date: 9:00 a.m. Pacific time, August 24, 2016

Place: 847 Gibraltar Drive, Milpitas, CA 95035, U.S.A.

Record Date: June 27, 2016

Voting: All shareholders as of the meeting date are entitled to vote. Each ordinary share is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on.

Voting Matters at the Annual General Meeting

<u>Proposal Number</u>	<u>Matter</u>	<u>Board Vote Recommendation</u>	<u>Page Reference</u>
Proposal No. 1	Re-election of the following directors: H. Raymond Bingham and Willy C. Shih	FOR each Director Nominee	4
Proposal No. 2	Re-appointment of Lawrence A. Zimmerman as a director	FOR	4
Proposal No. 3	Re-appointment of Deloitte & Touche LLP as our independent auditors for the fiscal year ending March 31, 2017	FOR	16
Proposal No. 4	General authorization to allot and issue ordinary shares	FOR	19
Proposal No. 5	Advisory vote on executive compensation	FOR	21
Proposal No. 6	Authorization to repurchase ordinary shares	FOR	24
Proposal No. 7	Special Resolution to approve name change	FOR	28
Proposal No. 8	Special Resolution to approve adoption of new Constitution	FOR	29

How to Cast Your Vote

If you are a beneficial holder who holds your shares through a bank, broker or other nominee:

Vote In Person: If you choose to vote in person at the meeting, you must request a "legal proxy." To do so, please follow the instructions from your bank, broker or other nominee at www.proxyvote.com. You may also request a paper copy of the materials, which will contain the appropriate instructions.

Vote By Internet: To vote now by Internet, go to www.proxyvote.com. Have the information that is printed in the box marked by the arrow (located on the Notice of Availability of Proxy Materials on the Internet) available and follow the instructions.

Vote By Mail: You can vote by mail by returning the proxy card or, if you do not have a proxy card, by requesting a paper copy of the materials.

If you are a registered holder who holds your shares directly through our transfer agent, Computershare Investor Services, LLC, you may vote in person at the meeting or you may vote by returning the proxy card (or, if you do not have a proxy card, by requesting a paper copy of the materials). In accordance with Singapore law, our registered shareholders will not be able to vote their shares over the Internet.

Board Nominees (page 4)

The following table provides summary information about each Director nominee standing for re-election or re-appointment to the Board.

<u>Name</u>	<u>Director Since</u>	<u>Independent (Yes/No)</u>	<u>Committee Memberships</u>	<u>Other Public Company Boards</u>
<i>H. Raymond Bingham</i>	2005	Yes	N	Cypress Semiconductor Corporation, Oracle Corporation and TriNet Group, Inc.
<i>Willy C. Shih</i>	2008	Yes	C	—
<i>Lawrence A. Zimmerman</i>	2012	Yes	A, N	Delphi Automotive PLC

A = Audit Committee

C = Compensation Committee

N = Nominating and Corporate Governance Committee

Fiscal Year 2016 Highlights (page 35)

Business Overview

Headquartered in Singapore, Flex is a globally-recognized leading provider of innovative design, engineering, manufacturing, and supply chain services and solutions that span from *Sketch to scale™*; from conceptual sketch to full-scale production. We are a leading end-to-end supply chain solutions company that delivers innovative design, engineering, manufacturing and logistics services to a range of industries and end-markets, including data networking, telecom, enterprise computing and storage, industrial, capital equipment, appliances, automation, medical, automotive, aerospace and defense, energy, mobile, computing and other product categories. We design, build, ship and service complete packaged consumer electronic and industrial products for original equipment manufacturers (“OEMs”) through our activities in the following segments:

- High Reliability Solutions (“HRS”), which is comprised of our medical business including consumer health, digital health, disposables, drug delivery, diagnostics, life sciences and imaging equipment; our automotive business, including vehicle electronics, connectivity, and clean technologies; and our defense and aerospace businesses, focused on commercial aviation, defense and military;
- Consumer Technologies Group (“CTG”), which includes our mobile devices business, including smart phones; our consumer electronics business, including connected living, wearable electronics including digital sport, game consoles, and connectivity devices; and our high-volume computing business, including various supply chain solutions for notebook personal computing (“PC”), tablets, and printers; in addition, our CTG group is expanding its business relationships to include supply chain optimization for non-electronics products such as shoes and clothing;
- Industrial and Emerging Industries (“IEI”), which is comprised of semiconductor and capital equipment, office solutions, household industrial and lifestyle, industrial automation and kiosks, energy and metering, and lighting; and
- Communications & Enterprise Compute (“CEC”), formerly referred to as Integrated Network Solutions, which includes radio access base stations, remote radio heads, and small cells for wireless infrastructure; optical, routing, broadcasting, and switching products for the data and video networks; server and storage platforms for both enterprise and cloud based deployments; next generation storage and security appliance products; and rack level solutions, converged infrastructure and software defined product solutions.

We provide our advanced design, manufacturing and supply chain services through a network of over 100 facilities in approximately 30 countries across four continents. We have established this extensive network of design and manufacturing facilities in the world's major consumer electronics and industrial products markets (Asia, the Americas and Europe) in order to serve the outsourcing needs of both multinational and regional OEMs. Our services increase our customers' 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.

Business Transformation and Performance Highlights

In fiscal year 2016, we continued to reorganize and rebalance our business portfolio in order to align with our customers' needs and requirements in an effort to optimize operating results. In particular, we continued to move our long-term portfolio towards a mix of businesses which possess longer product life cycles and higher margins, such as our IEI and HRS businesses. Concurrently, we are also shifting away from customer solutions that have more short-term volatility and lower margins. This business transformation positions us to meet specific customers' supply chain solutions needs across all of the markets we serve, yield margin improvement, earn a return on our invested capital above the weighted-average cost of that capital, and take advantage of the long-term, future growth prospects for outsourcing of advanced manufacturing capabilities, design and engineering services, and after-market services. Another aspect of our business transformation strategy has been to make targeted investments in technologies and businesses that are complementary to our core business but that represent high growth opportunities with attractive profit margins. The shift away from certain parts of our business limited our short-term top-line growth and created negative year-over-year comparisons on some financial metrics, though it places us in a better position to capitalize on long-term revenue growth and enhanced returns on investment and cash flow.

We delivered solid results in fiscal year 2016 in the face of significant external and internal challenges, though final performance was somewhat below our targeted objectives. Several macro-economic factors such as ongoing growth challenges in Europe, a slowdown in Chinese growth, and a high degree of uncertainty about interest rate and stimulus policies acted as a brake on overall global manufacturing activity and created volatility in global stock prices. Internally, we continued on our business transformation journey during fiscal year 2016 through which we are reorganizing and rebalancing our business portfolio. As a result of an improved cost structure and our strategic business transformation, we delivered solid operating results in fiscal year 2016 and executed on key strategic priorities, including acquisitions of NEXTracker, Mirrors Controls International and Wink to expand our innovative offerings, though some results represent year-over-year declines due to our business transformation activities. Highlights include:

- Gross profit totaled \$1.6 billion, an increase of 4.1% compared to the prior year.
- Gross margin increased to 6.6% of net sales in fiscal year 2016, compared with 5.9% of net sales in fiscal year 2015.
- We generated operating cash flows of \$1.1 billion during the year. The strong cash flow generated from our operations enabled us to return value to shareholders with the repurchase of \$420.3 million of our shares paid in fiscal year 2016.
- We maintained strong sustainable free cash flow.
- We had some less favorable year-over-year financial result comparisons due to our business transformation, though these actions are positioning the company for enhanced future results.
 - We reported net sales of \$24.4 billion, a decrease of 6.6% compared to the prior year.
 - Diluted earnings per share for the year were \$0.79, a decrease of 22.5%.

With the results noted above, our stock price declined 4.9% from \$12.68 at the end of fiscal year 2015 to \$12.06 at the end of fiscal year 2016. While we are disappointed in the overall decrease in absolute value, we believe we have delivered solid long-term shareholder value creation despite the challenging business environment during fiscal year 2016. Flex's total shareholder return (TSR) from fiscal year 2014 through the end of fiscal year 2016 (3-year return) was an annualized 22.0%, or above the 80th percentile of our peer group. This represents an annualized return that is nearly 10% ahead of the S&P 500 over the same period, demonstrating strong absolute and relative shareholder value creation over a multi-year time period.

Executive Compensation Highlights (page 36)

Pay and Performance Alignment For Fiscal Year 2016

As noted above, we delivered solid operating and shareholder results during fiscal year 2016, though final performance was somewhat below our targeted levels. Our compensation philosophy is to reward above-target performance when achieved, and pay zero or below target when favorable results are not delivered. In line with our fiscal year 2016 performance, our named executive officers (NEOs) earned short-term incentive awards that recognize our solid financial performance, as well as the fact that we did not fully achieve our targeted performance goals. Highlights include the following:

- Maintained the CEO's base salary with no increase, positioned approximately at the peer median.
- Provided modest base salary increases to other NEOs, though overall salary positioning continued to be approximately at our peer group median.
- The CEO earned a below-target short-term incentive payout of 81.3% of target, and the average payouts for our other NEOs were also below the targeted level at 92.6% of target.
- Paid out the long-term performance share unit cycles during fiscal year 2016 at 138% and 129% of target in May 2015 and June 2015, respectively, based upon results that were above target over the multi-year performance cycle from fiscal year 2012 through fiscal year 2016.
- Funded our named executive officers' deferred compensation plans with a value that averaged about 37.5% of our named executive officers' respective base salaries based on fiscal year 2015 results.
- Continued to use fiscal year 2016 long-term incentive grants that balance relative TSR performance share units (PSUs) with a long-term incentive plan (LTIP) that measures cumulative free cash flow (FCF) over a multi-year period (from fiscal year 2016 through fiscal year 2018).
- Elementum: Granted modest profits interests unit value awards to certain executives who have been making significant contributions to the Elementum business.

FLEXTRONICS INTERNATIONAL LTD.

PROXY STATEMENT

**FOR THE 2016 ANNUAL GENERAL MEETING OF
SHAREHOLDERS**

**To Be Held on August 24, 2016
9:00 a.m. (Pacific time)**

**Annual general meeting to be held at our offices
847 Gibraltar Drive
Milpitas, CA 95035, U.S.A.**

PART I—INFORMATION ABOUT THE MEETING

We are furnishing this proxy statement in connection with the solicitation by our Board of Directors of proxies to be voted at the 2016 annual general meeting of our shareholders, or at any adjournments thereof, for the purposes set forth in the notice of annual general meeting that accompanies this proxy statement. Unless the context requires otherwise, references in this proxy statement to “Flex,” “the Company,” “we,” “us,” “our” and similar terms mean Flextronics International Ltd. and its subsidiaries.

Proxy Mailing. This proxy statement and the enclosed proxy card were first mailed on or about July 11, 2016 to shareholders of record as of June 27, 2016.

Costs of Solicitation. The entire cost of soliciting proxies will be borne by us. Following the original mailing of the proxies and other soliciting materials, our directors, officers and employees may also solicit proxies by mail, telephone, e-mail, fax or in person. These directors, officers and employees will not receive additional compensation for those activities, but they may be reimbursed for any reasonable out-of-pocket expenses. Following the original mailing of the proxies and other soliciting materials, we will request that brokers, custodians, nominees and other record holders of our ordinary shares forward copies of the proxy and other soliciting materials to persons for whom they hold ordinary shares and request authority for the exercise of proxies. In these cases, we will reimburse such holders for their reasonable expenses if they ask that we do so. We have retained Georgeson Inc., an independent proxy solicitation firm, to assist in soliciting proxies at an estimated fee of \$12,000, plus reimbursement of reasonable expenses.

Registered Office. The mailing address of our registered office is No. 2 Changi South Lane, Singapore 486123.

VOTING RIGHTS AND SOLICITATION OF PROXIES

The close of business on June 27, 2016 is the record date for shareholders entitled to notice of our 2016 annual general meeting. All of the ordinary shares issued and outstanding on August 24, 2016, the date of the annual general meeting, are entitled to be voted at the annual general meeting, and shareholders of record on August 24, 2016 and entitled to vote at such meeting will, on a poll, have one vote for each ordinary share so held on the matters to be voted upon. As of June 27, 2016, we had 546,324,035 ordinary shares issued and outstanding.

Proxies. Ordinary shares represented by proxies in the form accompanying this proxy statement that are properly executed and returned to us will be voted at the 2016 annual general meeting in accordance with our shareholders' instructions.

If your ordinary shares are held through a broker, a bank, or other nominee, which is sometimes referred to as holding shares in "street name," you have the right to instruct your broker, bank or other nominee on how to vote the shares in your account. Your broker, bank or other nominee will send you a voting instruction form for you to use to direct how your shares should be voted.

Quorum and Required Vote. Representation at the 2016 annual general meeting of at least 33-1/3% of all of our issued and outstanding ordinary shares is required to constitute a quorum to transact business at the annual general meeting.

- The affirmative vote by a show of hands of at least a majority of the shareholders present and voting, or, if a poll is demanded by the chair or by holders of at least 10% of the total number of our paid-up shares in accordance with our Constitution, a simple majority of the shares voting, is required at the 2016 annual general meeting, to re-elect the directors nominated pursuant to Proposal No. 1, to re-appoint the director nominated pursuant to Proposal No. 2, to re-appoint Deloitte & Touche LLP as our independent auditors pursuant to Proposal No. 3, to approve the ordinary resolution to allot and issue ordinary shares contained in Proposal No. 4, to approve the non-binding, advisory resolution contained in Proposal No. 5, and to approve the ordinary resolution to renew the Share Purchase Mandate contained in Proposal No. 6.
- The affirmative vote by a show of hands of at least three-fourths of the shareholders present and voting, or, if a poll is demanded in the manner previously described, at least three-fourths of the shares voting at the 2016 annual general meeting, is required to approve the change of our name from Flextronics International Ltd. to Flex Ltd. pursuant to Proposal No. 7, and to approve and adopt our new Constitution pursuant to Proposal No. 8.
- Consistent with the Company's historical practice, the chair of the 2016 annual general meeting will demand a poll in order to enable the ordinary shares represented in person or by proxy to be counted for voting purposes.

Under the Companies Act (Chapter 50) of Singapore, which we refer to as the "Singapore Companies Act" or the "Companies Act," and our Constitution, the shareholders may by passing an ordinary resolution requiring the simple majority of affirmative votes of shareholders present and voting at an annual general meeting, remove an incumbent director and appoint another person as director to replace the removed director.

Abstentions and Broker Non-Votes. Abstentions and "broker non-votes" are considered present and entitled to vote at the 2016 annual general meeting for purposes of determining a quorum. A "broker non-vote" occurs when a broker, a bank or other nominee who holds shares for a beneficial owner does not vote on a particular proposal because the broker, bank or other nominee has not received directions from the beneficial owner and does not have discretionary power to vote on that particular proposal. If a broker, bank or other nominee indicates on the proxy card that it does not have discretionary authority to vote as to a particular matter, those shares, along with any abstentions, will not be counted in the tabulation of the votes cast on the proposal being presented to shareholders.

If you are a beneficial owner, your broker, bank or other nominee has authority to vote your shares for or against the re-appointment of our independent auditors and for or against the approval of the general authorization for our directors to allot and issue ordinary shares, even if the broker does not receive voting instructions from you. Your broker, bank or other nominee, however, does not have the discretion to vote your shares on any other proposals included in this proxy statement without receiving voting instructions from you. **It is very important that you instruct your broker, bank or other nominee how to vote on these proposals. If**

you do not complete the voting instructions, your shares will not be considered in the election of directors or any other proposal included in this proxy statement other than the re-appointment of our independent auditors and the approval of the general authorization for our directors to allot and issue ordinary shares.

If you are a registered shareholder, in the absence of contrary instructions, shares represented by proxies submitted by you will be voted at the 2016 annual general meeting: “FOR” the Board nominees in Proposal Nos. 1 and 2; and “FOR” Proposal Nos. 3 through 8. Our management does not know of any matters to be presented at the 2016 annual general meeting other than those set forth in this proxy statement and in the notice accompanying this proxy statement. If other matters should properly be put before the meeting, the proxy holders will vote on such matters in accordance with their best judgment.

Any shareholder of record has the right to revoke his or her proxy at any time prior to voting at the 2016 annual general meeting by:

- submitting a subsequently dated proxy; or
- by attending the meeting and voting in person.

If you are a beneficial holder who holds your ordinary shares through a broker, a bank or other nominee and you wish to change or revoke your voting instructions, you will need to contact the broker, the bank or other nominee who holds your shares and follow their instructions. If you are a beneficial holder and not the shareholder of record, you may not vote your shares in person at the 2016 annual general meeting unless you obtain a legal proxy from the record holder giving you the right to vote the shares.

Singapore Financial Statements; Monetary Amounts. We have prepared, in accordance with Singapore law, Singapore statutory financial statements, which are included with the annual report which will be delivered to our shareholders prior to the date of the 2016 annual general meeting. Except as otherwise stated herein, all monetary amounts in this proxy statement have been presented in U.S. dollars.

PART II—PROPOSALS TO BE CONSIDERED AT THE 2016 ANNUAL GENERAL MEETING OF SHAREHOLDERS

PROPOSAL NOS. 1 AND 2: RE-ELECTION AND RE-APPOINTMENT OF DIRECTORS

Article 95 of our existing Constitution requires that at each annual general meeting one-third of the directors (or, if their number is not a multiple of three, then the number nearest to but not more than one-third of the directors), are required to retire from office. The directors required to retire in each year are those who have been in office the longest since their last re-election or appointment. As between persons who became or were last re-elected directors on the same day, those required to retire are (unless they otherwise agree among themselves) determined by lot. Under Article 91 of our existing Constitution, any director holding office as a Chief Executive Officer shall not be subject to retirement by rotation, unless the Board of Directors determines otherwise, or be taken into account in determining the number of directors required to retire by rotation. As a result, Mr. McNamara, our Chief Executive Officer and also being one of our directors, is not subject to retirement by rotation or taken into account in determining the number of directors required to retire by rotation. Under Article 101 of our existing Constitution, any director appointed by the Board to fill a vacancy or as an additional director shall not be taken into account in determining the number of directors required to retire by rotation. No directors were appointed as additional directors or appointed to fill a vacancy since our 2015 annual general meeting.

Retiring directors are eligible for re-election. Mr. H. Raymond Bingham and Dr. Willy C. Shih are the members of our Board of Directors who will retire by rotation at our 2016 annual general meeting. Mr. Bingham and Dr. Shih are each eligible for re-election and have been nominated to stand for re-election at the 2016 annual general meeting. If either nominee fails to receive the affirmative vote of a majority of the shares present and voting on the resolution to approve his re-election (that is, if the number of shares voted “FOR” the director nominee does not exceed the number of votes cast “AGAINST” that nominee), he will not be re-elected to the Board and the number of incumbent Directors comprising the Board of Directors will be reduced accordingly. Abstentions, if any, will have no effect.

Under Section 153(6) of the Companies Act which was in force during our 2015 annual general meeting, a person of or over the age of 70 years could be appointed or re-appointed as a director of a public company and could only hold office until the next annual general meeting. Mr. Lawrence A. Zimmerman, who reached the age of 70 years prior to the date of the 2015 annual general meeting, was re-appointed as a director of the Company at the 2015 annual general meeting pursuant to Section 153(6) of the Companies Act (which was then in force). Mr. Zimmerman will cease to hold office at the 2016 annual general meeting unless re-appointed by our shareholders. Mr. Zimmerman is eligible for re-appointment and will be seeking re-appointment as a director of the Company at the 2016 annual general meeting without limitation in tenure, save for prevailing laws, applicable listing rules and the Company's existing Constitution.

The proxy holders intend to vote all proxies received by them in the accompanying form of proxy card for the nominees for directors listed below under "Nominees to our Board of Directors." In the event that any nominee is unable or declines to serve as a director at the time of the 2016 annual general meeting, the proxies will be voted for any nominee who shall be designated by the present Board of Directors of the Company, in accordance with Article 100 of our existing Constitution, to fill the vacancy.

As of the date of this proxy statement, our Board of Directors is not aware of any nominee who is unable or will decline to serve as a director.

Qualifications of Directors and Nominees

Our Nominating and Corporate Governance Committee is responsible for assessing the composition and performance of the Board of Directors and Committees of the Board of Directors and for recruiting, evaluating and recommending candidates to be presented for appointment or election to serve as members of the Board of Directors. In evaluating our Board of Directors, our Nominating and Corporate Governance Committee has considered that our directors, including our nominees for election as directors, have experience as officers, directors and private equity investors of large, complex technology companies. In these positions, they have also gained experience in core management skills that are important to their service on our Board of Directors, such as international business, supply chain management, strategic and financial planning, compliance, risk management, intellectual property matters and leadership development. Our directors also have experience serving on the boards of directors and board committees of other public companies, which provides them with an understanding of current corporate governance practices and trends and executive compensation matters. Our Nominating and Corporate Governance Committee also believes that our directors have other key attributes that are important to an effective board, including the highest professional and personal ethics and values, a broad diversity of business experience and expertise, an understanding of our business and industry, a high level of education, broad-based business acumen, and the ability to think strategically.

In addition to the qualifications described above, the Nominating and Corporate Governance Committee also considered the specific experience described in the biographical details that follow in determining whether each individual nominee or director should serve on our Board of Directors.

The following biographical details for the nominees to our Board of Directors and our directors not standing for re-election are as of June 27, 2016.

Nominees to our Board of Directors

H. Raymond Bingham (age 70)—Mr. Bingham has served as our non-executive Chairman of the Board since January 2008 and as a member of our Board of Directors since October 2005. He is an Advisory Director of Riverwood Capital Management, LP, a private equity firm that invests in high growth technology companies in need of financial and intellectual capital on a global scale. Previously, he was an Advisory Director of General Atlantic LLC, from 2011 to 2015, and from 2006 to 2010 was a Managing Director. Prior to that, Mr. Bingham served in various positions with Cadence Design Systems, Inc., a supplier of electronic design automation software and services, from 1997 through 2005, most recently as its Executive Chairman from May 2004 to July 2005, director from November 1997 to April 2004, President and Chief Executive Officer from April 1999 to May 2004, and Executive Vice President and Chief Financial Officer from April 1993 to April 1999. Mr. Bingham serves on the board of directors of Oracle Corporation and as chairman of the board of Cypress Semiconductor Corporation and of the board of TriNet Group, Inc. Mr. Bingham previously served on the boards of Dice Holdings, Inc., Fusion-io, Inc. and Spansion, Inc. In 2009, Mr. Bingham was awarded the Outstanding Directors Award by the Financial Times and the Outstanding Directors Exchange. He helped found and serves as

a director of the Silicon Valley Educational Foundation and is a board member of the National Parks Conservation Association. In 2015, Mr. Bingham became a trustee of the United States Olympic Committee.

Mr. Bingham's distinguished career and his extensive executive leadership experience, serving as a chief executive officer, chief financial officer and director of large international corporations provides the Board with the critical perspective of someone familiar with all facets of an international enterprise.

Willy C. Shih, Ph.D. (age 65)—Dr. Shih has served as a member of our Board of Directors since January 2008. Dr. Shih is currently a Professor of Management Practice at the Harvard Business School, a position he has held since January 2007. Dr. Shih's broad industry career experience includes significant accomplishments for globally recognized organizations such as Kodak, IBM, Silicon Graphics and Thomson. From August 2005 to September 2006, Dr. Shih served as Executive Vice President of Thomson, a provider of digital video technologies. He was an intellectual property consultant from February to August 2005, and from 1997 to 2005 served as Senior Vice President of Eastman Kodak Company. Dr. Shih holds a Ph.D. in Chemistry from the University of California, Berkeley and S.B. degrees in Chemistry and Life Sciences from the Massachusetts Institute of Technology. Dr. Shih previously served on the board of directors of Atheros Communications, Inc.

Dr. Shih's broad experience in the technology industry and with international corporations, as well as his current role at a premier educational institution, provide the Board with key perspectives relating to the Company's operations and ongoing initiatives. In addition, Dr. Shih's experience in teaching and consulting provide him with significant insight into strategic alternatives that are available to technology companies.

Lawrence A. Zimmerman (age 73)—Mr. Zimmerman has served as a member of our Board of Directors since October 2012. Mr. Zimmerman has extensive experience in corporate finance and accounting, having previously served at Xerox Corporation as Vice Chairman and Chief Financial Officer from 2009 to 2011 and as Executive Vice President and Chief Financial Officer from 2002 to 2009. Prior to that, he spent 32 years with IBM, holding various senior finance positions, including Corporate Controller. Mr. Zimmerman currently serves as a director of Delphi Automotive PLC, and previously served as a director of Stanley Black & Decker, Inc. from 2005 to 2011, Brunswick Corporation from 2006 to 2015 and Computer Sciences Corporation from 2012 to 2014.

Mr. Zimmerman's distinguished career and his extensive experience in corporate finance and accounting, serving as a chief financial officer and corporate controller of large international corporations, provides the Board with the critical perspective of someone familiar with all facets of corporate finance and accounting.

Directors Not Standing for Re-election

Michael D. Capellas (age 61)—Mr. Capellas has served as a member of our Board of Directors since March 2014. He has served as Principal at Capellas Strategic Partners since June 2013. He served as the Chairman of the Board of VCE Company, LLC ("VCE") from January 2011 until November 2012 and as VCE's Chief Executive Officer from May 2010 to September 2011. VCE is a joint venture between EMC Corporation and Cisco with investments from VMware, Inc. and Intel Corporation. Mr. Capellas was the Chairman and Chief Executive Officer of First Data Corporation from September 2007 to March 2010. From October 2006 to July 2007, Mr. Capellas served as a Senior Advisor at Silver Lake Partners. From November 2002 to January 2006, he served as Chief Executive Officer of MCI, Inc. ("MCI"), previously WorldCom, Inc. From March 2004 to January 2006, he also served as that company's President. From November 2002 to March 2004, he was also Chairman of the Board of WorldCom, and he continued to serve as a member of the board of directors of MCI until January 2006. Mr. Capellas left MCI as planned in early January 2006 upon its acquisition by Verizon Communications Inc. Previously, Mr. Capellas was President of Hewlett-Packard Company from May 2002 to November 2002. Before the merger of Hewlett-Packard and Compaq Computer Corporation in May 2002, Mr. Capellas held various positions including President and Chief Executive Officer of Compaq, a position he had held since July 1999, and Chairman of the Board of Compaq, a position he had held since September 2000. Mr. Capellas held earlier positions as Chief Information Officer and Chief Operating Officer of Compaq. Mr. Capellas currently serves as a director of Cisco Systems, Inc and Mulesoft.

Mr. Capellas brings experience in executive roles and a background of leading global organizations in the technology industry. Through this experience, he has developed expertise in several valued areas including strategic product development, business development, and finance.

Michael M. McNamara (age 59)—Mr. McNamara has served as a member of our Board of Directors since October 2005, and as our Chief Executive Officer since January 1, 2006. Prior to his appointment as Chief Executive Officer, Mr. McNamara served as our Chief Operating Officer from January 2002 until January 2006, as President, Americas Operations from April 1997 through December 2001, and as Vice President, North American Operations from April 1994 to April 1997. Mr. McNamara also serves on the board of Workday, Inc. and is on the Advisory Board of Tsinghua University School of Economics and Management. Mr. McNamara previously served on the boards of Delphi Automotive LLP and MEMC Electronic Materials, Inc.

Mr. McNamara's long service with the Company, extensive leadership and management experience in international operations and his service on other public company boards provide invaluable perspective to the Board. In addition, as the only management representative on our Board, Mr. McNamara provides management perspective in Board discussions about the business and strategic direction of the Company.

Marc A. Onetto (age 65)—Mr. Onetto has served as a member of our Board of Directors since January 8, 2014. Since 2013, Mr. Onetto has provided executive leadership consulting through his company "Leadership from the Mind and the Heart LLC." Mr. Onetto was the Senior Vice President of Worldwide Operations and Customer Service for Amazon.com from 2006 to 2013. Previously, Mr. Onetto was Executive Vice President of Worldwide Operations for Solectron Corporation, which was acquired by Flex in 2007, from June 2003 to June 2006. He joined Solectron after a 15-year career with General Electric where his last position was Vice President of GE Corporate's European operations. From 1992 to 2002, Mr. Onetto held several senior leadership positions at GE Medical Systems as head of its global supply chain and operations, global quality, and global Component Division. Prior to GE, Mr. Onetto served 12 years with Exxon Corporation in supply operations, information systems and finance. Mr. Onetto also serves on the board of Essilor International and on the Business Board of Advisors of the Tepper School of Business at Carnegie-Mellon University.

Mr. Onetto is a seasoned supply chain expert and pioneer and has extensive experience as an officer of large, complex technology companies. This experience and his significant understanding of the Company's business and industry enable him to bring valuable insight to the Board in these areas.

Daniel H. Schulman (age 58)—Mr. Schulman has served as a member of our Board of Directors since June 2009. Since September 2014, Mr. Schulman has served as the President and CEO of PayPal, Inc., a subsidiary of eBay, Inc. Previously, Mr. Schulman served as group president of the Enterprise Growth Group at American Express. Prior to that, Mr. Schulman served as the President of Sprint's Prepaid Group from November 2009 and, from 2001, was Chief Executive Officer and Director for Virgin Mobile USA, a wireless service provider. Mr. Schulman also served as the President, and then Chief Executive Officer, of Priceline.com from June 1999 to May 2001. Prior to joining Priceline, Mr. Schulman served more than 18 years at AT&T. Mr. Schulman is Chairman of the board of directors of Symantec Corporation and a member of its compensation and nominating and governance committees. Mr. Schulman also served on the board of governors of Rutgers University and currently is a board member of Autism Speaks.

Mr. Schulman has extensive senior management experience as a chief executive officer and governance expertise as a director, and he possesses the knowledge and expertise necessary to contribute an important viewpoint on a wide variety of governance and operational issues. Mr. Schulman's experience in the wireless and telecommunications sectors is particularly valuable to us as we continually enhance the competitive positioning of our segment offerings, such as those in infrastructure and mobile.

Lay Koon Tan (age 57)—Mr. Tan has served as a member of our Board of Directors since March 2012. He previously served as the President and Chief Executive Officer and a member of the Board of Directors of STATS ChipPAC Ltd. from August 2004 to November 2015 and of its predecessor, ST Assembly Test Services Ltd., since June 2002. Mr. Tan joined ST Assembly Test Services Ltd. in May 2000 as its Chief Financial Officer, and in August 2004, he led the formation of STATS ChipPAC Ltd. with the acquisition of ChipPAC, Inc., becoming the combined company's founding President and Chief Executive Officer. Prior to joining ST Assembly Test Services Ltd., Mr. Tan was an investment banker with Salomon Smith Barney, the global investment banking unit of Citigroup Inc. Before that, he held various senior positions in government and financial institutions in Singapore. Mr. Tan graduated with a Bachelor of Engineering (First Class Honors) from the University of Adelaide, Australia as a Colombo Plan Scholar. He also has a Master of Business Administration (Distinction) from the Wharton School, University of Pennsylvania where he was elected a Palmer scholar.

Mr. Tan's extensive background in financial and investment matters provides a critical perspective to the Board in these areas, and his executive leadership experience, serving as a chief executive officer and chief financial officer of large international technology-related corporations, enables him to provide the Board with invaluable operational insight.

William D. Watkins (age 63)—Mr. Watkins has served as a member of our Board of Directors since April 2009. Mr. Watkins was appointed Chief Executive Officer of Imergy Power Systems, Inc., a leading innovator in cost-effective energy storage products in September 2013 and appointed Chairman of the Board in January 2015. He previously served as Chairman of the Board of Bridgelux, Inc. from February 2013 to December 2013 and as its Chief Executive Officer from January 2010 to February 2013. He previously served as Seagate Technology's Chief Executive Officer from 2004 through January 2009, and as Seagate's President and Chief Operating Officer from 2000 until 2004. During that time, he was responsible for Seagate's hard disc drive operations, including recording heads, media and other components, and related R&D and product development organizations. Mr. Watkins joined Seagate in 1996 with the company's merger with Conner Peripherals. Mr. Watkins currently serves on the board of directors of Maxim Integrated Products, Inc.

Mr. Watkins's operational expertise and broad experience in the technology industry and with international corporations, particularly with product development companies, provides critical insight and perspective relating to the Company's customer base.

The Board recommends a vote "FOR"

- (i) the re-election of each of Mr. H Raymond Bingham and Dr. Willy C. Shih and**
 - (ii) for the re-appointment of Mr. Lawrence A. Zimmerman**
- to our Board of Directors.**

CORPORATE GOVERNANCE

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees (including our principal executive officer, our principal financial officer and our principal accounting officer). The Code of Business Conduct and Ethics is available on the Corporate Governance page of the Investor Relations section of our website at www.flextronics.com. In accordance with SEC rules, we intend to disclose on the Corporate Governance page of our website any amendment (other than technical, administrative or other non-substantive amendments) to, or any material waiver from, a provision of the Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions.

Shareholder Communications with our Board of Directors

Our shareholders may communicate with our Board of Directors by sending an e-mail to Board@flextronics.com. All e-mails received will be sent to the Chairman of the Board and our Chief Financial Officer and/or Senior Vice President, Finance. The e-mail correspondence is regularly reviewed and summaries are provided to the full Board.

Board of Directors

Our Constitution gives our Board of Directors general powers to manage our business. The Board oversees and provides policy guidance on our strategic and business planning processes, oversees the conduct of our business by senior management and is principally responsible for the succession planning for our key executives, including our Chief Executive Officer.

Our Board of Directors held a total of ten meetings during fiscal year 2016. During the period for which each current director was a director or a committee member, each director attended at least 75% of the aggregate of the total number of meetings of our Board in fiscal year 2016 together with the total number of meetings held by all committees of our Board on which he served. During fiscal year 2016, our non-employee directors met at regularly scheduled executive sessions without management participation.

Our Board has adopted a policy that encourages each director to attend the annual general meeting, but attendance is not required. All nine directors attended the Company's 2015 annual general meeting.

Director Independence

To assist our Board of Directors in determining the independence of our directors, the Board has adopted Director Independence Guidelines that incorporate the definition of “independence” adopted by The NASDAQ Stock Market LLC, which we refer to as Nasdaq in this proxy statement. Our Board has determined that each of the Company’s directors, other than Mr. McNamara, is an independent director as defined by the applicable rules of Nasdaq and our Director Independence Guidelines. Under the Nasdaq definition and our Director Independence Guidelines, a director is independent only if the Board determines that the director does not have any relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In addition, under the Nasdaq definition and our Director Independence Guidelines, a director will not be independent if the director has certain disqualifying relationships. In evaluating independence, the Board broadly considers all relevant facts and circumstances. As part of its director independence assessment, the Board considered certain relationships Messrs. Bingham and Schulman have with Flex other than through their memberships on the Board and its committees. Mr. Bingham serves as a board member, and Flex employs Mr. Bingham’s adult son in an entry-level human resources position. Mr. Schulman serves as a board member, and his brother-in-law provides immaterial consulting services periodically to Flex and one of its wholly-owned subsidiaries. The Board determined that these relationships and transactions for Messrs. Bingham and Schulman do not conflict with the elements of independence set forth in the Nasdaq listing rules or our Director Independence Guidelines. Our Director Independence Guidelines are included in our Guidelines with Regard to Certain Governance Matters, a copy of which is available on the Corporate Governance page of our website at www.flextronics.com.

Board Leadership Structure and Role in Risk Oversight

Our Board of Directors currently consists of nine directors, each of whom, other than Mr. McNamara, is independent under the Company’s Director Independence Guidelines and the applicable rules of Nasdaq. Mr. McNamara has served as our Chief Executive Officer, or CEO, since January 1, 2006, and as a member of our Board of Directors since October 2005. Mr. Bingham, who is an independent director, has served as our Chairman of the Board since January 2008. The Board has separated the roles of Chairman and CEO since 2003.

Our Board of Directors believes that the most effective Board leadership structure for the Company at the present time is for the roles of CEO and Chairman of the Board to be separated, and for the Chairman of the Board to be an independent director. Under this structure, our CEO is generally responsible for setting the strategic direction for the Company and for providing the day-to-day leadership over the Company’s operations, while the Chairman of the Board provides guidance to the CEO, sets the agenda for meetings of the Board and presides over Board meetings. Our Board of Directors believes that having an independent Chairman set the agenda and establish the priorities and procedures for the work of the Board provides a greater role for the independent directors in the oversight of the Company, and also provides the continuity of leadership necessary for the Board to fulfill its responsibilities. This leadership structure is supplemented by the fact that all of our directors, other than Mr. McNamara, are independent and all of the committees of the Board are composed solely of, and chaired by, independent directors. In addition, our non-employee directors meet at regularly scheduled executive sessions without management participation. The Board retains the authority to modify this leadership structure as and when appropriate to best address the Company’s unique circumstances at any given time and to serve the best interests of our shareholders.

Our Board of Directors’ role in risk oversight involves both the full Board of Directors and its committees. The Audit Committee is charged with the primary role in carrying out risk oversight responsibilities on behalf of the Board. Pursuant to its charter, the Audit Committee reviews the Company’s policies and practices with respect to risk assessment and risk management, including discussing with management the Company’s major risk exposures and the steps that have been taken to monitor and mitigate such exposures. The Company’s enterprise risk management process is designed to identify risks that could affect the Company’s achievement of business goals and strategies, to assess the likelihood and potential impact of significant risks to the Company’s business, and to prioritize risk control and mitigation. Our Chief Financial Officer, our General Counsel and our Chief Ethics and Compliance Officer periodically report on the Company’s risk management policies and practices to relevant Board committees and to the full Board. The Audit Committee reviews the Company’s major financial risk exposures as well as major operational, compliance, reputational and strategic risks, including steps to monitor, manage and mitigate those risks. In addition, each of the other Board committees is

responsible for oversight of risk management practices for categories of risks relevant to their functions. For example, the Compensation Committee has oversight responsibility for the Company’s overall compensation structure, including review of its compensation practices, with a view to assessing associated risk. See “*Compensation Risk Assessment*.” The Board as a group is regularly updated on specific risks in the course of its review of corporate strategy, business plans and reports to the Board by its respective committees. The Board believes that its leadership structure supports its risk oversight function by providing a greater role for the independent directors in the oversight of the Company.

Board Committees

The standing committees of our Board of Directors are the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. The table below provides current membership for each of these committees.

<u>Name</u>	<u>Audit Committee</u>	<u>Compensation Committee</u>	<u>Nominating and Corporate Governance Committee</u>
H. Raymond Bingham			X*
Michael D. Capellas		X	
Marc A. Onetto	X		
Daniel H. Schulman		X*	X
Willy C. Shih, Ph.D.		X	
Lay Koon Tan	X		
William D. Watkins	X		
Lawrence A. Zimmerman	X*		X

* Committee Chair

Audit Committee

The Audit Committee of the Board of Directors is currently composed of Messrs. Marc A. Onetto, Lay Koon Tan, William D. Watkins and Lawrence A. Zimmerman, each of whom the Board has determined to be independent and to meet the financial experience requirements under both the rules of the SEC and the listing standards of the NASDAQ Global Select Market. The Board has also determined that each of Messrs. Tan, Watkins and Zimmerman is an “audit committee financial expert” within the meaning of the rules of the SEC and is “financially sophisticated” within the meaning of the rules of Nasdaq. The Audit Committee held eight meetings during fiscal year 2016 and regularly meets in executive sessions without management present. The committee’s principal functions are to:

- monitor and evaluate periodic reviews of the adequacy of the accounting and financial reporting processes and systems of internal control that are conducted by our financial and senior management, and our independent auditors;
- be directly responsible for the appointment, compensation and oversight of the work of our independent auditors (including resolution of any disagreements between our management and the auditors regarding financial reporting); and
- facilitate communication among our independent auditors, our financial and senior management and our Board.

Our Board has adopted an Audit Committee Charter that is available on the Corporate Governance page of the Investor Relations section of our website at www.flextronics.com.

Compensation Committee

Responsibilities and Meetings

The Compensation Committee of our Board of Directors is responsible for reviewing and approving the goals and objectives relating to, and recommending to our Board the compensation of, our Chief Executive Officer and all other executive officers. The committee also oversees management’s decisions concerning the performance and compensation of other officers, administers the Company’s equity compensation plans and

regularly evaluates the effectiveness of our overall executive compensation program. The Compensation Committee is currently composed of Messrs. Capellas and Schulman and Dr. Shih, each of whom our Board has determined to be an independent director under applicable listing standards of Nasdaq. The committee held six meetings during fiscal year 2016 and regularly meets in executive sessions without management present. The specific powers and responsibilities of the Compensation Committee are set forth in more detail in the Compensation Committee Charter, which is available on the Corporate Governance page of the Investor Relations section of our website at www.flextronics.com.

Delegation of Authority

When appropriate, our Compensation Committee may form, and delegate authority to, subcommittees. In addition, in accordance with the Company's equity compensation plans, the Compensation Committee's charter allows the committee to delegate to our Chief Executive Officer its authority to grant share options to employees of the Company who are not directors or executive officers.

Compensation Processes and Procedures

The Compensation Committee evaluates our compensation programs and makes recommendations to our Board regarding compensation to be paid or awarded to our executive officers. As part of its process, the Compensation Committee meets with our Chief Executive Officer, Chief Financial Officer, and members of our human resources department to obtain recommendations with respect to the structure of our compensation programs, as well as an assessment of the performance of individual executives and recommendations on compensation for individual executives. In addition, the Compensation Committee has the authority to retain and terminate any third-party compensation consultant and to obtain advice and assistance from internal and external legal, accounting and other advisors. In connection with our 2016 fiscal year compensation review, the Compensation Committee engaged Mercer Human Resources Consulting, a wholly-owned subsidiary of Marsh & McLennan Companies, Inc. (referred to in this proxy statement as Mercer) as its independent adviser for certain executive compensation matters. Mercer was retained by the Compensation Committee to provide an independent review of the Company's executive compensation programs, including an analysis of both the competitive market and the design of the programs. More specifically, Mercer furnished the Compensation Committee with reports on peer company practices relating to the following matters: short and long-term compensation program design; annual share utilization and shareowner dilution levels resulting from equity plans; and executive share ownership and retention values. As part of its reports to the Compensation Committee, Mercer evaluated our peer companies, and provided competitive compensation data and analysis relating to the compensation of our Chief Executive Officer and our other executives and senior officers. Mercer also assisted the Compensation Committee with its risk assessment of our compensation programs.

The Compensation Committee relied on input from Mercer in evaluating management's recommendations and arriving at the Compensation Committee's recommendations to the Board with respect to the elements of compensation discussed below under "*Compensation Discussion and Analysis*" for fiscal year 2016 compensation. The Compensation Committee expects that it will continue to retain a compensation consultant on future executive compensation matters.

Relationship with Compensation Consultant

In addition to serving as compensation consultant to the Compensation Committee in fiscal year 2016 with respect to the compensation of our executive officers and non-employee directors, Mercer and its affiliates have provided other services to our management. Mercer's fees in connection with providing consulting services with respect to the compensation of our executive officers and non-employee directors in fiscal year 2016 were approximately \$306,000.

During our 2016 fiscal year, Marsh & McLennan Companies, Inc. (the parent company of Mercer) and its affiliates, which we refer to collectively as Marsh, were retained by the Company to provide services unrelated to executive and director compensation matters. These services included Directors' and Officers', Errors and Omissions and Product Recall insurance brokerage services, business continuity consulting services and captive feasibility analysis. The decision to engage Marsh for these other services was made by management. Although aware of such other services, our Compensation Committee did not review or approve such other services provided by Marsh, which services were approved by management in the ordinary course of business. The aggregate fees paid for those other services in fiscal year 2016 were approximately \$554,277.

Our Compensation Committee has determined that the provision by Marsh of services unrelated to executive and director compensation matters in fiscal year 2016 was compatible with maintaining the objectivity of Mercer in its role as compensation consultant to the committee and that the consulting advice it received from Mercer was not influenced by Marsh's other relationships with the Company. The Compensation Committee is sensitive to the concern that the services provided by Marsh, and the related fees, could impair the objectivity and independence of Mercer, and the committee believes that it is important that objectivity be maintained. However, the committee also recognizes that the services provided by Marsh are valuable to the Company and that it could be inefficient and not in the Company's interest to use a separate firm to provide those services at this time. In addition, the Compensation Committee has confirmed that Mercer and Marsh maintain appropriate safeguards to assure that the consulting services provided by Mercer are not influenced by the Company's business relationship with Marsh. Specifically, Mercer provided to the Compensation Committee an annual update on Mercer's and Marsh's financial relationship with the Company and assurances that members of Mercer who perform consulting services for the Compensation Committee have a reporting relationship and compensation determined separately from Marsh's other lines of business and from its other work for the Company.

Mercer also represented to the Compensation Committee that there are no personal or business relationships between the Mercer account manager and any member of the committee or a named executive officer beyond the Flex relationship. Further, the Mercer account manager does not directly own any Flex shares (although some of his investments controlled solely by independent, third-party managers may own Flex shares by way of indexed funds). Based on the above and other factors, including the factors set forth under Rule 10C-1 under the Exchange Act, the committee assessed the independence of Mercer and concluded that no conflict of interest exists that would prevent Mercer from independently representing the committee.

Compensation Committee Interlocks and Insider Participation

During our 2016 fiscal year, Messrs. Capellas and Schulman and Dr. Shih served as members of the Compensation Committee. None of our executive officers served on the Compensation Committee during our 2016 fiscal year. None of our directors has interlocking or other relationships with other boards, compensation committees or our executive officers that require disclosure under Item 407(e)(4) of SEC Regulation S-K.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee is currently composed of Messrs. Bingham, Schulman and Zimmerman, each of whom our Board has determined to be an independent director under the applicable listing standards of Nasdaq. The Nominating and Corporate Governance Committee held eight meetings during fiscal year 2016 and regularly meets in executive sessions without management present. The committee recruits, evaluates and recommends candidates for appointment or election as members of our Board. The committee is also responsible for shaping and overseeing the application of the Company's corporate governance policies and procedures, including recommending corporate governance guidelines to the Board. In addition, the committee oversees the Board's annual self-evaluation process and any Board communications with shareholders. In addition, the Nominating and Corporate Governance Committee reviews and makes recommendations to our Board for the compensation of our non-employee directors. Our Board has adopted a Nominating and Corporate Governance Committee Charter that is available on the Corporate Governance page of the Investor Relations section of our website at www.flextronics.com.

The goal of the Nominating and Corporate Governance Committee is to ensure that our Board possesses a variety of perspectives and skills derived from high-quality business and professional experience. Although the Board does not have a formal policy on diversity, the Nominating and Corporate Governance Committee seeks to achieve a balance and diversity of knowledge, experience and capability on our Board, while maintaining a sense of collegiality and cooperation that is conducive to a productive working relationship within the Board and between the Board and management. In addition, the committee seeks nominees with the highest professional and personal ethics and values, an understanding of our business and industry, a high level of education, broad-based business acumen, and the ability to think strategically. Although the committee uses these and other criteria to evaluate potential nominees, we have no stated minimum criteria for nominees.

The Nominating and Corporate Governance Committee generally recruits, evaluates and recommends nominees for our Board based upon recommendations by our directors and management or third-party search firms (which the Company retains from time to time to help identify potential candidates). The committee will also consider recommendations submitted by our shareholders. The committee does not have different standards for evaluating nominees depending on whether they are proposed by our directors and management or by our shareholders. Shareholders can recommend qualified candidates for our Board to the Nominating and Corporate Governance Committee by submitting recommendations to our corporate secretary at Flextronics International Ltd., 2 Changi South Lane, Singapore 486123. Submissions that are received and meet the criteria outlined above will be forwarded to the Nominating and Corporate Governance Committee for review and consideration. Shareholder recommendations for our 2017 annual general meeting should be made not later than March 13, 2017 to ensure adequate time for meaningful consideration by the Nominating and Corporate Governance Committee. To date, we have not received any such recommendations from our shareholders.

The Nominating and Corporate Governance Committee also reviews and makes recommendations to our Board for the compensation of our non-employee directors. To assist the Nominating and Corporate Governance Committee in its periodic review of director compensation, our management provides director compensation data compiled from the annual reports and proxy statements of companies in our peer comparison group. In addition, the Nominating and Corporate Governance Committee retained Mercer to assist the committee in its review of our non-employee director compensation program. This review was conducted to establish whether the compensation paid to our non-employee directors was competitive when compared to the practices of our peer group of companies. The Nominating and Corporate Governance Committee reviewed, among other things, the existing cash compensation of our non-employee directors, the grant date fair value of restricted share unit awards, and the aggregate number of our ordinary shares held by each of our non-employee directors. The Nominating and Corporate Governance Committee, with the assistance of Mercer, has also taken into consideration compensation trends for outside directors and the implementation of our share ownership guidelines for non-employee directors. The current compensation payable to our non-employee directors and our Chairman of the Board is discussed in the section below captioned “*Non-Management Directors’ Compensation for Fiscal Year 2016.*”

Director Share Ownership Guidelines

At the recommendation of the Compensation Committee, our Board of Directors adopted share ownership guidelines for our non-employee directors in July 2009 in connection with its review of our non-employee directors’ compensation. The ownership guidelines encourage our non-employee directors to hold a minimum number of our ordinary shares equivalent to \$340,000 in value. The guidelines encourage our non-employee directors to reach this goal within five years of the date that the Board approved the guidelines or the date of their election to our Board of Directors, whichever is later, and to hold at least such minimum value in shares for as long as he or she serves on our Board. All of our non-employee directors have already met the minimum requirements of the share ownership guidelines or are on target to be in compliance with the requirements of the guidelines by the deadline.

NON-MANAGEMENT DIRECTORS’ COMPENSATION FOR FISCAL YEAR 2016

The key objective of our non-employee directors’ compensation program is to attract and retain highly qualified directors with the necessary skills, experience and character to oversee our management. By using a combination of cash and equity-based compensation, the compensation program is designed to recognize the time commitment, expertise and potential liability relating to active Board service, while aligning the interests of our Board of Directors with the long-term interests of our shareholders. In accordance with the policy of our Board of Directors, we do not pay management directors for Board service in addition to their regular employee compensation. For a discussion of the compensation paid to our only management director, Mr. McNamara, for services provided as our CEO, see the sections of this proxy statement entitled “*Compensation Discussion and Analysis*” and “*Executive Compensation.*”

In addition to the compensation provided to our non-employee directors, which is detailed below, each non-employee director is reimbursed for any reasonable out-of-pocket expenses incurred in connection with attending in-person meetings of the Board of Directors and Board committees, as well as for any fees incurred in attending continuing education courses for directors.

Fiscal Year 2016 Annual Cash Compensation

Under the Singapore Companies Act, we may only provide cash compensation to our non-employee directors for services rendered in their capacity as directors with the prior approval of our shareholders at a general meeting. Our shareholders approved the current cash compensation arrangements for our non-employee directors at our 2009, 2011, and 2014 annual general meetings. The current arrangements include the following compensation:

- annual cash compensation of \$85,000, payable quarterly in arrears to each non-employee director for services rendered as a director;
- additional annual cash compensation of \$100,000, payable quarterly in arrears to the Chairman of the Board of Directors for services rendered as Chairman of the Board (in addition to the regular cash compensation payable to a member of the Board for services rendered as a director and for service on any Board committee, including service as Chairman of any Board committee);
- additional annual cash compensation of \$50,000, payable quarterly in arrears to the Chairman of the Audit Committee for services rendered as Chairman of the Audit Committee and for participation on the committee;
- additional annual cash compensation of \$15,000, payable quarterly in arrears to each other member who serves on the Audit Committee for participation on the committee;
- additional annual cash compensation of \$50,000, payable quarterly in arrears to the Chairman of the Compensation Committee for services rendered as Chairman of the Compensation Committee and for participation on the committee;
- additional annual cash compensation of \$15,000, payable quarterly in arrears to each other member who serves on the Compensation Committee for participation on the committee;
- additional annual cash compensation of \$15,000, payable quarterly in arrears to the Chairman of the Nominating and Corporate Governance Committee for services rendered as Chairman of the Nominating and Corporate Governance Committee and for participation on the committee;
- additional annual cash compensation of \$8,000, payable quarterly in arrears to each other member who serves on the Nominating and Corporate Governance Committee for participation on the committee; and
- additional annual cash compensation of \$5,000 payable quarterly in arrears to each of our non-employee directors for participation on each standing committee other than the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee (of which there are currently none).

Non-employee directors do not receive any non-equity incentive compensation, or participate in any pension plan or deferred compensation plan.

At our 2013 annual general meeting of shareholders, our shareholders approved a change in the structure of our non-employee director compensation program that allows our non-employee directors to receive their compensation in the form of Company shares, cash, or a combination thereof at the election of each director. Each non-employee director can elect to receive his or her annual retainer and committee compensation, or any portion thereof, in the form of fully-vested, unrestricted shares of the Company. A director making such election will receive shares having an aggregate value equal to the portion of compensation elected to be received in shares, valued at the closing price of our shares on the date the compensation would otherwise be paid in cash.

Fiscal Year 2016 Equity Compensation

Yearly Restricted Share Unit Awards

Under the terms of the discretionary restricted share unit grant provisions of our 2010 Equity Incentive Plan, which we refer to as the 2010 Plan, each non-employee director is eligible to receive grants of restricted share unit awards at the discretion of our Board of Directors. In accordance with the compensation program recommended by the Nominating and Corporate Governance Committee and approved by the Board, each non-employee director receives, following each annual general meeting of the Company, a yearly restricted share unit award consisting of such number of shares having an aggregate fair market value of \$175,000 (increased from

\$150,000 in fiscal year 2015) on the date of grant. These yearly restricted share unit awards vest in full on the date immediately prior to the date of the next year's annual general meeting. During fiscal year 2016, each non-employee director received a restricted share unit award covering 16,309 ordinary shares under this program.

Initial Awards

Upon initially becoming a director of the company, each non-employee director receives a pro-rated share of the yearly restricted share unit award granted to our directors, which is discussed above. The pro-rated award vests on the date immediately prior to the date of our next annual general meeting and is based on the amount of time that the director serves on the Board until such date. No director received a restricted share unit award under this program in fiscal year 2016.

Discretionary Grants

Under the terms of the discretionary option grant provisions of the 2010 Plan, non-employee directors are eligible to receive share options granted at the discretion of the Compensation Committee. No director received share options pursuant to the discretionary grant program during fiscal year 2016.

Compensation for the Non-Employee Chairman of the Board

Our non-executive Chairman is entitled to receive, following each annual general meeting of the Company, (i) the \$100,000 in additional annual cash compensation described above, payable quarterly in arrears, and (ii) an additional yearly restricted share unit award that consists of such number of shares having an aggregate fair market value of \$100,000 on the date of grant, which vests on the date immediately prior to the date of the next year's annual general meeting. Following the 2015 annual general meeting, our non-executive Chairman of the Board received a restricted share unit award covering 9,319 ordinary shares under the equity portion of this program. Our Chairman of the Board is also eligible to receive all other compensation payable to our non-employee directors for his service as a member of the Board.

In addition, our Chairman of the Board is entitled to receive the regular cash compensation payable to a member of the Board for service on any Board committees, including service as chairman of any Board committees. Our non-executive Chairman of the Board currently serves as the Chairman of the Nominating and Corporate Governance Committee.

While Company aircraft are generally used for Company business only, our Chairman of the Board may be permitted to use Company aircraft for personal travel, provided that Company aircraft are not needed for business purposes at such time. In such cases, Mr. Bingham is required to reimburse the Company for the incremental costs related to his use of the aircraft. We calculate the incremental cost to the Company for use of the Company aircraft by using an hourly rate for each flight hour, which rate is based on the variable operational costs of each flight.

Director Summary Compensation in Fiscal Year 2016

The following table sets forth the fiscal year 2016 compensation for our non-employee directors.

<u>Name</u>	<u>Fees Earned or Paid in Cash \$(1)</u>	<u>Share Awards \$(2)</u>	<u>Options Awards (\$)</u>	<u>Total (\$)</u>
H. Raymond Bingham	\$200,000	\$274,989	—	\$474,989
Michael D. Capellas(3)	—	\$274,976	—	\$274,976
Marc A. Onetto	\$100,000	\$174,996	—	\$274,996
Daniel H. Schulman	\$143,000	\$174,996	—	\$317,996
Willy C. Shih, Ph.D.	\$100,000	\$174,996	—	\$274,996
Lay Koon Tan(3)(4)	—	\$322,586	—	\$322,586
William D. Watkins	\$100,000	\$174,996	—	\$274,996
Lawrence A. Zimmerman	\$143,000	\$174,996	—	\$317,996

(1) This column represents the amount of cash compensation earned in fiscal year 2016 for Board and committee service.

- (2) This column represents the grant date fair value of restricted share unit awards granted in fiscal year 2016 in accordance with FASB ASC Topic 718 (except in the case of Mr. Tan, as explained in footnotes 3 and 4 below). The grant date fair value of restricted share unit awards is the closing price of our ordinary shares on the date of grant. For additional information regarding the assumptions made in calculating the amounts reflected in this column, see Note 3 to our audited consolidated financial statements for the fiscal year ended March 31, 2016, “Share-Based Compensation,” included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016.
- (3) In lieu of their cash compensation, Messrs. Capellas and Tan both elected to receive fully vested ordinary shares of the Company under the director share election program for Board and Committee fees earned beginning with the date following the 2015 annual general meeting. During fiscal year 2016, both Messrs. Capellas and Tan each received 9,137 ordinary shares under the share election program, the value of which is reflected in the table above under “Share Awards.”
- (4) Mr. Tan incurred U.S. Federal and California State taxes in addition to local taxes as a result of serving on our Board of Directors. The Company agreed to compensate Mr. Tan in connection with his double taxation by issuing on a tax grossed-up basis fully vested ordinary shares of the Company. Mr. Tan received 4,543 ordinary shares on January 29, 2016, with an aggregate grant date fair value of \$47,611. The value of these shares is included in the table above under “Share Awards.”

The table below shows the aggregate number of ordinary shares underlying share options and unvested restricted share units held by our non-employee directors as of the 2016 fiscal year-end:

<u>Name</u>	<u>Number of Ordinary Shares Underlying Outstanding Share Options (#)</u>	<u>Number of Ordinary Shares Underlying Outstanding Restricted Share Units (#)</u>
H. Raymond Bingham	—	25,628
Michael D. Capellas	—	16,309
Marc A. Onetto	—	16,309
Daniel H. Schulman	—	16,309
Willy C. Shih, Ph.D.	25,000	16,309
Lay Koon Tan	—	16,309
William D. Watkins	—	16,309
Lawrence A. Zimmerman	—	16,309

Change of Control and Termination Provisions

Dr. Shih has outstanding share options that were issued under the terms of our 2001 Equity Incentive Plan, which we refer to as our 2001 Plan, and all of our non-employee directors have outstanding restricted share unit awards granted under the terms of the 2010 Plan. Equity awards to our directors are currently granted under the 2010 Plan, the adoption of which was approved by our shareholders at our 2010 annual general meeting. Under the terms of the 2001 Plan, if a director ceases to provide services to the Company for any reason other than death, cause (as defined in the 2001 Plan) or disability (as defined in the 2001 Plan), then the director may exercise any options which have vested by the date of such termination within three months of the termination date or such other period not exceeding five years or the term of the option, as determined by the Compensation Committee. If a director ceases to provide services to the Company because of death or disability, then the director may exercise any options which have vested by the date of such termination within 12 months of the termination date or such other period not exceeding five years or the term of the option, as determined by the Compensation Committee. All share options held by a director who is terminated for cause expire on the termination date, unless otherwise determined by the Compensation Committee.

In the event of a dissolution or liquidation of the Company or if we are acquired by merger or asset sale or in the event of other change of control events, the treatment of outstanding restricted share units granted under the 2010 Plan is as described in the section entitled “*Potential Payments upon Termination or Change in Control.*”

**PROPOSAL NO. 3:
RE-APPOINTMENT OF INDEPENDENT AUDITORS FOR FISCAL YEAR 2017 AND
AUTHORIZATION OF OUR BOARD TO FIX THEIR REMUNERATION**

Our Audit Committee has approved, subject to shareholder approval, the re-appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm to audit our financial statements and records for the fiscal year ending March 31, 2017, and to perform other appropriate services. In addition, pursuant to Section 205(16) of the Companies Act, our Board of Directors is requesting that the shareholders authorize the directors, upon the recommendation of the Audit Committee, to fix the auditors' remuneration for services rendered through the 2017 annual general meeting. We expect that a representative from Deloitte & Touche LLP will be present at the 2016 annual general meeting. This representative will have the opportunity to make a statement if he or she so desires and is expected to be available to respond to appropriate questions.

Principal Accountant Fees and Services

Set forth below are the aggregate fees billed by our principal accounting firm, Deloitte & Touche LLP, a member firm of Deloitte Touche Tohmatsu, and its respective affiliates for services performed during fiscal years 2016 and 2015. All audit and permissible non-audit services reflected in the fees below were pre-approved by the Audit Committee in accordance with established procedures.

	Fiscal Year	
	2016	2015
	(in millions)	
Audit Fees	\$ 9.0	\$ 9.1
Audit-Related Fees	0.2	0.3
Tax Fees	1.0	1.3
All Other Fees	—	—
Total	<u>\$10.2</u>	<u>\$10.7</u>

Audit Fees consist of fees for professional services rendered by our independent registered public accounting firm for the audit of our annual consolidated financial statements included in our Annual Report on Form 10-K (including services incurred with rendering an opinion under Section 404 of the Sarbanes-Oxley Act of 2002) and the review of our consolidated financial statements included in our Quarterly Reports on Form 10-Q. These fees include fees for services that are normally incurred in connection with statutory and regulatory filings or engagements, such as comfort letters, statutory audits, consents and the review of documents filed with the SEC.

Audit-Related Fees consist of fees for assurance and related services by our independent registered public accounting firm that are reasonably related to the performance of the audit and not included in Audit Fees.

Tax Fees consist of fees for professional services rendered by our independent registered public accounting firm for tax compliance, tax advice, and tax planning services, including assistance regarding federal, state and international tax compliance, return preparation, tax audits and customs and duties.

All Other Fees consist of fees for professional services rendered by our independent registered public accounting firm for permissible non-audit services, if any. We did not incur fees under this category in fiscal years 2016 and 2015.

Audit Committee Pre-Approval Policy

Our Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of services. The independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis.

Our Audit Committee has determined that the provision of non-audit services under appropriate circumstances may be compatible with maintaining the independence of Deloitte & Touche LLP, and that all such services provided by Deloitte & Touche LLP to us in the past were compatible with maintaining such independence. The Audit Committee is sensitive to the concern that some non-audit services, and related fees, could impair independence and the Audit Committee believes it important that independence be maintained. However, the Audit Committee also recognizes that in some areas, services that are identified by the relevant regulations as “tax fees” or “other fees” are sufficiently related to the audit work performed by Deloitte & Touche LLP that it would be highly inefficient and unnecessarily expensive to use a separate firm to perform those non-audit services. The Audit Committee intends to evaluate each such circumstance on its own merits, and to approve the performance of non-audit services where it believes efficiency can be obtained without meaningfully compromising independence.

The Board recommends a vote “FOR” the re-appointment of Deloitte & Touche LLP as our independent auditors for fiscal year 2017 and authorization of the Board, upon the recommendation of the Audit Committee, to fix their remuneration.

AUDIT COMMITTEE REPORT

The information contained under this “Audit Committee Report” shall not be deemed to be “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any filings under the Securities Act of 1933, as amended, which we refer to as the Securities Act, or under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, or be subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate this information by reference into any such filing.

The Audit Committee assists our Board of Directors in overseeing financial accounting and reporting processes and systems of internal controls. The Audit Committee also evaluates the performance and independence of our independent registered public accounting firm. The Audit Committee operates under a written charter, a copy of which is available on the Corporate Governance page of the Investor Relations section of our website at www.flextronics.com. Under the written charter, the Audit Committee must consist of at least three directors, all of whom must be “independent” as defined by the Exchange Act and the rules of the SEC and Nasdaq. The members of the Audit Committee during fiscal year 2016 were Messrs. Tan, Watkins, Zimmerman and Onetto, each of whom is an independent director.

Our financial and senior management supervise our systems of internal controls and the financial reporting process. Our independent auditors perform an independent audit of our consolidated financial statements in accordance with generally accepted auditing standards and express an opinion on these consolidated financial statements. In addition, our independent auditors express their own opinion on the effectiveness of our internal control over financial reporting. The Audit Committee monitors these processes.

The Audit Committee has reviewed and discussed with both the management of the Company and our independent auditors our audited consolidated financial statements for the fiscal year ended March 31, 2016, as well as management’s assessment and our independent auditors’ evaluation of the effectiveness of our internal control over financial reporting as of March 31, 2016. Our management represented to the Audit Committee that our audited consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

The Audit Committee also discussed with our independent auditors the matters required to be discussed by the Public Company Accounting Oversight Board’s Auditing Standard No. 16, *Communications with Audit Committees*. The Audit Committee also has discussed with our independent auditors the firm’s independence from Company management and the Company, and reviewed the written disclosures and letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm’s communications with the Audit Committee concerning independence. The Audit Committee has also considered whether the provision of non-audit services by our independent auditors is compatible with maintaining the independence of the auditors. The Audit Committee’s policy is to pre-approve all audit and permissible non-audit services provided by our independent auditors. All audit and permissible non-audit services performed by our independent auditors during fiscal years 2016 and 2015 were pre-approved by the Audit Committee in accordance with established procedures.

Based on the Audit Committee's discussions with the management of the Company and our independent auditors and based on the Audit Committee's review of our audited consolidated financial statements together with the reports of our independent auditors on the consolidated financial statements and the representations of our management with regard to these consolidated financial statements, the Audit Committee recommended to the Company's Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016, which was filed with the SEC on May 20, 2016.

Submitted by the Audit Committee of the Board of Directors:

Lawrence A. Zimmerman
Marc A. Onetto
Lay Koon Tan
William D. Watkins

**PROPOSAL NO. 4:
ORDINARY RESOLUTION TO AUTHORIZE
ORDINARY SHARE ISSUANCES**

We are incorporated in the Republic of Singapore. Under Singapore law, our directors may only issue ordinary shares and make or grant offers, agreements or options that might or would require the issuance of ordinary shares, with the prior approval from our shareholders. We are submitting this proposal because we are required to do so under the laws of Singapore before we can issue any ordinary shares in connection with our equity compensation plans, possible future strategic transactions, or public and private offerings.

If this proposal is approved, the authorization would be effective from the date of the 2016 annual general meeting until the earlier of (i) the conclusion of the 2017 annual general meeting or (ii) the expiration of the period within which the 2017 annual general meeting is required by law to be held. The 2017 annual general meeting is required to be held 15 months after the date of the 2016 annual general meeting or six months after the date of our 2017 fiscal year end, whichever is earlier, (except that Singapore law allows for a one-time application for an extension of up to a maximum of two months to be made with the Singapore Accounting and Corporate Regulatory Authority).

Our Board believes that it is advisable and in the best interests of our shareholders for our shareholders to authorize our directors to issue ordinary shares and to make or grant offers, agreements or options that might or would require the issuance of ordinary shares. In the past, the Board has issued shares or made agreements that would require the issuance of new ordinary shares in the following situations:

- in connection with strategic transactions and acquisitions;
- pursuant to public and private offerings of our ordinary shares as well as instruments convertible into our ordinary shares; and
- in connection with our equity compensation plans and arrangements.

If this proposal is not approved, we would not be permitted to issue any new ordinary shares, including shares issuable pursuant to compensatory equity awards (other than shares issuable on exercise or settlement of outstanding options, restricted share units and other instruments convertible into or exercisable for ordinary shares, which were previously granted when the previous shareholder approved share issue mandates were in force). If we are unable to rely upon equity as a component of compensation, we would have to review our compensation practices, and would likely have to substantially increase cash compensation to retain key personnel.

Notwithstanding this general authorization to issue our ordinary shares, we will be required to seek shareholder approval with respect to future issuances of ordinary shares where required under the rules of Nasdaq, such as where the Company proposes to issue ordinary shares that will result in a change in control of the Company or in connection with a private offering involving the issuance of ordinary shares representing 20% or more of our outstanding ordinary shares at a price less than the greater of book or market value.

Our Board expects that we will continue to issue ordinary shares and grant options and restricted share unit awards in the future under circumstances similar to those in the past. As of the date of this proxy statement, other than issuances of ordinary shares or agreements that would require the issuance of new ordinary shares in connection with our equity compensation plans and arrangements, we have no specific plans, agreements or commitments to issue any ordinary shares for which approval of this proposal is required. Nevertheless, our Board believes that it is advisable and in the best interests of our shareholders for our shareholders to provide this general authorization in order to avoid the delay and expense of obtaining shareholder approval at a later date and to provide us with greater flexibility to pursue strategic transactions and acquisitions and raise additional capital through public and private offerings of our ordinary shares as well as instruments convertible into our ordinary shares.

If this proposal is approved, our directors would be authorized to issue, during the period described above, ordinary shares subject only to applicable Singapore laws and the rules of Nasdaq. The issuance of a large number of ordinary shares could be dilutive to existing shareholders or reduce the trading price of our ordinary shares on the NASDAQ Global Select Market.

We are not submitting this proposal in response to a threatened takeover. In the event of a hostile attempt to acquire control of the Company, we could seek to impede the attempt by issuing ordinary shares, which may dilute the voting power of our existing shareholders. This could also have the effect of impeding the efforts of our shareholders to remove an incumbent director and replace him with a new director of their choice. These potential effects could limit the opportunity for our shareholders to dispose of their ordinary shares at the premium that may be available in takeover attempts.

**The Board recommends a vote “FOR” the resolution
to authorize ordinary share issuances.**

**PROPOSAL NO. 5:
NON-BINDING, ADVISORY RESOLUTION
ON EXECUTIVE COMPENSATION**

In accordance with Section 14A of the Exchange Act, and as a matter of good corporate governance, we are asking our shareholders to approve, in a non-binding, advisory vote, the compensation of our named executive officers (NEOs) as reported in this proxy statement in the Compensation Discussion and Analysis and in the compensation tables and accompanying narrative disclosure under “*Executive Compensation*.” Our named executive officers are identified in the Compensation Discussion and Analysis and include our chief executive officer, our chief financial officer and the three other most highly compensated executive officers serving at the end of our 2016 fiscal year.

As a general matter, our Compensation Committee continually seeks to have a compensation philosophy that emphasizes paying for performance. Key aspects of the philosophy are to:

- Emphasize at-risk compensation;
- Establish market-based, responsible target pay;
- Balance performance-based metrics and measurement time frames; and
- Place emphasis on long-term performance.

The Compensation Committee periodically assesses our compensation programs to ensure that they are appropriately aligned with our business strategy and are achieving their objectives. The Compensation Committee regularly reviews our compensation programs and peer company data and best practices in the executive compensation area. In past years, the Compensation Committee has recommended and our Board has approved changes in our compensation policies and practices in order to align with best practices. Overall, the Compensation Committee has sought to weight a higher percentage of our executives’ total direct compensation to performance-based and long-term components.

Performance Highlights For Fiscal Year 2016

We delivered solid results in fiscal year 2016 in the face of significant external and internal challenges, though final performance was somewhat below our targeted objectives. Several macro-economic factors such as ongoing growth challenges in Europe, a slowdown in Chinese growth, and a high degree of uncertainty about interest rate and stimulus policies acted as a brake on overall global manufacturing activity and created volatility in global stock prices. Internally, we continued on our business transformation journey during fiscal year 2016 through which we are reorganizing and rebalancing our business portfolio. As a result of an improved cost structure and our strategic business transformation, we delivered solid operating results in fiscal year 2016 and executed on key strategic priorities, including acquisitions of NEXTracker Inc., Mirror Controls International and Wink Labs, Inc. to expand our innovative offerings, though some results represent year-over-year declines due to our business transformation activities. Highlights include:

- Gross profit totaled \$1.6 billion, an increase of 4.1% compared to the prior year.
- Gross margin increased to 6.6% of net sales in fiscal year 2016, compared with 5.9% of net sales in fiscal year 2015.
- We generated operating cash flows of \$1.1 billion during the year. The strong cash flow generated from our operations enabled us to return value to shareholders with the repurchase of \$420.3 million of our shares paid in fiscal year 2016.
- We maintained strong sustainable free cash flow.
- We had some less favorable year-over-year financial result comparisons due to our business transformation, though these actions are positioning the company for enhanced future results.
 - We reported net sales of \$24.4 billion, a decrease of 6.6% compared to the prior year.
 - Diluted earnings per share for the year were \$0.79, a decrease of 22.5%.

With the results noted above, our stock price declined 4.9% from \$12.68 at the end of fiscal year 2015 to \$12.06 at the end of fiscal year 2016. While we are disappointed in the overall decrease in absolute value, we believe we have delivered solid long-term shareholder value creation despite the challenging business environment during fiscal year 2016. Flex's total shareholder return (TSR) from fiscal year 2014 through the end of fiscal year 2016 (3-year return) was an annualized 21.3%, or above the 80th percentile of our peer group. This represents an annualized return that is nearly 10% ahead of the S&P 500 over the same period, demonstrating strong absolute and relative shareholder value creation over a multi-year time period.

Pay and Performance Alignment For Fiscal Year 2016

As noted above, we delivered solid operating and shareholder results during fiscal year 2016, though final performance was somewhat below our targeted levels. Our compensation philosophy is to reward above-target performance when achieved, and pay zero or below target when favorable results are not delivered. In line with our fiscal year 2016 performance, our named executive officers earned short-term incentive awards that recognize our solid financial performance, as well as the fact that we did not fully achieve our targeted performance goals. Highlights include the following:

- Maintained the CEO's base salary with no increase, positioned approximately at the peer median.
- Provided modest base salary increases to other NEOs, though overall salary positioning continued to be approximately at our peer group median.
- The CEO earned a below-target short-term incentive payout of 81.3% of target, and the average payouts for our other NEOs were also below the targeted level at 92.6% of target.
- Paid out the long-term performance share unit cycles during fiscal year 2016 at 138% and 129% of target in May 2015 and June 2015, respectively, based upon results that were above target over the multi-year performance cycle from fiscal year 2012 through fiscal year 2016.
- Funded the named executive officers' deferred compensation plans with a value that averaged about 37.5% of our named executive officer's respective base salaries based on fiscal year 2015 results.
- Continued to use fiscal year 2016 long-term incentive grants that balance relative TSR performance share units (PSUs) with a long-term incentive plan (LTIP) that measures cumulative free cash flow (FCF) over a multi-year period (from fiscal year 2016 through fiscal year 2018).
- Elementum: Granted modest profits interests unit value awards to certain executives who have been making significant contributions to Elementum business (*see details in the Fiscal Year 2016 Compensation section below*).

Prior Say on Pay Advisory Vote Results, Shareholder Engagement, and Pay Program Changes

We provided shareholders with a "say on pay" advisory vote on executive compensation at our 2015 Annual General Meeting held on August 20, 2015. The advisory vote received the support of 93% of the votes cast at the General Meeting. We believe the level of support at our 2015 Annual General Meeting reflects ongoing institutional shareholder outreach efforts and the continuing efforts to align our executive compensation with shareholder interests. We plan to hold a "say on pay" advisory vote on an annual basis. Based on the favorable prior say on pay results, shareholder feedback on existing programs, and our review of the alignment of the pay program design with business results, we continued the structure of our fiscal year 2015 compensation programs in fiscal year 2016.

We urge shareholders to carefully read the Compensation Discussion and Analysis section of this proxy statement to review the correlation between the compensation of our named executive officers and our performance. The Compensation Discussion and Analysis also describes in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives. We also encourage you to read the Summary Compensation Table and the other related compensation tables and narrative that follow the Compensation Discussion and Analysis, which provide detailed information on the compensation of our named executive officers.

While the vote on this resolution is advisory and not binding on the Company, each of the Compensation Committee and the Board values the opinions of our shareholders and will consider the outcome of the vote on this resolution when making decisions regarding future executive compensation arrangements. As previously disclosed, we plan to hold the say on pay advisory vote on an annual basis. The next shareholder advisory vote on executive compensation will occur at the Company's 2017 annual general meeting of shareholders.

The Board recommends a vote "FOR" the approval of the non-binding, advisory resolution on executive compensation.

**PROPOSAL NO. 6:
ORDINARY RESOLUTION TO RENEW
THE SHARE PURCHASE MANDATE**

Our purchases or acquisitions of our ordinary shares must be made in accordance with, and in the manner prescribed by, the Singapore Companies Act, the applicable listing rules of Nasdaq and such other laws and regulations as may apply from time to time.

Singapore law requires that we obtain shareholder approval of a “general and unconditional share purchase mandate” given to our directors if we wish to purchase or otherwise acquire our ordinary shares. This general and unconditional mandate is referred to in this proxy statement as the Share Purchase Mandate, and it allows our directors to exercise all of the Company’s powers to purchase or otherwise acquire our issued ordinary shares on the terms of the Share Purchase Mandate.

Although our shareholders approved a renewal of the Share Purchase Mandate at the extraordinary general meeting of shareholders held in 2015, the Share Purchase Mandate renewed at the extraordinary general meeting will expire on the date of the 2016 annual general meeting. Accordingly, we are submitting this proposal to seek approval from our shareholders at the annual general meeting for another renewal of the Share Purchase Mandate. Pursuant to the Singapore Companies Act, share repurchases under our share repurchase plans were subject to an aggregate limit of 20% of our issued ordinary shares outstanding as of the date of the extraordinary general meeting held on August 20, 2015. On August 20, 2015 and December 14, 2015, the Board, in two respective tranches, authorized the repurchase of up to an aggregate of \$500 million of ordinary shares of the Company. Until the 2016 annual general meeting, any repurchases would be made under the Share Purchase Mandate renewed at the extraordinary general meeting held in 2015. Commencing on the date of the 2016 annual general meeting, any repurchases may only be made if the shareholders approve the renewal of the Share Purchase Mandate at the annual general meeting. The share purchase program does not obligate the Company to repurchase any specific number of shares and may be suspended or terminated at any time without prior notice.

If renewed by shareholders at the annual general meeting, the authority conferred by the Share Purchase Mandate will, unless varied or revoked by our shareholders at a general meeting, continue in force until the earlier of the date of the 2017 annual general meeting or the date by which the 2017 annual general meeting is required by law to be held. The 2017 annual general meeting is required to be held 15 months after the date of the 2016 annual general meeting or six months after the date of our 2017 fiscal year end, whichever is earlier (except that Singapore law allows for a one-time application for an extension of up to a maximum of two months to be made with the Singapore Accounting and Corporate Regulatory Authority).

The authority and limitations placed on our share purchases or acquisitions under the proposed Share Purchase Mandate, if renewed at the annual general meeting, are summarized below.

Limit on Allowed Purchases

We may only purchase or acquire ordinary shares that are issued and fully paid up. The prevailing limitation under the Singapore Companies Act that is currently in force does not permit us to purchase or acquire more than 20% of the total number of our issued ordinary shares outstanding at the date of the annual general meeting. Any of our ordinary shares which are held as treasury shares will be disregarded for purposes of computing this 20% limitation.

We are seeking approval for our Board of Directors to authorize the purchase or acquisition of our issued ordinary shares not exceeding 20% of our total number of issued ordinary shares outstanding as of the date of the passing of this proposal (excluding any ordinary shares which are held as treasury shares as at that date).

Purely for illustrative purposes, on the basis of 546,324,035 issued ordinary shares outstanding as of June 27, 2016, and assuming no additional ordinary shares are issued or repurchased on or prior to the date of the annual general meeting, based on the prevailing 20% limit, we would be able to purchase not more than 109,264,607 issued ordinary shares pursuant to the proposed renewal of the Share Purchase Mandate.

During fiscal year 2016, we repurchased approximately 37.3 million shares for an aggregate purchase value of approximately \$412.8 million under the Share Purchase Mandate and retired all of these shares. As of June 27, 2016, we had 546,324,035 shares outstanding.

Duration of Share Purchase Mandate

Purchases or acquisitions of ordinary shares may be made, at any time and from time to time, on and from the date of approval of the Share Purchase Mandate up to the earlier of:

- the date on which our next annual general meeting is held or required by law to be held; or
- the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by our shareholders at a general meeting.

Manner of Purchases or Acquisitions of Ordinary Shares

Purchases or acquisitions of ordinary shares may be made by way of:

- market purchases on the NASDAQ Global Select Market or any other stock exchange on which our ordinary shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by us for that purpose; and/or
- off-market purchases (if effected other than on the NASDAQ Global Select Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted), in accordance with an equal access scheme as prescribed by the Singapore Companies Act.

If we decide to purchase or acquire our ordinary shares in accordance with an equal access scheme, our directors may impose any terms and conditions as they see fit and as are in our interests, so long as the terms are consistent with the Share Purchase Mandate, the applicable rules of Nasdaq, the provisions of the Singapore Companies Act and other applicable laws. In addition, an equal access scheme must satisfy all of the following conditions:

- offers for the purchase or acquisition of ordinary shares must be made to every person who holds ordinary shares to purchase or acquire the same percentage of their ordinary shares;
- all of those persons must be given a reasonable opportunity to accept the offers made; and
- the terms of all of the offers must be the same (except differences in consideration that result from offers relating to ordinary shares with different accrued dividend entitlements and differences in the offers solely to ensure that each person is left with a whole number of ordinary shares).

Purchase Price

The maximum purchase price (excluding brokerage commission, applicable goods and services tax and other related expenses of the purchase or acquisition) to be paid for each ordinary share will be determined by our directors. The maximum purchase price to be paid for the ordinary shares as determined by our directors must not exceed:

- in the case of a market purchase, the highest independent bid or the last independent transaction price, whichever is higher, of our ordinary shares quoted or reported on the NASDAQ Global Select Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted, or shall not exceed any volume weighted average price, or other price determined under any pricing mechanism, permitted under SEC Rule 10b-18, at the time the purchase is effected; and
- in the case of an off-market purchase pursuant to an equal access scheme, 150% of the “Prior Day Close Price” of our ordinary shares, which means the closing price of an ordinary share as quoted on the NASDAQ Global Select Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted, on the day immediately preceding the date on which we announce our intention to make an offer for the purchase or acquisition of our ordinary shares from holders of our ordinary shares, stating therein the purchase price (which shall not be more than the maximum purchase price calculated on the foregoing basis) for each ordinary share and the relevant terms of the equal access scheme for effecting the off-market purchase.

Treasury Shares

Under the Singapore Companies Act, ordinary shares purchased or acquired by us may be held as treasury shares. Some of the provisions on treasury shares under the Singapore Companies Act are summarized below.

Maximum Holdings. The number of ordinary shares held as treasury shares may not at any time exceed 10% of the total number of issued ordinary shares.

Voting and Other Rights. We may not exercise any right in respect of treasury shares, including any right to attend or vote at meetings and, for the purposes of the Singapore Companies Act, we shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights. In addition, no dividend may be paid, and no other distribution of our assets may be made, to the Company in respect of treasury shares, other than the allotment of ordinary shares as fully paid bonus shares. A subdivision or consolidation of any treasury share into treasury shares of a greater or smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before the subdivision or consolidation, respectively.

Disposal and Cancellation. Where ordinary shares are held as treasury shares, we may at any time:

- sell the treasury shares for cash;
- transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;
- transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- cancel the treasury shares; or
- sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance of Singapore.

Sources of Funds

Only funds legally available for purchasing or acquiring ordinary shares in accordance with our Constitution and the applicable laws of Singapore shall be used. We intend to use our internal sources of funds and/or borrowed funds to finance any purchase or acquisition of our ordinary shares. Our directors do not propose to exercise the Share Purchase Mandate in a manner and to such an extent that would materially affect our working capital requirements.

The Singapore Companies Act permits us to purchase or acquire our ordinary shares out of our capital and/or profits. Acquisitions or purchases made out of capital are permissible only so long as we are solvent for the purposes of Section 76F(4) of the Singapore Companies Act. A company is solvent if, at the date of the payment made in consideration of the purchase or acquisition (which shall include any expenses—including brokerage or commission) the following conditions are satisfied: (a) there is no ground on which the company could be found unable to pay its debts; (b) if it is not intended to commence winding up of the company, the company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and (c) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition, become less than the value of its liabilities (including contingent liabilities).

Status of Purchased or Acquired Ordinary Shares

Any ordinary share that we purchase or acquire will be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to such ordinary share will expire on cancellation (unless such ordinary share is held by us as a treasury share). The total number of issued shares will be diminished by the number of ordinary shares purchased or acquired by us and which are not held by us as treasury shares.

We will cancel and destroy certificates in respect of purchased or acquired ordinary shares as soon as reasonably practicable following settlement of any purchase or acquisition of such ordinary shares.

Financial Effects

Our net tangible assets and the consolidated net tangible assets of our subsidiaries will be reduced by the purchase price (including any expenses) of any ordinary shares purchased or acquired and cancelled or held as treasury shares. We do not anticipate that the purchase or acquisition of our ordinary shares in accordance with the Share Purchase Mandate would have a material impact on our consolidated financial condition and cash flows.

The financial effects on us and our group (including our subsidiaries) arising from purchases or acquisitions of ordinary shares which may be made pursuant to the Share Purchase Mandate will depend on, among other things, whether the ordinary shares are purchased or acquired out of our profits and/or capital, the number of ordinary shares purchased or acquired, the price paid for the ordinary shares and whether the ordinary shares purchased or acquired are held in treasury or cancelled.

Under the Singapore Companies Act, purchases or acquisitions of ordinary shares by us may be made out of profits and/or our capital so long as the Company is solvent.

Our purchases or acquisitions of our ordinary shares may be made out of our profits and/or our capital. Where the consideration (including any expenses) paid by us for the purchase or acquisition of ordinary shares is made out of our profits, such consideration (including any expenses such as brokerage or commission) will correspondingly reduce the amount available for the distribution of cash dividends by us. Where the consideration that we pay for the purchase or acquisition of ordinary shares is made out of our capital, the amount available for the distribution of cash dividends by us will not be reduced. To date, we have not declared any cash dividends on our ordinary shares.

Rationale for the Share Purchase Mandate

We believe that a renewal of the Share Purchase Mandate at the annual general meeting will benefit our shareholders by providing our directors with appropriate flexibility to repurchase ordinary shares if the directors believe that such repurchases would be in the best interests of our shareholders. Our decision to repurchase our ordinary shares from time to time will depend on our continuing assessment of then-current market conditions, our need to use available cash to finance acquisitions and other strategic transactions, the level of our debt and the terms and availability of financing.

Take-Over Implications

If, as a result of our purchase or acquisition of our issued ordinary shares, a shareholder's proportionate interest in the Company's voting capital increases, such increase will be treated as an acquisition for the purposes of The Singapore Code on Take-overs and Mergers. If such increase results in a change of effective control, or, as a result of such increase, a shareholder or a group of shareholders acting in concert obtains or consolidates effective control of the Company, such shareholder or group of shareholders acting in concert with a director could become obliged to make a take-over offer for the Company under Rule 14 of The Singapore Code on Take-overs and Mergers.

The circumstances under which shareholders (including directors and persons acting in concert with them respectively) will incur an obligation to make a take-over offer are set forth in Rule 14 of The Singapore Code on Take-overs and Mergers, Appendix 2. The effect of Appendix 2 is that, unless exempted, shareholders will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring our issued ordinary shares, the voting rights of such shareholders would increase to 30% or more, or if such shareholders hold between 30% and 50% of our voting rights, the voting rights of such shareholders would increase by more than 1% in any period of six months. Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under The Singapore Code on Take-overs and Mergers as a result of any share purchase by us should consult the Securities Industry Council of Singapore and/or their professional advisers at the earliest opportunity.

The Board recommends a vote "FOR" the resolution to approve the proposed renewal of the Share Purchase Mandate.

**PROPOSAL NO. 7:
SPECIAL RESOLUTION TO APPROVE NAME CHANGE FROM
FLEXTRONICS INTERNATIONAL LTD. TO FLEX LTD.**

Background

Our shareholders are being asked to approve the change of the Company's name from Flextronics International Ltd. to Flex Ltd.

Over the past few years, we have seen an increased level of diversification by many companies, primarily in the technology sector. The objective of our business model is to allow us to be flexible and redeploy and reposition our assets and resources as necessary to meet specific customer's supply chain solutions needs across all of the markets we serve and earn a return on our invested capital above the weighted average cost of that capital.

During the past few years, we have made significant efforts to evolve our long-term portfolio towards a higher mix of businesses which possess longer product life cycles and higher margins such as reflected in our IEI and HRS businesses. During the last two fiscal years, we launched several programs broadly across our portfolio of services and in some instances we deployed certain new technologies.

As such, we introduced our new brand and website to help us more efficiently manage our business opportunities and explain our new product and service offerings. We shortened our brand name from Flextronics to "Flex" to signify that our business continues to evolve past the boundaries and confines of electronics alone. With the expansion and diversification of our business and product and service offerings, the Board believes that the proposed change of name will more appropriately reflect the new corporate image and reflect the Company's strategy and future development.

Contingent upon obtaining the approval from (i) the Registrar of Companies (the Accounting and Corporate Regulatory Authority of Singapore); and (ii) our shareholders, the Company shall adopt Flex Ltd. as its new name with effect from the date upon which this resolution is filed with the Accounting and Corporate Regulatory Authority of Singapore. Accordingly, if Proposal No. 7 is approved by our shareholders, the name "Flex Ltd." will be substituted for "Flextronics International Ltd." wherever the latter name appears in the new Constitution of the Company, provided that Proposal No. 8 is approved, provided further that if Proposal No. 8 is not approved, the name of "Flex Ltd." will be substituted for "Flextronics International Ltd." wherever the latter name appears in our existing Constitution.

Shareholders should note that notwithstanding the proposed change of name, the Company will not recall any existing share certificates of the Company from shareholders and the rights of shareholders holding certificated shares under currently outstanding share certificates and the number of shares represented by those certificates shall remain unchanged. No further action is required on the part of our shareholders in respect of their existing share certificates.

**The Board recommends a vote "FOR"
the special resolution to approve the name change from Flextronics International Ltd. to Flex Ltd.**

**PROPOSAL NO. 8:
SPECIAL RESOLUTION TO APPROVE ADOPTION OF NEW CONSTITUTION**

Background

Our shareholders are being asked to approve the adoption of a new constitution (the “New Constitution”).

The Singapore Companies Act (Amendment) Act 2014 (the “Amendment Act”), which became effective in phases on July 1, 2015 and January 3, 2016, introduced key changes to the Singapore Companies Act (the “Companies Act”). If approved, the New Constitution will amend the Memorandum and Articles of Association of the Company which were in force immediately before January 3, 2016 and which were statutorily merged into a single document known as the Constitution (the “Existing Constitution”) by operation of the Amendment Act without any action being taken by the Company. The New Constitution will incorporate amendments to take into account the changes to the Companies Act introduced pursuant to the Amendment Act and address the personal data protection regime in Singapore (which came into force in 2012).

Key changes introduced by the Amendment Act included, among other things:

- the merging of the memorandum and articles of association of a company into one document called the “Constitution”;
- reducing the threshold of eligibility to demand a poll from 10% to 5% of the total voting rights of the shareholders having the right to vote at the meeting or of the total sum paid on all the shares conferring that right; and
- facilitating the electronic transmission of notices and documents.

Our proposed New Constitution contains articles and provisions which need to be expressly incorporated as a result of certain changes made pursuant to the Amendment Act in order for the Company and our shareholders to benefit from certain changes such as putting in place a framework to facilitate the electronic dissemination of notices and documents. The changes to the Amendment Act aim to reduce regulatory burden on companies and provide for greater business flexibility. In addition, we are proposing that our shareholders approve the adoption of the New Constitution to modernize and streamline certain provisions to be more consistent with the Companies Act, as amended. Finally, the proposed New Constitution includes the re-wording of a number of provisions in order to improve clarity and readability.

The full text of the New Constitution is set forth as *Annex A* to this proxy statement. The following description of the proposed changes from our Existing Constitution reflected in the New Constitution is only a summary and is qualified in its entirety by reference to the complete text of the proposed changes, which is shown in *Annex A* to this proxy statement. You are urged to read the text of *Annex A* in its entirety.

Proposal

The following information summarizes the material modifications to our Existing Constitution relating to (i) the changes made by the Amendment Act and (ii) other modifications consisting of a more general nature.

Changes Relating to the Amendment Act

The proposed changes to our Existing Constitution relating to the changes made by the Amendment Act include:

- modification of Article 2 of the Existing Constitution (Interpretation) (Article 1 of the New Constitution) to:
 - clarify that “registered address” or “address”, in relation to any “Member”, means his physical address for the service or delivery of notices or documents personally or by post, except where otherwise specified in the Constitution;
 - revise the definition of “writing”, “written” and “in writing” to clarify that these expressions include any representation or reproduction of words, symbols or other information which may be displayed in visible form, whether physical or electronic. This would facilitate, for example, a proxy instrument being in either physical or electronic form; and

- provide a new provision stating that “current address” and “electronic communication” shall have the meanings ascribed to them respectively in the Companies Act to allow for the facilitation of electronic communication;
- modification of Article 7 of the Existing Constitution (Articles 9 and 10 of the New Constitution) to provide that new shares may be issued for no consideration in line with new Section 68 of the Companies Act, which clarifies the position that a company having a share capital may issue shares for no consideration;
- modification of Article 17 of the Existing Constitution (Article 19 of the New Constitution) to remove the requirement to disclose the amount paid on the shares in the share certificate pursuant to the Amendment Act;
- modifications of Article 48 of the Existing Constitution (Article 48 of the New Constitution) to allow the Company (i) to convert its share capital or any class of shares from one currency to another currency in line with the Amendment Act, which sets out procedures for such re-denomination, and (ii) to convert one class of shares into another class of shares in line with the Amendment Act, which sets out procedures for such conversions;
- modifications of Article 58 of the Existing Constitution (Article 58 of the New Constitution), which relates to the routine business that is transacted at an annual general meeting, to:
 - substitute the references to “balance sheet” with “financial statements”, and references to “reports of the Directors” with “Directors’ statement”, for consistency with the updated terminology in the Companies Act; and
 - expand the routine business items to include, in addition to the re-appointment of the retiring auditor, the appointment of a new auditor;
- modification of Article 64 of the Existing Constitution (Article 64 of the New Constitution), which relates to the method of voting at a general meeting, to reduce the threshold for eligibility to demand a poll from 10% to 5% of the total voting rights of the shareholders having the right to vote at the meeting or of the total sum paid up on all the shares conferring that right. The Amendment Act has reduced the threshold for eligibility to demand a poll from 10% to 5% of the total voting rights of the shareholders having the right to vote at the meeting or of the total sum paid up on all the shares conferring that right. The modification to Article 64 is therefore to ensure that the New Constitution does not conflict with the requirements of Section 178(1)(b) of the Companies Act, as amended pursuant to the Amendment Act, as otherwise, any conflict with the requirements of the amended section 178(1)(b) would render this article void. The effect of this change is to lower the bar for entitling shareholders to demand a poll. This change should not have any substantive effect as the Company’s historical practice is that the chairman of the meeting demands a poll in order to enable the ordinary shares represented in person by proxy to be counted for voting purposes;
- addition of Article 87(C) of the New Constitution to provide that the provisions of Article 87, which relate to the power of directors to hold office of profit and to contract with the Company, and the disclosure obligations under Section 156 of the Companies Act in respect of transactions or proposed transactions with the Company or of any office held or property possessed by a director, will, where applicable, apply with the requisite modifications to the Chief Executive Officer;
- modification of Article 94(iv) of the Existing Constitution (Article 93(d) of the New Constitution) to additionally provide that a director shall cease to hold office if he shall have a bankruptcy order made against him or if he shall make any arrangement or composition with his creditors generally;
- modification of Article 97 of the Existing Constitution (Article 96 of the New Constitution) to remove the event of a director attaining any applicable retiring age as an exception to a deemed re-election to office, following the repeal of Section 153 of the Companies Act which previously prohibited the appointment of a person of or above 70 years of age as a director of a public company or a subsidiary of a public company unless his appointment or re-appointment is passed by ordinary resolution at an annual general meeting of the Company;

- modification of Article 112 of the Existing Constitution (Article 111 of the New Constitution) to clarify that the business of the Company is to be managed by or, additionally, under the direction or supervision of, the directors;
- modification of Articles 118, 140 and 141 of the Existing Constitution (Articles 117, 138 and 139 of the New Constitution) to update/substitute the references to the Company's "accounts", "profit and loss account(s)" and Directors' "reports" with references to "financial statements" and Directors' "statements", for consistency with the updated terminology in the Companies Act;
- modification of Article 136 of the Existing Constitution (Article 134 of the New Constitution) to reflect that the Company is no longer required to keep a register of directors, managers, secretaries and auditors;
- modification of Article 145 of the Existing Constitution (Article 143 of the New Constitution) to facilitate the electronic transmission of notices and documents, following the introduction of simplified procedures for such electronic transmission, while including certain safeguards for the use of the deemed and implied consent regimes. There is deemed consent if the constitution (a) provides for the use of electronic communications and specifies the mode of electronic communications, and (b) specifies that shareholders will be given an opportunity to elect, within a specified period of time, whether to receive electronic or physical copies of such notices and documents, and the shareholder fails to make an election within the specified period of time. There is implied consent if the constitution (a) provides for the use of electronic communications and specifies the mode of electronic communications, and (b) specifies that shareholders agree to receive such notices or documents by way of electronic communications and do not have a right to elect to receive physical copies of such notices and documents.

In particular:

- (i) article 143(B) provides that notices and documents may be sent to shareholders using electronic communications either to a shareholder's current address (which may be an email address) or by making it available on a website;
- (ii) article 143(C) provides that for these purposes, a shareholder is deemed to have agreed to receive such notice or document by way of electronic communications and shall not have a right to elect to receive a physical copy of such notice or document (this is the implied consent regime permitted under the new section 387C); and
- (iii) article 143(D) provides that the directors may in their discretion, nonetheless give a shareholder an opportunity to elect to opt out of receiving such notice or document by way of electronic communications, and a shareholder is deemed to have consented to receive such notice or document by way of electronic communications if he was given such an opportunity but failed to opt out within the specified time (this is the deemed consent regime permitted under the new section 387C);

Notwithstanding the foregoing, if the Company has a registered class of security under Section 12 of the United States Securities Exchange Act of 1934, as amended, any manner of furnishing notices and documents using electronic communications must comply with applicable rules of the United States Securities and Exchange Commission, including Rule 14a-16 under the United States Securities Exchange Act of 1934.

Article 143(E) additionally provides for when service is effected in the case of notices or documents sent by electronic communications. In particular, where a notice or document is made available on a website, it is deemed served on the date on which the notice or document is first made available on the website, unless otherwise provided under the Companies Act and/or other applicable regulations or procedures. Further, under article 143(F), in the case of service on a website, the Company must give separate notice of the publication of the notice or document on that website and the manner in which the notice or document may be accessed by (1) sending such separate notice to shareholders personally or by post, and/or (2) sending such separate notice to shareholders' current addresses (which may be email addresses).

Under new regulation 89D of the Companies Regulations, notices or documents relating to take-over offers and rights issues are excluded from the application of section 387C and therefore cannot be transmitted by electronic means pursuant to section 387C;

- modification of Article 155 of the Existing Constitution (Article 152 of the New Constitution) to expand the indemnification of directors to permit the Company to indemnify a director against losses “to be incurred” by him in the execution of his duties. This is in line with new sections 163A and 163B of the Companies Act, which permit a company to lend, on specified terms, funds to a director for meeting expenditures incurred “or to be incurred” by him in defending court proceedings or regulatory investigations; and
- addition of Article 154 of the New Constitution to conform with Singapore law requirements and to specify the purposes for which the Company and/or its agents and service providers would collect, use and disclose personal data of shareholders and their appointed proxies or representatives to comply with the Personal Data Protection Act 2012, which came into force in Singapore in 2012.

Other Substantive Changes

Other proposed changes to our Existing Constitution include:

- Deletion of the existing objects clauses from the Existing Constitution and substituting them with a general provision in Article 4 of the New Constitution providing that the Company has full capacity to carry on or undertake any business or activity, do any act or enter into any transaction, and with full rights, powers and privileges to do so, subject to the law and the provisions of the Constitution;
- modifications of Articles 2, 17, 43, 113(a) and 117 of the Existing Constitution (Articles 1, 19, 45, 112(A) and 116 of the New Constitution) to (i) revise the definition of “Seal” to clarify that “Seal” refers to the common seal of the Company or in the appropriate cases the duplicate seal only and does not include the official seal of the Company and (ii) make consequential amendments to terminology accordingly;
- modification of Article 17 of the Existing Constitution (Article 19 of the New Constitution) to clarify that the affixation of the official seal shall bear the autographic or facsimile signature of any person authorized by the directors. The authorization will be exercised by the directors in a manner consistent with Section 41(7) of the Companies Act;
- modification of Articles 20(c), 72, 80 and 94(v) of the Existing Constitution (Articles 22(C), 72, 80 and 93(e) of the New Constitution) to substitute the references to insane persons and persons of unsound mind with references to persons who are mentally disordered and incapable of managing himself or his affairs, following the enactment of the Singapore Mental Health (Care and Treatment) Act, Cap. 178A, which repealed and replaced the Singapore Mental Disorders and Treatment Act;
- modification of Article 64 of the Existing Constitution (Article 64 of the New Constitution) to remove the prohibition on demanding a poll on the election of the chairman of the meeting or on a question of adjournment;
- modification of Article 70 of the Existing Constitution (Article 70 of the New Constitution) to clarify that where a shareholder is represented by two proxies, only one of the two proxies as determined by that shareholder or, failing such determination, by the chairman of the meeting (or by a person authorized by him) in his sole discretion, shall be entitled to vote on a show of hands;
- modification of Articles 76 and 78 of the Existing Constitution (Articles 76 and 78 of the New Constitution) to facilitate the appointment of proxies through electronic means online, and to accommodate the deposit by shareholders and receipt by the Company of electronic proxy instructions by shareholders who elect to use the electronic appointment process. Article 76 provides that a shareholder can elect to signify his approval for the appointment of a proxy via electronic communication through such method and in such manner as may be approved by the directors, in lieu of the present requirement of signing, or where applicable, the affixation of the corporate shareholder’s common seal. Article 78, which relates to the deposit of proxies, has new provisions which authorize the directors to prescribe and determine the manner of receipt by the Company of the instrument appointing a proxy through digital means;
- modification of Article 78 of the Existing Constitution (Article 78(A) of the New Constitution) to clarify that although an instrument appointing a proxy or the power of attorney or other authority is, in default,

not treated as valid for not being deposited in the manner prescribed in Article 78, the directors can nonetheless determine such instruments to be valid;

- modification of Article 79 of the Existing Constitution (Article 79 of the New Constitution) to provide that the instrument appointing a proxy, in the prescribed form or such other form as the directors may accept, shall be deemed to include the right to move an amendment to any resolution in addition to demanding or joining in demanding a poll and to speak at the meeting;
- modification of Article 81 of the Existing Constitution (Article 81 of the New Constitution) to clarify that any corporation that is a shareholder of the Company and that authorizes any person as its representative at any meeting of the Company, shall for the purposes of the Constitution be deemed to be present in person at any such meeting if the person so authorized is present thereat; and
- modification of Article 117(b) of the Existing Constitution (Article 116(C) of the New Constitution) to clarify that the affixation of an official seal of the Company need not comply with the signatory requirements prescribed by Article 116(B) and need only comply with the execution formalities under the Companies Act.

Please also see the summary on Article 145 of the Existing Constitution under the heading “Changes Relating to the Amendment Act” for more information on the changes to facilitate the electronic transmission of notices and documents.

**The Board recommends a vote “FOR”
the approval of the adoption of the Company’s New Constitution.**

PART III—ADDITIONAL INFORMATION

EXECUTIVE OFFICERS

The names, ages and positions of our executive officers as of June 27, 2016 are as follows:

Name	Age	Position
Michael M. McNamara	59	Chief Executive Officer
Christopher Collier	48	Chief Financial Officer
Francois P. Barbier	57	President, Global Operations and Components
Jonathan S. Hoak(1)	67	Executive Vice President and General Counsel
Paul Humphries	61	President, High Reliability Solutions
David Bennett	46	Chief Accounting Officer

(1) Mr. Hoak retired from his position of Executive Vice President and General Counsel effective June 30, 2016.

Michael M. McNamara. Mr. McNamara has served as a member of our Board of Directors since October 2005, and as our Chief Executive Officer since January 1, 2006. Prior to his appointment as Chief Executive Officer, Mr. McNamara served as our Chief Operating Officer from January 2002 until January 2006, as President, Americas Operations from April 1997 through December 2001, and as Vice President, North American Operations from April 1994 to April 1997. Mr. McNamara also serves on the board of Workday, Inc. and is on the Advisory Board of Tsinghua University School of Economics and Management. Mr. McNamara previously served on the boards of Delphi Automotive LLP and MEMC Electronic Materials, Inc.

Christopher Collier. Mr. Collier has served as our Chief Financial Officer since May 3, 2013. He served as our Senior Vice President, Finance from December 2004 to May 2013 and our Principal Accounting Officer from May 2007 to July 2013. Prior to his appointment as Senior Vice President, Finance in 2004, Mr. Collier served as Vice President, Finance and Corporate Controller since he joined us in April 2000. Mr. Collier is a certified public accountant and he received a B.S. in Accounting from State University of New York at Buffalo.

Francois P. Barbier. Mr. Barbier has served as our President, Global Operations and Components since February 2012. Prior to holding this position, Mr. Barbier served as our President, Global Operations since June 2008. Prior to his appointment as President, Global Operations, Mr. Barbier was President of Special Business Solutions and has held a number of executive management roles in Flex Europe. Prior to joining Flex in 2001, Mr. Barbier was Vice President of Alcatel Mobile Phone Division. Mr. Barbier holds an Engineering degree in Production from Couffignal School in Strasbourg.

Jonathan S. Hoak. Mr. Hoak has served as our Executive Vice President and General Counsel since January 31, 2011. Prior to joining Flex, Mr. Hoak was vice president and chief ethics and compliance officer at Hewlett-Packard Company from October 2006 to January 2011. Prior to his service at HP, Mr. Hoak was senior vice president and general counsel for NCR Corporation from December 1993 until May 2006. Mr. Hoak was previously general attorney for AT&T's Federal Systems Division and was also a partner at the law firm of Sidley & Austin. Mr. Hoak has a Juris Doctor from Drake University and undergraduate degree from the University of Colorado.

Paul Humphries. Mr. Humphries has served as our President, High Reliability Solutions since April 2011. From April 2012 to November 2012 and April 2011 to September 2011, he served as our President, High Reliability Solutions and as our Executive Vice President of Human Resources. From April 2006 to April 2011, Mr. Humphries served as our Executive Vice President of Human Resources. Mr. Humphries holds a BA (Hons) in Applied Social Studies from Lanchester Polytechnic (now Coventry University) and post-graduate certification in human resource management from West Glamorgan Institute of Higher Education. Mr. Humphries serves as a director of Superior Industries International, Inc. and Chairman of the board of directors of the Silicon Valley Education Foundation.

David Bennett. Mr. Bennett has served as our Principal Accounting Officer since July 24, 2013. Mr. Bennett served as Vice President, Finance from 2009 and Corporate Controller from 2011. Prior to joining us in 2005, he was a Senior Manager at Deloitte and Touche LLP. Mr. Bennett is a certified public accountant and earned a B.S in Business and Administration with an emphasis in Accounting and Finance from the University of Colorado Boulder.

COMPENSATION COMMITTEE REPORT

The information contained under this “Compensation Committee Report” shall not be deemed to be “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any filings under the Securities Act or under the Exchange Act, or be subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate this information by reference into any such filing.

The Compensation Committee of the Board of Directors of the Company has reviewed and discussed with management the Compensation Discussion and Analysis that follows this report. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company’s proxy statement for the 2016 annual general meeting of shareholders.

Submitted by the Compensation Committee of the Board of Directors:

Daniel H. Schulman
 Michael D. Capellas
 Willy C. Shih, Ph.D.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

In this Compensation Discussion and Analysis (CD&A) section, we discuss the material elements of our compensation programs and policies, including our overall compensation philosophy, program objectives and how and why the Compensation Committee of our Board arrived at specific compensation policies and decisions involving our Named Executive Officers (NEOs). The fiscal year 2016 compensation of our NEOs is provided in the Summary Compensation Table and other compensation tables in this Proxy Statement. These officers and their titles as of the end of fiscal year 2016 are:

Name	Position
Michael M. McNamara	Chief Executive Officer
Christopher Collier	Chief Financial Officer
Francois P. Barbier	President, Global Operations and Components
Jonathan S. Hoak(1)	Executive Vice President and General Counsel
Paul Humphries	President, High Reliability Solutions

(1) Mr. Hoak retired from his position of Executive Vice President and General Counsel effective June 30, 2016.

This CD&A is organized into the following key sections:

- Executive Summary;
- Compensation Philosophy;
- Compensation Setting Process and Decisions for Fiscal Year 2016; and
- Fiscal Year 2016 Executive Compensation

Executive Summary

Business Overview

Flex is a leading end-to-end supply chain solutions company that delivers innovative design, engineering, manufacturing and logistics services to a range of industries and end-markets, including data networking, telecom, enterprise computing and storage, industrial, capital equipment, appliances, automation, medical, automotive, aerospace and defense, energy, mobile, computing and other product categories.

In fiscal year 2016, we continued to reorganize and rebalance our business portfolio in order to align with our customers’ needs and requirements as part of an effort to optimize operating results. In particular, we continued to move our long-term portfolio towards a mix of businesses which possess longer product life cycles

and higher margins, such as our Industrial and Emerging Industries (IEI) and High Reliability Solutions (HRS) businesses. Concurrently, we are also shifting away from customer solutions that have more short-term volatility and lower margins. This business transformation positions us to meet specific customers' supply chain solutions needs across all of the markets we serve, yield margin improvement, earn a return on our invested capital above the weighted-average cost of that capital, and take advantage of the long-term, future growth prospects for outsourcing of advanced manufacturing capabilities, design and engineering services, and after-market services. Another aspect of our business transformation strategy has been to make targeted investments in technologies and businesses that are complementary to our core business but that represent high growth opportunities with attractive profit margins. The shift away from certain parts of our business limited our short-term top-line growth and created negative year-over-year comparisons on some financial metrics, though it places us in a better position to capitalize on long-term revenue growth and enhanced returns on investment and cash flow.

Performance Highlights For Fiscal Year 2016

We delivered solid results in fiscal year 2016 in the face of significant external and internal challenges, though final performance was somewhat below our targeted objectives. Several macro-economic factors such as ongoing growth challenges in Europe, a slowdown in Chinese growth, and a high degree of uncertainty about interest rate and stimulus policies acted as a brake on overall global manufacturing activity and created volatility in global stock prices. Internally, we continued on our business transformation journey during FY16 through which we are reorganizing and rebalancing our business portfolio. As a result of an improved cost structure and our strategic business transformation, we delivered solid operating results in fiscal year 2016 and executed on key strategic priorities, including acquisitions of NEXTracker, Mirror Controls International and Wink Labs, Inc. to expand our innovative offerings, though some results represent year-over-year declines due to our business transformation activities. Highlights include:

- Gross profit totaled \$1.6 billion, an increase of 4.1% compared to the prior year.
- Gross margin increased to 6.6% of net sales in fiscal year 2016, compared with 5.9% of net sales in fiscal year 2015.
- We generated operating cash flows of \$1.1 billion during the year. The strong cash flow generated from our operations enabled us to return value to shareholders with the repurchase of \$420.3 million of our shares paid in fiscal year 2016.
- We maintained strong sustainable free cash flow.
- We had some less favorable year-over-year financial result comparisons due to our business transformation, though these actions are positioning the Company for enhanced future results.
 - We reported net sales of \$24.4 billion, a decrease of 6.6% compared to the prior year.
 - Diluted earnings per share for the year were \$0.79, a decrease of 22.5%.

With the results noted above, our stock price declined 4.9% from \$12.68 at the end of fiscal year 2015 to \$12.06 at the end of fiscal year 2016. While we are disappointed in the overall decrease in absolute value, we believe we have delivered solid long-term shareholder value creation despite the challenging business environment during fiscal year 2016. Flex's total shareholder return (TSR) from fiscal year 2014 through the end of fiscal year 2016 (3-year return) was an annualized 21.3%, or above the 80th percentile of our peer group. This represents an annualized return that is nearly 10% ahead of the S&P 500 over the same period, demonstrating strong absolute and relative shareholder value creation over a multi-year time period.

Pay and Performance Alignment For Fiscal Year 2016

As noted above, we delivered solid operating and shareholder results during fiscal year 2016, though final performance was somewhat below our targeted levels. Our compensation philosophy is to reward above-target performance when achieved, and pay zero or below target when favorable results are not delivered. In line with our fiscal year 2016 performance, Flex's NEOs earned short-term incentive awards that recognize our solid financial performance, as well as the fact that we did not fully achieve our targeted performance goals. Highlights include the following:

- Maintained the CEO's base salary with no increase, positioned approximately at the peer median.

- Provided modest base salary increases to other NEOs, though overall salary positioning continued to be approximately at our peer group median.
- The CEO earned a below-target short-term incentive payout of 81.3% of target, and the average payouts for our other NEOs were also below the targeted level at 92.6% of target.
- Paid out the long-term performance share unit cycles during fiscal year 2016 at 138% and 129% of target in May 2015 and June 2015, respectively, based upon results that were above target over the multi-year performance cycle from fiscal year 2012 through fiscal year 2016.
- Funded the NEOs’ deferred compensation plans with a value that averaged about 37.5% of our NEOs’ respective base salaries based on fiscal year 2015 results.
- Continued to use fiscal year 2016 long-term incentive grants that balance relative TSR performance share units (PSUs) with a long-term incentive plan (LTIP) that measures cumulative free cash flow (FCF) over a multi-year period (from fiscal year 2016 through fiscal year 2018).
- Elementum: Granted modest profits interests unit value awards to certain executives who have been making significant contributions to our Elementum business (*see details in the Fiscal Year 2016 Compensation section below*).

Prior Say on Pay Advisory Vote Results, Shareholder Engagement, and Pay Program Changes

We provided shareholders with a “say on pay” advisory vote on executive compensation at our 2015 Annual General Meeting held on August 20, 2015. The advisory vote received the support of 93% of the votes cast at the General Meeting. We believe the level of support at our 2015 Annual General Meeting reflects ongoing institutional shareholder outreach efforts and the continuing efforts to align our executive compensation with shareholder interests. We plan to hold a “say on pay” advisory vote on an annual basis. Based on the favorable prior say on pay results, shareholder feedback on existing programs, and our review of the alignment of the pay program design with business results, we continued the structure of our fiscal year 2015 compensation programs in fiscal year 2016.

Impact of Business Performance on Fiscal Year 2016 Executive Compensation

As noted above, for fiscal year 2016, we delivered solid operating results for certain objectives and did not meet targeted objectives on other goals, resulting in payment of our NEOs’ at-risk compensation below target levels. The Compensation Committee recognizes the challenges with the external environment and the transformation in Flex’s business strategy, though the Company did not achieve our targeted results against our operating plan. Consequently, the Committee believes that the actual compensation earned by our NEOs is appropriate and consistent with our pay-for-performance philosophy. The table below describes the key elements of our executive compensation program and the key actions taken by the Compensation Committee with respect to the compensation of the NEOs for fiscal year 2016:

Pay Component	Description	Fiscal Year 2016 Considerations
Base Salary	<ul style="list-style-type: none"> • Annual fixed cash component based on individual performance, level of experience and expected future performance and contributions to the Company. 	<ul style="list-style-type: none"> • Maintained the CEO’s base salary with no increase, which approximates peer median. • Provided modest increases for other NEOs, where overall salary positioning continued to approximate peer median.
Short-Term Cash Incentives	<ul style="list-style-type: none"> • Variable cash awards based on achievement of annual objectives based on pre-established financial performance goals related to the Company and business unit with 50% of the payouts based on achievement of quarterly targets and 50% based on achievement of annual targets. 	<ul style="list-style-type: none"> • CEO payout earned was 81.3% of target, reflecting operating performance that did not fully meet objectives. • Average payouts for our other NEOs was 92.6% of target, also reflecting result achievement below the targeted level.

Pay Component	Description	Fiscal Year 2016 Considerations
Long-Term Incentive Programs	<ul style="list-style-type: none"> • Performance-based restricted share units which represent 25% (at target) of the total long-term incentive award are measured based upon the Company’s total shareholder return versus that of the S&P 500. • Performance-based cash incentives (and, in the case of the CEO only, performance-based RSUs) which represent another 25% (at target) of the total long-term incentive award are measured based upon the Company’s performance against a pre-established three-year Free Cash Flow (FCF) target. • Service-based restricted share units represent 50% of the total long-term incentive award and provide for vesting over a four-year period with 25% vesting each year. • Profits interests unit awards in the Elementum business that require a sale or IPO of the business at a level above the grant date valuation in order to generate value • Long-term cash incentives under our Deferred Compensation Plan. 	<ul style="list-style-type: none"> • The fiscal year 2016 long-term incentive grants provide a balance of performance-based awards and long-term shareholder alignment • The relative TSR PSUs create strong pay-for-performance alignment by measuring direct shareholder outcomes, while the FCF long-term incentive plan (LTIP) incents management to deliver stable free cash flow in order to enhance shareholder value. • Paid the second portion of the fiscal year 2012 PSU awards that vested in June 2015 at 129% of target based on TSR performance of 76% since the grant. • Paid out the FY13-FY16 PSU awards that vested in May 2015 at 138% of target based on TSR performance of 73% since the grant date. • Granted Elementum units with per-person values of \$225,000 or less, with the grant date value to be deducted from the fiscal year 2017 equity grants for all participants. • Funded our Deferred Compensation Plan with a value that averaged about 37.5% of our NEOs’ respective base salaries based on fiscal year 2015 results.

Compensation Philosophy

Flex’s compensation philosophy is pay-for-performance. Our pay programs are designed to align executives’ compensation with performance against the Company’s short-term and long-term performance objectives and the creation of shareholder value. A key objective of our compensation programs is to attract, retain and motivate superior executive talent who are key to the Company’s long-term success by paying for the achievement of meaningful Company objectives, balancing achievement incentives with the need to avoid excessive or inappropriate risk-taking, and maintaining an appropriate cost structure. We actively manage our pay-for-performance philosophy through the following elements:

Element	Overview
Substantial Emphasis on At-Risk Compensation	<ul style="list-style-type: none"> • Programs are designed to link a substantial component of our executives’ compensation to the achievement of pre-determined performance goals that directly correlate to the enhancement of shareholder value. • 90% of our CEO’s target total direct compensation is either at risk or long-term, and an average of 83% of our other NEOs’ target total direct compensation is either at risk or long-term. • 100% of at risk or performance-based compensation is based on achievement of core metrics or is subject to market risk based on stock price performance, and is not based on individual performance.

Element	Overview
Market-Based, Responsible Target Pay	<ul style="list-style-type: none"> • We regularly benchmark pay against a set of industry peers. • Base salaries are generally positioned at approximately the market median for our NEOs to manage fixed costs and emphasize paying for performance. • Overall target total direct compensation was positioned at approximately the 60th to 65th percentile for our NEOs in fiscal year 2016, subject to individual variances.
Balanced Performance Metrics and Measurement Time Frames	<ul style="list-style-type: none"> • With the rapid pace and dynamic nature of our business, it is necessary to actively measure short-term results across a range of metrics, though with progressively greater emphasis on long-term results for senior leaders. • We measure both quarterly and annual results for revenue, adjusted operating profit (OP), return on invested capital (ROIC), and adjusted earnings per share (EPS) because we believe these reinforce the need to achieve strong top line results, deliver profitability, and manage capital efficiently.
Majority Focus on Long-Term Performance	<ul style="list-style-type: none"> • While measurement of short-term results maintains day-to-day focus, we believe that shareholder value is built over the long-term. • As such, senior leaders are compensated through progressively greater emphasis on performance-based long-term incentives. • 75% of our CEO's fiscal year 2016 target total direct compensation was through long-term incentives, of which 53% is linked to achievement of long-term operating and TSR performance goals. • 65% of our other NEOs' target total pay is in long-term incentives, of which 53% is linked to achievement of long-term operating and TSR performance goals. • We maintain share ownership guidelines to enforce alignment with shareholder results, and have recoupment policies in place.

Compensation Setting Process and Decisions for Fiscal Year 2016

Fiscal year 2016 Corporate Governance Highlights

The Compensation Committee regularly reviews our compensation programs, peer company data and corporate governance best practices in the executive compensation area. We have adopted corporate governance and compensation practices and policies that our Board believes help to advance our compensation goals and philosophy, including the following:

What we do

- ☑ ***Maintain a Completely Independent Compensation Committee and Review Process.*** Our Compensation Committee consists solely of independent directors who establish our compensation practices.
- ☑ ***Use a Pay-for-Performance Model.*** Our executive compensation focuses on corporate performance and a significant portion of executive compensation is at-risk and/or long-term.
- ☑ ***We target fixed compensation at our peer median and allow for greater levels of actual total direct compensation based on performance.*** We generally target base salary to approximate the 50th percentile of our peer group, and generally target our performance or variable annual and long-term incentive compensation to deliver total direct compensation generally between the 60th and 65th percentiles of our peer companies, subject to individual variances.
- ☑ ***We design our incentive plans to drive performance and mitigate risks.*** We have threshold levels of performance that must be met before any short- and long-term cash incentives are paid or performance-based restricted share units vest, while pay-out levels are capped under both our short and long-term incentive plans. In addition, we use multiple performance metrics under our incentive plans to mitigate risk, so that executives are not excessively incented by any single metric. Non-GAAP adjustments under our annual

incentive plan are generally predefined or subject to a case-by-case review and approval by the Compensation Committee to ensure that the non-GAAP adjustment effects on payout levels appropriately reflect Company performance.

- ☑ **Maintain a Reasonable Share Burn Rate.** We continually balance the need to provide competitive equity awards with a strong commitment to limit dilution to shareholders. During fiscal year 2016, we granted option equivalents, based on the Company's fungible share ratio of 1.71:1, of just approximately 2.3% of shares outstanding.
- ☑ **Maintain a Recoupment Policy.** Our Board is authorized to recoup compensation paid to an executive officer in the event of a material restatement of financial results where a covered officer engaged in fraud or misconduct that caused the need for the restatement.
- ☑ **Retain an Independent Compensation Advisor.** Our Committee has engaged an independent compensation consultant, Mercer, as its advisor to provide analysis, advice and guidance on executive compensation.
- ☑ **Consider Shareholder Advisory Votes and Views.** Our Committee considers the voting results of our advisory vote on executive compensation at each annual general meeting and we engage with our shareholders on compensation and governance efforts through outreach efforts.
- ☑ **Maintain Equity Ownership Guidelines for Senior Officers and Directors.** In fiscal year 2011, we adopted equity ownership guidelines for our senior officers and directors, under which senior officers and directors must accumulate and maintain equity in the Company, consistent with the terms of the guidelines.

What we don't do

- ☑ **We Do Not Provide Employment Agreements.** None of our NEOs has an employment agreement, and none of our NEOs is guaranteed salary increases or bonuses for any year. Each of our NEOs serves at the will of the Company's Board of Directors.
- ☑ **We do not allow hedging or short sales of Company equity.** Our directors and officers are prohibited from engaging in short sales or transactions in derivative securities, including hedging transactions.
- ☑ **We do not permit pledging of Company equity.** Our directors and officers are prohibited from pledging their equity as collateral for loans.
- ☑ **We do not provide excessive or non-customary executive perquisites.** Our perquisites represent a small part of the overall compensation program for the NEOs.
- ☑ **We do not provide severance agreements.** Our NEOs do not have severance agreements, whether or not in connection with a change in control. When an executive officer retires, resigns or is terminated, the Compensation Committee exercises its business judgment in approving an appropriate separation or severance arrangement in light of all relevant circumstances, including the individual's term of employment, severance obligations under applicable law, past accomplishments, internal severance guidelines and reasons for separation from the Company.
- ☑ **We do not have single trigger accelerated vesting of equity awards.** Our equity awards do not have "single trigger" accelerated vesting upon a change in control.
- ☑ **We do not maintain a supplemental executive retirement plan (SERP).**
- ☑ **Our 2010 Equity Incentive Plan prohibits "share recycling" and options/SAR repricing (including cash buyouts).**
- ☑ **We do not pay dividends or dividend equivalents on our unvested restricted share units.**

Compensation Committee

The Compensation Committee periodically assesses our compensation programs to ensure that they are appropriately aligned with our business strategy and are achieving their objectives. The Compensation Committee also reviews market trends and changes in competitive practices. Based on its review and assessment, the Compensation Committee from time to time recommends changes in our compensation programs to our Board. The Compensation Committee is responsible for recommending to our Board the compensation of our Chief

Executive Officer and all other executive officers. The Compensation Committee also oversees management's decisions concerning the compensation of other Company officers, administers our equity compensation plans, and evaluates the effectiveness of our overall executive compensation programs. Our committee also reviews the Company's talent assessment and succession planning.

Independent Consultants and Advisors

The Compensation Committee has the authority to retain and terminate any independent, third-party compensation consultants and to obtain advice and assistance from internal and external legal, accounting and other advisors. For fiscal year 2016, the Compensation Committee engaged Mercer, a wholly-owned subsidiary of Marsh & McLennan Companies, Inc. (referred to in this discussion as Mercer) in connection with its fiscal year 2016 compensation review, as its independent advisers for certain executive compensation matters. Mercer was retained by the Compensation Committee to provide an independent review of the Company's executive compensation programs, including an analysis of both the competitive market and the design of the programs. More specifically, Mercer furnished the Compensation Committee with reports on peer company practices relating to the following matters: short and long-term compensation program design; annual share utilization and shareowner dilution levels resulting from equity plans; and executive share ownership and retention values. As part of its reports to the Compensation Committee, Mercer recommends our selected peer companies, and provides competitive compensation data and analysis relating to the compensation of our Chief Executive Officer and our other executives and senior officers. Mercer also assisted the Compensation Committee with its risk assessment of our compensation programs during fiscal year 2016.

Mercer is owned by Marsh & McLennan Companies, Inc., a multi-services global professional services firm providing advice and solutions in risk, strategy and human capital. For a discussion of amounts paid to Mercer for executive and director compensation consulting services and amounts paid to Marsh & McLennan Companies, Inc. and its affiliates for non-executive and non-director compensation consulting services, please see, "*Board Committees—Compensation Committee—Relationship with Compensation Consultants.*" The Compensation Committee has determined that the provision by Marsh & McLennan Companies, Inc. of services unrelated to executive and director compensation matters in fiscal year 2016 was compatible with maintaining the objectivity of Mercer in its role as compensation consultant to the Compensation Committee and that the consulting advice it received from Mercer was not influenced by Marsh & McLennan Companies, Inc.'s other relationships with the Company. The Compensation Committee has retained Mercer as its independent compensation consultant for fiscal year 2017 and expects that it will continue to retain an independent compensation consultant on future executive compensation matters.

Role of Executive Officers in Compensation Decisions

The Compensation Committee makes recommendations to our Board on all compensation actions relating to our executive officers. As part of its process, the Compensation Committee meets with our Chief Executive Officer and other executives to obtain recommendations with respect to the structure of our compensation programs, as well as an assessment of the performance of individual executives and recommendations on compensation for individual executives. As discussed in greater detail below under "*Fiscal Year 2016 Executive Compensation—Incentive Bonus Plan,*" our Chief Executive Officer and other executives develop recommendations for performance measures and target payout opportunities under our incentive bonus plan based on management's business forecast both at the Company and business unit levels, which are reviewed and approved by our Board.

Competitive Positioning

In arriving at its recommendations to our Board on the amounts and components of compensation for our Chief Executive Officer and other executive officers, the Compensation Committee considers competitive compensation data prepared by Mercer. The Compensation Committee reviews this data in the context of historical performance and our overall compensation programs and objectives. The Compensation Committee considered the following competitive compensation data for our NEOs:

- Mercer constructed a peer group consisting of 19 companies based on targeting firms with a high degree of complexity in business scale and scope, as well as similar revenues, numbers of employees, and returns on invested capital.

- The Compensation Committee also takes into account Mercer’s review of standardized surveys to check the Company’s compensation programs against other large high technology and durable goods manufacturing firms to gain an understanding of general compensation practices.

Each year, the peer companies are recommended by the Compensation Committee’s independent consultant and approved by the Compensation Committee. We made no changes to its fiscal year 2016 peer group relative to fiscal year 2015. The peer group for fiscal year 2016 compensation decisions consisted of the following companies:

Arrow Electronics, Inc.	Applied Materials, Inc.
Avnet, Inc.	Danaher Corporation
Eaton Corporation	Emerson Electric Co.
General Dynamics Corporation	Honeywell International Inc.
Illinois Tool Works Inc.	Jabil Circuit, Inc.
Johnson Controls, Inc.	Motorola Solutions, Inc.
Northrop Grumman Corporation	Raytheon Company
Seagate Technology	TE Connectivity
Tyco International Ltd	Western Digital Corporation
Xerox Corporation	

Fiscal Year 2016 Executive Compensation

Total Direct Compensation

Total direct compensation is the sum of base salary, annual incentive bonus payouts and long-term incentive awards, but excludes performance-based contributions to our deferred compensation plan. For the table outlined below, the actual total direct compensation represents the actual bonus earned in each fiscal year plus the grant date fair value of the long-term incentive awards provided in each year (where actual long-term incentive values earned over time are subject to future performance conditions and share price movement). For fiscal year 2016, the actual total direct compensation for all NEOs is approximately 10% to 20% below that of the prior year. This change reflects our alignment of pay and performance, where the fiscal year 2016 financial performance was solid in the context of market conditions, though it fell short of internal expectations. Mr. McNamara’s total direct compensation decreased 10.8% from fiscal year 2015, due primarily to a significant decrease in the bonus earned due to performance that was below target.

	<u>Mr. McNamara</u>	<u>Mr. Collier</u>	<u>Mr. Barbier</u>	<u>Mr. Hoak</u>	<u>Mr. Humphries</u>
Actual Total Direct Compensation FY 2015 . .	\$13,433,729	\$4,804,467	\$4,630,931	\$2,463,036	\$4,932,670
Actual Total Direct Compensation FY 2016 . .	\$11,988,961	\$3,926,554	\$3,908,316	\$2,243,382	\$4,212,442
Percent change	-10.8%	-18.3%	-15.6%	-8.9%	-14.6%

Elements of Compensation

We allocate compensation among the following components for our NEOs:

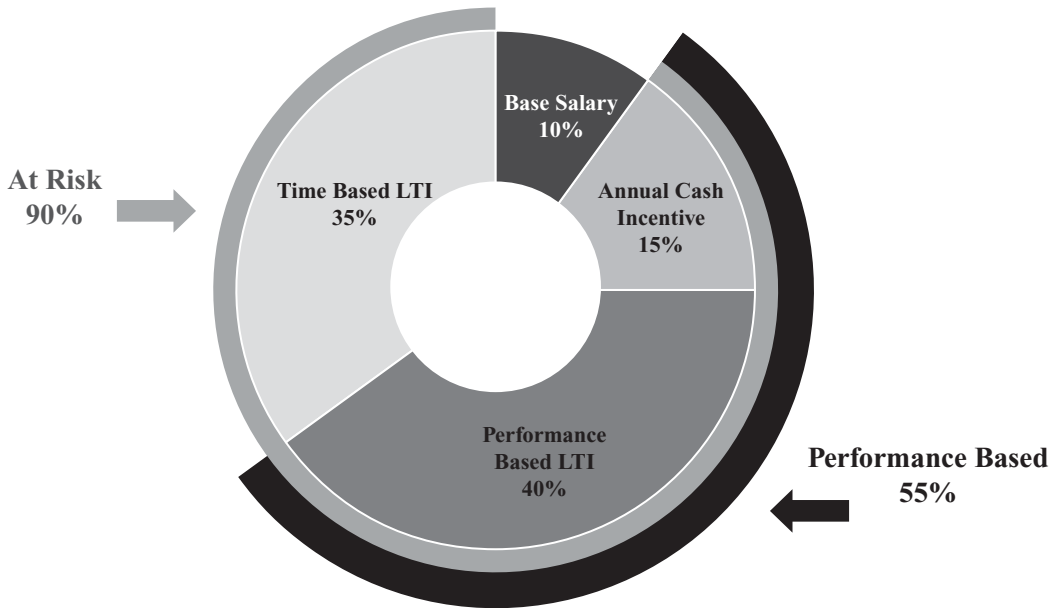
- base salary;
- annual incentive bonus awards;
- long-term performance-based and service-based share incentive awards;
- long-term performance-based cash incentive awards;
- performance-based and service-based deferred compensation; and
- other benefits.

As discussed above, a key element of our compensation philosophy is that a significant portion of executive compensation is performance-based and therefore at-risk. A second key element of our compensation philosophy is that a significant portion of executive compensation is comprised of long-term components in order to align executive compensation with sustained, long-term performance and share price appreciation. Annual incentive

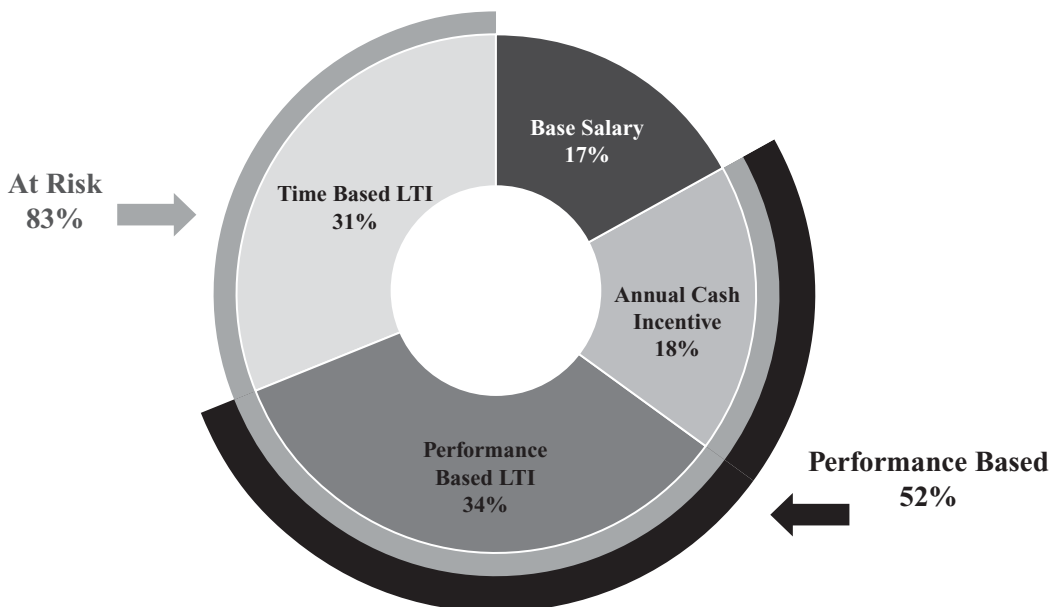
compensation, performance-based restricted share units, performance-based cash-based incentives, and performance-funded contributions under our deferred compensation plan are compensation that is at-risk because their payouts depend entirely upon performance. Our performance-based compensation elements coupled with service-based restricted share units and our service-based deferred compensation plan contributions are designed to provide significant retention and alignment with long-term shareholder value enhancement, where our long-term incentive awards fully vest after periods of three or four years.

The following charts illustrate the mix of our compensation and show that for our Chief Executive Officer, 90% of total target direct compensation is either at-risk or long-term, and, overall for our other NEOs, 83% of total target direct compensation is either at-risk or long-term:

**2016 Target Total Direct Compensation
CEO Pay Mix**



**2016 Target Total Direct Compensation
Average NEO Pay Mix (non-CEO)**



Base Salary Levels

The following table sets forth the base salaries of our NEOs in fiscal years 2015 and 2016, as well as the percentage increase (if any) from the prior year:

Name and Title	Base Salary for Fiscal Year 2015	Base Salary for Fiscal Year 2016	Percentage Increase	Peer Group Percentile Approximation
Michael M. McNamara Chief Executive Officer	\$1,250,000	\$1,250,000	0%	50 th
Christopher Collier Chief Financial Officer	\$650,000	\$675,000	3.8%	25 th – 50 th
Francois P. Barbier President, Global Operations and Components	\$675,000	\$695,000	3.0%	25 th – 50 th
Jonathan S. Hoak Executive Vice President and General Counsel	\$525,000	\$525,000	0%	25 th – 50 th
Paul Humphries President, High Reliability Solutions	\$675,000	\$695,000	3.0%	50 th – 60 th

For fiscal year 2016, we set our executives' base salaries at levels which are competitive with our peer companies based on each individual executive's role and the scope of his or her responsibilities, also taking into account the executive's experience and the base salary levels of other executives within the Company. Adjustments were modest, reflecting the fact that no individual changed roles significantly or was fundamentally mis-aligned with market. The Compensation Committee typically reviews base salaries every fiscal year and adjusts base salaries to take into account competitive market data, individual performance and promotions or changes in responsibilities. Overall salaries for our NEOs in fiscal year 2016 positioned our aggregate pay at approximately the median of our peer companies.

Incentive Bonus Plan

Our annual incentive payouts are based entirely on achievement of financial performance objectives and are linked to achievements of the following performance metrics:

- revenue growth targets;
- adjusted operating profit targets;
- return on invested capital targets; and
- adjusted earnings per share targets.

For fiscal year 2016, the Company's performance level with respect to the above performance metrics exceeded targeted amounts for some metrics and fell below targeted amounts against others (see table below), and therefore, resulted in incentive payment amounts that were below target levels for all the NEOs, except for Mr. Humphries, in whose case performance levels exceeded targeted amounts for all metrics. The payout levels are as follows:

Name	Fiscal Year 2016 Annual Incentive Bonus as a Percentage of Target Bonus	Fiscal Year 2016 Annual Incentive Bonus Target (Potential Bonus as a percentage of Base Salary)	Fiscal Year 2016 Annual Incentive Actual Bonus
Mr. McNamara	81.3%	150%	\$1,524,873
Mr. Collier	81.3%	110%	\$603,850
Mr. Barbier	81.3%	110%	\$621,742
Mr. Hoak	81.3%	80%	\$341,572
Mr. Humphries	121.1%	110%	\$925,868

Through our incentive bonus plan, we seek to provide pay for performance by linking incentive awards to Company and business unit performance. In designing the incentive bonus plan, our Chief Executive Officer and

management team develop and recommend performance metrics and targets, which are reviewed and are subject to adjustment by the Compensation Committee and our Board. Performance metrics and payout levels are determined based on management’s business forecast both at the Company and business unit levels, as reviewed and approved by the Board. In fiscal year 2016, target levels for performance were set at approximately the levels included in our business forecast. Maximum payout levels were tied to “stretch” levels of performance. As part of the process of setting performance targets, the Compensation Committee reviewed analyst consensus estimates for fiscal year 2016 and confirmed that target performance measures were appropriately aligned with such estimates. Performance measures were based on quarterly and annual targets.

The following table summarizes the key features of our fiscal year 2016 incentive bonus plan:

Feature	Component	Objectives
Performance Targets	<ul style="list-style-type: none"> • Based on key Company and business unit financial metrics • Measured on annual and quarterly basis <ul style="list-style-type: none"> • 50% based on achievement of quarterly objectives • 50% based on achievement of annual objectives 	<ul style="list-style-type: none"> • Aligns executive incentives with Company and business unit performance • Rewards achievement of objectives over course of the year by splitting incentives over quarterly and annual performance objectives
Performance Measures	<ul style="list-style-type: none"> • Revenue growth at the Company and business unit level • Adjusted operating profit at the Company and business unit level • Return on invested capital and adjusted earnings per share targets at the Company level • Measurement level is based on each executive’s respective responsibilities, with substantial weighting on business unit financial metrics for business unit executives • For Mr. Humphries, additional business unit performance measures were profit after interest percentage and new business wins 	<ul style="list-style-type: none"> • Takes into account executive’s responsibility, experience, and expected contributions • Focused on achievement of business performance metrics that directly correlate to business and shareholder value creation • Emphasizes pay for performance by linking individual compensation to Company and/or business unit performance • Promotes accountability by tying payout to achievement of minimum performance threshold
Bonus Payments	<ul style="list-style-type: none"> • Based entirely on achievement of financial performance objectives • No individual performance component • Target bonus opportunities set at percentage of base salary, based on executive’s level of responsibility <ul style="list-style-type: none"> • Mr. McNamara’s target bonus set at 150% of base salary • Mr. Collier’s target bonus set at 110% of base salary • Target bonus for other NEOs set at a range between 80% and 110% of base salary • Quarterly bonuses range from 0% of target to maximum of 200% of target • Annual bonuses range from 50% of target to maximum of 300% of target • No payout awarded for any measure where Company or business unit failed to achieve threshold level for such measure 	

The Compensation Committee recommended and our Board approved different performance metrics for our Chief Executive Officer, Chief Financial Officer and corporate officers as compared with business unit executives.

The incentive bonus plan award opportunities for each NEO are shown in the Grants of Plan-Based Awards in Fiscal Year 2016 table in “Executive Compensation.” In fiscal year 2016, the target incentive bonus awards were set at approximately the 60th percentile of our peer group for Mr. McNamara; at approximately the 75th percentile of our peer group for Mr. Collier; at between the 60th and 75th percentile of our peer group for Mr. Barbier; between the 25th and 50th percentiles of our peer group for Mr. Hoak; and at approximately the 75th percentile of our peer group for Mr. Humphries.

Non-GAAP Adjustments

We used adjusted non-GAAP performance measures for our incentive bonus plan in fiscal year 2016. We used adjusted measures to eliminate the distorting effect of certain unusual income or expense items. The adjustments were intended to:

- align award payout opportunities with the underlying growth of our business; and
- avoid outcomes based on unusual items.

In calculating non-GAAP financial measures, we excluded certain items to facilitate a review of the comparability of the Company’s operating performance on a period-to-period basis because such items are not, in the Compensation Committee’s view, related to the Company’s ongoing operational performance. The non-GAAP measures are used to evaluate more accurately the Company’s operating performance, for calculating return on investment, and for benchmarking performance against competitors. For fiscal year 2016, non-GAAP adjustments consisted of excluding after-tax stock-based compensation expense and intangible amortization. All adjustments are subject to approval by the Compensation Committee to ensure that payout levels are consistent with performance.

Incentive Awards for the CEO and CFO

Messrs. McNamara and Collier were each eligible for a bonus award based on achievement of quarterly and annual revenue growth, adjusted operating profit, ROIC and adjusted EPS targets. We refer to these performance measures as the “Company performance metrics.” The weightings for each of these performance measures was 25%. Mr. McNamara’s annual target bonus was 150% of base salary. Mr. McNamara’s target percentage of base salary remained the same as in fiscal year 2015 and resulted in total target cash approximately between the 50th and 60th percentiles of our peer companies. Mr. Collier’s bonus target as a percentage of base salary was set at 110% and resulted in total target cash between the 50th and 60th percentiles of our peer companies.

The following table sets forth the payout level opportunities that were available for Messrs. McNamara and Collier as a percentage of the target award for each performance measure based on different levels of performance. Revenue targets represented year over year annual growth targets of (-2.5)% at the 50% payout level, 3.3% at the 100% payout level, 9.0% at the 200% payout level, and 10.9% at the 300% payout level.

No payout is made if the threshold performance level is not achieved. Targets at the 300% level with respect to the annual bonus reflect sustained performance over the year that is considered to provide stretch targets. For

performance levels between 50% and 300% presented in the table below, straight line interpolation was used to arrive at the payout level:

Payout (% Target)	50%	100%	200%	300%
Q1 Revenue (in millions)	\$6,000	\$6,330.1	\$6,660.3	\$6,770.3
Q1 Adjusted OP (in millions)	\$161.9	\$172.7	\$183.5	\$195.1
Q1 ROIC	20%	22%	25%	25.7%
Q1 Adjusted EPS	\$0.23	\$0.24	\$0.25	\$0.27
Q2 Revenue (in millions)	\$6,070.8	\$6,433.8	\$6,796.8	\$6,917.8
Q2 Adjusted OP (in millions)	\$177.2	\$189.0	\$200.8	\$213.5
Q2 ROIC	20%	22%	25%	25.7%
Q2 Adjusted EPS	\$0.26	\$0.27	\$0.28	\$0.30
Q3 Revenue (in millions)	\$6,760.9	\$7,167.8	\$7,574.6	\$7,710.2
Q3 Adjusted OP (in millions)	\$212.2	\$226.4	\$240.5	\$255.65
Q3 ROIC	20%	22%	25%	25.7%
Q3 Adjusted EPS	\$0.30	\$0.32	\$0.34	\$0.36
Q4 Revenue (in millions)	\$6,668.2	\$7,068.3	\$7,468.4	\$7,601.8
Q4 Adjusted OP (in millions)	\$198.65	\$211.9	\$225.1	\$239.3
Q4 ROIC	20%	22%	25%	25.7%
Q4 Adjusted EPS	\$0.29	\$0.30	\$0.33	\$0.34
FY'16 Revenue (in millions)	\$25,500.0	\$27,000.0	\$28,500.0	\$29,000.0
FY'16 Adjusted OP (in millions)	\$750.0	\$800.0	\$850.0	\$903.5
FY'16 ROIC	20%	22%	25%	25.7%
FY'16 Adjusted EPS	\$1.08	\$1.13	\$1.20	\$1.27

The following table sets forth the actual quarterly and annual performance and the payout levels (as a percentage of the target award for the quarterly and annual periods) and payout amounts (as a percentage of base salary for the quarterly and annual periods) for Messrs. McNamara and Collier.

Period	Revenue (in millions)	Payout Level %	Adjusted OP (in millions)	Payout Level %	ROIC	Payout Level %	Adjusted EPS	Payout Level %	Total Payout Level %	CEO Actual Payout % (as a % of Base Salary)	CFO Actual Payout % (as a % of Base Salary)
Q1	\$5,566	0%	\$159	0%	22.9%	133.3%	\$0.23	50%	45.8%	68.8%	50.4%
Q2	\$6,317	83.9%	\$196	161.7%	22.7%	123.3%	\$0.27	100%	117.2%	175.9%	129%
Q3	\$6,763	50.3%	\$236	168.8%	22.4%	113.3%	\$0.35	200%	133.1%	199.7%	146.4%
Q4	\$5,773	0%	\$200	56.1%	22.0%	97.5%	\$0.29	50%	50.9%	76.3%	56%
FY'16 Annual Component	\$24,419	0%	\$792	91.8%	21.9%	97.5%	\$1.14	114.3%	75.9%	113.8%	83.5%
FY'16 Total Payout	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	81.3%	122%	89.5%

Consistent with the Company's pay for performance approach, the Company recognized the performance against its operating plan in fiscal year 2016 and consequently the short-term incentive compensation of our executives decreased this year over the prior year.

Payout levels (as a percentage of target) were in line with operational performance at 45.8% for the first quarter, 117.2% for the second quarter, 133.1% for the third quarter and 50.9% for the fourth quarter. For the

annual component, the payout level (as a percentage of target) was 75.9%. The total annual bonus payout was 81.3% as a percentage of target, which represents 122% for Mr. McNamara and 89.5% for Mr. Collier as a percentage of base salary. Comparatively, in fiscal year 2015, incentive award payouts as a percentage of target were 169.6% of target for Messrs. McNamara and Collier.

Incentive Awards for NEOs other than the CEO and CFO

Mr. Barbier was eligible for a bonus award based on achievement of the quarterly and annual Company performance metrics, with the same weightings as Messrs. McNamara and Collier. Mr. Barbier's annual target bonus was 110% of base salary and resulted in total target cash approximately between the 50th and 60th percentiles of our peer group.

Mr. Hoak was eligible for a bonus award based on achievement of the quarterly and annual Company performance metrics, with the same weightings as Messrs. McNamara and Collier. The annual target bonus was 80% of base salary and resulted in total target cash between the 25th and 50th percentiles of our peer group.

Mr. Humphries was eligible for a bonus based on achievement of the quarterly and annual Company performance metrics (i.e., the performance measures that applied to Messrs. McNamara and Collier), as well as the business unit performance metrics of revenue, adjusted operating profit, profit after interest percentage and new business wins for our High Reliability Solutions business group. Mr. Humphries' annual target bonus was 110% of base salary and resulted in total target cash between the 60th and 75th percentiles of our peer group. Actual payout level opportunities ranged from 50% to 200% of target with respect to quarterly metrics and 50% to 300% of target for annual metrics. The weightings of the performance metrics for Mr. Humphries were 20% for the Company performance metrics and 80% for the business unit metrics. Certain business unit metrics were calculated on an adjusted non-GAAP basis consistent with the Company performance metrics. We treat the business unit performance measures as confidential. We set these measures at levels designed to motivate Mr. Humphries to achieve operating results at his business unit in alignment with our business strategy with payout opportunities at levels of difficulty consistent with our Company performance metrics.

The following table sets forth the actual quarterly, annual and total payout levels, both as a percentage of target and of eligible base salary, for Messrs. Barbier, Hoak, and Humphries:

Period	F. Barbier Payout (% Target)	F. Barbier Actual Payout % (as a % of Base Salary)	J. Hoak Payout (% of Target)	J. Hoak Actual Payout % (as a % of Base Salary)	P. Humphries Payout (% of Target)	P. Humphries Actual Payout % (as a % of Base Salary)
Q1	45.8%	50.4%	45.8%	36.7%	132.5%	145.7%
Q2	117.2%	129.0%	117.2%	93.8%	135.3%	148.8%
Q3	133.1%	146.4%	133.1%	106.5%	152.7%	168.0%
Q4	50.9%	56.0%	50.9%	40.7%	55.0%	60.5%
FY'16 Annual Component	75.9%	83.5%	75.9%	60.7%	123.3%	135.7%
FY'16 Total Payout	81.3%	89.5%	81.3%	65.1%	121.1%	133.2%

Bonuses under our annual incentive bonus plan are based upon the achievement of Company and business unit (in the cases of business unit executives) performance goals. Based on fiscal year 2016 operating performance, bonus payouts were at 81.3% of target for Messrs. Hoak and Barbier, and 121.1% of target for Mr. Humphries. Comparatively, in fiscal year 2015, bonus payouts as a percentage of target were 169.6% of target for Messrs. Hoak and Barbier, and 210.2% of target for Mr. Humphries.

The Compensation Committee believes that bonuses awarded under our incentive bonus plan appropriately reflected the achievement in the Company's performance targets and appropriately rewarded the performance of the named executive officers.

Long-Term Share- and Cash-Based Incentive Compensation

Restricted Share Unit Awards

The Compensation Committee grants share- and cash-based long-term incentives to its senior executives as an incentive to maximize the Company's long-term performance and shareholder value creation. These long-term incentives are designed to align the interests of the named executive officers with those of our shareholders and

provide each individual with a significant incentive to manage the Company from the perspective of an owner, with a direct stake in the business. These awards are also intended to promote executive retention, as unvested long-term share and cash incentives are generally forfeited if the executive voluntarily leaves the Company. Restricted share unit awards are structured as either performance-based awards, which vest only if pre-established performance measures are achieved, or service-based awards, which vest if the executive remains employed through the vesting period. Before the restricted share unit award vests, the executive has no ownership rights in our ordinary shares. The payouts are made in shares, so the value of the award goes up or down based on share price performance from the beginning of the grant, further aligning the interests of the executive with long-term shareholder value creation.

In fiscal year 2016, the Compensation Committee determined that long-term incentive awards for executives and other senior officers generally would be allocated 50% to service-based restricted share unit awards, 25% to performance-based restricted share unit (PSU) awards that are earned based upon relative TSR performance versus the S&P 500, and 25% to a long-term incentive plan that measures Flex’s cumulative free cash flow (FCF LTIP) over a three-year period from fiscal year 2016 to fiscal year 2018. For the FCF LTIP, the awards are payable in shares for the CEO, so 50% of his long-term compensation is in the form of performance-based equity grants. For the other NEOs, the FCF LTIP is payable in cash. The Compensation Committee believes that this allocation promotes retention, serves to link long-term compensation to the Company’s long-term performance and limits the dilutive effect of equity awards. Key features of our long-term incentive awards are as follows:

- **Performance-Based RSUs (PSUs):** The awards granted in fiscal year 2016 are earned based upon Flex’s percentile rank of total shareholder return (TSR) over a 3-year period against the S&P 500 constituents. The Compensation Committee believes that the relative total shareholder return metric used in the performance based awards is a widely accepted investor benchmark that appropriately aligns compensation with performance. The number of shares earned is dependent on the percentile rank achieved based on the table below:

S&P 500 TSR Percentile Rank	Shares Earned
>75 th Percentile	200% of target
50 th – 75 th Percentile	Interpolate
50 th Percentile	100% of target
30 th – 50 th Percentile	Interpolate
30 th Percentile	25% of target
<30 th Percentile	0% of target

- **Free Cash Flow LTIP:** The 2016 grants are earned based on Flex’s performance against pre-established cumulative Free Cash Flow goals over the period from fiscal year 2016 through fiscal year 2018. The Compensation Committee believes the three-year Free Cash Flow target is an important liquidity metric because it measures the amount of cash generated that is available to repay debt obligations, make investments, fund acquisitions, repurchase Company shares and to use for certain other activities. The Compensation Committee will assess goal achievement for the 2016 grant cycle and approve awards for the NEOs at the end of the performance cycle following the close of fiscal year 2018. Awards will be measured on a straight line sliding scale as follows:

% of Goal Achieved	<69%	69%	100%	136% and above
% of Target Paid	0%	50%	100%	200%

- **Service-Vested RSUs:** Awards granted in fiscal year 2016 vest in four installments of 25% on each yearly anniversary of the grant date.

The performance-based awards provide that in the event of retirement, a pro-rata number of vested shares shall be issued upon the vesting of the performance-based award pursuant to the performance criteria, with the number of shares that vest determined by multiplying the full number of shares subject to the award by a fraction equal to (x) the number of complete months of continuous service as an employee from the grant date of the award to the date of retirement, divided by (y) the number of months from the grant date to the vesting/release date; provided, further, that if within twelve months of retirement, the executive officer violates the terms of a non-disclosure agreement with, or other confidentiality obligation owed to, the Company or any subsidiary or affiliate, then the award and all of the Company’s obligations and the executive officer’s rights under the award

terminate. For purposes of the awards, “Retirement” means the executive officer’s voluntary termination of service after the executive officer has attained age sixty (60) and completed at least ten (10) years of service as an employee of the Company or any subsidiary or affiliate. At the current time, none of the executive officers would satisfy the retirement criteria.

The size of the total long-term incentive award to each executive officer generally is set at a level that is intended to create a meaningful opportunity for share ownership based upon the individual’s current position with the Company, but the Compensation Committee and Board also take into account (i) the individual’s potential for future responsibility and promotion over the term of the award, (ii) the individual’s performance in recent periods, and (iii) the number of restricted share unit awards and options held by the individual at the time of grant. In addition, the Compensation Committee and Board consider competitive equity award data, and determine award size consistent with the Compensation Committee’s and our Board’s objective of setting long-term incentive compensation at a competitive level in relation to our peer companies, subject to individual variances. The Compensation Committee and Board also consider annual share usage and overall shareholder dilution when determining the size of equity awards.

Elementum Profits Interests Units

We own substantially all of the equity in Elementum Holding Ltd (“Holdco”), which in turn is a significant shareholder of Elementum SCM (Cayman) Ltd (“Elementum”), along with other investors not affiliated with us. Elementum is a privately-held software development company founded in 2012 by Flex and some of our former employees to address the enormous challenges facing global supply chains. Elementum develops SaaS-based supply chain management, or SCM, solutions to help companies deal with supply chain complexities through tools designed to control business processes, execute value chain transactions, and manage supplier relationships. Elementum is a separate organization from Flex with approximately 100 employees, though we currently indirectly hold a majority ownership interest. Flex’s CEO, Mike McNamara, is the Chairman of the Board of Elementum, and he and Christopher Collier, Flex’s Chief Financial Officer, and François Barbier, Flex’s President, Global Operations and Components provide active contributions to Elementum. Prior to 2015, Messrs. McNamara, Collier and Barbier had not received any direct financial interest in Elementum or Holdco in connection with their service to Elementum and Holdco. At its founding, we reserved 3.8% of Flex’s interest in Holdco as “profits interests,” which are rights to receive a specified percentage of the appreciation that Flex realizes from its holdings in Holdco.

We believe that our investment in Elementum represents a significant value creation opportunity for shareholders. Profits interests unit grants are intended to provide incentives for Flex recipients to drive Elementum’s success. Because the growth and success of Elementum could have positive implications for Flex as a whole, we believe that it is important to leverage the experience and expertise of our own officers to support Elementum’s success. We also believe that our overall compensation plans provide a strong incentive to maximize overall Flex results across the breadth of our business lines and geographies. On October 15, 2015, Mr. McNamara received a 1.302% profits interests in Holdco at a grant date value of \$218,305. Mr. Barbier received a 0.243% profits interests in Holdco at a grant date value of \$40,750. Mr. Collier received a 0.097% profits interests in Holdco at a grant date value of \$16,600. Each award will vest 25% at the end of each year for four years, with the value only recognized upon an Elementum liquidity event.

The Elementum profits interests grants made on October 15, 2015 were one-time, discretionary grants and the value of these grants will be deducted from the Flex equity grant that would otherwise have been issued to the recipient for the next fiscal year. The primary purpose of the profits interests grants in Holdco is to provide the executives with a highly-focused compensation tool that is directly aligned with the goal of creating value within Elementum, and therefore, we believe, for Flex shareholders overall. Various features of the incentive program are structured to provide alignment with Flex shareholders and have the appropriate governance controls, including:

- Recipients can only realize value from the profits interests if Flex also realizes value from our Elementum investment after the award of the profits interests
- If the recipient leaves Flex, he or she will only be eligible to realize value from the vested portion of the grant
- The awards are non-voting
- The Flex Board’s Nominating and Corporate Governance Committee will oversee a process to monitor and mitigate any potential conflicts of interest

Grants During Fiscal Year 2016

The number of performance-based and service-based restricted share unit awards as well as, in the case of Mr. McNamara, the FCF LTIP awards granted to him in fiscal year 2016, and the grant-date fair value of the restricted share unit awards and Elementum profits interests unit awards determined in accordance with ASC 718-10, are shown in the Grants of Plan-Based Awards in Fiscal Year 2016 table.

As part of the annual compensation review process, the Compensation Committee recommended and the Board approved the following performance-based and service-based restricted share unit awards to our named executive officers in fiscal year 2016. The figures represent the sum of the restricted share unit awards granted. The award is split 50-50 between performance-based awards (at target) and service-based awards for Mr. McNamara, who received 719,008 RSUs. The share-based awards for Messrs. Collier, Barbier, Humphries and Hoak are split 33-67 between performance-based awards (at target) and service-based awards. Mr. Collier received 154,957 RSUs and a target FCF LTIP award of \$625,000; Mr. Barbier received 151,672 RSUs and a target FCF LTIP award of \$611,750, Mr. Humphries received 151,672 RSUs and a target FCF LTIP award of \$611,750, and Mr. Hoak received 80,578 RSUs and a target FCF LTIP award of \$325,000.

Long Term Incentive Awards

Executive Officer	Performance-Based				Time-Based RSUs (Shares)
	TSR-Based PSUs (Shares)	FCF-Based PSUs (Shares)	FCF Cash LTIP (Target Value)	Elementum (Grant Date Value)	
Michael M. McNamara	179,752	179,752	—	\$218,305	359,504
Christopher Collier	51,652	—	\$625,000	\$16,300	103,305
Francois P. Barbier	50,557	—	\$611,750	\$40,750	101,115
Jonathan S. Hoak	26,859	—	\$325,000	—	53,719
Paul Humphries	50,557	—	\$611,750	—	101,115

Taking these programs into account, Mr. McNamara’s total target direct compensation for fiscal year 2016 is set at approximately the 60th percentile of our peer companies, and the aggregate total target direct compensation for our remaining NEOs is set at approximately the 55th percentile of our peer companies.

Earning of Prior Performance Award Grants

During fiscal year 2016, two portions of prior performance share unit awards completed the applicable performance cycle and were eligible for payouts. The fiscal year 2012 PSU grant measured our TSR versus the S&P 500. Based on our 76% TSR for the period between the grant date in June 2011 and the performance period end in June 2015, the final 50% of the fiscal year 2012 PSU award paid out at 129% of target. The fiscal year 2013 PSU grant also measured our TSR versus the S&P 500. Based on our 73% TSR for the period between the grant date in May 2012 and the performance period ending in May 2015, the fiscal year 2013 PSU award was paid out at 138% of target.

Responsible Share Granting Approach

Flex is committed to maintaining a responsible share burn rate, as we know that this is a critical factor for our shareholders and has a direct impact on the value creation that they can participate in. From a talent perspective, Flex is a technology-driven firm that needs talent that can meet the complex and rapidly evolving demands of its customers. As such, Flex needs to provide equity awards that are competitive in the market for talent that is capable of delivering innovative technology solutions with world class manufacturing and supply chain expertise. In order to ensure responsible equity usage, we:

- Target a broad-based equity strategy that generally aligns with the median of market
- Conduct regular market analyses to ensure alignment with market participation and award opportunity values
- Use an equity grant strategy that ensures that awards are focused on high performers and those that make a meaningful impact on Flex’s business results

- Include direct performance metrics on more senior level participants, and provide longer-term shareholder alignment for all equity participants with multi-year vesting schedules on restricted stock unit grants
- Analyze overall equity spend levels relative to peers and the broader market to ensure that total Company grant levels are appropriate from a market perspective

Through these mechanisms, we continually balance the need to provide competitive equity awards with a strong commitment to limit dilution to shareholders. During fiscal year 2016, we granted non-adjusted shares of 1.4% of our average common shares outstanding. When considering this grant rate from an option equivalent perspective, based on the Company's fungible share ratio of 1.71:1, Flex granted 2.3% of shares outstanding. Details of Flex's grant history are outlined in more detail below:

Service-Based Share Summary for Fiscal Year Ended March 31,						
	2016		2015		2014	
	Shares	Price	Shares	Price	Shares	Price
	Service-based		Service-based		Service-based	
Unvested share bonus awards outstanding, beginning of fiscal year	14,108,169	\$ 8.74	16,456,620	\$ 6.98	17,524,319	\$6.59
Granted	6,495,706	11.89	5,989,442	11.26	6,767,941	7.66
Vested	(6,522,628)	7.99	(6,594,344)	6.91	(5,481,153)	6.66
Forfeited	(913,471)	9.42	(1,743,549)	7.61	(2,354,487)	6.76
Unvested share bonus awards outstanding, end of fiscal year	<u>13,167,776</u>	\$10.41	<u>14,108,169</u>	\$ 8.74	<u>16,456,620</u>	\$6.98
Performance-Based Share Summary for Fiscal Year Ended March 31,						
	2016		2015		2014	
	Shares	Price	Shares	Price	Shares	Price
	Performance-based		Performance-based		Performance-based	
Unvested share bonus awards outstanding, beginning of fiscal year	4,885,083	\$ 9.76	5,391,500	\$ 8.33	4,282,750	\$7.65
Granted	1,124,016	13.97	973,683	14.81	2,211,000	9.34
Vested / Earned	(2,006,750)	7.77	(651,712)	7.60	(0)	0.00
Forfeited	(170,049)	11.01	(828,388)	7.84	(1,102,250)	7.72
Unvested share bonus awards outstanding, end of fiscal year	<u>3,832,300</u>	\$11.99	<u>4,885,083</u>	\$ 9.77	<u>5,391,500</u>	\$8.33
Weighted-average ordinary shares outstanding	<u>557,667,000</u>		<u>579,981,000</u>		<u>610,497,000</u>	
Gross Shares Granted	7,619,722		6,963,125		8,978,941	
Gross Burn Rate	1.37%		1.20%		1.47%	
Fungible Ratio	1.71		1.71		1.71	
Fungible Option Equivalents Granted	13,029,725		11,906,944		15,353,989	
Fungible Option Equivalent Burn Rate	<u>2.34%</u>		<u>2.05%</u>		<u>2.51%</u>	

We believe that the equity grant philosophies and governance mechanisms in place allow us to balance the need to be competitive for overall talent while ensuring that shareholders experience a responsible level of dilution.

Administration of Equity Award Grants

Equity awards are not timed in relation to the release of material information. Our current policy provides that equity grants to non-executive new hires and follow on equity grants to non-executives are made on pre-determined dates five times a year.

Hedging and Pledging Policy

Under our insider trading policy, short-selling, trading in options or other derivatives on our shares or engaging in hedging transactions are prohibited. Our insider trading policy also prohibits using our shares as collateral for margin accounts.

Long-Term Deferred Compensation Awards

Each of the NEOs participates in a deferred compensation plan or arrangement. These plans and arrangements are intended to promote retention by providing a long-term savings opportunity on a tax-efficient basis. The Compensation Committee's general policy is to target long-term incentive compensation (which is deemed to include share-and cash-based compensation and target annual performance-based contributions to the deferred compensation plan, discussed below) at between the 60th and 65th percentiles of our peer companies, subject to individual variances. Our competitive positioning for long-term incentive compensation is determined in the context of historical performance and our overall compensation programs, including prior incentive awards. For fiscal year 2016, Mr. McNamara's long-term incentive award was targeted at approximately the 60th percentile of our peer companies, and the other named executive officers' long-term incentive awards generally were targeted to be within a range around the 60th percentile of our peer companies as well.

Under the Company's 2010 Deferred Compensation Plan, which replaced both the prior long-term cash incentive awards program and our Senior Executive and Senior Management Deferred Compensation Plans, the Company in its discretion may make annual contributions in targeted amounts of up to an aggregate of 37.5% of each participant's base salary (subject to offsets for non-U.S. executives' pension and other benefits) to a non-qualified deferred compensation account, subject to approval by the Compensation Committee. The contributions are funded 50% based on a percent of base salary and 50% based on performance, using the same performance measures used under the incentive bonus plan. For performance below the threshold payout level under the incentive bonus plan, there will be no performance-based contribution; for performance between the threshold and target payout levels, the Compensation Committee may award a contribution ranging from 50% to 100% of the target performance-based contribution; and for performance above the target payout level, the Compensation Committee may award a contribution of up to 150% for the performance-based portion of the award. Initial contributions and any annual contributions, together with earnings, will cliff vest after four years provided that the participant remains employed by the Company. For purposes of benchmarking compensation, the Compensation Committee treats target cash awards as long-term incentive compensation. Deferred balances under the plan are deemed to be invested in hypothetical investments selected by the participant or the participant's investment manager. Participants may elect to receive their vested compensation balances upon termination of employment either through a lump sum payment or in installments over a period of up to ten years. Participants also may elect in-service distributions through a lump sum payment or in installments over a period of up to five years. The deferred account balances are unfunded and unsecured obligations of the Company, receive no preferential standing, and are subject to the same risks as any of the Company's other general obligations. We do not pay or guarantee above-market returns. The appreciation, if any, in the account balances of plan participants is due solely to the performance of the underlying investments selected by participants.

In addition, initial Company contributions under the 2010 Deferred Compensation Plan for new senior executive participants who did not participate in the prior plans are 50% of base salary and are not tied to Company performance. Thereafter, Company contributions are limited to 37.5%, as described above, of each participant's base salary (subject to offsets for non-U.S. executives' pension and other benefits).

For fiscal year 2016, Messrs. Collier, Hoak, Humphries and McNamara each received deferred cash awards with a value that averaged about 37.5% of their 2015 respective base salaries and Mr. Barbier received no deferred cash award.

Jon Hoak Separation Agreement

For a discussion of Mr. Hoak's Separation Agreement, please see "*Executive Compensation—Potential Payments Upon Termination or Change in Control—Jon Hoak Separation Agreement.*"

Voluntary Contributions

Under the 2010 Deferred Compensation Plan, participating officers may defer up to 70% of their base salary and bonus, net of certain statutory and benefit deductions.

Additional Company Contributions

The Company may make a discretionary matching contribution in connection with voluntary deferrals to reflect limitations on our matching contributions under our 401(k) plan.

Additional Information

For additional information about (i) executive contributions to the NEOs' deferral accounts, (ii) Company contributions to the deferral accounts, (iii) earnings on the deferral accounts, (iv) withdrawals under the deferral accounts, and (v) deferral account balances as of the end of fiscal year 2016, see the section entitled "*Executive Compensation—Nonqualified Deferred Compensation in Fiscal Year 2016.*"

Benefits

Executive Perquisites

Perquisites represent a small part of the overall compensation program for the named executive officers. In fiscal year 2016, we paid the premiums on long-term disability insurance for our named executive officers. We also reimbursed Mr. Barbier for costs associated with his international assignment, which are discussed below. In addition, we reimbursed Mr. Barbier for FICA and Medicare taxes due upon the partial vesting of his deferred bonuses during fiscal year 2016. These and certain other benefits are quantified under the "All Other Compensation" column in the Summary Compensation Table.

As discussed above, we have replaced our prior deferred compensation plans with our 2010 Deferred Compensation Plan. Under the prior plans, vested amounts were not paid until termination, while the new plan provides for distribution options, including in-service distributions. For amounts vesting under the prior plans, we will continue to reimburse the executives for FICA taxes since the executives will continue to be unable to access vested funds prior to retirement; however, the executives will continue to be responsible for the tax liability associated with the reimbursement. For amounts vesting under the new plan, the executives will be responsible for FICA taxes and the Company will not reimburse the executives for any taxes due upon vesting.

While Company aircraft are generally used for Company business only, our Chief Executive Officer and Chief Financial Officer and their spouses and guests may be permitted to use Company aircraft for personal travel, provided that Company aircraft are not needed for business purposes at such time. We calculate the incremental cost to the Company for use of the Company aircraft by using an hourly rate for each flight hour. The hourly rate is based on the variable operational costs of each flight, including but not necessarily limited to the following: fuel, maintenance, flight crew travel expense, catering, communications, and fees which include flight planning, ground handling and landing permits. On August 30, 2012, the Compensation Committee eliminated the gross-up that was previously provided under this policy. These benefits are quantified under the "All Other Compensation" column in the Summary Compensation Table.

Relocation Assignments

In connection with Mr. Barbier's relocation assignment to the Company's San Jose facility, originally effective August 30, 2010 and amended to provide a continuation of certain benefits as of March 5, 2013, we agreed to reimburse Mr. Barbier for certain relocation expenses incurred by Mr. Barbier, including a housing allowance of \$6,000 per month and an auto allowance of up to \$1,200 per month until June 30, 2016. These benefits are quantified under the "All Other Compensation" column in the Summary Compensation Table. For Mr. Barbier, the amount includes reimbursement of \$151,221 for the incremental taxes due as a result of his relocation to the Company's San Jose facility.

401(k) Plan; French Defined Contribution Pension Plan

Under our 401(k) Plan, all of our employees are eligible to receive matching contributions. Effective fiscal year 2011, we also instituted a new annual discretionary matching contribution. The amount of any discretionary annual contribution will be based on Company performance and other economic factors as determined at the end of the fiscal year. For fiscal year 2016, we elected not to make a discretionary contribution. We do not provide an excess 401(k) plan for our executive officers.

Mr. Barbier participates in defined contribution pension schemes mandated under French law. For fiscal year 2016, the Company made required contributions aggregating approximately \$68,534.

Other Benefits

Executive officers are eligible to participate in all of the Company's employee benefit plans, such as medical, dental, vision, group life, disability, and accidental death and dismemberment insurance, in each case on the same basis as other employees, subject to applicable law.

Termination and Change of Control Arrangements

The named executive officers are entitled to certain termination and change of control benefits under their deferred compensation plans and under certain of their equity awards. These benefits are described and quantified under the section entitled "*Executive Compensation—Potential Payments Upon Termination or Change of Control.*" The Compensation Committee had determined that a single trigger for acceleration of the executives' deferred compensation accounts was appropriate under the Senior Executive Deferred Compensation Plan and the Senior Management Deferred Compensation Plan in order to provide certainty of vesting for benefits that represent the executives' primary source of retirement benefits. No NEOs have unvested awards under the Senior Executive Deferred Compensation Plan or the Senior Management Deferred Compensation Plan.

Under our 2010 Deferred Compensation Plan, vesting of initial and annual awards will accelerate in cases of a change in control only if employment is terminated without cause or by the executive for good reason within two years of the change in control, i.e., "double trigger" accelerated vesting. Under the terms of certain of our equity incentive plans and the form of restricted share unit award agreement used for certain of our grants of restricted share unit awards to our employees (including our executives), in the event of a change of control, each outstanding stock option and each unvested restricted share unit award with such a provision will automatically accelerate, unless and to the extent such award is either to be assumed or replaced. Under the terms of certain of our equity plans, the Compensation Committee has the discretion to provide that certain awards may automatically accelerate upon an involuntary termination of service within a designated time period following a change of control, even if such awards are assumed or replaced. The Compensation Committee believes that these provisions provide our Board with appropriate flexibility to address the treatment of options and restricted share unit awards in a merger or similar transaction that is approved by our Board, while providing appropriate protections to our executives and other employees in transactions which are not approved by our Board.

Jon Hoak Separation Agreement

On June 20, 2016, Mr. Hoak notified the Company that he intends to retire from his current role of Executive Vice President and General Counsel effective June 30, 2016. Mr. Hoak has agreed to provide transitional services through June 30, 2017. In anticipation of such transitional services, Mr. Hoak entered into a Separation Agreement and Release (the "Agreement") with the Company. Pursuant to the Agreement, and in consideration for a general release, Mr. Hoak will receive the following from the Company: (1) a payment of Mr. Hoak's quarterly bonus based on actual results for the Company's first quarter of fiscal year 2017; (2) continued vesting and payout of restricted share units, performance share units and the long-term, performance-based cash incentive that are scheduled to vest or be paid (in accordance with actual performance) on or before June 30, 2017; (3) a separation payment of \$1,050,000, to be paid on March 15, 2017; and (4) a payment of approximately \$24,000 in connection with 18 months of COBRA insurance premiums to be paid on December 30, 2016. All of Mr. Hoak's unvested restricted share units, performance share units and long-term, performance-based cash incentives which do not vest on or prior to June 30, 2017 will terminate as of June 30, 2017, and except as described above, Mr. Hoak will not be eligible for an annual incentive bonus for fiscal 2017.

Executive Share Ownership Guidelines

In fiscal year 2011, to more closely align the interests of our management with those of our shareholders, our Board of Directors, upon the recommendation of the Compensation Committee, adopted share ownership guidelines for all of our executive officers and direct reports of the chief executive officer. The ownership guidelines provide for our executive officers to own a minimum number of our ordinary shares, which (i) for our CEO, is the number of shares having a value equal to at least four times his annual base salary though Mr. McNamara currently holds nearly 20 times his annual base salary, (ii) for our CFO, is the number of shares having a value equal to at least two and one-half times his annual base salary and (iii) for all of our other executive officers and CEO direct reports, is the number of shares having a value equal to at least one and one-half times his or her annual base salary. All ordinary shares and vested restricted share units held by our

executives, as well as the value of fully-vested stock options (net of the value of taxes), count toward these goals. The guidelines provide for our executives to reach these goals within five years of the date that the Board approved the guidelines or the date they joined the Company, whichever is later, and to hold such a minimum number of shares for as long as he or she remains an officer. The Company has determined that the named executive officers are on target to be in compliance with the requirements under the guidelines by the deadline.

Executive Incentive Compensation Recoupment Policy

In May 2010, the Compensation Committee recommended and our Board adopted an Executive Incentive Compensation Recoupment Policy. The policy covers our executive officers and direct reports of our chief executive officer, and applies to bonuses or awards under the Company's short and long-term incentive bonus plans, awards under our equity incentive plans, and contributions under our deferred compensation plans where the contributions are based on the achievement of financial results. In the event of a material restatement of financial results where a covered officer engaged in fraud or misconduct that caused the need for the restatement, the Board will have discretion to recoup incentive compensation of any covered officer if and to the extent the amount of compensation which was paid or which vested would have been lower if the financial results had been properly reported. In the case of equity awards that vested based on the achievement of financial results that were subsequently reduced, the Board also may seek to recover gains from the sale or disposition of vested shares (including shares purchased upon the exercise of options that vested based on the achievement of financial results). In addition, the Board will have discretion to cancel outstanding equity awards where the financial results which were later restated were considered in granting such awards. The Board only may seek recoupment in cases where the restatement occurs within 36 months of the publication of the audited financial statements that are restated.

COMPENSATION RISK ASSESSMENT

With the assistance of Mercer, the Compensation Committee reviewed our compensation policies and practices during fiscal year 2016 and determined that our compensation programs do not encourage excessive or inappropriate risk-taking. The Compensation Committee believes that the design and mix of our compensation programs appropriately encourage our executive and senior officers to focus on the creation of long-term shareholder value. In its review, the Compensation Committee noted the following features:

- The Company's pay levels are generally aligned with market pay levels (i.e., not so low that management would pursue extreme risk to achieve significantly higher pay, nor too high to have excessive incentives to meet or exceed target payouts).
- The Company's compensation programs utilize best practices designed to mitigate risk, including, but not limited to:
 - a balanced mix of short-term cash and long-term equity pay;
 - an incentive programs fund based on a mix of performance metrics and over varying time frames (not just short-term revenue or net income);
 - a long-term incentive program that includes time and performance-vested awards, where the performance awards require favorable long-term shareholder results to deliver value;
 - incentive programs that have payout caps and reasonable leverage;
 - share ownership guidelines and anti-hedging/pledging policies that encourage long-term equity ownership;
 - our Committee having the ability to exercise discretion over goals; and
 - a Board-adopted, incentive compensation recoupment policy.

EXECUTIVE COMPENSATION

The following table sets forth the fiscal year 2014, 2015 and 2016 compensation for:

- Michael M. McNamara, our chief executive officer;
- Christopher Collier, our chief financial officer; and
- Francois P. Barbier, Jonathan S. Hoak, and Paul Humphries.

The executive officers included in the Summary Compensation Table are referred to in this proxy statement as our named executive officers or NEOs. A detailed description of the plans and programs under which our named executive officers received the following compensation can be found in the section entitled “*Compensation Discussion and Analysis*” of this proxy statement. Additional information about these plans and programs is included in the additional tables and discussions which follow the Summary Compensation Table.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)(2)	Share Awards (\$)(3)	Non-Equity Incentive Plan Compensation (\$)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(5)	All Other Compensation (\$)(6)	Total (\$)
Michael M. McNamara Chief Executive Officer	2016	\$1,250,000	\$481,055	\$9,432,393	\$1,524,874	—	\$ 55,782	\$12,525,799
	2015	\$1,250,000	\$528,965	\$9,004,569	\$3,179,160	\$ 252,445	\$ 89,901	\$14,305,040
	2014	\$1,250,000	—	\$ 7,686,000	\$2,340,492	\$2,124,917	\$ 40,698	\$13,442,107
Christopher Collier Chief Financial Officer	2016	\$ 675,000	\$126,690	\$2,039,304	\$ 603,850	—	\$ 46,115	\$ 3,474,359
	2015	\$ 650,000	\$556,593	\$2,284,397	\$1,212,320	\$ 38,559	\$ 66,453	\$ 4,808,322
	2014	\$ 538,750	\$385,986	\$1,878,800	\$ 686,544	\$ 13,010	\$ 21,625	\$ 3,524,715
Francois P. Barbier President, Global Operations and Components	2016	\$ 695,000	\$ 64,242	\$2,020,574	\$ 621,742	—	\$350,526	\$ 3,711,334
	2015	\$ 675,000	\$ 64,011	\$2,094,046	\$1,258,948	—	\$451,071	\$ 4,543,076
	2014	\$ 625,000	\$304,352	\$2,989,000	\$ 858,180	\$ 28,763	\$402,511	\$ 5,207,806
Jonathan S. Hoak Executive Vice President and General Counsel	2016	\$ 525,000	—	\$1,051,811	\$ 341,572	—	\$ 19,272	\$ 1,937,654
	2015	\$ 525,000	—	\$ 951,842	\$ 712,132	\$ 12,740	\$ 23,467	\$ 2,225,181
	2014	\$ 500,000	—	\$ 1,281,000	\$ 499,305	\$ 442	\$ 27,702	\$ 2,308,449
Paul Humphries President, High Reliability Solutions and Executive Vice President, Human Resource	2016	\$ 695,000	\$167,550	\$1,979,824	\$ 925,868	—	\$ 23,636	\$ 3,791,878
	2015	\$ 675,000	\$163,949	\$2,094,046	\$1,560,686	\$ 19,403	\$ 22,901	\$ 4,535,985
	2014	\$ 625,000	—	\$2,989,000	\$1,115,937	\$ 69,205	\$ 17,397	\$ 4,816,539

- (1) Each of the above mentioned named executive officers, except Mr. Barbier, contributed a portion of his fiscal year 2016 salary to his 401(k) savings plan account. All amounts contributed are included under this column.
- (2) For fiscal year 2016, this column shows the unvested portion of Messrs. McNamara’s, Collier’s, Barbier’s and Humphries’ respective deferred compensation accounts that vested on July 1, 2015. For additional information about the Company’s deferred compensation arrangements, see the section entitled “*Compensation Discussion and Analysis—Deferred Compensation*” of this proxy statement and the discussion under the section entitled “*Nonqualified Deferred Compensation in Fiscal Year 2016*” of this proxy statement.
- (3) Share awards consist of service-based, performance-based restricted share unit awards, and profits interests unit awards. The amounts in this column do not reflect compensation actually received by the named executive officers nor do they reflect the actual value that will be recognized by the named executive officers. Instead, the amounts reflect the grant date fair value for grants made by us in fiscal years 2014, 2015 and 2016, calculated in accordance with FASB ASC Topic 718. The performance-based restricted share unit awards included in this column are at the target number of shares as follows for fiscal year 2016: 359,504 performance-based restricted share unit awards, or \$4,864,089 for Mr. McNamara; 51,652 performance-based restricted share unit awards, or \$772,714 for Mr. Collier; 50,557 performance-based restricted share unit awards, or \$756,333 for Mr. Barbier; 26,859 performance-based restricted share unit awards, or \$401,811 for Mr. Hoak; and 50,557 performance-based restricted share unit awards, or \$756,333

for Mr. Humphries. If the maximum payout is earned, the value of the performance-based restricted share unit awards would be 200% of those amounts as follows for fiscal year 2016: \$9,728,178 for Mr. McNamara; \$1,545,428 for Mr. Collier; \$1,512,666 for Mr. Barbier; \$803,622 for Mr. Hoak; and \$1,512,666 for Mr. Humphries. In addition, the profits interests unit awards included in this column as follows for fiscal year 2016: 1,339,297 profits interests unit awards, or \$218,305 for Mr. McNamara; 100,000 profits interests unit awards, or \$16,600 for Mr. Collier; and 250,000 profits interests unit awards, or \$40,750 for Mr. Barbier.

For additional information regarding the assumptions made in calculating the amounts reflected in this column, see Note 3 to our audited consolidated financial statements, “Share-Based Compensation,” included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016.

- (4) The amounts in this column represent incentive cash bonuses earned in fiscal year 2016. For additional information, see the section entitled “*Compensation Discussion and Analysis—Fiscal Year 2016 Executive Compensation—Incentive Bonus Plan*” of this proxy statement.
- (5) The amount in this column for fiscal year 2016 represents the above-market earnings on the vested portions of our NEOs nonqualified deferred compensation accounts in fiscal year 2016. None of our NEOs received above-market earnings on the vested portions of their deferred compensation accounts or participated in any defined benefit or actuarial pension plans in fiscal year 2016. Above-market earnings represent the difference between market interest rates determined pursuant to SEC rules and earnings credited to the vested portion of the named executive officers’ deferred compensation accounts. See the Nonqualified Deferred Compensation in Fiscal Year 2016 table of this proxy statement for additional information.
- (6) The following table provides a breakdown of compensation included in the “All Other Compensation” column for fiscal year 2016:

Name	Pension/ Savings Plan Company Match Expenses/ Social Security (\$)(1)	Medical/ Enhanced Long-Term Disability (\$)(2)	Personal Aircraft Usage (\$)(3)	Relocation/ Expatriate Assignment Expenses (\$)(4)	Tax Reimbursements (\$)(5)	Total (\$)
Michael M. McNamara . . .	\$10,600	\$12,642	\$18,155	—	\$ 14,385	\$ 55,782
Christopher Collier	\$10,850	\$ 2,325	\$29,464	—	\$ 3,476	\$ 46,115
Francois P. Barbier	\$68,534	\$30,566	—	\$87,400	\$164,026	\$350,526
Jonathan S. Hoak	\$ 9,625	\$ 9,647	—	—	—	\$ 19,272
Paul Humphries	\$10,800	\$10,560	—	—	\$ 2,276	\$ 23,636

- (1) The amounts in this column represent the Company’s regular employer matching contributions to the 401(k) saving plan accounts for Messrs. McNamara, Collier, Hoak and Humphries. In the case of Mr. Barbier, it represents Company contributions to the mandatory social security programs under applicable French law. Amounts for Mr. Barbier have been converted into dollars from Euros based on the average exchange rate for the 2016 fiscal year.
- (2) The amounts in this column represent the Company’s contribution to the executive long-term disability program which provides additional benefits beyond the basic employee long-term disability program.
- (3) The amounts in this column represent the aggregate incremental costs resulting from the personal use of the company aircraft. Costs include a portion of ongoing maintenance and repairs, aircraft fuel, satellite communications and travel expenses for the flight crew. It excludes non-variable costs which would have been incurred regardless of whether there was any personal use of aircraft.
- (4) These amounts represent the costs associated with Mr. Barbier’s relocation to the Company’s San Jose facility for housing allowances of \$72,000 and vehicle allowances of \$14,400 and relocation fees of \$1,000.
- (5) For Mr. Barbier, the amount includes reimbursement of \$151,221 for the incremental taxes due as a result of his relocation to the Company’s San Jose facility and \$12,805 for the payment of Basic Social Security. For Messrs. McNamara, Collier and Humphries, these amounts represent the payment of taxes on their behalf with respect to Medicare, due to the vesting of deferred compensation on July 1, 2015. See the section entitled “*Compensation Discussion and Analysis—Benefits—Executive Perquisites*” of this proxy statement.

Grants of Plan-Based Awards in Fiscal Year 2016

The following table presents information about non-equity incentive plan awards and restricted share unit awards that we granted in our 2016 fiscal year to our named executive officers. We did not grant any stock options to our named executive officers during our 2016 fiscal year.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Share Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Share Awards \$(5)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Michael M. McNamara .	—	\$937,500	\$1,875,000	\$4,687,500	—	—	—	—	—
	06/10/2015	—	—	—	44,938	179,752	359,504	—	\$2,689,090
	06/10/2015	—	—	—	89,876	179,752	359,504	—	\$2,174,999
	06/10/2015	—	—	—	—	—	—	359,504(3)	\$4,349,998
	10/15/2015	—	—	—	—	—	—	1,339,297(4)	\$ 218,305
Christopher Collier	—	\$371,250	\$ 742,500	\$1,856,250	—	—	—	—	—
	—	\$312,500	\$ 625,000	\$1,250,000	—	—	—	—	—
	06/10/2015	—	—	—	12,913	51,652	103,304	—	\$ 772,714
	06/10/2015	—	—	—	—	—	—	103,305(3)	\$1,249,991
	10/15/2015	—	—	—	—	—	—	100,000(4)	\$ 16,600
Francois P. Barbier	—	\$382,250	\$ 764,500	\$1,911,250	—	—	—	—	—
	—	\$305,875	\$ 611,750	\$1,223,500	—	—	—	—	—
	06/10/2015	—	—	—	12,639	50,557	101,114	—	\$ 756,333
	06/10/2015	—	—	—	—	—	—	101,115(3)	\$1,223,492
	10/15/2015	—	—	—	—	—	—	250,000(4)	\$ 40,750
Jonathan S. Hoak	—	\$210,000	\$ 420,000	\$1,050,000	—	—	—	—	—
	—	\$162,500	\$ 325,000	\$ 650,000	—	—	—	—	—
	06/10/2015	—	—	—	6,715	26,859	53,718	—	\$ 401,811
Paul Humphries	06/10/2015	—	—	—	—	—	—	53,719(3)	\$ 650,000
	—	\$382,250	\$ 764,500	\$1,911,250	—	—	—	—	—
	—	\$305,875	\$ 611,750	\$1,223,500	—	—	—	—	—
	06/10/2015	—	—	—	12,639	50,557	101,114	—	\$ 756,333
	06/10/2015	—	—	—	—	—	—	101,115(3)	\$1,223,492

- (1) These amounts show the range of possible payouts under our cash incentive programs for fiscal year 2016. For Mr. McNamara, the amounts correspond to the range of possible payouts under the incentive bonus plan. The maximum payment represents 250% of the target payment. The threshold payment represents 50% of target payout levels. For Messrs. Collier, Barbier, Hoak and Humphries, the amounts reflect the range of payouts possible under the incentive bonus plan and the Free Cash Flow LTIP awarded on April 1, 2015. The maximum payment represents 250% and 200% of the target payment for our incentive cash bonus program and FCF LTIP, respectively. The threshold payment represents 50% of target payout levels. For the annual incentive bonus plan, the amounts actually earned in fiscal year 2016 are reported as Non-Equity Incentive Plan Compensation in the Summary Compensation Table and broken down in footnote 4 thereof. For additional information, see the section entitled “*Compensation Discussion and Analysis—Fiscal Year 2016 Executive Compensation—Incentive Bonus Plan*” and “*Compensation Discussion and Analysis—Fiscal Year 2016 Executive Compensation—Long-Term Share- and Cash-Based Incentive Compensation*” of this proxy statement.
- (2) These columns show the range of estimated future vesting of performance-based restricted share unit awards granted in fiscal year 2016 under our 2010 Equity Incentive Plan. The restricted share unit awards cliff vest after three years, with vesting being based on percentile rank of the Company’s Total Shareholder Return (TSR) in the constituents of the S&P 500 Index. The maximum payment for each executive officer represents 200% of the target payment. The threshold payment for each named executive officer represents 25% of target payout levels. In addition, under our FCF LTIP, Mr. McNamara was granted 179,752 performance-based restricted share unit awards which cliff vest after three years, with vesting based on the cumulative three-year increase of free cash flow from operations of the Company. The maximum payment for Mr. McNamara represents 200% of the target payment. The threshold payment for Mr. McNamara represents 50% of target payout levels. For additional information, see the section entitled “*Compensation*” of this proxy statement.

Discussion and Analysis—Fiscal Year 2016 Executive Compensation—Long-Term Share- and Cash-Based Incentive Compensation” of this proxy statement.

- (3) These amounts show the number of service-based restricted share units granted in fiscal year 2016 under our 2010 Equity Incentive Plan. For each named executive officer, the restricted share units vest in four annual installments at a rate of 25% per year, provided that the executive continues to remain employed on the vesting dates. For additional information, see the section entitled “*Compensation Discussion and Analysis—Long-Term Share-and-Cash Based Incentive Compensation—Grants During Fiscal Year 2016*” of this proxy statement.
- (4) These amounts show the number of profits interests shares of Elementum granted in fiscal year 2016 under the Elementum Plan. For each named executive officer, the shares vest in four annual installments at a rate of 25% per year, provided that the executive continues to remain employed on the vesting dates, and the values are only recognized upon an Elementum liquidity event.
- (5) This column shows the grant-date fair value of service-based and performance-based restricted share unit awards, at the target level, under FASB ASC Topic 718 granted to our named executive officers in fiscal year 2016. The grant-date fair value is the amount that we will expense in our financial statements over the award’s vesting schedule. Expense will be reversed for awards that do not vest as a result of the named executive officers not meeting the requisite service requirement; however expense will not be reversed for awards that do not vest as a result of not achieving the performance requirement. For restricted share unit awards with service-based vesting, fair value is the closing price of our ordinary shares on the grant date. For restricted share unit awards where vesting is contingent on meeting a market condition, the grant-date fair value was calculated using a Monte Carlo simulation. Additional information on the valuation assumptions is included in Note 3 of our audited consolidated financial statements, “Share-Based Compensation,” included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016. These amounts reflect our accounting expense, and do not correspond to the actual value that will be recognized by the named executive officers.

Outstanding Equity Awards at 2016 Fiscal Year-End

The following table presents information about outstanding options and share awards held by our named executive officers as of March 31, 2016. The table shows information about:

- stock options,
- service-based restricted share units, and
- performance-based restricted share units.

The market value of the share awards is based on the closing price of our ordinary shares as of March 31, 2016, which was \$12.06. Market values shown assume all performance criteria are met at the maximum payout level. For additional information on our equity incentive programs, see the section entitled “*Compensation Discussion and Analysis—Long-Term Incentive Programs—Share-Based Compensation*” of this proxy statement.

Name	Option Awards					Share Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(1)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Michael M. McNamara ...	466,667	—	—	\$11.23	04/17/2016	—	—	—	—
Christopher Collier	—	—	—	—	—	2,310,274(2)	\$11,928,288	2,349,602(3)	\$28,336,200
Francois P. Barbier	—	—	—	—	—	360,908(4)	\$ 3,163,150	443,440(5)	\$ 5,347,886
Jonathan S. Hoak	150,000	—	—	\$ 8.09	02/28/2018	—	—	—	—
Paul Humphries ...	12,500	—	—	\$ 5.57	08/11/2016	—	—	—	—
	2,752	—	—	\$ 5.57	08/11/2016	—	—	—	—
	213,889	—	—	\$ 5.57	08/11/2016	—	—	—	—
	2,539	—	—	\$ 5.57	08/11/2016	—	—	—	—
	872	—	—	\$ 5.57	08/11/2016	—	—	—	—
	392	—	—	\$ 5.57	08/11/2016	—	—	—	—
	585	—	—	\$ 5.57	08/11/2016	—	—	—	—
	19,960	—	—	\$ 5.57	08/11/2016	—	—	—	—
	50,000	—	—	\$ 5.57	08/11/2016	—	—	—	—
	—	—	—	—	—	304,960(10)	\$ 3,677,818	561,240(11)	\$ 6,768,554

- (1) This column includes performance-based restricted share unit awards granted in fiscal years 2014, 2015 and 2016 under our 2010 Equity Incentive Plan. For grants made in fiscal year 2014, 2015 and 2016, 100% of the restricted share unit awards vest after three years, if the performance criteria are met. Vesting of the performance-based awards for 2014 will depend on (a) the Company's total shareholder return versus total shareholder return of the S&P 500 and (b) total shareholder return versus that of an extended EMS group. Vesting of the performance-based awards for 2015 and 2016 will depend on the Company's total shareholder return versus total shareholder return of the constituents of the S&P 500.
- (2) 112,500 shares vest on May 17, 2016; 225,000 shares vest at a rate of 112,500 shares per year for two years, with the next vesting date on May 21, 2016; 273,973 shares vest at a rate of 91,324 shares per year for three years, with the first vesting date on June 26, 2016; 359,504 shares vest at a rate of 89,876 shares per year for four years, with the first vesting date on June 10, 2016; and 1,339,297 shares vest at a rate of 334,824 shares per year for four years, with the first vesting date on October 15, 2016.
- (3) 900,000 shares vest on May 21, 2016 assuming a maximum payout of 200%; 730,594 shares vest on June 26, 2017 assuming a maximum payout of 200%; and 719,008 shares vest on June 10, 2018 assuming a maximum payout of 200%.
- (4) 12,500 shares vest on May 17, 2016; 55,000 shares vest at a rate of 27,500 shares per year for two years, with the next vesting date on May 21, 2016; 90,103 shares vest at a rate of 30,034 shares per year for three years, with the first vesting date on June 26, 2016; 103,305 shares vest at a rate of 25,826 shares per year for four years, with the first vesting date on June 10, 2016; and 100,000 shares vest at a rate of 25,000 shares per year for four years, with the first vesting date on October 15, 2016..

- (5) 220,000 shares vest on May 21, 2016 assuming a maximum payout of 200%; 120,136 shares vest on June 26, 2017 assuming a maximum payout of 200%; and 103,304 shares vest on June 10, 2018 assuming a maximum payout of 200%.
- (6) 37,500 shares vest on May 17, 2016; 87,500 shares vest at a rate of 43,750 shares per year for two years, with the next vesting date on May 21, 2016; 82,595 shares vest at a rate of 27,531 shares per year for three years, with the first vesting date on June 26, 2016; 101,115 shares vest at a rate of 25,279 shares per year for four years, with the first vesting date on June 10, 2016; and 250,000 shares vest at a rate of 62,500 shares per year for four years with the first vesting date on October 15, 2016.
- (7) 350,000 shares vest on May 21, 2016 assuming a maximum payout of 200%; 110,126 shares vest on June 26, 2016 assuming a maximum payout of 200%; and 101,114 shares vest on June 10, 2018 assuming a maximum payout of 200%.
- (8) 18,750 shares vest on May 17, 2016; 37,500 shares vest at a rate of 18,750 shares per year for two years, with the next vesting date on May 21, 2016; 37,543 shares vest at a rate of 12,514 shares per year for three years, with the first vesting date on June 26, 2016; and 53,719 shares vest at a rate of 13,430 shares per year for four years, with the first vesting date on June 10, 2016.
- (9) 150,000 shares vest on May 21, 2016 assuming a maximum payout of 200%; 50,058 shares vest on June 26, 2017 assuming a maximum payout of 200%; and 53,718 shares vest on June 10, 2018 assuming a maximum payout of 200%.
- (10) 33,750 shares vest on May 17, 2016; 87,500 shares vest at a rate of 43,750 shares per year for two years, with the first vesting date on May 21, 2016; 82,595 shares vest at a rate of 27,531 shares per year for three years, with the first vesting date on June 26, 2016; and 101,115 shares vest at a rate of 25,279 shares per year for four years, with the first vesting date on June 10, 2016.
- (11) 350,000 shares vest on May 21, 2016 assuming a maximum payout of 200%; 110,126 shares vest on June 26, 2017 assuming a maximum payout of 200%; and 101,114 shares vest on June 10, 2018 assuming a maximum payout of 200%.

Option Exercises and Shares Vested in Fiscal Year 2016

The following table presents information for each of our named executive officers on (1) stock option exercises during fiscal year 2016, including the number of shares acquired upon exercise and the value realized and (2) the number of shares acquired upon the vesting of share awards in the form of restricted share units during fiscal year 2016 and the value realized, in each case before payment of any applicable withholding tax and broker commissions.

Name	Option Awards		Share Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise \$(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting \$(2)
Michael M. McNamara	7,753,032	\$41,499,680	1,355,324	\$16,699,391
Christopher Collier	475,000	\$ 2,118,283	191,284	\$ 2,345,158
Francois P. Barbier	278,862	\$ 1,924,492	451,631	\$ 5,566,445
Jonathan S. Hoak	—	—	179,639	\$ 2,223,868
Paul Humphries	150,000	\$ 1,563,703	385,381	\$ 4,754,334

- (1) The amounts in this column reflect the aggregate dollar amount realized upon exercise of the options determined by the difference between the market price of the underlying shares at exercise and the exercise price of the options.
- (2) The amounts in this column reflect the aggregate dollar amount realized upon the vesting of restricted share unit awards determined by multiplying the number of ordinary shares underlying such awards by the market value of the underlying shares on the vesting date.

Pension Benefits in Fiscal Year 2016

Our named executive officers do not receive any compensation in the form of pension benefits.

Nonqualified Deferred Compensation in Fiscal Year 2016

Each of our named executive officers participates in our 2010 Deferred Compensation Plan. Our deferred compensation program is intended to promote retention by providing a long-term savings opportunity on a tax-efficient basis. Beginning in fiscal year 2011, we replaced our existing deferred compensation plans with the 2010 Deferred Compensation Plan. Under the 2010 plan, participating officers may defer up to 70% of their base salary and bonus, net of certain statutory and benefit deductions. The Company may make a discretionary matching contribution for these deferrals to reflect limitations on our matching contribution under our 401(k) plan. During fiscal year 2015, the Compensation Committee approved a change to the funding of the deferred compensation program whereby 50% of the funding would be paid as a percent of base salary and 50% would be performance-based. This aligns to the distribution of performance and time-based elements in our other long-term compensation programs. Under this plan, we may make annual contributions, in amounts up to 37.5% of each participant's base salary (subject to offsets for non-U.S. executives' pension and other benefits), which will cliff vest after four years. Amounts credited to the deferral accounts are deemed to be invested in hypothetical investments selected by a participant or an investment manager on behalf of each participant. Participants in the 2010 Deferred Compensation Plan may receive their vested deferred compensation balances upon termination of employment at such time as is specified in their deferral agreements, which may include a lump sum payment or installment payments made over a period of years. Participants also may elect in-service distributions through a lump sum payment or in installments over a period of up to five years.

Prior to fiscal year 2011, Mr. McNamara participated in our senior executive deferred compensation plan, which we refer to as the senior executive plan. Participants in the senior executive plan received long-term deferred bonuses, which were subject to vesting requirements. In addition, a participant was able to defer up to 80% of his salary and up to 100% of his cash bonuses. The deferred compensation was credited to a deferral account established under the senior executive plan for recordkeeping purposes. Amounts credited to the deferral accounts are deemed to be invested in hypothetical investments selected by an investment manager on behalf of each participant. Participants in the senior executive plan may receive their vested deferred compensation balances upon termination of employment either through a lump sum payment or in installments over a period of up to 10 years.

Prior to fiscal year 2011, Messrs. Barbier, Collier and Humphries participated in the Company's senior management deferred compensation plan (referred to as the senior management plan). Under the senior management plan, participants received deferred discretionary contributions, which were subject to vesting requirements. Deferred balances under the senior management plan are deemed to be invested in hypothetical investments selected by the participant or the participant's investment manager. Participants in the senior management plan will receive their vested deferred compensation balances upon termination of employment through a lump sum payment on the later of January 15th of the year following termination and six months following termination. In addition, any unvested portions of the deferral accounts will become 100% vested if the executive's employment is terminated as a result of his or her death.

Under each of the deferred compensation plans, we entered into trust agreements providing for the establishment of irrevocable trusts into which we are required to deposit cash or other assets as specified in the applicable deferral agreement, equal to the aggregate amount required to be credited to the participant's deferral account, less any applicable taxes to be withheld. The deferred account balances of the participants in deferred compensation plans are unfunded and unsecured obligations of the Company, receive no preferential standing, and are subject to the same risks as any of our other general obligations.

For a discussion of the contributions granted to each of the named executive officers and their vesting terms, including vesting upon the executive's termination or a change in control of the Company, see the sections entitled "*Compensation Discussion and Analysis—Long-Term Deferred Compensation Awards*" of this proxy statement and "*Executive Compensation—Potential Payments Upon Termination or Change of Control*" below.

The following table presents information for fiscal year 2016 about: (i) contributions to the named executive officers' deferred compensation plan accounts by the executive; (ii) contributions to the NEOs' deferred compensation plan accounts by the Company; (iii) aggregate earnings (or losses) on the deferred compensation plan accounts; (iv) aggregate withdrawals and distributions from the deferred compensation plan

accounts; and (v) the deferred compensation plan account balances as of the end of the fiscal year. For fiscal year 2016, Messrs. McNamara, Collier, Hoak, and Humphries each received deferred compensation awards averaged about 37.5% of their 2015 respective base salaries.

Nonqualified Deferred Compensation Table

Name	Executive Contributions in Last Fiscal Year (\$)(1)	Registrant Contributions in Last Fiscal Year (\$)(2)	Aggregate Earnings (Losses) in Last Fiscal Year (\$)(3)	Aggregate Withdrawals/ Distributions (\$)(4)	Aggregate Balance at Fiscal Year-End (\$)(5)
Michael M. McNamara	—	\$468,750	\$(751,372)	—	\$16,426,701
Christopher Collier	\$ 7,031	\$243,750	\$ (56,824)	—	\$ 2,101,234
Francois P. Barbier	—	—	\$ (15,343)	\$128,483	\$ 837,290
Jonathan S. Hoak	\$404,150	\$196,875	\$ (33,565)	—	\$ 1,349,970
Paul Humphries	—	\$253,125	\$ (77,261)	\$ 96,842	\$ 1,999,556

- (1) Reflects the salary payments deferred by our named executive officers during the fiscal year. These amounts are included in the Summary Compensation Table under the “Salary” column.
- (2) These amounts represent contributions under the 2010 deferred compensation plan. These awards cliff vest after four years. None of these awards have vested under this plan as of March 31, 2016. These amounts, including any earnings or losses thereon, will be reported under the “Bonus” column of the Summary Compensation Table upon vesting in future years if the executive continues to be a named executive officer. For additional information on these contributions and their vesting terms, including vesting upon the executive’s termination or change in control of the Company, see the sections entitled “*Compensation Discussion and Analysis—Long-Term Deferred Compensation Awards*” of this proxy statement and “*Executive Compensation—Potential Payments Upon Termination or Change of Control.*”
- (3) Reflects earnings (or losses) for each named executive officer on both the vested and unvested portions of the executive’s deferred compensation account(s). The above-market portion of the earnings on the vested portion of the executive’s deferred compensation account(s) is included under the “Change in Pension Value and Nonqualified Deferred Compensation Earnings” column in the Summary Compensation Table. Any earnings that vest in a given year are reported in the “Bonus” column in the Summary Compensation Table.
- (4) The amount in this column reflects distributions made to Messrs. Barbier and Humphries during the fiscal year 2016.
- (5) The amounts in this column have previously been reported in the Summary Compensation Table for this and prior fiscal years as follows: Michael M. McNamara—\$16,426,701; Christopher Collier—\$1,599,851; Francois P. Barbier—\$993,430; Jonathan S. Hoak—\$584,527; and Paul Humphries—\$887,114. The amounts in this column include the following unvested balances related to the respective 2010 deferred compensation plan account of the named executive officers: Michael M. McNamara—\$1,240,268; Christopher Collier—\$452,909; Jonathan S. Hoak—\$374,474; Paul Humphries—\$461,925; and Francois P. Barbier—\$0.

Potential Payments Upon Termination or Change in Control

As described in the section entitled “*Compensation Discussion and Analysis*” of this proxy statement, our named executive officers do not have employment or severance agreements with us. However, our named executive officers are entitled to certain termination and change in control benefits under each executive’s deferred compensation plan and under certain equity awards.

Acceleration of Vesting of Deferred Compensation

If the employment of any participant in the 2010 deferred compensation plan is involuntarily terminated by the Company without cause or is terminated by the executive with good reason within two years following a change in control (as defined in the 2010 deferred compensation plan), the entire unvested portion of the deferred compensation account of the named executive officer will vest.

Acceleration of Vesting of Equity Awards

The number of unvested equity awards held by each named executive officer as of March 31, 2016 is listed above in the Outstanding Equity Awards at 2016 Fiscal Year-End table. All unvested outstanding equity awards held by our named executive officers at the end of fiscal year 2016 were granted under the 2010 Plan, which provide certain benefits to plan participants in the event of the termination of such participant's employment or a change in control of the Company. The terms of these benefits are described below.

Exercise of Stock Options Upon Termination; Treatment of Certain Awards Upon Retirement

Under the terms of the form of award agreement for options granted under the 2010 Plan, if a plan participant ceases to provide services to the Company for any reason other than death, cause (as defined in the plan) or disability (as defined in the plan), then the participant may exercise any options which have vested by the date of such termination within three months of the termination date or such other period not exceeding the term of the option, as determined by the Compensation Committee. If a participant ceases to provide services to the Company because of death or disability, then the participant may exercise any options which have vested by the date of such termination within 12 months of the termination date or such other period not exceeding the term of the option, as determined by the Compensation Committee. All stock options held by a plan participant who is terminated for cause expire on the termination date, unless otherwise determined by the Compensation Committee. In addition, subject to any waiver by the Compensation Committee, all unvested restricted share unit awards and unvested stock options held by a plan participant will be forfeited if the participant ceases to provide services to the Company for any reason. However, certain award agreements for performance-based restricted share unit awards granted under our 2010 Plan provide that if a plan participant ceases to provide services to the Company due to a retirement (meaning a voluntary termination of service after the participant has attained the age of sixty (60) years and completed at least ten (10) years of service as an employee of the Company), then the award will not terminate and a pro-rata number of shares subject to the award shall be issued to the participant upon the vesting of the award agreement pursuant to the original performance criteria. None of our named executive officers are currently eligible for this retirement benefit.

Acceleration of Vesting Upon a Change in Control

Our equity incentive plans are "double trigger" plans, meaning that unvested stock options and unvested restricted share unit awards vest immediately only if (i) there is a change in control of the Company and (ii)(x) such options or awards are not converted, assumed or replaced by the successor or survivor corporation or (y) if provided by the Compensation Committee as described below, the service of the award recipient is involuntarily terminated within a designated period following the effective date of such change in control.

Under the terms of our 2010 Plan, unless otherwise provided in the applicable award agreement or other agreement between the Company and the participant, in the event of a change of control of the Company (as defined in the 2010 Plan) in which the participant's awards are not converted, assumed, or replaced by a successor or survivor corporation, or a parent or subsidiary thereof, then such awards will become fully exercisable and all forfeiture restrictions on such awards will lapse immediately prior to the change of control and, following the consummation of such a change of control, all such awards will terminate and cease to be outstanding.

Where awards under the 2010 Plan are assumed or continued after a change in control, the Compensation Committee may provide that one or more awards will automatically accelerate upon an involuntary termination of service within a designated period (not to exceed eighteen (18) months) following the effective date of such change in control. If the Compensation Committee so determines, any such award will, immediately upon an involuntary termination of service following a change of control, become fully exercisable and all forfeiture restrictions on such award will lapse.

Among our named executive officers, 2,145,778 of Mr. McNamara's unvested restricted share unit awards, 482,628 of Mr. Collier's unvested restricted share unit awards, 589,330 of Mr. Barbier's unvested restricted share unit awards, 274,400 of Mr. Hoak's unvested restricted share unit awards, and 585,580 of Mr. Humphries' unvested restricted share unit awards include the change in control provision described above.

Potential Payments Upon Termination or Change in Control as of March 31, 2016

The following table and accompanying notes show the estimated payments and benefits that would have been provided to each named executive officer as a result of (i) the accelerated vesting of deferred compensation

in the case of a change of control with a termination of employment and (ii) the accelerated vesting of unvested stock options and restricted share unit awards in the event of a change of control if such awards are not assumed by the successor company in connection with the change of control.

Calculations for this table assume that the triggering event took place on March 31, 2016, the last business day of our 2016 fiscal year, and are based on the price per share of our ordinary shares on such date, which was \$12.06. The following table does not include potential payouts under our named executive officers' nonqualified deferred compensation plans relating to vested benefits.

<u>Name</u>	Change in Control with Termination: Accelerated Vesting of Deferred Compensation (1)	Change in Control and No Assumption of Award: Accelerated Vesting of Restricted Share Unit Awards (2)	Total
Michael M. McNamara	\$1,240,268	\$25,878,083	\$27,118,351
Christopher Collier	\$ 452,909	\$ 5,820,494	\$ 6,273,403
Francois P. Barbier	\$ —	\$ 7,107,320	\$ 7,107,320
Jonathan S. Hoak(3)	\$ 374,474	\$ 3,309,264	\$ 3,683,738
Paul Humphries	\$ 461,925	\$ 7,062,095	\$ 7,524,020

- (1) The amount shown for each executive represents the portion of the unvested balance of the executive's deferred compensation account that would vest in the event the executive is terminated by the Company without cause or resigns with good reason following a change in control of the Company (as defined in the 2010 deferred compensation plan). No executive's deferred compensation account will vest upon a change of control (without any termination following such change in control) or upon the executive's death.
- (2) The amounts shown represent the estimated value of the accelerated vesting of restricted share unit awards following a change of control under the terms of our equity incentive plans, which assumes that such restricted share unit awards are not assumed or replaced by the successor corporation or its parent. If such awards are assumed or replaced in a change of control transaction, the vesting of such awards will not accelerate; provided, that the Compensation Committee may determine that awards under the 2010 Plan may be accelerated if the executive is terminated within a certain period (not to exceed 18 months) following a change of control. Performance-based shares may be accelerated based on a pro-rata basis following a change of control. All amounts shown in this column represent the intrinsic value of the awards based on the closing price of our ordinary shares on March 31, 2016, the assumed date of the triggering event.
- (3) On June 20, 2016, Mr. Hoak notified the Company that he was going to retire effective June 30, 2016.

Jon Hoak Separation Agreement

On June 20, 2016, Mr. Hoak notified the Company that he intends to retire from his current role of Executive Vice President and General Counsel effective June 30, 2016. Mr. Hoak has agreed to provide transitional services through June 30, 2017. In anticipation of such transitional services, Mr. Hoak entered into a Separation Agreement and Release (the "Agreement") with the Company. Pursuant to the Agreement, and in consideration for a general release, Mr. Hoak will receive the following from the Company: (1) a payment of Mr. Hoak's quarterly bonus based on actual results for the Company's first quarter of fiscal year 2017; (2) continued vesting and payout of restricted share units, performance share units and the long-term, performance-based cash incentive that are scheduled to vest or be paid (in accordance with actual performance) on or before June 30, 2017; (3) a separation payment of \$1,050,000, to be paid on March 15, 2017; and (4) a payment of approximately \$24,000 in connection with 18 months of COBRA insurance premiums to be paid on December 30, 2016. All of Mr. Hoak's unvested restricted share units, performance share units and long-term, performance-based cash incentives which do not vest on or prior to June 30, 2017 will terminate as of June 30, 2017, and except as described above, Mr. Hoak will not be eligible for an annual incentive bonus for fiscal 2017.

EQUITY COMPENSATION PLAN INFORMATION

As of March 31, 2016, we maintained only our 2010 Plan, which replaced (i) the 2001 Plan, (ii) the 2002 Plan, (iii) our 2004 Award Plan for New Employees, and (iv) the Solectron Corporation 2002 Stock Plan, which we refer to collectively as the Prior Plans. In addition, we maintained the NEXTracker, Inc. 2014 Equity Incentive Plan, which we assumed as part of an acquisition during fiscal year 2016. The following table provides information about equity awards outstanding under these plans as of March 31, 2016.

<u>Plan Category</u>	<u>Number of Ordinary Shares to be Issued Upon Exercise of Outstanding Options and Vesting of Restricted Share Unit Awards</u> (a)	<u>Weighted-Average Exercise Price of Outstanding Options(1)</u> (b)	<u>Number of Ordinary Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Ordinary Shares Reflected in Column (a))</u> (c)
Equity compensation plans approved by shareholders . . .	18,907,863(2)	\$8.44	27,083,703(3)
Equity compensation plans not approved by shareholders(4)(5)(6)(7)	<u>5,512,799(8)</u>	\$4.07	—
Total	<u>24,420,662</u>	<u>\$5.70</u>	<u>27,083,703(3)</u>

- (1) The weighted-average exercise price does not take into account ordinary shares issuable upon the vesting of outstanding restricted share unit awards, which have no exercise price.
- (2) Includes 17,000,076 ordinary shares issuable upon the vesting of restricted share unit awards. The remaining balance consists of ordinary shares issuable upon the exercise of outstanding stock options. For awards subject to market performance criteria, the amount reported reflects the number of shares to be issued if the target level is achieved. An additional 3,423,281 shares would be issued if the maximum market performance level is achieved.
- (3) Consists of ordinary shares available for grant under the 2010 Plan. The 2010 Plan provides for grants of up to 10.0 million ordinary shares, plus ordinary shares available for grant as a result of the forfeiture, expiration or termination of options and restricted share unit awards granted under the Prior Plans (if such ordinary shares are issued under such other stock options or restricted share unit awards, they will not become available under the 2010 Plan) and shares that were available for grant under the Prior Plans at the time of the consolidation of such plans into the 2010 Plan. Each ordinary share that is subject to a stock option is counted against this limit as one share. Each share that is subject to a restricted share unit award is counted against this limit as one and seventy-one hundredths (1.71) shares.
- (4) The 2004 Plan was established in October 2004 and consolidated into the 2010 Plan in 2010. Options granted under the 2004 Plan generally vest over four years and generally expire seven or ten years from the date of grant. Unvested options are forfeited upon termination of employment.
- (5) Our 2002 Plan was adopted by our Board of Directors in May 2002 and consolidated into the 2010 Plan in 2010. Options granted under the 2002 Plan generally have an exercise price of not less than the fair market value of the underlying ordinary shares on the date of grant. Options granted under the 2002 Plan generally vest over four years and generally expire either seven or ten years from the date of grant. Unvested options are forfeited upon termination of employment.
- (6) In connection with the acquisition of Solectron Corporation on October 1, 2007, we assumed the Solectron Plan, including all outstanding options to purchase Solectron Corporation common stock with exercise prices equal to, or less than, \$5.00 per share. Each assumed option was converted into an option to acquire our ordinary shares at the applicable exchange rate of 0.345. As a result, we assumed approximately 7.4 million vested and unvested options with exercise prices ranging from between \$5.45 and \$14.41 per

ordinary share. The Solectron Plan was consolidated into the 2010 Plan in 2010. Options granted under the Solectron Plan generally have an exercise price of not less than the fair value of the underlying ordinary shares on the date of grant. Such options generally vest over four years and generally expire either seven or ten years from the date of grant. Unvested options are forfeited upon termination of employment.

- (7) In connection with the acquisition of NEXTracker, Inc. on September 28, 2015, we assumed the NEXTracker, Inc. 2014 Equity Incentive Plan, including all outstanding options to purchase NEXTracker, Inc common stock with exercise prices equal to, or less than, \$7.34 per share. Each assumed option was converted into an option to acquire our ordinary shares at the applicable exchange rate of 1.4033. As a result, we assumed approximately 5.6 million unvested restricted stock units and unvested options with exercise prices ranging from between \$0.08 and \$10.65 per ordinary share. Options granted under this plan generally have an exercise price less than the fair value of the underlying ordinary shares on the date of grant. The shares generally vest over four years, and options generally expire ten years from the date of grant. Unvested shares are forfeited upon termination of employment.
- (8) Consists of ordinary shares issuable upon the exercise of outstanding stock options.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of June 1, 2016, except as otherwise indicated, regarding the beneficial ownership of our ordinary shares by:

- each shareholder known to us to be the beneficial owner of more than 5% of our outstanding ordinary shares;
- each of our named executive officers;
- each director; and
- all executive officers and directors as a group.

Unless otherwise indicated, the address of each of the individuals named below is: c/o Flextronics International Ltd., No. 2 Changi South Lane, Singapore 486123.

Information in this table as to our directors, named executive officers and all directors and executive officers as a group is based upon information supplied by these individuals and Forms 3, 4, and 5 filed with the SEC. Information in this table as to our greater than 5% shareholders is based solely upon the Schedules 13G filed by these shareholders with the SEC. Where information regarding shareholders is based on Schedules 13G, the number of shares owned is as of the date for which information was provided in such schedules.

Beneficial ownership is determined in accordance with the rules of the SEC that deem shares to be beneficially owned by any person who has or shares voting or investment power with respect to such shares. Ordinary shares subject to options that are currently exercisable or are exercisable within 60 days of June 1, 2016, and ordinary shares subject to restricted share unit awards that vest within 60 days of June 1, 2016 are deemed to be outstanding and to be beneficially owned by the person holding such awards for the purpose of computing the percentage ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated below, the persons and entities named in the table have sole voting and sole investment power with respect to all the shares beneficially owned, subject to community property laws where applicable.

For each individual and group included in the table below, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of the 545,391,885 ordinary shares outstanding on June 1, 2016 plus the number of ordinary shares that such person or group had the right to acquire on or within 60 days after June 1, 2016.

<u>Name and Address of Beneficial Owner</u>	<u>Shares Beneficially Owned</u>	
	<u>Number of Shares</u>	<u>Percent</u>
5% Shareholders:		
Capital Research Global Investors(1) 333 South Hope Street, Los Angeles, CA 90071	63,467,756	11.64%
Boston Partners(2) One Beacon Street, 30 th Floor, Boston, MA 02108	55,864,868	10.24%
Glenview Capital Management, LLC(3) 767 Fifth Avenue, 44 th Floor, New York, NY 10153	55,130,959	10.11%
PRIMECAP Management Company(4) 225 South Lake Ave., #400, Pasadena, CA 91101	48,706,805	8.93%

<u>Name of Beneficial Owner</u>	<u>Shares Beneficially Owned</u>	
	<u>Number of Shares</u>	<u>Percent</u>
Named Executive Officers and Directors:		
Michael M. McNamara(5)	2,578,564	*
Christopher Collier(6)	475,058	*
Paul Humphries(7)	670,782	*
Francois P. Barbier(8)	347,932	*
Jonathan S. Hoak(9)	376,407	*
David Bennett(10)	43,955	*
H. Raymond Bingham(11)	91,050	*
Willy C. Shih(12)	176,989	*
William D. Watkins	38,230	*
Daniel H. Schulman	125,365	*
Lay Koon Tan	85,982	*
Lawrence A. Zimmerman	50,066	*
Michael D. Capellas	32,020	*
Marc A. Onetto(13)	24,019	*
All executive officers and directors as a group (14 persons)(14)	5,116,509	0.94%

* Less than 1%.

- (1) Based on information supplied by Capital Research Global Investors in a Schedule 13G filed with the SEC on January 8, 2016. Capital Research Global Investors has sole voting power and dispositive power over all of these shares.
- (2) Based on information supplied by Boston Partners in an amended Schedule 13G filed with the SEC on March 8, 2016. Boston Partners is deemed to have sole voting power for 45,014,966 of these shares, shared voting power of 152,599 of these shares and sole dispositive power for all of these shares.
- (3) Based on information supplied by Glenview Capital Management LLC (or Glenview) in an amended Schedule 13G filed with the SEC on February 16, 2016. As a result of Glenview serving as an investment manager to various investment companies, and Mr. Lawrence M. Robbins serving as the Chief Executive Officer of Glenview, Glenview and Mr. Robbins may be deemed to share voting and dispositive power over all of these shares.
- (4) Based on information supplied by PRIMECAP Management Company in an amended Schedule 13G filed with the SEC on February 12, 2016. PRIMECAP Management Company has sole voting power over 18,297,372 of these shares and sole dispositive power over all of these shares.

- (5) Includes 181,200 shares issuable upon settlement of restricted share unit awards that vest within 60 days of June 1, 2016.
- (6) Includes 55,860 shares issuable upon settlement of restricted share unit awards that vest within 60 days of June 1, 2016.
- (7) Includes 303,489 shares subject to options presently exercisable and options exercisable within 60 days of June 1, 2016. Also includes 52,810 shares issuable upon settlement of restricted share unit awards that vest within 60 days of June 1, 2016.
- (8) Includes 52,810 shares issuable upon settlement of restricted share unit awards that vest within 60 days of June 1, 2016.
- (9) Includes 150,000 shares subject to options presently exercisable and options exercisable within 60 days of June 1, 2016. Also includes 25,943 shares issuable upon settlement of restricted share unit awards that vest within 60 days of June 1, 2016.
- (10) Includes 28,955 shares issuable upon settlement of restricted share unit awards that vest within 60 days of June 1, 2016.
- (11) Includes 41,295 shares held indirectly by a limited partnership which is owned 100% by trusts, of which Mr. Bingham is a trustee.
- (12) Includes 25,000 shares subject to options presently exercisable and options exercisable within 60 days of June 1, 2016.
- (13) Includes 10,346 shares held indirectly by a living trust, of which Mr. Onetto is a trustee.
- (14) Includes 478,489 shares subject to options presently exercisable within 60 days of June 1, 2016. Also includes 397,578 shares issuable upon settlement of restricted share unit awards that vest within 60 days of June 1, 2016.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Review of Related Person Transactions

Our Code of Business Conduct and Ethics provides guidance for addressing actual or potential conflicts of interests, including those that may arise from transactions and relationships between us and our executive officers or directors. In addition, in order to formalize our policies and procedures for the review, approval or ratification, and disclosure of related person transactions, our Board of Directors adopted a Statement of Policy with Respect to Related Person Transactions. The policy generally provides that the Nominating and Corporate Governance Committee (or another committee comprised solely of independent directors) will review, approve in advance or ratify, all related person transactions between us and any director, any nominee for director, any executive officer, any beneficial owners of more than 5% of our ordinary shares or any immediate family member of any of the foregoing individuals. Under the policy, some ordinary course transactions or relationships are not required to be reviewed, approved or ratified by the applicable Board committee, including, among other things, the following transactions:

- transactions involving less than \$25,000 for any individual related person;
- compensation arrangements with directors and executive officers resulting solely from their service on the Board or as executive officers, so long as such arrangements are disclosed in our filings with the SEC or, if not required to be disclosed, are approved by our Compensation Committee; and
- indirect interests arising solely from a related person's service as a director and/or owning, together with all other related persons, directly or indirectly, less than a 10% beneficial ownership interest in a third party (other than a partnership) which has entered into or proposes to enter into a transaction with us.

We have various procedures in place to identify potential related person transactions, and the Nominating and Corporate Governance Committee works with our management and our Office of General Counsel in reviewing and considering whether any identified transactions or relationships are covered by the policy. Our Statement of Policy with Respect to Related Person Transactions is included in our Guidelines with Regard to Certain Governance Matters, a copy of which is available along with a copy of the Company's Code of Business Conduct and Ethics on the Corporate Governance page of our website at www.flextronics.com.

Transactions with Related Persons

Mr. McNamara, the Company's CEO and a director, has a daughter-in-law, Lacey Ellis, who was employed by the Company in fiscal year 2016 (and presently). Ms. Ellis was employed as an attorney and earned approximately \$148,000 in salary, bonus, share awards, and benefits during fiscal year 2016. The employment and compensation of this family member was approved and established by the Company in accordance the Statement of Policy with Respect to Related Person Transactions as described above and this family member's employment and compensation is in accordance with the Company's employment and compensation practices applicable to employees with equivalent qualifications and responsibilities and holding similar positions.

Other than the foregoing and the compensation agreements and other arrangements described under the sections entitled "*Executive Compensation*" of this proxy statement and "*Non-Management Directors' Compensation for Fiscal Year 2016*" of this proxy statement, during fiscal year 2016, there was not, nor is there currently proposed, any transaction or series of similar transactions to which we are or will be a party:

- in which the amount involved exceeded or will exceed \$120,000; and
- in which any director, nominee, executive officer, holder of more than 5% of our ordinary shares or any member of their immediate family had or will have a direct or indirect material interest.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of our ordinary shares to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms that they file. Based solely on our review of the copies of such forms furnished to us and written representations from our executive officers and directors, we believe that all Section 16(a) filing requirements for the fiscal year ended March 31, 2016 were met, except with respect to two late Form 4 filings concerning one transaction by Mr. Bingham and one transaction by Mr. Lay Koon Tan.

SHAREHOLDER PROPOSALS FOR THE 2017 ANNUAL GENERAL MEETING

Shareholder proposals submitted under SEC Rule 14a-8 and intended for inclusion in the proxy statement for our 2017 annual general meeting of shareholders must be received by us no later than March 13, 2017. Any such shareholder proposals must be mailed to us at 6201 America Center Drive, San Jose, California, 95002, U.S.A., Attention: Chief Executive Officer. Any such shareholder proposals may be included in our proxy statement for the 2017 annual general meeting so long as they are provided to us on a timely basis and satisfy the other conditions set forth in applicable rules and regulations promulgated by the SEC. Shareholder proposals submitted outside the processes of SEC Rule 14a-8 are subject to the requirements of the Companies Act, as described in the following paragraph, and applicable rules and regulations promulgated by the SEC. The proxy designated by us will have discretionary authority to vote on any matter properly presented by a shareholder for consideration at the 2017 annual general meeting of shareholders unless notice of such proposal is received by the applicable deadlines prescribed by the Singapore Companies Act.

Under Section 183 of the Companies Act, registered shareholders representing (i) at least 5% of the total voting rights of all registered shareholders having at the date of the requisition, the right to vote at the meeting to which the requisition relates, or (ii) not fewer than 100 registered shareholders holding shares in the Company on which there has been paid up an average sum of at least \$500 per shareholder may, at their expense (unless the Company resolves otherwise), requisition that we include and give notice of their proposal for the 2017 annual general meeting. Any such requisition must satisfy the requirements of Section 183 of the Singapore Companies Act, and must be signed by all the requisitionists and be deposited at our registered office in Singapore, No. 2 Changi South Lane, Singapore 486123, at least six weeks prior to the date of the 2017 annual general meeting in the case of a requisition requiring notice of a resolution, or at least one week prior to the date of the 2017 annual general meeting in the case of any other requisition.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

Flex incorporates by reference the following sections of our Annual Report on Form 10-K for the fiscal year ended March 31, 2016:

- Item 8, “Financial Statements and Supplementary Data;”
- Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations;” and
- Item 7A, “Quantitative and Qualitative Disclosures About Market Risk.”

SINGAPORE STATUTORY FINANCIAL STATEMENTS

Our Annual Report on Form 10-K for the fiscal year ended March 31, 2016, which was filed with the SEC on May 20, 2016, includes our audited consolidated financial statements, prepared in conformity with accounting principles generally accepted in the United States of America, or U.S. GAAP, together with the Independent Registered Public Accounting Firm’s Report of Deloitte & Touche LLP, our independent auditors for the fiscal year ended March 31, 2016. We publish our U.S. GAAP financial statements in U.S. dollars, which is the principal currency in which we conduct our business.

Our Singapore statutory financial statements, prepared in conformity with the provisions of the Companies Act will be included with the annual report which will be delivered to our shareholders prior to the date of the 2016 annual general meeting, as required under Singapore law.

Our Singapore statutory financial statements include:

- our consolidated financial statements (which are identical to those included in the Annual Report on Form 10-K, described above);
- supplementary financial statements (which reflect solely the Company’s standalone financial results, with our subsidiaries accounted for under the equity method rather than consolidated);
- a Directors’ Statement; and
- the Independent Auditors’ Report of Deloitte & Touche LLP, our Singapore statutory auditors for the fiscal year ended March 31, 2016.

OTHER MATTERS

Our management does not know of any matters to be presented at the 2016 annual general meeting other than those set forth herein and in the notice accompanying this proxy statement. If any other matters are properly presented for a vote at the 2016 annual general meeting, the enclosed proxy confers discretionary authority to the individuals named as proxies to vote the shares represented by proxy, as to those matters.

It is important that your shares be represented at the 2016 annual general meeting, regardless of the number of shares which you hold. **We urge you to promptly execute and return the accompanying proxy card in the envelope which has been enclosed for your convenience.**

Shareholders who are present at the 2016 annual general meeting may revoke their proxies and vote in person or, if they prefer, may abstain from voting in person and allow their proxies to be voted.

We incorporate by reference information from Note 3 to our audited consolidated financial statements for the fiscal year ended March 31, 2016, “Share-Based Compensation,” included in our Annual Report on Form 10-K and the sections entitled “Financial Statements and Supplementary Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosures About Market Risk.” Upon request, we will furnish without charge by first class mail or other equally prompt means

within one business day of receipt of such request, to each person to whom a proxy statement is delivered a copy of our Annual Report on Form 10-K (not including exhibits). You may request a copy of such information, at no cost, by writing or telephoning us at:

**Flextronics International Ltd.
6201 America Center Drive
San Jose, California 95002 U.S.A.
Telephone: (408) 576-7985**

By order of the Board of Directors,



Tay Hong Chin Regina
Company Secretary
July 11, 2016
Singapore

Upon request, we will furnish without charge to each person to whom this proxy statement is delivered a copy of any exhibit listed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016. You may request a copy of this information at no cost, by writing or telephoning us at:

**Flextronics International Ltd.
6201 America Center Drive
San Jose, California 95002 U.S.A.
Telephone: (408) 576-7985**

(This page has been left blank intentionally.)

Company Registration No.

199002645H

THE COMPANIES ACT, CAP. 50

PUBLIC COMPANY LIMITED BY SHARES

CONSTITUTION

of

FLEXTRONICS INTERNATIONAL LTD.

(Adopted by Special Resolution passed on 24 August 2016)

INTERPRETATION

1. In this Constitution, if not inconsistent with the subject or context, the words or symbol standing in the first column of the Table next hereinafter contained shall bear the meanings set opposite to them respectively in the second column thereof: Interpretation.

WORDS		MEANINGS
“The Act”	..	The Companies Act, Cap. 50.
“This Constitution”	..	This Constitution as from time to time altered.
“The Company”	..	The above-named Company by whatever name from time to time called.
“Directors”	..	The Directors for the time being of the Company or such number of them as have authority to act for the Company.
“Director”	..	Includes any person acting as a Director of the Company and includes any person duly appointed and acting for the time being as an Alternate Director.
“Dividend”	..	Includes bonus.
“Member”	..	A registered holder of any shares of the Company; provided, however, that a “Member” shall not include the Company in the holding of its shares as treasury shares, unless otherwise required by the Act.
“month”	..	Calendar month.
“Office”	..	The Registered Office of the Company for the time being.
“paid up”	..	Includes credited as paid up.
“Register”	..	The Register of Members.
“registered address” or “address”	..	In relation to any Member, his physical address for the service or delivery of notices or documents personally or by post, except where otherwise expressly provided in this Constitution.
“Seal”	..	The Common Seal of the Company or in appropriate cases the duplicate Common Seal.

WORDS

MEANINGS

“Secretary”	..	The Secretary or Secretaries appointed under this Constitution and shall include any person appointed by the Directors to perform the duties of Secretary and where two or more persons are appointed to act as Joint Secretaries shall include any one of those persons.
“Singapore”	..	The Republic of Singapore.
“Statutes”	..	The Act and every other act for the time being in force concerning companies and affecting the Company.
“writing”, “written” and “in writing”	..	Written or produced by any substitute for writing or partly one and partly another and shall include (except where otherwise expressly specified in this Constitution or the context otherwise requires, and subject to any limitations, conditions or restrictions contained in the Statutes) any representation or reproduction of words, symbols or other information which may be displayed in a visible form, whether in a physical document or in an electronic communication or form or otherwise howsoever.
“\$”	..	The lawful currency of Singapore.

The expressions “current address”, “electronic communication” and “treasury shares” shall have the meanings ascribed to them respectively in the Act.

Words denoting the singular number only shall include the plural and vice versa.

Words denoting the masculine gender only shall include the feminine gender.

Words denoting persons shall include corporations.

Any reference in this Constitution to “holders” of shares or a class of shares shall, except where otherwise provided, exclude the Company in relation to shares held by it as treasury shares, and “holding” and “held” shall be construed accordingly.

Any reference in this Constitution to any enactment is a reference to that enactment as amended or enacted from time to time.

Save as aforesaid, any word or expression used in the Act and the Interpretation Act, Cap. 1 shall, if not inconsistent with the subject or context, bear the same meaning in this Constitution.

A Special Resolution shall be effective for any purpose for which an Ordinary Resolution is expressed to be required under any provision of this Constitution.

The headnotes and marginal notes are inserted for convenience only and shall not affect the construction of this Constitution.

NAME

- | | | |
|----|-----------------------------------------------------------|-------|
| 2. | The name of the Company is Flextronics International Ltd. | Name. |
|----|-----------------------------------------------------------|-------|

REGISTERED OFFICE

- | | | |
|----|-----------------------------------------------------------|---------|
| 3. | The Office will be situated in the Republic of Singapore. | Office. |
|----|-----------------------------------------------------------|---------|

BUSINESS OR ACTIVITY

4. Subject to the provisions of the Act and any other written law and this Constitution, the Company has:
- (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transaction; and
 - (b) for these purposes, full rights, powers and privileges.
- Business or activity.

PUBLIC COMPANY

5. The Company is a public company. Public Company.

LIABILITY OF MEMBERS

6. The liability of Members is limited. Liability of Members.

SHARES

7. The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act. Treasury Shares.

8. (A) Except as is otherwise expressly permitted by the Act, the Company shall not give, whether directly or indirectly and whether by means of the making of a loan, the giving of a guarantee, the provision of security, the release of an obligation or the release of a debt or otherwise, any financial assistance for the purpose of, or in connection with, the acquisition or proposed acquisition of shares or units of shares in the Company or its holding company. Prohibition against financial assistance.

- (B) Notwithstanding the provisions of article 8(A) but subject to the Act, the Company may purchase or otherwise acquire its issued shares on such terms and in such manner as the Company may from time to time think fit. If required by the Act, any share that is so purchased or acquired by the Company shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. Upon the cancellation of a share, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act. Company may acquire its own issued shares.

9. The Company may issue shares for which no consideration is payable to the Company. Issue of shares for no consideration.

10. Subject to the Statutes and this Constitution, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to the provisions of this Constitution, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time as the Company in General Meeting may approve. Issue of Shares.

11. The rights attached to shares issued upon special conditions shall be clearly defined in this Constitution. Without prejudice to any special right previously conferred on the holders of any existing shares or class of shares but subject to the Statutes and this Constitution, shares in the Company may be issued by the Directors and any such shares may be issued with such preferred, deferred, or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Directors determine. Special Rights.

12. Subject to the provisions of the Act, if at any time the share capital is divided into different classes, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of at least three-fourths of the shares of that class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of shares of that class and to every such Special Resolution the provisions of Section 184 of the Act shall, with such adaptations as are necessary, apply. To every such separate General Meeting the provisions of this Constitution relating to General Meetings shall mutatis mutandis apply; provided, however, that the necessary quorum shall be at least two persons holding or representing by proxy or by attorney no less than one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy or by attorney may demand a poll.

Variation of rights.

13. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by this Constitution as are in force at the time of such issue, be deemed to be varied by the creation or issue of further shares ranking equally therewith.

Creation or issue of further shares with special rights.

14. The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may think fit. Such commission or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or by a combination of cash and fully or partly paid shares.

Power to pay commission and brokerage.

15. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by this Constitution or by law otherwise provided) any other rights in respect of any share, except an absolute right to the entirety thereof in the registered holder.

Exclusion of equities.

16. If two or more persons are registered in the Register as joint holders of any share any one of such persons may give effectual receipts for any dividend payable in respect of such share and the joint holders of a share shall, subject to the provisions of the Act, be severally as well as jointly liable for the payment of all instalments and calls and interest due in respect of such shares. Such joint holders shall be deemed to be one Member and the delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.

Joint holders.

17. No person shall be recognised by the Company as having title to a fractional part of a share or otherwise than as the sole or a joint holder of the entirety of such share.

Fractional part of a share.

18. If by the conditions of allotment of any shares the whole or any part of the amount of the issue price thereof shall be payable by instalments every such instalment shall, when due, be paid to the Company by the person who for the time being shall be the registered holder of the share or his personal representatives, but this provision shall not affect the liability of any allottee who may have agreed to pay the same.

Payment of instalments.

19. The certificate of title to shares in the capital of the Company shall be issued under the Seal or (where required under the Act) the official seal for use abroad, in such form as the Directors shall from time to time prescribe and shall bear (a) the autographic or facsimile signatures of at least one Director and the Secretary or some other person appointed by the Directors where the Seal is affixed, or (b) the autographic or facsimile signature of any person authorised by the Directors where the official seal for use abroad is affixed, and shall specify the number and class of shares to which it relates, whether the shares are fully or partly paid up, and the amount (if any) unpaid thereon. The facsimile signatures may be reproduced by mechanical or other means approved by the Directors.

Share Certificates.

20. Every person whose name is entered as a Member in the Register shall be entitled within two months after allotment or within one month after the lodgement of any transfer to one certificate for all his shares of any one class or to several certificates in reasonable denominations each for a part of the shares so allotted or transferred. Where a Member transfers only part of the shares comprised in a certificate or where a Member requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and the Member shall pay a fee not exceeding \$2/- for each such new certificate as the Directors may determine.

Entitlement to certificate.

21. If any certificate or other document of title to shares or debentures be worn out or defaced, then upon production thereof to the Directors, they may order the same to be cancelled and may issue a new certificate in lieu thereof. For every certificate so issued there shall be paid to the Company a fee not exceeding \$2/- as the Directors may determine. Subject to the provisions of the Statutes and the requirements of the Directors thereunder, if any certificate or document be lost or destroyed or stolen, then upon proof thereof to the satisfaction of the Directors and on such indemnity as the Directors deem adequate being given, and on the payment of a fee not exceeding \$2/- as the Directors may determine, a new certificate or document in lieu thereof shall be given to the person entitled to such lost or destroyed or stolen certificate or document.

New certificates may be issued.

RESTRICTION ON TRANSFER OF SHARES

22. (A) Subject to this Constitution, any Member may transfer all or any of his shares, but every transfer must be in writing and in the usual common form, or in any other form which the Directors may approve. The instrument of transfer of a share shall be signed by the transferor and the witness thereto and shall be effective although not signed or witnessed by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. Shares of different classes shall not be comprised in the same instrument of transfer.

Form of Transfer.

(B) All instruments of transfer which shall be registered shall be retained by the Company, but any instrument of transfer which the Directors may refuse to register shall (except in any case of fraud) be returned to the party presenting the same.

Retention of Transfers.

(C) No share shall in any circumstances be transferred to any infant or bankrupt person or person who is mentally disordered and incapable of managing himself or his affairs.

Infant, bankrupt or mentally disordered.

23. The Directors may, in their absolute discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve; provided, however, that as required by the Act the Directors shall, within 30 days beginning with the day on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal.

Directors' power to decline to register.

24. The Directors may decline to register any instrument of transfer unless:

Instrument of transfer.

- (a) such fee not exceeding \$2/- or such other sum as the Directors may from time to time require under the provisions of this Constitution, is paid to the Company in respect thereof;

- (b) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if any), the certificates of the shares to which the transfer relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person to do the same; and
- (c) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid.

25. The Company shall provide a book to be called “Register of Transfers” which shall be kept under the control of the Directors, and in which shall be entered the particulars of every transfer of shares. Register of Transfers.

26. The Register may be closed at such times and for such periods not exceeding in the aggregate thirty days in any calendar year as the Directors may from time to time determine. Closure of Register.

TRANSMISSION OF SHARES

27. In case of the death of a Member, the survivor or survivors, where the deceased was a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his interest in the shares, but nothing herein shall release the estate of a deceased Member (whether sole or joint) from any liability in respect of any share held by him. Transmission on death.

28. Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member may, upon producing such evidence of title as the Directors shall require, be registered as holder of the share upon giving to the Company notice in writing of such desire or transfer such share to some other person. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered, he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of this Constitution relating to the right to transfer and the registration of transfers shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer executed by such Member. Transmission of shares.

29. Save as otherwise provided by or in accordance with this Constitution a person becoming entitled to a share in consequence of the death or bankruptcy of a Member shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share except that he shall not be entitled in respect thereof to exercise any right conferred by membership in relation to Meetings of the Company until he shall have been registered as a Member in respect of the share. Rights of unregistered executors and trustees.

30. There shall be paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any shares, such fee not exceeding \$2/- as the Directors may from time to time require or prescribe. Fee for registration of probate etc.

CALLS ON SHARES

31. The Directors may from time to time make such calls as they think fit upon the Members in respect of any moneys unpaid on their shares and not by the terms of the issue thereof made payable at fixed times, and each Member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine.

Calls on shares.

32. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.

Time when made.

33. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum due from the day appointed for payment thereof to the time of actual payment at such rate not exceeding ten per cent per annum as the Directors determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

Interest on calls.

34. Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date, shall for all purposes of this Constitution be deemed to be a call duly made and payable on the date, on which, by the terms of issue, the same becomes payable, and in case of non-payment all the relevant provisions of this Constitution as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

Sum due on allotment.

35. The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payments.

Power to differentiate.

36. The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon the shares held by him and such payments in advance of calls shall extinguish, so far as the same shall extend, the liability upon the shares in respect of which it is made, and upon the moneys so received or so much thereof as from time to time exceeds the amount of the calls then made upon the shares concerned, the Company may pay interest at such rate not exceeding ten per cent per annum as the Member paying such sum and the Directors agree upon.

Payment in advance of calls.

FORFEITURE AND LIEN

37. If any Member fails to pay in full any call or instalment of a call on the day appointed for payment thereof, the Directors may at any time thereafter serve a notice on such Member requiring payment of so much of the call or instalment as is unpaid together with any interest and expenses which may have accrued.

Notice requiring payment of calls.

38. The notice shall name a further day (not being less than fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call was made will be liable to be forfeited.

Notice to state time and place.

39. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before the forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.

Forfeiture on non-compliance with notice.

40. A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto, or to any other person, upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposition the forfeiture or surrender may be cancelled on such terms as the Directors think fit. To give effect to any such sale, the Directors may, if necessary, authorise some person to transfer a forfeited or surrendered share to any such person as aforesaid.

Sale of shares forfeited.

41. A Member whose shares have been forfeited or surrendered shall cease to be a Member in respect of the shares, but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were payable by him to the Company in respect of the shares with interest thereon at ten per cent per annum (or such lower rate as the Directors may approve) from the date of forfeiture or surrender until payment, but such liability shall cease if and when the Company receives payment in full of all such money in respect of the shares and the Directors may waive payment of such interest either wholly or in part.

Rights and liabilities of Members whose shares have been forfeited or surrendered.

42. The Company shall have a first and paramount lien and charge on every share (whether fully paid or not) registered in the name of each Member (whether solely or jointly with others) and on the dividends declared or payable in respect thereof for all calls and instalments due on any such share and interest and expenses thereon but such lien shall only be upon the specific shares in respect of which such calls or instalments are due and unpaid and to all dividends from time to time declared in respect of the shares. The Directors may resolve that any share shall for some specified period be exempt from the provisions of this article.

Company's lien.

43. The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after notice in writing stating and demanding payment of the sum payable and of intention to sell in default shall have been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy. To give effect to any such sale, the Directors may authorise some person to transfer the shares sold to the purchaser thereof.

Sale of shares subject to lien.

44. The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

Application of proceeds of such sales.

45. A statutory declaration in writing that the declarant is a Director of the Company and that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts stated therein as against all persons claiming to be entitled to the share, and such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the certificate of proprietorship of the share under Seal or as the case may be, official seal for use abroad delivered to a purchaser or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, surrender, sale, re-allotment or disposal of the share.

Title to shares forfeited or surrendered or sold to satisfy a lien.

ALTERATION OF CAPITAL

46. Subject to any special rights for the time being attached to any existing class of shares, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General Meeting resolving upon the creation thereof shall direct and if no direction be given as the Directors shall determine subject to the provisions of this Constitution and in particular (but without prejudice to the generality of the foregoing) such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company or otherwise.

Rights and privileges of new shares.

47. Except so far as otherwise provided by the conditions of issue or by this Constitution all new shares shall be subject to the provisions of this Constitution with reference to allotments, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

New shares otherwise subject to provisions of this Constitution.

48. (A) The Company may by Ordinary Resolution:

Power to consolidate, subdivide, and redenominate shares.

- (a) consolidate and divide all or any of its shares;
- (b) subdivide its shares or any of them, subject to the provisions of the Act provided, however, that in such sub-division the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and
- (c) subject to the provisions of this Constitution and the Statutes, convert its share capital or any class of shares from one currency to another currency.

(B) The Company may by Special Resolution, subject to and in accordance with the Statutes, convert one class of shares into another class of shares.

Power to convert shares.

49. The Company may by Special Resolution reduce its share capital or any undistributable reserve in any manner, subject to any incident authorised and consent required by law. Without prejudice to the generality of the foregoing and article 8(B), upon cancellation of a share purchased or otherwise acquired by the Company pursuant to this Constitution and the Statutes, the number of issued shares of the Company shall be diminished by the number of the shares so cancelled and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.

Power to reduce capital.

STOCK

50. The Company may by Ordinary Resolution convert any paid up shares into stock and may from time to time by like resolution reconvert any stock into paid up shares.

Power to convert into stock.

51. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same articles as the shares from which the stock arose might have been transferred prior to conversion or as near thereto as circumstances admit but no stock shall be transferable except in such units as the Directors may from time to time determine.

Transfer of stock.

52. The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards dividend and return of capital and the assets on winding up) shall be conferred by the number of stock units which would not if existing in shares have conferred that privilege or advantage; and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.

Rights of stockholders.

53. All of the provisions of this Constitution that are applicable to paid up shares shall apply to stock and the words “share” and “shareholder” or similar expressions herein shall include “stock” or “stockholder”.

Interpretation.

GENERAL MEETINGS

54. (A) Subject to the provisions of the Act the Company shall in each year hold an Annual General Meeting in addition to any other meetings in that year and not more than fifteen months shall elapse between the date of one Annual General Meeting of the Company and that of the next. Provided that so long as the Company holds its First Annual General Meeting within eighteen months of its incorporation, it need not hold it in the year of its incorporation or in the following year.

Annual General Meeting.

(B) All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings.

Extraordinary General Meetings.

(C) The time and place of any General Meeting shall be determined by the Directors.

Time and place.

55. The Directors may, whenever they think fit, convene an Extraordinary General Meeting and Extraordinary General Meetings shall also be convened on such requisition or, in default, may be convened by such requisitionists, as provided by Section 176 of the Act. If at any time there are not within Singapore sufficient Directors capable of acting to form a quorum at a meeting of Directors, any Director may convene an Extraordinary General Meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

Calling Extraordinary General Meetings.

NOTICE OF GENERAL MEETINGS

56. Subject to the provisions of the Act as to Special Resolutions and special notice, at least fourteen days’ notice in writing (exclusive both of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every General Meeting shall be given in the manner hereinafter mentioned to such persons (including the Auditors) as are under the provisions herein contained entitled to receive notice from the Company. Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:

Notice of Meetings.

- (a) in the case of an Annual General Meeting by all the Members entitled to attend and vote thereat; and
- (b) in the case of an Extraordinary General Meeting by that number or majority in number of the Members having a right to attend and vote thereat, as is required by the Act.

Provided also that the accidental omission to give notice to, or the non-receipt by any person entitled thereto shall not invalidate the proceedings at any General Meeting.

57. (A) Every notice calling a General Meeting shall specify the place and the day and hour of the Meeting, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and to vote instead of him and that a proxy need not be a Member of the Company.

Contents of notice.

(B) In the case of an Annual General Meeting, the notice shall also specify the Meeting as such.

(C) In the case of any General Meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of the business; and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.

Notice of General Meeting for special business and Special Resolutions.

58. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes: Routine business.
- (a) Declaring dividends;
 - (b) Reading, considering and laying the financial statements, the Directors' statement and Auditor's report, and other documents required to be attached to the financial statements;
 - (c) Appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise; and
 - (d) Appointing or re-appointing the Auditor and fixing the remuneration of the Auditor or determining the manner in which such remuneration is to be fixed.

PROCEEDINGS AT GENERAL MEETINGS

59. No business shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be Members holding in aggregate not less than 33 1/3 per cent of the total number of issued and fully paid shares in the capital of the Company for the time being, present in person or by proxy. For the purpose of this article, "Member" includes a person attending by proxy or by attorney or as representing a corporation which is a Member. Quorum.

60. If within half an hour from the time appointed for the Meeting a quorum is not present, the Meeting if convened on the requisition of Members shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such other time and place as the Directors may determine, and if at such adjourned Meeting a quorum is not present within fifteen minutes from the time appointed for holding the Meeting, the Meeting shall be dissolved. No notice of any such adjournment as aforesaid shall be required to be given to the Members. Adjournment if quorum not present.

61. Subject to the provisions of the Act, a resolution in writing signed by every Member of the Company entitled to vote or being a corporation by its duly authorised representative shall have the same effect and validity as an Ordinary Resolution of the Company passed at a General Meeting duly convened, held and constituted, and may consist of several documents in the like form, each signed by one or more of such Members. Resolution in writing.

62. The Chairman of the Board of Directors shall preside as chairman at every General Meeting. If there be no such Chairman or if at any Meeting he be not present within fifteen minutes after the time appointed for holding the Meeting or be unwilling to act, the Members present shall choose some Director to be chairman of the Meeting or, if no Director be present or if all the Directors present decline to take the chair, one of their number present, to be chairman of the Meeting. Chairman.

63. The chairman of any General Meeting may, with the consent of any Meeting at which a quorum is present (and shall if so directed by the Meeting) adjourn the Meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned Meeting except business which might lawfully have been transacted at the Meeting from which the adjournment took place. When a Meeting is adjourned for thirty days or more (or sine die), notice of the adjourned Meeting shall be given as in the case of the original Meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned Meeting. Adjournment.

64. At any General Meeting a resolution put to the vote of the Meeting shall be decided on a show of hands unless a poll be (before or on the declaration of the result of the show of hands) demanded:

Method of voting.

- (a) by the chairman of the Meeting;
- (b) by not less than three Members who are entitled to vote at the meeting and who are present in person or by proxy or by attorney or in the case of a corporation by a representative;
- (c) by any Member or Members present in person or by proxy or by attorney or in the case of a corporation by a representative and representing not less than five per cent. of the total voting rights of all the Members having the right to vote at the Meeting; or
- (d) by any Member or Members present in person or by proxy or by attorney or in the case of a corporation by a representative, holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than five per cent. of the total sum paid up on all the shares conferring that right.

Unless a poll be so demanded (and the demand be not withdrawn) a declaration by the chairman of the Meeting that a resolution has been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. A demand for a poll may be withdrawn.

65. If a poll be duly demanded (and the demand be not withdrawn) it shall be taken in such manner (including the use of ballot or voting papers) as the Chairman may direct and the result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded. The Chairman may, and if so directed by the Meeting shall, appoint scrutineers and may adjourn the Meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

Taking a poll.

66. If any votes be counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same Meeting or at any adjournment thereof and not in any case unless it shall in the opinion of the Chairman be of sufficient magnitude.

Votes counted in error.

67. In the case of equality of votes, whether on a show of hands or on a poll, the chairman of the Meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.

Chairman's casting vote.

68. A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the Meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately.

Time for taking a poll.

69. The demand for a poll shall not prevent the continuance of a Meeting for the transaction of any business, other than the question on which the poll has been demanded.

Continuance of business after demand for a poll.

VOTES OF MEMBERS

70. Subject to this Constitution and to any special privileges or restrictions as to voting attached to any special class of shares hereinafter issued every Member who is entitled to vote and who is present in person or by proxy or attorney or in the case of a corporation by a representative shall:

Voting rights of Members.

- (a) on a show of hands, have one vote. Provided always that in the case of a Member who is represented by two proxies, only one of the two proxies as determined by that Member or, failing such determination, by the chairman of the Meeting (or by a person authorised by him) in his sole discretion, shall be entitled to vote on a show of hands; and
- (b) on a poll, have one vote for every share of which he holds or represents.

71. Where there are joint registered holders of any share any one of such persons may vote and be reckoned in a quorum at any Meeting either personally or by proxy or by attorney or in the case of a corporation by a representative as if he were solely entitled thereto and if more than one of such joint holders be so present at any Meeting that one of such persons so present whose name stands first in the Register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this article be deemed joint holders thereof.

Voting rights of joint holders.

72. A Member with mental disorder or whose person or estate is liable to be dealt with in any way under the law relating to mental disorders may vote whether on a show of hands or on a poll by his committee, curator bonis or such other person as properly has the management of his estate and any such committee, curator bonis or other person may vote by proxy or attorney, provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than forty-eight hours before the time appointed for holding the Meeting.

Voting rights of Members with mental disorder.

73. Subject to the provisions of this Constitution and the Act, every Member shall be entitled to be present and to vote at any General Meeting either personally or by proxy or by attorney or in the case of a corporation by a representative and to be reckoned in a quorum in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid.

Right to vote.

74. No objection shall be raised as to the admissibility of any vote except at the Meeting or adjourned Meeting at which the vote objected to is given or tendered and every vote not disallowed at such Meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman of the Meeting whose decision shall be final and conclusive.

When objection to admissibility of votes may be made.

75. On a poll votes may be given either personally or by proxy or by attorney or in the case of a corporation by its representative and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Vote on a poll.

76. (A) A Member may appoint more than two proxies to attend and vote at the same General Meeting.

Appointment of proxies.

(B) In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(C) An instrument appointing a proxy shall be in writing and:

Execution of Proxies.

(a) in the case of an individual shall be:

- (i) signed by the appointor or by his attorney if the instrument is delivered personally or sent by post; or
- (ii) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and

(b) in the case of a corporation shall be:

- (i) either under the common seal or signed on its behalf by an attorney or by a duly authorised officer of the corporation if the instrument is delivered personally or sent by post; or
- (ii) authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.

The Directors may, for the purposes of articles 76(C)(a)(ii) and 76(C)(b)(ii), designate procedures for authenticating any such instrument, and any such instrument not so authenticated by the use of such procedures shall be deemed not to have been received by the Company.

(D) The signature on, or authorisation of, such instrument need not be witnessed. Where an instrument appointing a proxy is signed or authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to article 78, failing which the instrument may be treated as invalid.

Witness and authority.

(E) The Directors may, in their absolute discretion:

- (a) approve the method and manner for an instrument appointing a proxy to be authorised; and
- (b) designate the procedure for authenticating an instrument appointing a proxy,

Directors may approve method and manner, and designate procedure, for electronic communications.

as contemplated in articles 76(C)(a)(ii) and 76(C)(b)(ii) for application to such Members or class of Members as they may determine. Where the Directors do not so approve and designate in relation to a Member (whether of a class or otherwise), article 76(C)(a)(i) and/or (as the case may be) article 76(C)(b)(i) shall apply.

77. A proxy need not be a Member of the Company.

Proxy need not be a Member.

78. (A) An instrument appointing a proxy or the power of attorney or other authority, if any:

Deposit of proxies.

- (a) if sent personally or by post, shall be deposited at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the Meeting or adjourned Meeting (or, if no place is so specified, at the Office); or
- (b) if submitted by electronic communication, shall be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the Meeting or adjourned Meeting,

and in either case, not less than forty-eight hours before the time appointed for the holding of the Meeting or adjourned Meeting or (in the case of a poll taken otherwise than at or on the same day as the Meeting or adjourned Meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid unless the Directors otherwise determine. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the Meeting as for the Meeting to which it relates; Provided always that an instrument of proxy or the power of attorney or other authority, if any, relating to more than one Meeting (including any adjournment thereof) having once been so delivered in accordance with this article 78 for the purposes of any Meeting shall not be required again to be delivered for the purposes of any subsequent Meeting to which it relates.

(B) The Directors may, in their absolute discretion, and in relation to such Members or class of Members as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in article 78(A)(b). Where the Directors do not so specify in relation to a Member (whether of a class or otherwise), article 78(A)(a) shall apply.

Directors may specify means for electronic communications.

79. An instrument appointing a proxy shall be in the following form with such variations if any as circumstances may require or in such other form as the Directors may accept and shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the Meeting:

Form of proxies.

FLEXTRONICS INTERNATIONAL LTD.

“I/We,
“of
“a Member/Members of the above-named Company hereby appoint
“of
“or whom failing
“of
“to vote for me/us and on my/our behalf
“at the (Annual, Extraordinary or Adjourned,
“as the case may be) General Meeting of
“the Company to be held on the day
“of and at every adjournment
“thereof.
“As Witness my hand this day of
“20 ”

An instrument appointing a proxy shall, unless the contrary is stated thereon be valid as well for any adjournment of the Meeting as for the Meeting to which it relates and need not be witnessed.

80. A vote given in accordance with the terms of an instrument of proxy (which for the purposes of this Constitution shall also include a power of attorney) shall be valid notwithstanding the previous death or mental disorder of the principal or revocation of the proxy, or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided always that no intimation in writing of such death, mental disorder, revocation or transfer shall have been received by the Company at the Office (or such other place as may be specified for the deposit of instruments appointing proxies) before the commencement of the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the proxy is used.

Intervening death or mental disorder of principal not to revoke proxy.

81. Any corporation that is a Member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any Meeting of the Company or of any class of Members of the Company and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Member of the Company and such corporation shall for purposes of this Constitution (but subject to the Act) be deemed to be present in person at any such Meeting if the person so authorised is present thereat.

Corporations acting by representatives.

DIRECTORS

82. Subject to the other provisions of Section 145 of the Act, the number of the Directors, all of whom shall be natural persons, shall not be less than two nor, unless otherwise determined by the Company in General Meeting, more than eleven.

Number of Directors.

83. A Director need not be a Member and shall not be required to hold any share qualification unless and until otherwise determined by the Company in General Meeting but shall be entitled to attend and speak at General Meetings.

Qualification.

84. Subject to Section 169 of the Act, the remuneration of the Directors shall be determined from time to time by the Company in General Meeting, and shall be divisible among the Directors in such proportions and manner as they may agree and in default of agreement equally, except that in the latter event any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for the proportion of remuneration related to the period during which he has held office.

Remuneration of Directors.

85. The Directors shall be entitled to be repaid all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or General Meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.

Travelling expenses.

86. Any Director who is appointed to any executive office or serves on any committee or who otherwise performs or renders services, which in the opinion of the Directors are outside his ordinary duties as a Director, may, subject to Section 169 of the Act, be paid such extra remuneration as the Directors may determine.

Extra Remuneration.

87. (A) Other than the office of Auditor, a Director may hold any other office or place of profit under the Company and he or any firm of which he is a member may act in a professional capacity for the Company in conjunction with his office of Director for such period and on and to such terms (as to remuneration and otherwise) as the Directors may determine. Subject to the Act, no Director or intending Director shall be disqualified by his office from contracting or entering into any arrangement with the Company either as vendor, purchaser or otherwise nor shall such contract or arrangement or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established.

Power of Directors to hold office of profit and to contract with Company.

(B) Every Director shall observe the provisions of Section 156 of the Act relating to the disclosure of the interests of the Directors in transactions or proposed transactions with the Company or of any office held or property possessed by a Director which might create duties or interests in conflict with his duties or interests as a Director. Subject to such disclosure as required under the Act, a Director shall be entitled to vote in respect of any transaction or proposed transaction in which he is interested and he shall be taken into account in ascertaining whether a quorum is present.

Directors to observe Section 156 of the Act.

(C) Where applicable, the provisions of this article 87 shall apply mutatis mutandis to the Chief Executive Officer of the Company.

88. (A) A Director may be or become a director of or hold any office or place of profit (other than as Auditor) or be otherwise interested in any company in which the Company may be interested as vendor, purchaser, shareholder or otherwise and unless otherwise agreed shall not be accountable for any fees, remuneration or other benefits received by him as a director or officer of or by virtue of his interest in such other company.

Holding of office in other companies.

(B) The Directors may exercise the voting power conferred by the shares in any company held or owned by the Company in such manner and in all respects as the Directors think fit in the interests of the Company (including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors of such company or voting or providing for the payment of remuneration to the directors of such company) and any such Director of the Company may vote in favour of the exercise of such voting powers in the manner aforesaid notwithstanding that he may be or be about to be appointed a director of such other company.

Directors may exercise voting power conferred by Company's shares in another company.

CHIEF EXECUTIVE OFFICERS

89. The Directors may from time to time appoint one or more of their body to be Chief Executive Officer or Chief Executive Officers (or the equivalent position or positions) of the Company and may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their places. Appointment of the Chief Executive Officer.
90. A Chief Executive Officer (or a person holding an equivalent position) who is a Director shall not, while he continues to hold that office, be subject to retirement by rotation unless the Board of Directors determines otherwise at its sole discretion, at any time, and he shall not be taken into account in determining the number of Directors to retire by rotation but he shall, subject to the provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and if he ceases to hold the office of Director from any cause he shall ipso facto and immediately cease to be a Chief Executive Officer (or hold such equivalent position). Resignation, retirement and removal of the Chief Executive Officer.
91. Subject to Section 169 of the Act, the remuneration of a Chief Executive Officer (or a person holding an equivalent position) shall from time to time be fixed by the Directors and may, subject to this Constitution, be by way of salary or commission or participation in profits or by any or all of such modes. Remuneration of the Chief Executive Officer.
92. The Directors may from time to time entrust to and confer upon a Chief Executive Officer (or a person holding an equivalent position) for the time being such of the powers exercisable under this Constitution by the Directors as they may think fit and may confer such powers for such time and to be exercised on such terms and conditions and with such restrictions as they think expedient and they may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers. Powers of the Chief Executive Officer.

VACATION OF OFFICE OF DIRECTORS

93. The office of a Director shall be vacated in any one of the following events, namely: Vacation of office of Director.
- (a) if he becomes prohibited from being a Director by reason of any order made under the Act;
 - (b) if he ceases to be a Director by virtue of any of the provisions of the Act or this Constitution;
 - (c) subject to Section 145 of the Act, if he resigns by writing under his hand left at the Office;
 - (d) if he shall have a bankruptcy order made against him or if he shall make any arrangement or composition with his creditors generally;
 - (e) if he becomes mentally disordered and incapable of managing himself or his affairs or if in Singapore or elsewhere an order shall be made by any court claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a guardian or for the appointment of a receiver or other person (by whatever name called) to exercise powers with respect to his property or affairs; or
 - (f) if he be absent from meetings of the Directors for a continuous period of six months without leave from the Directors and the Directors resolve that his office be vacated.

94. At each Annual General Meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not more than one-third) shall retire from office by rotation. Provided, however, that no Director holding office as Chief Executive Officer (or an equivalent position) shall be subject to retirement by rotation unless otherwise determined in accordance with article 90 or be taken into account in determining the number of Directors to retire.

Retirement of Directors by rotation.

95. The Directors to retire in every year shall be those subject to retirement by rotation who have been longest in office since their last re-election or appointment. As between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

Selection of Directors to retire.

96. The Company at the Meeting at which a Director retires under any provision of this Constitution may by Ordinary Resolution fill the office being vacated by electing thereto the retiring Director or some other person eligible for appointment. In default, the retiring Director shall be deemed to have been re-elected except in any of the following cases:

Filling vacated office.

- (a) where at such Meeting it is expressly resolved not to fill such office or a resolution for the re-election of such Director is put to the Meeting and lost;
- (b) where such Director has given notice in writing to the Company that he is unwilling to be re-elected; or
- (c) where the default is due to the moving of a resolution in contravention of article 98.

The retirement shall not have effect until the conclusion of the Meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the Meeting and lost and accordingly a retiring Director who is re-elected or deemed to have been re-elected will continue in office without a break.

97. In accordance with the provisions of Section 152 of the Act, the Company may by Ordinary Resolution of which special notice has been given remove any Director before the expiration of his period of office, notwithstanding anything in this Constitution or in any agreement between the Company and such Director but without prejudice to any claim he may have for damages for breach of any such agreement. The Company in General Meeting may appoint another person in place of a Director so removed from office and any person so appointed shall be treated for the purpose of determining the time at which he or any other Director is to retire by rotation as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director. In default of such appointment, the vacancy so arising may be filled by the Directors as a casual vacancy.

Removal of Directors.

98. At any General Meeting of the Company, a motion for the appointment of two or more persons as Directors by a single resolution shall not be made unless a resolution that it shall be so moved has first been agreed to by the Meeting without any vote being given against it, and any resolution passed in contravention of this provision shall be void.

Appointment of two or more persons as Directors.

99. Subject to the Act, no person other than a Director retiring at the General Meeting shall, unless recommended for election by the Directors, be eligible for appointment as a Director at any General Meeting unless a Member shall lodge at the Office a written notice of the proposed nomination not less than 45 days (exclusive of the date on which the notice is given) prior to the first anniversary of the date on which the Company first mailed its proxy statement for the prior year's Annual General Meeting. Such notice shall set forth (a) as to each person whom the Member proposes to nominate for election or re-election as a Director, all information relating to such person that may be required to be disclosed under applicable laws governing the Company's solicitations for proxies for election of Directors (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); and (b) as to the Member giving the notice, all information relating to such Member that may be required to be disclosed under applicable laws governing the Company's solicitations of proxies for election of Directors (including such person's name and address, as they appear on the Register of Members of the Company). The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as a Director. Notwithstanding the foregoing, in the case of a person recommended by the Directors for election, seven clear days' notice only shall be necessary.

Notice of intention to appoint Director.

100. The Directors shall have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with this Constitution. Any person so appointed by the Directors shall hold office only until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such Meeting.

Directors' power to fill casual vacancies and to appoint additional Director.

ALTERNATE DIRECTORS

101. (A) Any Director may at any time by writing under his hand and deposited at the Office or delivered at a meeting of the Directors appoint any person to be his Alternate Director and may in like manner at any time terminate such appointment.

Appointment of Alternate Directors.

(B) A Director or any other person may act as an Alternate Director to represent more than one Director and such Alternate Director shall be entitled at Directors' meetings to one vote for every Director whom he represents in addition to his own vote if he is a Director.

Voting and Capacity.

(C) The appointment of an Alternate Director shall ipso facto determine on the happening of any event which if he were a Director would render his office as a Director to be vacated and his appointment shall also determine ipso facto if his appointor ceases for any reason to be a Director.

Determination of appointment of Alternate Directors.

(D) An Alternate Director shall be entitled to receive notices of meetings of the Directors and to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present and generally, if his appointor is absent from Singapore or is otherwise unable to act as such Director, to perform all functions of his appointment as a Director (except the power to appoint an Alternate Director) and to sign any resolution in accordance with the provisions of article 107.

Powers of Alternate Directors.

(E) An Alternate Director shall not be taken into account in reckoning the minimum or maximum number of Directors allowed for the time being under this Constitution but he shall be counted for the purpose of reckoning whether a quorum is present at any meeting of the Directors attended by him at which he is entitled to vote. Provided, however, that he shall not constitute a quorum under article 104 if he is the only person present at the meeting notwithstanding that he may be an Alternate to more than one Director.

Quorum.

(F) An Alternate Director may be repaid by the Company such expenses as might properly be repaid to him if he were a Director and he shall be entitled to receive from the Company such proportion (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct, but save as aforesaid he shall not in respect of such appointment be entitled to receive any remuneration from the Company.

Alternate Directors' remuneration.

(G) An Alternate Director shall not be required to hold any share qualification.

No share qualification.

PROCEEDINGS OF DIRECTORS

102. (A) The Directors may meet together for the despatch of business, adjourn or otherwise regulate their meetings as they think fit. Subject to the provisions of this Constitution questions arising at any meeting shall be determined by a majority of votes and in case of an equality of votes the Chairman of the meeting shall have a second or casting vote.

Meetings of Directors.

(B) The Directors may hold or participate in a meeting of the Directors by means of a conference telephone or a video conference telephone or similar communications equipment whereby all persons participating in the meeting can hear and be heard by all other participants at the same time. Such participation shall constitute presence in person. Any such meeting shall be deemed to be held at the place where the person taking the minutes of the meeting is situated or at such place otherwise agreed upon by the Directors attending such meeting, provided that at least one of the Directors present at the meeting was at such place otherwise agreed upon for the duration of the meeting. The Directors participating in any such meeting shall be counted in the quorum for such meeting and subject to there being a requisite quorum under this Constitution, all resolutions agreed to by the Directors in such meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the Directors duly convened and held.

Participation in a meeting by conference telephone or video conference telephone.

(C) In the case of a meeting which is not held in person, the fact that a Director is taking part in the meeting must be made known to all the other Directors taking part and no Director may disconnect or cease to take part in the meeting unless he makes known to all other Directors taking part that he is ceasing to take part in the meeting.

103. A Director may and the Secretary on the requisition of a Director shall at any time summon a meeting of the Directors.

Convening meetings of Directors.

104. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed at any other number shall be two. A meeting of the Directors at which a quorum is present shall be competent to exercise all the powers and discretions for the time being exercisable by the Directors.

Quorum.

105. The continuing Directors may act notwithstanding any vacancies but if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with this Constitution the continuing Directors or Director may act for the purpose of filling up such vacancies or of summoning General Meetings of the Company but not for any other purpose. If there be no Directors or Director able or willing to act, then any two Members may summon a General Meeting for the purpose of appointing Directors.

Proceedings in case of vacancies.

106. The Directors may from time to time elect from their number a Chairman and if desired a Deputy Chairman and determine the period for which he is or they are to hold office. The Deputy Chairman will perform the duties of the Chairman during the Chairman's absence for any reason. The Chairman and in his absence the Deputy Chairman shall preside as Chairman at meetings of the Directors but if no such Chairman or Deputy Chairman be elected or if at any meeting the Chairman and the Deputy Chairman be not present within five minutes after the time appointed for holding the same, the Directors present shall choose one of their number to be chairman of such meeting.

Chairman and Deputy Chairman.

107. A resolution in writing signed by all the Directors for the time being and being not less than are sufficient to form a quorum shall be as effective as a resolution passed at a meeting of the Directors duly convened and held, and may consist of several documents in the like form each signed by one or more of the Directors. Provided, however, that, when a Director has appointed an Alternate Director, the Director or (in lieu of the Director) his Alternate may sign. The expressions "in writing" and "signed" include approval by any such Director by telefax or any form of electronic communication approved by the Directors for such purpose from time to time, which incorporates, as the Directors deem necessary, the use of security and/or identification procedures and devices approved by the Directors.

Resolutions in writing.

108. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on them by the Directors.

Power to appoint committees.

109. The meetings and proceedings of any such committee consisting of two or more members shall be governed mutatis mutandis by the provisions of this Constitution regulating the meetings and proceedings of the Directors, so far as the same are applicable and are not superseded by any regulations made by the Directors under the last preceding article.

Proceedings at committee meetings.

110. All acts done by any meeting of Directors or of a committee of Directors or by any person acting as Director shall, as regards all persons dealing in good faith with the Company, notwithstanding that there was some defect in the appointment of any such Director or person acting as aforesaid or that they or any of them were disqualified or had vacated office or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director and had been entitled to vote.

Validity of acts of Directors in spite of some formal defect.

GENERAL POWERS OF THE DIRECTORS

111. The business of the Company shall be managed by, or under the direction or supervision of the Directors who (in addition to the powers and authorities by this Constitution or otherwise expressly conferred upon them) may exercise all such powers and do all such acts and things as may be exercised or done by the Company and are not hereby or by the Act expressly directed or required to be exercised or done by the Company in General Meeting and in particular and without prejudice to the generality of the foregoing the Directors may at their discretion exercise every borrowing power vested in the Company by this Constitution or permitted by law together with collateral power of hypothecating the assets of the Company including any uncalled or called but unpaid capital; provided, however, that the Directors shall not carry into effect any proposals for disposing of the whole or substantially the whole of the Company's undertaking or property unless those proposals have been approved by the Company in General Meeting.

General powers of Directors to manage Company's business.

112. (A) The Directors may from time to time by power of attorney under the Seal or as the case may be, the official seal for use abroad appoint any company, firm or person or any fluctuating body of persons whether nominated directly or indirectly by the Directors to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under this Constitution) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with such attorney as the Directors may think fit and may also authorise any such attorney to subdelegate all or any of the powers, authorities and discretions vested in him.

Power to appoint attorneys.

(B) The Company or the Directors on behalf of the Company may in exercise of the powers in that behalf conferred by the Act cause to be kept a Branch Register or Registers of Members and the Directors may (subject to the provisions of the Act) make and vary such regulations as they may think fit in respect of the keeping of any such Branch Register.

Registers.

113. All cheques, promissory notes, drafts, bills of exchange, and other negotiable or transferable instruments and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by Resolution determine.

Cheques, etc.

BORROWING POWERS

114. Subject as hereinafter provided and to the provisions of the Act, the Directors may borrow or raise money from time to time for the purpose of the Company or secure the payment of such sums as they think fit and may secure the repayment or payment of such sums by mortgage or charge upon all or any of the property or assets of the Company or by the issue of debentures or otherwise as they may think fit.

Directors' borrowing powers.

SECRETARY

115. The Secretary or Secretaries shall and a Deputy or Assistant Secretary or Secretaries may be appointed by the Directors for such term, at such remuneration and upon such conditions as they may think fit, and any Secretary, Deputy or Assistant Secretary so appointed may be removed by them, but without prejudice to any claim he may have for damages for breach of any contract of service between him and the Company. The appointment and duties of the Secretary or Secretaries shall not conflict with the provisions of the Act and in particular Section 171 thereof.

Secretary.

SEAL

116. (A) The Directors shall provide for the safe custody of the Seal and the official seal for use abroad, which shall only be used by the authority of the Directors or a committee of Directors authorised by the Directors in that behalf.

Seal.

(B) Every instrument to which the Seal shall be affixed shall (subject to the provisions of this Constitution as to certificates for shares) be signed by a Director and shall be countersigned by the Secretary or by a second Director or by some other person appointed by the Directors in place of the Secretary for the purpose.

Affixing Seal.

(C) The Company may exercise the powers conferred by the Act with regard to having an official seal for use abroad, and such powers shall be vested in the Directors. For the avoidance of doubt, the affixation of the official seal need not comply with the signature requirements prescribed by article 116(B), and need only comply with the execution formalities prescribed under the Act.

Official seal.

(D) The Company may have a duplicate Seal as referred to in Section 124 of the Act which shall be a facsimile of the Seal with the addition on its face of the words "Share Seal".

Share Seal.

AUTHENTICATION OF DOCUMENTS

117. Any Director or the Secretary or any person appointed by the Directors for the purpose shall have power to authenticate any documents affecting the Constitution of the Company and any resolutions passed by the Company or the Directors, and any books, records, documents, accounts and financial statements relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts; and where any books, records, documents, accounts or financial statements are elsewhere than at the Office, the local manager and other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid.

Power to authenticate documents.

118. A document purporting to be a copy of a resolution of the Directors or an extract from the minutes of a meeting of Directors which is certified as such in accordance with the provisions of the last preceding article shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such extract is a true and accurate record of a duly constituted meeting of the Directors.

Certified copies of resolution of the Directors.

DIVIDENDS

119. The Company may by Ordinary Resolution declare dividends but (without prejudice to the powers of the Company to pay interest on share capital as hereinbefore provided) no dividend shall be payable except out of the profits of the Company, or in excess of the amount recommended by the Directors.

Declaration of dividends.

120. Subject to the rights of holders of shares with special rights as to dividend (if any), all dividends shall be declared and paid according to the amounts paid on the shares in respect whereof the dividend is paid, but (for the purposes of this article only) no amount paid on a share in advance of calls shall be treated as paid on the share. All dividends shall be apportioned and paid pro rata according to the amount paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

Apportionment of dividends.

121. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may pay the fixed preferential dividends on any express class of shares carrying a fixed preferential dividend expressed to be payable on a fixed date on the half-yearly or other dates (if any) prescribed for the payment thereof by the terms of issue of the shares, and subject thereto may also from time to time pay to the holders of any other class of shares interim dividends thereon of such amounts and on such dates as they may think fit.

Payment of preference and interim dividends.

122. No dividend or other moneys payable on or in respect of a share shall bear interest against the Company.

Dividends not to bear interest.

123. The Directors may deduct from any dividend or other moneys payable to any Member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or in connection therewith.

Deduction of debts due to Company.

124. The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect subject of which the lien exists.

Retention of dividends on shares subject to lien.

125. The Directors may retain the dividends payable on shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member or which any person under those provisions is entitled to transfer until such person shall become a Member in respect of such shares or shall duly transfer the same.

Retention of dividends on shares pending transmission.

126. The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture.

Unclaimed dividends or other moneys.

127. The Company may, upon the recommendation of the Directors, by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other company or in any one or more of such ways; and the Directors shall give effect to such Resolution and where any difficulty arises in regard to such distribution, the Directors may settle the same as they deem expedient and in particular may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as the Directors may deem expedient.

Payment of dividend in specie.

128. Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the Member or person entitled thereto, or, if several persons are registered as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder to any one of such persons or to such persons and such address as such persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque if purporting to be endorsed or the receipt of any such person shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

Dividends payable by cheque.

129. A transfer of shares shall not pass the right to any dividend declared on such shares before the registration of the transfer.

Effect of transfer.

RESERVES

130. The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for meeting contingencies or for the gradual liquidation of any debt or liability of the Company or for repairing or maintaining the works, plant and machinery of the Company or for special dividends or bonuses or for equalising dividends or for any other purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also without placing the same to reserve carry forward any profits which they may think it not prudent to divide.

Power to carry profit to reserve.

BONUS ISSUES AND CAPITALISATION OF PROFITS AND RESERVES

131. The Company may, upon the recommendation of the Directors, by Ordinary Resolution:
- (a) issue bonus shares, for which no consideration is payable to the Company, to the Members holding shares in the Company in proportion to their then holdings of shares; and/or
 - (b) capitalise any sum for the time being standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution, provided that such sum is not required for paying the dividends on any shares carrying a fixed cumulative preferential dividend and accordingly that the Directors be authorised and directed to appropriate the sum resolved to be capitalised to the Members holding shares in the Company in the proportions in which such sum would have been divisible amongst them had the same been applied or been applicable in paying dividends and to apply such sum on their behalf either in or towards paying up the amounts (if any) for the time being unpaid on any shares held by such Members respectively, or in paying up in full new shares or debentures of the Company, such shares or debentures to be allotted and distributed and credited as fully paid up to and amongst such Members in the proportion aforesaid or partly in one way and partly in the other.

Power to issue free bonus shares and/or to capitalise reserves.

132. Whenever such a resolution as aforesaid shall have been passed, the Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue and/or capitalisation with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all the Members interested into an agreement with the Company providing for any such bonus issue and/or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all such Members.

Power of Directors to give effect to bonus issues and/or capitalisations.

MINUTES AND BOOKS

133. The Directors shall cause minutes to be made in books to be provided for the purpose:
- (a) of all appointments of officers made by the Directors;
 - (b) of the names of the Directors present at each meeting of Directors and of any committee of Directors; and
 - (c) of all resolutions and proceedings at all Meetings of the Company and of any class of Members, of the Directors and of committees of Directors.

Minutes.

134. The Directors shall duly comply with the provisions of the Act and in particular the provisions in regard to registration of charges, created by or affecting property of the Company, in regard to keeping the Register, a Register of Mortgages and Charges and a Register of Directors' Share and Debenture Holdings and in regard to the production and furnishing of copies of such Registers and of any Register of Holders of Debentures of the Company.

Keeping of Registers, etc.

135. Any register, index, minute book, book of accounts or other book required by this Constitution or by the Act to be kept by or on behalf of the Company may be kept either by making entries in bound books or by recording them in any other manner. In any case in which bound books are not used, the Directors shall take adequate precautions for guarding against falsification and for facilitating discovery.

Form of registers, etc.

FINANCIAL STATEMENTS

136. The Directors shall cause to be kept such accounting and other records as are necessary to comply with the provisions of the Act and shall cause those records to be kept in such manner as to enable them to be conveniently and properly audited.

Directors to keep proper accounts.

137. Subject to the provisions of Section 199 of the Act, the books of accounts shall be kept at the Office or at such other place or places as the Directors think fit within Singapore. No Member (other than a Director) shall have any right of inspecting any account or book or document or other recording of the Company except as is conferred by law or authorised by the Directors or by an Ordinary Resolution of the Company.

Location and inspection.

138. In accordance with the provisions of the Act, the Directors shall cause to be prepared and to be laid before the Company in General Meeting such financial statements, balance sheets, reports, statements and other documents as may be necessary.

Presentation of financial statements.

139. A copy of the financial statements and, if required, the balance sheet (including every document required by law to be attached thereto), which is duly audited and which is to be laid before the Company in General Meeting accompanied by a copy of the Auditor's report thereon, shall not less than fourteen days before the date of the Meeting be sent to every Member of the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or under this Constitution. Provided always that this article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware or to more than one of the joint holders of a share in the Company or the several persons entitled thereto in consequence of the death or bankruptcy of a holder or otherwise but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.

Copies of financial statements.

AUDITORS

140. Auditors shall be appointed and their duties regulated in accordance with the provisions of the Act. Every Auditor of the Company shall have a right of access at all times to the accounting and other records of the Company and shall make his report as required by the Act.

Appointment of Auditors.

141. Subject to the provisions of the Act, all acts done by any person acting as an Auditor shall, as regards all persons dealing in good faith with the Company, be valid, notwithstanding that there was some defect in his appointment or that he was at the time of his appointment not qualified for appointment.

Validity of acts of Auditors.

142. The Auditors shall be entitled to attend any General Meeting and to receive all notices and other communications relating to any General Meeting to which any Member is entitled and to be heard at any General Meeting on any part of the business of the Meeting which concerns them as Auditors.

Auditors entitled to attend General Meetings.

NOTICES

143. (A) Any notice or document (including a share certificate) may be served on or delivered to any Member by the Company either personally or by sending it through the post in a prepaid cover addressed to such Member at his registered address appearing in the Register of Members. Where a notice or other document is served or sent by post, service or delivery shall be deemed to be effected at the time when the cover containing the same is posted and in proving such service or delivery it shall be sufficient to prove that such cover was properly addressed, stamped and posted.

Service of notice.

(B) Without prejudice to the provisions of article 143(A), but subject otherwise to the Act and any regulations made thereunder relating to electronic communications, any notice or document (including, without limitation, any accounts, balance-sheet, financial statements or report) which is required or permitted to be given, sent or served under the Act or under this Constitution by the Company, or by the Directors, to a Member may be given, sent or served using electronic communications:

Electronic communications.

- (a) to the current address of that person; or
- (b) by making it available on a website prescribed by the Company from time to time,

in accordance with the provisions of this Constitution, and/or any other applicable regulations or procedures.

(C) For the purposes of article 143(B) above, a Member shall be deemed to have agreed to receive such notice or document by way of such electronic communications and shall not have a right to elect to receive a physical copy of such notice or document.

Implied consent.

(D) Notwithstanding article 143(C) above, the Directors may, at their discretion, at any time give a Member an opportunity to elect within a specified period of time whether to receive such notice or document by way of electronic communications or as a physical copy, and a Member shall be deemed to have consented to receive such notice or document by way of electronic communications if he was given such an opportunity and he failed to make an election within the specified time, and he shall not in such an event have a right to receive a physical copy of such notice or document.

Deemed consent.

(E) Where a notice or document is given, sent or served by electronic communications:

When notice given by electronic communications deemed served.

- (a) to the current address of a person pursuant to article 143(B)(a), it shall be deemed to have been duly given, sent or served at the time of transmission of the electronic communication by the email server or facility operated by the Company or its service provider to the current address of such person (notwithstanding any delayed receipt, non-delivery or “returned mail” reply message or any other error message indicating that the electronic communication was delayed or not successfully sent), unless otherwise provided under the Act and/or any other applicable regulations or procedures; and
- (b) by making it available on a website pursuant to article 143(B)(b), it shall be deemed to have been duly given, sent or served on the date on which the notice or document is first made available on the website, or unless otherwise provided under the Act and/or any other applicable regulations or procedures.

(F) Where a notice or document is given, sent or served to a Member by making it available on a website pursuant to article 143(B)(b), the Company shall give separate notice to the Member of the publication of the notice or document on that website and the manner in which the notice or document may be accessed by any one or more of the following means:

Notice to be given of service on website.

- (a) by sending such separate notice to the Member personally or through the post pursuant to article 143(A); and/or
- (b) by sending such separate notice to the Member using electronic communications to his current address pursuant to article 143(B)(a).

(G) Notwithstanding this article 143, if the Company has a registered class of security under Section 12 of the United States Securities Exchange Act of 1934, as amended, any manner of furnishing notices and documents using electronic communications must comply with applicable rules of the United States Securities and Exchange Commission, including Rule 14a-16 under the United States Securities Exchange Act of 1934.

144. All notices and documents (including a share certificate) with respect to any shares to which persons are jointly entitled shall be given to whichever of such persons is named first on the Register and notice so given shall be sufficient notice to all the holders of such shares.

Service of notices in respect of joint holders.

145. Subject to article 143(B), any Member with a registered address shall be entitled to have served upon him at such address any notice to which he is entitled under this Constitution.

Members shall be served at registered address.

146. A person entitled to a share in consequence of the death or bankruptcy of a Member or otherwise upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, and upon supplying to the Company also an address for the service of notice, shall be entitled to have served upon or delivered to him at such address any notice or document to which the Member but for his death or bankruptcy or otherwise would be entitled and such service or delivery shall for all purposes be deemed a sufficient service or delivery of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share. Save as aforesaid any notice or document delivered or sent by post to or left at the registered address of any Member or given, sent or served to any Member using electronic communications in pursuance of this Constitution shall (notwithstanding that such Member be then dead or bankrupt or otherwise not entitled to such share and whether or not the Company have notice of the same) be deemed to have been duly served or delivered in respect of any share registered in the name of such Member as sole or first-named joint holder.

Service of notices after death, bankruptcy etc.

147. Any notice on behalf of the Company or of the Directors shall be deemed effectual if it purports to bear the signature of the Secretary or other duly authorised officer of the Company, whether such signature is printed or written.

Signature on notice.

148. When a given number of days' notice or notice extending over any other period is required to be given the day of service shall, unless it is otherwise provided or required by this Constitution or by the Act, not be counted in such number of days or period.

Day of service not counted.

149. (A) Notice of every General Meeting shall be given in the manner hereinbefore authorised to:

Persons entitled to receive notice of General Meeting.

- (a) every Member;
- (b) every person entitled to a share in consequence of the death or bankruptcy or otherwise of a Member who but for the same would be entitled to receive notice of the Meeting; and
- (c) the Auditor for the time being of the Company.

(B) No other person shall be entitled to receive notices of General Meetings.

150. The provisions of articles 143, 147 and 148 shall apply mutatis mutandis to notices of meetings of Directors or any committee of Directors.

Notice of meetings of Directors or any committee of Directors.

WINDING UP

151. If the Company is wound up (whether the liquidation is voluntary, under supervision, or by the Court) the Liquidator may, with the authority of a Special Resolution, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds and may for such purpose set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The Liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of Members as the Liquidator with the like authority thinks fit and the liquidation of the Company may be closed and the Company dissolved but so that no Member shall be compelled to accept any shares or other securities in respect of which there is a liability.

Distribution of assets in specie.

INDEMNITY

152. Subject to the provisions of and so far as may be permitted by the Act and the Statutes, every Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred or to be incurred by him in the execution and discharge of his duties (including, without limitation, where he serves at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture or other enterprise) or in relation thereto. Without prejudice to the generality of the foregoing, no Director, Secretary or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same shall happen through his own negligence, willful default, breach of duty or breach of trust.

Indemnity of Directors and officers.

SECRECY

153. No Member shall be entitled to require discovery of or any information respecting any detail of the Company's trade or any matter which may be in the nature of a trade secret, mystery of trade or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors it will be inexpedient in the interest of the Members of the Company to communicate to the public save as may be authorised by law.

Secrecy.

PERSONAL DATA

154. (A) A Member who is a natural person is deemed to have consented to the collection, use and disclosure of his personal data (whether such personal data is provided by that Member or is collected through a third party) by the Company (or its agents or service providers) from time to time for any of the following purposes:

Personal data of Members.

- (a) implementation and administration of any corporate action by the Company (or its agents or service providers);
- (b) internal analysis and/or market research by the Company (or its agents or service providers);

- (c) investor relations communications by the Company (or its agents or service providers);
- (d) administration by the Company (or its agents or service providers) of that Member's holding of shares in the Company;
- (e) implementation and administration of any service provided by the Company (or its agents or service providers) to its Members to receive notices of meetings, annual reports and other shareholder communications and/or for proxy appointment, whether by electronic means or otherwise;
- (f) processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for any General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to any General Meeting (including any adjournment thereof);
- (g) implementation and administration of, and compliance with, any provision of this Constitution;
- (h) compliance with any applicable laws, listing rules, take-over rules, regulations and/or guidelines; and
- (i) purposes which are reasonably related to any of the above purposes.

(B) Any Member who appoints a proxy and/or representative for any General Meeting and/or any adjournment thereof is deemed to have warranted that where such Member discloses the personal data of such proxy and/or representative to the Company (or its agents or service providers), that Member has obtained the prior consent of such proxy and/or representative for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy and/or representative for the purposes specified in articles 154(A)(f) and 154(A)(h), and is deemed to have agreed to indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of such Member's breach of warranty.

Personal data of proxies and/or representatives.

WE, the several persons whose names, addresses and descriptions are subscribed, are desirous of being formed into a Company in pursuance of this Memorandum of Association and respectively agree to take the number of shares in the capital of the Company set opposite our respective names:

**NAMES, ADDRESSES AND
DESCRIPTION OF SUBSCRIBERS**

Number of shares taken by each Subscriber.

Sgd. LUCIEN WONG YUEN KUAI
39 Chancery Lane,
#01-13, Villa Chancery,
Singapore 1130.

ONE ORDINARY SHARE

Advocate & Solicitor

TOTAL NUMBER OF SHARES TAKEN

ONE ORDINARY SHARE

c/f.. ONE ORDINARY SHARE

Dated this 31st day of May 1990.

Witness to the above signature:

Sgd. JUNE LOW FUI SIAN
Advocate & Solicitor,
c/o Allen & Gledhill,
Advocates & Solicitors,
36 Robinson Road,
#18-01 City House,
Singapore 0106.

WE, the several persons whose names, addresses and descriptions are subscribed, are desirous of being formed into a Company in pursuance of this Memorandum of Association and respectively agree to take the number of shares in the capital of the Company set opposite our respective names:

**NAMES, ADDRESSES AND
DESCRIPTION OF SUBSCRIBERS**

Number of shares taken by each Subscriber.

b/f..

ONE ORDINARY SHARE

Sgd. CHOO WAI HONG
21 Stevens Drive,
#03-21 Robin Heights,
Singapore 1025.

ONE ORDINARY SHARE

Advocate & Solicitor

TOTAL NUMBER OF SHARES TAKEN

TWO ORDINARY SHARE

Dated this 31st day of May 1990.

Witness to the above signature:

Sgd. JUNE LOW FUI SIAN
Advocate & Solicitor,
c/o Allen & Gledhill,
Advocates & Solicitors,
36 Robinson Road,
#18-01 City House,
Singapore 0106.

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

Form 10-K

(Mark One)

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

For the fiscal year ended March 31, 2016
Or

**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**

486123
(Zip Code)

(Address of registrant's principal executive offices)

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 No

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 No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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.

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 Accelerated filer Non-accelerated filer Smaller reporting company

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

As of September 25, 2015, the aggregate market value of the Company's ordinary shares held by non-affiliates of the registrant was approximately \$5.8 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 11, 2016
Ordinary Shares, No Par Value	542,802,845

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts into Which Incorporated
Proxy Statement to be delivered to shareholders in connection with the Registrant's 2016 Annual General Meeting of Shareholders	Part III

TABLE OF CONTENTS

	<u>Page</u>
PART I	
Forward-Looking Statements	3
Item 1. Business	3
Item 1A. Risk Factors	14
Item 1B. Unresolved Staff Comments	27
Item 2. Properties	27
Item 3. Legal Proceedings	27
Item 4. Mine Safety Disclosures	27
PART II	
Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities	27
Item 6. Selected Financial Data	30
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	31
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	48
Item 8. Financial Statements and Supplementary Data	49
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	107
Item 9A. Controls and Procedures	107
Item 9B. Other Information	109
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	109
Item 11. Executive Compensation	109
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters	109
Item 13. Certain Relationships and Related Transactions, and Director Independence	109
Item 14. Principal Accountant Fees and Services	109
PART IV	
Item 15. Exhibits and Financial Statement Schedules	109
Signatures	115

PART I FORWARD-LOOKING STATEMENTS

Unless otherwise specifically stated, references in this report to “Flex,” “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.

ITEM 1. BUSINESS

OVERVIEW

We are a globally-recognized, leading provider of innovative design, engineering, manufacturing, and supply chain services and solutions that span *from sketch to scale*[™]; from conceptual sketch to full-scale production. We design, build, ship and service complete packaged consumer and industrial products for original equipment manufacturers (“OEMs”), through our activities in the following segments:

- High Reliability Solutions (“HRS”), which is comprised of our medical business including consumer health, digital health, disposables, drug delivery, diagnostics, life sciences and imaging equipment; our automotive business, including vehicle electronics, connectivity, and clean technologies; and our defense and aerospace businesses, focused on commercial aviation, defense and military;
- Consumer Technologies Group (“CTG”), which includes our mobile devices business, including smart phones; our consumer electronics business, including connected living, wearable electronics including digital sport, game consoles, and connectivity devices; and our high-volume computing business, including various supply chain solutions for notebook personal computers (“PC”), tablets, and printers; in addition, our CTG group is expanding its business relationships to include supply chain optimization for non-electronics products such as shoes and clothing;
- Industrial and Emerging Industries (“IEI”), which is comprised of semiconductor and capital equipment, office solutions, household industrial and lifestyle, industrial automation and kiosks, energy and metering, and lighting; and
- Communications & Enterprise Compute (“CEC”), formerly referred to as Integrated Network Solutions (“INS”), which includes radio access base stations, remote radio heads, and small cells for wireless infrastructure; optical, routing, broadcasting, and switching products for the data and video networks; server and storage platforms for both enterprise and cloud based deployments; next generation storage and security appliance products; and rack level solutions, converged infrastructure and software defined product solutions.

We provide our advanced design, manufacturing and supply chain services through a network of over 100 facilities in approximately 30 countries across four continents. We have established this extensive network of design and manufacturing facilities in the world’s major consumer electronics and industrial products markets (Asia, the Americas, and Europe) in order to serve the outsourcing needs of both multinational and regional OEMs. Our services increase our customers’ 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, 2016, we had revenue of \$24.4 billion and net income of \$444.1 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, and industrial campuses in low-cost geographies provide us with a competitive advantage and strong differentiation in the market for designing, manufacturing, and servicing consumer electronics and industrial 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, and supply chain predictability and real time visibility, which enable them to accelerate product launches, enter new markets, mitigate risks, and improve free cash flow.

Our business has been subject to seasonality, primarily due to our mobile devices and consumer electronics markets exposure, which are part of our CTG segment, which historically exhibit particular strength generally in the last two quarters of the calendar year in connection with the holiday season.

We recognized research and development costs primarily related to our design and innovations businesses of \$75.5 million, \$35.2 million, and \$30.0 million for the fiscal years ended March 31, 2016, 2015 and 2014, respectively.

INDUSTRY OVERVIEW

Our expertise is in the design, manufacture, and supply services for a broad range of products; as such, the closest definition of our industry is the outsourced Electronics Manufacturing Services ("EMS") industry. EMS has experienced significant change and growth as an increasing number of companies elect to outsource some or all of their design, manufacturing, and after-market services requirements. In recent years, we have seen an increased level of diversification by many companies, primarily in the technology sector. Companies that have historically identified themselves as software providers, internet service providers, or e-commerce retailers are entering the highly competitive and rapidly evolving hardware markets, with products including mobile devices, home entertainment and wearable devices. This trend has resulted in significant changes to the hardware manufacturing and supply chain solutions requirements of such companies. Increasingly complex products require highly customized supply chain solutions, in turn resulting in significant changes to the overall manufacturing and supply chain landscape. The growth of the overall industry for calendar year 2015 is estimated to have been around 6%.

We believe the total available market for the EMS industry is poised for continued growth, with current penetration rates estimated to be less than 30%. The intensely competitive nature of the electronics industry, the increasing complexity and sophistication of electronics products, and pressure on OEMs to reduce product costs and shorten product life cycles are all factors that encourage OEMs to utilize supply chain 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 a number of important benefits through their strategic relationships with EMS providers, including:

- Improved efficiency and 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 largely driven by the need for 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 EMS

providers to win additional business from OEMs in markets or industry segments that have yet to substantially utilize such providers.

SERVICE OFFERINGS

We offer a broad range of customizable services to OEMs. We believe that Flex has the broadest worldwide end-to-end supply chain solution capabilities in the industry, from concept design resources to aftermarket services. We believe a key competitive advantage is the Flex Platform, which is our system for improving customer competitiveness by providing superior speed, scope, and scale:

- *Speed:* Our sophisticated supply chain management tools and expertise allow us to provide customers with access to real-time information that increases visibility throughout the entire product lifecycle, reducing risk while accelerating execution.
- *Scope:* Our end-to-end services, *from sketch to scale*[™], include design and innovation services, engineering, logistics, and supply chain management. Our deep industry knowledge and multi-domain expertise accelerates the entire process of producing increasingly complex products for increasingly interconnected industries.
- *Scale:* Our physical infrastructure includes over 100 facilities in approximately 30 countries, staffed by approximately 200,000 employees, providing our customers with truly global scale and strategic geographic distribution capabilities.

We offer 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 extensive experience in specific markets, we have developed deep understanding of complex market dynamics, giving us the ability to anticipate trends that impact our customers' businesses. Our expertise can help improve our customers' market positioning by effectively adjusting product plans and roadmaps to efficiently and cost-effectively deliver high quality products that meet their time-to-market requirements.

Our services include all processes necessary to design, build, ship and service complete packaged consumer electronics and industrial products for our OEM customers. These services include:

Innovation Services. We provide a comprehensive set of services that enable companies, from startups to multinationals, to successfully innovate, create new products and solutions, and gain access to new markets. These services span the entire product introduction and solution lifecycle by providing access to new technologies, accelerating product development from early concepts to final production-ready design, and providing advanced manufacturing and testing for new product introduction and market access to grow our customers' offerings. We launched the Silicon Valley Open Innovation Initiative to create an ecosystem of customers, suppliers and design tool makers to drive new product innovation technologies that improve productivity, cost and time-to-market. As part of this initiative, we founded the Silicon Valley Open Innovation Summit.

In fiscal year 2016, we continued to expand our Innovation Centers worldwide and further enhanced our flagship Customer Innovation Center in Silicon Valley. Our innovation services include:

- *Innovations Labs.* Innovation Labs is a design and engineering organization that specializes in supporting customer design and product development services from early concept stages, with the ability to accommodate highly ambiguous requirements. Customers gain access to our design and engineering facilities, technical subject matter expertise, and rapid prototyping resources such as metal and plastic 3D printers and soft tooling capabilities.
- *Collective Innovation Platform.* The Collective Innovation Platform is an ecosystem of qualified technology solutions that helps customers reduce time-to-market and enhance product functionality by leveraging technology building blocks that have been qualified by Flex as part our technology Centers of Excellence. By joining the Flex Collective Innovation Program, technology providers can monetize their investments and gain access to our large, global customer base. Program members include technology suppliers, startups, software/application providers, research labs/institutes and universities.
- *Lab IX.* A startup accelerator program that invests in the next generation of disruptive technologies, giving startups a competitive advantage by providing them the necessary resources and connections to

grow their business. By bringing together startups, OEMs and technology partners, we provide Lab IX portfolio companies with access to our global end-to-end supply chain solutions, our wealth of experience in hardware design, our manufacturing services and logistics across a wide range of markets, and additional benefits from our specialized partners.

- *Centers of Excellence.* Centers of Excellence provide strategic technology capabilities developed by Flex in critical solutions areas which are leveraged across multiple industries, for integration into our customers' products. Centers of Excellence include Human Machine Interface, Wireless and Connectivity, Semiconductors, Sensors and Actuators, Power and Battery Management, Smart Software, Flexible Technology, Computing, and Mechanicals and Plastics.
- *Interconnect Technology Center.* The Interconnect Technology Center provides expertise in both rigid and flexible circuits for next generation printed circuits technology, testing methods, and designs. The Center's state-of-the-art labs are specifically designed for printed circuit innovation, with a focus on embedded components, integration and transfer, wearable and stretchable design, thermal management, system integration and simulation.
- *CloudLabs.* The CloudLabs initiative provides cloud infrastructure companies with engineering and design services to optimize rack-level solutions, especially in the case of multi-vendor equipment integration. CloudLabs enables customers to accelerate a spectrum of cloud, converged infrastructure, and datacenter strategies.

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

- Contract Design Services, where customers purchase engineering and development services on a time and materials basis; or
- Joint Development Manufacturing Services, where our 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, 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, including 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 leveraging robust, internally-developed tools and databases. These services leverage our core manufacturing competencies to help our customers achieve their time-to-revenue goals.
- *Component Level Development Engineering.* We have developed substantial engineering competencies for product development and lifecycle management of various component technologies, such as 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 physically smaller products, they increasingly require more sophisticated manufacturing technologies and processes. Our investment in advanced manufacturing equipment and our 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, and 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 dynamic customer 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. 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 improved overall 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, manufacturing, and environmental services 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 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, 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 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 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, spaces, and plated holes (called vias) which interconnect the different layers into an extremely dense circuit network that carries the electrical signals between components. As semiconductor designs become more complex and signal speeds increase, there is an increasing demand for higher density integration on printed circuit boards, requiring higher layer counts, finer lines and spacings, smaller vias (microvias) and base materials with 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 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 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 Every Layer Inter Connect (“ELIC”) technology, which is widely 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 quickly 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. This drove operational efficiencies, and resulted in an optimization of our system, which will reduce 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 is a key player 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 the 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 and smart power.

Logistics. Our Flex Global Services business is a provider of after-market supply chain logistics services. Our comprehensive suite of services is tailored to customers operating in the computing, consumer digital, infrastructure, industrial, mobile and medical markets. Our expansive global infrastructure includes 27 sites and approximately 11,000 employees strategically located throughout the Americas, Europe, and Asia. By leveraging our operational infrastructure, supply chain network, and IT systems, we are able to offer our customers globally consistent logistics solutions. By linking the flow of information from these supply chains, we create supply chain insight for 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 use globally consistent processes, which help increase our customers’ brand loyalty by improving turnaround times and raising end-customer satisfaction levels. Our objective is to maximize asset value retention for our customers’ products throughout their product life cycle while simultaneously

minimizing non-value added 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 providing critical feedback to their supply chain constituents, 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 build intelligent products for a connected world. We do this by providing our customers with end-to-end product development services, from innovation, design, and engineering, to manufacturing, logistics, and supply chain solutions. We strive to help create a smarter, more connected world, enabling simpler, richer lives through technology. 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.

Talent. To maintain our competitiveness and world-class capabilities, we focus on hiring and retaining the world's best talent. We empower talented employees to develop global supply chain solutions that transform industries and companies. We have taken steps to attract the best functional and operational leaders and have accelerated efforts to develop the future leaders of the company.

Customer-Focus. We believe that serving aspiring leaders in dynamic industries fosters 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 that are leaders in their industry and value our superior capabilities in design, manufacturing, supply chain and aftermarket services. We focus our energy and efforts on high-growth markets where we have distinctive competence and compelling value propositions. Examples include our investments in energy, healthcare, automotive, industrial markets, and a number of enabling components technologies. Our market-focused approach to managing our business increases our customers' competitiveness by leveraging our deep industry expertise, as well as global scale and sensitivity and rapid response 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, IP, and assets contribute to our 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 such 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 expansion of our product and service offerings. We strive to maintain the efficiency and flexibility of our organization, with repeatable execution that adapts to macro-economic changes providing clear value to our customers, while increasing their 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 that enable improved supply chain visibility, allowing customers to

better monitor and mitigate risks. We believe the following capabilities further 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 \$22.6 billion of materials during our fiscal year ended March 31, 2016. 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 consumer electronics and industrial markets to serve the outsourcing needs of both multinational and regional OEMs. Our extensive global network of over 100 facilities in approximately 30 countries with approximately 200,000 employees, helps increase our customers' competitiveness by simplifying their global product development processes while delivering improved product quality with improved performance and accelerated time to market.

End-to-End Solutions. We offer a comprehensive range of worldwide supply chain services that simplify and improve global product development processes, providing 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 help our customers improve product quality, manufacturability and performance, while 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, and 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 history and reputation of creating value for our customers while increasing their own competitiveness. We achieve this through our market-focused approach, our broad range of service offerings and solutions, and our deep industry expertise, which allow us to provide innovative solutions to all of the manufacturing and related service needs of our customers. We continue to receive numerous service and quality awards that further validate the strength of our customer relationships.

Extensive Design and Engineering Capabilities. We have an industry-leading global design service offering, with extensive product design engineering resources, that provides design services, product developments, 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 *sketch to scale*[™] 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.

Geographic, Customer and End Market Diversification. We believe we have created a well-diversified and balanced company. Our business spans multiple end markets, significantly expanding our total available market. The world is experiencing rapid changes, and macro-economic disruptions have led to demand shifts and realignments. We believe that we are well-positioned through our market diversification to grow faster than the industry average and successfully navigate through difficult economic times. Our broad geographic footprint and experiences with multiple product types and complexity levels create a significant competitive advantage. We continually look for new ways to diversify our offering within each market segment.

Customer and 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), and 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 an automation applications team. Another key feature is our focus on confidentiality and security as we offer dedicated customer-confidential work spaces that provide increased security and restricted access to protect our OEM customers' intellectual property

(“IP”) and the confidentiality of new products being launched into the marketplace. These innovation centers offer our customers a geographically-focused version of our *sketch to scale*[™] services, taking 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 supply chain management efficiency, 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, Israel, Malaysia, Mexico, Poland, Romania, and the Ukraine.

We have selected 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, 2016, approximately 76% of our manufacturing capacity was located in low-cost locations, such as Brazil, China, Hungary, India, 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 2016, our ten largest customers accounted for approximately 46% of net sales. Only Lenovo/Motorola, a customer in our CTG segment, accounted for greater than 10% of the Company’s net sales in fiscal year 2016.

The following table lists in alphabetical order a sample of our largest customers in fiscal year 2016 and the end products of those customers for which we provide design, manufacturing and/or after-market services:

Customer	End Products
Apple	Desktop computing, power chargers, and after-market services for notebooks, tablets, and smart-phones
Cisco	Core routers and switches, data center, wireless and enterprise telecommunications infrastructure equipment
Ericsson	Radio base stations for Long Term Evolution and GSM infrastructure, and optical communications equipment
Fitbit Inc	Wearable electronics, digital health devices
Ford Motor Company	In-car connectivity, Lighting Products, Solenoids and Motion Control Electronics
Hewlett-Packard	Printers, storage devices, and services for computing devices
Huawei Technologies	Wireless and enterprise telecommunications infrastructure, smartphones, and optical communications equipment
Lenovo/Motorola*	Mobile communication devices, wearables and connected living devices
Microsoft	Gaming, computer peripherals, and other consumer electronics devices
Nokia/Alcatel-Lucent**	Business telecommunications systems, core routers and switches, and optical communications equipment

* Lenovo/Motorola includes net sales from its former parent, Google, up to the point in time when Motorola Mobility was acquired by Lenovo and including net sales from Lenovo thereafter.

** Nokia/Alcatel-Lucent includes net sales from its parent Nokia beginning with the fourth quarter of fiscal year 2016, as Nokia’s acquisition of Alcatel-Lucent was closed during January 2016.

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 depending on 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 Original Design Manufacturing (“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. We believe we are extremely competitive with regard to all of these factors.

SOCIAL RESPONSIBILITY

Our Corporate Social and Environmental Responsibility (“CSER”) management system has several elements, including environmental, health and safety compliance, labor and human rights, ethics, governance, and community engagement. Flex’s CSER framework is based upon the principles, policies, and standards prescribed by the 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, health and safety conditions as well as other relevant international standards (e.g., ISO 14001). Flex is a founding member of the EICC. Social responsibility is also an area of increasing regulation, with specific regulations such as the California Transparency in Supply Chains Act, the U.S. Federal Acquisition Regulation on Human Trafficking and the U.K. Modern Slavery Act of 2015, all creating new compliance and disclosure obligations for the Company and for our customers. We operate a number of programs, including compliance audits, data collection, training and leadership programs that focus upon driving continuous improvements in social, ethical, and environmental performance throughout all of our global operating units, all in accordance with our Code of Business Conduct and Ethics. Being a good corporate citizen does not mean we should merely conform to standards. We go beyond required responsibilities by offering a wide range of programs and initiatives to engage both our internal and external communities. At the heart of this endeavor lies our pragmatic goal of positively influencing the lives of people in the communities in which we operate. We intend to continue investing in these global communities through grant-making, financial contributions, volunteer work, direct engagement and donation of resources.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), Section 1502, introduced reporting requirements related to the verification of whether we are directly (or indirectly through suppliers of materials) purchasing the following minerals: 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 tungsten is extracted); or their derivatives; or any other mineral or its derivatives as determined by the Secretary of State associated with financing conflicts in the Democratic Republic of the Congo or an adjoining country. We are working directly with suppliers, industry groups, and customers to comply with the due diligence reporting requirements necessary to comply with this law. See “Risk Factors—Compliance with government regulations regarding the use of ‘conflict minerals’ may result in increased costs and risks to us.” We have filed Conflict Minerals reports with the Securities and Exchange Commission (SEC) in accordance with the Dodd-Frank Act.

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 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 associated with 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 issue is currently known.

We are also required to comply with an increasing number of product environmental compliance regulations focused upon 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 the United States. Our business requires close collaboration with our customers and suppliers to mitigate risks of non-compliance. We have developed rigorous compliance programs designed to meet the needs and specifications of our customers as well as the regulations. These programs vary from collecting compliance or material data from our Flex controlled or managed suppliers to full laboratory testing, and we include compliance requirements in our standard supplier contracts. 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. Flex continues to monitor developments related to product environmental compliance and is working with our customers and other technical organizations to anticipate and minimize any impacts to our operations.

EMPLOYEES

As of March 31, 2016, our global workforce totaled approximately 200,000 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, 2016 and 2015, 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 SEGMENTS AND GEOGRAPHIC AREAS

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

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 product 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 business including consumer health, digital health, disposables, drug delivery, diagnostics, life sciences, and imaging equipment; our automotive business, including vehicle electronics, connectivity, and clean technologies; and our defense and aerospace businesses, focused on commercial aviation, defense, and military;
- CTG, which includes our mobile devices business, including smart phones; our consumer electronics business, including connected living, wearable electronics including digital sport, game consoles, and connectivity devices; and our high-volume computing business, including various supply chain solutions for notebook personal computers ("PC"), tablets, and printers; in addition, our CTG group is expanding its business relationships to include supply chain optimization for non-electronics products such as shoes and clothing;
- IEI, which is comprised of semiconductor and capital equipment, office solutions, household, industrial, and lifestyle, industrial automation and kiosks, energy and metering, and lighting; and
- CEC, formerly referred to as INS, which includes radio access base stations, remote radio heads, and small cells for wireless infrastructure; optical, routing, broadcasting, and switching products for the data and video networks; server and storage platforms for both enterprise and cloud based deployments; next generation storage and security appliance products; and rack level solutions, converged infrastructure, and software defined product solutions.

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 that 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' products may have supply chain issues;
- our customers may experience dramatic market share shifts in demand which may cause them to lose market share or exit businesses; 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 our current and potential customers may decide to manufacture some or all of their products internally, which 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. In addition, we face competition from the manufacturing operations of some of our current and potential customers, who are continually evaluating the merits of manufacturing products internally against the advantages of outsourcing. In the past, some of our customers moved a portion of their manufacturing from us in order to more fully utilize their excess internal manufacturing capacity. Any of these developments could cause a decline in our sales, loss of market acceptance of our products or services, decreases of our profits or loss of our market share.

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, can cause supply chain management issues, 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. Many of our costs and operating expenses are relatively fixed, thus 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.

A significant percentage 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 46%, 50% and 52% of net sales in fiscal years 2016, 2015 and 2014, respectively. Only Lenovo/Motorola (including net sales from its former parent, Google, up to the point in time when Motorola Mobility was acquired by Lenovo and including net sales from Lenovo thereafter), which is reflected in our CTG segment, accounted for more than 10% of net sales in fiscal year 2016, 2015 and 2014.

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 supply 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 OEM launches the product. 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.

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 some of 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 supplies necessary to fulfill 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. On April 21, 2016, SunEdison, Inc. and certain of its subsidiaries ("SunEdison") filed for protection under Chapter 11 of the U.S. Bankruptcy Code. For the fiscal year ended March 31, 2016, we recognized approximately \$61.0 million in charges for provisions of accounts receivable associated with our outstanding SunEdison receivables. The estimates underlying our recorded provisions, as well as consideration of other potential customer bankruptcy-related contingencies associated with the SunEdison bankruptcy proceedings, are based on the facts currently known to us. If these facts change, the provisions are subject to change or we could recognize additional charges, either of which could be material.

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.

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

As part of our strategy to enhance our end-to-end service offerings, we 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 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.

Our design services offerings require significant investments in research and development, technology licensing, test and tooling equipment, patent applications, facility expansion and recruitment. We may not be able to achieve a high enough level of sales for this business 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 to grow 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 the risks inherent in international operations.

The geographic 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;
- increased scrutiny by the media and other third parties of labor practices within our industry (including but not limited to working conditions) which may result in allegations of violations, more stringent and burdensome labor laws and regulations and inconsistency in the enforcement and interpretation of such laws and regulations, higher labor costs, and/or loss of revenues if our customers become dissatisfied with our labor practices and diminish or terminate their relationship with us;
- 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;
- ineffective legal protection of our intellectual property rights in certain countries;
- natural disasters;
- exposure to infectious disease and epidemics;
- political unrest; and
- 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 or to resolve the issue through litigation. We may not be successful in developing such alternatives or obtaining such licenses on reasonable terms or 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 outcome.

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

We regularly face attempts by others to gain unauthorized access through the Internet or to introduce malicious software to our information systems. We are also a target of malicious attackers who attempt to gain access to our network or data centers or those of our customers or end users; steal proprietary information related to our business, products, employees, and customers; or interrupt our systems and services or those of our customers or others. We believe such attempts are increasing in number and in technical sophistication. In some instances, we, our customers, and the users of our products and services might be unaware of an incident or its magnitude and effects. 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. In addition, while we seek to detect and investigate all unauthorized attempts and attacks against our network, products, and services, and to prevent their recurrence where practicable through changes to our internal processes and tools, 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.

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 Flex. 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 (“Minerals”), which may be mined from the Democratic Republic of Congo and adjoining countries. In May 2014, we filed our initial report on Form SD to report that our products were “DRC Conflict Undeterminable” based on our diligence review. We expect to undertake further diligence of our supply chain in 2016 and beyond as 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 implement a process that will meet the mandates of the Dodd-Frank Act. Additionally, customers rely on us to provide critical data regarding the products they purchase and 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 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 for some or 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 the 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.

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 year 2014, 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 2015, and are included in either cost of sales or selling, general and administrative expenses, as appropriate. Our restructuring activities undertaken during fiscal year 2014 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. A portion of our purchases and 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.

We may encounter difficulties with acquisitions and divestures, 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;
- initial dependence on unfamiliar supply chain or relatively small supply chain partners; and
- exposure to unanticipated liabilities of acquired companies.

In addition, divestitures involve significant risks, including without limitation, difficulty finding financially sufficient buyers or selling on acceptable terms in a timely manner, and the agreed-upon terms could be renegotiated due to changes in business or market conditions. Divestitures could adversely affect our profitability and, under certain circumstances, require us to record impairment charges or a loss as a result of the transaction. In addition, completing divestitures requires expenses and management attention and could leave us with certain continuing liabilities.

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 or divestiture, 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;
- 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 could be impacted as a result of actions by activist shareholders or others.

We may be subject, from time to time, to legal and business challenges in the operation of our company due to actions instituted by activist shareholders or others. Responding to such actions could be costly and time-consuming, may not align with our business strategies and could divert the attention of our Board of Directors and senior management from the pursuit of our business strategies. Perceived uncertainties as to our future direction as a result of shareholder activism may lead to the perception of a change in the direction of the business or other instability and may make it more difficult to attract and retain qualified personnel and business partners and may affect our relationships with vendors, customers and other third parties.

Changes in financial accounting standards or policies have affected, and in the future may affect, our reported financial condition or results of operations.

We prepare our financial statements in conformity with U.S. GAAP. These principles are subject to interpretation by the Financial Accounting Standards Board (FASB), the American Institute of Certified Public Accountants (AICPA), the SEC and various bodies formed to interpret and create accounting policies. For example, significant changes to revenue recognition rules have been enacted and will begin to apply to us in fiscal year 2019 as the FASB has proposed. Changes to accounting rules or challenges to our interpretation or application of the rules by regulators may have a material adverse effect on our reported financial results or on the way we conduct business.

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, 2016, our total debt was approximately \$2.8 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. We may also be exposed to interest rate fluctuations on our outstanding borrowings and investments.

Our credit is rated by credit rating agencies. Our 4.625% Notes, our 5.000% Notes, and our 4.750% Notes, are currently rated BBB- by Standard and Poor's ("S&P") which is considered to be "investment grade" by S&P, while rated Ba1 by Moody's which is considered below "investment grade" by Moody's. 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 ordinary shares, 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.

In addition, we are exposed to interest rate risk under our variable rate terms loans, bilateral facilities and revolving credit facility for indebtedness we have incurred or may incur under such borrowings. The interest rates under these borrowings are based on either (i) a margin over LIBOR 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, in each case depending on our credit rating. 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 are also exposed to interest rate risk on our invested cash balances, our securitization facilities and our factoring activities.

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.

Catastrophic events or geopolitical conditions could have a material adverse effect on our operations and financial results.

Our operations or systems could be disrupted by natural disasters, geopolitical conditions, terrorist activity, public health issues, cyber security incidents, interruptions of service from utilities, transportation or telecommunications providers, or other catastrophic events. Such events could make it difficult or impossible to manufacture or deliver products to our customers, receive production materials from our suppliers, or perform critical functions, which could adversely affect our revenue and require significant recovery time and expenditures to resume operations. While we maintain business recovery plans that are intended to allow us to recover from natural disasters or other events that can be disruptive to our business, some of our systems are not fully redundant and we cannot be sure that our plans will fully protect us from all such disruptions.

We maintain a program of insurance coverage for a variety of property, casualty, and other risks. We place our insurance coverage with multiple carriers in numerous jurisdictions. However, one or more of our insurance providers may be unable or unwilling to pay a claim. The types and amounts of insurance we obtain vary depending on availability, cost, and decisions with respect to risk retention. The policies have deductibles and exclusions that result in us retaining a level of self-insurance. Losses not covered by insurance may be large, which could harm our results of operations and financial condition.

Our business could be adversely affected by any delays, or increased costs, resulting from issues that our common carriers are dealing with in transporting our materials, our products, or both.

We rely on a variety of common carriers to transport our materials from our suppliers to us, and to transport our products from us to our customers. Problems suffered by any of these common carriers, whether due to a natural disaster, labor problem, increased energy prices, criminal activity or some other issue, could result in shipping delays, increased costs, or other supply chain disruptions, and could therefore have a material adverse effect on our operations.

We are subject to risks associated with investments.

We invest in private funds and companies for strategic reasons and may not realize a return on our investments. We make investments in private funds and companies to further our strategic objectives, support key business initiatives and develop business relationships with related portfolio companies. Many of the instruments in which we invest are non-marketable at the time of our initial investment. If any of the funds or companies in which we invest fail, we could lose all or part of our investment. If we need to determine that an other-than-temporary decline in the fair value exists for an investment, we would need to write down the investment to its fair value and recognize a loss.

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.

Our goodwill and identifiable intangible assets could become impaired, which could reduce the value of our assets and reduce our 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. We also ascribe value to certain identifiable intangible assets, which consist primarily of customer relationships, developed technology and trade names, among others, as a result of acquisitions. We may incur impairment charges on goodwill or identifiable intangible assets if we determine that the fair values of goodwill or identifiable intangible assets are less than their current carrying values. We evaluate, 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 our businesses and we could be required to record impairment charges on our goodwill or other identifiable intangible assets in the future, which could impact our consolidated balance sheet, as well as our consolidated statement of operations. If we are required to recognize an impairment charge in the future, the charge would not impact our consolidated cash flows, liquidity, capital resources, and covenants under our 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, 2016. We own facilities with approximately 8.2 million square feet in Asia, 4.7 million square feet in the Americas and 2.7 million square feet in Europe. We lease facilities with approximately 5.5 million square feet in Asia, 3.5 million square feet in the Americas and 1.4 million square feet in Europe.

Our facilities include large industrial parks, ranging in size from 0.3 million to 4.5 million square feet in Brazil, China, Hungary, India, 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, Denmark, Hong Kong, Hungary, India, Indonesia, Ireland, Italy, Japan, Malaysia, Mexico, Poland, Romania, Singapore, Sweden, Switzerland, 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 consumer electronics and industrial 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

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 2015 as reported on the NASDAQ Global Select Market.

	<u>High</u>	<u>Low</u>
Fiscal Year Ended March 31, 2016		
Fourth Quarter	\$12.06	\$ 9.10
Third Quarter	11.79	10.27
Second Quarter	11.56	9.90
First Quarter	12.84	11.53

	<u>High</u>	<u>Low</u>
Fiscal Year Ended March 31, 2015		
Fourth Quarter	\$12.68	\$10.47
Third Quarter	11.35	8.75
Second Quarter	11.52	10.30
First Quarter	11.35	8.93

As of May 11, 2016 there were 3,274 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 \$12.04 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 year 2017.

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.

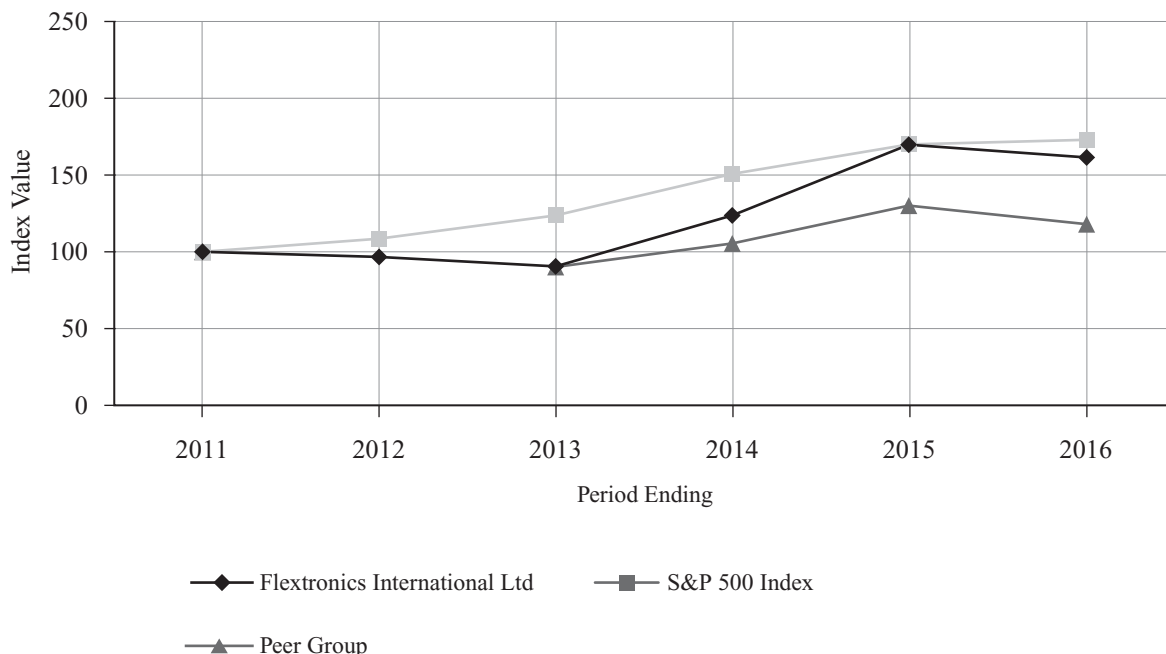
The graph below compares the cumulative total shareholder return on our ordinary shares, the Standard & Poor’s 500 Stock Index and a peer group comprised of Benchmark Electronics, Inc., Celestica, Inc., Jabil Circuit, Inc., and Sanmina-SCI Corporation.

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, 2011 and reflects the annual return through March 31, 2016, 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.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

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



	3/11	3/12	3/13	3/14	3/15	3/16
Flextronics International Ltd	100.00	96.65	90.50	123.69	169.75	161.45
S&P 500 Index	100.00	108.54	123.69	150.73	169.92	172.95
Peer Group	100.00	108.61	90.13	105.44	130.08	117.99

Prepared by Zacks Investment Research, Inc. Used with permission. All rights reserved. Copyright 1980-2016

Index Data: Copyright Standard and Poor's, Inc. Used with permission. All rights reserved.

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, 2016 through March 31, 2016.

Period(2)	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
January 1 - January 29, 2016	2,971,650	\$ 9.75	2,971,650	\$ 299,470,835
January 30 - February 26, 2016 . .	3,051,212	10.29	3,051,212	268,074,241
February 27 - March 31, 2016 . . .	2,251,188	11.55	2,251,188	242,079,433
Total	<u>8,274,050</u>		<u>8,274,050</u>	

- (1) During the period from January 1, 2016 through March 31, 2016 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 August 20, 2015, our Board of Directors authorized the repurchase of our outstanding ordinary shares for up to \$500 million. This is in accordance with the share purchase mandate whereby our shareholders approved a repurchase limit of 20% of our issued ordinary shares outstanding at the Extraordinary General Meeting held on the same date as the Board authorization. As of March 31, 2016, shares in the aggregate amount of \$242.1 million were available to be repurchased under the current plan.

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 issue of new shares. When existing shares are acquired in Singapore, a stamp duty of 0.2% is payable on the instrument of transfer of the shares at market value. 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.

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,				
	2016	2015	2014	2013	2012(2)
	(In thousands, except per share amounts)				
CONSOLIDATED STATEMENT OF OPERATIONS DATA:					
Net sales	\$24,418,885	\$26,147,916	\$26,108,607	\$23,569,475	\$29,343,029
Cost of sales	22,810,824	24,602,576	24,609,738	22,187,393	27,825,079
Restructuring charges	—	—	58,648	215,834	—
Gross profit	1,608,061	1,545,340	1,440,221	1,166,248	1,517,950
Selling, general and administrative expenses	954,890	844,473	874,796	805,235	877,564
Intangible amortization	65,965	32,035	28,892	29,529	49,572
Restructuring charges	—	—	16,663	11,600	—
Other charges (income), net(1)	47,738	(53,233)	57,512	(65,190)	(19,935)
Interest and other, net	84,793	51,410	61,904	56,259	36,019
Income before income taxes	454,675	670,655	400,454	328,815	574,730
Provision for income taxes	10,594	69,854	34,860	26,313	53,960
Income from continuing operations	444,081	600,801	365,594	302,502	520,770
Loss from discontinued operations, net of tax	—	—	—	(25,451)	(32,005)
Net Income	<u>\$ 444,081</u>	<u>\$ 600,801</u>	<u>\$ 365,594</u>	<u>\$ 277,051</u>	<u>\$ 488,765</u>
Diluted earnings (loss) per share:					
Continuing operations	<u>\$ 0.79</u>	<u>\$ 1.02</u>	<u>\$ 0.59</u>	<u>\$ 0.45</u>	<u>\$ 0.72</u>
Discontinued operations	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>
Total	<u>\$ 0.79</u>	<u>\$ 1.02</u>	<u>\$ 0.59</u>	<u>\$ 0.41</u>	<u>\$ 0.67</u>

	As of March 31,				
	2016	2015	2014	2013	2012
	(In thousands)				
CONSOLIDATED BALANCE SHEET DATA:					
Working capital(3)	\$ 1,742,921	\$ 1,985,809	\$ 1,744,967	\$ 1,599,671	\$ 2,250,484
Total assets	12,384,981	11,652,891	12,485,035	10,579,107	11,023,194
Total long-term debt, excluding current portion	2,709,389	2,025,970	2,056,233	1,639,580	2,142,842
Shareholders' equity(4)	2,605,530	2,396,250	2,201,679	2,246,758	2,283,979

(1) For fiscal years 2016, 2015 and 2014, refer to note 15 to the consolidated financial statements for further discussion.

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

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

- (2) 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 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).
- (3) Working capital is defined as current assets less current liabilities.
- (4) During fiscal year 2014, a previously wholly-owned subsidiary of the Company issued a noncontrolling 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, 2016, 2015 and 2014, the noncontrolling interest has been included on the consolidated balance sheet as a component of total shareholders' equity.

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 innovative design, engineering, manufacturing, and supply chain services and solutions that span *from sketch to scale*sm; from conceptual sketch to full-scale production. We design, build, ship and service complete packaged consumer electronics and industrial products for original equipment manufacturers (“OEMs”), through our activities in the following segments: High Reliability Solutions (“HRS”), which is comprised of our medical business including consumer health, digital health, disposables, drug delivery, diagnostics, life sciences and imaging equipment; our automotive business, including vehicle electronics, connectivity, and clean technologies; and our defense and aerospace businesses, focused on commercial aviation, defense and military; Consumer Technologies Group (“CTG”), which includes our mobile devices business, including smart phones; our consumer electronics business, including connected living, wearable electronics including digital sport, game consoles, and connectivity devices; and our high-volume computing business, including various supply chain solutions for notebook personal computer (“PC”), tablets, and printers; in addition, our CTG group is expanding its business relationships to include supply chain optimization for non-electronics products such as shoes and clothing; Industrial and Emerging Industries (“IEI”), which is comprised of semiconductor and capital equipment, office solutions, household industrial and lifestyle, industrial automation and kiosks, energy and metering, and lighting; and Communications & Enterprise Compute (“CEC”), formerly referred to as Integrated Network Solutions (“INS”), which includes radio access base stations, remote radio heads, and small cells for wireless infrastructure; optical, routing, broadcasting, and switching products for the data and video networks; server and storage platforms for both enterprise and cloud based deployments; next generation storage and security appliance products; and rack level solutions, converged infrastructure and software defined product solutions.

On July 23, 2015, we introduced our new brand and website to help us more efficiently manage our business opportunities and explain our new product and service offerings. We shortened our brand name from Flextronics to “Flex” to signify that our business continues to evolve past the boundaries and confines of electronics alone. Our new tag line, “Live Smarter” highlights our belief that all devices are becoming intelligent and that value will ultimately be created in the “intelligence of things” and the convergence of technologies and digitization of products across multiple industries and market segments.

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.

Over the past few 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 entered the highly competitive and rapidly evolving technology 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 approach to manage our extensive service offerings. As our OEM customers change the way they go to market, we are able to reorganize and rebalance our business portfolio in order to align with our customers’ needs and requirements in an effort to optimize operating results. The objective of our business model is to allow us to be flexible and redeploy and reposition our assets and resources as necessary to meet specific customer’s supply chain solutions needs across all of the markets we serve and earn a return on our invested capital above the weighted average cost of that capital.

During the past few years, we have made significant efforts to evolve our long-term portfolio towards a higher mix of businesses which possess longer product life cycles and higher margins such as reflected in our IEI and HRS businesses. During the last two fiscal years, we launched several programs broadly across our portfolio of services and in some instances we deployed certain new technologies. Some of these programs have started to yield better results, as demonstrated by our segment operating margin improvement while our sales decreased compared to the prior year. We continue to invest in innovation and we have expanded our design and engineering relationships through our product innovation centers.

We believe that our business transformation has strategically positioned us 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.

We are one of the world's largest providers of global supply chain solutions, with revenues of \$24.4 billion in fiscal year 2016. We have established an extensive network of manufacturing facilities in the world's major consumer electronics and industrial 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 consumer electronics and industrial products for our customers through a network of over 100 facilities in approximately 30 countries across four continents. As of March 31, 2016, our total manufacturing capacity was approximately 26.0 million square feet. In fiscal year 2016, our net sales in Asia, the Americas and Europe represented approximately 48%, 34% and 18%, 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:

<u>Net sales:</u>	Fiscal Year Ended March 31,					
	2016		2015		2014	
	(In thousands)					
China	\$ 8,471,036	35%	\$ 9,550,837	37%	\$10,521,169	40%
Mexico	3,645,432	15%	3,512,767	13%	3,565,803	14%
U.S.	2,767,641	11%	2,876,359	11%	2,829,807	11%
Malaysia	2,241,645	9%	2,300,579	9%	2,142,437	8%
Brazil	1,839,395	8%	2,474,291	9%	1,699,209	6%
Other	5,453,736	22%	5,433,083	21%	5,350,182	21%
	<u>\$24,418,885</u>		<u>\$26,147,916</u>		<u>\$26,108,607</u>	

<u>Property and equipment, net:</u>	Fiscal Year Ended March 31,			
	2016		2015	
	(In thousands)			
China	\$ 789,571	35%	\$ 776,914	37%
Mexico	429,989	19%	364,435	17%
U.S.	330,778	15%	314,613	15%
Malaysia	159,787	7%	165,779	8%
Brazil	121,949	5%	103,496	5%
Other	425,559	19%	366,930	18%
	<u>\$2,257,633</u>		<u>\$2,092,167</u>	

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 consumer electronics and industrial products for leading multinational and regional OEMs. Specifically, we have launched multiple product innovation centers ("PIC") focused exclusively on offering our customers the ability to simplify their global product development, manufacturing process, and after sales services, and enable them to meaningfully accelerate their 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' decisions 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 sales for fiscal year 2016 declined from the prior year, decreasing by 6.6% or \$1.7 billion to \$24.4 billion. The decrease was primarily due to a \$1.9 billion decrease in our CTG segment as well as a \$0.3 billion decrease in our CEC segment, partially offset by increases in our HRS segment by \$0.3 billion and our IEI segment by \$0.2 billion. Our fiscal year 2016 gross profit totaled \$1.6 billion, representing an increase of \$62.7 million, or 4.1%, which reflects a richer mix of business driven primarily from our HRS and IEI segments and improved operational execution while ramping new customers and programs during fiscal year 2016. Our net income totaled \$444.1 million, representing a decrease of \$156.7 million, or 26.1%, compared to fiscal year 2015. The decrease in net income during fiscal year 2016 is primarily due to an increase in stock-based compensation expense, incremental costs associated with our acquisitions of MCi and NEXTracker, and a bad debt expense charge related to the SunEdison bankruptcy announcement.

Cash provided by operations increased approximately \$0.3 billion to \$1.1 billion for the fiscal year 2016 compared with \$0.8 billion for the fiscal year 2015 primarily due to favorable changes in operating assets and liabilities. Cash used in investing activities increased approximately \$1.2 billion to \$1.4 billion for fiscal year 2016 compared with \$0.2 billion for fiscal year 2015 primarily from \$916.5 million paid for the acquisition of eleven businesses completed during fiscal year 2016. 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 annualized sales decreased by 0.1% to 7.7%. Our free cash flow, which we define as cash from operating activities less net purchases of property and equipment, was \$639.5 million for fiscal year 2016 compared to \$554.3 million for fiscal year 2015. The increase in free cash flow is primarily due to higher cash flows from operations offset by higher net expenditures during fiscal year 2016 as we thoughtfully invested in capabilities and capacity in advance of revenue to reinforce our growing automotive, medical, and energy businesses, as well as support our innovation and sketch-to-scale offering. 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 provided by financing activities amounted to \$249.6 million during fiscal year 2016 which was primarily the result of net proceeds from bank borrowings and long-term debt of \$694.5 million mainly resulting from our new debt issuance discussed further in note 7 to the consolidated financial statements, offset by the repurchases of approximately 37.9 million ordinary shares at an aggregate purchase value of \$420.3 million.

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. On April 21, 2016, one of our customers, SunEdison, Inc. (together with certain of its subsidiaries, "SunEdison"), filed a petition for reorganization under bankruptcy law. For the fiscal year ended March 31, 2016, we recognized approximately \$61.0 million in charges for provisions of accounts receivable associated with our outstanding SunEdison receivables. The estimates underlying our recorded provisions, as well as consideration of other potential customer bankruptcy-related contingencies associated with the SunEdison bankruptcy proceedings, are based on the facts currently known to us. If these facts change, the provisions are subject to change or we could recognize additional charges, either of which could be material.

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 at least annually and 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 determined 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.

Goodwill is tested for impairment on an annual basis and whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. Recoverability of goodwill is measured at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit, which is measured based upon, among other factors, market multiples for comparable companies as well as a discounted cash flow analysis. The Company performed its goodwill impairment assessment on January 1, 2016 and determined that no impairment existed as of the date of the impairment test because the fair value of each reporting unit exceeded its carrying value.

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.

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,		
	2016	2015	2014
Net sales	100.0%	100.0%	100.0%
Cost of sales	93.4	94.1	94.3
Restructuring charges	—	—	0.2
Gross profit	6.6	5.9	5.5
Selling, general and administrative expenses	3.9	3.2	3.4
Intangible amortization	0.3	0.1	0.1
Restructuring charges	—	—	0.1
Other charges (income), net	0.2	(0.2)	0.2
Interest and other, net	0.3	0.2	0.2
Income before income taxes	1.9	2.6	1.5
Provision for income taxes	—	0.3	0.1
Net Income	1.9%	2.3%	1.4%

Net sales

Net sales during fiscal year 2016 totaled \$24.4 billion, representing a decrease of \$1.7 billion, or 6.6%, from \$26.1 billion during fiscal year 2015. During fiscal year 2016, net sales decreased \$1.2 billion in Asia, \$0.6 billion in the Americas, and \$14.7 million in Europe.

Net sales during fiscal year 2015 totaled \$26.1 billion, representing an increase of \$39.3 million, or 0.2%, from \$26.1 billion during fiscal year 2014. During fiscal year 2015, net sales increased \$0.7 billion in the Americas and \$0.1 billion in Europe, offset by a decrease of \$0.8 billion in Asia.

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

Segments:	Fiscal Year Ended March 31,					
	2016		2015		2014	
			(In thousands)			
Communications & Enterprise Compute	\$ 8,841,642	36%	\$ 9,191,211	35%	\$ 9,688,023	37%
Consumer Technologies Group	6,997,526	29%	8,940,043	34%	9,357,635	36%
Industrial & Emerging Industries	4,680,718	19%	4,459,351	17%	3,787,838	15%
High Reliability Solutions	3,898,999	16%	3,557,311	14%	3,275,111	13%
	<u>\$24,418,885</u>		<u>\$26,147,916</u>		<u>\$26,108,607</u>	

Net sales during fiscal year 2016 decreased \$1.9 billion or 21.7% in the CTG segment and \$349.6 million or 3.8% in the CEC segment. The drop in CTG was due to a decline in demand from our largest customer in our mobile business offset by expansion across wearables, connected home and gaming markets. The decrease in CEC is primarily attributable to lower sales within our server and storage business. These decreases were partially offset by a \$341.7 million or 9.6% increase in sales from our HRS segment, and by a \$221.4 million or 5.0% increase in sales from our IEI segment. These increases in HRS and IEI were attributable to an increase across multiple product categories and customers, most notably in our household, energy, automotive, and medical businesses primarily as a result of our strategic acquisitions in both segments referred to below.

Net sales during fiscal year 2015 increased \$0.7 billion or 17.7% in the IEI segment and \$0.3 billion or 8.6% in the HRS segment. The increase in revenue from our IEI segment is primarily attributable to a broad increase across multiple product categories and customers, most notably in our energy and our household industrial and lifestyle businesses. The increased revenue from our HRS segment is primarily due to a higher demand from our medical customers, and greater sales to our automotive customers as a result of an increased use of electronics throughout vehicles in areas such as in-car connectivity, LED lighting, and power management. The increase in these segments was partially offset by a \$0.5 billion or 5.1% decrease in sales from our CEC segment, and by a \$0.4 billion or 4.5% decrease in sales from our CTG segment. The decrease in revenue in our CEC segment is primarily attributable to broad softness in our telecom businesses directly due to decreased demand for our customer products from North American carriers. The decrease in revenue in our CTG segment is primarily due to softness in our personal computing business.

Our ten largest customers during fiscal years 2016, 2015 and 2014 accounted for approximately 46%, 50% and 52% of net sales, respectively. During fiscal years 2016, 2015 and 2014, only Lenovo/Motorola (including net sales from its former parent, Google, up to the point in time when Motorola Mobility was acquired by Lenovo and including net sales from Lenovo thereafter), which is reflected in our CTG segment, accounted for greater than 10% of net sales. Going forward, we do not expect Motorola Mobility to account for greater than 10% of our 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 2016 increased \$62.7 million to \$1.6 billion from \$1.5 billion during fiscal year 2015 reflecting a richer mix of business and improved operational execution while ramping new customers and programs during fiscal year 2016. Gross margin increased to 6.6% of net sales in fiscal year 2016 as compared with 5.9% of net sales in fiscal year 2015. Gross margins improved 70 basis points in fiscal year 2016 compared to that of fiscal year 2015 due to proportionate increased share of our total revenue attributable to our HRS and IEI segments coupled with their increased profitability primarily driven by our acquisitions of Mirror Controls International (“MCi”) and NEXTracker Inc. (“NEXTracker”).

Gross profit during fiscal year 2015 increased \$105.1 million to \$1.5 billion from \$1.4 billion during fiscal year 2014. Gross margin increased to 5.9% of net sales in fiscal year 2015 as compared with 5.5% of net sales in fiscal year 2014. Gross margins improved 40 basis points in fiscal year 2015 compared to that of fiscal year 2014 due to restructuring charges in fiscal year 2014 in the amount of \$58.6 million, or 20 basis points included in cost of sales. There were no restructuring charges in fiscal year 2015. Further, gross margin in fiscal year 2015 improved as a result of increased revenue from our IEI and HRS segments as a percentage of our total revenues overall, which yield higher margins than our CTG and CEC segments, and better than expected execution on certain products, some of which were reaching end of life.

Segment income

An operating segment's performance is evaluated based on its pre-tax operating contribution, or segment income. Segment income is defined as net sales less cost of sales, and segment selling, general and administrative expenses, and does not include amortization of intangibles, stock based compensation, restructuring charges, certain bad debt charges, other charges (income), net and interest and other, net. A portion of amortization and depreciation is allocated to the respective segment together with other general corporate research and development and administrative expenses.

The following table sets forth segment income and margins. Historical information has been recast to reflect realignment of customers and/or products between segments:

	Fiscal Year Ended March 31,					
	2016		2015		2014	
	(In thousands)					
Segment income & margin:						
CEC	\$265,076	3.0%	\$257,323	2.8%	\$259,329	2.7%
CTG	163,677	2.3%	218,251	2.4%	125,171	1.3%
IEI	157,588	3.4%	131,956	3.0%	127,085	3.4%
HRS	294,635	7.6%	227,595	6.4%	221,402	6.8%
Corporate and Other	(89,219)		(83,988)		(68,475)	
Total segment income	791,757	3.2%	751,137	2.9%	664,512	2.5%
Reconciling items:						
Intangible amortization	65,965		32,035		28,892	
Stock-based compensation	77,580		50,270		40,439	
Restructuring charges(2)	—		—		75,311	
Bad debt charge(1)	61,006		—		—	
Other charges (income), net	47,738		(53,233)		57,512	
Interest and other, net	84,793		51,410		61,904	
Income before income taxes	<u>\$454,675</u>		<u>\$670,655</u>		<u>\$400,454</u>	

- (1) On April 21, 2016, one of our customers, SunEdison, filed a petition for reorganization under bankruptcy law. During the fiscal year ended March 31, 2016, we recognized a bad debt reserve charge of \$61.0 million associated with our outstanding SunEdison receivables. This charge is included in selling, general and administrative expenses in the consolidated statement of operations but is excluded from the measurement of the Company's operating segment's performance. Refer to note 2 to the consolidated financial statements for additional information regarding this charge.
- (2) During the fiscal year ended March 31, 2014, the Company recognized restructuring charges of approximately \$75.3 million. The costs associated with these restructuring activities include employee severance, other personnel costs, non-cash impairment charges on equipment no longer in use and to be disposed of, and other exit related costs due to facility closures or rationalizations. Refer to note 14 to the consolidated financial statements for additional information regarding these charges.

CEC segment margin increased 20 basis points, for fiscal year 2016, from 2.8% during fiscal year 2015. The improvements are driven by favorable product mix changes from new program offerings, higher utilization levels and strong operational execution across multiple customers and facilities, offset by incremental engineering spend as we continue to invest in expanding our capabilities. CEC segment margin increased 10 basis points, for fiscal year 2015, from 2.7% during fiscal year 2014, also as a result of favorable product mix changes during fiscal 2015.

CTG segment margin slightly decreased 10 basis points for fiscal year 2016, from 2.4% during fiscal year 2015, due primarily to the soft macro economy, notably in Brazil, which impacted consumer business, partially offset by a portfolio shift within the CTG product mix focusing on higher margin consumer electronic products. CTG segment margin increased 110 basis points for fiscal year 2015, from 1.3% during fiscal year 2014, primarily attributable to a portfolio shift within the CTG product mix coupled with better execution on certain products some of which were going end of life.

IEI segment margin increased 40 basis points to 3.4% for fiscal year 2016, from 3.0% during fiscal year 2015. This is primarily due to strong operational execution and higher utilization levels coupled with contribution from our NEXTracker acquisition that contributed higher margins for the second half of fiscal year 2016. Fiscal year 2015 also included underperformance of certain programs, delayed and inefficient ramps for new programs. IEI segment margin decreased 40 basis points to 3.0% for fiscal year 2015, from 3.4% during fiscal year 2014 due to operational challenges and underperformance of certain programs during fiscal year 2015 as mentioned above.

HRS segment margin increased 120 basis points to 7.6% for fiscal year 2016, from 6.4% during fiscal year 2015. The improvements are primarily due to additional flow through from the increase in revenue from new programs and contribution from our MCi acquisition starting in our second quarter of fiscal year 2016 in addition to greater value-added business engagements due to greater design and engineering solutions as part of our *sketch to scale*[™] offering. HRS segment margin decreased 40 basis points to 6.4% for fiscal year 2015, from 6.8% for fiscal year 2014 primarily as a result of comparatively higher ramp costs for new programs during fiscal 2015.

Restructuring charges

In response to a challenging macroeconomic environment, we initiated certain restructuring activities in fiscal year 2014 to improve our operational efficiencies by reducing excess workforce and capacity. There were no material restructuring activities during fiscal years 2016 and 2015. The fiscal year 2014 restructuring activities were 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 year 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 had been completed. As of March 31, 2016, accrued costs relating to restructuring charges were \$13.2 million of which \$2.5 million was classified as a current obligation. As of March 31, 2015, accrued costs relating to restructuring charges were \$15.1 million of which \$3.5 million was classified as a current obligation.

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 \$954.9 million or 3.9% of net sales, during fiscal year 2016, compared to \$844.5 million, or 3.2% of net sales, during fiscal year 2015, increasing by \$110.4 million or 13.1%. The increase in SG&A in dollars and as a percentage of net sales is primarily the result of an increase in costs associated with research, development and design activities, as we continued to deploy resources to meet the needs of our customers and explore new product innovations, increases in stock-based compensation expense, incremental costs associated with our acquisitions of MCi and NEXTracker both of which drive a higher proportional SG&A level, and a bad debt reserve charge associated with our outstanding SunEdison receivables of \$61.0 million as a result of SunEdison’s bankruptcy filing.

SG&A totaled \$844.5 million or 3.2% of net sales, during fiscal year 2015, compared to \$874.8 million, or 3.4% of net sales, during fiscal year 2014, decreasing by \$30.3 million or 3.5%. The decrease in SG&A in dollars and as a percentage of net sales is primarily the result of our cost reduction measures that we undertook in fiscal year 2015 and rationalization efforts carried out in fiscal year 2014, partially offset by an approximate \$8.9 million increase in non-cash stock-based compensation.

We recognized research and development costs primarily related to our design and innovations businesses of \$75.5 million, \$35.2 million, and \$30.0 million for the fiscal years ended March 31, 2016, 2015 and 2014, respectively.

Intangible amortization

Amortization of intangible assets in fiscal year 2016 increased by \$33.9 million to \$66.0 million from \$32.0 million in fiscal year 2015, primarily as a result of incremental amortization expense on intangibles assets relating to our acquisitions completed during the fiscal year 2016.

Amortization of intangible assets in fiscal year 2015 increased by \$3.1 million to \$32.0 million from \$28.9 million in fiscal year 2014, primarily as a result of customer-related intangibles in connection with our acquisitions and the purchase of certain technology rights during the fiscal year 2015.

Other charges (income), net

During fiscal year 2016, we recognized other charges of \$47.7 million primarily due to a \$26.8 million loss on the disposition of a non-strategic Western European manufacturing facility which included a non cash foreign currency translation loss of \$25.3 million, and \$21.8 million from the impairment of a non-core investment. These were offset by a non-cash foreign currency translation gain of \$4.2 million, as further discussed in note 15 to the consolidated financial statements.

During fiscal year 2015, we recognized other income of \$53.2 million principally as a result of the reversal of a contractual obligation with a certain customer recognized during the fiscal year 2014 in the amount of \$55.0 million. We executed an amendment to the customer contract during fiscal year 2015 which relieved us of commitment performance as was defined in an existing customer manufacturing agreement. We also recognized an \$11.0 million loss in connection with the disposition of a manufacturing facility in Western Europe. Further, we recognized a net gain for the sale of a certain investment, which primarily comprises the balance for other income in fiscal year 2015 net of the above items.

During fiscal year 2014, we recognized other charges of \$57.5 million primarily due to the contractual obligation of \$55.0 million discussed above. Additionally, we exercised warrants to purchase common shares of a supplier and sold the underlying shares for a loss of \$7.1 million, offset by a gain of \$4.6 million recognized in connection with the sales of certain investments.

Interest and other, net

Interest and other, net was \$84.8 million during fiscal year 2016 compared to \$51.4 million during fiscal year 2015. The increase in interest and other, net of \$33.4 million was primarily due to a \$23.5 million increase of interest expense from the 4.750% Notes issued during the current year as further discussed in note 7 to the consolidated financial statements, as well as \$8.0 million of acquisition-related costs incurred during fiscal year 2016, primarily for our acquisition of MCI.

Interest and other, net was \$51.4 million during fiscal year 2015 compared to \$61.9 million during fiscal year 2014. The decrease in interest and other, net was primarily due to a gain associated with minority interest from an investment, an increase in foreign currency gains relating to the Chinese RMB, and a decrease in interest expense as a result of refinancing of certain debt facilities during the latter part of fiscal year 2014.

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 2.3%, 10.4% and 8.7% for the fiscal years 2016, 2015 and 2014, respectively. The effective rate varies from the Singapore statutory rate of 17.0% in each year as a result of the following items:

	Fiscal Year Ended March 31,		
	2016	2015	2014
Income taxes based on domestic statutory rates	17.0%	17.0%	17.0%
Effect of tax rate differential	(16.1)	(12.1)	(17.1)
Intangible amortization	2.4	0.8	1.2
Change in liability for uncertain tax positions	(3.0)	4.4	(0.5)
Change in valuation allowance	0.2	0.4	6.7
Other	1.8	(0.1)	1.4
Provision for income taxes	<u>2.3%</u>	<u>10.4%</u>	<u>8.7%</u>

The variation in our effective tax rate each year is primarily a result of recognition of earnings in foreign jurisdictions which are taxed at rates lower than the Singapore statutory rate including the effect of tax holidays and tax incentives we received primarily for our subsidiaries in China, Malaysia and Israel of \$6.6 million, \$9.8 million and \$15.2 million in fiscal years 2016, 2015 and 2014, respectively. Additionally, our effective tax rate is impacted by changes in our liabilities for uncertain tax positions of (\$13.7) million, \$29.7 million, and (\$2.2) million and changes in our valuation allowances on deferred tax assets of \$1.0 million, \$2.5 million and \$26.8 million in fiscal years 2016, 2015 and 2014, respectively. 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 examinations, 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 2016, we released valuation allowances totaling \$20.3 million primarily related to our operations in Malaysia as these amounts were deemed to be more likely than not to be realized due to the increased profitability of the Malaysian subsidiary during the past three fiscal years following a period of losses as well as continued forecasted profitability of that subsidiary. In addition, we had a \$43.0 million credit to tax expense related to the partial release of valuation allowance on our US operations due to the recording of deferred tax liabilities related to intangibles acquired during fiscal year 2016. However, these valuation allowance eliminations were offset by other current period valuation allowance movements primarily related to current period valuation allowance additions due to increased deferred tax assets related to current period losses in legal entities with existing full valuation allowance positions, and to a lesser extent, current period changes in valuation allowance positions due to increased negative evidence during the period in legal entities which did not previously have valuation allowance recorded.

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

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2016, we had cash and cash equivalents of \$1.6 billion and bank and other borrowings of \$2.8 billion. We have a \$1.5 billion revolving credit facility, under which we had no borrowings outstanding as of March 31, 2016.

Our cash balances are held in numerous locations throughout the world. As of March 31, 2016, 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 \$916.0 million as of March 31, 2016). 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 2016

Cash provided by operating activities was \$1.1 billion during fiscal year 2016. This resulted primarily from \$444.1 million of net income for the period plus \$625.4 million of non-cash charges such as depreciation, amortization, other impairment charges, provision for doubtful accounts and stock-based compensation expense that are included in the determination of net income. Depreciation expense comprised \$425.7 million of those non-cash charges, which was relatively consistent with our normal annual run rate of approximately \$425.0 million. We generated \$66.9 million in cash as a result of changes in our operating assets and liabilities, driven primarily by a \$423.6 million reduction in accounts receivable due to improved collection efforts and lower business levels, offset by a \$365.1 million reduction in accounts payable. Net working capital ("NWC"), defined as net accounts

receivable, including deferred purchase price receivables, plus inventory less accounts payable decreased by \$37.7 million primarily due to lower business levels during the fourth quarter of fiscal year 2016 as compared to the same quarter of fiscal year 2015, which resulted in slightly lower levels of investments in NWC.

Cash used in investing activities was \$1.4 billion during fiscal year 2016. This resulted primarily from \$916.5 million for the acquisition of eleven businesses completed during fiscal year 2016, including approximately \$555.2 million, net of cash acquired, related to the acquisition of MCi, \$240.8 million, net of cash acquired, related to the acquisition of NEXTracker, and approximately \$67.5 million to acquire an optical transport facility from Alcatel-Lucent. We also paid \$510.6 million in gross capital expenditures for property and equipment to support certain programs, offset by \$13.7 million of proceeds from the sale of certain buildings and machinery and equipment. Other investing activities also includes \$44.7 million paid for the purchase of certain investments, offset by \$54.3 million of proceeds from the sale of certain assets that were purchased on behalf of a customer and financed by a third party banking institution, as further discussed in note 17 to the consolidated financial statements.

Cash provided by financing activities was \$249.6 million during fiscal year 2016, which was primarily the result of net proceeds from bank borrowings and long-term debt of \$694.5 million mainly resulting from our new debt issuance discussed further in note 7 to the consolidated financial statements, and \$61.3 million from the issuance of our shares for option exercises. These cash inflows were partially offset by \$420.3 million of cash paid for the repurchase of our ordinary shares, and \$75.8 million of cash paid to a third party banking institution for certain assets that were financed by the third party banking institution on behalf of a customer, which is included in other financing activities.

Fiscal Year 2015

Cash provided by operating activities was \$794.0 million during fiscal year 2015. This resulted primarily from \$600.8 million of net income for the period plus \$510.9 million of non-cash charges such as depreciation, amortization, other impairment charges and stock-based compensation expense that are included in the determination of net income. Depreciation expense comprised \$496.8 million of those non-cash charges, which was higher than our normal annual run rate of approximately \$425.0 million due to accelerated depreciation recognized for fixed assets directly associated with certain product exits during the year. These were offset by \$317.6 million from changes in our operating assets and liabilities, driven primarily by a \$565.1 million reduction in customer deposits that were received in prior periods to support increased working capital requirements in those periods. NWC decreased by \$212.5 million primarily due to lower business levels during the fourth quarter of fiscal year 2015 as compared to the same quarter of fiscal year 2014, which resulted in lower levels of investments in NWC.

Cash used in investing activities amounted to \$242.2 million during fiscal year 2015. This resulted primarily from \$347.4 million in gross capital expenditures for property and equipment to support certain programs, offset by \$107.7 million of proceeds from the sale of certain buildings and machinery and equipment. We also paid \$52.7 million for the acquisition of four businesses completed during fiscal year 2015. Other investing activities also includes \$79.7 million of proceeds from the sale of manufacturing equipment originally purchased on behalf of a customer and financed by a third party banking institution, as further discussed in note 17 to the consolidated financial statements, partially offset by \$15.7 million paid for the purchase of certain technology rights as further discussed in note 2 to the consolidated financial statements.

Cash used in financing activities was \$516.0 million during fiscal year 2015, which was primarily the result of cash paid for the repurchase of our ordinary shares in the amount of \$415.9 million and net repayment of debt in the amount of \$24.6 million. Included in other financing activities is \$88.8 million of cash paid to a third party banking institution for certain manufacturing equipment that was financed by the third party banking institution on behalf of a customer and \$11.3 million of cash paid for contingent consideration related to our acquisition of Saturn Electronics and Engineering Inc. The aforementioned cash outflows were partially offset by proceeds from the issuance of our shares for option exercises amounting to \$23.5 million.

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. NWC 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 CTG business, which generally carry higher volumes than our other complex segments. 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".

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 noncontrolling 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 \$600.0 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 other term loans in full amounting to \$170.3 million and \$374.5 million, respectively, and part of the term loan due March 2019.

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 \$639.5 million, \$554.3 million and \$701.5 million for fiscal years 2016, 2015 and 2014, 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,		
	2016	2015	2014
		(In thousands)	
Net cash provided by operating activities	\$1,136,445	\$ 794,034	\$1,216,460
Purchases of property and equipment	(510,634)	(347,413)	(609,643)
Proceeds from the disposition of property and equipment	13,676	107,689	94,640
Free cash flow	<u>\$ 639,487</u>	<u>\$ 554,310</u>	<u>\$ 701,457</u>

Cash Conversion Cycle

	Fiscal Year Ended March 31,		
	2016	2015	2014
Days in trade accounts receivable	45 days	46 days	42 days
Days in inventory	59 days	58 days	54 days
Days in accounts payable	77 days	77 days	70 days
Cash conversion cycle	27 days	27 days	26 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, 2016, days in trade accounts receivable decreased by 1 day to 45 days compared to the fiscal year ended March 31, 2015 primarily due to some improvements in collection efforts, and to a lesser extent, due to the decline in net sales. Non-cash accounts receivable sales or deferred purchase price receivables included for the purposes of the calculation were \$501.1 million, \$600.7 million and \$470.9 million for the years ended March 31, 2016, 2015 and 2014, 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, 2016, days in inventory increased by 1 day to 59 days as compared to the fiscal year ended March 31, 2015. The increase was primarily due to timing of demand from certain customers which was pushed out thus resulting in prepositioned raw materials and higher levels of stalled finished goods.

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, 2016, days in accounts payable remained consistent at 77 days compared to the fiscal year ended March 31, 2015.

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 27 days for the fiscal year ended March 31, 2016 compared to that of fiscal year 2015 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 a designated pool of trade receivables under 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 2016, 2015 and 2014 we received approximately \$5.2 billion, \$4.3 billion and \$4.2 billion, respectively from sales of receivables under our ABS programs, and \$2.3 billion, \$4.2 billion and \$3.4 billion, respectively from other sales of receivables. As of March 31, 2016 and 2015, the outstanding balance on receivables sold for cash was \$1.2 billion, 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 June 8, 2015, we issued \$600 million of 4.750% Notes (“Notes”) due June 15, 2025 in a private offering pursuant to Rule 144A and Regulation S under the Securities Act, at 99.213% of face value, and an effective yield of approximately 4.850%. We received net proceeds of approximately \$595.3 million from the issuance which was used for general corporate purposes. During January 2016, we exchanged these notes for new notes with substantially similar terms and completed the registration of these notes with the Securities and Exchange Commission. Further on March 31, 2014, the maturity date of our former \$2.0 billion credit facility (“Credit Facility”) which was due to expire in October 2016, was extended to March 2019. We also extended the balance of our term loan associated to the Credit Facility as further described in our Contractual Obligations and Commitments section.

Under our current share repurchase program, our Board of Directors authorized repurchases of our outstanding ordinary shares for up to \$500 million in accordance with the share repurchase mandate approved by our shareholders at the date of the most recent Extraordinary General Meeting which was held on August 20, 2015. During fiscal year 2016, we paid \$420.3 million to repurchase shares (under the current and prior repurchase plans) at an average price of \$11.09 per share. As of March 31, 2016, shares in the aggregate amount of \$242.1 million were available to be repurchased under the current plan.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

On September 30, 2015, we amended our former \$2.0 billion credit facility (“Credit Facility”) to increase the \$500.0 million term loan maturing in March 2019 by \$100.0 million. Quarterly repayments of principal under this term loan were amended to \$7.5 million through March 31, 2016, and will be increased to \$11.3 million thereafter with the remainder due upon maturity. As of March 31, 2016, the amended Credit Facility consists of a \$1.5 billion revolving credit facility, for which there were no borrowings outstanding, and a \$600.0 million term loan, which is due to expire in March 2019.

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, 2016, 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, on June 8, 2015, we issued \$600 million of 4.750% Notes (the “4.750% Notes”) due June 15, 2025 in a private offering pursuant to Rule 144A and Regulation S under the Securities Act, at 99.213%, of face value, and an effective yield of approximately 4.850%. We received net proceeds of approximately \$595.3 million from the issuance which has been used for general corporate purposes. During January 2016, we exchanged these 4.750% Notes for new notes with substantially similar terms and completed the registration of these 4.750% Notes with the Securities and Exchange Commission. These 4.750% Notes are governed by the same terms and covenants as for the \$1.0 billion notes, consisting of a \$500 million 4.625% note and an additional \$500 million 5.000% note (the “Previously Issued Notes”), which are described below.

Further, 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 commenced in December 2014 through August 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, 2016, 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 year 2013, we issued an aggregate amount of \$1.0 billion in the Previously Issued Notes which are senior unsecured obligations, rank equally with all of our other existing and future senior and 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 Credit Facility or our \$600.0 million term loan facility due August 30, 2018. In July 2013, we exchanged these Previously Issued 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, 2016, we were in compliance with the covenants under these credit facilities. Interest on these Previously Issued Notes is payable semi-annually, which commenced on August 15, 2013.

On October 1, 2015, we borrowed €50 million (approximately \$56.6 million as of March 31, 2016), under a 5-year, unsecured, term-loan agreement due September 30, 2020. Borrowings under this term loan bear interest at EURIBOR plus the applicable margin ranging between 0.80% and 2.00%, based on our credit ratings. The loan is repayable beginning December 30, 2016 in quarterly payments of €312,500 through June 30, 2020 with the remainder due upon maturity. This term loan agreement is unsecured, and is guaranteed by the Company. This term contains customary restrictions on the Company's and its subsidiaries' ability to (i) incur certain debt, (ii) make certain investments, (iii) make certain acquisitions of other entities, (iv) incur liens, (v) dispose of assets, (vi) make non-cash distributions to shareholders, and (vii) engage in transactions with affiliates. This term loan agreement also requires that we maintain a maximum ratio of total indebtedness to EBITDA (earnings before interest expense, taxes, depreciation and amortization), and a minimum interest coverage ratio, as defined therein, during its term. As of March 31, 2016, we were in compliance with the covenants under this term loan agreement.

As of March 31, 2016, we and certain of our subsidiaries had various uncommitted revolving credit facilities, lines of credit and other loans in the amount of \$166.0 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:

	Total	Less Than 1 Year	1 - 3 Years	4 - 5 Years	Greater Than 5 Years
	(In thousands)				
Contractual Obligations:					
Purchase obligations	\$3,213,500	\$3,213,500	\$ —	\$ —	\$ —
Long-term debt and capital lease obligations					
Long-term debt	2,791,906	65,166	1,068,617	547,440	1,110,683
Capital lease	25,054	6,640	10,302	8,112	—
Interest on long-term debt obligations . .	673,622	101,460	207,519	191,982	172,661
Operating leases, net of subleases	579,201	125,021	191,203	116,974	146,003
Restructuring costs	13,240	2,460	10,780	—	—
Total contractual obligations	<u>\$7,296,523</u>	<u>\$3,514,247</u>	<u>\$1,488,421</u>	<u>\$864,508</u>	<u>\$1,429,347</u>

We have excluded \$212.3 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.

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, 2016 and 2015, the fair value of our deferred purchase price receivable was approximately \$501.1 million and \$600.7 million, respectively. As of March 31, 2016 and 2015, the outstanding balance on receivables sold for cash was \$1.2 billion, 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 RMB serving as a natural hedge of our RMB denominated costs. As of March 31, 2016, the outstanding amount in the investment portfolio was \$1.1 billion, the largest components of which were USD and RMB denominated money market accounts with an average return of 1.22%. 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, 2016. 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, 2016, the approximate average fair value of our debt outstanding under our term loan facilities that matures in March 2019 and August 2018, and Notes due February 2020, February 2023 and June 2025 was 101.0% of the face value of the debt obligations based on broker trading prices.

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, swap, and

option 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, 2016 amounted to \$4.3 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 krone, 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, 2016, 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.

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, 2016 and 2015, 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, 2016. 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, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2016, 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, 2016, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 20, 2016 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

San Jose, California
May 20, 2016

FLEXTRONICS INTERNATIONAL LTD.
CONSOLIDATED BALANCE SHEETS

	As of March 31,	
	2016	2015
	(In thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,607,570	\$ 1,628,408
Accounts receivable, net of allowance for doubtful accounts (Note 2)	2,044,757	2,337,515
Inventories	3,491,656	3,488,752
Other current assets	1,171,143	1,286,225
Total current assets	8,315,126	8,740,900
Property and equipment, net	2,257,633	2,092,167
Goodwill and other intangible assets, net	1,345,820	415,175
Other assets	466,402	404,649
Total assets	\$12,384,981	\$11,652,891
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank borrowings and current portion of long-term debt	\$ 65,166	\$ 45,030
Accounts payable	4,248,292	4,561,194
Accrued payroll	353,547	339,739
Other current liabilities	1,905,200	1,809,128
Total current liabilities	6,572,205	6,755,091
Long-term debt, net of current portion	2,709,389	2,025,970
Other liabilities	497,857	475,580
Commitments and contingencies (Note 12)		
Shareholders' equity		
Flextronics International Ltd. Shareholders' equity		
Ordinary shares, no par value; 595,062,966 and 613,562,761 issued, and 544,823,611 and 563,323,406 outstanding as of March 31, 2016 and 2015, respectively	6,987,214	7,265,827
Treasury stock, at cost; 50,239,355 shares as of March 31, 2016 and 2015, respectively	(388,215)	(388,215)
Accumulated deficit	(3,892,212)	(4,336,293)
Accumulated other comprehensive loss	(135,915)	(180,505)
Total Flextronics International Ltd. shareholders' equity	2,570,872	2,360,814
Noncontrolling interests	34,658	35,436
Total shareholders' equity	2,605,530	2,396,250
Total liabilities and shareholders' equity	\$12,384,981	\$11,652,891

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

FLEXTRONICS INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(In thousands, except per share amounts)		
Net sales	\$24,418,885	\$26,147,916	\$26,108,607
Cost of sales	22,810,824	24,602,576	24,609,738
Restructuring charges	—	—	58,648
Gross profit	1,608,061	1,545,340	1,440,221
Selling, general and administrative expenses	954,890	844,473	874,796
Intangible amortization	65,965	32,035	28,892
Restructuring charges	—	—	16,663
Other charges (income), net	47,738	(53,233)	57,512
Interest and other, net	84,793	51,410	61,904
Income before income taxes	454,675	670,655	400,454
Provision for income taxes	10,594	69,854	34,860
Net income	<u>\$ 444,081</u>	<u>\$ 600,801</u>	<u>\$ 365,594</u>
Earnings per share:			
Basic	<u>\$ 0.80</u>	<u>\$ 1.04</u>	<u>\$ 0.60</u>
Diluted	<u>\$ 0.79</u>	<u>\$ 1.02</u>	<u>\$ 0.59</u>
Weighted-average shares used in computing per share amounts:			
Basic	<u>557,667</u>	<u>579,981</u>	<u>610,497</u>
Diluted	<u>564,869</u>	<u>591,556</u>	<u>623,479</u>

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

FLEXTRONICS INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<u>Fiscal Year Ended March 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
		(In thousands)	
Net income	\$444,081	\$600,801	\$365,594
Other comprehensive income (loss):			
Foreign currency translation adjustments, net of zero tax . . .	17,846	(18,932)	(34,683)
Unrealized gain (loss) on derivative instruments and other, net of zero tax	<u>26,744</u>	<u>(35,417)</u>	<u>(13,992)</u>
Comprehensive income	<u>\$488,671</u>	<u>\$546,452</u>	<u>\$316,919</u>

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

FLEXTRONICS INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Ordinary Shares		Accumulated Deficit	Accumulated Other Comprehensive Loss			Total Flextronics International Ltd. Shareholders' Equity	Noncontrolling Interests	Total Shareholders' Equity
	Shares Outstanding	Amount		Unrealized Loss on Derivative Instruments and Other	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Loss			
	(In thousands)								
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
Repurchase of Flextronics International Ltd. ordinary shares at cost	(38,951)	(421,687)	—	—	—	—	(421,687)	—	(421,687)
Exercise of stock options	3,601	23,497	—	—	—	—	23,497	11	23,508
Issuance of Flextronics International Ltd. vested shares under share bonus awards	7,246	—	—	—	—	—	—	—	—
Issuance of subsidiary shares	—	—	—	—	—	—	—	300	300
Net income	—	—	600,801	—	—	—	600,801	(4,272)	596,529
Stock-based compensation, net of tax	—	49,502	—	—	—	—	49,502	768	50,270
Total other comprehensive loss	—	—	—	(35,417)	(18,932)	(54,349)	(54,349)	—	(54,349)
BALANCE AT									
MARCH 31, 2015	563,323	6,877,612	(4,336,293)	(68,266)	(112,239)	(180,505)	2,360,814	35,436	2,396,250
Repurchase of Flextronics International Ltd. ordinary shares at cost	(37,314)	(412,819)	—	—	—	—	(412,819)	—	(412,819)
Exercise of stock options	10,244	61,278	—	—	—	—	61,278	486	61,764
Issuance of Flextronics International Ltd. vested shares under share bonus awards	8,570	—	—	—	—	—	—	—	—
Premium on acquired equity plan	—	799	—	—	—	—	799	—	799
Net income	—	—	444,081	—	—	—	444,081	(6,715)	437,366
Stock-based compensation, net of tax	—	72,129	—	—	—	—	72,129	5,451	77,580
Total other comprehensive income	—	—	—	26,744	17,846	44,590	44,590	—	44,590
BALANCE AT									
MARCH 31, 2016	<u>544,823</u>	<u>\$6,598,999</u>	<u>\$(3,892,212)</u>	<u>\$(41,522)</u>	<u>\$ (94,393)</u>	<u>\$(135,915)</u>	<u>\$2,570,872</u>	<u>\$34,658</u>	<u>\$2,605,530</u>

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

FLEXTRONICS INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(In thousands)		
Cash flows from operating activities:			
Net income	\$ 444,081	\$ 600,801	\$ 365,594
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and other impairment charges	515,367	540,490	464,543
Provision for doubtful accounts (Note 2)	72,295	650	2,029
Non-cash other loss (income)	24,521	(21,278)	(20,753)
Stock-based compensation	77,580	50,270	40,439
Income taxes	(64,346)	(59,261)	(36,261)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	317,946	316,773	(592,346)
Inventories	84,790	72,660	(758,846)
Other current and noncurrent assets	(2,704)	125,218	(165,760)
Accounts payable	(365,051)	(176,941)	1,117,449
Other current and noncurrent liabilities	31,966	(655,348)	800,372
Net cash provided by operating activities	<u>1,136,445</u>	<u>794,034</u>	<u>1,216,460</u>
Cash flows from investing activities:			
Purchases of property and equipment	(510,634)	(347,413)	(609,643)
Proceeds from the disposition of property and equipment	13,676	107,689	94,640
Acquisition and divestiture of businesses, net of cash acquired and cash held in divested business	(910,787)	(66,854)	(233,432)
Other investing activities, net	11,369	64,362	(35,497)
Net cash used in investing activities	<u>(1,396,376)</u>	<u>(242,216)</u>	<u>(783,932)</u>
Cash flows from financing activities:			
Proceeds from bank borrowings and long-term debt	884,702	319,542	1,066,653
Repayments of bank borrowings and long-term debt	(190,221)	(344,156)	(537,580)
Payments for early retirement of long-term debt	—	—	(544,840)
Payments for repurchases of ordinary shares	(420,317)	(415,945)	(475,314)
Proceeds from exercise of stock options	61,278	23,508	28,140
Other financing activities, net	(85,800)	(98,966)	52,149
Net cash provided by (used in) financing activities	<u>249,642</u>	<u>(516,017)</u>	<u>(410,792)</u>
Effect of exchange rates on cash	(10,549)	(1,121)	(15,095)
Net change in cash and cash equivalents	(20,838)	34,680	6,641
Cash and cash equivalents, beginning of year	1,628,408	1,593,728	1,587,087
Cash and cash equivalents, end of year	<u>\$ 1,607,570</u>	<u>\$1,628,408</u>	<u>\$1,593,728</u>

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. (“Flex” 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 innovative design, engineering, manufacturing, and supply chain services and solutions that span *from sketch to scale*[™]; from conceptual sketch to full-scale production. The Company designs, builds, ships and services complete packaged consumer electronics and industrial products for original equipment manufacturers (“OEMs”), through its activities in the following segments: High Reliability Solutions (“HRS”), which is comprised of medical business including consumer health, digital health, disposables, drug delivery, diagnostics, life sciences and imaging equipment; automotive business, including vehicle electronics, connectivity, and clean technologies; and defense and aerospace businesses, focused on commercial aviation, defense and military; Consumer Technologies Group (“CTG”), which includes mobile devices business, including smart phones; consumer electronics business, including connected living, wearable electronics, including digital sport, game consoles, and connectivity devices; and high-volume computing business, including various supply chain solutions for notebook personal computer (“PC”), tablets, and printers; in addition, CTG group is expanding its business relationships to include supply chain optimization for non-electronics products such as shoes and clothing; Industrial and Emerging Industries (“IEI”), which is comprised of semiconductor and capital equipment, office solutions, household industrial and lifestyle, industrial automation and kiosks, energy and metering, and lighting; and Communications & Enterprise Compute (“CEC”), which was formerly referred to as Integrated Network Solutions (“INS”), includes radio access base stations, remote radio heads, and small cells for wireless infrastructure; optical, routing, broadcasting, and switching products for the data and video networks; server and storage platforms for both enterprise and cloud based deployments; next generation storage and security appliance products; and rack level solutions, converged infrastructure and software defined product solutions. The Company’s strategy is to provide customers with a full range of cost competitive, vertically integrated global supply chain solutions through which the Company can design, build, ship and service a complete packaged product for its OEM customers. This enables the Company’s OEM customers to 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) and 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 26, 2015 and June 27, 2014, respectively, and the second fiscal quarter ended on September 25, 2015 and September 26, 2014, 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 Flex and its majority-owned subsidiaries, after elimination of intercompany accounts and transactions. The Company consolidates its majority-owned subsidiaries and investments in entities in which the Company has a controlling interest. For the consolidated majority-owned subsidiaries in which the Company owns less than 100%, the Company recognizes a noncontrolling interest for the ownership of the noncontrolling owners. As of March 31, 2016, the noncontrolling interest has been included on the consolidated balance sheets as a component of total shareholders’ equity. The associated noncontrolling owners’ interest in the income or losses of these companies is classified as a component of interest and other, net, in the consolidated statements of operations.

The Company has certain non-majority-owned equity investments in non-publicly traded companies that are accounted for using the equity method of accounting. The equity method of accounting is used when the Company has the ability to significantly influence the operating decisions of the issuer, or if the Company has an ownership percentage of a corporation equal to or generally greater than 20% but less than 50%, and for

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

non-majority-owned investments in partnerships when generally greater than 5%. The equity in earnings (losses) of equity method investees are immaterial for all of the periods presented, and are included in interest and other, net in the condensed consolidated statements of operations.

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 obtained and liabilities assumed 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 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 its 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 primarily related to its design and innovations businesses of \$75.5 million, \$35.2 million, and \$30.0 million for the fiscal years ended March 31, 2016, 2015 and 2014, respectively.

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)

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.

The following table summarizes the activity in the Company's allowance for doubtful accounts during fiscal years 2016, 2015 and 2014:

	<u>Balance at Beginning of Year</u>	<u>Charged to Costs and Expenses</u>	<u>Deductions/ Write-Offs</u>	<u>Balance at End of Year</u>
	(In thousands)			
Allowance for doubtful accounts:				
Year ended March 31, 2014	\$10,877	\$ 2,029	\$ (7,377)	\$ 5,529
Year ended March 31, 2015	\$ 5,529	\$ 650	\$ (1,645)	\$ 4,534
Year ended March 31, 2016	\$ 4,534	\$72,295	\$(12,221)	\$64,608

On April 21st, 2016, one of the Company's customers, SunEdison Inc. (together with certain of its subsidiaries, "SunEdison"), filed a petition for reorganization under bankruptcy law. For the fiscal year ended March 31, 2016, the Company recognized a bad debt reserve charge of \$61.0 million associated with its outstanding SunEdison receivables, and another charge of \$10.5 million relating to a separate distressed customer which was also written-off during the year.

One customer (including net sales from its current and former parent companies, through the dates of their respective ownership), which is within the Company's CTG segment, accounted for approximately 11%, 17%, and 13% of the Company's net sales in fiscal years 2016, 2015 and 2014, respectively, and approximately 11% and 15% of the Company's total accounts receivable balances in fiscal years 2016 and 2015, respectively. Another customer included in the Company's CEC segment, accounted for approximately 11% of the Company's total accounts receivable balance in fiscal year 2016.

The Company's ten largest customers accounted for approximately 46%, 50% and 52%, of its net sales in fiscal years 2016, 2015 and 2014, respectively.

Derivative Instruments

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 in note 8.

Cash and Cash Equivalents

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, is classified as cash equivalents on the consolidated balance sheets.

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 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:

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

	As of March 31,	
	2016	2015
	(In thousands)	
Cash and bank balances	\$ 533,438	\$ 953,549
Money market funds and time deposits	1,074,132	674,859
	\$1,607,570	\$1,628,408

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 lower of cost or market write-downs, were as follows:

	As of March 31,	
	2016	2015
	(In thousands)	
Raw materials	\$2,234,512	\$2,330,428
Work-in-progress	561,282	557,786
Finished goods	695,862	600,538
	\$3,491,656	\$3,488,752

Property and Equipment, Net

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are 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 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,	
		2016	2015
		(In thousands)	
Machinery and equipment	3 - 10	\$ 3,187,590	\$ 2,928,903
Buildings	30	1,144,798	1,067,837
Leasehold improvements	up to 30	397,340	459,926
Furniture, fixtures, computer equipment and software	3 - 7	477,203	440,878
Land	—	127,927	123,633
Construction-in-progress	—	178,851	140,786
		5,513,709	5,161,963
Accumulated depreciation and amortization		(3,256,076)	(3,069,796)
Property and equipment, net		\$ 2,257,633	\$ 2,092,167

Total depreciation expense associated with property and equipment amounted to approximately \$425.7 million, \$496.8 million and \$424.8 million in fiscal years 2016, 2015 and 2014, respectively.

The Company reviews property and equipment for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of property and equipment is determined by comparing its carrying amount to the lowest level of identifiable projected

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

undiscounted cash flows the property and equipment are expected to generate. An impairment loss is recognized when the carrying amount of property and equipment exceeds its fair value.

Deferred Income Taxes

The Company provides for income taxes in accordance with the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences between the carrying amount and the tax basis of existing assets and liabilities by applying the applicable statutory tax rate to such differences. Additionally, the Company assesses whether each income tax position is “more likely than not” of being sustained on audit, including resolution of related appeals or litigation, if any. For each income tax position that meets the “more likely than not” recognition threshold, the Company would then assess the largest amount of tax benefit that is greater than 50% likely of being realized upon effective settlement with the tax authority.

Accounting for Business and Asset Acquisitions

The Company has actively pursued business and asset acquisitions, which are accounted for using the acquisition method of accounting. The fair value of the net assets acquired and the results of the acquired businesses are included in the Company’s consolidated financial statements from the acquisition dates forward. The Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and results of operations during the reporting period. Estimates are used in accounting for, among other things, the fair value of acquired net operating assets, property and equipment, intangible assets and related deferred tax liabilities, useful lives of plant and equipment and amortizable lives for acquired intangible assets. Any excess of the purchase consideration over the fair value of the identified assets and liabilities acquired is recognized as goodwill.

The Company estimates the preliminary fair value of acquired assets and liabilities as of the date of acquisition based on information available at that time. Contingent consideration is recorded at fair value as of the date of the acquisition with subsequent adjustments recorded in earnings. Changes to valuation allowances on acquired deferred tax assets are recognized in the provision for, or benefit from, income taxes. The valuation of these tangible and identifiable intangible assets and liabilities is subject to further management review and may change materially between the preliminary allocation and end of the purchase price allocation period. Any changes in these estimates may have a material effect on the Company’s consolidated operating results or financial position.

Goodwill and Other Intangible Assets

Goodwill is tested for impairment on an annual basis and whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. Recoverability of goodwill is measured at the reporting unit level by comparing the reporting unit’s carrying amount, including goodwill, to the fair value of the reporting unit, which is measured based upon, among other factors, market multiples for comparable companies as well as a discounted cash flow analysis. If the recorded value of the assets, including goodwill, and liabilities (“net book value”) of each reporting unit exceeds its fair value, an impairment loss may be required to be recognized. Further, to the extent the net book value of the Company as a whole is greater than its fair value in the aggregate, all, or a significant portion of its goodwill may be considered impaired.

As discussed in note 19, the Company concluded that as of the fourth quarter of fiscal year 2015 it has four reportable operating segments: HRS, CTG, IEI and CEC and concluded these same four segments also represented its reporting units. The Company assessed that there was no change to its reporting units in fiscal year 2016 and performed its goodwill impairment assessment on January 1, 2016, and did not elect to perform the qualitative “Step Zero” assessment. Instead, the Company performed a quantitative assessment of its goodwill and determined that no impairment existed as of the date of the impairment test because the fair value of each reporting unit exceeded its carrying value.

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 goodwill at the one reporting unit level through December 31, 2014, and at the four reporting unit level from January 1, 2015 through March 31, 2016 (in thousands):

	<u>HRS</u>	<u>CTG</u>	<u>IEI</u>	<u>CEC</u>	<u>Total</u>
Balance, as of March 31, 2014	\$ —	\$ —	\$ —	\$ —	\$292,758
Additions(1)	—	—	—	—	36,467
Purchase accounting adjustments(2)	—	—	—	—	8,651
Foreign currency translation adjustments	—	—	—	—	(3,393)
Balance, as of December 31, 2014(3)	93,990	68,234	64,221	108,038	334,483
Purchase accounting adjustments(2)	(656)	—	—	—	(656)
Foreign currency translation adjustments	(196)	—	—	—	(196)
Balance, as of March 31, 2015	93,138	68,234	64,221	108,038	333,631
Additions(1)	340,610	—	258,582	3,655	602,847
Purchase accounting adjustments(2)	125	—	—	—	125
Foreign currency translation adjustments	5,463	—	—	—	5,463
Balance, as of March 31, 2016	<u>\$439,336</u>	<u>\$68,234</u>	<u>\$322,803</u>	<u>\$111,693</u>	<u>\$942,066</u>

- (1) The goodwill generated from the Company's business combinations completed during the fiscal years 2016 and 2015 are primarily related to value placed on the employee workforce, service offerings and capabilities and expected synergies. The goodwill is not deductible for income tax purposes. Refer to the discussion of the Company's business acquisitions in note 17.
- (2) Includes adjustments based on management's estimates resulting from their review and finalization of the valuation of assets and liabilities acquired through certain business combinations completed in a period subsequent to the respective acquisition. These adjustments were not individually, nor in the aggregate, significant to the Company.
- (3) Goodwill is allocated to each of the reporting units based on the relative fair values assessed in conjunction with the goodwill impairment testing conducted as of January 1, 2015.

The Company's acquired intangible assets are subject to amortization over their estimated useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable. An impairment loss is recognized when the carrying amount of an intangible asset exceeds its fair value. The Company reviewed the carrying value of its intangible assets as of March 31, 2016 and concluded that such amounts continued to be recoverable.

Intangible assets are comprised of customer-related intangible assets, that include contractual agreements and customer relationships; and licenses and other intangible assets, that are primarily comprised of licenses and also includes patents and trademarks, and developed technologies. Generally, both customer-related intangible assets and licenses and other intangible assets are amortized on a straight line basis, over a period of up to ten years. No residual value is estimated for any intangible assets. The fair value of the Company's intangible assets purchased through business combinations is determined based on management's estimates of cash flow and recoverability. The components of acquired intangible assets are as follows:

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

	As of March 31, 2016			As of March 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(In thousands)					
Intangible assets:						
Customer-related intangibles . . .	\$223,046	\$ (66,473)	\$156,573	\$133,853	\$(80,506)	\$53,347
Licenses and other intangibles . .	285,053	(37,872)	247,181	39,985	(11,788)	28,197
Total	<u>\$508,099</u>	<u>\$(104,345)</u>	<u>\$403,754</u>	<u>\$173,838</u>	<u>\$(92,294)</u>	<u>\$81,544</u>

The gross carrying amounts of intangible assets are removed when fully amortized. During fiscal year 2016, the gross carrying amounts of fully amortized intangible assets totaled \$51.7 million. During the year ended March 31, 2016, the total value of intangible assets increased primarily in connection with the Company's acquisitions of Mirror Controls International ("MCI") and NEXTracker Inc. ("NEXTracker"). The MCI acquisition contributed an additional \$75.5 million in customer-related intangible assets, and \$161.3 million in licenses and other intangible assets, and the NEXTracker acquisition contributed an additional \$47.3 million in customer-related intangible assets and \$61.4 million in licenses and other intangible assets. Total intangible asset amortization expense recognized in operations during fiscal years 2016, 2015 and 2014 was \$66.0 million, \$32.0 million and \$28.9 million, respectively. As of March 31, 2016, the weighted-average remaining useful lives of the Company's intangible assets were approximately 6.8 years and 7.5 years for customer-related intangibles, and licenses and other intangible assets, respectively. The estimated future annual amortization expense for acquired intangible assets is as follows:

<u>Fiscal Year Ending March 31,</u>	<u>Amount</u> <u>(In thousands)</u>
2017	\$ 76,921
2018	62,474
2019	55,844
2020	47,252
2021	42,961
Thereafter	<u>118,302</u>
Total amortization expense	<u>\$403,754</u>

Derivative Instruments and Hedging Activities

All derivative instruments are recognized on the consolidated balance sheets at fair value. If the derivative instrument is designated as a cash flow hedge, effectiveness is tested monthly using a regression analysis of the change in the spot currency rates and the change in the present value of the spot currency rates. The spot currency rates are discounted to present value using functional currency Inter-bank Offering Rates over the maximum length of the hedge period. The effective portion of changes in the fair value of the derivative instrument (excluding time value) is recognized in shareholders' equity as a separate component of accumulated other comprehensive income (loss), and recognized in the consolidated statements of operations when the hedged item affects earnings. Ineffective and excluded portions of changes in the fair value of cash flow hedges are recognized in earnings immediately. If the derivative instrument is designated as a fair value hedge, the changes in the fair value of the derivative instrument and of the hedged item attributable to the hedged risk are recognized in earnings in the current period. Additional information is included in note 8.

Other Current Assets

Other current assets include approximately \$501.1 million and \$600.7 million as of March 31, 2016 and 2015, respectively for the deferred purchase price receivable from the Company's Global and North American Asset-Backed Securitization programs. See note 10 for additional information.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Also included in other current assets is the value of certain assets purchased on behalf of a customer and financed by a third party banking institution in the amounts of \$83.6 million and \$169.2 million as of March 31, 2016 and 2015, respectively, as further described in note 17. Additionally, other current assets as of March 31, 2016 includes an amount of \$36.7 million relating to these assets that have been sold to third parties but not yet collected.

Investments

The Company has certain equity investments in, and notes receivable from, non-publicly traded companies which are included within other assets. The equity method of accounting is used when the Company has the ability to significantly influence the operating decisions of the issuer; otherwise the cost method is used. Non-majority-owned investments in corporations are accounted for using the equity method when the Company has an ownership percentage equal to or generally greater than 20% but less than 50%, and for non-majority-owned investments in partnerships when generally greater than 5%. The Company monitors these investments for impairment indicators and makes appropriate reductions in carrying values as required. Fair values of these investments, when required, are estimated using unobservable inputs, primarily comparable company multiples and discounted cash flow projections.

As of March 31, 2016 and 2015, the Company's equity investments in non-majority owned companies totaled \$122.9 million and \$87.0 million, respectively. The equity in the earnings or losses of the Company's equity method investments was not material to the consolidated results of operations for any period presented and is included in interest and other, net.

Other Current Liabilities

Other current liabilities include customer working capital advances of \$253.7 million and \$189.6 million, customer-related accruals of \$479.5 million and \$454.8 million, and deferred revenue of \$332.3 million and \$272.6 million as of March 31, 2016 and 2015, respectively. The customer working capital advances are not interest bearing, do not have fixed repayment dates and are generally reduced as the underlying working capital is consumed in production. Other current liabilities also included the outstanding balances due to the third party banking institution related to the financed equipment discussed above of \$122.0 million and \$197.7 million as of March 31, 2016 and 2015, respectively, as further described in note 17.

Restructuring Charges

The Company recognizes restructuring charges related to its plans to close or consolidate excess manufacturing and administrative facilities. In connection with these activities, the Company records restructuring charges for employee termination costs, long-lived asset impairment and other exit-related costs.

The recognition of restructuring charges requires the Company to make certain judgments and estimates regarding the nature, timing and amount of costs associated with the planned exit activity. To the extent the Company's actual results differ from its estimates and assumptions, the Company 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, the Company evaluates 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. See note 14 for additional information regarding restructuring charges.

Recently Adopted Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued new guidance which eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. The Company has elected to early adopt this new guidance during the fourth quarter of fiscal year 2016 on a prospective basis as permitted under the new guidance, and the impact was not material.

In November 2015, the FASB issued new guidance to eliminate the requirement for companies to separate deferred income tax assets and liabilities into current and noncurrent amounts on the balance sheet. Instead, companies will be required to classify all deferred tax liabilities and assets as noncurrent. The Company elected to early adopt this new guidance during the third quarter of fiscal year 2016 on a prospective basis as permitted under the new guidance, resulting in the reclassification of \$66.3 million of deferred income tax assets and

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

\$9.1 million of deferred income tax liabilities from current into noncurrent as of March 31, 2016. Prior periods were not retrospectively adjusted.

In September 2015, the FASB issued new guidance to simplify the accounting for adjustments made to provisional amounts recognized in a business combination. Under previous guidance, the acquirer retrospectively adjusted the provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill, and would have to revise comparative information for prior periods presented in financial statements as needed. The update requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The Company has elected to early adopt this new guidance which is effective for the Company beginning the third quarter of fiscal year 2016, and the impact was not material.

In April 2015, the FASB issued new guidance which changes the presentation of debt issuance costs in financial statements. Under the new guidance, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset, with amortization of the costs being reported as interest expense. The Company has elected to early adopt during the fourth quarter of fiscal year 2016, and retrospectively adjusted all prior balance sheets presented. As a result of the adoption, \$12.7 million of debt issuance costs associated with the Company's bank borrowings and long-term debt as of March 31, 2015, were reclassified from other noncurrent assets, to short-term and long-term debt in the consolidated balance sheet.

Recently Issued Accounting Pronouncements

In March 2016, the FASB issued new guidance intended to reduce the cost and complexity of the accounting for share-based payments. The new guidance simplifies various aspects of the accounting for share-based payments including income tax effects, withholding requirements and forfeitures. The Company will be required to adopt the new guidance beginning with the first quarter of fiscal year 2018, with early adoption permitted. The Company is currently assessing the impact of this update and the timing of adoption.

In February 2016, the FASB issued new guidance intended to improve financial reporting on leasing transactions. The new lease guidance will require entities that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than 12 months. The guidance will also enhance existing disclosure requirements relating to those leases. The Company will be required to adopt the new lease guidance beginning with the first quarter of fiscal year 2020, with early adoption permitted. Upon initial evaluation, the Company believes the new guidance will have a material impact on its consolidated balance sheets when adopted. The Company is currently assessing the timing of adoption.

In July 2015, the FASB issued new guidance to simplify the measurement of inventory, by requiring that inventory be measured at the lower of cost and net realizable value. Prior to the issuance of the new guidance, inventory was measured at the lower of cost or market. This guidance is effective for the Company beginning in the first quarter of fiscal year 2018, with early application permitted as of the beginning of an interim or annual reporting period. The Company is currently assessing the impact of this update and the timing of adoption.

In May 2014, the FASB issued new guidance which requires an entity to recognize revenue relating to contracts with customers that depicts the transfer of promised goods or services to customers in an amount reflecting the consideration to which the entity expects to be entitled in exchange for such goods or services. In order to meet this requirement, the entity must apply the following steps: (i) identify the contracts with the customers; (ii) identify performance obligations in the contracts; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations per the contracts; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. Additionally, disclosures required for revenue recognition will include qualitative and quantitative information about contracts with customers, significant judgments and changes in judgments, and assets recognized from costs to obtain or fulfill a contract. In July 2015, the FASB deferred the effective date of the standard by a year, and as a result, the guidance is effective for the Company beginning in the first quarter of fiscal year 2019. The Company has assessed that the impact of the new guidance will result in a change of the Company's revenue recognition model from "point in time" upon physical delivery to an "over time" model and believes this transition will have a material impact on the Company's consolidated financial statements upon adoption.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION

Equity Compensation Plans

The Company's primary plan used for granting equity compensation awards is the 2010 Equity Incentive Plan (the "2010 Plan").

During fiscal year 2016, in conjunction with the acquisition of NEXTracker, the Company assumed all of the outstanding, unvested share bonus awards and outstanding, unvested options to purchase shares of common stock of NEXTracker, and converted all these shares into Flex awards. As a result, the Company offers an additional equity compensation plan as of March 31, 2016, the 2014 NEXTracker Equity Incentive Plan (the "NEXTracker Plan").

Further, during fiscal year 2016, the Company granted equity compensation awards under a third plan, the 2013 Elementum Plan (the "Elementum Plan"), which is administered by Elementum SCM (Cayman) Limited ("Elementum"), a majority owned subsidiary of the Company.

Share-Based Compensation Expense

The following table summarizes the Company's share-based compensation expense for all Equity Incentive Plans:

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(In thousands)		
Cost of sales	\$ 8,986	\$ 7,503	\$ 6,540
Selling, general and administrative expenses	68,594	42,767	33,899
Total share-based compensation expense	<u>\$77,580</u>	<u>\$50,270</u>	<u>\$40,439</u>

As required by the authoritative guidance for stock-based compensation, management made an estimate of expected forfeitures and is recognizing compensation costs only for those equity awards expected to vest. When estimating forfeitures, the Company considers voluntary termination behavior as well as an analysis of actual forfeitures.

Cash flows resulting from excess tax benefits (tax benefits related to the excess of proceeds from employee exercises of share options over the share-based compensation cost recognized for those options) are classified as financing cash flows. During fiscal years 2016, 2015 and 2014, the Company did not recognize any excess tax benefits as a financing cash inflow.

The 2010 Equity Incentive Plan

As of March 31, 2016, the Company had approximately 27.1 million shares available for grant under the 2010 Plan. Options issued to employees under the 2010 Plan generally vest over four years and expire seven years from the date of grant. Options granted to non-employee directors expire five years from the date of grant.

The exercise price of options granted to employees is determined by the Company's Board of Directors or the Compensation Committee and may not be less than the closing price of the Company's ordinary shares on the date of grant.

As of March 31, 2016, the total unrecognized compensation cost, net of estimated forfeitures, related to unvested share options granted to employees under the 2010 Plan was not significant and will be amortized on a straight-line basis over a weighted-average period of approximately 2.3 years, adjusted for estimated forfeitures.

The Company also grants share bonus awards under its equity compensation plan. Share bonus awards are rights to acquire a specified number of ordinary shares for no cash consideration in exchange for continued service with the Company. Share bonus awards generally vest in installments over a three to five-year period and unvested share bonus awards are forfeited upon termination of employment.

Vesting for certain share bonus awards is contingent upon both service and market conditions. Further, vesting for certain share bonus awards granted to certain executive officers is contingent upon meeting certain free cash flow targets.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

As of March 31, 2016, the total unrecognized compensation cost related to unvested share bonus awards granted to employees was approximately \$97.9 million, net of estimated forfeitures, under the 2010 Plan. These costs will be amortized generally on a straight-line basis over a weighted-average period of approximately 2.5 years, adjusted for estimated forfeitures. Approximately \$13.7 million of the unrecognized compensation cost related to the 2010 Plan, net of estimated forfeitures, is related to share bonus awards granted to certain key employees whereby vesting is contingent on meeting a certain market condition.

Determining Fair Value—Options and share bonus awards

Valuation and Amortization Method—The Company estimates the fair value of share options granted under the 2010 Plan using the Black-Scholes valuation method and a single option award approach. This fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. The fair market value of share bonus awards granted, other than those awards with a market condition, is the closing price of the Company's ordinary shares on the date of grant and is generally recognized as compensation expense on a straight-line basis over the respective vesting period.

Expected Term—The Company's expected term used in the Black-Scholes valuation method represents the period that the Company's share options are expected to be outstanding and is determined based on historical experience of similar awards, giving consideration to the contractual terms of the share options, vesting schedules and expectations of future employee behavior as influenced by changes to the terms of its share options.

Expected Volatility—The Company's expected volatility used in the Black-Scholes valuation method is derived from a combination of implied volatility related to publicly traded options to purchase Flex ordinary shares and historical variability in the Company's periodic share price.

Expected Dividend—The Company has never paid dividends on its ordinary shares and accordingly the dividend yield percentage is zero for all periods.

Risk-Free Interest Rate—The Company bases the risk-free interest rate used in the Black-Scholes valuation method on the implied yield currently available on U.S. Treasury constant maturities issued with a term equivalent to the expected term of the option.

There were no options granted under the 2010 Plan during fiscal years 2016 and 2014. The fair value of the Company's share options granted to employees for fiscal year 2015 was estimated using the following weighted-average assumptions:

	Fiscal Year Ended March 31, 2015
Expected term	6.3 years
Expected volatility	46.9%
Expected dividends	0.0%
Risk-free interest rate	2.3%
Weighted-average fair value	\$4.85

Options granted during fiscal year 2015 had contractual lives of seven years.

Determining Fair Value—Share bonus awards with service and market conditions

Valuation and Amortization Method—The Company estimates the fair value of share bonus awards granted under the 2010 Plan whereby vesting is contingent on meeting certain market conditions using Monte Carlo simulation. This fair value is then amortized on a straight-line basis over the vesting period, which is the service period.

Expected volatility of Flex—Volatility used in a Monte Carlo simulation is derived from the historical volatility of Flex's stock price over a period equal to the service period of the share bonus awards granted. The service period is three years for those share bonus awards granted in fiscal years 2016, 2015 and 2014.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

Average peer volatility—Volatility used in a Monte Carlo simulation is derived from the historical volatilities of both the S&P 500 index and components of an extended Electronics Manufacturing Services (“EMS”) group, comprised of global competitors of the Company within the same industry, for the share bonus awards granted in fiscal years 2016, 2015 and 2014.

Average Peer Correlation—Correlation coefficients were used to model the movement of Flex’s stock price relative to both the S&P 500 index and peers in the extended EMS group for the share bonus awards granted in fiscal years 2016, 2015 and 2014.

Expected Dividend and Risk-Free Interest Rate assumptions—Same methodology as discussed above.

The fair value of the Company’s share-bonus awards under the 2010 Plan, whereby vesting is contingent on meeting certain market conditions, for fiscal years 2016, 2015 and 2014 was estimated using the following weighted-average assumptions:

	Fiscal Year Ended March 31,		
	2016	2015	2014
Expected volatility	26.0%	29.4%	35.9%
Average peer volatility	23.0%	25.9%	35.7%
Average peer correlation	0.6	0.6	0.4
Expected dividends	0.0%	0.0%	0.0%
Risk-free interest rate	1.2%	0.9%	0.4%

Share-Based Awards Activity

The following is a summary of option activity for the Company’s 2010 Plan (“Price” reflects the weighted-average exercise price):

	Fiscal Year Ended March 31,					
	2016		2015		2014	
	Options	Price	Options	Price	Options	Price
Outstanding, beginning of fiscal year	15,992,894	\$ 7.81	23,612,872	\$ 8.57	34,405,564	\$ 8.29
Granted	—	—	15,000	11.11	—	—
Exercised	(10,006,774)	6.10	(3,600,900)	6.53	(6,572,383)	4.28
Forfeited	(3,616,484)	12.23	(4,034,078)	13.17	(4,220,309)	12.93
Outstanding, end of fiscal year	<u>2,369,636</u>	\$ 8.31	<u>15,992,894</u>	\$ 7.81	<u>23,612,872</u>	\$ 8.57
Options exercisable, end of fiscal year	<u>2,359,527</u>	\$ 8.30	<u>15,959,173</u>	\$ 7.81	<u>23,373,101</u>	\$ 8.58

The aggregate intrinsic value of options exercised under the Company’s 2010 Plan (calculated as the difference between the exercise price of the underlying award and the price of the Company’s ordinary shares determined as of the time of option exercise for options exercised in-the-money) was \$55.3 million, \$16.3 million and \$24.7 million during fiscal years 2016, 2015 and 2014, respectively.

Cash received from option exercises under the 2010 Plan was \$61.1 million, \$23.5 million and \$28.1 million for fiscal years 2016, 2015 and 2014, respectively.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

The following table presents the composition of options outstanding and exercisable under the 2010 Plan as of March 31, 2016:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number of Shares Outstanding	Weighted Average Contractual Life (In Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Contractual Life (In Years)	Weighted Average Exercise Price
\$1.94 - \$5.75	1,148,421	0.40	\$ 5.55	1,148,421	0.40	\$ 5.55
\$5.87 - \$7.07	40,002	1.55	6.55	37,521	1.41	6.54
\$7.08 - \$10.59	323,646	1.76	8.25	323,646	1.76	8.25
\$10.67 - \$11.41	549,067	0.34	11.23	541,439	0.27	11.23
\$11.53 - \$13.98	273,500	0.50	13.37	273,500	0.50	13.37
\$14.34 - \$23.02	35,000	0.42	15.95	35,000	0.42	15.95
\$1.94 - \$23.02	<u>2,369,636</u>	0.60	\$ 8.31	<u>2,359,527</u>	0.59	\$ 8.30
Options vested and expected to vest	<u>2,368,361</u>	0.60	\$ 8.31			

As of March 31, 2016 the aggregate intrinsic value for options outstanding, options vested and expected to vest (which includes adjustments for expected forfeitures), and options exercisable under the Company's 2010 Plan, were \$9.4 million, respectively. The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's ordinary shares as of March 31, 2016 for the approximately 2.1 million options that were in-the-money at March 31, 2016.

The following table summarizes the Company's share bonus award activity under the 2010 Plan ("Price" reflects the weighted-average grant-date fair value):

	Fiscal Year Ended March 31,					
	2016		2015		2014	
	Shares	Price	Shares	Price	Shares	Price
Unvested share bonus awards outstanding,						
beginning of fiscal year	18,993,252	\$ 9.01	21,848,120	\$ 7.32	21,807,069	\$ 6.80
Granted	7,619,722	12.23	6,963,125	11.75	8,978,941	8.07
Vested	(8,529,378)	7.93	(7,246,056)	6.97	(5,481,153)	6.66
Forfeited	<u>(1,083,520)</u>	9.67	<u>(2,571,937)</u>	7.70	<u>(3,456,737)</u>	7.07
Unvested share bonus awards outstanding,						
end of fiscal year	<u>17,000,076</u>	\$10.77	<u>18,993,252</u>	\$ 9.01	<u>21,848,120</u>	\$ 7.32

Of the 7.6 million unvested share bonus awards granted under the 2010 Plan in fiscal year 2016, approximately 0.2 million have an average grant date price of \$12.10 per share and represents the target amount of grants made to certain executive officers whereby vesting is contingent on meeting certain free cash flow targets. These awards ultimately vest over a range from zero up to a maximum of 0.4 million of the target payment based on a measurement of cumulative three-year increase of free cash flow from operations of the Company, and will cliff vest after a period of three-years.

Another 0.2 million of unvested share bonus awards granted in fiscal year 2016 have an average grant date price of \$12.06 per share and represents the target amount of grants made to certain employees whereby vesting is contingent on meeting certain operating profit targets. These awards ultimately vest over a range from zero up to a maximum of 0.4 million of the target payments based on the operating profit achievements of a certain business

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

unit of the Company over a four-year period. The vesting will begin on March 31, 2016 and occur every year over a period of four years contingent on meeting the agreed targets.

Further, 0.7 million of unvested share bonus awards granted in fiscal year 2016 represents the target amount of grants made to certain key employees whereby vesting is contingent on certain market conditions. The average grant date fair value of these awards was estimated to be \$14.96 per award and was calculated using a Monte Carlo simulation. Vesting information of these shares are further detailed in the table below.

Of the 17.0 million unvested share bonus awards outstanding under the 2010 Plan as of the fiscal year ended 2016, approximately 3.2 million of unvested share bonus awards under the 2010 Plan represents the target amount of grants made to certain key employees whereby vesting is contingent on meeting certain market conditions summarized as follows:

Year of grant	Targeted number of awards as of March 31, 2016 (in shares)	Average grant date fair value (per share)	Market condition	Range of shares that may be issued		Assessment dates
				Minimum	Maximum	
Fiscal 2016 . .	726,995	\$14.96	Vesting ranges from zero to 200% based on measurement of Flextronics' total shareholder return against both the Standard and Poor's ("S&P") 500 Composite Index and an Extended Electronics Manufacturing Services ("EMS") Group Index.	—	1,453,990	May 2018
Fiscal 2015 . .	706,747	\$14.77	Vesting ranges from zero to 200% based on measurement of Flextronics' total shareholder return against both the S&P 500 Composite Index and an EMS Group Index.	—	1,413,494	May 2017
Fiscal 2014 . .	1,810,000	\$ 9.36	Vesting ranges from zero to 200% based on measurement of Flextronics' total shareholder return against both the S&P 500 Composite Index and an EMS Group Index.	—	3,620,000	May 2016
Totals	<u>3,243,742</u>				<u>6,487,484</u>	

In accordance with the accounting guidance, the Company will continue to recognize share-based compensation expense for these awards with market conditions regardless of whether such awards will ultimately vest. During fiscal year 2016, 2.2 million shares vested in connection with the remaining number of share bonus awards with market conditions granted in fiscal year 2013, and 0.5 million shares vested in connection with half of the share bonus awards with market conditions granted in fiscal year 2012.

The total intrinsic value of share bonus awards vested under the Company's 2010 Plan was \$103.2 million, \$79.0 million and \$42.4 million during fiscal years 2016, 2015 and 2014, respectively, based on the closing price of the Company's ordinary shares on the date vested.

The 2014 NEXTracker Equity Incentive Plan

All shares granted during fiscal year 2016 under the NEXTracker plan are the result of the Company's conversion of all outstanding, unvested shares of NEXTracker into unvested shares of the Company, as part of the acquisition. No additional grants will be made out of this plan in the future and therefore there are no shares available for grant under the NEXTracker Plan as of March 31, 2016. Options issued to employees under the NEXTracker Plan generally have a vesting period of two to four years from vesting commencement date and expire ten years from the date of grant.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

The exercise price of options granted to employees was determined by the Company based on a conversion rate agreed upon in the purchase agreement of NEXTracker.

As of March 31, 2016, the total unrecognized compensation cost, net of estimated forfeitures, related to unvested share options granted to employees under the NEXTracker Plan was \$18.2 million and will be amortized on a straight-line basis over a weighted-average period of approximately 2.8 years, adjusted for estimated forfeitures.

The Company also granted share bonus awards under the NEXTracker Plan. These share bonus awards vest in installments over a three to five-year period from vesting commencement date, and unvested share bonus awards are forfeited upon termination of employment. Vesting for certain of these share bonus awards is contingent on meeting certain performance targets over a three-year period commencing October 1, 2015.

As of March 31, 2016, the total unrecognized compensation cost related to unvested share bonus awards granted to employees was approximately \$19.1 million under the NEXTracker Plan. These costs will be amortized generally on a straight-line basis over a weighted-average period of approximately 2.4 years, adjusted for estimated forfeitures.

Determining Fair Value

The fair value of the Company's share options granted to employees under the NEXTracker Plan for fiscal year 2016 was estimated using the following weighted-average assumptions:

	<u>Fiscal Year Ended March 31, 2016</u>
Expected term	2.9 years
Expected volatility	28.8%
Expected dividends	0.0%
Risk-free interest rate	0.9%
Weighted-average fair value	\$7.76

Share-Based Awards Activity

The following is a summary of option activity for the NEXTracker Plan ("Price" reflects the weighted-average exercise price):

	<u>Fiscal Year Ended March 31, 2016</u>	
	<u>Options</u>	<u>Price</u>
Outstanding, beginning of fiscal year	—	\$ —
Granted	3,205,806	3.28
Exercised	(237,380)	0.99
Forfeited	(226,572)	3.75
Outstanding, end of fiscal year	<u>2,741,854</u>	\$3.44
Options exercisable, end of fiscal year	<u>223,869</u>	\$4.95

Of the 3.2 million unvested share-based awards granted under the NEXTracker Plan in fiscal year 2016, approximately 0.5 million of unvested share-based awards have an average grant date price of \$7.76 per share and represents the number of grants made to certain NEXTracker employees whereby the right to exercise is contingent on meeting certain performance targets over a three-year period commencing October 1, 2015.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

The aggregate intrinsic value of options exercised under the NEXTracker plan (calculated as the difference between the exercise price of the underlying award and the price of the Company's ordinary shares determined as of the time of option exercise for options exercised in-the-money) was \$2.32 million as of March 31, 2016.

Cash received from option exercises under the NEXTracker Plan was \$0.2 million for fiscal year 2016.

The following table presents the composition of options outstanding and exercisable under the NEXTracker Plan as of March 31, 2016:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number of Shares Outstanding	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price
\$0.08 - \$5.24	2,088,258	9.49	\$ 1.19	129,376	9.49	\$ 0.79
\$5.25 - \$10.65	653,596	9.49	10.65	94,493	9.49	10.65
\$0.08 - \$10.65	<u>2,741,854</u>	9.49	\$ 3.44	<u>223,869</u>	9.49	\$ 4.95
Options vested and expected to vest . .	<u>2,741,854</u>	9.49	\$ 3.44			

As of March 31, 2016 the aggregate intrinsic value, for options outstanding, options vested and expected to vest (which includes adjustments for expected forfeitures), and options exercisable under the Company's NEXTracker Plan, were \$23.6 million, \$23.6 million, and \$1.59 million, respectively. The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's ordinary shares as of March 31, 2016 for the approximately 2.7 million options under the NEXTracker Plan that were in-the-money at March 31, 2016.

The following table summarizes the Company's share bonus award activity under the NEXTracker Plan ("Price" reflects the weighted-average grant-date fair value):

	Fiscal Year Ended March 31, 2016	
	Shares	Price
Unvested share bonus awards outstanding, beginning of fiscal year	—	\$ —
Granted	2,393,195	10.27
Vested	(31,925)	10.27
Forfeited	(52,174)	10.27
Unvested share bonus awards outstanding, end of fiscal year	<u>2,309,096</u>	\$10.27

Of the 2.4 million unvested share bonus awards granted under the NEXTracker Plan as of the fiscal year ended 2016, approximately 0.9 million of unvested shares bonus awards represents the target amount of grants made to certain NEXTracker employees whereby vesting is contingent on meeting certain performance targets over a three-year period commencing October 1, 2015.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

The total intrinsic value of share bonus awards vested under the Company's NEXTracker Plan was \$0.35 million during fiscal year 2016, based on the closing price of the Company's ordinary shares on the date vested.

The 2013 Equity Incentive Plan of Elementum SCM (Cayman) Ltd.

As of March 31, 2016 Elementum had approximately 5.4 million shares available for future grants under the 2013 Elementum Plan. Options to purchase shares in Elementum issued to employees under the Elementum Plan have a vesting period of two to four years and expire ten years from the grant date. As of March 31, 2016 there were 26.2 million of options outstanding at a weighted average exercise price of \$0.35 per option. Cash received from option exercises under the Elementum Plan was \$0.5 million for fiscal year 2016. Total unrecognized compensation expenses relating to stock options granted to certain employees under the Elementum Plan as of March 31, 2016 is \$5.2 million, and will be recognized over a weighted average period of 2.7 years.

4. EARNINGS PER SHARE

Basic earnings per share excludes dilution and are computed by dividing net income by the weighted-average number of ordinary shares outstanding during the applicable periods.

Diluted earnings per share reflects the potential dilution from stock options and share bonus awards. The potential dilution from stock options exercisable into ordinary share equivalents and share bonus awards was computed using the treasury stock method based on the average fair market value of the Company's ordinary shares for the period.

The following table reflects the basic weighted-average ordinary shares outstanding and diluted weighted-average ordinary share equivalents used to calculate basic and diluted income per share:

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(In thousands, except per share amounts)		
Basic earnings per share:			
Net income	\$444,081	\$600,801	\$365,594
Shares used in computation:			
Weighted-average ordinary shares outstanding	<u>557,667</u>	<u>579,981</u>	<u>610,497</u>
Basic earnings per share	<u>\$ 0.80</u>	<u>\$ 1.04</u>	<u>\$ 0.60</u>
Diluted earnings per share:			
Net income	\$444,081	\$600,801	\$365,594
Shares used in computation:			
Weighted-average ordinary shares outstanding	557,667	579,981	610,497
Weighted-average ordinary share equivalents from stock options and awards (1)	<u>7,202</u>	<u>11,575</u>	<u>12,982</u>
Weighted-average ordinary shares and ordinary share equivalents outstanding	<u>564,869</u>	<u>591,556</u>	<u>623,479</u>
Diluted earnings per share	<u>\$ 0.79</u>	<u>\$ 1.02</u>	<u>\$ 0.59</u>

- (1) Options to purchase ordinary shares of 2.0 million, 6.2 million and 17.1 million during fiscal years 2016, 2015 and 2014, respectively, and share bonus awards of less than 0.1 million during fiscal year 2015, were excluded from the computation of diluted earnings per share due to their anti-dilutive impact on the weighted average ordinary shares equivalents. There were no anti-dilutive share bonus awards in fiscal year 2016 and 2014.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. NONCONTROLLING INTERESTS

During fiscal year 2014, a previously wholly-owned subsidiary of the Company received \$38.6 million in exchange for issuing a noncontrolling equity interest to certain third party investors for an ownership interest of less than 20% of the outstanding shares in the subsidiary. The Company continues to own a majority of the subsidiary's outstanding equity and also controls the subsidiary's board of directors. Accordingly, the consolidated financial statements include the financial position and results of operations of this subsidiary as of March 31, 2016 and for the year then ended.

The Company has recognized the carrying value of the noncontrolling interest as a component of total shareholders' equity. The operating results of the subsidiary attributable to the noncontrolling interest were losses of \$6.7 million, \$4.3 million, and \$0.4 million for fiscal years 2016, 2015 and 2014, respectively, which were classified as a component of interest and other, net, in the Company's consolidated statements of operations.

6. SUPPLEMENTAL CASH FLOW DISCLOSURES

The following table represents supplemental cash flow disclosures and non-cash investing and financing activities:

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(In thousands)		
Net cash paid for:			
Interest	\$114,578	\$ 87,179	\$86,406
Income taxes	\$105,453	\$ 70,621	\$87,561
Non-cash investing activity:			
Unpaid purchases of property and equipment	\$ 93,310	\$115,757	\$42,902

7. BANK BORROWINGS AND LONG-TERM DEBT

Bank borrowings and long-term debt are as follows:

	As of March 31,	
	2016	2015
	(In thousands)	
Term Loan, including current portion, due in installments through August 2018	\$ 577,500	\$ 592,500
Term Loan, including current portion, due in installments through March 2019	547,500	475,000
4.625% Notes due February 2020	500,000	500,000
5.000% Notes due February 2023	500,000	500,000
4.750% Notes due June 2025	595,589	—
Other	71,317	16,233
Debt issuance costs	(17,351)	(12,733)
	<u>2,774,555</u>	<u>2,071,000</u>
Current portion, net of debt issuance costs	(65,166)	(45,030)
Non-current portion	<u>\$2,709,389</u>	<u>\$2,025,970</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. BANK BORROWINGS AND LONG-TERM DEBT (Continued)

The weighted-average interest rates for the Company's long-term debt were 3.5% and 3.2% as of March 31, 2016 and 2015, respectively.

Repayments of the Company's long-term debt are as follows:

<u>Fiscal Year Ending March 31,</u>	<u>Amount</u> <u>(In thousands)</u>
2017	\$ 65,166
2018	63,522
2019	1,005,095
2020	498,287
2021	49,153
Thereafter	<u>1,110,683</u>
Total	<u>\$2,791,906</u>

Term Loan due August 2018

On August 30, 2013, the Company entered into a \$600 million term loan agreement due August 30, 2018 and used these proceeds to repay certain term loans in full that were outstanding at that time in the amount of \$544.8 million. The remaining \$55.2 million was used to repay part of the term loan due March 2019 and upfront bank fees. This loan is repayable in quarterly installments of \$3.75 million, which commenced in December 2014 and continue through August 2018, with the remaining amount due at maturity.

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 U.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.

This term loan is unsecured, and contains customary restrictions on the Company's and its subsidiaries' ability to (i) incur certain debt, (ii) make certain investments, (iii) make certain acquisitions of other entities, (iv) incur liens, (v) dispose of assets, (vi) make non-cash distributions to shareholders, and (vii) engage in transactions with affiliates. These covenants are subject to a number of exceptions and limitations. This term loan agreement also requires that the Company maintain a maximum ratio of total indebtedness to EBITDA (earnings before interest expense, taxes, depreciation and amortization), and a minimum interest coverage ratio, as defined therein, during its term. As of March 31, 2016, the Company was in compliance with the covenants under this term loan agreement.

Term Loan Agreement due March 2019 and Revolving Line of Credit

On September 30, 2015, the Company amended its former \$2.0 billion credit facility ("Credit Facility") to increase the \$500.0 million term loan maturing in March 2019 by \$100.0 million. Quarterly repayments of principal under this term loan were amended to \$7.5 million through March 31, 2016, and will be increased to \$11.3 million thereafter with the remainder due upon maturity. As of March 31, 2016 the amended Credit Facility consists of a \$1.5 billion revolving credit facility and a \$600.0 million term loan, which is due to expire in March 2019.

Borrowings under this 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.

This Credit Facility is unsecured, and contains customary restrictions on the Company's and its subsidiaries' ability to (i) incur certain debt, (ii) make certain investments, (iii) make certain acquisitions of other entities, (iv) incur liens, (v) dispose of assets, (vi) make non-cash distributions to shareholders, and (vii) engage in transactions with affiliates. These covenants are subject to a number of exceptions and limitations. This Credit Facility also requires that the Company maintain a maximum ratio of total indebtedness to EBITDA (earnings before interest expense, taxes,

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. BANK BORROWINGS AND LONG-TERM DEBT (Continued)

depreciation and amortization), and a minimum interest coverage ratio, as defined therein, during its term. As of March 31, 2016, the Company was in compliance with the covenants under this loan agreement.

Notes due February 2020 and February 2023

On February 20, 2013, the Company issued \$500.0 million of 4.625% Notes due February 15, 2020 and \$500.0 million of 5.000% Notes due February 15, 2023 (collectively the “Notes”) in a private offering pursuant to Rule 144A and Regulation S under the Securities Act. 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. The Company received net proceeds of approximately \$990.6 million from the issuance and used those proceeds, together with \$9.4 million of cash on hand, to repay \$1.0 billion of outstanding borrowings under its previous term loan that was due October 2014.

Interest on the Notes is payable semi-annually, which commenced on August 15, 2013. The Notes are senior unsecured obligations of the Company, rank equally with all of the Company’s other existing and future senior and unsecured debt obligations, and are guaranteed, jointly and severally, fully and unconditionally on an unsecured basis, by each of the Company’s 100% owned subsidiaries that guarantees indebtedness under, or is a borrower under, the Company’s Credit Facility or the Company’s Term Loan due 2018.

At any time prior to maturity, the Company may redeem some or all of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus an applicable premium accrued and unpaid interest, if any, to the applicable redemption date. Upon the occurrence of a change of control repurchase event (as defined in the Notes indenture), the Company must offer to repurchase the Notes at a repurchase price equal to 101% of the principal amount of the Notes repurchased, plus accrued and unpaid interest, if any, to the applicable repurchase date.

The indenture governing the Notes contains covenants that, among other things, restrict the ability of the Company and certain of the Company’s subsidiaries to create liens; enter into sale-leaseback transactions; create, incur, issue, assume or guarantee any funded debt; and consolidate or merge with, or convey, transfer or lease all or substantially all of the Company’s assets to, another person. These covenants are subject to a number of significant limitations and exceptions set forth in the indenture. The indenture also provides for customary events of default, including, but not limited to, cross defaults to certain specified other debt of the Company and its subsidiaries. In the case of an event of default arising from specified events of bankruptcy or insolvency, all outstanding Notes will become due and payable immediately without further action or notice. If any other event of default under the indenture occurs or is continuing, the applicable trustee or holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all of the Notes to be due and payable immediately. As of March 31, 2016, the Company was in compliance with the covenants in the indenture governing the Notes.

Notes due June 2025

On June 8, 2015, the Company issued \$600 million of 4.750% Notes (“Notes”) due June 15, 2025 in a private offering pursuant to Rule 144A and Regulation S under the Securities Act, at 99.213% of face value, and an effective yield of approximately 4.850%. The Company received net proceeds of approximately \$595.3 million from the issuance which was used for general corporate purposes. During January 2016, 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.

The Company incurred approximately \$7.9 million of costs in conjunction with the issuance of the Notes. The issuance costs were capitalized and presented on the balance sheet as a direct deduction from the carrying amount of the Notes.

Interest on the Notes is payable semi-annually, commencing on December 15, 2015. The Notes are senior unsecured obligations of the Company, rank equally with all of the Company’s other existing and future senior and unsecured debt obligations, and are guaranteed, jointly and severally, fully and unconditionally on an unsecured basis, by each of the Company’s 100% owned subsidiaries that guarantees indebtedness under, or is a borrower under, the Company’s Term Loan Agreement and Revolving Line of Credit.

At any time prior to March 15, 2025, the Company may redeem some or all of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus an applicable premium and accrued and unpaid interest, if any, to the applicable redemption date. Upon the occurrence of a change of control repurchase event (as defined in the Notes indenture), the Company must offer to repurchase the Notes at a repurchase price equal to 101% of the principal amount of the Notes repurchased, plus accrued and unpaid interest, if any, to the applicable repurchase date.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. BANK BORROWINGS AND LONG-TERM DEBT (Continued)

The indenture governing the Notes contains covenants that, among other things, restrict the ability of the Company and certain of the Company's subsidiaries to create liens; enter into sale-leaseback transactions; create, incur, issue, assume or guarantee any funded debt; and consolidate or merge with, or convey, transfer or lease all or substantially all of the Company's assets to, another person, or permit any other person to consolidate, merge, combine or amalgamate with or into the Company. These covenants are subject to a number of significant limitations and exceptions set forth in the indenture. The indenture also provides for customary events of default, including, but not limited to, cross defaults to certain specified other debt of the Company and its subsidiaries. In the case of an event of default arising from specified events of bankruptcy or insolvency, all outstanding Notes will become due and payable immediately without further action or notice. If any other event of default under the agreement occurs or is continuing, the applicable trustee or holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all of the Notes to be due and payable immediately, but upon certain conditions such declaration and its consequences may be rescinded and annulled by the holders of a majority in principal amount of the Notes. As of March 31, 2016, the Company was in compliance with the covenants in the indenture governing the Notes.

Other Credit Lines

On October 1, 2015, the Company borrowed €50 million (approximately \$56.6 million as of March 31, 2016), under a 5-year, term-loan agreement due September 30, 2020. Borrowings under this term loan bear interest at EURIBOR plus the applicable margin ranging between 0.80% and 2.00%, based on the Company's credit ratings. The loan is repayable beginning December 30, 2016 in quarterly payments of €312,500 through June 30, 2020 with the remainder due upon maturity. This loan is included in the "Other" category in the table above.

This term loan is unsecured, and is guaranteed by the Company. This term loan agreement contains customary restrictions on the Company's and its subsidiaries' ability to (i) incur certain debt, (ii) make certain investments, (iii) make certain acquisitions of other entities, (iv) incur liens, (v) dispose of assets, (vi) make non-cash distributions to shareholders, and (vii) engage in transactions with affiliates. These covenants are subject to a number of exceptions and limitations. This term loan agreement also requires that the Company maintain a maximum ratio of total indebtedness to EBITDA (earnings before interest expense, taxes, depreciation and amortization), and a minimum interest coverage ratio, as defined therein, during its term. As of March 31, 2016, the Company was in compliance with the covenants under this term loan agreement.

As of March 31, 2016, the Company and certain of its subsidiaries had various uncommitted revolving credit facilities, lines of credit and other credit facilities in the amount of \$166.0 million in the aggregate. There were no borrowings outstanding under these facilities as of March 31, 2016 and 2015. These unsecured credit facilities, and lines of credit and other credit facilities bear annual interest at the respective country's inter-bank offering rate, plus an applicable margin, and generally have maturities that expire on various dates in future fiscal years.

8. FINANCIAL INSTRUMENTS

Foreign Currency Contracts

The Company transacts business in various foreign countries and is therefore, exposed to foreign currency exchange rate risk inherent in forecasted sales, cost of sales, and monetary assets and liabilities denominated in non-functional currencies. The Company has established risk management programs to protect against volatility in the value of non-functional currency denominated monetary assets and liabilities, and of future cash flows caused by changes in foreign currency exchange rates. The Company tries to maintain a partial or fully hedged position for certain transaction exposures, which 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 Company enters into short-term foreign currency forward and swap contracts to hedge only those currency exposures associated with certain assets and liabilities, primarily accounts receivable and accounts payable, and cash flows denominated in non-functional currencies. Gains and losses on the Company's forward and swap contracts are designed to offset losses and gains on the assets, liabilities and transactions hedged, and accordingly, generally do not subject the Company to risk of significant accounting losses. The Company hedges committed exposures and does not engage in speculative transactions. The credit risk of these forward and swap contracts is minimized since the contracts are with large financial institutions and accordingly, fair value adjustments related to the credit risk of the counterparty financial institution were not material.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. FINANCIAL INSTRUMENTS (Continued)

As of March 31, 2016, the aggregate notional amount of the Company's outstanding foreign currency forward and swap contracts was \$4.3 billion as summarized below:

Currency	Foreign Currency Amount		Notional Contract Value in USD	
	Buy	Sell	Buy	Sell
	(In thousands)			
Cash Flow Hedges				
CNY	1,076,000	—	\$ 165,373	\$ —
EUR	15,030	75,135	16,977	85,374
HUF	14,759,000	—	53,090	—
ILS	122,000	—	32,072	—
MXN	1,503,000	—	86,823	—
MYR	180,000	18,200	45,023	4,552
PLN	56,400	—	15,004	—
Other	N/A	N/A	40,621	—
			454,983	89,926
Other Forward/Swap Contracts				
BRL	—	440,000	—	120,892
CHF	8,420	24,760	8,716	25,629
CNY	885,136	—	135,739	—
DKK	203,100	157,200	30,777	23,821
EUR	959,000	1,213,691	1,080,754	1,364,808
GBP	34,693	58,825	49,810	84,354
HUF	20,063,000	17,734,000	72,169	63,791
ILS	79,900	69,520	21,004	18,276
INR	2,843,900	20,170	42,708	300
MXN	1,885,860	746,330	108,940	43,113
MYR	391,491	79,400	97,922	19,860
PLN	137,548	84,861	36,593	22,576
RON	78,424	66,870	19,836	16,913
SEK	473,954	821,132	57,697	99,637
Other	N/A	N/A	54,157	31,296
			1,816,822	1,935,266
Total Notional Contract Value in USD			\$2,271,805	\$2,025,192

As of March 31, 2016 and 2015, the fair value of the Company's short-term foreign currency contracts was included in other current assets or other current liabilities, as applicable, in the consolidated balance sheets. Certain of these contracts are designed to economically hedge the Company's exposure to monetary assets and liabilities denominated in non-functional currencies and are not accounted for as hedges under the accounting standards. Accordingly, changes in fair value of these instruments are recognized in earnings during the period of change as a component of interest and other, net in the consolidated statements of operations. As of March 31, 2016 and 2015, the Company also has included net deferred gains and losses, in accumulated other comprehensive loss, a component of shareholders' equity in the consolidated balance sheets, relating to changes in fair value of its foreign currency contracts that are accounted for as cash flow hedges. These deferred gains totaled \$2.7 million as of March 31, 2016, and are expected to be recognized primarily as a component of cost of sales in the consolidated statement of operations over the next twelve-month period. The gains and losses

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. FINANCIAL INSTRUMENTS (Continued)

recognized in earnings due to hedge ineffectiveness were not material for all fiscal years presented and are included as a component of interest and other, net in the consolidated statements of operations.

The following table presents the fair value of the Company's derivative instruments utilized for foreign currency risk management purposes at March 31, 2016 and 2015:

		Fair Values of Derivative Instruments					
		Asset Derivatives			Liability Derivatives		
		Fair Value		Fair Value			
Balance Sheet Location		March 31, 2016	March 31, 2015	Balance Sheet Location	March 31, 2016	March 31, 2015	
		(In thousands)					
Derivatives designated as hedging instruments							
Foreign currency contracts	Other current assets	\$ 5,510	\$ 2,896	Other current liabilities	\$ 2,446	\$19,729	
Derivatives not designated as hedging instruments							
Foreign currency contracts	Other current assets	\$17,138	\$22,933	Other current liabilities	\$18,645	\$11,328	

The Company has financial instruments subject to master netting arrangements, which provides for the net settlement of all contracts with a single counterparty. The Company does not offset fair value amounts for assets and liabilities recognized for derivative instruments under these arrangements, and as such, the asset and liability balances presented in the table above reflect the gross amounts of derivatives in the consolidated balance sheets. The impact of netting derivative assets and liabilities is not material to the Company's financial position for any of the periods presented.

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in accumulated other comprehensive loss by component, net of tax, during fiscal years ended March 31, 2016, 2015 and 2014 are as follows:

	Fiscal Year Ended March 31, 2016		
	Unrealized loss on derivative instruments and other	Foreign currency translation adjustments	Total
	(In thousands)		
Beginning balance	\$(68,266)	\$(112,239)	\$(180,505)
Other comprehensive loss before reclassifications	(2,199)	(3,145)	(5,344)
Net losses reclassified from accumulated other comprehensive loss	28,943	20,991	49,934
Net current-period other comprehensive gain	26,744	17,846	44,590
Ending balance	<u>\$(41,522)</u>	<u>\$ (94,393)</u>	<u>\$(135,915)</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. ACCUMULATED OTHER COMPREHENSIVE LOSS (Continued)

	Fiscal Year Ended March 31, 2015		
	Unrealized loss on derivative instruments and other	Foreign currency translation adjustments	Total
	(In thousands)		
Beginning balance	\$(32,849)	\$ (93,307)	\$(126,156)
Other comprehensive loss before reclassifications	(76,470)	(9,318)	(85,788)
Net (gains) losses reclassified from accumulated other comprehensive loss	<u>41,053</u>	<u>(9,614)</u>	<u>31,439</u>
Net current-period other comprehensive loss	<u>(35,417)</u>	<u>(18,932)</u>	<u>(54,349)</u>
Ending balance	<u><u>\$(68,266)</u></u>	<u><u>\$(112,239)</u></u>	<u><u>\$(180,505)</u></u>
	Fiscal Year Ended March 31, 2014		
	Unrealized loss on derivative instruments and other	Foreign currency translation adjustments	Total
	(In thousands)		
Beginning balance	\$(18,857)	\$(58,624)	\$ (77,481)
Other comprehensive loss before reclassifications	(15,851)	(34,683)	(50,534)
Net losses reclassified from accumulated other comprehensive loss	<u>1,859</u>	<u>—</u>	<u>1,859</u>
Net current-period other comprehensive loss	<u>(13,992)</u>	<u>(34,683)</u>	<u>(48,675)</u>
Ending balance	<u><u>\$(32,849)</u></u>	<u><u>\$(93,307)</u></u>	<u><u>\$(126,156)</u></u>

Net losses reclassified from accumulated other comprehensive loss during the fiscal year 2016 relating to derivative instruments and other includes \$26.9 million attributable to the Company's cash flow hedge instruments which were recognized as a component of cost of sales in the consolidated statement of operations.

During fiscal year 2016, the Company recognized a loss of \$26.8 million in connection with the disposition of a non-strategic Western European manufacturing facility, which included a \$25.3 million cumulative foreign currency translation loss. This loss was offset by the release of certain cumulative foreign currency translation gains of \$4.2 million, which has been reclassified from accumulated other comprehensive loss during the period and is included in other charges (income), net in consolidated statement of operations.

During fiscal year 2015, the Company recognized a loss of \$11.0 million in connection with the disposition of a manufacturing facility in Western Europe. This loss includes the settlement of unrealized losses of \$4.2 million on an insignificant defined benefit plan associated with the disposed facility offset by the release of cumulative foreign currency translation gains of \$9.3 million, both of which have been reclassified from accumulated other comprehensive loss during the period. The loss on sale is included in other charges (income), net in the consolidated statement of operations.

10. TRADE RECEIVABLES SECURITIZATION

The Company sells trade receivables under two asset-backed securitization programs and an accounts receivable factoring program.

Asset-Backed Securitization Programs

The Company continuously sells designated pools of trade receivables under its Global Asset-Backed Securitization Agreement (the "Global Program") and its North American Asset-Backed Securitization Agreement (the "North American Program," collectively, the "ABS Programs") to affiliated special purpose entities, each of which in turn sells 100% of the receivables to unaffiliated financial institutions. These programs allow the operating subsidiaries to receive a cash payment and a deferred purchase price receivable for sold receivables. Following the

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. TRADE RECEIVABLES SECURITIZATION (Continued)

transfer of the receivables to the special purpose entities, the transferred receivables are isolated from the Company and its affiliates, and upon the sale of the receivables from the special purpose entities to the unaffiliated financial institutions effective control of the transferred receivables is passed to the unaffiliated financial institutions, which has the right to pledge or sell the receivables. Although the special purpose entities are consolidated by the Company, they are separate corporate entities and their assets are available first to satisfy the claims of their creditors. The investment limits set by the financial institutions are \$700.0 million for the Global Program, of which \$600.0 million is committed and \$100.0 million is uncommitted, and \$265.0 million for the North American Program, of which \$225.0 million is committed and \$40.0 million is uncommitted. Both programs require a minimum level of deferred purchase price receivable to be retained by the Company in connection with the sales.

The Company services, administers and collects the receivables on behalf of the special purpose entities and receives a servicing fee of 0.1% to 0.5% of serviced receivables per annum. Servicing fees recognized during the fiscal years ended March 31, 2016, 2015 and 2014 were not material and are included in interest and other, net within the consolidated statements of operations. As the Company estimates the fee it receives in return for its obligation to service these receivables is at fair value, no servicing assets or liabilities are recognized.

As of March 31, 2016 and 2015, the accounts receivable balances that were sold under the ABS Programs were removed from the consolidated balance sheets and the net cash proceeds received by the Company during fiscal years ended March 31, 2016, 2015 and 2014 were included as cash provided by operating activities in the consolidated statements of cash flows.

As of March 31, 2016, approximately \$1.4 billion of accounts receivable had been sold to the special purpose entities under the ABS Programs for which the Company had received net cash proceeds of \$880.8 million and deferred purchase price receivables of \$501.1 million. As of March 31, 2015, approximately \$1.3 billion of accounts receivable had been sold to the special purpose entities for which the Company had received net cash proceeds of \$740.7 million and deferred purchase price receivables of \$600.7 million. The portion of the purchase price for the receivables which is not paid by the unaffiliated financial institutions in cash is a deferred purchase price receivable, which is paid to the special purpose entity as payments on the receivables are collected from account debtors. The deferred purchase price receivable represents a beneficial interest in the transferred financial assets and is recognized at fair value as part of the sale transaction. The deferred purchase price receivables are included in other current assets as of March 31, 2016 and 2015, and were carried at the expected recovery amount of the related receivables. The difference between the carrying amount of the receivables sold under these programs and the sum of the cash and fair value of the deferred purchase price receivables received at time of transfer is recognized as a loss on sale of the related receivables and recorded in interest and other, net in the consolidated statements of operations; such amounts were \$9.2 million for the fiscal year ended March 31, 2016, and \$7.1 million for both fiscal years ended March 31, 2015 and 2014.

For the fiscal years ended March 31, 2016, 2015 and 2014, cash flows from sales of receivables under the ABS Programs consisted of approximately \$5.2 billion, \$4.3 billion and \$4.2 billion, respectively, for transfers of receivables (of which approximately \$0.4 billion, \$0.3 billion and \$0.4 billion, respectively, represented new transfers and the remainder proceeds from collections reinvested in revolving period transfers).

The following table summarizes the activity in the deferred purchase price receivables account during the fiscal years ended March 31, 2016 and 2015:

	As of March 31,	
	2016	2015
	(In thousands)	
Beginning balance	\$ 600,672	\$ 470,908
Transfers of receivables	3,475,400	3,599,768
Collections	(3,574,975)	(3,470,004)
Ending balance	\$ 501,097	\$ 600,672

Trade Accounts Receivable Sale Programs

The Company also sold accounts receivables to certain third-party banking institutions. The outstanding balance of receivables sold and not yet collected was approximately \$339.4 million and \$485.6 million as of

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. TRADE RECEIVABLES SECURITIZATION (Continued)

March 31, 2016 and 2015, respectively. For the years ended March 31, 2016, 2015 and 2014, total accounts receivables sold to certain third party banking institutions was approximately \$2.3 billion, \$4.2 billion and \$3.4 billion, respectively. The receivables that were sold were removed from the consolidated balance sheets and were reflected as cash provided by operating activities in the consolidated statements of cash flows.

11. FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability. The accounting guidance for fair value establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

Level 1—Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

The Company has deferred compensation plans for its officers and certain other employees. Amounts deferred under the plans are invested in hypothetical investments selected by the participant or the participant's investment manager. The Company's deferred compensation plan assets are included in other noncurrent assets on the consolidated balance sheets and include investments in equity securities that are valued using active market prices.

Level 2—Applies to assets or liabilities for which there are inputs other than quoted prices included within level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets) such as cash and cash equivalents and money market funds; or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

The Company values foreign exchange forward contracts using level 2 observable inputs which primarily consist of an income approach based on the present value of the forward rate less the contract rate multiplied by the notional amount.

The Company's cash equivalents are comprised of bank deposits and money market funds, which are valued using level 2 inputs, such as interest rates and maturity periods. Due to their short-term nature, their carrying amount approximates fair value.

The Company's deferred compensation plan assets also include money market funds, mutual funds, corporate and government bonds and certain convertible securities that are valued using prices obtained from various pricing sources. These sources price these investments using certain market indices and the performance of these investments in relation to these indices. As a result, the Company has classified these investments as level 2 in the fair value hierarchy.

Level 3—Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company has accrued for contingent consideration in connection with its business acquisitions as applicable, which is measured at fair value based on certain internal models and unobservable inputs.

The Company accrued \$84.3 million of contingent consideration, of which \$81.0 million related to the acquisition of NEXTracker on the date of acquisition. Additionally, an incremental fair value adjustment of \$3.7 million also related to NEXTracker, was recorded in the consolidated statement of operations during fiscal year 2016. The Company reduced the accrual by \$19.0 million for a contractual release from the obligation executed subsequent to the acquisition. The fair value of the liability was estimated using a simulation-based measurement technique with significant inputs that are not observable in the market and thus represents a level 3 fair value measurement. The significant inputs in the fair value measurement not supported by market activity included the Company's probability assessments of expected future revenue during the earn-out period and associated volatility, appropriately discounted considering the uncertainties associated with the obligation, and calculated in accordance with the terms of the Merger Agreement. Significant decreases in expected revenue during the earn-out period, or significant increases in the discount rate or volatility in isolation would result in lower fair value estimates. The interrelationship between these inputs is not considered significant.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES (Continued)

During fiscal year 2015, the Company paid \$11.3 million of contingent consideration related to the acquisition of Saturn Electronics and Engineering Inc. The following table summarizes the activities related to contingent consideration:

	As of March 31,	
	2016	2015
	(In thousands)	
Beginning balance	\$ 4,500	\$ 11,300
Additions to accrual	84,261	4,500
Payments and settlements	(19,008)	(11,300)
Fair value adjustments	3,670	—
Ending balance	\$ 73,423	\$ 4,500

The Company values deferred purchase price receivables relating to its Asset-Backed Securitization Program based on a discounted cash flow analysis using unobservable inputs (i.e. level 3 inputs), which are primarily risk free interest rates adjusted for the credit quality of the underlying creditor. Due to its high credit quality and short term maturity, their fair value approximates carrying value. Significant increases in either of the significant unobservable inputs (credit spread or risk free interest rate) in isolation would result in lower fair value estimates, however the impact is insignificant. The interrelationship between these inputs is also insignificant. Refer to note 10 for a reconciliation of the change in the deferred purchase price receivable.

There were no transfers between levels in the fair value hierarchy during fiscal years 2016 and 2015.

Financial Instruments Measured at Fair Value on a Recurring Basis

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2016 and 2015:

	Fair Value Measurements as of March 31, 2016			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Money market funds and time deposits (Note 2)	\$ —	\$1,074,132	\$ —	\$1,074,132
Deferred purchase price receivable (Note 10)	—	—	501,097	501,097
Foreign exchange forward contracts (Note 8)	—	22,648	—	22,648
Deferred compensation plan assets:				
Mutual funds, money market accounts and equity securities	9,228	40,556	—	49,784
Liabilities:				
Foreign exchange forward contracts (Note 8)	\$ —	\$(21,091)	\$ —	\$ (21,091)
Contingent consideration in connection with acquisitions	—	—	(73,423)	(73,423)

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES (Continued)

	Fair Value Measurements as of March 31, 2015			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Money market funds and time deposits (Note 2)	\$ —	\$674,859	\$ —	\$674,859
Deferred purchase price receivable (Note 10)	—	—	600,672	600,672
Foreign exchange forward contracts (Note 8)	—	25,829	—	25,829
Deferred compensation plan assets:				
Mutual funds, money market accounts and equity securities . .	9,068	37,041	—	46,109
Liabilities:				
Foreign exchange forward contracts (Note 8)	\$ —	\$ (31,057)	\$ —	\$ (31,057)
Contingent consideration in connection with acquisitions	—	—	(4,500)	(4,500)

Assets Measured at Fair Value on a Nonrecurring Basis

The Company has certain long-lived assets that are measured at fair value on a nonrecurring basis, and are as follows:

	Fair Value Measurements as of March 31, 2016			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Assets held for sale	\$—	\$5,576	\$—	\$5,576

Assets held for sale

Assets held for sale are recorded at the lesser of the carrying value or fair value, which is based on comparable sales from prevailing market data (level 2 inputs). During fiscal year 2016, the Company transferred \$5.6 million of assets to assets held for sale, relating to a building and land which has been identified to be sold.

Disposals of assets held for sale totaled \$0.3 million and \$41.5 million during fiscal year 2016 and 2015, respectively, which resulted in an immaterial loss in fiscal year 2016, and a gain of \$12.1 million in fiscal year 2015 that was included as a component of cost of sales in the consolidated statement of operations. No impairment charges were recorded for assets held for sale during fiscal years 2016 and 2015. Assets held for sale as of the fiscal years 2016 and 2015 were not significant.

There were no material fair value adjustments or other transfers between levels in the fair value hierarchy for these long-lived assets during the fiscal years 2016 and 2015.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES (Continued)

Other financial instruments

The following table presents the Company's liabilities not carried at fair value as at March 31, 2016 and 2015:

	As of March 31, 2016		As of March 31, 2015		Fair Value Hierarchy
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
	(In thousands)		(In thousands)		
Term Loan, including current portion, due in installments through August 2018	\$ 577,500	\$ 573,533	\$ 592,500	\$ 582,131	Level 1
Term Loan, including current portion, due in installments through March 2019	547,500	542,709	475,000	465,500	Level 1
4.625% Notes due February 2020	500,000	524,735	500,000	523,750	Level 1
5.000% Notes due February 2023	500,000	507,500	500,000	543,150	Level 1
4.750% Notes due June 2025	595,589	604,926	—	—	Level 1
Total	<u>\$2,720,589</u>	<u>\$2,753,403</u>	<u>\$2,067,500</u>	<u>\$2,114,531</u>	

The term loans and Notes due February 2020, February 2023 and June 2025 are valued based on broker trading prices in active markets.

The Company values its €50 million (approximately \$56.6 million as of March 31, 2016), 5-year, unsecured, term-loan due September 30, 2020 based on the current market rate, and as of March 31, 2016, the carrying amount approximates fair value.

12. COMMITMENTS AND CONTINGENCIES

Commitments

Capital lease obligations of \$25.0 million and \$5.3 million, consisting of short-term obligations of \$6.6 million and \$2.8 million and long term obligations of \$18.4 million and \$2.5 million are included in current and non-current liabilities on the Company's balance sheets as of March 31, 2016 and 2015, respectively.

As of March 31, 2016 and 2015, the gross carrying amount and associated accumulated depreciation of the Company's property and equipment financed under capital leases, and the related obligations was not material. The Company also leases certain of its facilities and equipment under non-cancelable operating leases. These operating leases expire in various years through 2035 and require the following minimum lease payments:

Fiscal Year Ending March 31,	Operating Lease (In thousands)
2017	\$125,021
2018	106,287
2019	84,916
2020	69,194
2021	47,780
Thereafter	<u>146,003</u>
Total minimum lease payments	<u>\$579,201</u>

Total rent expense amounted to \$124.2 million, \$133.1 million and \$150.1 million in fiscal years 2016, 2015 and 2014, respectively.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. COMMITMENTS AND CONTINGENCIES (Continued)

Litigation and other legal matters

During the fourth quarter of fiscal 2014, one of the Company's Brazilian subsidiaries received an assessment for certain sales and import taxes. The tax assessment notice is for nine months of calendar year 2010 for an alleged amount of 50 million Brazilian reals (approximately \$13.8 million based on the exchange rate as of March 31, 2016) plus interest. This assessment is in the second stage of the review process at the administrative level, and the Company plans to continue to vigorously oppose it as well as any future assessments. The Company is, however, unable to determine the likelihood of an unfavorable outcome of these assessments against our Brazilian subsidiary. While we believe there is no legal basis for the alleged liabilities, due to the complexities and uncertainty surrounding the administrative-review and judicial processes in Brazil and the nature of the claims, it is unable to reasonably estimate a range of loss for this assessment or any future assessments that are reasonably possible. The Company does not expect final judicial determination on these claims for several years.

During fiscal year 2015, one of the Company's non-operating Brazilian subsidiaries received an assessment of approximately \$100 million related to income and social contribution taxes, interest and penalties. The Company believes there is no legal basis for the assessment and expects that any losses are remote. The Company plans to vigorously defend itself through the administrative and judicial processes.

In addition, from time to time, the Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Company defends itself vigorously against any such claims. Although the outcome of these matters is currently not determinable, management expects that any losses that are probable or reasonably possible of being incurred as a result of these matters, which are in excess of amounts already accrued in the Company's consolidated balance sheets, would not be material to the financial statements as a whole.

13. INCOME TAXES

The domestic (Singapore) and foreign components of income before income taxes were comprised of the following:

	Fiscal Year Ended March 31,		
	2016	2015	2014
		(In thousands)	
Domestic	\$199,283	\$ 67,482	\$314,639
Foreign	255,392	603,173	85,815
Total	<u>\$454,675</u>	<u>\$670,655</u>	<u>\$400,454</u>

The provision for income taxes consisted of the following:

	Fiscal Year Ended March 31,		
	2016	2015	2014
		(In thousands)	
Current:			
Domestic	\$ 56	\$ 87	\$ (681)
Foreign	74,706	129,863	73,992
	74,762	129,950	73,311
Deferred:			
Domestic	3,779	(4,734)	9
Foreign	(67,947)	(55,362)	(38,460)
	(64,168)	(60,096)	(38,451)
Provision for income taxes	<u>\$ 10,594</u>	<u>\$ 69,854</u>	<u>\$ 34,860</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. INCOME TAXES (Continued)

The domestic statutory income tax rate was approximately 17.0% in fiscal years 2016, 2015 and 2014. The reconciliation of the income tax expense expected based on domestic statutory income tax rates to the expense for income taxes included in the consolidated statements of operations is as follows:

	Fiscal Year Ended March 31,		
	2016	2015	2014
		(In thousands)	
Income taxes based on domestic statutory rates	\$ 77,295	\$114,011	\$ 68,077
Effect of tax rate differential	(73,286)	(80,842)	(68,654)
Intangible amortization	11,214	5,143	4,750
Change in liability for uncertain tax positions	(13,724)	29,729	(2,178)
Change in valuation allowance	1,049	2,495	26,838
Other	8,046	(682)	6,027
Provision for income taxes	<u>\$ 10,594</u>	<u>\$ 69,854</u>	<u>\$ 34,860</u>

A number of countries in which the Company is located allow for tax holidays or provide other tax incentives to attract and retain business. In general, these holidays were secured based on the nature, size and location of the Company's operations. The aggregate dollar effect on the Company's income resulting from tax holidays and tax incentives to attract and retain business for the fiscal years ended March 31, 2016, 2015 and 2014 was \$6.6 million, \$9.8 million and \$15.2 million, respectively. For fiscal year ended March 31, 2016, the effect on basic and diluted earnings per share was \$0.01 and \$0.01, respectively, and the effect on basic and diluted earnings per share during fiscal years 2015 and 2014, were \$0.02 and \$0.02 and \$0.02 and \$0.02, respectively. Unless extended or otherwise renegotiated, the Company's existing holidays will expire in the fiscal year ending March 31, 2017 through fiscal year 2022.

For fiscal years ended March 31, 2016, 2015 and 2014, the Company released valuation allowances totaling \$63.3 million, \$55.0 million and \$37.4 million, respectively. These valuation allowance releases were primarily related to our operations that were deemed to be more likely than not to realize the respective deferred tax assets due to the increased profitability during the prior three fiscal years as well as continued forecasted profitability of that subsidiary. During fiscal year ended March 31, 2016, \$43.0 million of the valuation allowance release was related to the recording of deferred tax liabilities in the US related to intangibles acquired during fiscal year 2016. However, these valuation allowance eliminations were offset by other current period valuation allowance movements primarily related to current period valuation allowance additions due to increased deferred tax assets related to current period losses in legal entities with existing full valuation allowance positions, and to a lesser extent, current period changes in valuation allowance positions due to increased negative evidence during the period in legal entities which did not previously have valuation allowance recorded. For fiscal years ended March 31, 2016, 2015 and 2014, the offsetting amounts totaled \$64.3 million, \$57.5 million and \$64.2 million, respectively.

Under its territorial tax system, Singapore generally does not tax foreign sourced income until repatriated to Singapore. The Company has included the effects of Singapore's territorial tax system in the rate differential line above. The tax effect of foreign income not repatriated to Singapore for the fiscal years 2016, 2015 and 2014 were \$36.6 million, \$0.0 million and \$51.5 million, respectively.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. INCOME TAXES (Continued)

The components of deferred income taxes are as follows:

	<u>As of March 31,</u>	
	<u>2016</u>	<u>2015</u>
	(In thousands)	
Deferred tax liabilities:		
Fixed assets	\$ (74,316)	\$ (73,327)
Intangible assets	(88,760)	—
Others	(29,472)	(44,603)
Total deferred tax liabilities	<u>(192,548)</u>	<u>(117,930)</u>
Deferred tax assets:		
Fixed assets	65,004	80,370
Intangible assets	3,795	28,954
Deferred compensation	15,892	13,618
Inventory valuation	10,124	11,864
Provision for doubtful accounts	1,300	3,149
Net operating loss and other carryforwards	2,332,894	2,394,456
Others	271,272	264,781
	<u>2,700,281</u>	<u>2,797,192</u>
Valuation allowances	<u>(2,385,489)</u>	<u>(2,521,763)</u>
Net deferred tax assets	<u>314,792</u>	<u>275,429</u>
Net deferred tax asset	<u>\$ 122,244</u>	<u>\$ 157,499</u>
The net deferred tax asset is classified as follows:		
Current asset (classified as other current assets)	\$ —	\$ 63,910
Long-term asset	222,772	211,519
Long-term liability	(100,528)	(117,930)
Total	<u>\$ 122,244</u>	<u>\$ 157,499</u>

Utilization of the Company's deferred tax assets is limited by the future earnings of the Company in the tax jurisdictions in which such deferred assets arose. As a result, management is uncertain as to when or whether these operations will generate sufficient profit to realize any benefit from the deferred tax assets. The valuation allowance provides a reserve against deferred tax assets that are not more likely than not to be realized by the Company. However, management has determined that it is more likely than not that the Company will realize certain of these benefits and, accordingly, has recognized a deferred tax asset from these benefits. The change in valuation allowance is net of certain increases and decreases to prior year losses and other carryforwards that have no current impact on the tax provision. Approximately \$34.0 million of the valuation allowance relates to income tax benefits arising from the exercise of stock options, which if realized will be credited directly to shareholders' equity and will not be available to benefit the income tax provision in any future period.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. INCOME TAXES (Continued)

The Company has recorded deferred tax assets of approximately \$2.4 billion related to tax losses and other carryforwards against which the Company has recorded a valuation allowance for all but \$79.3 million of the deferred tax assets. These tax losses and other carryforwards will expire at various dates as follows:

	Expiration dates of deferred tax assets related to operating losses and other carryforwards
	(In thousands)
2017 - 2022	\$ 558,108
2023 - 2028	742,981
2029 and post	622,339
Indefinite	436,092
	\$2,359,520

The amount of deferred tax assets considered realizable, however, could be reduced or increased in the near-term if facts, including the amount of taxable income or the mix of taxable income between subsidiaries, differ from management's estimates.

The Company does not provide for income taxes on approximately \$916.0 million of undistributed earnings of its subsidiaries which are considered to be indefinitely reinvested outside of Singapore as management has plans for the use of such earnings to fund certain activities outside of Singapore. Determination of the amount of the unrecognized deferred tax liability on these undistributed earnings is not practicable. During the fiscal year 2015, we changed our intent with regard to the indefinite reinvestment of foreign earnings from certain of our Chinese subsidiaries which are scheduled to be de-registered or liquidated in the near future. As a result, as of March 31, 2016, we have provided for applicable foreign withholding taxes on \$106.7 million of undistributed foreign earnings, and recorded a deferred tax liability of approximately \$11.2 million.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Fiscal Year Ended March 31,	
	2016	2015
	(In thousands)	
Balance, beginning of fiscal year	\$222,373	\$243,864
Additions based on tax position related to the current year	21,273	27,048
Additions for tax positions of prior years	20,453	24,354
Reductions for tax positions of prior years	(9,578)	(16,388)
Reductions related to lapse of applicable statute of limitations	(22,312)	(11,891)
Settlements	(12,797)	(24,049)
Impact from foreign exchange rates fluctuation	(7,086)	(20,565)
Balance, end of fiscal year	\$212,326	\$222,373

The Company's unrecognized tax benefits are subject to change over the next twelve months primarily as a result of the expiration of certain statutes of limitations and as audits are settled. The Company believes it is reasonably possible that the total amount of unrecognized tax benefits could decrease by an estimated range of an additional \$13.0 million to \$41.0 million within the next twelve months primarily due to potential settlements of various audits and the expiration of certain statutes of limitations.

The Company and its subsidiaries file federal, state, and local income tax returns in multiple jurisdictions around world. With few exceptions, the Company is no longer subject to income tax examinations by tax authorities for years before 2006.

Of the \$212.3 million of unrecognized tax benefits at March 31, 2016, \$185.7 million will affect the annual effective tax rate ("ETR") if the benefits are eventually recognized. The amount that doesn't impact the ETR relates to positions that would be settled with a tax loss carryforward previously subject to a valuation allowance.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. INCOME TAXES (Continued)

The Company recognizes interest and penalties accrued related to unrecognized tax benefits within the Company's tax expense. During the fiscal years ended March 31, 2016, 2015 and 2014, the Company recognized interest and penalties of approximately (\$2.4) million and \$2.5 million and \$8.4 million, respectively. The Company had approximately \$14.6 million, \$17.0 million and \$15.6 million accrued for the payment of interest and penalties as of the fiscal years ended March 31, 2016, 2015 and 2014, respectively.

14. RESTRUCTURING CHARGES

The Company initiated certain restructuring activities during fiscal year 2014 intended to improve its operational efficiencies by reducing excess workforce and capacity and realign the corporate cost structure. There were no material restructuring activities during fiscal years 2016 and 2015. Restructuring charges are recorded based upon employee termination dates, site closure and consolidation plans generally in conjunction with an overall corporate initiative to drive cost reduction and realign the Company's global footprint.

Fiscal Year 2014

During the fiscal year ended March 31, 2014, the Company recognized restructuring charges of approximately \$75.3 million. The costs associated with these restructuring activities include employee severance, other personnel costs, non-cash impairment charges on equipment no longer in use and to be disposed of, and other exit related costs due to facility closures or rationalizations. Pre-tax restructuring charges comprised \$73.4 million of cash charges predominantly related to employee severance and \$1.9 million of non-cash charges related to impairment of long-lived assets. Employee severance costs were associated with the terminations of 6,758 identified employees. The identified employee terminations by reportable geographic region amounted to approximately 5,073, 1,482 and 203 for Asia, the Americas and Europe, respectively.

The components of the restructuring charges by geographic region incurred in fiscal year 2014 are as follows:

	<u>First Quarter</u>	<u>Fourth Quarter</u>	<u>Total</u>
	(In thousands)		
Americas:			
Severance	\$11,331	\$11,290	\$22,621
Other exit costs	2,248	—	2,248
Total restructuring charges	<u>13,579</u>	<u>11,290</u>	<u>24,869</u>
Asia:			
Severance	16,205	13,214	29,419
Long-lived asset impairment	1,900	—	1,900
Other exit costs	3,157	—	3,157
Total restructuring charges	<u>21,262</u>	<u>13,214</u>	<u>34,476</u>
Europe:			
Severance	4,631	10,047	14,678
Other exit costs	1,288	—	1,288
Total restructuring charges	<u>5,919</u>	<u>10,047</u>	<u>15,966</u>
Total			
Severance	32,167	34,551	66,718
Long-lived asset impairment	1,900	—	1,900
Other exit costs	6,693	—	6,693
Total restructuring charges	<u>\$40,760</u>	<u>\$34,551</u>	<u>\$75,311</u>

During the fiscal year ended March 31, 2014, the Company recognized approximately \$66.7 million of severance costs related to employee terminations of which approximately \$50.2 million was recognized in cost of sales.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. RESTRUCTURING CHARGES (Continued)

During the fiscal year ended March 31, 2014, the Company recognized approximately \$1.9 million for the write-down of property and equipment, and was classified as a component of cost of sales. The property and equipment were sold as of March 31, 2014.

During the fiscal year ended March 31, 2014, the Company recognized approximately \$6.7 million of other exit costs, which primarily were comprised of \$3.8 million related to personnel costs and \$2.9 million of contractual obligations that resulted from facility closures. The majority of these costs were classified as a component of cost of sales.

The following table summarizes the provisions, respective payments, and remaining accrued balance as of March 31, 2016 for charges incurred in fiscal years 2016, 2015 and 2014 and prior periods:

	Severance	Long-Lived Asset Impairment	Other Exit Costs	Total
	(In thousands)			
Balance as of March 31, 2013	\$ 83,689	\$ —	\$ 14,211	\$ 97,900
Provision for charges incurred in fiscal year 2014	66,718	1,900	6,693	75,311
Cash payments for charges incurred in fiscal year 2014	(40,273)	—	(4,296)	(44,569)
Cash payments for charges incurred in fiscal year 2013	(71,470)	—	(8,755)	(80,225)
Cash payments for charges incurred in fiscal year 2010 and prior	(2,171)	—	(1,950)	(4,121)
Non-cash charges incurred in fiscal year 2014	—	(1,900)	—	(1,900)
Balance as of March 31, 2014	36,493	—	5,903	42,396
Cash payments for charges incurred in fiscal year 2014	(18,558)	—	(2,212)	(20,770)
Cash payments for charges incurred in fiscal year 2013	(4,560)	—	(1,685)	(6,245)
Cash payments for charges incurred in fiscal year 2010 and prior	(12)	—	(312)	(324)
Balance as of March 31, 2015	13,363	—	1,694	15,057
Cash payments for charges incurred in fiscal year 2014	(290)	—	—	(290)
Cash payments for charges incurred in fiscal year 2013	(1,168)	—	(185)	(1,353)
Cash payments for charges incurred in fiscal year 2010 and prior	—	—	(174)	(174)
Balance as of March 31, 2016	11,905	—	1,335	13,240
Less: Current portion (classified as other current liabilities)	2,212	—	248	2,460
Accrued restructuring costs, net of current portion (classified as other liabilities)	<u>\$ 9,693</u>	<u>\$ —</u>	<u>\$ 1,087</u>	<u>\$ 10,780</u>

15. OTHER CHARGES (INCOME), NET

During fiscal year 2016, the Company incurred net losses of \$47.7 million primarily due to \$26.8 million loss on disposition of a non-strategic Western European manufacturing facility which included a non-cash foreign currency translation loss of \$25.3 million, and \$21.8 million from the impairment of a non-core investment. These were offset by currency translation gains of \$4.2 million.

During fiscal year 2015, an amendment to a customer contract to reimburse a customer for certain performance provisions was executed which included the removal of a \$55.0 million contractual obligation recognized during fiscal year 2014. Accordingly, the Company reversed this charge with a corresponding credit to other charges (income), net in the consolidated statement of operations. Additionally, during fiscal year 2015, the Company recognized a loss of \$11.0 million in connection with the disposition of a manufacturing facility in Western Europe. The Company received \$11.5 million in cash for the sale of \$27.2 million in net assets of the facility. The loss also includes \$4.6 million of estimated transaction costs, partially offset by a gain of \$9.3 million for the release of cumulative foreign currency translation gains triggered by the disposition.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. OTHER CHARGES (INCOME), NET (Continued)

During fiscal year 2014, the Company recognized \$55.0 million of other charges for the contractual obligation to reimburse a customer for certain performance provisions as described above. Additionally, the Company exercised warrants to purchase common shares of a certain supplier and sold the underlying shares for total proceeds of \$67.3 million resulting in a loss of \$7.1 million. Further, the Company recognized a gain of \$4.6 million on the sale of certain investments.

16. INTEREST AND OTHER, NET

For the fiscal years ended March 31, 2016, 2015 and 2014, the Company recognized interest income of \$12.3 million, \$18.7 million and \$17.6 million.

For the fiscal years ended March 31, 2016, 2015 and 2014, the Company recognized interest expense of \$98.0 million, \$76.4 million and \$79.9 million, respectively, on its debt obligations outstanding during the period.

For the fiscal years ended March 31, 2016, 2015 and 2014, the Company recognized gains on foreign exchange transactions of \$24.4 million, \$19.7 million and \$11.8 million, respectively.

For the fiscal years ended March 31, 2016, 2015 and 2014, the Company recognized \$11.0 million, \$9.9 million and \$9.5 million of expense related to its ABS and AR Sales Programs.

For the fiscal years ended March 31, 2016, the Company incurred \$8.0 million of acquisition-related costs.

17. BUSINESS AND ASSET ACQUISITIONS

Business Acquisitions

The business and asset acquisitions described below were accounted for using the purchase method of accounting, and accordingly, the fair value of the net assets acquired and the results of the acquired businesses were included in the Company's consolidated financial statements from the acquisition dates forward. The Company has not finalized the allocation of the consideration for certain of its recently completed acquisitions and completes these allocations in less than one year of the respective acquisition dates.

Fiscal year 2016 business acquisitions

Acquisition of Mirror Controls International

On June 29, 2015, the Company completed its acquisition of 100% of the outstanding share capital of MCI, and paid approximately \$555.2 million, net of \$27.7 million of cash acquired. This acquisition expanded the Company's capabilities in the automotive market, and was included in the HRS segment. The allocation of the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed was based on their estimated fair values as of the date of acquisition. The excess of the purchase price over the tangible and identifiable intangible assets acquired and liabilities assumed has been allocated to goodwill.

The following represents the Company's allocation of the total purchase price to the acquired assets and liabilities of MCI (in thousands):

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. BUSINESS AND ASSET ACQUISITIONS (Continued)

Current assets:	
Accounts receivable	\$ 41,559
Inventories	19,897
Other current assets	2,856
Total current assets	64,312
Property and equipment, net	38,832
Other assets	2,463
Intangibles	236,800
Goodwill	323,357
Total assets	<u>\$665,764</u>
Current liabilities:	
Accounts payable	\$ 28,002
Accrued liabilities & other current liabilities	21,113
Total current liabilities	49,115
Other liabilities	61,492
Total aggregate purchase price	<u>\$555,157</u>

The intangible assets of \$236.8 million is comprised of customer relationships of \$75.5 million and licenses and other intangible assets of \$161.3 million. Customer relationships and licenses and other intangibles are each amortized over a weighted-average estimated useful life of 10 years. In addition to net working capital, the Company acquired \$38.8 million of machinery and equipment and assumed \$61.5 million of other liabilities primarily comprised of deferred tax liabilities. The Company incurred \$6.6 million in acquisition-related costs related to the acquisition of MCi during fiscal year 2016.

Acquisition of a facility from Alcatel-Lucent

On July 1, 2015, the Company acquired an optical transport facility from Alcatel-Lucent for approximately \$67.5 million, which expanded its capabilities in the telecom market and was included in the CEC segment. The Company acquired primarily \$55.1 million of inventory, \$10.0 million of property and equipment primarily comprised of a building and land, and recorded goodwill and intangible assets for a customer relationship of \$3.6 million and \$2.1 million, respectively, and assumed \$3.3 million in other net liabilities in connection with this acquisition. The customer relationship intangible will amortize over a weighted-average estimated useful life of 5 years.

Acquisition of Nextracker

On September 28, 2015, the Company acquired 100% of the outstanding share capital of NEXTracker, a provider of smart solar tracking solutions. The initial cash consideration was approximately \$240.8 million, net of \$13.2 million of cash acquired, with an additional \$81.0 million of estimated potential contingent consideration, for a total purchase consideration of \$321.8 million. At the date of the acquisition, the maximum possible consideration under the agreement was \$97.2 million upon achievement of future revenue performance targets. Subsequent to the acquisition date, the Company adjusted its estimate of the contingent consideration by \$3.7 million, as described further in note 11, which was recorded as an expense in the consolidated statement of operations. The Company also acquired NEXTracker's equity incentive plan. The financial results of NEXTracker were included in the IEI segment. The allocation of the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed was based on their estimated fair values as of the date of acquisition. The excess of the purchase price over the tangible and identifiable intangible assets acquired and liabilities assumed has been allocated to goodwill.

The following represents the Company's preliminary allocation of the total purchase price to the acquired assets and liabilities of NEXTracker (in thousands):

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. BUSINESS AND ASSET ACQUISITIONS (Continued)

Current assets:	
Accounts receivable	\$ 60,298
Inventories	3,235
Other current assets	19,272
Total current assets	82,805
Property and equipment, net	1,382
Other assets	70
Intangibles	108,700
Goodwill	255,601
Total assets	<u>\$448,558</u>
Current liabilities:	
Accounts payable	\$ 17,226
Other current liabilities	63,870
Total current liabilities	81,096
Other liabilities	45,712
Total aggregate purchase price	<u>\$321,750</u>

The intangible assets of \$108.7 million is comprised of customer-related intangibles of \$47.3 million and licenses and other intangible assets of \$61.4 million. Customer-related intangibles are amortized over a weighted-average estimated useful life of 4 years while licenses and other intangibles are amortized over a weighted-average estimated useful life of 6 years.

Other business acquisitions

Additionally, during fiscal year 2016, the Company completed eight acquisitions that were not individually, nor in the aggregate, significant to the consolidated financial position, results of operations and cash flows of the Company. Four of the acquired businesses expanded the Company's capabilities in the medical devices market, particularly precision plastics and molding within the HRS segment, two of them strengthened capabilities in the consumer electronics market within the CTG segment, one strengthened the capabilities in the communications market within the CEC segment, and the last one strengthened capabilities in the household industrial and lifestyle market within the IEI segment. The Company paid \$53.3 million, net of \$3.7 million of cash held by the targets. The Company acquired \$14.4 million of property and equipment, assumed liabilities of \$17.7 million and recorded goodwill and intangibles of \$57.4 million. These intangibles will amortize over a weighted-average estimated useful life of 4 years.

The results of operations for all of the acquisitions completed in fiscal year 2016 were included in the Company's consolidated financial results beginning on the date of each acquisition. The total amount of net income for all of the acquisitions completed in fiscal year 2016, collectively, was \$41.4 million. The total amount of revenue of these acquisitions, collectively, was not material to the Company's consolidated financial results for the fiscal year 2016.

On a pro-forma basis, and assuming the acquisitions occurred on the first day of the prior comparative period, or April 1, 2014, net income would have been estimated to be \$410.1 million, and \$586.4 million for fiscal years 2016 and 2015, respectively. The estimated pro-forma net income for all periods presented does not include the \$43.0 million tax benefit for the release of the valuation allowance on deferred tax assets relating to the NEXTracker acquisition, recognized in fiscal year 2016 as discussed further in note 13, to promote comparability. Pro-forma revenue for the acquisitions in fiscal year 2016 and 2015 have not been presented because the effect, collectively, was not material to the Company's consolidated revenues for all periods presented.

Fiscal year 2015 business acquisitions

During the fiscal year 2015, the Company completed four acquisitions that were not individually, nor in the aggregate, significant to the consolidated financial position, results of operations and cash flows of the Company. All

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. BUSINESS AND ASSET ACQUISITIONS (Continued)

of the acquired businesses expanded the Company's capabilities in the medical devices market, particularly precision plastics, within the HRS segment. The Company paid \$52.7 million net of \$5.9 million of cash held by the acquired businesses, and recorded an accrual of \$4.5 million for contingent consideration relating to one of the acquisitions. The Company primarily acquired \$29.4 million of current assets, \$9.0 million of property and equipment, recorded goodwill of \$35.8 million and intangibles of \$16.1 million, and assumed certain liabilities relating to payables and debt in connection with these acquisitions. The results of operations were included in the Company's consolidated financial results beginning on the date of these acquisitions. Pro-forma results of operations for these acquisitions have not been presented because the effects of the acquisitions were immaterial to the Company's consolidated financial results for all periods presented. The Company also paid \$7.5 million as a deposit to acquire a certain business that closed in fiscal year 2016 and that strengthened capabilities in the household industrial market within the IEI segment. This deposit was included in other assets during fiscal year 2015.

Fiscal year 2014 business acquisitions

Acquisition of Motorola Mobility LLC from Google

On April 16, 2013, the Company completed the acquisition of certain manufacturing operations from Google's Motorola Mobility LLC. The Company also entered into a manufacturing and services agreement with Motorola Mobility for mobile devices in conjunction with this acquisition. This acquisition expanded the Company's relationship with Google's Motorola Mobility and the Company's capabilities in the mobile devices market, within the CTG segment.

The cash consideration for this acquisition amounted to \$178.9 million. The allocation of the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed was based on their estimated fair values as of the date of acquisition. The excess of the purchase price over the tangible and identifiable intangible assets acquired and liabilities assumed has been allocated to goodwill.

The following represents the Company's allocation of the total purchase price to the acquired assets and liabilities assumed of Google's Motorola Mobility LLC (in thousands):

Current assets:	
Inventories	\$ 97,740
Other current assets	24,280
Total current assets	<u>122,020</u>
Property and equipment	45,198
Goodwill	2,844
Other intangible assets (useful life—6 years)	2,948
Other assets	7,414
Total assets	<u>\$180,424</u>
Current liabilities:	
Other current liabilities	\$ 317
Total current liabilities	317
Other liabilities	1,202
Total aggregate purchase price	<u>\$178,905</u>

Acquisition of Riwisa AG

On November 4, 2013, the Company acquired all of the outstanding shares of Riwisa AG, a company registered in Switzerland for total cash consideration of \$44.0 million, net of cash acquired of \$9.4 million. This acquisition expanded the Company's capabilities in the medical devices market, particularly precision plastics within the HRS segment. The Company primarily acquired inventory, property and equipment and assumed certain liabilities relating to payables and debt. The results of operations were included in the Company's consolidated financial results beginning on the date of acquisition. Proforma results of operations for this acquisition have not been presented because the effects of the acquisition were not material to the Company's consolidated financial results.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. BUSINESS AND ASSET ACQUISITIONS (Continued)

The initial allocation of the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed was based on their estimated fair values as of the date of acquisition. The excess of the purchase price over the tangible and identifiable intangible assets acquired and liabilities assumed has been allocated to goodwill. During fiscal year 2014 the Company recorded \$22.7 million as intangible assets and \$18.5 million as goodwill based on a preliminary assessment of fair value of assets acquired and liabilities assumed. During fiscal year 2015, the Company further adjusted the purchase allocation for the acquisition resulting in a \$2.6 million increase in the total cash consideration from \$44.0 million to \$46.6 million, and an \$8.7 million fair value adjustment for assets acquired, increasing total goodwill to \$27.2 million. Intangible assets are comprised of customer-relationships of \$15.8 million amortized over a period of 10 years and developed technology and trade names of \$6.9 million amortized over a period of 7 years.

Other business acquisitions

Further, during fiscal year 2014, the Company completed two other acquisitions for total cash consideration of \$15.1 million. Neither of these acquisitions were significant to the Company's consolidated financial position, results of operations and cash flows. These businesses expanded the Company's capabilities primarily in manufacturing operations for precision plastics, components and molds. The Company acquired primarily property and equipment and inventory and recorded goodwill amounting to \$5.0 million in connection with these acquisitions. The results of operations were included in the Company's consolidated financial results beginning on the dates of these acquisitions. Proforma results of operations for these acquisitions have not been presented because the effects of the acquisitions were immaterial to the Company's consolidated financial results. Additionally, transaction costs related to all acquisitions completed during the periods presented were immaterial to the Company's financial results.

The Company continues to evaluate certain assets and liabilities related to business combinations completed during recent periods. Additional information, which existed as of the acquisition date, may become known to the Company during the remainder of the measurement period, a period not to exceed 12 months from the acquisition date. Changes to amounts recorded as assets or liabilities, as a result of such additional information, may result in a corresponding adjustment to goodwill.

The goodwill generated from the Company's business combinations completed during the fiscal year ended March 31, 2014 is primarily related to value placed on the employee workforce, service offerings and capabilities, and expected synergies and is not deductible for income tax purposes.

In connection with one businesses acquired during fiscal year 2013, the Company entered into an agreement with an existing customer and a third party banking institution to procure certain manufacturing equipment that was financed by the third party banking institution, acting as an agent of the customer. The manufacturing equipment was used exclusively for the benefit of this customer. The Company cannot be required to pay cash by either the customer or the third party banking institution. During fiscal year 2015, the Company ceased manufacturing of the product related to the financed equipment. As a result, pursuant an agreement with the customer, the Company as an agent on behalf of the customer dispositioned the equipment via sales to third parties and used the proceeds to reduce the obligation to the third party banking institution. Accordingly, the residual value due from the customer related to the equipment financed by the third party banking institution decreased to \$83.6 million from \$169.2 million as of March 31, 2016 and 2015, respectively, and has been included in other current assets. The outstanding balance due to the third party banking institution related to the financed equipment correspondingly decreased to \$122.0 million from \$197.7 million as of March 31, 2016 and 2015, respectively, and has been included in other current liabilities. The cash inflows from the sale of the manufacturing equipment originally purchased on behalf of the customer and financed by the third party banking institution amounting to \$54.3 million and \$79.7 million have been included in other investing cash flows for the fiscal years ended March 31, 2016 and 2015, respectively. The cash outflows relating to the purchase of the manufacturing equipment by the Company on behalf of the customer of \$37.3 million have also been included in other investing cash flows for the fiscal year ended March 31, 2014. The cash outflows to repay the third party banking institution on behalf of the customer upon cessation of manufacturing operations of \$75.8 million and \$88.8 million have been included in cash flows from other financing activities during the fiscal years ended March 31, 2016 and 2015, respectively. Net cash inflows amounting to \$13.5 million relating to the funding of these assets by the financial institution on behalf of the customer have been included in cash flows from other financing activities during the fiscal year ended March 31, 2014.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. SHARE REPURCHASE PLAN

During fiscal year 2016, the Company repurchased approximately 37.3 million shares for an aggregate purchase value of approximately \$412.8 million under two separate repurchase plans as further discussed below.

During the second quarter of fiscal year 2016, the Company repurchased the entire remaining amount under a prior share repurchase plan that was approved by the Company's Board of Directors on August 28, 2014 and the Company's shareholders at the 2014 Extraordinary General Meeting held on August 28, 2014, or approximately 13.2 million shares for an aggregate purchase value of approximately \$154.9 million, and retired all of these shares.

Under the Company's current share repurchase program, the Board of Directors authorized repurchases of its outstanding ordinary shares for up to \$500 million in accordance with the share repurchase mandate approved by the Company's shareholders at the date of the most recent Extraordinary General Meeting held on August 20, 2015. During fiscal year 2016, the Company repurchased approximately 24.1 million shares for an aggregate purchase value of approximately \$257.9 million under this plan, including amounts accrued but not paid, and retired all of these shares. As of March 31, 2016, shares in the aggregate amount of \$242.1 million were available to be repurchased under the current plan.

19. SEGMENT REPORTING

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker ("CODM"), or a decision making group, in deciding how to allocate resources and in assessing performance. Resource allocation decisions and the Company's performance are assessed by its Chief Executive Officer ("CEO"), with support from his direct staff who oversee certain operations of the business, collectively identified as the CODM or the decision making group.

During the fourth quarter of fiscal year 2015, the Company concluded it has four reportable operating segments: HRS, CTG, IEI, and CEC. The Company assessed that there was no change to its operating segments in fiscal year 2016. These segments represent components of the Company for which separate financial information is available that is utilized on a regular basis by the CODM. These segments are determined based on several factors, including the nature of products and services, the nature of production processes, customer base, delivery channels and similar economic characteristics. Refer to note 1 to the financial statements for a description of the various product categories manufactured under each of these segments.

An operating segment's performance is evaluated based on its pre-tax operating contribution, or segment income. Segment income is defined as net sales less cost of sales, and segment selling, general and administrative expenses, and does not include amortization of intangibles, stock-based compensation, restructuring charges, certain bad debt charges, other charges (income), net and interest and other, net.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. SEGMENT REPORTING (Continued)

Selected financial information by segment is as follows:

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(In thousands)		
Net sales:			
Communications & Enterprise Compute	\$ 8,841,642	\$ 9,191,211	\$ 9,688,023
Consumer Technologies Group	6,997,526	8,940,043	9,357,635
Industrial & Emerging Industries	4,680,718	4,459,351	3,787,838
High Reliability Solutions	3,898,999	3,557,311	3,275,111
	<u>\$24,418,885</u>	<u>\$26,147,916</u>	<u>\$26,108,607</u>
Segment income and reconciliation of income before tax:			
Communications & Enterprise Compute	\$ 265,076	\$ 257,323	\$ 259,329
Consumer Technologies Group	163,677	218,251	125,171
Industrial & Emerging Industries	157,588	131,956	127,085
High Reliability Solutions	294,635	227,595	221,402
Corporate and Other	(89,219)	(83,988)	(68,475)
Total income	<u>791,757</u>	<u>751,137</u>	<u>664,512</u>
Reconciling items:			
Intangible amortization	65,965	32,035	28,892
Stock-based compensation	77,580	50,270	40,439
Restructuring charges(2)	—	—	75,311
Bad debt charge(1)	61,006	—	—
Other charges (income), net	47,738	(53,233)	57,512
Interest and other, net	84,793	51,410	61,904
Income before income taxes	<u>\$ 454,675</u>	<u>\$ 670,655</u>	<u>\$ 400,454</u>

- (1) During fiscal year 2016, the Company incurred a charge of \$61.0 million related to SunEdison which had declared bankruptcy. This charge is included in selling, general and administrative expenses in the consolidated statement of operations but is excluded from the measurement of the Company's operating segment's performance. Refer to note 2 for additional information regarding this charge.
- (2) During the fiscal year ended March 31, 2014, the Company recognized restructuring charges of approximately \$75.3 million. The costs associated with these restructuring activities include employee severance, other personnel costs, non-cash impairment charges on equipment no longer in use and to be disposed of, and other exit related costs due to facility closures or rationalizations. Refer to note 14 for additional information regarding this charge.

Corporate and other primarily includes corporate services costs that are not included in the CODM's assessment of the performance of each of the identified reporting segments.

Property and equipment on a segment basis is not disclosed as it is not separately identified and is not internally reported by segment to the Company's CODM. During fiscal year 2016, 2015 and 2014, depreciation expense included in the segment's measure of operating performance above is as follows:

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. SEGMENT REPORTING (Continued)

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(In thousands)		
Depreciation expense			
Communications & Enterprise Compute	\$117,710	\$130,311	\$131,807
Consumer Technologies Group	123,139	203,808	160,684
Industrial & Emerging Industries	72,415	64,541	55,692
High Reliability Solutions	80,935	62,831	50,296
Corporate and Other	31,530	35,334	26,359
Total depreciation expense	<u>\$425,729</u>	<u>\$496,825</u>	<u>\$424,838</u>

Geographic information is as follows:

	Fiscal Year Ended March 31,					
	2016		2015		2014	
	(In thousands)					
Net sales:						
Asia	\$11,788,992	48%	\$12,953,004	50%	\$13,714,187	53%
Americas	8,347,514	34%	8,897,868	34%	8,189,414	31%
Europe	4,282,379	18%	4,297,044	16%	4,205,006	16%
	<u>\$24,418,885</u>		<u>\$26,147,916</u>		<u>\$26,108,607</u>	

Revenues are attributable to the country in which the product is manufactured or service is provided.

During fiscal years 2016, 2015 and 2014, net sales generated from Singapore, the principal country of domicile, were approximately \$519.1 million, \$553.4 million and \$504.6 million, respectively.

During fiscal year 2016, China, Mexico, and the United States accounted for approximately 35%, 15%, and 11% of consolidated net sales, respectively. No other country accounted for more than 10% of net sales in fiscal year 2016.

During fiscal year 2015, China, Mexico, and the United States accounted for approximately 37%, 13%, and 11% of consolidated net sales, respectively. No other country accounted for more than 10% of net sales in fiscal year 2015.

During fiscal year 2014, China, Mexico, and the United States accounted for approximately 40%, 14% and 11% of consolidated net sales, respectively. No other country accounted for more than 10% of net sales in fiscal year 2014.

	As of March 31,			
	2016		2015	
	(In thousands)			
Property and equipment, net:				
Asia	\$1,013,317	45%	\$ 997,806	48%
Americas	886,305	39%	782,839	37%
Europe	358,011	16%	311,522	15%
	<u>\$2,257,633</u>		<u>\$2,092,167</u>	

As of March 31, 2016 and 2015, property and equipment, net held in Singapore were approximately \$13.4 million and \$19.3 million, respectively.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. SEGMENT REPORTING (Continued)

As of March 31, 2016, China, Mexico and the United States accounted for approximately 35%, 19% and 15%, respectively, of property and equipment, net. No other country accounted for more than 10% of property and equipment, net as of March 31, 2016.

As of March 31, 2015, China, Mexico and the United States accounted for approximately 37%, 17% and 15%, respectively, of consolidated property and equipment, net. No other country accounted for more than 10% of property and equipment, net as of March 31, 2015.

20. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONSOLIDATED FINANCIAL STATEMENTS

Flextronics International Ltd. (“Parent”) has three tranches of Notes of \$500 million, \$500 million and \$600 million, respectively, each outstanding, which mature on February 15, 2020, February 15, 2023 and June 15, 2025, respectively. These notes are senior unsecured obligations, and are guaranteed, fully and unconditionally, jointly and severally, on an unsecured basis, by certain of the Company’s 100% owned subsidiaries (the “guarantor subsidiaries”). These subsidiary guarantees will terminate upon 1) a sale or other disposition of the guarantor or the sale or disposition of all or substantially all the assets of the guarantor (other than to the Parent or a subsidiary); 2) such guarantor ceasing to be a guarantor or a borrower under the Company’s Term Loan Agreement and the Revolving Line of Credit; 3) defeasance or discharge of the Notes, as provided in the Notes indenture; or 4) if at any time the notes are rated investment grade.

In lieu of providing separate financial statements for the guarantor subsidiaries, the Company has included the accompanying condensed consolidating financial statements, which are presented using the equity method of accounting. The principal elimination entries relate to investment in subsidiaries and intercompany balances and transactions, including transactions with the Company’s non-guarantor subsidiaries.

During the year ended March 31, 2016, and in conjunction with the new \$600 million Notes, a new entity was added as a guarantor subsidiary for all three tranches of the Notes. Accordingly, the Company recast the condensed consolidating financial statements presented below to reflect this change.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Balance Sheets as of March 31, 2016

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u> (In thousands)	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 734,869	\$ 148,201	\$ 724,500	\$ —	\$ 1,607,570
Accounts receivable	—	729,331	1,315,426	—	2,044,757
Inventories	—	1,482,410	2,009,246	—	3,491,656
Inter company receivable	9,105,728	5,568,392	12,404,722	(27,078,842)	—
Other current assets	2,951	180,842	987,350	—	1,171,143
Total current assets	<u>9,843,548</u>	<u>8,109,176</u>	<u>17,441,244</u>	<u>(27,078,842)</u>	<u>8,315,126</u>
Property and equipment, net	—	553,072	1,704,561	—	2,257,633
Goodwill and other intangible assets, net	175	60,895	1,284,750	—	1,345,820
Other assets	2,249,145	267,034	2,004,437	(4,054,214)	466,402
Investment in subsidiaries	2,815,426	3,014,634	18,175,348	(24,005,408)	—
Total assets	<u>\$14,908,294</u>	<u>\$12,004,811</u>	<u>\$40,610,340</u>	<u>\$ (55,138,464)</u>	<u>\$12,384,981</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Bank borrowings and current portion of long-term debt	\$ 58,836	\$ 946	\$ 5,384	\$ —	\$ 65,166
Accounts payable	—	1,401,835	2,846,457	—	4,248,292
Accrued payroll	—	114,509	239,038	—	353,547
Inter company payable	9,562,405	7,999,335	9,517,102	(27,078,842)	—
Other current liabilities	33,008	869,470	1,002,722	—	1,905,200
Total current liabilities	<u>9,654,249</u>	<u>10,386,095</u>	<u>13,610,703</u>	<u>(27,078,842)</u>	<u>6,572,205</u>
Long term liabilities	2,683,173	2,063,988	2,514,299	(4,054,214)	3,207,246
Flextronics International Ltd. shareholders' equity	2,570,872	(445,272)	24,450,680	(24,005,408)	2,570,872
Noncontrolling interests	—	—	34,658	—	34,658
Total shareholders' equity	<u>2,570,872</u>	<u>(445,272)</u>	<u>24,485,338</u>	<u>(24,005,408)</u>	<u>2,605,530</u>
Total liabilities and shareholders' equity	<u>\$14,908,294</u>	<u>\$12,004,811</u>	<u>\$40,610,340</u>	<u>\$ (55,138,464)</u>	<u>\$12,384,981</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Balance Sheets as of March 31, 2015

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u> (In thousands)	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 608,971	\$ 168,272	\$ 851,165	\$ —	\$ 1,628,408
Accounts receivable	—	1,208,632	1,128,883	—	2,337,515
Inventories	—	1,729,593	1,759,159	—	3,488,752
Inter company receivable	6,417,410	4,759,062	10,099,057	(21,275,529)	—
Other current assets	8,143	202,161	1,075,921	—	1,286,225
Total current assets	<u>7,034,524</u>	<u>8,067,720</u>	<u>14,914,185</u>	<u>(21,275,529)</u>	<u>8,740,900</u>
Property and equipment, net	—	471,052	1,621,115	—	2,092,167
Goodwill and other intangible assets, net	475	64,830	349,870	—	415,175
Other assets	2,210,669	155,172	2,131,523	(4,092,715)	404,649
Investment in subsidiaries	1,799,956	1,654,226	16,640,427	(20,094,609)	—
Total assets	<u>\$11,045,624</u>	<u>\$10,413,000</u>	<u>\$35,657,120</u>	<u>\$ (45,462,853)</u>	<u>\$11,652,891</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Bank borrowings and current portion of long-term debt	\$ 38,868	\$ 917	\$ 5,245	\$ —	\$ 45,030
Accounts payable	—	1,758,305	2,802,889	—	4,561,194
Accrued payroll	—	112,692	227,047	—	339,739
Inter company payable	6,559,569	7,250,235	7,465,725	(21,275,529)	—
Other current liabilities	30,553	845,156	933,419	—	1,809,128
Total current liabilities	<u>6,628,990</u>	<u>9,967,305</u>	<u>11,434,325</u>	<u>(21,275,529)</u>	<u>6,755,091</u>
Long term liabilities	2,055,820	2,102,483	2,435,962	(4,092,715)	2,501,550
Flextronics International Ltd. shareholders' equity	2,360,814	(1,656,788)	21,751,397	(20,094,609)	2,360,814
Noncontrolling interests	—	—	35,436	—	35,436
Total shareholders' equity	<u>2,360,814</u>	<u>(1,656,788)</u>	<u>21,786,833</u>	<u>(20,094,609)</u>	<u>2,396,250</u>
Total liabilities and shareholders' equity	<u>\$11,045,624</u>	<u>\$10,413,000</u>	<u>\$35,657,120</u>	<u>\$ (45,462,853)</u>	<u>\$11,652,891</u>

Condensed Consolidating Statements of Operations for Fiscal Year Ended March 31, 2016

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u> (In thousands)	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ —	\$16,841,405	\$19,286,221	\$(11,708,741)	\$24,418,885
Cost of sales	—	15,278,265	19,241,300	(11,708,741)	22,810,824
Gross profit	—	1,563,140	44,921	—	1,608,061
Selling, general and administrative expenses	—	330,194	624,696	—	954,890
Intangible amortization	300	3,598	62,067	—	65,965
Interest and other, net	<u>(191,859)</u>	<u>1,016,302</u>	<u>(691,912)</u>	<u>—</u>	<u>132,531</u>
Income (loss) before income taxes	191,559	213,046	50,070	—	454,675
Provision for income taxes	26	(41,584)	52,152	—	10,594
Equity in earnings in subsidiaries	<u>252,548</u>	<u>(168,886)</u>	<u>397,831</u>	<u>(481,493)</u>	<u>—</u>
Net income	<u>\$ 444,081</u>	<u>\$ 85,744</u>	<u>\$ 395,749</u>	<u>\$ (481,493)</u>	<u>\$ 444,081</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statements of Operations for Fiscal Year Ended March 31, 2015

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u> (In thousands)	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ —	\$19,016,750	\$19,543,163	\$(12,411,997)	\$26,147,916
Cost of sales	—	17,502,863	19,511,710	(12,411,997)	24,602,576
Gross profit	—	1,513,887	31,453	—	1,545,340
Selling, general and administrative expenses	—	258,212	586,261	—	844,473
Intangible amortization	300	3,808	27,927	—	32,035
Interest and other, net	10,086	901,059	(912,968)	—	(1,823)
Income (loss) before income taxes	(10,386)	350,808	330,233	—	670,655
Provision for income taxes	—	14,143	55,711	—	69,854
Equity in earnings in subsidiaries	611,187	(141,074)	471,575	(941,688)	—
Net income	<u>\$600,801</u>	<u>\$ 195,591</u>	<u>\$ 746,097</u>	<u>\$ (941,688)</u>	<u>\$ 600,801</u>

Condensed Consolidating Statements of Operations for Fiscal Year Ended March 31, 2014

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u> (In thousands)	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ —	\$18,393,436	\$21,569,406	\$(13,854,235)	\$26,108,607
Cost of sales	—	16,961,211	21,502,762	(13,854,235)	24,609,738
Restructuring charges	—	9,609	49,039	—	58,648
Gross profit	—	1,422,616	17,605	—	1,440,221
Selling, general and administrative expenses	—	250,909	623,887	—	874,796
Intangible amortization	300	4,659	23,933	—	28,892
Restructuring charges	800	(271)	16,134	—	16,663
Interest and other, net	(502,028)	875,119	(253,675)	—	119,416
Income (loss) before income taxes	500,928	292,200	(392,674)	—	400,454
Provision for income taxes	52	42,950	(8,142)	—	34,860
Equity in earnings in subsidiaries	(135,282)	(262,871)	368,268	29,885	—
Net income (loss)	<u>\$ 365,594</u>	<u>\$ (13,621)</u>	<u>\$ (16,264)</u>	<u>\$ 29,885</u>	<u>\$ 365,594</u>

Condensed Consolidating Statements of Comprehensive Income for Fiscal Year Ended March 31, 2016

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u> (In thousands)	<u>Eliminations</u>	<u>Consolidated</u>
Net income	\$444,081	\$ 85,744	\$395,749	\$(481,493)	\$444,081
Other comprehensive income (loss):					
Foreign currency translation adjustments, net of zero tax	17,846	(16,979)	(15,735)	32,714	17,846
Unrealized loss on derivative instruments and other, net of zero tax	26,744	15,195	26,744	(41,939)	26,744
Comprehensive income	<u>\$488,671</u>	<u>\$ 83,960</u>	<u>\$406,758</u>	<u>\$(490,718)</u>	<u>\$488,671</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statements of Comprehensive Income for Fiscal Year Ended March 31, 2015

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
			(In thousands)		
Net income	\$600,801	\$195,591	\$746,097	\$ (941,688)	\$600,801
Other comprehensive income (loss):					
Foreign currency translation adjustments, net of zero tax	(18,932)	256,652	221,418	(478,070)	(18,932)
Unrealized loss on derivative instruments and other, net of zero tax	(35,417)	(33,769)	(35,417)	69,186	(35,417)
Comprehensive income	<u>\$546,452</u>	<u>\$418,474</u>	<u>\$932,098</u>	<u>\$(1,350,572)</u>	<u>\$546,452</u>

Condensed Consolidating Statements of Comprehensive Income for Fiscal Year Ended March 31, 2014

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
			(In thousands)		
Net income (loss)	\$365,594	\$ (13,621)	\$ (16,264)	\$ 29,885	\$365,594
Other comprehensive loss:					
Foreign currency translation adjustments, net of zero tax	(34,683)	(89,282)	(89,635)	178,917	(34,683)
Unrealized loss on derivative instruments and other, net of zero tax	(13,992)	(5,221)	(13,993)	19,214	(13,992)
Comprehensive income (loss)	<u>\$316,919</u>	<u>\$(108,124)</u>	<u>\$(119,892)</u>	<u>\$228,016</u>	<u>\$316,919</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statements of Cash Flows for Fiscal Year Ended March 31, 2016

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Eliminations	Consolidated
Net cash provided by operating activities	\$ 162,275	\$ 427,259	\$ 546,911	\$ —	\$ 1,136,445
Cash flows from investing activities:					
Purchases of property and equipment, net of proceeds from disposal	—	(151,383)	(345,584)	9	(496,958)
Acquisition and divestiture of businesses, net of cash acquired and cash held in divested business	—	(809,272)	(101,515)	—	(910,787)
Investing cash flows to affiliates	(1,596,210)	(1,609,342)	(1,408,610)	4,614,162	—
Other investing activities, net	(500)	(31,011)	42,880	—	11,369
Net cash used in investing activities	<u>(1,596,710)</u>	<u>(2,601,008)</u>	<u>(1,812,829)</u>	<u>4,614,171</u>	<u>(1,396,376)</u>
Cash flows from financing activities:					
Proceeds from bank borrowings and long-term debt	824,618	—	60,084	—	884,702
Repayments of bank borrowings and long-term debt and capital lease obligations	(179,920)	(3,059)	(7,242)	—	(190,221)
Payments for repurchases of ordinary shares	(420,317)	—	—	—	(420,317)
Proceeds from exercise of stock options	61,278	—	—	—	61,278
Financing cash flows from affiliates	1,240,145	2,162,840	1,211,186	(4,614,171)	—
Other financing activities, net	—	(8,800)	(77,000)	—	(85,800)
Net cash provided by financing activities	<u>1,525,804</u>	<u>2,150,981</u>	<u>1,187,028</u>	<u>(4,614,171)</u>	<u>249,642</u>
Effect of exchange rates on cash and cash equivalents	34,529	2,697	(47,775)	—	(10,549)
Net increase (decrease) in cash and cash equivalents	125,898	(20,071)	(126,665)	—	(20,838)
Cash and cash equivalents, beginning of period	608,971	168,272	851,165	—	1,628,408
Cash and cash equivalents, end of period	<u>\$ 734,869</u>	<u>\$ 148,201</u>	<u>\$ 724,500</u>	<u>\$ —</u>	<u>\$ 1,607,570</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statements of Cash Flows for Fiscal Year Ended March 31, 2015

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
			(In thousands)		
Net cash provided by (used in) operating activities	\$ (73,356)	\$ 75,775	\$ 791,615	\$ —	\$ 794,034
Cash flows from investing activities:					
Purchases of property and equipment, net of proceeds from disposal	—	(85,876)	(153,833)	(15)	(239,724)
Acquisition and divestiture of businesses, net of cash acquired and cash held in divested business	—	(20,589)	(46,265)	—	(66,854)
Investing cash flows from (to) affiliates	(1,703,983)	(1,900,810)	796,493	2,808,300	—
Other investing activities, net	(1,500)	(13,821)	79,683	—	64,362
Net cash provided by (used in) investing activities	<u>(1,705,483)</u>	<u>(2,021,096)</u>	<u>676,078</u>	<u>2,808,285</u>	<u>(242,216)</u>
Cash flows from financing activities:					
Proceeds from bank borrowings and long-term debt	303,000	4,737	11,805	—	319,542
Repayments of bank borrowings and long-term debt and capital lease obligations . . .	(335,500)	(3,127)	(5,529)	—	(344,156)
Payments for early repurchase of long-term debt	—	—	—	—	—
Payments for repurchases of ordinary shares	(415,945)	—	—	—	(415,945)
Proceeds from exercise of stock options	23,497	—	11	—	23,508
Financing cash flows from (to) affiliates	2,420,952	1,904,164	(1,516,831)	(2,808,285)	—
Other financing activities, net	—	—	(98,966)	—	(98,966)
Net cash provided by (used in) financing activities	<u>1,996,004</u>	<u>1,905,774</u>	<u>(1,609,510)</u>	<u>(2,808,285)</u>	<u>(516,017)</u>
Effect of exchange rates on cash and cash equivalents	(246,908)	(2,643)	248,430	—	(1,121)
Net increase (decrease) in cash and cash equivalents	<u>(29,743)</u>	<u>(42,190)</u>	<u>106,613</u>	<u>—</u>	<u>34,680</u>
Cash and cash equivalents, beginning of period	638,714	210,462	744,552	—	1,593,728
Cash and cash equivalents, end of period	<u>\$ 608,971</u>	<u>\$ 168,272</u>	<u>\$ 851,165</u>	<u>\$ —</u>	<u>\$1,628,408</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statements of Cash Flows for Fiscal Year Ended March 31, 2014

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
	(In thousands)				
Net cash provided by (used in) operating activities	\$ 459,748	\$ (126,813)	\$ 882,974	\$ 551	\$1,216,460
Cash flows from investing activities:					
Purchases of property and equipment, net of proceeds from disposal	—	(222,197)	(292,221)	(585)	(515,003)
Acquisition and divestiture of businesses, net of cash acquired and cash held in divested business	—	(61,587)	(171,845)	—	(233,432)
Investing cash flows from (to) affiliates	35,262	(1,237,006)	(1,075,938)	2,277,682	—
Other investing activities, net	—	(10,842)	(24,655)	—	(35,497)
Net cash provided by (used in) investing activities	<u>35,262</u>	<u>(1,531,632)</u>	<u>(1,564,659)</u>	<u>2,277,097</u>	<u>(783,932)</u>
Cash flows from financing activities:					
Proceeds from bank borrowings and long-term debt	1,066,359	277	17	—	1,066,653
Repayments of bank borrowings and long-term debt and capital lease obligations ...	(492,034)	(525)	(45,021)	—	(537,580)
Payments for early repurchase of long-term debt	(503,423)	(41,417)	—	—	(544,840)
Payments for repurchases of ordinary shares	(475,314)	—	—	—	(475,314)
Proceeds from exercise of stock options	28,140	—	—	—	28,140
Financing cash flows from (to) affiliates	(277,594)	1,681,559	873,683	(2,277,648)	—
Other financing activities, net	—	—	52,149	—	52,149
Net cash provided by (used in) financing activities	<u>(653,866)</u>	<u>1,639,894</u>	<u>880,828</u>	<u>(2,277,648)</u>	<u>(410,792)</u>
Effect of exchange rates on cash and cash equivalents	57,055	2,641	(74,791)	—	(15,095)
Net increase (decrease) in cash and cash equivalents	<u>(101,801)</u>	<u>(15,910)</u>	<u>124,352</u>	<u>—</u>	<u>6,641</u>
Cash and cash equivalents, beginning of period	740,515	226,372	620,200	—	1,587,087
Cash and cash equivalents, end of period	<u>\$ 638,714</u>	<u>\$ 210,462</u>	<u>\$ 744,552</u>	<u>\$ —</u>	<u>\$1,593,728</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table contains unaudited quarterly financial data for fiscal years 2016 and 2015.

	Fiscal Year Ended March 31, 2016				Fiscal Year Ended March 31, 2015			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net sales	\$5,566,248	\$6,316,762	\$6,763,177	\$5,772,698	\$6,642,745	\$6,528,517	\$7,025,054	\$5,951,600
Gross profit	352,341	396,916	452,467	406,337	380,785	377,081	408,657	378,817
Net income	<u>110,850</u>	<u>122,977</u>	<u>148,910</u>	<u>61,344</u>	<u>173,887</u>	<u>138,903</u>	<u>152,899</u>	<u>135,112</u>
Earnings per share(1):								
Net income:								
Basic	\$ 0.20	\$ 0.22	\$ 0.27	\$ 0.11	\$ 0.30	\$ 0.24	\$ 0.26	\$ 0.24
Diluted	<u>\$ 0.19</u>	<u>\$ 0.22</u>	<u>\$ 0.27</u>	<u>\$ 0.11</u>	<u>\$ 0.29</u>	<u>\$ 0.23</u>	<u>\$ 0.26</u>	<u>\$ 0.23</u>

- (1) Earnings per share are computed independently for each quarter presented; therefore, the sum of the quarterly earnings per share may not equal the total earnings per share amounts for the fiscal year.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of March 31, 2016. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2016, such disclosure controls and procedures were effective in ensuring that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. As of March 31, 2016, under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer, an evaluation was conducted of the effectiveness of the Company's internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as of March 31, 2016.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements or prevent or detect instances of fraud. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls may be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's annual assessment of the effectiveness of our internal control over financial reporting as of March 31, 2016 excluded the internal control over financial reporting of eight of our acquisitions that were completed during the year ended March 31, 2016, which constitute, in the aggregate, 5% of total assets and 3% of net sales of the consolidated financial statements amount as of, and for the fiscal year ended March 31, 2016.

(c) Attestation Report of the Registered Public Accounting Firm

The effectiveness of the Company's internal control over financial reporting as of March 31, 2016 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which appears in this Item under the heading "Report of Independent Registered Public Accounting Firm."

(d) Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal controls over financial reporting that occurred during the year ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Flextronics International Ltd. and subsidiaries (the “Company”) as of March 31, 2016, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management’s Annual Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting of eight acquisitions that were completed during the year ended March 31, 2016, which constitute, in aggregate, 5% of total assets and 3% of net sales of the consolidated financial statement amounts as of and for the fiscal year ended March 31, 2016. Accordingly, our audit did not include the internal control over financial reporting of eight acquisitions. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

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

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2016, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended March 31, 2016, of the Company and our report dated May 20, 2016 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

San Jose, California
May 20, 2016

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information with respect to this item may be found in our definitive proxy statement to be delivered to shareholders in connection with our 2016 Annual General Meeting of Shareholders. Such information is incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to this item may be found in our definitive proxy statement to be delivered to shareholders in connection with our 2016 Annual General Meeting of Shareholders. Such information is incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

Information with respect to this item may be found in our definitive proxy statement to be delivered to shareholders in connection with our 2016 Annual General Meeting of Shareholders. Such information is incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information with respect to this item may be found in our definitive proxy statement to be delivered to shareholders in connection with our 2016 Annual General Meeting of Shareholders. Such information is incorporated by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to this item may be found in our definitive proxy statement to be delivered to shareholders in connection with our 2016 Annual General Meeting of Shareholders. Such information is incorporated by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) Documents filed as part of this annual report on Form 10-K:
 - 1. *Financial Statements.* See Item 8, “Financial Statements and Supplementary Data.”
 - 2. *Financial Statement Schedules.* “Schedule II—Valuation and Qualifying Accounts” is included in the financial statements, see Concentration of Credit Risk in Note 2, “Summary of Accounting Policies” of the Notes to Consolidated Financial Statements in Item 8, “Financial Statements and Supplementary Data.”

3. *Exhibits.* The following exhibits are filed with this annual report on Form 10-K:

Exhibit No.	Exhibit	Form	Incorporated by Reference		Exhibit No.	Filed Herewith
			File No.	Filing Date		
3.01	Memorandum of Association, as amended	10-K	000-23354	05-29-07	3.01	
3.02	Amended and Restated Articles of Association of Flextronics International Ltd.	8-K	000-23354	10-11-06	3.01	
4.01	Indenture, dated as of February 20, 2013, by and between the Company, the Guarantors party thereto and U.S. Bank National Association, as Trustee.	8-K	000-23354	02-22-13	4.01	
4.02	Form of 4.625% Note due 2020	8-K	000-23354	02-22-13	4.02	
4.03	Form of 5.000% Note due 2023	8-K	000-23354	02-22-13	4.03	
4.04	First Supplemental Indenture, dated as of March 28, 2013, among the Company, the Guarantor party thereto and U.S. Bank National Association, as Trustee, to the Indenture, dated as of February 20, 2013, by and between the Company, the Guarantors party thereto and U.S. Bank National Association, as Trustee, related to the Company's 4.625% Notes due 2020 and 5.000% Notes due 2023	10-K	000-23354	05-28-13	4.11	
4.05	Second Supplemental Indenture, dated as of August 25, 2014, among the Company, the Guarantor party thereto and U.S. Bank National Association, as Trustee, to the Indenture, dated as of February 20, 2013, by and between the Company, the Guarantors party thereto and U.S. Bank National Association, as Trustee, related to the Company's 4.625% Notes due 2020 and 5.000% Notes due 2023	10-Q	000-23354	10-30-14	4.01	
4.06	Third Supplemental Indenture, dated as of September 11, 2015, among the Company, the Guarantor party thereto and U.S. Bank National Association, as Trustee, related to the Company's 4.625% Notes due 2020 and 5.000% Notes due 2023	S-4	333-207067	09-22-15	4.11	
4.07	Indenture, dated as of June 8, 2015, by and between the Company, the Guarantors party thereto and U.S. Bank National Association, as Trustee	8-K	000-23354	06-08-15	4.1	
4.08	Form of 4.750% Note due 2025	8-K	000-23354	06-08-15	4.2	
4.09	Registration Rights Agreement, dated as of June 8, 2015, by and between the Company, the Guarantors named therein, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, BNP Paribas Securities Corp. and Citigroup Global Markets Inc., as representatives of the initial purchasers named therein	8-K	000-23354	06-08-15	4.3	

Exhibit No.	Exhibit	Form	Incorporated by Reference		Exhibit No.	Filed Herewith
			File No.	Filing Date		
4.10	First Supplemental Indenture, dated as of September 11, 2015, among the Company, the Guarantor party thereto and U.S. Bank National Association, as Trustee, related to the Company's 4.750% Notes due 2025	S-4	333-207067	09-22-15	4.04	
4.11	Term Loan Agreement, dated as of August 30, 2013, among Flextronics International Ltd., as Borrower, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Administrative Agent, Lead Arranger and Bookrunner, and the other Lenders party thereto	8-K	000-23354	09-04-13	10.01	
4.12	Amendment No. 1, dated May 21, 2014 to Term Loan Agreement dated as of August 30, 2013, among Flextronics International Ltd., as Borrower, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Administrative Agent, Lead Arranger and Bookrunner, and the other Lenders party thereto	8-K	000-23354	07-28-14	4.01	
4.13	Credit Agreement, dated as of March 31, 2014, among Flextronics International Ltd. and certain of its subsidiaries, as borrowers, Bank of America, N.A., as Administrative Agent and Swing Line Lender, and the other Lenders party thereto	8-K	000-23354	04-01-14	10.01	
4.14	Amendment No. 1, dated as of September 30, 2015, to Credit Agreement, dated as of March 31, 2014, among Flextronics International Ltd. and certain of its subsidiaries, as borrowers, Bank of America, N.A., as Administrative Agent and Swing Line Lender, and the other Lenders party thereto	10-Q	000-23354	02-01-16	4.01	
10.01	Form of Indemnification Agreement between the Registrant and its Directors and certain officers.†	10-K	000-23354	05-20-09	10.10	
10.02	Form of Indemnification Agreement between Flextronics Corporation and Directors and certain officers of the Registrant.†	10-K	000-23354	05-20-09	10.20	
10.03	Flextronics International Ltd. 2001 Equity Incentive Plan, as amended.†	10-Q	000-23354	11-03-09	10.01	
10.04	Registrant's 2002 Interim Incentive Plan, as amended.†	8-K	000-23354	07-14-09	10.02	
10.05	Registrant's 2004 Award Plan for New Employees, as amended.†	8-K	000-23354	07-14-09	10.09	
10.06	Flextronics International Ltd. 2010 Equity Incentive Plan.†	8-K	000-23354	07-28-10	10.01	

Exhibit No.	Exhibit	Form	Incorporated by Reference		Exhibit No.	Filed Herewith
			File No.	Filing Date		
10.07	Form of Share Option Award Agreement under 2010 Equity Incentive Plan†	10-Q	000-23354	08-05-10	10.02	
10.08	Form of Restricted Share Unit Award Agreement under 2010 Equity Incentive Plan†	10-Q	000-23354	08-05-10	10.03	
10.09	Flextronics International USA, Inc. Third Amended and Restated 2005 Senior Management Deferred Compensation Plan†	10-Q	000-23354	02-05-09	10.02	
10.10	Flextronics International USA, Inc. Third Amended and Restated Senior Executive Deferred Compensation Plan†	10-Q	000-23354	02-05-09	10.01	
10.11	Summary of Directors' Compensation†	10-K	000-23354	05-21-15	10.16	
10.12	Solectron Corporation 2002 Stock Plan, as amended.†	10-Q	000-23354	11-03-09	10.02	
10.13	Executive Incentive Compensation Recoupment Policy†	10-Q	000-23354	08-05-10	10.06	
10.14	Francois Barbier Offer Letter, dated as of July 1, 2010†	8-K	000-23354	09-03-10	10.01	
10.15	Francois Barbier Relocation Expenses Addendum, dated as of March 5, 2013†	10-K	000-23354	05-28-13	10.27	
10.16	Francois Barbier Confirmation Date Letter, dated as of August 30, 2010†	8-K	000-23354	09-03-10	10.03	
10.17	2010 Flextronics International USA, Inc. Deferred Compensation Plan†	10-Q	000-23354	11-03-10	10.04	
10.18	Form of Restricted Stock Unit Award Under 2010 Equity Incentive Plan†	10-Q	000-23354	08-09-11	10.01	
10.19	Form of Amendment to certain senior executive Restricted Share Unit Agreements under the 2010 Equity Incentive Plan†	10-Q	000-23354	02-04-13	10.02	
10.20	Form of Restricted Share Unit Award Agreement under the 2010 Equity Incentive Plan for certain performance based awards†	10-Q	000-23354	02-04-13	10.03	
10.21	Form of Award Agreement under 2010 Deferred Compensation Plan†	10-Q	000-23354	07-30-12	10.01	
10.22	Compensation Arrangements of Certain Executive Officers of Flextronics International Ltd.†	10-K	000-23354	05-21-15	10.29	
10.23	Form of Restricted Share Unit Award Agreement under the 2010 Equity Incentive Plan for time-based vesting awards†	10-Q	000-23354	11-01-13	10.02	
10.24	Form of Performance-Based Restricted Stock Unit Award (S&P500/Extended EMS Group)†	10-Q	000-23354	08-02-13	10.01	

Exhibit No.	Exhibit	Form	Incorporated by Reference		Exhibit No.	Filed Herewith
			File No.	Filing Date		
10.25	Form of 2010 Deferred Compensation Plan Award Agreement (performance targets, cliff vesting)†	10-Q	000-23354	08-02-13	10.02	
10.26	Form of 2010 Deferred Compensation Plan Award Agreement (non-performance, periodic vesting, continuing Participant)†	10-Q	000-23354	08-02-13	10.03	
10.27	Award Agreement under the 2010 Deferred Compensation Plan†	10-Q	000-23354	07-28-14	10.01	
10.28	Form of Restricted Share Unit Award Agreement under the 2010 Equity Incentive Plan for certain executive fiscal year 2015 performance-based awards†	10-Q	000-23354	10-30-14	10.01	
10.29	Form of Restricted Share Unit Award Agreement under the 2010 Equity Incentive Plan for CEO FY15 performance-based award†	10-Q	000-23354	10-30-14	10.01	
10.30	Description of Annual Bonus Incentive Plan for Fiscal 2016†	10-Q	000-23354	07-27-15	10.01	
10.31	Description of Performance Long Term Incentive Plan for Fiscal 2016†	10-Q	000-23354	07-27-15	10.02	
10.32	Nextracker Inc. 2014 Equity Incentive Plan†	S-8	333-207325	10-07-15	99.01	
10.33	Form of Elementum Holding Ltd. Restricted Share Purchase Agreement†	10-Q	000-23354	10-26-15	10.02	
21.01	Subsidiaries of Registrant.					X
23.01	Consent of Deloitte & Touche LLP.					X
24.01	Power of Attorney (included on the signature page to this Form 10-K)					X
31.01	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act					X
31.02	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act					X
32.01	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350*					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Scheme Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X

Exhibit No.	Exhibit	Form	Incorporated by Reference		Exhibit No.	Filed Herewith
			File No.	Filing Date		
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

* This exhibit is furnished with this Annual Report on Form 10-K, is not deemed filed with the Securities and Exchange Commission, and is not incorporated by reference into any filing of Flextronics International Ltd. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing.

† Management contract, compensatory plan or arrangement.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ WILLY SHIH, PH.D.</u> Willy Shih, Ph.D.	Director	May 20, 2016
<u>/s/ LAY KOON TAN</u> Lay Koon Tan	Director	May 20, 2016
<u>/s/ WILLIAM D. WATKINS</u> William D. Watkins	Director	May 20, 2016
<u>/s/ LAWRENCE A. ZIMMERMAN</u> Lawrence A. Zimmerman	Director	May 20, 2016

EXHIBIT INDEX

Exhibit No.	Exhibit	Form	Incorporated by Reference		Exhibit No.	Filed Herewith
			File No.	Filing Date		
3.01	Memorandum of Association, as amended	10-K	000-23354	05-29-07	3.01	
3.02	Amended and Restated Articles of Association of Flextronics International Ltd.	8-K	000-23354	10-11-06	3.01	
4.01	Indenture, dated as of February 20, 2013, by and between the Company, the Guarantors party thereto and U.S. Bank National Association, as Trustee.	8-K	000-23354	02-22-13	4.01	
4.02	Form of 4.625% Note due 2020	8-K	000-23354	02-22-13	4.02	
4.03	Form of 5.000% Note due 2023	8-K	000-23354	02-22-13	4.03	
4.04	First Supplemental Indenture, dated as of March 28, 2013, among the Company, the Guarantor party thereto and U.S. Bank National Association, as Trustee, to the Indenture, dated as of February 20, 2013, by and between the Company, the Guarantors party thereto and U.S. Bank National Association, as Trustee, related to the Company's 4.625% Notes due 2020 and 5.000% Notes due 2023	10-K	000-23354	05-28-13	4.11	
4.05	Second Supplemental Indenture, dated as of August 25, 2014, among the Company, the Guarantor party thereto and U.S. Bank National Association, as Trustee, to the Indenture, dated as of February 20, 2013, by and between the Company, the Guarantors party thereto and U.S. Bank National Association, as Trustee, related to the Company's 4.625% Notes due 2020 and 5.000% Notes due 2023	10-Q	000-23354	10-30-14	4.01	
4.06	Third Supplemental Indenture, dated as of September 11, 2015, among the Company, the Guarantor party thereto and U.S. Bank National Association, as Trustee, related to the Company's 4.625% Notes due 2020 and 5.000% Notes due 2023	S-4	333-207067	09-22-15	4.11	
4.07	Indenture, dated as of June 8, 2015, by and between the Company, the Guarantors party thereto and U.S. Bank National Association, as Trustee	8-K	000-23354	06-08-15	4.1	
4.08	Form of 4.750% Note due 2025	8-K	000-23354	06-08-15	4.2	

Exhibit No.	Exhibit	Form	Incorporated by Reference		Exhibit No.	Filed Herewith
			File No.	Filing Date		
4.09	Registration Rights Agreement, dated as of June 8, 2015, by and between the Company, the Guarantors named therein, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, BNP Paribas Securities Corp. and Citigroup Global Markets Inc., as representatives of the initial purchasers named therein	8-K	000-23354	06-08-15	4.3	
4.10	First Supplemental Indenture, dated as of September 11, 2015, among the Company, the Guarantor party thereto and U.S. Bank National Association, as Trustee, related to the Company's 4.750% Notes due 2025	S-4	333-207067	09-22-15	4.04	
4.11	Term Loan Agreement, dated as of August 30, 2013, among Flextronics International Ltd., as Borrower, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Administrative Agent, Lead Arranger and Bookrunner, and the other Lenders party thereto	8-K	000-23354	09-04-13	10.01	
4.12	Amendment No. 1, dated May 21, 2014 to Term Loan Agreement dated as of August 30, 2013, among Flextronics International Ltd., as Borrower, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Administrative Agent, Lead Arranger and Bookrunner, and the other Lenders party thereto	8-K	000-23354	07-28-14	4.01	
4.13	Credit Agreement, dated as of March 31, 2014, among Flextronics International Ltd. and certain of its subsidiaries, as borrowers, Bank of America, N.A., as Administrative Agent and Swing Line Lender, and the other Lenders party thereto	8-K	000-23354	04-01-14	10.01	
4.14	Amendment No. 1, dated as of September 30, 2015, to Credit Agreement, dated as of March 31, 2014, among Flextronics International Ltd. and certain of its subsidiaries, as borrowers, Bank of America, N.A., as Administrative Agent and Swing Line Lender, and the other Lenders party thereto	10-Q	000-23354	02-01-16	4.01	
10.01	Form of Indemnification Agreement between the Registrant and its Directors and certain officers.†	10-K	000-23354	05-20-09	10.10	
10.02	Form of Indemnification Agreement between Flextronics Corporation and Directors and certain officers of the Registrant.†	10-K	000-23354	05-20-09	10.20	
10.03	Flextronics International Ltd. 2001 Equity Incentive Plan, as amended.†	10-Q	000-23354	11-03-09	10.01	

Exhibit No.	Exhibit	Form	Incorporated by Reference		Exhibit No.	Filed Herewith
			File No.	Filing Date		
10.04	Registrant's 2002 Interim Incentive Plan, as amended.†	8-K	000-23354	07-14-09	10.02	
10.05	Registrant's 2004 Award Plan for New Employees, as amended.†	8-K	000-23354	07-14-09	10.09	
10.06	Flextronics International Ltd. 2010 Equity Incentive Plan.†	8-K	000-23354	07-28-10	10.01	
10.07	Form of Share Option Award Agreement under 2010 Equity Incentive Plan†	10-Q	000-23354	08-05-10	10.02	
10.08	Form of Restricted Share Unit Award Agreement under 2010 Equity Incentive Plan†	10-Q	000-23354	08-05-10	10.03	
10.09	Flextronics International USA, Inc. Third Amended and Restated 2005 Senior Management Deferred Compensation Plan†	10-Q	000-23354	02-05-09	10.02	
10.10	Flextronics International USA, Inc. Third Amended and Restated Senior Executive Deferred Compensation Plan†	10-Q	000-23354	02-05-09	10.01	
10.11	Summary of Directors' Compensation†	10-K	000-23354	05-21-15	10.16	
10.12	Solectron Corporation 2002 Stock Plan, as amended.†	10-Q	000-23354	11-03-09	10.02	
10.13	Executive Incentive Compensation Recoupment Policy†	10-Q	000-23354	08-05-10	10.06	
10.14	Francois Barbier Offer Letter, dated as of July 1, 2010†	8-K	000-23354	09-03-10	10.01	
10.15	Francois Barbier Relocation Expenses Addendum, dated as of March 5, 2013†	10-K	000-23354	05-28-13	10.27	
10.16	Francois Barbier Confirmation Date Letter, dated as of August 30, 2010†	8-K	000-23354	09-03-10	10.03	
10.17	2010 Flextronics International USA, Inc. Deferred Compensation Plan†	10-Q	000-23354	11-03-10	10.04	
10.18	Form of Restricted Stock Unit Award Under 2010 Equity Incentive Plan†	10-Q	000-23354	08-09-11	10.01	
10.19	Form of Amendment to certain senior executive Restricted Share Unit Agreements under the 2010 Equity Incentive Plan†	10-Q	000-23354	02-04-13	10.02	
10.20	Form of Restricted Share Unit Award Agreement under the 2010 Equity Incentive Plan for certain performance based awards†	10-Q	000-23354	02-04-13	10.03	
10.21	Form of Award Agreement under 2010 Deferred Compensation Plan†	10-Q	000-23354	07-30-12	10.01	
10.22	Compensation Arrangements of Certain Executive Officers of Flextronics International Ltd.†	10-K	000-23354	05-21-15	10.29	

Exhibit No.	Exhibit	Form	Incorporated by Reference		Exhibit No.	Filed Herewith
			File No.	Filing Date		
10.23	Form of Restricted Share Unit Award Agreement under the 2010 Equity Incentive Plan for time-based vesting awards†	10-Q	000-23354	11-01-13	10.02	
10.24	Form of Performance-Based Restricted Stock Unit Award (S&P500/Extended EMS Group)†	10-Q	000-23354	08-02-13	10.01	
10.25	Form of 2010 Deferred Compensation Plan Award Agreement (performance targets, cliff vesting)†	10-Q	000-23354	08-02-13	10.02	
10.26	Form of 2010 Deferred Compensation Plan Award Agreement (non-performance, periodic vesting, continuing Participant)†	10-Q	000-23354	08-02-13	10.03	
10.27	Award Agreement under the 2010 Deferred Compensation Plan†	10-Q	000-23354	07-28-14	10.01	
10.28	Form of Restricted Share Unit Award Agreement under the 2010 Equity Incentive Plan for certain executive fiscal year 2015 performance-based awards†	10-Q	000-23354	10-30-14	10.01	
10.29	Form of Restricted Share Unit Award Agreement under the 2010 Equity Incentive Plan for CEO FY15 performance-based award†	10-Q	000-23354	10-30-14	10.01	
10.30	Description of Annual Bonus Incentive Plan for Fiscal 2016†	10-Q	000-23354	07-27-15	10.01	
10.31	Description of Performance Long Term Incentive Plan for Fiscal 2016†	10-Q	000-23354	07-27-15	10.02	
10.32	Nextracker Inc. 2014 Equity Incentive Plan†	S-8	333-207325	10-07-15	99.01	
10.33	Form of Elementum Holding Ltd. Restricted Share Purchase Agreement†	10-Q	000-23354	10-26-15	10.02	
21.01	Subsidiaries of Registrant.					X
23.01	Consent of Deloitte & Touche LLP.					X
24.01	Power of Attorney (included on the signature page to this Form 10-K)					X
31.01	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act					X
31.02	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act					X
32.01	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350*					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Scheme Document					X

Exhibit No.	Exhibit	Form	Incorporated by Reference		Exhibit No.	Filed Herewith
			File No.	Filing Date		
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

* This exhibit is furnished with this Annual Report on Form 10-K, is not deemed filed with the Securities and Exchange Commission, and is not incorporated by reference into any filing of Flextronics International Ltd. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing.

† Management contract, compensatory plan or arrangement.

(This page has been left blank intentionally.)

**FLEXTRONICS INTERNATIONAL LTD.
AND SUBSIDIARIES**
(Company Registration Number 199002645H)

**SINGAPORE STATUTORY
FINANCIAL STATEMENTS**

YEAR ENDED MARCH 31, 2016

(This page intentionally left blank)

SINGAPORE STATUTORY FINANCIAL STATEMENTS

FLEXTRONICS INTERNATIONAL LTD. AND SUBSIDIARIES

(Incorporated in the Republic of Singapore)
(Company Registration Number 199002645H)

INDEX

	<u>Page</u>
Directors' Statement	S-2
Independent Auditors' Report to the Members of Flextronics International Ltd.	S-6
Consolidated Financial Statements of Flextronics International Ltd. and its Subsidiaries	S-8
Supplementary Financial Statements of Flextronics International Ltd. (Parent company)	S-65

FLEXTRONICS INTERNATIONAL LTD. AND SUBSIDIARIES

Co. Rg. No. 199002645H

DIRECTORS' STATEMENT

March 31, 2016

(U.S. dollars in thousands unless otherwise designated as Singapore dollars, S\$)

The directors present their statement together with the audited consolidated financial statements of Flextronics International Ltd. and its subsidiaries (the "Company") and balance sheet of Flextronics International Ltd. (the "Parent") for the financial year ended March 31, 2016.

In the opinion of the directors, the consolidated financial statements of the Company and supplementary financial statements of the Parent, as set out on pages S-8 to S-64 and pages S-65 through S-80, respectively, are drawn up so as to give a true and fair view of the financial position of the Company and of the Parent as of March 31, 2016, and of the financial performance, results, changes in equity and cash flows of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Parent will be able to pay its debts when they fall due.

Directors

The directors of Flextronics International Ltd. in office at the date of this statement are:

H. Raymond Bingham
Michael D. Capellas
Michael M. McNamara
Marc A. Onetto
Daniel H. Schulman
Willy Chao-Wei Shih, Ph.D.
Lay Koon Tan
William D. Watkins
Lawrence A. Zimmerman

Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures

Neither at the end of the financial year, nor at any time during the financial year did there subsist any arrangement to which the Parent is a party, whose object is to enable the directors of the Parent to acquire benefits by means of the acquisition of shares in or debentures of the Parent, nor any other body corporate except for the options and share bonus awards mentioned below.

Directors' Interests in Shares and Debentures

The interest of the directors who held office at the end of the financial year ended March 31, 2016 (including those held by their spouses and infant children) in the share capital or debentures of the Parent and related corporations were as follows:

<u>Ordinary Shares, no Par Value, in Flextronics International Ltd.</u>	Interest Held	
	<u>As of March 31, 2015</u>	<u>As of March 31, 2016</u>
H. Raymond Bingham(1)	147,673	91,050
Michael Capellas(1)	7,166	29,976
Michael M. McNamara(2)(3)	850,614	1,963,114
Marc A. Onetto(1)	10,346	24,019
Daniel H. Schulman(1)	111,692	125,365
Willy Chao-Wei Shih, Ph.D.(1)	138,316	151,989
Lay Koon Tan(1)	65,764	84,290
William D. Watkins(1)	54,647	38,320
Lawrence A. Zimmerman(1)	36,393	50,066

- (1) As of March 31, 2015 and 2016, Mr. Bingham also held an interest in 22,788 and 25,628 contingent share bonus awards, respectively, which are not included in the totals above. As of March 31, 2015 and 2016 Messrs. Capellas, Onetto, Schulman, Shih, Tan, Watkins and Zimmerman each held interests in 13,673 and 16,309 contingent share bonus awards, respectively, which are not included in the totals above. The contingent share bonus awards for each year vest on the date immediately prior to the date of the Parent's 2015 and 2016 annual general meetings, respectively.
- (2) As of March 31, 2015 and 2016, Mr. McNamara also held interests in 1,087,797 and 970,977 contingent share bonus awards, respectively, which are not included in the totals above. These share bonus awards comprise ordinary shares of the Parent to be allotted and issued pursuant to the 2010 Equity Incentive Plan upon satisfaction of the terms and conditions set by the committee administering the plans upon the grant of such contingent share bonus awards.
- (3) As of March 31, 2015 and 2016, Mr. McNamara also held interests in 1,465,297 and 1,174,801 share bonus awards, which are not included in the totals above, where vesting is contingent upon meeting certain performance or market criteria.

Options to acquire ordinary shares, no par value, in Flextronics International Ltd.

<u>Name</u>	<u>As of March 31, 2015</u>	<u>As of March 31, 2016</u>	<u>Exercise Price</u>	<u>Exercisable Period</u>
Michael M. McNamara	3,000,000	—	\$12.37	05.13.05 to 05.13.15
	700,000	466,667	\$11.23	04.17.06 to 04.17.16
	1,519,699	—	\$10.59	06.02.08 to 06.02.15
	2,000,000	—	\$10.59	06.02.08 to 06.02.15(1)
	2,000,000	—	\$ 2.26	12.05.08 to 12.05.15
	2,000,000	—	\$ 1.94	03.02.09 to 03.02.16
Willy Chao-Wei Shih, Ph.D	25,000	25,000	\$11.00	01.10.08 to 01.10.18

- (1) This option grant to Michael M. McNamara was not exercisable unless it was both vested and the stock price was equal to or greater than \$12.50 on the exercise date.

Other than as disclosed above, no other directors of the Parent had an interest in any shares, debentures or share options of the Parent or related corporations either at the beginning or the end of the financial year as recorded in the register of directors' shareholdings kept by the Parent under section 164 of the Singapore Companies Act, Chapter 50.

Share Option and Award Plans (Schemes)

2010 Equity Incentive Plan

During the financial year ended March 31, 2011, the Parent began granting equity compensation awards under the 2010 Equity Incentive Plan (the "2010 Plan"). Options issued to employees under the 2010 Plan generally vest over four years and expire seven years from the date of grant. Options granted to non-employee directors expire five years from the date of grant. The exercise price of options granted to employees is determined by the Parent's Board of Directors or the Compensation Committee and may not be less than the closing price of the Parent's ordinary shares on the date of grant. During the financial year ended March 31, 2016, no options were granted under the 2010 Plan.

During the financial year ended March 31, 2016, share bonus awards for a total of 7,619,722 ordinary shares in the Parent were granted under the 2010 Plan at market values equal to the closing price of the Parent's ordinary shares on the date of grant ranging from \$9.35 to \$14.96, and a weighted-average grant-date market value of \$12.23. Upon the satisfaction of prescribed time-based, performance based, and/or market-based vesting conditions, ordinary shares in the Parent will be issued, free of payment, to the participants. There is no exercise price payable.

During the financial year ended March 31, 2016, a total of 10,006,774 ordinary shares in the Parent were issued by virtue of the exercise of options under the 2010 Plan. As of March 31, 2016, the number and class of unissued shares, under the 2010 Plan underlying the options was 2,369,636 ordinary shares, net of cancellation of options for 3,616,484 ordinary shares during the financial year 2016.

For all the Parent's options under the 2010 Plan, the expiration dates range from April 2016 to November 2021.

During the financial year ended March 31, 2016, a total of 8,529,378 ordinary shares in the Parent were issued by virtue of the vesting of share bonus awards granted under the 2010 Plan. As of March 31, 2016, the number and class of unissued shares comprised in share bonus awards granted under the 2010 Plan was 17,000,076 ordinary shares, net of cancellation of share bonus awards for 1,083,520 ordinary shares during the financial year 2016.

For all the Parent's share bonus awards under the 2010 Plan, the expiration dates range from April 2016 to March 2026.

Holders of options granted under the 2010 Plan have no rights to participate, by virtue of such options, in any share issuances of any other company.

2014 NEXTracker Incentive Equity Plan

During the financial year ended March 31, 2016, in conjunction with the acquisition of NEXTracker Inc. ("NEXTracker"), the Parent assumed all of the outstanding unvested share bonus awards and outstanding, unvested options to purchase shares of common stock of NEXTracker, and converted all these awards and options into awards and options over ordinary shares of the Parent. As a result, the Parent granted equity compensation awards under an additional equity compensation plan as of March 31, 2016, the 2014 NEXTracker Equity Incentive Plan (the "NEXTracker Plan"). Options issued to employees under the NEXTracker Plan generally have a vesting period of two to four years from vesting commencement date and expire ten years from the date of grant. The exercise price of options granted to employees was determined by the Parent based on a conversion rate agreed upon in the purchase agreement of NEXTracker.

During the financial year ended March 31, 2016, options for a total of 3,205,806 ordinary shares in the Parent, were deemed granted under the NEXTracker Plan with an exercise price ranging from \$0.08 to \$10.65, and a weighted-average exercise price of \$3.28.

The expiration for all of the Parent's options deemed granted under the NEXTracker Plan is on September 2025.

During the financial year ended March 31, 2016, share bonus awards for a total of 2,393,195 ordinary shares in the Parent were deemed granted under the NEXTracker Plan at market values equal to the closing price of the Parent's ordinary shares on the date of grant of \$10.27, and a weighted-average grant-date market value of \$10.27. Upon the satisfaction of prescribed time-based and/or performance based vesting conditions, ordinary shares in the Parent will be issued, free of payment, to the participants. There is no exercise price payable.

During the financial year ended March 31, 2016, a total of 237,380 ordinary shares in the Parent were issued by virtue of the exercise of options under the NEXTracker Plan. As of March 31, 2016, the number and class of unissued shares underlying the options, under the NEXTracker Plan, was 2,741,854 ordinary shares, net of cancellation of options for 226,572 ordinary shares during the financial year 2016.

During the financial year ended March 31, 2016, a total of 31,925 ordinary shares in the Parent were issued by virtue of the vesting of share bonus awards granted under the NEXTracker Plan. As of March 31, 2016, the number and class of unissued shares comprised in share bonus awards granted under the NEXTracker Plan was 2,309,096 ordinary shares, net of cancellation of share bonus awards for 52,174 ordinary shares during the financial year 2016.

The expiration for all of the Parent's share bonus awards deemed granted under the NEXTracker Plan is on September 2025.

Holders of options granted under the NEXTracker Plan have no rights to participate, by virtue of such options, in any share issuances of any other company.

Auditors

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

On Behalf of the Board of Directors

/s/ H. RAYMOND BINGHAM

Director

/s/ MICHAEL M. MCNAMARA

Director

Singapore
May 20, 2016

Independent Auditors' Report to the Members of Flextronics International Ltd.

Report on the Financial Statements

We have audited the accompanying Consolidated Financial Statements of Flextronics International Ltd. and its subsidiaries (the "Company") and the Supplementary Financial Statements of Flextronics International Ltd. (the "Parent") which comprise the balance sheets of the Company and Parent as at March 31, 2016, the statement of operations, statement of comprehensive income, statement of shareholders' equity, statement of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages S-8 to S-80.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of Singapore Companies Act (the "Act") and accounting principles generally accepted in the United States of America (the use of which is approved by the Accounting and Corporate Regulatory Authority of Singapore) and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Parent accounted for investments in subsidiary corporations using the equity method. Under this method, the Parent's investments in subsidiary corporations are reported as a separate line in the Parent's balance sheet. Accounting principles generally accepted in the United States of America require that these investments be consolidated rather than reported using the equity method.

Qualified Opinion

Except for the effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion the Consolidated Financial Statements of the Company and the balance sheet of the Parent are properly drawn up in accordance with the provisions of the Act and accounting principles generally accepted in the United States of America so as to give a true and fair view of the financial position of the Company and of the Parent as at March 31, 2016 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Other Matters

The accompanying Consolidated Financial Statements of the Company as at March 31, 2016, and for the year then ended, have been included in the Annual Report for the financial year ended March 31, 2016 filed with the United States Securities and Exchange Commission. Together with the Supplementary Financial Statements of the Parent, these Consolidated Financial Statements have been reproduced for the purpose of filing with the Accounting and Corporate Regulatory Authority of Singapore.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Public Accountants and
Chartered Accountants

Singapore
May 20, 2016

FLEXTRONICS INTERNATIONAL LTD.
CONSOLIDATED BALANCE SHEETS

	As of March 31,	
	2016	2015
	(In thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,607,570	\$ 1,628,408
Accounts receivable, net of allowance for doubtful accounts (Note 2)	2,044,757	2,337,515
Inventories	3,491,656	3,488,752
Other current assets	1,171,143	1,286,225
Total current assets	8,315,126	8,740,900
Property and equipment, net	2,257,633	2,092,167
Goodwill and other intangible assets, net	1,345,820	415,175
Other assets	466,402	404,649
Total assets	\$12,384,981	\$11,652,891
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank borrowings and current portion of long-term debt	\$ 65,166	\$ 45,030
Accounts payable	4,248,292	4,561,194
Accrued payroll	353,547	339,739
Other current liabilities	1,905,200	1,809,128
Total current liabilities	6,572,205	6,755,091
Long-term debt, net of current portion	2,709,389	2,025,970
Other liabilities	497,857	475,580
Commitments and contingencies (Note 12)		
Shareholders' equity		
Flextronics International Ltd. Shareholders' equity		
Ordinary shares, no par value; 595,062,966 and 613,562,761 issued, and 544,823,611 and 563,323,406 outstanding as of March 31, 2016 and 2015, respectively	6,987,214	7,265,827
Treasury stock, at cost; 50,239,355 shares as of March 31, 2016 and 2015, respectively	(388,215)	(388,215)
Accumulated deficit	(3,892,212)	(4,336,293)
Accumulated other comprehensive loss	(135,915)	(180,505)
Total Flextronics International Ltd. shareholders' equity	2,570,872	2,360,814
Noncontrolling interests	34,658	35,436
Total shareholders' equity	2,605,530	2,396,250
Total liabilities and shareholders' equity	\$12,384,981	\$11,652,891

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

FLEXTRONICS INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(In thousands, except per share amounts)		
Net sales	\$24,418,885	\$26,147,916	\$26,108,607
Cost of sales	22,810,824	24,602,576	24,609,738
Restructuring charges	—	—	58,648
Gross profit	1,608,061	1,545,340	1,440,221
Selling, general and administrative expenses	954,890	844,473	874,796
Intangible amortization	65,965	32,035	28,892
Restructuring charges	—	—	16,663
Other charges (income), net	47,738	(53,233)	57,512
Interest and other, net	84,793	51,410	61,904
Income before income taxes	454,675	670,655	400,454
Provision for income taxes	10,594	69,854	34,860
Net income	<u>\$ 444,081</u>	<u>\$ 600,801</u>	<u>\$ 365,594</u>
Earnings per share:			
Basic	<u>\$ 0.80</u>	<u>\$ 1.04</u>	<u>\$ 0.60</u>
Diluted	<u>\$ 0.79</u>	<u>\$ 1.02</u>	<u>\$ 0.59</u>
Weighted-average shares used in computing per share amounts:			
Basic	<u>557,667</u>	<u>579,981</u>	<u>610,497</u>
Diluted	<u>564,869</u>	<u>591,556</u>	<u>623,479</u>

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

FLEXTRONICS INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Fiscal Year Ended March 31,		
	2016	2015	2014
		(In thousands)	
Net income	\$444,081	\$600,801	\$365,594
Other comprehensive income (loss):			
Foreign currency translation adjustments, net of zero tax . . .	17,846	(18,932)	(34,683)
Unrealized gain (loss) on derivative instruments and other, net of zero tax	26,744	(35,417)	(13,992)
Comprehensive income	\$488,671	\$546,452	\$316,919

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

FLEXTRONICS INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Ordinary Shares		Accumulated Deficit	Accumulated Other Comprehensive Loss			Total Flextronics International Ltd. Shareholders' Equity	Noncontrolling Interests	Total Shareholders' Equity
	Shares Outstanding	Amount		Unrealized Loss on Derivative Instruments and Other	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Loss			
	(In thousands)								
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
Repurchase of Flextronics International Ltd. ordinary shares at cost	(38,951)	(421,687)	—	—	—	—	(421,687)	—	(421,687)
Exercise of stock options	3,601	23,497	—	—	—	—	23,497	11	23,508
Issuance of Flextronics International Ltd. vested shares under share bonus awards	7,246	—	—	—	—	—	—	—	—
Issuance of subsidiary shares	—	—	—	—	—	—	—	300	300
Net income	—	—	600,801	—	—	—	600,801	(4,272)	596,529
Stock-based compensation, net of tax	—	49,502	—	—	—	—	49,502	768	50,270
Total other comprehensive loss	—	—	—	(35,417)	(18,932)	(54,349)	(54,349)	—	(54,349)
BALANCE AT									
MARCH 31, 2015	563,323	6,877,612	(4,336,293)	(68,266)	(112,239)	(180,505)	2,360,814	35,436	2,396,250
Repurchase of Flextronics International Ltd. ordinary shares at cost	(37,314)	(412,819)	—	—	—	—	(412,819)	—	(412,819)
Exercise of stock options	10,244	61,278	—	—	—	—	61,278	486	61,764
Issuance of Flextronics International Ltd. vested shares under share bonus awards	8,570	—	—	—	—	—	—	—	—
Premium on acquired equity plan	—	799	—	—	—	—	799	—	799
Net income	—	—	444,081	—	—	—	444,081	(6,715)	437,366
Stock-based compensation, net of tax	—	72,129	—	—	—	—	72,129	5,451	77,580
Total other comprehensive income	—	—	—	26,744	17,846	44,590	44,590	—	44,590
BALANCE AT									
MARCH 31, 2016	<u>544,823</u>	<u>\$6,598,999</u>	<u>\$(3,892,212)</u>	<u>\$(41,522)</u>	<u>\$ (94,393)</u>	<u>\$(135,915)</u>	<u>\$2,570,872</u>	<u>\$34,658</u>	<u>\$2,605,530</u>

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

FLEXTRONICS INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(In thousands)		
Cash flows from operating activities:			
Net income	\$ 444,081	\$ 600,801	\$ 365,594
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and other impairment charges	515,367	540,490	464,543
Provision for doubtful accounts (Note 2)	72,295	650	2,029
Non-cash other loss (income)	24,521	(21,278)	(20,753)
Stock-based compensation	77,580	50,270	40,439
Income taxes	(64,346)	(59,261)	(36,261)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	317,946	316,773	(592,346)
Inventories	84,790	72,660	(758,846)
Other current and noncurrent assets	(2,704)	125,218	(165,760)
Accounts payable	(365,051)	(176,941)	1,117,449
Other current and noncurrent liabilities	31,966	(655,348)	800,372
Net cash provided by operating activities	<u>1,136,445</u>	<u>794,034</u>	<u>1,216,460</u>
Cash flows from investing activities:			
Purchases of property and equipment	(510,634)	(347,413)	(609,643)
Proceeds from the disposition of property and equipment	13,676	107,689	94,640
Acquisition and divestiture of businesses, net of cash acquired and cash held in divested business	(910,787)	(66,854)	(233,432)
Other investing activities, net	11,369	64,362	(35,497)
Net cash used in investing activities	<u>(1,396,376)</u>	<u>(242,216)</u>	<u>(783,932)</u>
Cash flows from financing activities:			
Proceeds from bank borrowings and long-term debt	884,702	319,542	1,066,653
Repayments of bank borrowings and long-term debt	(190,221)	(344,156)	(537,580)
Payments for early retirement of long-term debt	—	—	(544,840)
Payments for repurchases of ordinary shares	(420,317)	(415,945)	(475,314)
Proceeds from exercise of stock options	61,278	23,508	28,140
Other financing activities, net	(85,800)	(98,966)	52,149
Net cash provided by (used in) financing activities	<u>249,642</u>	<u>(516,017)</u>	<u>(410,792)</u>
Effect of exchange rates on cash	(10,549)	(1,121)	(15,095)
Net change in cash and cash equivalents	(20,838)	34,680	6,641
Cash and cash equivalents, beginning of year	1,628,408	1,593,728	1,587,087
Cash and cash equivalents, end of year	<u>\$ 1,607,570</u>	<u>\$1,628,408</u>	<u>\$1,593,728</u>

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. (“Flex” 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 innovative design, engineering, manufacturing, and supply chain services and solutions that span *from sketch to scale*[™]; from conceptual sketch to full-scale production. The Company designs, builds, ships and services complete packaged consumer electronics and industrial products for original equipment manufacturers (“OEMs”), through its activities in the following segments: High Reliability Solutions (“HRS”), which is comprised of medical business including consumer health, digital health, disposables, drug delivery, diagnostics, life sciences and imaging equipment; automotive business, including vehicle electronics, connectivity, and clean technologies; and defense and aerospace businesses, focused on commercial aviation, defense and military; Consumer Technologies Group (“CTG”), which includes mobile devices business, including smart phones; consumer electronics business, including connected living, wearable electronics including digital sport, game consoles, and connectivity devices; and high-volume computing business, including various supply chain solutions for notebook personal computer (“PC”), tablets, and printers; in addition, CTG group is expanding its business relationships to include supply chain optimization for non-electronics products such as shoes and clothing; Industrial and Emerging Industries (“IEI”), which is comprised of semiconductor and capital equipment, office solutions, household industrial and lifestyle, industrial automation and kiosks, energy and metering, and lighting; and Communications & Enterprise Compute (“CEC”), which was formerly referred to as Integrated Network Solutions (“INS”), includes radio access base stations, remote radio heads, and small cells for wireless infrastructure; optical, routing, broadcasting, and switching products for the data and video networks; server and storage platforms for both enterprise and cloud based deployments; next generation storage and security appliance products; and rack level solutions, converged infrastructure and software defined product solutions. The Company’s strategy is to provide customers with a full range of cost competitive, vertically integrated global supply chain solutions through which the Company can design, build, ship and service a complete packaged product for its OEM customers. This enables the Company’s OEM customers to 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) and 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 26, 2015 and June 27, 2014, respectively, and the second fiscal quarter ended on September 25, 2015 and September 26, 2014, 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 Flex and its majority-owned subsidiaries, after elimination of intercompany accounts and transactions. The Company consolidates its majority-owned subsidiaries and investments in entities in which the Company has a controlling interest. For the consolidated majority-owned subsidiaries in which the Company owns less than 100%, the Company recognizes a noncontrolling interest for the ownership of the noncontrolling owners. As of March 31, 2016, the noncontrolling interest has been included on the consolidated balance sheets as a component of total shareholders’ equity. The associated noncontrolling owners’ interest in the income or losses of these companies is classified as a component of interest and other, net, in the consolidated statements of operations.

The Company has certain non-majority-owned equity investments in non-publicly traded companies that are accounted for using the equity method of accounting. The equity method of accounting is used when the Company has the ability to significantly influence the operating decisions of the issuer, or if the Company has an ownership percentage of a corporation equal to or generally greater than 20% but less than 50%, and for

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

non-majority-owned investments in partnerships when generally greater than 5%. The equity in earnings (losses) of equity method investees are immaterial for all of the periods presented, and are included in interest and other, net in the condensed consolidated statements of operations.

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 obtained and liabilities assumed 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 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 its 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 primarily related to its design and innovations businesses of \$75.5 million, \$35.2 million, and \$30.0 million for the fiscal years ended March 31, 2016, 2015 and 2014, respectively.

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)

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.

The following table summarizes the activity in the Company's allowance for doubtful accounts during fiscal years 2016, 2015 and 2014:

	<u>Balance at Beginning of Year</u>	<u>Charged to Costs and Expenses</u>	<u>Deductions/ Write-Offs</u>	<u>Balance at End of Year</u>
	(In thousands)			
Allowance for doubtful accounts:				
Year ended March 31, 2014	\$10,877	\$ 2,029	\$ (7,377)	\$ 5,529
Year ended March 31, 2015	\$ 5,529	\$ 650	\$ (1,645)	\$ 4,534
Year ended March 31, 2016	\$ 4,534	\$72,295	\$(12,221)	\$64,608

On April 21st, 2016, one of the Company's customers, SunEdison Inc. (together with certain of its subsidiaries, "SunEdison"), filed a petition for reorganization under bankruptcy law. For the fiscal year ended March 31, 2016, the Company recognized a bad debt reserve charge of \$61.0 million associated with its outstanding SunEdison receivables, and another charge of \$10.5 million relating to a separate distressed customer which was also written-off during the year.

One customer (including net sales from its current and former parent companies, through the dates of their respective ownership), which is within the Company's CTG segment, accounted for approximately 11%, 17%, and 13% of the Company's net sales in fiscal years 2016, 2015 and 2014, respectively, and approximately 11% and 15% of the Company's total accounts receivable balances in fiscal years 2016 and 2015, respectively. Another customer included in the Company's CEC segment, accounted for approximately 11% of the Company's total accounts receivable balance in fiscal year 2016.

The Company's ten largest customers accounted for approximately 46%, 50% and 52%, of its net sales in fiscal years 2016, 2015 and 2014, respectively.

Derivative Instruments

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 in note 8.

Cash and Cash Equivalents

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, is classified as cash equivalents on the consolidated balance sheets.

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 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:

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

	As of March 31,	
	2016	2015
	(In thousands)	
Cash and bank balances	\$ 533,438	\$ 953,549
Money market funds and time deposits	1,074,132	674,859
	<u>\$1,607,570</u>	<u>\$1,628,408</u>

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 lower of cost or market write-downs, were as follows:

	As of March 31,	
	2016	2015
	(In thousands)	
Raw materials	\$2,234,512	\$2,330,428
Work-in-progress	561,282	557,786
Finished goods	695,862	600,538
	<u>\$3,491,656</u>	<u>\$3,488,752</u>

Property and Equipment, Net

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are 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 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,	
		2016	2015
		(In thousands)	
Machinery and equipment	3 - 10	\$ 3,187,590	\$ 2,928,903
Buildings	30	1,144,798	1,067,837
Leasehold improvements	up to 30	397,340	459,926
Furniture, fixtures, computer equipment and software	3 - 7	477,203	440,878
Land	—	127,927	123,633
Construction-in-progress	—	178,851	140,786
		<u>5,513,709</u>	<u>5,161,963</u>
Accumulated depreciation and amortization		<u>(3,256,076)</u>	<u>(3,069,796)</u>
Property and equipment, net		<u>\$ 2,257,633</u>	<u>\$ 2,092,167</u>

Total depreciation expense associated with property and equipment amounted to approximately \$425.7 million, \$496.8 million and \$424.8 million in fiscal years 2016, 2015 and 2014, respectively.

The Company reviews property and equipment for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of property and equipment is determined by comparing its carrying amount to the lowest level of identifiable projected

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

undiscounted cash flows the property and equipment are expected to generate. An impairment loss is recognized when the carrying amount of property and equipment exceeds its fair value.

Deferred Income Taxes

The Company provides for income taxes in accordance with the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences between the carrying amount and the tax basis of existing assets and liabilities by applying the applicable statutory tax rate to such differences. Additionally, the Company assesses whether each income tax position is “more likely than not” of being sustained on audit, including resolution of related appeals or litigation, if any. For each income tax position that meets the “more likely than not” recognition threshold, the Company would then assess the largest amount of tax benefit that is greater than 50% likely of being realized upon effective settlement with the tax authority.

Accounting for Business and Asset Acquisitions

The Company has actively pursued business and asset acquisitions, which are accounted for using the acquisition method of accounting. The fair value of the net assets acquired and the results of the acquired businesses are included in the Company’s consolidated financial statements from the acquisition dates forward. The Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and results of operations during the reporting period. Estimates are used in accounting for, among other things, the fair value of acquired net operating assets, property and equipment, intangible assets and related deferred tax liabilities, useful lives of plant and equipment and amortizable lives for acquired intangible assets. Any excess of the purchase consideration over the fair value of the identified assets and liabilities acquired is recognized as goodwill.

The Company estimates the preliminary fair value of acquired assets and liabilities as of the date of acquisition based on information available at that time. Contingent consideration is recorded at fair value as of the date of the acquisition with subsequent adjustments recorded in earnings. Changes to valuation allowances on acquired deferred tax assets are recognized in the provision for, or benefit from, income taxes. The valuation of these tangible and identifiable intangible assets and liabilities is subject to further management review and may change materially between the preliminary allocation and end of the purchase price allocation period. Any changes in these estimates may have a material effect on the Company’s consolidated operating results or financial position.

Goodwill and Other Intangible Assets

Goodwill is tested for impairment on an annual basis and whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. Recoverability of goodwill is measured at the reporting unit level by comparing the reporting unit’s carrying amount, including goodwill, to the fair value of the reporting unit, which is measured based upon, among other factors, market multiples for comparable companies as well as a discounted cash flow analysis. If the recorded value of the assets, including goodwill, and liabilities (“net book value”) of each reporting unit exceeds its fair value, an impairment loss may be required to be recognized. Further, to the extent the net book value of the Company as a whole is greater than its fair value in the aggregate, all, or a significant portion of its goodwill may be considered impaired.

As discussed in note 19, the Company concluded that as of the fourth quarter of fiscal year 2015 it has four reportable operating segments: HRS, CTG, IEI and CEC and concluded these same four segments also represented its reporting units. The Company assessed that there was no change to its reporting units in fiscal year 2016 and performed its goodwill impairment assessment on January 1, 2016, and did not elect to perform the qualitative “Step Zero” assessment. Instead, the Company performed a quantitative assessment of its goodwill and determined that no impairment existed as of the date of the impairment test because the fair value of each reporting unit exceeded its carrying value.

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 goodwill at the one reporting unit level through December 31, 2014, and at the four reporting unit level from January 1, 2015 through March 31, 2016 (in thousands):

	<u>HRS</u>	<u>CTG</u>	<u>IEI</u>	<u>CEC</u>	<u>Total</u>
Balance, as of March 31, 2014	\$ —	\$ —	\$ —	\$ —	\$292,758
Additions(1)	—	—	—	—	36,467
Purchase accounting adjustments(2)	—	—	—	—	8,651
Foreign currency translation adjustments	—	—	—	—	(3,393)
Balance, as of December 31, 2014(3)	93,990	68,234	64,221	108,038	334,483
Purchase accounting adjustments(2)	(656)	—	—	—	(656)
Foreign currency translation adjustments	(196)	—	—	—	(196)
Balance, as of March 31, 2015	93,138	68,234	64,221	108,038	333,631
Additions(1)	340,610	—	258,582	3,655	602,847
Purchase accounting adjustments(2)	125	—	—	—	125
Foreign currency translation adjustments	5,463	—	—	—	5,463
Balance, as of March 31, 2016	<u>\$439,336</u>	<u>\$68,234</u>	<u>\$322,803</u>	<u>\$111,693</u>	<u>\$942,066</u>

- (1) The goodwill generated from the Company's business combinations completed during the fiscal years 2016 and 2015 are primarily related to value placed on the employee workforce, service offerings and capabilities and expected synergies. The goodwill is not deductible for income tax purposes. Refer to the discussion of the Company's business acquisitions in note 17.
- (2) Includes adjustments based on management's estimates resulting from their review and finalization of the valuation of assets and liabilities acquired through certain business combinations completed in a period subsequent to the respective acquisition. These adjustments were not individually, nor in the aggregate, significant to the Company.
- (3) Goodwill is allocated to each of the reporting units based on the relative fair values assessed in conjunction with the goodwill impairment testing conducted as of January 1, 2015.

The Company's acquired intangible assets are subject to amortization over their estimated useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable. An impairment loss is recognized when the carrying amount of an intangible asset exceeds its fair value. The Company reviewed the carrying value of its intangible assets as of March 31, 2016 and concluded that such amounts continued to be recoverable.

Intangible assets are comprised of customer-related intangible assets, that include contractual agreements and customer relationships; and licenses and other intangible assets, that are primarily comprised of licenses and also includes patents and trademarks, and developed technologies. Generally, both customer-related intangible assets and licenses and other intangible assets are amortized on a straight line basis, over a period of up to ten years. No residual value is estimated for any intangible assets. The fair value of the Company's intangible assets purchased through business combinations is determined based on management's estimates of cash flow and recoverability. The components of acquired intangible assets are as follows:

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

	As of March 31, 2016			As of March 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(In thousands)					
Intangible assets:						
Customer-related intangibles . . .	\$223,046	\$ (66,473)	\$156,573	\$133,853	\$(80,506)	\$53,347
Licenses and other intangibles . .	285,053	(37,872)	247,181	39,985	(11,788)	28,197
Total	<u>\$508,099</u>	<u>\$(104,345)</u>	<u>\$403,754</u>	<u>\$173,838</u>	<u>\$(92,294)</u>	<u>\$81,544</u>

The gross carrying amounts of intangible assets are removed when fully amortized. During fiscal year 2016, the gross carrying amounts of fully amortized intangible assets totaled \$51.7 million. During the year ended March 31, 2016, the total value of intangible assets increased primarily in connection with the Company's acquisitions of Mirror Controls International ("MCI") and NEXTracker Inc. ("NEXTracker"). The MCI acquisition contributed an additional \$75.5 million in customer-related intangible assets, and \$161.3 million in licenses and other intangible assets, and the NEXTracker acquisition contributed an additional \$47.3 million in customer-related intangible assets and \$61.4 million in licenses and other intangible assets. Total intangible asset amortization expense recognized in operations during fiscal years 2016, 2015 and 2014 was \$66.0 million, \$32.0 million and \$28.9 million, respectively. As of March 31, 2016, the weighted-average remaining useful lives of the Company's intangible assets were approximately 6.8 years and 7.5 years for customer-related intangibles, and licenses and other intangible assets, respectively. The estimated future annual amortization expense for acquired intangible assets is as follows:

Fiscal Year Ending March 31,	Amount (In thousands)
2017	\$ 76,921
2018	62,474
2019	55,844
2020	47,252
2021	42,961
Thereafter	<u>118,302</u>
Total amortization expense	<u>\$403,754</u>

Derivative Instruments and Hedging Activities

All derivative instruments are recognized on the consolidated balance sheets at fair value. If the derivative instrument is designated as a cash flow hedge, effectiveness is tested monthly using a regression analysis of the change in the spot currency rates and the change in the present value of the spot currency rates. The spot currency rates are discounted to present value using functional currency Inter-bank Offering Rates over the maximum length of the hedge period. The effective portion of changes in the fair value of the derivative instrument (excluding time value) is recognized in shareholders' equity as a separate component of accumulated other comprehensive income (loss), and recognized in the consolidated statements of operations when the hedged item affects earnings. Ineffective and excluded portions of changes in the fair value of cash flow hedges are recognized in earnings immediately. If the derivative instrument is designated as a fair value hedge, the changes in the fair value of the derivative instrument and of the hedged item attributable to the hedged risk are recognized in earnings in the current period. Additional information is included in note 8.

Other Current Assets

Other current assets include approximately \$501.1 million and \$600.7 million as of March 31, 2016 and 2015, respectively for the deferred purchase price receivable from the Company's Global and North American Asset-Backed Securitization programs. See note 10 for additional information.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Also included in other current assets is the value of certain assets purchased on behalf of a customer and financed by a third party banking institution in the amounts of \$83.6 million and \$169.2 million as of March 31, 2016 and 2015, respectively, as further described in note 17. Additionally, other current assets as of March 31, 2016 includes an amount of \$36.7 million relating to these assets that have been sold to third parties but not yet collected.

Investments

The Company has certain equity investments in, and notes receivable from, non-publicly traded companies which are included within other assets. The equity method of accounting is used when the Company has the ability to significantly influence the operating decisions of the issuer; otherwise the cost method is used. Non-majority-owned investments in corporations are accounted for using the equity method when the Company has an ownership percentage equal to or generally greater than 20% but less than 50%, and for non-majority-owned investments in partnerships when generally greater than 5%. The Company monitors these investments for impairment indicators and makes appropriate reductions in carrying values as required. Fair values of these investments, when required, are estimated using unobservable inputs, primarily comparable company multiples and discounted cash flow projections.

As of March 31, 2016 and 2015, the Company's equity investments in non-majority owned companies totaled \$122.9 million and \$87.0 million, respectively. The equity in the earnings or losses of the Company's equity method investments was not material to the consolidated results of operations for any period presented and is included in interest and other, net.

Other Current Liabilities

Other current liabilities include customer working capital advances of \$253.7 million and \$189.6 million, customer-related accruals of \$479.5 million and \$454.8 million, and deferred revenue of \$332.3 million and \$272.6 million as of March 31, 2016 and 2015, respectively. The customer working capital advances are not interest bearing, do not have fixed repayment dates and are generally reduced as the underlying working capital is consumed in production. Other current liabilities also included the outstanding balances due to the third party banking institution related to the financed equipment discussed above of \$122.0 million and \$197.7 million as of March 31, 2016 and 2015, respectively, as further described in note 17.

Restructuring Charges

The Company recognizes restructuring charges related to its plans to close or consolidate excess manufacturing and administrative facilities. In connection with these activities, the Company records restructuring charges for employee termination costs, long-lived asset impairment and other exit-related costs.

The recognition of restructuring charges requires the Company to make certain judgments and estimates regarding the nature, timing and amount of costs associated with the planned exit activity. To the extent the Company's actual results differ from its estimates and assumptions, the Company 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, the Company evaluates 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. See note 14 for additional information regarding restructuring charges.

Recently Adopted Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued new guidance which eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. The Company has elected to early adopt this new guidance during the fourth quarter of fiscal year 2016 on a prospective basis as permitted under the new guidance, and the impact was not material.

In November 2015, the FASB issued new guidance to eliminate the requirement for companies to separate deferred income tax assets and liabilities into current and noncurrent amounts on the balance sheet. Instead, companies will be required to classify all deferred tax liabilities and assets as noncurrent. The Company elected to early adopt this new guidance during the third quarter of fiscal year 2016 on a prospective basis as permitted under the new guidance, resulting in the reclassification of \$66.3 million of deferred income tax assets and

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

\$9.1 million of deferred income tax liabilities from current into noncurrent as of March 31, 2016. Prior periods were not retrospectively adjusted.

In September 2015, the FASB issued new guidance to simplify the accounting for adjustments made to provisional amounts recognized in a business combination. Under previous guidance, the acquirer retrospectively adjusted the provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill, and would have to revise comparative information for prior periods presented in financial statements as needed. The update requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The Company has elected to early adopt this new guidance which is effective for the Company beginning the third quarter of fiscal year 2016, and the impact was not material.

In April 2015, the FASB issued new guidance which changes the presentation of debt issuance costs in financial statements. Under the new guidance, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset, with amortization of the costs being reported as interest expense. The Company has elected to early adopt during the fourth quarter of fiscal year 2016, and retrospectively adjusted all prior balance sheets presented. As a result of the adoption, \$12.7 million of debt issuance costs associated with the Company's bank borrowings and long-term debt as of March 31, 2015, were reclassified from other noncurrent assets, to short-term and long-term debt in the consolidated balance sheet.

Recently Issued Accounting Pronouncements

In March 2016, the FASB issued new guidance intended to reduce the cost and complexity of the accounting for share-based payments. The new guidance simplifies various aspects of the accounting for share-based payments including income tax effects, withholding requirements and forfeitures. The Company will be required to adopt the new guidance beginning with the first quarter of fiscal year 2018, with early adoption permitted. The Company is currently assessing the impact of this update and the timing of adoption.

In February 2016, the FASB issued new guidance intended to improve financial reporting on leasing transactions. The new lease guidance will require entities that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than 12 months. The guidance will also enhance existing disclosure requirements relating to those leases. The Company will be required to adopt the new lease guidance beginning with the first quarter of fiscal year 2020, with early adoption permitted. Upon initial evaluation, the Company believes the new guidance will have a material impact on its consolidated balance sheets when adopted. The Company is currently assessing the timing of adoption.

In July 2015, the FASB issued new guidance to simplify the measurement of inventory, by requiring that inventory be measured at the lower of cost and net realizable value. Prior to the issuance of the new guidance, inventory was measured at the lower of cost or market. This guidance is effective for the Company beginning in the first quarter of fiscal year 2018, with early application permitted as of the beginning of an interim or annual reporting period. The Company is currently assessing the impact of this update and the timing of adoption.

In May 2014, the FASB issued new guidance which requires an entity to recognize revenue relating to contracts with customers that depicts the transfer of promised goods or services to customers in an amount reflecting the consideration to which the entity expects to be entitled in exchange for such goods or services. In order to meet this requirement, the entity must apply the following steps: (i) identify the contracts with the customers; (ii) identify performance obligations in the contracts; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations per the contracts; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. Additionally, disclosures required for revenue recognition will include qualitative and quantitative information about contracts with customers, significant judgments and changes in judgments, and assets recognized from costs to obtain or fulfill a contract. In July 2015, the FASB deferred the effective date of the standard by a year, and as a result, the guidance is effective for the Company beginning in the first quarter of fiscal year 2019. The Company has assessed that the impact of the new guidance will result in a change of the Company's revenue recognition model from "point in time" upon physical delivery to an "over time" model and believes this transition will have a material impact on the Company's consolidated financial statements upon adoption.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION

Equity Compensation Plans

The Company's primary plan used for granting equity compensation awards is the 2010 Equity Incentive Plan (the "2010 Plan").

During fiscal year 2016, in conjunction with the acquisition of NEXTracker, the Company assumed all of the outstanding, unvested share bonus awards and outstanding, unvested options to purchase shares of common stock of NEXTracker, and converted all these shares into Flex awards. As a result, the Company offers an additional equity compensation plan as of March 31, 2016, the 2014 NEXTracker Equity Incentive Plan (the "NEXTracker Plan").

Further, during fiscal year 2016, the Company granted equity compensation awards under a third plan, the 2013 Elementum Plan (the "Elementum Plan"), which is administered by Elementum SCM (Cayman) Limited ("Elementum"), a majority owned subsidiary of the Company.

Share-Based Compensation Expense

The following table summarizes the Company's share-based compensation expense for all Equity Incentive Plans:

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(In thousands)		
Cost of sales	\$ 8,986	\$ 7,503	\$ 6,540
Selling, general and administrative expenses	68,594	42,767	33,899
Total share-based compensation expense	\$77,580	\$50,270	\$40,439

As required by the authoritative guidance for stock-based compensation, management made an estimate of expected forfeitures and is recognizing compensation costs only for those equity awards expected to vest. When estimating forfeitures, the Company considers voluntary termination behavior as well as an analysis of actual forfeitures.

Cash flows resulting from excess tax benefits (tax benefits related to the excess of proceeds from employee exercises of share options over the share-based compensation cost recognized for those options) are classified as financing cash flows. During fiscal years 2016, 2015 and 2014, the Company did not recognize any excess tax benefits as a financing cash inflow.

The 2010 Equity Incentive Plan

As of March 31, 2016, the Company had approximately 27.1 million shares available for grant under the 2010 Plan. Options issued to employees under the 2010 Plan generally vest over four years and expire seven years from the date of grant. Options granted to non-employee directors expire five years from the date of grant.

The exercise price of options granted to employees is determined by the Company's Board of Directors or the Compensation Committee and may not be less than the closing price of the Company's ordinary shares on the date of grant.

As of March 31, 2016, the total unrecognized compensation cost, net of estimated forfeitures, related to unvested share options granted to employees under the 2010 Plan was not significant and will be amortized on a straight-line basis over a weighted-average period of approximately 2.3 years, adjusted for estimated forfeitures.

The Company also grants share bonus awards under its equity compensation plan. Share bonus awards are rights to acquire a specified number of ordinary shares for no cash consideration in exchange for continued service with the Company. Share bonus awards generally vest in installments over a three to five-year period and unvested share bonus awards are forfeited upon termination of employment.

Vesting for certain share bonus awards is contingent upon both service and market conditions. Further, vesting for certain share bonus awards granted to certain executive officers is contingent upon meeting certain free cash flow targets.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

As of March 31, 2016, the total unrecognized compensation cost related to unvested share bonus awards granted to employees was approximately \$97.9 million, net of estimated forfeitures, under the 2010 Plan. These costs will be amortized generally on a straight-line basis over a weighted-average period of approximately 2.5 years, adjusted for estimated forfeitures. Approximately \$13.7 million of the unrecognized compensation cost related to the 2010 Plan, net of estimated forfeitures, is related to share bonus awards granted to certain key employees whereby vesting is contingent on meeting a certain market condition.

Determining Fair Value—Options and share bonus awards

Valuation and Amortization Method—The Company estimates the fair value of share options granted under the 2010 Plan using the Black-Scholes valuation method and a single option award approach. This fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. The fair market value of share bonus awards granted, other than those awards with a market condition, is the closing price of the Company's ordinary shares on the date of grant and is generally recognized as compensation expense on a straight-line basis over the respective vesting period.

Expected Term—The Company's expected term used in the Black-Scholes valuation method represents the period that the Company's share options are expected to be outstanding and is determined based on historical experience of similar awards, giving consideration to the contractual terms of the share options, vesting schedules and expectations of future employee behavior as influenced by changes to the terms of its share options.

Expected Volatility—The Company's expected volatility used in the Black-Scholes valuation method is derived from a combination of implied volatility related to publicly traded options to purchase Flex ordinary shares and historical variability in the Company's periodic share price.

Expected Dividend—The Company has never paid dividends on its ordinary shares and accordingly the dividend yield percentage is zero for all periods.

Risk-Free Interest Rate—The Company bases the risk-free interest rate used in the Black-Scholes valuation method on the implied yield currently available on U.S. Treasury constant maturities issued with a term equivalent to the expected term of the option.

There were no options granted under the 2010 Plan during fiscal years 2016 and 2014. The fair value of the Company's share options granted to employees for fiscal year 2015 was estimated using the following weighted-average assumptions:

	Fiscal Year Ended March 31, 2015
Expected term	6.3 years
Expected volatility	46.9%
Expected dividends	0.0%
Risk-free interest rate	2.3%
Weighted-average fair value	\$4.85

Options granted during fiscal year 2015 had contractual lives of seven years.

Determining Fair Value—Share bonus awards with service and market conditions

Valuation and Amortization Method—The Company estimates the fair value of share bonus awards granted under the 2010 Plan whereby vesting is contingent on meeting certain market conditions using Monte Carlo simulation. This fair value is then amortized on a straight-line basis over the vesting period, which is the service period.

Expected volatility of Flex—Volatility used in a Monte Carlo simulation is derived from the historical volatility of Flex's stock price over a period equal to the service period of the share bonus awards granted. The service period is three years for those share bonus awards granted in fiscal years 2016, 2015 and 2014.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

Average peer volatility—Volatility used in a Monte Carlo simulation is derived from the historical volatilities of both the S&P 500 index and components of an extended Electronics Manufacturing Services (“EMS”) group, comprised of global competitors of the Company within the same industry, for the share bonus awards granted in fiscal years 2016, 2015 and 2014.

Average Peer Correlation—Correlation coefficients were used to model the movement of Flex’s stock price relative to both the S&P 500 index and peers in the extended EMS group for the share bonus awards granted in fiscal years 2016, 2015 and 2014.

Expected Dividend and Risk-Free Interest Rate assumptions—Same methodology as discussed above.

The fair value of the Company’s share-bonus awards under the 2010 Plan, whereby vesting is contingent on meeting certain market conditions, for fiscal years 2016, 2015 and 2014 was estimated using the following weighted-average assumptions:

	Fiscal Year Ended March 31,		
	2016	2015	2014
Expected volatility	26.0%	29.4%	35.9%
Average peer volatility	23.0%	25.9%	35.7%
Average peer correlation	0.6	0.6	0.4
Expected dividends	0.0%	0.0%	0.0%
Risk-free interest rate	1.2%	0.9%	0.4%

Share-Based Awards Activity

The following is a summary of option activity for the Company’s 2010 Plan (“Price” reflects the weighted-average exercise price):

	Fiscal Year Ended March 31,					
	2016		2015		2014	
	Options	Price	Options	Price	Options	Price
Outstanding, beginning of fiscal year	15,992,894	\$ 7.81	23,612,872	\$ 8.57	34,405,564	\$ 8.29
Granted	—	—	15,000	11.11	—	—
Exercised	(10,006,774)	6.10	(3,600,900)	6.53	(6,572,383)	4.28
Forfeited	(3,616,484)	12.23	(4,034,078)	13.17	(4,220,309)	12.93
Outstanding, end of fiscal year	<u>2,369,636</u>	<u>\$ 8.31</u>	<u>15,992,894</u>	<u>\$ 7.81</u>	<u>23,612,872</u>	<u>\$ 8.57</u>
Options exercisable, end of fiscal year	<u>2,359,527</u>	<u>\$ 8.30</u>	<u>15,959,173</u>	<u>\$ 7.81</u>	<u>23,373,101</u>	<u>\$ 8.58</u>

The aggregate intrinsic value of options exercised under the Company’s 2010 Plan (calculated as the difference between the exercise price of the underlying award and the price of the Company’s ordinary shares determined as of the time of option exercise for options exercised in-the-money) was \$55.3 million, \$16.3 million and \$24.7 million during fiscal years 2016, 2015 and 2014, respectively.

Cash received from option exercises under the 2010 Plan was \$61.1 million, \$23.5 million and \$28.1 million for fiscal years 2016, 2015 and 2014, respectively.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

The following table presents the composition of options outstanding and exercisable under the 2010 Plan as of March 31, 2016:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number of Shares Outstanding	Weighted Average Contractual Life (In Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Contractual Life (In Years)	Weighted Average Exercise Price
\$1.94 - \$5.75	1,148,421	0.40	\$ 5.55	1,148,421	0.40	\$ 5.55
\$5.87 - \$7.07	40,002	1.55	6.55	37,521	1.41	6.54
\$7.08 - \$10.59	323,646	1.76	8.25	323,646	1.76	8.25
\$10.67 - \$11.41	549,067	0.34	11.23	541,439	0.27	11.23
\$11.53 - \$13.98	273,500	0.50	13.37	273,500	0.50	13.37
\$14.34 - \$23.02	35,000	0.42	15.95	35,000	0.42	15.95
\$1.94 - \$23.02	<u>2,369,636</u>	0.60	\$ 8.31	<u>2,359,527</u>	0.59	\$ 8.30
Options vested and expected to vest	<u>2,368,361</u>	0.60	\$ 8.31			

As of March 31, 2016 the aggregate intrinsic value for options outstanding, options vested and expected to vest (which includes adjustments for expected forfeitures), and options exercisable under the Company's 2010 Plan, were \$9.4 million, respectively. The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's ordinary shares as of March 31, 2016 for the approximately 2.1 million options that were in-the-money at March 31, 2016.

The following table summarizes the Company's share bonus award activity under the 2010 Plan ("Price" reflects the weighted-average grant-date fair value):

	Fiscal Year Ended March 31,					
	2016		2015		2014	
	Shares	Price	Shares	Price	Shares	Price
Unvested share bonus awards outstanding,						
beginning of fiscal year	18,993,252	\$ 9.01	21,848,120	\$ 7.32	21,807,069	\$ 6.80
Granted	7,619,722	12.23	6,963,125	11.75	8,978,941	8.07
Vested	(8,529,378)	7.93	(7,246,056)	6.97	(5,481,153)	6.66
Forfeited	<u>(1,083,520)</u>	9.67	<u>(2,571,937)</u>	7.70	<u>(3,456,737)</u>	7.07
Unvested share bonus awards outstanding,						
end of fiscal year	<u>17,000,076</u>	\$10.77	<u>18,993,252</u>	\$ 9.01	<u>21,848,120</u>	\$ 7.32

Of the 7.6 million unvested share bonus awards granted under the 2010 Plan in fiscal year 2016, approximately 0.2 million have an average grant date price of \$12.10 per share and represents the target amount of grants made to certain executive officers whereby vesting is contingent on meeting certain free cash flow targets. These awards ultimately vest over a range from zero up to a maximum of 0.4 million of the target payment based on a measurement of cumulative three-year increase of free cash flow from operations of the Company, and will cliff vest after a period of three-years.

Another 0.2 million of unvested share bonus awards granted in fiscal year 2016 have an average grant date price of \$12.06 per share and represents the target amount of grants made to certain employees whereby vesting is contingent on meeting certain operating profit targets. These awards ultimately vest over a range from zero up to a maximum of 0.4 million of the target payments based on the operating profit achievements of a certain business

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

unit of the Company over a four-year period. The vesting will begin on March 31, 2016 and occur every year over a period of four years contingent on meeting the agreed targets.

Further, 0.7 million of unvested share bonus awards granted in fiscal year 2016 represents the target amount of grants made to certain key employees whereby vesting is contingent on certain market conditions. The average grant date fair value of these awards was estimated to be \$14.96 per award and was calculated using a Monte Carlo simulation. Vesting information of these shares are further detailed in the table below.

Of the 17.0 million unvested share bonus awards outstanding under the 2010 Plan as of the fiscal year ended 2016, approximately 3.2 million of unvested share bonus awards under the 2010 Plan represents the target amount of grants made to certain key employees whereby vesting is contingent on meeting certain market conditions summarized as follows:

Year of grant	Targeted number of awards as of March 31, 2016 (in shares)	Average grant date fair value (per share)	Market condition	Range of shares that may be issued		Assessment dates
				Minimum	Maximum	
Fiscal 2016 . .	726,995	\$14.96	Vesting ranges from zero to 200% based on measurement of Flextronics' total shareholder return against both the Standard and Poor's ("S&P") 500 Composite Index and an Extended Electronics Manufacturing Services ("EMS") Group Index.	—	1,453,990	May 2018
Fiscal 2015 . .	706,747	\$14.77	Vesting ranges from zero to 200% based on measurement of Flextronics' total shareholder return against both the S&P 500 Composite Index and an EMS Group Index.	—	1,413,494	May 2017
Fiscal 2014 . .	1,810,000	\$ 9.36	Vesting ranges from zero to 200% based on measurement of Flextronics' total shareholder return against both the S&P 500 Composite Index and an EMS Group Index.	—	3,620,000	May 2016
Totals	<u>3,243,742</u>				<u>6,487,484</u>	

In accordance with the accounting guidance, the Company will continue to recognize share-based compensation expense for these awards with market conditions regardless of whether such awards will ultimately vest. During fiscal year 2016, 2.2 million shares vested in connection with the remaining number of share bonus awards with market conditions granted in fiscal year 2013, and 0.5 million shares vested in connection with half of the share bonus awards with market conditions granted in fiscal year 2012.

The total intrinsic value of share bonus awards vested under the Company's 2010 Plan was \$103.2 million, \$79.0 million and \$42.4 million during fiscal years 2016, 2015 and 2014, respectively, based on the closing price of the Company's ordinary shares on the date vested.

The 2014 NEXTracker Equity Incentive Plan

All shares granted during fiscal year 2016 under the NEXTracker plan are the result of the Company's conversion of all outstanding, unvested shares of NEXTracker into unvested shares of the Company, as part of the acquisition. No additional grants will be made out of this plan in the future and therefore there are no shares available for grant under the NEXTracker Plan as of March 31, 2016. Options issued to employees under the NEXTracker Plan generally have a vesting period of two to four years from vesting commencement date and expire ten years from the date of grant.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

The exercise price of options granted to employees was determined by the Company based on a conversion rate agreed upon in the purchase agreement of NEXTracker.

As of March 31, 2016, the total unrecognized compensation cost, net of estimated forfeitures, related to unvested share options granted to employees under the NEXTracker Plan was \$18.2 million and will be amortized on a straight-line basis over a weighted-average period of approximately 2.8 years, adjusted for estimated forfeitures.

The Company also granted share bonus awards under the NEXTracker Plan. These share bonus awards vest in installments over a three to five-year period from vesting commencement date, and unvested share bonus awards are forfeited upon termination of employment. Vesting for certain of these share bonus awards is contingent on meeting certain performance targets over a three-year period commencing October 1, 2015.

As of March 31, 2016, the total unrecognized compensation cost related to unvested share bonus awards granted to employees was approximately \$19.1 million under the NEXTracker Plan. These costs will be amortized generally on a straight-line basis over a weighted-average period of approximately 2.4 years, adjusted for estimated forfeitures.

Determining Fair Value

The fair value of the Company's share options granted to employees under the NEXTracker Plan for fiscal year 2016 was estimated using the following weighted-average assumptions:

	<u>Fiscal Year Ended March 31, 2016</u>
Expected term	2.9 years
Expected volatility	28.8%
Expected dividends	0.0%
Risk-free interest rate	0.9%
Weighted-average fair value	\$7.76

Share-Based Awards Activity

The following is a summary of option activity for the NEXTracker Plan ("Price" reflects the weighted-average exercise price):

	<u>Fiscal Year Ended March 31, 2016</u>	
	<u>Options</u>	<u>Price</u>
Outstanding, beginning of fiscal year	—	\$ —
Granted	3,205,806	3.28
Exercised	(237,380)	0.99
Forfeited	(226,572)	3.75
Outstanding, end of fiscal year	<u>2,741,854</u>	\$3.44
Options exercisable, end of fiscal year	<u>223,869</u>	\$4.95

Of the 3.2 million unvested share-based awards granted under the NEXTracker Plan in fiscal year 2016, approximately 0.5 million of unvested share-based awards have an average grant date price of \$7.76 per share and represents the number of grants made to certain NEXTracker employees whereby the right to exercise is contingent on meeting certain performance targets over a three-year period commencing October 1, 2015.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

The aggregate intrinsic value of options exercised under the NEXTracker plan (calculated as the difference between the exercise price of the underlying award and the price of the Company's ordinary shares determined as of the time of option exercise for options exercised in-the-money) was \$2.32 million as of March 31, 2016.

Cash received from option exercises under the NEXTracker Plan was \$0.2 million for fiscal year 2016.

The following table presents the composition of options outstanding and exercisable under the NEXTracker Plan as of March 31, 2016:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number of Shares Outstanding	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price
\$0.08 - \$5.24	2,088,258	9.49	\$ 1.19	129,376	9.49	\$ 0.79
\$5.25 - \$10.65	653,596	9.49	10.65	94,493	9.49	10.65
\$0.08 - \$10.65	<u>2,741,854</u>	9.49	\$ 3.44	<u>223,869</u>	9.49	\$ 4.95
Options vested and expected to vest . .	<u>2,741,854</u>	9.49	\$ 3.44			

As of March 31, 2016 the aggregate intrinsic value, for options outstanding, options vested and expected to vest (which includes adjustments for expected forfeitures), and options exercisable under the Company's NEXTracker Plan, were \$23.6 million, \$23.6 million, and \$1.59 million, respectively. The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's ordinary shares as of March 31, 2016 for the approximately 2.7 million options under the NEXTracker Plan that were in-the-money at March 31, 2016.

The following table summarizes the Company's share bonus award activity under the NEXTracker Plan ("Price" reflects the weighted-average grant-date fair value):

	Fiscal Year Ended March 31, 2016	
	Shares	Price
Unvested share bonus awards outstanding, beginning of fiscal year	—	\$ —
Granted	2,393,195	10.27
Vested	(31,925)	10.27
Forfeited	(52,174)	10.27
Unvested share bonus awards outstanding, end of fiscal year	<u>2,309,096</u>	\$10.27

Of the 2.4 million unvested share bonus awards granted under the NEXTracker Plan as of the fiscal year ended 2016, approximately 0.9 million of unvested shares bonus awards represents the target amount of grants made to certain NEXTracker employees whereby vesting is contingent on meeting certain performance targets over a three-year period commencing October 1, 2015.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

The total intrinsic value of share bonus awards vested under the Company's NEXTracker Plan was \$0.35 million during fiscal year 2016, based on the closing price of the Company's ordinary shares on the date vested.

The 2013 Equity Incentive Plan of Elementum SCM (Cayman) Ltd.

As of March 31, 2016 Elementum had approximately 5.4 million shares available for future grants under the 2013 Elementum Plan. Options to purchase shares in Elementum issued to employees under the Elementum Plan have a vesting period of two to four years and expire ten years from the grant date. As of March 31, 2016 there were 26.2 million of options outstanding at a weighted average exercise price of \$0.35 per option. Cash received from option exercises under the Elementum Plan was \$0.5 million for fiscal year 2016. Total unrecognized compensation expenses relating to stock options granted to certain employees under the Elementum Plan as of March 31, 2016 is \$5.2 million, and will be recognized over a weighted average period of 2.7 years.

4. EARNINGS PER SHARE

Basic earnings per share excludes dilution and are computed by dividing net income by the weighted-average number of ordinary shares outstanding during the applicable periods.

Diluted earnings per share reflects the potential dilution from stock options and share bonus awards. The potential dilution from stock options exercisable into ordinary share equivalents and share bonus awards was computed using the treasury stock method based on the average fair market value of the Company's ordinary shares for the period.

The following table reflects the basic weighted-average ordinary shares outstanding and diluted weighted-average ordinary share equivalents used to calculate basic and diluted income per share:

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(In thousands, except per share amounts)		
Basic earnings per share:			
Net income	\$444,081	\$600,801	\$365,594
Shares used in computation:			
Weighted-average ordinary shares outstanding	557,667	579,981	610,497
Basic earnings per share	<u>\$ 0.80</u>	<u>\$ 1.04</u>	<u>\$ 0.60</u>
Diluted earnings per share:			
Net income	\$444,081	\$600,801	\$365,594
Shares used in computation:			
Weighted-average ordinary shares outstanding	557,667	579,981	610,497
Weighted-average ordinary share equivalents from stock options and awards (1)	<u>7,202</u>	<u>11,575</u>	<u>12,982</u>
Weighted-average ordinary shares and ordinary share equivalents outstanding	<u>564,869</u>	<u>591,556</u>	<u>623,479</u>
Diluted earnings per share	<u>\$ 0.79</u>	<u>\$ 1.02</u>	<u>\$ 0.59</u>

- (1) Options to purchase ordinary shares of 2.0 million, 6.2 million and 17.1 million during fiscal years 2016, 2015 and 2014, respectively, and share bonus awards of less than 0.1 million during fiscal year 2015, were excluded from the computation of diluted earnings per share due to their anti-dilutive impact on the weighted average ordinary shares equivalents. There were no anti-dilutive share bonus awards in fiscal year 2016 and 2014.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. NONCONTROLLING INTERESTS

During fiscal year 2014, a previously wholly-owned subsidiary of the Company received \$38.6 million in exchange for issuing a noncontrolling equity interest to certain third party investors for an ownership interest of less than 20% of the outstanding shares in the subsidiary. The Company continues to own a majority of the subsidiary's outstanding equity and also controls the subsidiary's board of directors. Accordingly, the consolidated financial statements include the financial position and results of operations of this subsidiary as of March 31, 2016 and for the year then ended.

The Company has recognized the carrying value of the noncontrolling interest as a component of total shareholders' equity. The operating results of the subsidiary attributable to the noncontrolling interest were losses of \$6.7 million, \$4.3 million, and \$0.4 million for fiscal years 2016, 2015 and 2014, respectively, which were classified as a component of interest and other, net, in the Company's consolidated statements of operations.

6. SUPPLEMENTAL CASH FLOW DISCLOSURES

The following table represents supplemental cash flow disclosures and non-cash investing and financing activities:

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(In thousands)		
Net cash paid for:			
Interest	\$114,578	\$ 87,179	\$86,406
Income taxes	\$105,453	\$ 70,621	\$87,561
Non-cash investing activity:			
Unpaid purchases of property and equipment	\$ 93,310	\$115,757	\$42,902

7. BANK BORROWINGS AND LONG-TERM DEBT

Bank borrowings and long-term debt are as follows:

	As of March 31,	
	2016	2015
	(In thousands)	
Term Loan, including current portion, due in installments through August 2018	\$ 577,500	\$ 592,500
Term Loan, including current portion, due in installments through March 2019	547,500	475,000
4.625% Notes due February 2020	500,000	500,000
5.000% Notes due February 2023	500,000	500,000
4.750% Notes due June 2025	595,589	—
Other	71,317	16,233
Debt issuance costs	(17,351)	(12,733)
	<u>2,774,555</u>	<u>2,071,000</u>
Current portion, net of debt issuance costs	(65,166)	(45,030)
Non-current portion	<u>\$2,709,389</u>	<u>\$2,025,970</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. BANK BORROWINGS AND LONG-TERM DEBT (Continued)

The weighted-average interest rates for the Company's long-term debt were 3.5% and 3.2% as of March 31, 2016 and 2015, respectively.

Repayments of the Company's long-term debt are as follows:

<u>Fiscal Year Ending March 31,</u>	<u>Amount</u> <u>(In thousands)</u>
2017	\$ 65,166
2018	63,522
2019	1,005,095
2020	498,287
2021	49,153
Thereafter	<u>1,110,683</u>
Total	<u>\$2,791,906</u>

Term Loan due August 2018

On August 30, 2013, the Company entered into a \$600 million term loan agreement due August 30, 2018 and used these proceeds to repay certain term loans in full that were outstanding at that time in the amount of \$544.8 million. The remaining \$55.2 million was used to repay part of the term loan due March 2019 and upfront bank fees. This loan is repayable in quarterly installments of \$3.75 million, which commenced in December 2014 and continue through August 2018, with the remaining amount due at maturity.

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 U.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.

This term loan is unsecured, and contains customary restrictions on the Company's and its subsidiaries' ability to (i) incur certain debt, (ii) make certain investments, (iii) make certain acquisitions of other entities, (iv) incur liens, (v) dispose of assets, (vi) make non-cash distributions to shareholders, and (vii) engage in transactions with affiliates. These covenants are subject to a number of exceptions and limitations. This term loan agreement also requires that the Company maintain a maximum ratio of total indebtedness to EBITDA (earnings before interest expense, taxes, depreciation and amortization), and a minimum interest coverage ratio, as defined therein, during its term. As of March 31, 2016, the Company was in compliance with the covenants under this term loan agreement.

Term Loan Agreement due March 2019 and Revolving Line of Credit

On September 30, 2015, the Company amended its former \$2.0 billion credit facility ("Credit Facility") to increase the \$500.0 million term loan maturing in March 2019 by \$100.0 million. Quarterly repayments of principal under this term loan were amended to \$7.5 million through March 31, 2016, and will be increased to \$11.3 million thereafter with the remainder due upon maturity. As of March 31, 2016 the amended Credit Facility consists of a \$1.5 billion revolving credit facility and a \$600.0 million term loan, which is due to expire in March 2019.

Borrowings under this 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.

This Credit Facility is unsecured, and contains customary restrictions on the Company's and its subsidiaries' ability to (i) incur certain debt, (ii) make certain investments, (iii) make certain acquisitions of other entities, (iv) incur liens, (v) dispose of assets, (vi) make non-cash distributions to shareholders, and (vii) engage in transactions with affiliates. These covenants are subject to a number of exceptions and limitations. This Credit Facility also requires that the Company maintain a maximum ratio of total indebtedness to EBITDA (earnings before interest expense, taxes,

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. BANK BORROWINGS AND LONG-TERM DEBT (Continued)

depreciation and amortization), and a minimum interest coverage ratio, as defined therein, during its term. As of March 31, 2016, the Company was in compliance with the covenants under this loan agreement.

Notes due February 2020 and February 2023

On February 20, 2013, the Company issued \$500.0 million of 4.625% Notes due February 15, 2020 and \$500.0 million of 5.000% Notes due February 15, 2023 (collectively the “Notes”) in a private offering pursuant to Rule 144A and Regulation S under the Securities Act. 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. The Company received net proceeds of approximately \$990.6 million from the issuance and used those proceeds, together with \$9.4 million of cash on hand, to repay \$1.0 billion of outstanding borrowings under its previous term loan that was due October 2014.

Interest on the Notes is payable semi-annually, which commenced on August 15, 2013. The Notes are senior unsecured obligations of the Company, rank equally with all of the Company’s other existing and future senior and unsecured debt obligations, and are guaranteed, jointly and severally, fully and unconditionally on an unsecured basis, by each of the Company’s 100% owned subsidiaries that guarantees indebtedness under, or is a borrower under, the Company’s Credit Facility or the Company’s Term Loan due 2018.

At any time prior to maturity, the Company may redeem some or all of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus an applicable premium accrued and unpaid interest, if any, to the applicable redemption date. Upon the occurrence of a change of control repurchase event (as defined in the Notes indenture), the Company must offer to repurchase the Notes at a repurchase price equal to 101% of the principal amount of the Notes repurchased, plus accrued and unpaid interest, if any, to the applicable repurchase date.

The indenture governing the Notes contains covenants that, among other things, restrict the ability of the Company and certain of the Company’s subsidiaries to create liens; enter into sale-leaseback transactions; create, incur, issue, assume or guarantee any funded debt; and consolidate or merge with, or convey, transfer or lease all or substantially all of the Company’s assets to, another person. These covenants are subject to a number of significant limitations and exceptions set forth in the indenture. The indenture also provides for customary events of default, including, but not limited to, cross defaults to certain specified other debt of the Company and its subsidiaries. In the case of an event of default arising from specified events of bankruptcy or insolvency, all outstanding Notes will become due and payable immediately without further action or notice. If any other event of default under the indenture occurs or is continuing, the applicable trustee or holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all of the Notes to be due and payable immediately. As of March 31, 2016, the Company was in compliance with the covenants in the indenture governing the Notes.

Notes due June 2025

On June 8, 2015, the Company issued \$600 million of 4.750% Notes (“Notes”) due June 15, 2025 in a private offering pursuant to Rule 144A and Regulation S under the Securities Act, at 99.213% of face value, and an effective yield of approximately 4.850%. The Company received net proceeds of approximately \$595.3 million from the issuance which was used for general corporate purposes. During January 2016, 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.

The Company incurred approximately \$7.9 million of costs in conjunction with the issuance of the Notes. The issuance costs were capitalized and presented on the balance sheet as a direct deduction from the carrying amount of the Notes.

Interest on the Notes is payable semi-annually, commencing on December 15, 2015. The Notes are senior unsecured obligations of the Company, rank equally with all of the Company’s other existing and future senior and unsecured debt obligations, and are guaranteed, jointly and severally, fully and unconditionally on an unsecured basis, by each of the Company’s 100% owned subsidiaries that guarantees indebtedness under, or is a borrower under, the Company’s Term Loan Agreement and Revolving Line of Credit.

At any time prior to March 15, 2025, the Company may redeem some or all of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus an applicable premium and accrued and unpaid interest, if any, to the applicable redemption date. Upon the occurrence of a change of control repurchase event (as defined in the Notes indenture), the Company must offer to repurchase the Notes at a repurchase price equal to 101% of the principal amount of the Notes repurchased, plus accrued and unpaid interest, if any, to the applicable repurchase date.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. BANK BORROWINGS AND LONG-TERM DEBT (Continued)

The indenture governing the Notes contains covenants that, among other things, restrict the ability of the Company and certain of the Company's subsidiaries to create liens; enter into sale-leaseback transactions; create, incur, issue, assume or guarantee any funded debt; and consolidate or merge with, or convey, transfer or lease all or substantially all of the Company's assets to, another person, or permit any other person to consolidate, merge, combine or amalgamate with or into the Company. These covenants are subject to a number of significant limitations and exceptions set forth in the indenture. The indenture also provides for customary events of default, including, but not limited to, cross defaults to certain specified other debt of the Company and its subsidiaries. In the case of an event of default arising from specified events of bankruptcy or insolvency, all outstanding Notes will become due and payable immediately without further action or notice. If any other event of default under the agreement occurs or is continuing, the applicable trustee or holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all of the Notes to be due and payable immediately, but upon certain conditions such declaration and its consequences may be rescinded and annulled by the holders of a majority in principal amount of the Notes. As of March 31, 2016, the Company was in compliance with the covenants in the indenture governing the Notes.

Other Credit Lines

On October 1, 2015, the Company borrowed €50 million (approximately \$56.6 million as of March 31, 2016), under a 5-year, term-loan agreement due September 30, 2020. Borrowings under this term loan bear interest at EURIBOR plus the applicable margin ranging between 0.80% and 2.00%, based on the Company's credit ratings. The loan is repayable beginning December 30, 2016 in quarterly payments of €312,500 through June 30, 2020 with the remainder due upon maturity. This loan is included in the "Other" category in the table above.

This term loan is unsecured, and is guaranteed by the Company. This term loan agreement contains customary restrictions on the Company's and its subsidiaries' ability to (i) incur certain debt, (ii) make certain investments, (iii) make certain acquisitions of other entities, (iv) incur liens, (v) dispose of assets, (vi) make non-cash distributions to shareholders, and (vii) engage in transactions with affiliates. These covenants are subject to a number of exceptions and limitations. This term loan agreement also requires that the Company maintain a maximum ratio of total indebtedness to EBITDA (earnings before interest expense, taxes, depreciation and amortization), and a minimum interest coverage ratio, as defined therein, during its term. As of March 31, 2016, the Company was in compliance with the covenants under this term loan agreement.

As of March 31, 2016, the Company and certain of its subsidiaries had various uncommitted revolving credit facilities, lines of credit and other credit facilities in the amount of \$166.0 million in the aggregate. There were no borrowings outstanding under these facilities as of March 31, 2016 and 2015. These unsecured credit facilities, and lines of credit and other credit facilities bear annual interest at the respective country's inter-bank offering rate, plus an applicable margin, and generally have maturities that expire on various dates in future fiscal years.

8. FINANCIAL INSTRUMENTS

Foreign Currency Contracts

The Company transacts business in various foreign countries and is therefore, exposed to foreign currency exchange rate risk inherent in forecasted sales, cost of sales, and monetary assets and liabilities denominated in non-functional currencies. The Company has established risk management programs to protect against volatility in the value of non-functional currency denominated monetary assets and liabilities, and of future cash flows caused by changes in foreign currency exchange rates. The Company tries to maintain a partial or fully hedged position for certain transaction exposures, which 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 Company enters into short-term foreign currency forward and swap contracts to hedge only those currency exposures associated with certain assets and liabilities, primarily accounts receivable and accounts payable, and cash flows denominated in non-functional currencies. Gains and losses on the Company's forward and swap contracts are designed to offset losses and gains on the assets, liabilities and transactions hedged, and accordingly, generally do not subject the Company to risk of significant accounting losses. The Company hedges committed exposures and does not engage in speculative transactions. The credit risk of these forward and swap contracts is minimized since the contracts are with large financial institutions and accordingly, fair value adjustments related to the credit risk of the counterparty financial institution were not material.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. FINANCIAL INSTRUMENTS (Continued)

As of March 31, 2016, the aggregate notional amount of the Company's outstanding foreign currency forward and swap contracts was \$4.3 billion as summarized below:

Currency	Foreign Currency Amount		Notional Contract Value in USD	
	Buy	Sell	Buy	Sell
	(In thousands)			
Cash Flow Hedges				
CNY	1,076,000	—	\$ 165,373	\$ —
EUR	15,030	75,135	16,977	85,374
HUF	14,759,000	—	53,090	—
ILS	122,000	—	32,072	—
MXN	1,503,000	—	86,823	—
MYR	180,000	18,200	45,023	4,552
PLN	56,400	—	15,004	—
Other	N/A	N/A	40,621	—
			454,983	89,926
Other Forward/Swap Contracts				
BRL	—	440,000	—	120,892
CHF	8,420	24,760	8,716	25,629
CNY	885,136	—	135,739	—
DKK	203,100	157,200	30,777	23,821
EUR	959,000	1,213,691	1,080,754	1,364,808
GBP	34,693	58,825	49,810	84,354
HUF	20,063,000	17,734,000	72,169	63,791
ILS	79,900	69,520	21,004	18,276
INR	2,843,900	20,170	42,708	300
MXN	1,885,860	746,330	108,940	43,113
MYR	391,491	79,400	97,922	19,860
PLN	137,548	84,861	36,593	22,576
RON	78,424	66,870	19,836	16,913
SEK	473,954	821,132	57,697	99,637
Other	N/A	N/A	54,157	31,296
			1,816,822	1,935,266
Total Notional Contract Value in USD . . .			\$2,271,805	\$2,025,192

As of March 31, 2016 and 2015, the fair value of the Company's short-term foreign currency contracts was included in other current assets or other current liabilities, as applicable, in the consolidated balance sheets. Certain of these contracts are designed to economically hedge the Company's exposure to monetary assets and liabilities denominated in non-functional currencies and are not accounted for as hedges under the accounting standards. Accordingly, changes in fair value of these instruments are recognized in earnings during the period of change as a component of interest and other, net in the consolidated statements of operations. As of March 31, 2016 and 2015, the Company also has included net deferred gains and losses, in accumulated other comprehensive loss, a component of shareholders' equity in the consolidated balance sheets, relating to changes in fair value of its foreign currency contracts that are accounted for as cash flow hedges. These deferred gains totaled \$2.7 million as of March 31, 2016, and are expected to be recognized primarily as a component of cost of sales in the consolidated statement of operations over the next twelve-month period. The gains and losses

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. FINANCIAL INSTRUMENTS (Continued)

recognized in earnings due to hedge ineffectiveness were not material for all fiscal years presented and are included as a component of interest and other, net in the consolidated statements of operations.

The following table presents the fair value of the Company's derivative instruments utilized for foreign currency risk management purposes at March 31, 2016 and 2015:

		Fair Values of Derivative Instruments					
		Asset Derivatives			Liability Derivatives		
		Fair Value			Fair Value		
Balance Sheet Location		March 31, 2016	March 31, 2015	Balance Sheet Location	March 31, 2016	March 31, 2015	
		(In thousands)					
Derivatives designated as hedging instruments							
Foreign currency contracts	Other current assets	\$ 5,510	\$ 2,896	Other current liabilities	\$ 2,446	\$19,729	
Derivatives not designated as hedging instruments							
Foreign currency contracts	Other current assets	\$17,138	\$22,933	Other current liabilities	\$18,645	\$11,328	

The Company has financial instruments subject to master netting arrangements, which provides for the net settlement of all contracts with a single counterparty. The Company does not offset fair value amounts for assets and liabilities recognized for derivative instruments under these arrangements, and as such, the asset and liability balances presented in the table above reflect the gross amounts of derivatives in the consolidated balance sheets. The impact of netting derivative assets and liabilities is not material to the Company's financial position for any of the periods presented.

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in accumulated other comprehensive loss by component, net of tax, during fiscal years ended March 31, 2016, 2015 and 2014 are as follows:

		Fiscal Year Ended March 31, 2016		
		Unrealized loss on derivative instruments and other	Foreign currency translation adjustments	Total
		(In thousands)		
Beginning balance		\$(68,266)	\$(112,239)	\$(180,505)
Other comprehensive loss before reclassifications		(2,199)	(3,145)	(5,344)
Net losses reclassified from accumulated other comprehensive loss		28,943	20,991	49,934
Net current-period other comprehensive gain		26,744	17,846	44,590
Ending balance		<u>\$(41,522)</u>	<u>\$ (94,393)</u>	<u>\$(135,915)</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. ACCUMULATED OTHER COMPREHENSIVE LOSS (Continued)

	Fiscal Year Ended March 31, 2015		
	Unrealized loss on derivative instruments and other	Foreign currency translation adjustments	Total
	(In thousands)		
Beginning balance	\$(32,849)	\$ (93,307)	\$(126,156)
Other comprehensive loss before reclassifications	(76,470)	(9,318)	(85,788)
Net (gains) losses reclassified from accumulated other comprehensive loss	<u>41,053</u>	<u>(9,614)</u>	<u>31,439</u>
Net current-period other comprehensive loss	<u>(35,417)</u>	<u>(18,932)</u>	<u>(54,349)</u>
Ending balance	<u><u>\$(68,266)</u></u>	<u><u>\$(112,239)</u></u>	<u><u>\$(180,505)</u></u>
	Fiscal Year Ended March 31, 2014		
	Unrealized loss on derivative instruments and other	Foreign currency translation adjustments	Total
	(In thousands)		
Beginning balance	\$(18,857)	\$(58,624)	\$ (77,481)
Other comprehensive loss before reclassifications	(15,851)	(34,683)	(50,534)
Net losses reclassified from accumulated other comprehensive loss	<u>1,859</u>	<u>—</u>	<u>1,859</u>
Net current-period other comprehensive loss	<u>(13,992)</u>	<u>(34,683)</u>	<u>(48,675)</u>
Ending balance	<u><u>\$(32,849)</u></u>	<u><u>\$(93,307)</u></u>	<u><u>\$(126,156)</u></u>

Net losses reclassified from accumulated other comprehensive loss during the fiscal year 2016 relating to derivative instruments and other includes \$26.9 million attributable to the Company's cash flow hedge instruments which were recognized as a component of cost of sales in the consolidated statement of operations.

During fiscal year 2016, the Company recognized a loss of \$26.8 million in connection with the disposition of a non-strategic Western European manufacturing facility, which included a \$25.3 million cumulative foreign currency translation loss. This loss was offset by the release of certain cumulative foreign currency translation gains of \$4.2 million, which has been reclassified from accumulated other comprehensive loss during the period and is included in other charges (income), net in consolidated statement of operations.

During fiscal year 2015, the Company recognized a loss of \$11.0 million in connection with the disposition of a manufacturing facility in Western Europe. This loss includes the settlement of unrealized losses of \$4.2 million on an insignificant defined benefit plan associated with the disposed facility offset by the release of cumulative foreign currency translation gains of \$9.3 million, both of which have been reclassified from accumulated other comprehensive loss during the period. The loss on sale is included in other charges (income), net in the consolidated statement of operations.

10. TRADE RECEIVABLES SECURITIZATION

The Company sells trade receivables under two asset-backed securitization programs and an accounts receivable factoring program.

Asset-Backed Securitization Programs

The Company continuously sells designated pools of trade receivables under its Global Asset-Backed Securitization Agreement (the "Global Program") and its North American Asset-Backed Securitization Agreement (the "North American Program," collectively, the "ABS Programs") to affiliated special purpose entities, each of which in turn sells 100% of the receivables to unaffiliated financial institutions. These programs allow the operating subsidiaries to receive a cash payment and a deferred purchase price receivable for sold receivables. Following the

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. TRADE RECEIVABLES SECURITIZATION (Continued)

transfer of the receivables to the special purpose entities, the transferred receivables are isolated from the Company and its affiliates, and upon the sale of the receivables from the special purpose entities to the unaffiliated financial institutions effective control of the transferred receivables is passed to the unaffiliated financial institutions, which has the right to pledge or sell the receivables. Although the special purpose entities are consolidated by the Company, they are separate corporate entities and their assets are available first to satisfy the claims of their creditors. The investment limits set by the financial institutions are \$700.0 million for the Global Program, of which \$600.0 million is committed and \$100.0 million is uncommitted, and \$265.0 million for the North American Program, of which \$225.0 million is committed and \$40.0 million is uncommitted. Both programs require a minimum level of deferred purchase price receivable to be retained by the Company in connection with the sales.

The Company services, administers and collects the receivables on behalf of the special purpose entities and receives a servicing fee of 0.1% to 0.5% of serviced receivables per annum. Servicing fees recognized during the fiscal years ended March 31, 2016, 2015 and 2014 were not material and are included in interest and other, net within the consolidated statements of operations. As the Company estimates the fee it receives in return for its obligation to service these receivables is at fair value, no servicing assets or liabilities are recognized.

As of March 31, 2016 and 2015, the accounts receivable balances that were sold under the ABS Programs were removed from the consolidated balance sheets and the net cash proceeds received by the Company during fiscal years ended March 31, 2016, 2015 and 2014 were included as cash provided by operating activities in the consolidated statements of cash flows.

As of March 31, 2016, approximately \$1.4 billion of accounts receivable had been sold to the special purpose entities under the ABS Programs for which the Company had received net cash proceeds of \$880.8 million and deferred purchase price receivables of \$501.1 million. As of March 31, 2015, approximately \$1.3 billion of accounts receivable had been sold to the special purpose entities for which the Company had received net cash proceeds of \$740.7 million and deferred purchase price receivables of \$600.7 million. The portion of the purchase price for the receivables which is not paid by the unaffiliated financial institutions in cash is a deferred purchase price receivable, which is paid to the special purpose entity as payments on the receivables are collected from account debtors. The deferred purchase price receivable represents a beneficial interest in the transferred financial assets and is recognized at fair value as part of the sale transaction. The deferred purchase price receivables are included in other current assets as of March 31, 2016 and 2015, and were carried at the expected recovery amount of the related receivables. The difference between the carrying amount of the receivables sold under these programs and the sum of the cash and fair value of the deferred purchase price receivables received at time of transfer is recognized as a loss on sale of the related receivables and recorded in interest and other, net in the consolidated statements of operations; such amounts were \$9.2 million for the fiscal year ended March 31, 2016, and \$7.1 million for both fiscal years ended March 31, 2015 and 2014.

For the fiscal years ended March 31, 2016, 2015 and 2014, cash flows from sales of receivables under the ABS Programs consisted of approximately \$5.2 billion, \$4.3 billion and \$4.2 billion, respectively, for transfers of receivables (of which approximately \$0.4 billion, \$0.3 billion and \$0.4 billion, respectively, represented new transfers and the remainder proceeds from collections reinvested in revolving period transfers).

The following table summarizes the activity in the deferred purchase price receivables account during the fiscal years ended March 31, 2016 and 2015:

	As of March 31,	
	2016	2015
	(In thousands)	
Beginning balance	\$ 600,672	\$ 470,908
Transfers of receivables	3,475,400	3,599,768
Collections	<u>(3,574,975)</u>	<u>(3,470,004)</u>
Ending balance	<u>\$ 501,097</u>	<u>\$ 600,672</u>

Trade Accounts Receivable Sale Programs

The Company also sold accounts receivables to certain third-party banking institutions. The outstanding balance of receivables sold and not yet collected was approximately \$339.4 million and \$485.6 million as of

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. TRADE RECEIVABLES SECURITIZATION (Continued)

March 31, 2016 and 2015, respectively. For the years ended March 31, 2016, 2015 and 2014, total accounts receivables sold to certain third party banking institutions was approximately \$2.3 billion, \$4.2 billion and \$3.4 billion, respectively. The receivables that were sold were removed from the consolidated balance sheets and were reflected as cash provided by operating activities in the consolidated statements of cash flows.

11. FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability. The accounting guidance for fair value establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

Level 1—Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

The Company has deferred compensation plans for its officers and certain other employees. Amounts deferred under the plans are invested in hypothetical investments selected by the participant or the participant's investment manager. The Company's deferred compensation plan assets are included in other noncurrent assets on the consolidated balance sheets and include investments in equity securities that are valued using active market prices.

Level 2—Applies to assets or liabilities for which there are inputs other than quoted prices included within level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets) such as cash and cash equivalents and money market funds; or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

The Company values foreign exchange forward contracts using level 2 observable inputs which primarily consist of an income approach based on the present value of the forward rate less the contract rate multiplied by the notional amount.

The Company's cash equivalents are comprised of bank deposits and money market funds, which are valued using level 2 inputs, such as interest rates and maturity periods. Due to their short-term nature, their carrying amount approximates fair value.

The Company's deferred compensation plan assets also include money market funds, mutual funds, corporate and government bonds and certain convertible securities that are valued using prices obtained from various pricing sources. These sources price these investments using certain market indices and the performance of these investments in relation to these indices. As a result, the Company has classified these investments as level 2 in the fair value hierarchy.

Level 3—Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company has accrued for contingent consideration in connection with its business acquisitions as applicable, which is measured at fair value based on certain internal models and unobservable inputs.

The Company accrued \$84.3 million of contingent consideration, of which \$81.0 million related to the acquisition of NEXTracker on the date of acquisition. Additionally, an incremental fair value adjustment of \$3.7 million also related to NEXTracker, was recorded in the consolidated statement of operations during fiscal year 2016. The Company reduced the accrual by \$19.0 million for a contractual release from the obligation executed subsequent to the acquisition. The fair value of the liability was estimated using a simulation-based measurement technique with significant inputs that are not observable in the market and thus represents a level 3 fair value measurement. The significant inputs in the fair value measurement not supported by market activity included the Company's probability assessments of expected future revenue during the earn-out period and associated volatility, appropriately discounted considering the uncertainties associated with the obligation, and calculated in accordance with the terms of the Merger Agreement. Significant decreases in expected revenue during the earn-out period, or significant increases in the discount rate or volatility in isolation would result in lower fair value estimates. The interrelationship between these inputs is not considered significant.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES (Continued)

During fiscal year 2015, the Company paid \$11.3 million of contingent consideration related to the acquisition of Saturn Electronics and Engineering Inc. The following table summarizes the activities related to contingent consideration:

	As of March 31,	
	2016	2015
(In thousands)		
Beginning balance	\$ 4,500	\$ 11,300
Additions to accrual	84,261	4,500
Payments and settlements	(19,008)	(11,300)
Fair value adjustments	3,670	—
Ending balance	<u>\$ 73,423</u>	<u>\$ 4,500</u>

The Company values deferred purchase price receivables relating to its Asset-Backed Securitization Program based on a discounted cash flow analysis using unobservable inputs (i.e. level 3 inputs), which are primarily risk free interest rates adjusted for the credit quality of the underlying creditor. Due to its high credit quality and short term maturity, their fair value approximates carrying value. Significant increases in either of the significant unobservable inputs (credit spread or risk free interest rate) in isolation would result in lower fair value estimates, however the impact is insignificant. The interrelationship between these inputs is also insignificant. Refer to note 10 for a reconciliation of the change in the deferred purchase price receivable.

There were no transfers between levels in the fair value hierarchy during fiscal years 2016 and 2015.

Financial Instruments Measured at Fair Value on a Recurring Basis

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2016 and 2015:

	Fair Value Measurements as of March 31, 2016			
	Level 1	Level 2	Level 3	Total
(In thousands)				
Assets:				
Money market funds and time deposits (Note 2)	\$ —	\$1,074,132	\$ —	\$1,074,132
Deferred purchase price receivable (Note 10)	—	—	501,097	501,097
Foreign exchange forward contracts (Note 8)	—	22,648	—	22,648
Deferred compensation plan assets:				
Mutual funds, money market accounts and equity securities	9,228	40,556	—	49,784
Liabilities:				
Foreign exchange forward contracts (Note 8)	\$ —	\$(21,091)	\$ —	\$ (21,091)
Contingent consideration in connection with acquisitions	—	—	(73,423)	(73,423)

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES (Continued)

	Fair Value Measurements as of March 31, 2015			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Money market funds and time deposits (Note 2)	\$ —	\$674,859	\$ —	\$674,859
Deferred purchase price receivable (Note 10)	—	—	600,672	600,672
Foreign exchange forward contracts (Note 8)	—	25,829	—	25,829
Deferred compensation plan assets:				
Mutual funds, money market accounts and equity securities . .	9,068	37,041	—	46,109
Liabilities:				
Foreign exchange forward contracts (Note 8)	\$ —	\$ (31,057)	\$ —	\$ (31,057)
Contingent consideration in connection with acquisitions	—	—	(4,500)	(4,500)

Assets Measured at Fair Value on a Nonrecurring Basis

The Company has certain long-lived assets that are measured at fair value on a nonrecurring basis, and are as follows:

	Fair Value Measurements as of March 31, 2016			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Assets held for sale	\$—	\$5,576	\$—	\$5,576

Assets held for sale

Assets held for sale are recorded at the lesser of the carrying value or fair value, which is based on comparable sales from prevailing market data (level 2 inputs). During fiscal year 2016, the Company transferred \$5.6 million of assets to assets held for sale, relating to a building and land which has been identified to be sold.

Disposals of assets held for sale totaled \$0.3 million and \$41.5 million during fiscal year 2016 and 2015, respectively, which resulted in an immaterial loss in fiscal year 2016, and a gain of \$12.1 million in fiscal year 2015 that was included as a component of cost of sales in the consolidated statement of operations. No impairment charges were recorded for assets held for sale during fiscal years 2016 and 2015. Assets held for sale as of the fiscal years 2016 and 2015 were not significant.

There were no material fair value adjustments or other transfers between levels in the fair value hierarchy for these long-lived assets during the fiscal years 2016 and 2015.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES (Continued)

Other financial instruments

The following table presents the Company's liabilities not carried at fair value as at March 31, 2016 and 2015:

	As of March 31, 2016		As of March 31, 2015		Fair Value Hierarchy
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
	(In thousands)		(In thousands)		
Term Loan, including current portion, due in installments through August 2018	\$ 577,500	\$ 573,533	\$ 592,500	\$ 582,131	Level 1
Term Loan, including current portion, due in installments through March 2019	547,500	542,709	475,000	465,500	Level 1
4.625% Notes due February 2020	500,000	524,735	500,000	523,750	Level 1
5.000% Notes due February 2023	500,000	507,500	500,000	543,150	Level 1
4.750% Notes due June 2025	595,589	604,926	—	—	Level 1
Total	<u>\$2,720,589</u>	<u>\$2,753,403</u>	<u>\$2,067,500</u>	<u>\$2,114,531</u>	

The term loans and Notes due February 2020, February 2023 and June 2025 are valued based on broker trading prices in active markets.

The Company values its €50 million (approximately \$56.6 million as of March 31, 2016), 5-year, unsecured, term-loan due September 30, 2020 based on the current market rate, and as of March 31, 2016, the carrying amount approximates fair value.

12. COMMITMENTS AND CONTINGENCIES

Commitments

Capital lease obligations of \$25.0 million and \$5.3 million, consisting of short-term obligations of \$6.6 million and \$2.8 million and long term obligations of \$18.4 million and \$2.5 million are included in current and non-current liabilities on the Company's balance sheets as of March 31, 2016 and 2015, respectively.

As of March 31, 2016 and 2015, the gross carrying amount and associated accumulated depreciation of the Company's property and equipment financed under capital leases, and the related obligations was not material. The Company also leases certain of its facilities and equipment under non-cancelable operating leases. These operating leases expire in various years through 2035 and require the following minimum lease payments:

Fiscal Year Ending March 31,	Operating Lease (In thousands)
2017	\$125,021
2018	106,287
2019	84,916
2020	69,194
2021	47,780
Thereafter	<u>146,003</u>
Total minimum lease payments	<u>\$579,201</u>

Total rent expense amounted to \$124.2 million, \$133.1 million and \$150.1 million in fiscal years 2016, 2015 and 2014, respectively.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. COMMITMENTS AND CONTINGENCIES (Continued)

Litigation and other legal matters

During the fourth quarter of fiscal 2014, one of the Company's Brazilian subsidiaries received an assessment for certain sales and import taxes. The tax assessment notice is for nine months of calendar year 2010 for an alleged amount of 50 million Brazilian reals (approximately \$13.8 million based on the exchange rate as of March 31, 2016) plus interest. This assessment is in the second stage of the review process at the administrative level, and the Company plans to continue to vigorously oppose it as well as any future assessments. The Company is, however, unable to determine the likelihood of an unfavorable outcome of these assessments against our Brazilian subsidiary. While we believe there is no legal basis for the alleged liabilities, due to the complexities and uncertainty surrounding the administrative-review and judicial processes in Brazil and the nature of the claims, it is unable to reasonably estimate a range of loss for this assessment or any future assessments that are reasonably possible. The Company does not expect final judicial determination on these claims for several years.

During fiscal year 2015, one of the Company's non-operating Brazilian subsidiaries received an assessment of approximately \$100 million related to income and social contribution taxes, interest and penalties. The Company believes there is no legal basis for the assessment and expects that any losses are remote. The Company plans to vigorously defend itself through the administrative and judicial processes.

In addition, from time to time, the Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Company defends itself vigorously against any such claims. Although the outcome of these matters is currently not determinable, management expects that any losses that are probable or reasonably possible of being incurred as a result of these matters, which are in excess of amounts already accrued in the Company's consolidated balance sheets, would not be material to the financial statements as a whole.

13. INCOME TAXES

The domestic (Singapore) and foreign components of income before income taxes were comprised of the following:

	Fiscal Year Ended March 31,		
	2016	2015	2014
		(In thousands)	
Domestic	\$199,283	\$ 67,482	\$314,639
Foreign	255,392	603,173	85,815
Total	<u>\$454,675</u>	<u>\$670,655</u>	<u>\$400,454</u>

The provision for income taxes consisted of the following:

	Fiscal Year Ended March 31,		
	2016	2015	2014
		(In thousands)	
Current:			
Domestic	\$ 56	\$ 87	\$ (681)
Foreign	74,706	129,863	73,992
	74,762	129,950	73,311
Deferred:			
Domestic	3,779	(4,734)	9
Foreign	(67,947)	(55,362)	(38,460)
	<u>(64,168)</u>	<u>(60,096)</u>	<u>(38,451)</u>
Provision for income taxes	<u>\$ 10,594</u>	<u>\$ 69,854</u>	<u>\$ 34,860</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. INCOME TAXES (Continued)

The domestic statutory income tax rate was approximately 17.0% in fiscal years 2016, 2015 and 2014. The reconciliation of the income tax expense expected based on domestic statutory income tax rates to the expense for income taxes included in the consolidated statements of operations is as follows:

	Fiscal Year Ended March 31,		
	2016	2015	2014
		(In thousands)	
Income taxes based on domestic statutory rates	\$ 77,295	\$114,011	\$ 68,077
Effect of tax rate differential	(73,286)	(80,842)	(68,654)
Intangible amortization	11,214	5,143	4,750
Change in liability for uncertain tax positions	(13,724)	29,729	(2,178)
Change in valuation allowance	1,049	2,495	26,838
Other	8,046	(682)	6,027
Provision for income taxes	<u>\$ 10,594</u>	<u>\$ 69,854</u>	<u>\$ 34,860</u>

A number of countries in which the Company is located allow for tax holidays or provide other tax incentives to attract and retain business. In general, these holidays were secured based on the nature, size and location of the Company's operations. The aggregate dollar effect on the Company's income resulting from tax holidays and tax incentives to attract and retain business for the fiscal years ended March 31, 2016, 2015 and 2014 was \$6.6 million, \$9.8 million and \$15.2 million, respectively. For fiscal year ended March 31, 2016, the effect on basic and diluted earnings per share was \$0.01 and \$0.01, respectively, and the effect on basic and diluted earnings per share during fiscal years 2015 and 2014, were \$0.02 and \$0.02 and \$0.02 and \$0.02, respectively. Unless extended or otherwise renegotiated, the Company's existing holidays will expire in the fiscal year ending March 31, 2017 through fiscal year 2022.

For fiscal years ended March 31, 2016, 2015 and 2014, the Company released valuation allowances totaling \$63.3 million, \$55.0 million and \$37.4 million, respectively. These valuation allowance releases were primarily related to our operations that were deemed to be more likely than not to realize the respective deferred tax assets due to the increased profitability during the prior three fiscal years as well as continued forecasted profitability of that subsidiary. During fiscal year ended March 31, 2016, \$43.0 million of the valuation allowance release was related to the recording of deferred tax liabilities in the US related to intangibles acquired during fiscal year 2016. However, these valuation allowance eliminations were offset by other current period valuation allowance movements primarily related to current period valuation allowance additions due to increased deferred tax assets related to current period losses in legal entities with existing full valuation allowance positions, and to a lesser extent, current period changes in valuation allowance positions due to increased negative evidence during the period in legal entities which did not previously have valuation allowance recorded. For fiscal years ended March 31, 2016, 2015 and 2014, the offsetting amounts totaled \$64.3 million, \$57.5 million and \$64.2 million, respectively.

Under its territorial tax system, Singapore generally does not tax foreign sourced income until repatriated to Singapore. The Company has included the effects of Singapore's territorial tax system in the rate differential line above. The tax effect of foreign income not repatriated to Singapore for the fiscal years 2016, 2015 and 2014 were \$36.6 million, \$0.0 million and \$51.5 million, respectively.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. INCOME TAXES (Continued)

The components of deferred income taxes are as follows:

	As of March 31,	
	2016	2015
	(In thousands)	
Deferred tax liabilities:		
Fixed assets	\$ (74,316)	\$ (73,327)
Intangible assets	(88,760)	—
Others	(29,472)	(44,603)
Total deferred tax liabilities	<u>(192,548)</u>	<u>(117,930)</u>
Deferred tax assets:		
Fixed assets	65,004	80,370
Intangible assets	3,795	28,954
Deferred compensation	15,892	13,618
Inventory valuation	10,124	11,864
Provision for doubtful accounts	1,300	3,149
Net operating loss and other carryforwards	2,332,894	2,394,456
Others	271,272	264,781
	<u>2,700,281</u>	<u>2,797,192</u>
Valuation allowances	<u>(2,385,489)</u>	<u>(2,521,763)</u>
Net deferred tax assets	<u>314,792</u>	<u>275,429</u>
Net deferred tax asset	<u>\$ 122,244</u>	<u>\$ 157,499</u>
The net deferred tax asset is classified as follows:		
Current asset (classified as other current assets)	\$ —	\$ 63,910
Long-term asset	222,772	211,519
Long-term liability	(100,528)	(117,930)
Total	<u>\$ 122,244</u>	<u>\$ 157,499</u>

Utilization of the Company's deferred tax assets is limited by the future earnings of the Company in the tax jurisdictions in which such deferred assets arose. As a result, management is uncertain as to when or whether these operations will generate sufficient profit to realize any benefit from the deferred tax assets. The valuation allowance provides a reserve against deferred tax assets that are not more likely than not to be realized by the Company. However, management has determined that it is more likely than not that the Company will realize certain of these benefits and, accordingly, has recognized a deferred tax asset from these benefits. The change in valuation allowance is net of certain increases and decreases to prior year losses and other carryforwards that have no current impact on the tax provision. Approximately \$34.0 million of the valuation allowance relates to income tax benefits arising from the exercise of stock options, which if realized will be credited directly to shareholders' equity and will not be available to benefit the income tax provision in any future period.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. INCOME TAXES (Continued)

The Company has recorded deferred tax assets of approximately \$2.4 billion related to tax losses and other carryforwards against which the Company has recorded a valuation allowance for all but \$79.3 million of the deferred tax assets. These tax losses and other carryforwards will expire at various dates as follows:

	Expiration dates of deferred tax assets related to operating losses and other carryforwards
	(In thousands)
2017 - 2022	\$ 558,108
2023 - 2028	742,981
2029 and post	622,339
Indefinite	436,092
	\$2,359,520

The amount of deferred tax assets considered realizable, however, could be reduced or increased in the near-term if facts, including the amount of taxable income or the mix of taxable income between subsidiaries, differ from management's estimates.

The Company does not provide for income taxes on approximately \$916.0 million of undistributed earnings of its subsidiaries which are considered to be indefinitely reinvested outside of Singapore as management has plans for the use of such earnings to fund certain activities outside of Singapore. Determination of the amount of the unrecognized deferred tax liability on these undistributed earnings is not practicable. During the fiscal year 2015, we changed our intent with regard to the indefinite reinvestment of foreign earnings from certain of our Chinese subsidiaries which are scheduled to be de-registered or liquidated in the near future. As a result, as of March 31, 2016, we have provided for applicable foreign withholding taxes on \$106.7 million of undistributed foreign earnings, and recorded a deferred tax liability of approximately \$11.2 million.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Fiscal Year Ended March 31,	
	2016	2015
	(In thousands)	
Balance, beginning of fiscal year	\$222,373	\$243,864
Additions based on tax position related to the current year	21,273	27,048
Additions for tax positions of prior years	20,453	24,354
Reductions for tax positions of prior years	(9,578)	(16,388)
Reductions related to lapse of applicable statute of limitations	(22,312)	(11,891)
Settlements	(12,797)	(24,049)
Impact from foreign exchange rates fluctuation	(7,086)	(20,565)
Balance, end of fiscal year	\$212,326	\$222,373

The Company's unrecognized tax benefits are subject to change over the next twelve months primarily as a result of the expiration of certain statutes of limitations and as audits are settled. The Company believes it is reasonably possible that the total amount of unrecognized tax benefits could decrease by an estimated range of an additional \$13.0 million to \$41.0 million within the next twelve months primarily due to potential settlements of various audits and the expiration of certain statutes of limitations.

The Company and its subsidiaries file federal, state, and local income tax returns in multiple jurisdictions around world. With few exceptions, the Company is no longer subject to income tax examinations by tax authorities for years before 2006.

Of the \$212.3 million of unrecognized tax benefits at March 31, 2016, \$185.7 million will affect the annual effective tax rate ("ETR") if the benefits are eventually recognized. The amount that doesn't impact the ETR relates to positions that would be settled with a tax loss carryforward previously subject to a valuation allowance.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. INCOME TAXES (Continued)

The Company recognizes interest and penalties accrued related to unrecognized tax benefits within the Company's tax expense. During the fiscal years ended March 31, 2016, 2015 and 2014, the Company recognized interest and penalties of approximately (\$2.4) million and \$2.5 million and \$8.4 million, respectively. The Company had approximately \$14.6 million, \$17.0 million and \$15.6 million accrued for the payment of interest and penalties as of the fiscal years ended March 31, 2016, 2015 and 2014, respectively.

14. RESTRUCTURING CHARGES

The Company initiated certain restructuring activities during fiscal year 2014 intended to improve its operational efficiencies by reducing excess workforce and capacity and realign the corporate cost structure. There were no material restructuring activities during fiscal years 2016 and 2015. Restructuring charges are recorded based upon employee termination dates, site closure and consolidation plans generally in conjunction with an overall corporate initiative to drive cost reduction and realign the Company's global footprint.

Fiscal Year 2014

During the fiscal year ended March 31, 2014, the Company recognized restructuring charges of approximately \$75.3 million. The costs associated with these restructuring activities include employee severance, other personnel costs, non-cash impairment charges on equipment no longer in use and to be disposed of, and other exit related costs due to facility closures or rationalizations. Pre-tax restructuring charges comprised \$73.4 million of cash charges predominantly related to employee severance and \$1.9 million of non-cash charges related to impairment of long-lived assets. Employee severance costs were associated with the terminations of 6,758 identified employees. The identified employee terminations by reportable geographic region amounted to approximately 5,073, 1,482 and 203 for Asia, the Americas and Europe, respectively.

The components of the restructuring charges by geographic region incurred in fiscal year 2014 are as follows:

	First Quarter	Fourth Quarter	Total
	(In thousands)		
Americas:			
Severance	\$11,331	\$11,290	\$22,621
Other exit costs	2,248	—	2,248
Total restructuring charges	13,579	11,290	24,869
Asia:			
Severance	16,205	13,214	29,419
Long-lived asset impairment	1,900	—	1,900
Other exit costs	3,157	—	3,157
Total restructuring charges	21,262	13,214	34,476
Europe:			
Severance	4,631	10,047	14,678
Other exit costs	1,288	—	1,288
Total restructuring charges	5,919	10,047	15,966
Total			
Severance	32,167	34,551	66,718
Long-lived asset impairment	1,900	—	1,900
Other exit costs	6,693	—	6,693
Total restructuring charges	\$40,760	\$34,551	\$75,311

During the fiscal year ended March 31, 2014, the Company recognized approximately \$66.7 million of severance costs related to employee terminations of which approximately \$50.2 million was recognized in cost of sales.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. RESTRUCTURING CHARGES (Continued)

During the fiscal year ended March 31, 2014, the Company recognized approximately \$1.9 million for the write-down of property and equipment, and was classified as a component of cost of sales. The property and equipment were sold as of March 31, 2014.

During the fiscal year ended March 31, 2014, the Company recognized approximately \$6.7 million of other exit costs, which primarily were comprised of \$3.8 million related to personnel costs and \$2.9 million of contractual obligations that resulted from facility closures. The majority of these costs were classified as a component of cost of sales.

The following table summarizes the provisions, respective payments, and remaining accrued balance as of March 31, 2016 for charges incurred in fiscal years 2016, 2015 and 2014 and prior periods:

	Severance	Long-Lived Asset Impairment	Other Exit Costs	Total
	(In thousands)			
Balance as of March 31, 2013	\$ 83,689	\$ —	\$ 14,211	\$ 97,900
Provision for charges incurred in fiscal year 2014	66,718	1,900	6,693	75,311
Cash payments for charges incurred in fiscal year 2014	(40,273)	—	(4,296)	(44,569)
Cash payments for charges incurred in fiscal year 2013	(71,470)	—	(8,755)	(80,225)
Cash payments for charges incurred in fiscal year 2010 and prior	(2,171)	—	(1,950)	(4,121)
Non-cash charges incurred in fiscal year 2014	—	(1,900)	—	(1,900)
Balance as of March 31, 2014	36,493	—	5,903	42,396
Cash payments for charges incurred in fiscal year 2014	(18,558)	—	(2,212)	(20,770)
Cash payments for charges incurred in fiscal year 2013	(4,560)	—	(1,685)	(6,245)
Cash payments for charges incurred in fiscal year 2010 and prior	(12)	—	(312)	(324)
Balance as of March 31, 2015	13,363	—	1,694	15,057
Cash payments for charges incurred in fiscal year 2014	(290)	—	—	(290)
Cash payments for charges incurred in fiscal year 2013	(1,168)	—	(185)	(1,353)
Cash payments for charges incurred in fiscal year 2010 and prior	—	—	(174)	(174)
Balance as of March 31, 2016	11,905	—	1,335	13,240
Less: Current portion (classified as other current liabilities)	2,212	—	248	2,460
Accrued restructuring costs, net of current portion (classified as other liabilities)	<u>\$ 9,693</u>	<u>\$ —</u>	<u>\$ 1,087</u>	<u>\$ 10,780</u>

15. OTHER CHARGES (INCOME), NET

During fiscal year 2016, the Company incurred net losses of \$47.7 million primarily due to \$26.8 million loss on disposition of a non-strategic Western European manufacturing facility which included a non-cash foreign currency translation loss of \$25.3 million, and \$21.8 million from the impairment of a non-core investment. These were offset by currency translation gains of \$4.2 million.

During fiscal year 2015, an amendment to a customer contract to reimburse a customer for certain performance provisions was executed which included the removal of a \$55.0 million contractual obligation recognized during fiscal year 2014. Accordingly, the Company reversed this charge with a corresponding credit to other charges (income), net in the consolidated statement of operations. Additionally, during fiscal year 2015, the Company recognized a loss of \$11.0 million in connection with the disposition of a manufacturing facility in Western Europe. The Company received \$11.5 million in cash for the sale of \$27.2 million in net assets of the facility. The loss also includes \$4.6 million of estimated transaction costs, partially offset by a gain of \$9.3 million for the release of cumulative foreign currency translation gains triggered by the disposition.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. OTHER CHARGES (INCOME), NET (Continued)

During fiscal year 2014, the Company recognized \$55.0 million of other charges for the contractual obligation to reimburse a customer for certain performance provisions as described above. Additionally, the Company exercised warrants to purchase common shares of a certain supplier and sold the underlying shares for total proceeds of \$67.3 million resulting in a loss of \$7.1 million. Further, the Company recognized a gain of \$4.6 million on the sale of certain investments.

16. INTEREST AND OTHER, NET

For the fiscal years ended March 31, 2016, 2015 and 2014, the Company recognized interest income of \$12.3 million, \$18.7 million and \$17.6 million.

For the fiscal years ended March 31, 2016, 2015 and 2014, the Company recognized interest expense of \$98.0 million, \$76.4 million and \$79.9 million, respectively, on its debt obligations outstanding during the period.

For the fiscal years ended March 31, 2016, 2015 and 2014, the Company recognized gains on foreign exchange transactions of \$24.4 million, \$19.7 million and \$11.8 million, respectively.

For the fiscal years ended March 31, 2016, 2015 and 2014, the Company recognized \$11.0 million, \$9.9 million and \$9.5 million of expense related to its ABS and AR Sales Programs.

For the fiscal years ended March 31, 2016, the Company incurred \$8.0 million of acquisition-related costs.

17. BUSINESS AND ASSET ACQUISITIONS

Business Acquisitions

The business and asset acquisitions described below were accounted for using the purchase method of accounting, and accordingly, the fair value of the net assets acquired and the results of the acquired businesses were included in the Company's consolidated financial statements from the acquisition dates forward. The Company has not finalized the allocation of the consideration for certain of its recently completed acquisitions and completes these allocations in less than one year of the respective acquisition dates.

Fiscal year 2016 business acquisitions

Acquisition of Mirror Controls International

On June 29, 2015, the Company completed its acquisition of 100% of the outstanding share capital of MCI, and paid approximately \$555.2 million, net of \$27.7 million of cash acquired. This acquisition expanded the Company's capabilities in the automotive market, and was included in the HRS segment. The allocation of the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed was based on their estimated fair values as of the date of acquisition. The excess of the purchase price over the tangible and identifiable intangible assets acquired and liabilities assumed has been allocated to goodwill.

The following represents the Company's allocation of the total purchase price to the acquired assets and liabilities of MCI (in thousands):

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. BUSINESS AND ASSET ACQUISITIONS (Continued)

Current assets:	
Accounts receivable	\$ 41,559
Inventories	19,897
Other current assets	2,856
Total current assets	64,312
Property and equipment, net	38,832
Other assets	2,463
Intangibles	236,800
Goodwill	323,357
Total assets	<u>\$665,764</u>
Current liabilities:	
Accounts payable	\$ 28,002
Accrued liabilities & other current liabilities	21,113
Total current liabilities	49,115
Other liabilities	61,492
Total aggregate purchase price	<u>\$555,157</u>

The intangible assets of \$236.8 million is comprised of customer relationships of \$75.5 million and licenses and other intangible assets of \$161.3 million. Customer relationships and licenses and other intangibles are each amortized over a weighted-average estimated useful life of 10 years. In addition to net working capital, the Company acquired \$38.8 million of machinery and equipment and assumed \$61.5 million of other liabilities primarily comprised of deferred tax liabilities. The Company incurred \$6.6 million in acquisition-related costs related to the acquisition of MCi during fiscal year 2016.

Acquisition of a facility from Alcatel-Lucent

On July 1, 2015, the Company acquired an optical transport facility from Alcatel-Lucent for approximately \$67.5 million, which expanded its capabilities in the telecom market and was included in the CEC segment. The Company acquired primarily \$55.1 million of inventory, \$10.0 million of property and equipment primarily comprised of a building and land, and recorded goodwill and intangible assets for a customer relationship of \$3.6 million and \$2.1 million, respectively, and assumed \$3.3 million in other net liabilities in connection with this acquisition. The customer relationship intangible will amortize over a weighted-average estimated useful life of 5 years.

Acquisition of Nextracker

On September 28, 2015, the Company acquired 100% of the outstanding share capital of NEXTracker, a provider of smart solar tracking solutions. The initial cash consideration was approximately \$240.8 million, net of \$13.2 million of cash acquired, with an additional \$81.0 million of estimated potential contingent consideration, for a total purchase consideration of \$321.8 million. At the date of the acquisition, the maximum possible consideration under the agreement was \$97.2 million upon achievement of future revenue performance targets. Subsequent to the acquisition date, the Company adjusted its estimate of the contingent consideration by \$3.7 million, as described further in note 11, which was recorded as an expense in the consolidated statement of operations. The Company also acquired NEXTracker's equity incentive plan. The financial results of NEXTracker were included in the IEI segment. The allocation of the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed was based on their estimated fair values as of the date of acquisition. The excess of the purchase price over the tangible and identifiable intangible assets acquired and liabilities assumed has been allocated to goodwill.

The following represents the Company's preliminary allocation of the total purchase price to the acquired assets and liabilities of NEXTracker (in thousands):

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. BUSINESS AND ASSET ACQUISITIONS (Continued)

Current assets:	
Accounts receivable	\$ 60,298
Inventories	3,235
Other current assets	19,272
Total current assets	82,805
Property and equipment, net	1,382
Other assets	70
Intangibles	108,700
Goodwill	255,601
Total assets	<u>\$448,558</u>
Current liabilities:	
Accounts payable	\$ 17,226
Other current liabilities	63,870
Total current liabilities	81,096
Other liabilities	45,712
Total aggregate purchase price	<u>\$321,750</u>

The intangible assets of \$108.7 million is comprised of customer-related intangibles of \$47.3 million and licenses and other intangible assets of \$61.4 million. Customer-related intangibles are amortized over a weighted-average estimated useful life of 4 years while licenses and other intangibles are amortized over a weighted-average estimated useful life of 6 years.

Other business acquisitions

Additionally, during fiscal year 2016, the Company completed eight acquisitions that were not individually, nor in the aggregate, significant to the consolidated financial position, results of operations and cash flows of the Company. Four of the acquired businesses expanded the Company's capabilities in the medical devices market, particularly precision plastics and molding within the HRS segment, two of them strengthened capabilities in the consumer electronics market within the CTG segment, one strengthened the capabilities in the communications market within the CEC segment, and the last one strengthened capabilities in the household industrial and lifestyle market within the IEI segment. The Company paid \$53.3 million, net of \$3.7 million of cash held by the targets. The Company acquired \$14.4 million of property and equipment, assumed liabilities of \$17.7 million and recorded goodwill and intangibles of \$57.4 million. These intangibles will amortize over a weighted-average estimated useful life of 4 years.

The results of operations for all of the acquisitions completed in fiscal year 2016 were included in the Company's consolidated financial results beginning on the date of each acquisition. The total amount of net income for all of the acquisitions completed in fiscal year 2016, collectively, was \$41.4 million. The total amount of revenue of these acquisitions, collectively, was not material to the Company's consolidated financial results for the fiscal year 2016.

On a pro-forma basis, and assuming the acquisitions occurred on the first day of the prior comparative period, or April 1, 2014, net income would have been estimated to be \$410.1 million, and \$586.4 million for fiscal years 2016 and 2015, respectively. The estimated pro-forma net income for all periods presented does not include the \$43.0 million tax benefit for the release of the valuation allowance on deferred tax assets relating to the NEXTracker acquisition, recognized in fiscal year 2016 as discussed further in note 13, to promote comparability. Pro-forma revenue for the acquisitions in fiscal year 2016 and 2015 have not been presented because the effect, collectively, was not material to the Company's consolidated revenues for all periods presented.

Fiscal year 2015 business acquisitions

During the fiscal year 2015, the Company completed four acquisitions that were not individually, nor in the aggregate, significant to the consolidated financial position, results of operations and cash flows of the Company. All

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. BUSINESS AND ASSET ACQUISITIONS (Continued)

of the acquired businesses expanded the Company's capabilities in the medical devices market, particularly precision plastics, within the HRS segment. The Company paid \$52.7 million net of \$5.9 million of cash held by the acquired businesses, and recorded an accrual of \$4.5 million for contingent consideration relating to one of the acquisitions. The Company primarily acquired \$29.4 million of current assets, \$9.0 million of property and equipment, recorded goodwill of \$35.8 million and intangibles of \$16.1 million, and assumed certain liabilities relating to payables and debt in connection with these acquisitions. The results of operations were included in the Company's consolidated financial results beginning on the date of these acquisitions. Pro-forma results of operations for these acquisitions have not been presented because the effects of the acquisitions were immaterial to the Company's consolidated financial results for all periods presented. The Company also paid \$7.5 million as a deposit to acquire a certain business that closed in fiscal year 2016 and that strengthened capabilities in the household industrial market within the IEI segment. This deposit was included in other assets during fiscal year 2015.

Fiscal year 2014 business acquisitions

Acquisition of Motorola Mobility LLC from Google

On April 16, 2013, the Company completed the acquisition of certain manufacturing operations from Google's Motorola Mobility LLC. The Company also entered into a manufacturing and services agreement with Motorola Mobility for mobile devices in conjunction with this acquisition. This acquisition expanded the Company's relationship with Google's Motorola Mobility and the Company's capabilities in the mobile devices market, within the CTG segment.

The cash consideration for this acquisition amounted to \$178.9 million. The allocation of the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed was based on their estimated fair values as of the date of acquisition. The excess of the purchase price over the tangible and identifiable intangible assets acquired and liabilities assumed has been allocated to goodwill.

The following represents the Company's allocation of the total purchase price to the acquired assets and liabilities assumed of Google's Motorola Mobility LLC (in thousands):

Current assets:	
Inventories	\$ 97,740
Other current assets	24,280
Total current assets	122,020
Property and equipment	45,198
Goodwill	2,844
Other intangible assets (useful life—6 years)	2,948
Other assets	7,414
Total assets	<u>\$180,424</u>
Current liabilities:	
Other current liabilities	\$ 317
Total current liabilities	317
Other liabilities	1,202
Total aggregate purchase price	<u>\$178,905</u>

Acquisition of Riwisa AG

On November 4, 2013, the Company acquired all of the outstanding shares of Riwisa AG, a company registered in Switzerland for total cash consideration of \$44.0 million, net of cash acquired of \$9.4 million. This acquisition expanded the Company's capabilities in the medical devices market, particularly precision plastics within the HRS segment. The Company primarily acquired inventory, property and equipment and assumed certain liabilities relating to payables and debt. The results of operations were included in the Company's consolidated financial results beginning on the date of acquisition. Proforma results of operations for this acquisition have not been presented because the effects of the acquisition were not material to the Company's consolidated financial results.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. BUSINESS AND ASSET ACQUISITIONS (Continued)

The initial allocation of the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed was based on their estimated fair values as of the date of acquisition. The excess of the purchase price over the tangible and identifiable intangible assets acquired and liabilities assumed has been allocated to goodwill. During fiscal year 2014 the Company recorded \$22.7 million as intangible assets and \$18.5 million as goodwill based on a preliminary assessment of fair value of assets acquired and liabilities assumed. During fiscal year 2015, the Company further adjusted the purchase allocation for the acquisition resulting in a \$2.6 million increase in the total cash consideration from \$44.0 million to \$46.6 million, and an \$8.7 million fair value adjustment for assets acquired, increasing total goodwill to \$27.2 million. Intangible assets are comprised of customer-relationships of \$15.8 million amortized over a period of 10 years and developed technology and trade names of \$6.9 million amortized over a period of 7 years.

Other business acquisitions

Further, during fiscal year 2014, the Company completed two other acquisitions for total cash consideration of \$15.1 million. Neither of these acquisitions were significant to the Company's consolidated financial position, results of operations and cash flows. These businesses expanded the Company's capabilities primarily in manufacturing operations for precision plastics, components and molds. The Company acquired primarily property and equipment and inventory and recorded goodwill amounting to \$5.0 million in connection with these acquisitions. The results of operations were included in the Company's consolidated financial results beginning on the dates of these acquisitions. Proforma results of operations for these acquisitions have not been presented because the effects of the acquisitions were immaterial to the Company's consolidated financial results. Additionally, transaction costs related to all acquisitions completed during the periods presented were immaterial to the Company's financial results.

The Company continues to evaluate certain assets and liabilities related to business combinations completed during recent periods. Additional information, which existed as of the acquisition date, may become known to the Company during the remainder of the measurement period, a period not to exceed 12 months from the acquisition date. Changes to amounts recorded as assets or liabilities, as a result of such additional information, may result in a corresponding adjustment to goodwill.

The goodwill generated from the Company's business combinations completed during the fiscal year ended March 31, 2014 is primarily related to value placed on the employee workforce, service offerings and capabilities, and expected synergies and is not deductible for income tax purposes.

In connection with one businesses acquired during fiscal year 2013, the Company entered into an agreement with an existing customer and a third party banking institution to procure certain manufacturing equipment that was financed by the third party banking institution, acting as an agent of the customer. The manufacturing equipment was used exclusively for the benefit of this customer. The Company cannot be required to pay cash by either the customer or the third party banking institution. During fiscal year 2015, the Company ceased manufacturing of the product related to the financed equipment. As a result, pursuant an agreement with the customer, the Company as an agent on behalf of the customer dispositioned the equipment via sales to third parties and used the proceeds to reduce the obligation to the third party banking institution. Accordingly, the residual value due from the customer related to the equipment financed by the third party banking institution decreased to \$83.6 million from \$169.2 million as of March 31, 2016 and 2015, respectively, and has been included in other current assets. The outstanding balance due to the third party banking institution related to the financed equipment correspondingly decreased to \$122.0 million from \$197.7 million as of March 31, 2016 and 2015, respectively, and has been included in other current liabilities. The cash inflows from the sale of the manufacturing equipment originally purchased on behalf of the customer and financed by the third party banking institution amounting to \$54.3 million and \$79.7 million have been included in other investing cash flows for the fiscal years ended March 31, 2016 and 2015, respectively. The cash outflows relating to the purchase of the manufacturing equipment by the Company on behalf of the customer of \$37.3 million have also been included in other investing cash flows for the fiscal year ended March 31, 2014. The cash outflows to repay the third party banking institution on behalf of the customer upon cessation of manufacturing operations of \$75.8 million and \$88.8 million have been included in cash flows from other financing activities during the fiscal years ended March 31, 2016 and 2015, respectively. Net cash inflows amounting to \$13.5 million relating to the funding of these assets by the financial institution on behalf of the customer have been included in cash flows from other financing activities during the fiscal year ended March 31, 2014.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. SHARE REPURCHASE PLAN

During fiscal year 2016, the Company repurchased approximately 37.3 million shares for an aggregate purchase value of approximately \$412.8 million under two separate repurchase plans as further discussed below.

During the second quarter of fiscal year 2016, the Company repurchased the entire remaining amount under a prior share repurchase plan that was approved by the Company's Board of Directors on August 28, 2014 and the Company's shareholders at the 2014 Extraordinary General Meeting held on August 28, 2014, or approximately 13.2 million shares for an aggregate purchase value of approximately \$154.9 million, and retired all of these shares.

Under the Company's current share repurchase program, the Board of Directors authorized repurchases of its outstanding ordinary shares for up to \$500 million in accordance with the share repurchase mandate approved by the Company's shareholders at the date of the most recent Extraordinary General Meeting held on August 20, 2015. During fiscal year 2016, the Company repurchased approximately 24.1 million shares for an aggregate purchase value of approximately \$257.9 million under this plan, including amounts accrued but not paid, and retired all of these shares. As of March 31, 2016, shares in the aggregate amount of \$242.1 million were available to be repurchased under the current plan.

19. SEGMENT REPORTING

Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker ("CODM"), or a decision making group, in deciding how to allocate resources and in assessing performance. Resource allocation decisions and the Company's performance are assessed by its Chief Executive Officer ("CEO"), with support from his direct staff who oversee certain operations of the business, collectively identified as the CODM or the decision making group.

During the fourth quarter of fiscal year 2015, the Company concluded it has four reportable operating segments: HRS, CTG, IEI, and CEC. The Company assessed that there was no change to its operating segments in fiscal year 2016. These segments represent components of the Company for which separate financial information is available that is utilized on a regular basis by the CODM. These segments are determined based on several factors, including the nature of products and services, the nature of production processes, customer base, delivery channels and similar economic characteristics. Refer to note 1 to the financial statements for a description of the various product categories manufactured under each of these segments.

An operating segment's performance is evaluated based on its pre-tax operating contribution, or segment income. Segment income is defined as net sales less cost of sales, and segment selling, general and administrative expenses, and does not include amortization of intangibles, stock-based compensation, restructuring charges, certain bad debt charges, other charges (income), net and interest and other, net.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. SEGMENT REPORTING (Continued)

Selected financial information by segment is as follows:

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(In thousands)		
Net sales:			
Communications & Enterprise Compute	\$ 8,841,642	\$ 9,191,211	\$ 9,688,023
Consumer Technologies Group	6,997,526	8,940,043	9,357,635
Industrial & Emerging Industries	4,680,718	4,459,351	3,787,838
High Reliability Solutions	3,898,999	3,557,311	3,275,111
	<u>\$24,418,885</u>	<u>\$26,147,916</u>	<u>\$26,108,607</u>
Segment income and reconciliation of income before tax:			
Communications & Enterprise Compute	\$ 265,076	\$ 257,323	\$ 259,329
Consumer Technologies Group	163,677	218,251	125,171
Industrial & Emerging Industries	157,588	131,956	127,085
High Reliability Solutions	294,635	227,595	221,402
Corporate and Other	(89,219)	(83,988)	(68,475)
Total income	<u>791,757</u>	<u>751,137</u>	<u>664,512</u>
Reconciling items:			
Intangible amortization	65,965	32,035	28,892
Stock-based compensation	77,580	50,270	40,439
Restructuring charges(2)	—	—	75,311
Bad debt charge(1)	61,006	—	—
Other charges (income), net	47,738	(53,233)	57,512
Interest and other, net	84,793	51,410	61,904
Income before income taxes	<u>\$ 454,675</u>	<u>\$ 670,655</u>	<u>\$ 400,454</u>

- (1) During fiscal year 2016, the Company incurred a charge of \$61.0 million related to SunEdison which had declared bankruptcy. This charge is included in selling, general and administrative expenses in the consolidated statement of operations but is excluded from the measurement of the Company's operating segment's performance. Refer to note 2 for additional information regarding this charge.
- (2) During the fiscal year ended March 31, 2014, the Company recognized restructuring charges of approximately \$75.3 million. The costs associated with these restructuring activities include employee severance, other personnel costs, non-cash impairment charges on equipment no longer in use and to be disposed of, and other exit related costs due to facility closures or rationalizations. Refer to note 14 for additional information regarding this charge.

Corporate and other primarily includes corporate services costs that are not included in the CODM's assessment of the performance of each of the identified reporting segments.

Property and equipment on a segment basis is not disclosed as it is not separately identified and is not internally reported by segment to the Company's CODM. During fiscal year 2016, 2015 and 2014, depreciation expense included in the segment's measure of operating performance above is as follows:

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. SEGMENT REPORTING (Continued)

	Fiscal Year Ended March 31,		
	2016	2015	2014
	(In thousands)		
Depreciation expense			
Communications & Enterprise Compute	\$117,710	\$130,311	\$131,807
Consumer Technologies Group	123,139	203,808	160,684
Industrial & Emerging Industries	72,415	64,541	55,692
High Reliability Solutions	80,935	62,831	50,296
Corporate and Other	31,530	35,334	26,359
Total depreciation expense	<u>\$425,729</u>	<u>\$496,825</u>	<u>\$424,838</u>

Geographic information is as follows:

	Fiscal Year Ended March 31,					
	2016		2015		2014	
	(In thousands)					
Net sales:						
Asia	\$11,788,992	48%	\$12,953,004	50%	\$13,714,187	53%
Americas	8,347,514	34%	8,897,868	34%	8,189,414	31%
Europe	4,282,379	18%	4,297,044	16%	4,205,006	16%
	<u>\$24,418,885</u>		<u>\$26,147,916</u>		<u>\$26,108,607</u>	

Revenues are attributable to the country in which the product is manufactured or service is provided.

During fiscal years 2016, 2015 and 2014, net sales generated from Singapore, the principal country of domicile, were approximately \$519.1 million, \$553.4 million and \$504.6 million, respectively.

During fiscal year 2016, China, Mexico, and the United States accounted for approximately 35%, 15%, and 11% of consolidated net sales, respectively. No other country accounted for more than 10% of net sales in fiscal year 2016.

During fiscal year 2015, China, Mexico, and the United States accounted for approximately 37%, 13%, and 11% of consolidated net sales, respectively. No other country accounted for more than 10% of net sales in fiscal year 2015.

During fiscal year 2014, China, Mexico, and the United States accounted for approximately 40%, 14% and 11% of consolidated net sales, respectively. No other country accounted for more than 10% of net sales in fiscal year 2014.

	As of March 31,			
	2016		2015	
	(In thousands)			
Property and equipment, net:				
Asia	\$1,013,317	45%	\$ 997,806	48%
Americas	886,305	39%	782,839	37%
Europe	358,011	16%	311,522	15%
	<u>\$2,257,633</u>		<u>\$2,092,167</u>	

As of March 31, 2016 and 2015, property and equipment, net held in Singapore were approximately \$13.4 million and \$19.3 million, respectively.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. SEGMENT REPORTING (Continued)

As of March 31, 2016, China, Mexico and the United States accounted for approximately 35%, 19% and 15%, respectively, of property and equipment, net. No other country accounted for more than 10% of property and equipment, net as of March 31, 2016.

As of March 31, 2015, China, Mexico and the United States accounted for approximately 37%, 17% and 15%, respectively, of consolidated property and equipment, net. No other country accounted for more than 10% of property and equipment, net as of March 31, 2015.

20. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONSOLIDATED FINANCIAL STATEMENTS

Flextronics International Ltd. (“Parent”) has three tranches of Notes of \$500 million, \$500 million and \$600 million, respectively, each outstanding, which mature on February 15, 2020, February 15, 2023 and June 15, 2025, respectively. These notes are senior unsecured obligations, and are guaranteed, fully and unconditionally, jointly and severally, on an unsecured basis, by certain of the Company’s 100% owned subsidiaries (the “guarantor subsidiaries”). These subsidiary guarantees will terminate upon 1) a sale or other disposition of the guarantor or the sale or disposition of all or substantially all the assets of the guarantor (other than to the Parent or a subsidiary); 2) such guarantor ceasing to be a guarantor or a borrower under the Company’s Term Loan Agreement and the Revolving Line of Credit; 3) defeasance or discharge of the Notes, as provided in the Notes indenture; or 4) if at any time the notes are rated investment grade.

In lieu of providing separate financial statements for the guarantor subsidiaries, the Company has included the accompanying condensed consolidating financial statements, which are presented using the equity method of accounting. The principal elimination entries relate to investment in subsidiaries and intercompany balances and transactions, including transactions with the Company’s non-guarantor subsidiaries.

During the year ended March 31, 2016, and in conjunction with the new \$600 million Notes, a new entity was added as a guarantor subsidiary for all three tranches of the Notes. Accordingly, the Company recast the condensed consolidating financial statements presented below to reflect this change.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Balance Sheets as of March 31, 2016

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u> (In thousands)	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 734,869	\$ 148,201	\$ 724,500	\$ —	\$ 1,607,570
Accounts receivable	—	729,331	1,315,426	—	2,044,757
Inventories	—	1,482,410	2,009,246	—	3,491,656
Inter company receivable	9,105,728	5,568,392	12,404,722	(27,078,842)	—
Other current assets	2,951	180,842	987,350	—	1,171,143
Total current assets	<u>9,843,548</u>	<u>8,109,176</u>	<u>17,441,244</u>	<u>(27,078,842)</u>	<u>8,315,126</u>
Property and equipment, net	—	553,072	1,704,561	—	2,257,633
Goodwill and other intangible assets, net	175	60,895	1,284,750	—	1,345,820
Other assets	2,249,145	267,034	2,004,437	(4,054,214)	466,402
Investment in subsidiaries	2,815,426	3,014,634	18,175,348	(24,005,408)	—
Total assets	<u>\$14,908,294</u>	<u>\$12,004,811</u>	<u>\$40,610,340</u>	<u>\$ (55,138,464)</u>	<u>\$12,384,981</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Bank borrowings and current portion of long-term debt	\$ 58,836	\$ 946	\$ 5,384	\$ —	\$ 65,166
Accounts payable	—	1,401,835	2,846,457	—	4,248,292
Accrued payroll	—	114,509	239,038	—	353,547
Inter company payable	9,562,405	7,999,335	9,517,102	(27,078,842)	—
Other current liabilities	33,008	869,470	1,002,722	—	1,905,200
Total current liabilities	<u>9,654,249</u>	<u>10,386,095</u>	<u>13,610,703</u>	<u>(27,078,842)</u>	<u>6,572,205</u>
Long term liabilities	2,683,173	2,063,988	2,514,299	(4,054,214)	3,207,246
Flextronics International Ltd. shareholders' equity	2,570,872	(445,272)	24,450,680	(24,005,408)	2,570,872
Noncontrolling interests	—	—	34,658	—	34,658
Total shareholders' equity	<u>2,570,872</u>	<u>(445,272)</u>	<u>24,485,338</u>	<u>(24,005,408)</u>	<u>2,605,530</u>
Total liabilities and shareholders' equity	<u>\$14,908,294</u>	<u>\$12,004,811</u>	<u>\$40,610,340</u>	<u>\$ (55,138,464)</u>	<u>\$12,384,981</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Balance Sheets as of March 31, 2015

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u> (In thousands)	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 608,971	\$ 168,272	\$ 851,165	\$ —	\$ 1,628,408
Accounts receivable	—	1,208,632	1,128,883	—	2,337,515
Inventories	—	1,729,593	1,759,159	—	3,488,752
Inter company receivable	6,417,410	4,759,062	10,099,057	(21,275,529)	—
Other current assets	8,143	202,161	1,075,921	—	1,286,225
Total current assets	<u>7,034,524</u>	<u>8,067,720</u>	<u>14,914,185</u>	<u>(21,275,529)</u>	<u>8,740,900</u>
Property and equipment, net	—	471,052	1,621,115	—	2,092,167
Goodwill and other intangible assets, net	475	64,830	349,870	—	415,175
Other assets	2,210,669	155,172	2,131,523	(4,092,715)	404,649
Investment in subsidiaries	1,799,956	1,654,226	16,640,427	(20,094,609)	—
Total assets	<u>\$11,045,624</u>	<u>\$10,413,000</u>	<u>\$35,657,120</u>	<u>\$(45,462,853)</u>	<u>\$11,652,891</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Bank borrowings and current portion of long-term debt	\$ 38,868	\$ 917	\$ 5,245	\$ —	\$ 45,030
Accounts payable	—	1,758,305	2,802,889	—	4,561,194
Accrued payroll	—	112,692	227,047	—	339,739
Inter company payable	6,559,569	7,250,235	7,465,725	(21,275,529)	—
Other current liabilities	30,553	845,156	933,419	—	1,809,128
Total current liabilities	<u>6,628,990</u>	<u>9,967,305</u>	<u>11,434,325</u>	<u>(21,275,529)</u>	<u>6,755,091</u>
Long term liabilities	2,055,820	2,102,483	2,435,962	(4,092,715)	2,501,550
Flextronics International Ltd. shareholders' equity	2,360,814	(1,656,788)	21,751,397	(20,094,609)	2,360,814
Noncontrolling interests	—	—	35,436	—	35,436
Total shareholders' equity	<u>2,360,814</u>	<u>(1,656,788)</u>	<u>21,786,833</u>	<u>(20,094,609)</u>	<u>2,396,250</u>
Total liabilities and shareholders' equity	<u>\$11,045,624</u>	<u>\$10,413,000</u>	<u>\$35,657,120</u>	<u>\$(45,462,853)</u>	<u>\$11,652,891</u>

Condensed Consolidating Statements of Operations for Fiscal Year Ended March 31, 2016

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u> (In thousands)	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ —	\$16,841,405	\$19,286,221	\$(11,708,741)	\$24,418,885
Cost of sales	—	15,278,265	19,241,300	(11,708,741)	22,810,824
Gross profit	—	1,563,140	44,921	—	1,608,061
Selling, general and administrative expenses	—	330,194	624,696	—	954,890
Intangible amortization	300	3,598	62,067	—	65,965
Interest and other, net	(191,859)	1,016,302	(691,912)	—	132,531
Income (loss) before income taxes	191,559	213,046	50,070	—	454,675
Provision for income taxes	26	(41,584)	52,152	—	10,594
Equity in earnings in subsidiaries	<u>252,548</u>	<u>(168,886)</u>	<u>397,831</u>	<u>(481,493)</u>	<u>—</u>
Net income	<u>\$ 444,081</u>	<u>\$ 85,744</u>	<u>\$ 395,749</u>	<u>\$(481,493)</u>	<u>\$ 444,081</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statements of Operations for Fiscal Year Ended March 31, 2015

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u> (In thousands)	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ —	\$19,016,750	\$19,543,163	\$(12,411,997)	\$26,147,916
Cost of sales	—	17,502,863	19,511,710	(12,411,997)	24,602,576
Gross profit	—	1,513,887	31,453	—	1,545,340
Selling, general and administrative expenses	—	258,212	586,261	—	844,473
Intangible amortization	300	3,808	27,927	—	32,035
Interest and other, net	10,086	901,059	(912,968)	—	(1,823)
Income (loss) before income taxes	(10,386)	350,808	330,233	—	670,655
Provision for income taxes	—	14,143	55,711	—	69,854
Equity in earnings in subsidiaries	611,187	(141,074)	471,575	(941,688)	—
Net income	<u>\$600,801</u>	<u>\$ 195,591</u>	<u>\$ 746,097</u>	<u>\$ (941,688)</u>	<u>\$ 600,801</u>

Condensed Consolidating Statements of Operations for Fiscal Year Ended March 31, 2014

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u> (In thousands)	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ —	\$18,393,436	\$21,569,406	\$(13,854,235)	\$26,108,607
Cost of sales	—	16,961,211	21,502,762	(13,854,235)	24,609,738
Restructuring charges	—	9,609	49,039	—	58,648
Gross profit	—	1,422,616	17,605	—	1,440,221
Selling, general and administrative expenses	—	250,909	623,887	—	874,796
Intangible amortization	300	4,659	23,933	—	28,892
Restructuring charges	800	(271)	16,134	—	16,663
Interest and other, net	(502,028)	875,119	(253,675)	—	119,416
Income (loss) before income taxes	500,928	292,200	(392,674)	—	400,454
Provision for income taxes	52	42,950	(8,142)	—	34,860
Equity in earnings in subsidiaries	(135,282)	(262,871)	368,268	29,885	—
Net income (loss)	<u>\$ 365,594</u>	<u>\$ (13,621)</u>	<u>\$ (16,264)</u>	<u>\$ 29,885</u>	<u>\$ 365,594</u>

Condensed Consolidating Statements of Comprehensive Income for Fiscal Year Ended March 31, 2016

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u> (In thousands)	<u>Eliminations</u>	<u>Consolidated</u>
Net income	\$444,081	\$ 85,744	\$395,749	\$(481,493)	\$444,081
Other comprehensive income (loss):					
Foreign currency translation adjustments, net of zero tax	17,846	(16,979)	(15,735)	32,714	17,846
Unrealized loss on derivative instruments and other, net of zero tax	26,744	15,195	26,744	(41,939)	26,744
Comprehensive income	<u>\$488,671</u>	<u>\$ 83,960</u>	<u>\$406,758</u>	<u>\$(490,718)</u>	<u>\$488,671</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statements of Comprehensive Income for Fiscal Year Ended March 31, 2015

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
	(In thousands)				
Net income	\$600,801	\$195,591	\$746,097	\$ (941,688)	\$600,801
Other comprehensive income (loss):					
Foreign currency translation adjustments, net of zero tax	(18,932)	256,652	221,418	(478,070)	(18,932)
Unrealized loss on derivative instruments and other, net of zero tax	(35,417)	(33,769)	(35,417)	69,186	(35,417)
Comprehensive income	<u>\$546,452</u>	<u>\$418,474</u>	<u>\$932,098</u>	<u>\$(1,350,572)</u>	<u>\$546,452</u>

Condensed Consolidating Statements of Comprehensive Income for Fiscal Year Ended March 31, 2014

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
	(In thousands)				
Net income (loss)	\$365,594	\$ (13,621)	\$ (16,264)	\$ 29,885	\$365,594
Other comprehensive loss:					
Foreign currency translation adjustments, net of zero tax	(34,683)	(89,282)	(89,635)	178,917	(34,683)
Unrealized loss on derivative instruments and other, net of zero tax	(13,992)	(5,221)	(13,993)	19,214	(13,992)
Comprehensive income (loss)	<u>\$316,919</u>	<u>\$(108,124)</u>	<u>\$(119,892)</u>	<u>\$228,016</u>	<u>\$316,919</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statements of Cash Flows for Fiscal Year Ended March 31, 2016

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Eliminations	Consolidated
Net cash provided by operating activities	\$ 162,275	\$ 427,259	\$ 546,911	\$ —	\$ 1,136,445
Cash flows from investing activities:					
Purchases of property and equipment, net of proceeds from disposal	—	(151,383)	(345,584)	9	(496,958)
Acquisition and divestiture of businesses, net of cash acquired and cash held in divested business	—	(809,272)	(101,515)	—	(910,787)
Investing cash flows to affiliates	(1,596,210)	(1,609,342)	(1,408,610)	4,614,162	—
Other investing activities, net	(500)	(31,011)	42,880	—	11,369
Net cash used in investing activities	(1,596,710)	(2,601,008)	(1,812,829)	4,614,171	(1,396,376)
Cash flows from financing activities:					
Proceeds from bank borrowings and long-term debt	824,618	—	60,084	—	884,702
Repayments of bank borrowings and long-term debt and capital lease obligations	(179,920)	(3,059)	(7,242)	—	(190,221)
Payments for repurchases of ordinary shares	(420,317)	—	—	—	(420,317)
Proceeds from exercise of stock options	61,278	—	—	—	61,278
Financing cash flows from affiliates	1,240,145	2,162,840	1,211,186	(4,614,171)	—
Other financing activities, net	—	(8,800)	(77,000)	—	(85,800)
Net cash provided by financing activities	1,525,804	2,150,981	1,187,028	(4,614,171)	249,642
Effect of exchange rates on cash and cash equivalents	34,529	2,697	(47,775)	—	(10,549)
Net increase (decrease) in cash and cash equivalents	125,898	(20,071)	(126,665)	—	(20,838)
Cash and cash equivalents, beginning of period	608,971	168,272	851,165	—	1,628,408
Cash and cash equivalents, end of period	<u>\$ 734,869</u>	<u>\$ 148,201</u>	<u>\$ 724,500</u>	<u>\$ —</u>	<u>\$ 1,607,570</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statements of Cash Flows for Fiscal Year Ended March 31, 2015

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
	(In thousands)				
Net cash provided by (used in) operating activities	\$ (73,356)	\$ 75,775	\$ 791,615	\$ —	\$ 794,034
Cash flows from investing activities:					
Purchases of property and equipment, net of proceeds from disposal	—	(85,876)	(153,833)	(15)	(239,724)
Acquisition and divestiture of businesses, net of cash acquired and cash held in divested business	—	(20,589)	(46,265)	—	(66,854)
Investing cash flows from (to) affiliates	(1,703,983)	(1,900,810)	796,493	2,808,300	—
Other investing activities, net	(1,500)	(13,821)	79,683	—	64,362
Net cash provided by (used in) investing activities	<u>(1,705,483)</u>	<u>(2,021,096)</u>	<u>676,078</u>	<u>2,808,285</u>	<u>(242,216)</u>
Cash flows from financing activities:					
Proceeds from bank borrowings and long-term debt	303,000	4,737	11,805	—	319,542
Repayments of bank borrowings and long-term debt and capital lease obligations	(335,500)	(3,127)	(5,529)	—	(344,156)
Payments for early repurchase of long-term debt	—	—	—	—	—
Payments for repurchases of ordinary shares	(415,945)	—	—	—	(415,945)
Proceeds from exercise of stock options	23,497	—	11	—	23,508
Financing cash flows from (to) affiliates	2,420,952	1,904,164	(1,516,831)	(2,808,285)	—
Other financing activities, net	—	—	(98,966)	—	(98,966)
Net cash provided by (used in) financing activities	<u>1,996,004</u>	<u>1,905,774</u>	<u>(1,609,510)</u>	<u>(2,808,285)</u>	<u>(516,017)</u>
Effect of exchange rates on cash and cash equivalents	(246,908)	(2,643)	248,430	—	(1,121)
Net increase (decrease) in cash and cash equivalents	<u>(29,743)</u>	<u>(42,190)</u>	<u>106,613</u>	<u>—</u>	<u>34,680</u>
Cash and cash equivalents, beginning of period	638,714	210,462	744,552	—	1,593,728
Cash and cash equivalents, end of period	<u>\$ 608,971</u>	<u>\$ 168,272</u>	<u>\$ 851,165</u>	<u>\$ —</u>	<u>\$1,628,408</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statements of Cash Flows for Fiscal Year Ended March 31, 2014

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
			(In thousands)		
Net cash provided by (used in) operating activities	\$ 459,748	\$ (126,813)	\$ 882,974	\$ 551	\$1,216,460
Cash flows from investing activities:					
Purchases of property and equipment, net of proceeds from disposal	—	(222,197)	(292,221)	(585)	(515,003)
Acquisition and divestiture of businesses, net of cash acquired and cash held in divested business	—	(61,587)	(171,845)	—	(233,432)
Investing cash flows from (to) affiliates	35,262	(1,237,006)	(1,075,938)	2,277,682	—
Other investing activities, net	—	(10,842)	(24,655)	—	(35,497)
Net cash provided by (used in) investing activities	<u>35,262</u>	<u>(1,531,632)</u>	<u>(1,564,659)</u>	<u>2,277,097</u>	<u>(783,932)</u>
Cash flows from financing activities:					
Proceeds from bank borrowings and long-term debt	1,066,359	277	17	—	1,066,653
Repayments of bank borrowings and long-term debt and capital lease obligations ...	(492,034)	(525)	(45,021)	—	(537,580)
Payments for early repurchase of long-term debt	(503,423)	(41,417)	—	—	(544,840)
Payments for repurchases of ordinary shares	(475,314)	—	—	—	(475,314)
Proceeds from exercise of stock options	28,140	—	—	—	28,140
Financing cash flows from (to) affiliates	(277,594)	1,681,559	873,683	(2,277,648)	—
Other financing activities, net	—	—	52,149	—	52,149
Net cash provided by (used in) financing activities	<u>(653,866)</u>	<u>1,639,894</u>	<u>880,828</u>	<u>(2,277,648)</u>	<u>(410,792)</u>
Effect of exchange rates on cash and cash equivalents	57,055	2,641	(74,791)	—	(15,095)
Net increase (decrease) in cash and cash equivalents	<u>(101,801)</u>	<u>(15,910)</u>	<u>124,352</u>	<u>—</u>	<u>6,641</u>
Cash and cash equivalents, beginning of period	740,515	226,372	620,200	—	1,587,087
Cash and cash equivalents, end of period	<u>\$ 638,714</u>	<u>\$ 210,462</u>	<u>\$ 744,552</u>	<u>\$ —</u>	<u>\$1,593,728</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table contains unaudited quarterly financial data for fiscal years 2016 and 2015.

	Fiscal Year Ended March 31, 2016				Fiscal Year Ended March 31, 2015			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net sales	\$5,566,248	\$6,316,762	\$6,763,177	\$5,772,698	\$6,642,745	\$6,528,517	\$7,025,054	\$5,951,600
Gross profit	352,341	396,916	452,467	406,337	380,785	377,081	408,657	378,817
Net income	<u>110,850</u>	<u>122,977</u>	<u>148,910</u>	<u>61,344</u>	<u>173,887</u>	<u>138,903</u>	<u>152,899</u>	<u>135,112</u>
Earnings per share(1):								
Net income:								
Basic	\$ 0.20	\$ 0.22	\$ 0.27	\$ 0.11	\$ 0.30	\$ 0.24	\$ 0.26	\$ 0.24
Diluted	<u>\$ 0.19</u>	<u>\$ 0.22</u>	<u>\$ 0.27</u>	<u>\$ 0.11</u>	<u>\$ 0.29</u>	<u>\$ 0.23</u>	<u>\$ 0.26</u>	<u>\$ 0.23</u>

- (1) Earnings per share are computed independently for each quarter presented; therefore, the sum of the quarterly earnings per share may not equal the total earnings per share amounts for the fiscal year.

**SUPPLEMENTARY FINANCIAL STATEMENTS OF
FLEXTRONICS INTERNATIONAL LTD. (PARENT COMPANY)
BALANCE SHEETS**

	As of March 31	
	2016	2015
	(In thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 734,869	\$ 608,971
Due from subsidiaries	9,105,728	6,417,410
Other current assets	2,951	8,143
Total current assets	9,843,548	7,034,524
Investment in subsidiaries	2,815,426	1,799,956
Due from subsidiaries	2,237,917	2,198,883
Other assets	11,403	12,261
Total assets	<u>\$14,908,294</u>	<u>\$11,045,624</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 58,836	\$ 38,868
Due to subsidiaries	9,562,405	6,559,569
Other current liabilities	33,008	30,553
Total current liabilities	9,654,249	6,628,990
Long-term debt, net of current portion	2,644,402	2,015,899
Due to subsidiaries	11,750	11,750
Other liabilities	27,021	28,171
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Ordinary shares, no par value; 595,062,966 and 613,562,761 issued, and 544,823,611 and 563,232,406 outstanding as of March 31, 2016 and 2015, respectively	6,987,214	7,265,827
Treasury stock, at cost; 50,239,355 shares as of March 31, 2016 and 2015	(388,215)	(388,215)
Accumulated deficit	(3,892,212)	(4,336,293)
Accumulated other comprehensive loss	(135,915)	(180,505)
Total shareholders' equity	2,570,872	2,360,814
Total liabilities and shareholders' equity	<u>\$14,908,294</u>	<u>\$11,045,624</u>

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

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO SUPPLEMENTARY FINANCIAL STATEMENTS

1. ORGANIZATION OF THE COMPANY

Flextronics International Ltd. (the “Parent”), Registration Number 199002645H, was incorporated in the Republic of Singapore in May 1990. It is principally engaged in investment holding. The address of the Parent’s registered office is 2 Changi South Lane, Singapore 486123. The Parent, together with its subsidiaries (collectively the “Company”), is a globally-recognized, leading provider of innovative design, engineering, manufacturing, and supply chain services and solutions that span *from sketch to scale*[™]; from conceptual sketch to full-scale production. The Parent designs, builds, ships and services complete packaged consumer electronics and industrial products for original equipment manufacturers (“OEMs”), through its activities in the following segments: High Reliability Solutions (“HRS”), which is comprised of medical business including consumer health, digital health, disposables, drug delivery, diagnostics, life sciences and imaging equipment; automotive business, including vehicle electronics, connectivity, and clean technologies; and defense and aerospace businesses, focused on commercial aviation, defense and military; Consumer Technologies Group (“CTG”), which includes mobile devices business, including smart phones; consumer electronics business, including connected living, wearable electronics including digital sport, game consoles, and connectivity devices; and high-volume computing business, including various supply chain solutions for notebook personal computer (“PC”), tablets, and printers; in addition, CTG group is expanding its business relationships to include supply chain optimization for non-electronics products such as shoes and clothing; Industrial and Emerging Industries (“IEI”), which is comprised of semiconductor and capital equipment, office solutions, household industrial and lifestyle, industrial automation and kiosks, energy and metering, and lighting; and Communications & Enterprise Compute (“CEC”), formerly referred to as Integrated Network Solutions (“INS”), which includes radio access base stations, remote radio heads, and small cells for wireless infrastructure; optical, routing, broadcasting, and switching products for the data and video networks; server and storage platforms for both enterprise and cloud based deployments; next generation storage and security appliance products; and rack level solutions, converged infrastructure and software defined product solutions.

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation

Amounts included in the financial statements are expressed in U.S. dollars unless otherwise designated.

The accompanying supplementary balance sheets comprise solely the standalone accounts of Flextronics International Ltd., the Parent company. These balance sheets are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), other than as noted in the paragraph entitled “Investment in and Due from/Due to Subsidiaries.”

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, and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates are used in accounting for, among other things: tax expense; fair values of financial instruments including deferred compensation plan assets and derivative instruments; contingencies; and the fair values of stock options and share bonus awards granted under the Parent’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 functional currency of the Parent is the U.S. dollar, with the exception of its Cayman branch, which is measured in Euro. Accordingly, the financial position and results of operations of the Cayman branch are measured using the Euro as the functional currency and all assets and liabilities are translated into the reporting currency, which is the U.S. dollars at current exchange rates as of the applicable balance sheet date. Income and

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

expense items are translated at the average exchange rates prevailing during the period. Cumulative gains and losses from the translation of the branch's financial statements are reported as a separate component of shareholders' equity.

Additionally, the Parent's Bermuda and Cayman branches enter into certain transactions with related companies, including short-term contractual obligations and long-term loans. Certain of these obligations and loans are denominated in currencies other than the U.S. dollar, primarily Chinese Renminbi, the Euro, Japanese yen and Swedish krona. All contractual obligations are translated into U.S. dollars at current exchange rates as of the applicable balance sheet date and the resulting foreign exchange gains and losses arising from the revaluation relating to short-term contractual obligations are recognized in the statement of operations and foreign exchange gains and losses relating to long-term loans are reported as a separate component of shareholders' equity.

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 equivalents. Cash and cash equivalents consist of cash deposited in bank accounts.

Investment in and Due from/Due to Subsidiaries

Investment in subsidiaries is accounted for using the equity method. Under this method, the Parent's investment in subsidiaries is reported as a separate line on the Parent's balance sheet. U.S. GAAP requires that these investments be consolidated rather than reported using the equity method.

The Parent also has amounts due from and to subsidiaries that are unsecured, and certain obligations have interest rates ranging from 0.2% to 8.5% per annum. The Parent uses the investment in subsidiaries and due from/due to subsidiaries accounts to manage liquidity and capital resources for the Company in a tax effective manner.

Concentration of Credit Risk

Financial instruments, which potentially subject the Parent to concentrations of credit risk, are primarily cash and cash equivalents, investments and derivative instruments.

The Parent 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 Parent's investment portfolio consists of short term bank deposits and money market accounts.

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 Parent with that counterparty. To manage counterparty risk, the Parent limits its derivative transactions to those with recognized financial institutions.

Derivative Instruments and Hedging Activities

All derivative instruments are recognized on the consolidated balance sheets at fair value. If the derivative instrument is designated as a cash flow hedge, effectiveness is tested monthly using a regression analysis of the change in the spot currency rates and the change in the present value of the spot currency rates. The spot currency rates are discounted to present value using functional currency IBOR rates over the maximum length of the hedge period. The effective portion of changes in the fair value of the derivative instrument (excluding time value) is recognized in shareholders' equity as a separate component of accumulated other comprehensive income (loss), and recognized in the consolidated statements of operations when the hedged item affects earnings. Ineffective and excluded portions of changes in the fair value of cash flow hedges are recognized in earnings immediately. If the derivative instrument is designated as a fair value hedge, the changes in the fair value of the derivative instrument and of the hedged item attributable to the hedged risk are recognized in earnings in the current period.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement

In April 2015, the Financial Accounting Standard Board (“FASB”) issued new guidance which changes the presentation of debt issuance costs in financial statements. Under the new guidance, an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset, with amortization of the costs being reported as interest expense. The Parent has elected to early adopt during the fourth quarter of fiscal year 2016, and retrospectively adjusted all prior balance sheets presented. As a result of the adoption, \$12.7 million of debt issuance costs associated with the Parent’s bank borrowings and long-term debt as of March 31, 2015, were reclassified from other noncurrent assets, to short-term and long-term debt in the consolidated balance sheet.

3. SHARE-BASED COMPENSATION

Equity Compensation Plans

The Parent’s primary plan used for granting equity compensation awards is the 2010 Equity Incentive Plan (the “2010 Plan”).

During fiscal year 2016, in conjunction with the acquisition of NEXTracker, the Parent assumed all of the outstanding, unvested share bonus awards and outstanding, unvested options to purchase shares of common stock of NEXTracker, and converted all these shares into Parent awards. As a result, the Parent offers an additional equity compensation plan as of March 31, 2016, the 2014 NEXTracker Equity Incentive Plan (the “NEXTracker Plan”), which is also administered by the Parent.

The 2010 Equity Incentive Plan

As of March 31, 2016, the Parent had approximately 27.1 million shares available for grant under the 2010 Plan. Options issued to employees under the 2010 Plan generally vest over four years and expire seven years from the date of grant. Options granted to non-employee directors expire five years from the date of grant.

The exercise price of options granted to employees is determined by the Parent’s Board of Directors or the Compensation Committee and may not be less than the closing price of the Parent’s ordinary shares on the date of grant.

The Parent also grants share bonus awards under its equity compensation plan. Share bonus awards are rights to acquire a specified number of ordinary shares for no cash consideration in exchange for continued service with the Parent. Share bonus awards generally vest in installments over a three to five-year period and unvested share bonus awards are forfeited upon termination of employment.

Vesting for certain share bonus awards is contingent upon both service and market conditions. Further, vesting for certain share bonus awards granted to certain executive officers is contingent upon meeting certain free cash flow targets.

Determining Fair Value—Options and share bonus awards

Valuation and Amortization Method—The Parent estimates the fair value of share options granted under the 2010 Plan using the Black-Scholes valuation method and a single option award approach. This fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. The fair market value of share bonus awards granted, other than those awards with a market condition, is the closing price of the Parent’s ordinary shares on the date of grant and is generally recognized as compensation expense on a straight-line basis over the respective vesting period.

Expected Term—The Parent’s expected term used in the Black-Scholes valuation method represents the period that the Parent’s share options are expected to be outstanding and is determined based on historical experience of similar awards, giving consideration to the contractual terms of the share options, vesting schedules and expectations of future employee behavior as influenced by changes to the terms of its share options.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

Expected Volatility—The Parent’s expected volatility used in the Black-Scholes valuation method is derived from a combination of implied volatility related to publicly traded options to purchase Parent ordinary shares and historical variability in the Parent’s periodic share price.

Expected Dividend—The Parent has never paid dividends on its ordinary shares and accordingly the dividend yield percentage is zero for all periods.

Risk-Free Interest Rate—The Parent bases the risk-free interest rate used in the Black-Scholes valuation method on the implied yield currently available on U.S. Treasury constant maturities issued with a term equivalent to the expected term of the option.

There were no options granted under the 2010 Plan during fiscal years 2016. The fair value of the Parent’s share options granted to employees for fiscal year 2015 was estimated using the following weighted-average assumptions:

	Fiscal Year Ended March 31, 2015
Expected term	6.3 years
Expected volatility	46.9%
Expected dividends	0.0%
Risk-free interest rate	2.3%
Weighted-average fair value	\$4.85

Options granted during fiscal year 2015 had contractual lives of seven years.

Determining Fair Value—Share bonus awards with service and market conditions

Valuation and Amortization Method—The Parent estimates the fair value of share bonus awards granted under the 2010 Plan whereby vesting is contingent on meeting certain market conditions using Monte Carlo simulation. This fair value is then amortized on a straight-line basis over the vesting period, which is the service period.

Expected volatility of Flex—Volatility used in a Monte Carlo simulation is derived from the historical volatility of Flex’s stock price over a period equal to the service period of the share bonus awards granted. The service period is three years for those share bonus awards granted in fiscal years 2016 and 2015.

Average peer volatility—Volatility used in a Monte Carlo simulation is derived from the historical volatilities of both the S&P 500 index and components of an extended Electronics Manufacturing Services (“EMS”) group, comprised of global competitors of the Parent within the same industry, for the share bonus awards granted in fiscal years 2016 and 2015.

Average Peer Correlation—Correlation coefficients were used to model the movement of Flex’s stock price relative to both the S&P 500 index and peers in the extended EMS group for the share bonus awards granted in fiscal years 2016 and 2015.

Expected Dividend and Risk-Free Interest Rate assumptions—Same methodology as discussed above.

The fair value of the Parent’s share-bonus awards under the 2010 Plan, whereby vesting is contingent on meeting certain market conditions, for fiscal years 2016 and 2015 was estimated using the following weighted-average assumptions:

	Fiscal Year Ended March 31,	
	2016	2015
Expected volatility	26.0%	29.4%
Average peer volatility	23.0%	25.9%
Average peer correlation	0.6	0.6
Expected dividends	0.0%	0.0%
Risk-free interest rate	1.2%	0.9%

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

Share-Based Awards Activity

The following is a summary of option activity for the Parent's 2010 Plan ("Price" reflects the weighted-average exercise price):

	Fiscal Year Ended March 31,			
	2016		2015	
	Options	Price	Options	Price
Outstanding, beginning of fiscal year	15,992,894	\$ 7.81	23,612,872	\$ 8.57
Granted	—	—	15,000	11.11
Exercised	(10,006,774)	6.10	(3,600,900)	6.53
Forfeited	(3,616,484)	12.23	(4,034,078)	13.17
Outstanding, end of fiscal year	<u>2,369,636</u>	\$ 8.31	<u>15,992,894</u>	\$ 7.81
Options exercisable, end of fiscal year	<u>2,359,527</u>	\$ 8.30	<u>15,959,173</u>	\$ 7.81

The aggregate intrinsic value of options exercised under the Parent's 2010 Plan (calculated as the difference between the exercise price of the underlying award and the price of the Parent's ordinary shares determined as of the time of option exercise for options exercised in-the-money) was \$55.3 million, \$16.3 million during fiscal years 2016 and 2015, respectively.

Cash received from option exercises under the 2010 Plan was \$61.1 million, \$23.5 million or fiscal years 2016 and 2015, respectively.

The following table presents the composition of options outstanding and exercisable under the 2010 Plan as of March 31, 2016:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number of Shares Outstanding	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price
\$1.94 - \$5.75	1,148,421	0.40	\$ 5.55	1,148,421	0.40	\$ 5.55
\$5.87 - \$7.07	40,002	1.55	6.55	37,521	1.41	6.54
\$7.08 - \$10.59	323,646	1.76	8.25	323,646	1.76	8.25
\$10.67 - \$11.41	549,067	0.34	11.23	541,439	0.27	11.23
\$11.53 - \$13.98	273,500	0.50	13.37	273,500	0.50	13.37
\$14.34 - \$23.02	35,000	0.42	15.95	35,000	0.42	15.95
\$1.94 - \$23.02	<u>2,369,636</u>	0.60	\$ 8.31	<u>2,359,527</u>	0.59	\$ 8.30
Options vested and expected to vest	<u>2,368,361</u>	0.60	\$ 8.31			

As of March 31, 2016 the aggregate intrinsic value for options outstanding, options vested and expected to vest (which includes adjustments for expected forfeitures), and options exercisable under the Parent's 2010 Plan, were \$9.4 million, respectively. The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Parent's ordinary shares as of March 31, 2016 for the approximately 2.1 million options that were in-the-money at March 31, 2016.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

The following table summarizes the Parent's share bonus award activity under the 2010 Plan ("Price" reflects the weighted-average grant-date fair value):

	Fiscal Year Ended March 31,			
	2016		2015	
	Shares	Price	Shares	Price
Unvested share bonus awards outstanding,				
beginning of fiscal year	18,993,252	\$ 9.01	21,848,120	\$ 7.32
Granted	7,619,722	12.23	6,963,125	11.75
Vested	(8,529,378)	7.93	(7,246,056)	6.97
Forfeited	<u>(1,083,520)</u>	9.67	<u>(2,571,937)</u>	7.70
Unvested share bonus awards outstanding,				
end of fiscal year	<u>17,000,076</u>	\$10.77	<u>18,993,252</u>	\$ 9.01

Of the 7.6 million unvested share bonus awards granted under the 2010 Plan in fiscal year 2016, approximately 0.2 million have an average grant date price of \$12.10 per share and represents the target amount of grants made to certain executive officers whereby vesting is contingent on meeting certain free cash flow targets. These awards ultimately vest over a range from zero up to a maximum of 0.4 million of the target payment based on a measurement of cumulative three-year increase of free cash flow from operations of the Parent, and will cliff vest after a period of three-years.

Another 0.2 million of unvested share bonus awards granted in fiscal year 2016 have an average grant date price of \$12.06 per share and represents the target amount of grants made to certain employees whereby vesting is contingent on meeting certain operating profit targets. These awards ultimately vest over a range from zero up to a maximum of 0.4 million of the target payments based on the operating profit achievements of a certain business unit of the Parent over a four-year period. The vesting will begin on March 31, 2016 and occur every year over a period of four years contingent on meeting the agreed targets.

Further, 0.7 million of unvested share bonus awards granted in fiscal year 2016 represents the target amount of grants made to certain key employees whereby vesting is contingent on certain market conditions. The average grant date fair value of these awards was estimated to be \$14.96 per award and was calculated using a Monte Carlo simulation. Vesting information of these shares are further detailed in the table below.

Of the 17.0 million unvested share bonus awards outstanding under the 2010 Plan as of the fiscal year ended 2016, approximately 3.2 million of unvested share bonus awards under the 2010 Plan represents the target amount of grants made to certain key employees whereby vesting is contingent on meeting certain market conditions summarized as follows:

Year of grant	Targeted number of awards as of March 31, 2016 (in shares)	Average grant date fair value (per share)	Market condition	Range of shares that may be issued		Assessment dates
				Minimum	Maximum	
Fiscal 2016 . . .	726,995	\$14.96	Vesting ranges from zero to 200% based on measurement of Flextronics' total shareholder return against both the Standard and Poor's ("S&P") 500 Composite Index and an Extended Electronics Manufacturing Services ("EMS") Group Index.	—	1,453,990	May 2018
Fiscal 2015 . . .	706,747	\$14.77	Vesting ranges from zero to 200% based on measurement of Flextronics' total shareholder return against both the S&P 500 Composite Index and an EMS Group Index.	—	1,413,494	May 2017

FLEXTRONICS INTERNATIONAL LTD.

NOTES TO SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

Year of grant	Targeted number of awards as of March 31, 2016 (in shares)	Average grant date fair value (per share)	Market condition	Range of shares that may be issued		Assessment dates
				Minimum	Maximum	
Fiscal 2014 . . .	1,810,000	\$ 9.36	Vesting ranges from zero to 200% based on measurement of Flextronics' total shareholder return against both the S&P 500 Composite Index and an EMS Group Index.	—	3,620,000	May 2016
Totals	<u>3,243,742</u>					<u>6,487,484</u>

In accordance with the accounting guidance, the Parent will continue to recognize share-based compensation expense for these awards with market conditions regardless of whether such awards will ultimately vest. During fiscal year 2016, 2.2 million shares vested in connection with the remaining number of share bonus awards with market conditions granted in fiscal year 2013, and 0.5 million shares vested in connection with half of the share bonus awards with market conditions granted in fiscal year 2012.

The total intrinsic value of share bonus awards vested under the Parent's 2010 Plan was \$103.2 million and \$79.0 million during fiscal years 2016 and 2015, respectively, based on the closing price of the Parent's ordinary shares on the date vested.

The 2014 NEXTracker Equity Incentive Plan

All shares granted during fiscal year 2016 under the NEXTracker plan are the result of the Parent's conversion of all outstanding, unvested shares of NEXTracker into unvested shares of the Parent, as part of the acquisition. No additional grants will be made out of this plan in the future and therefore there are no shares available for grant under the NEXTracker Plan as of March 31, 2016. Options issued to employees under the NEXTracker Plan generally have a vesting period of two to four years from vesting commencement date and expire ten years from the date of grant.

The exercise price of options granted to employees was determined by the Parent based on a conversion rate agreed upon in the purchase agreement of NEXTracker.

The Parent also granted share bonus awards under the NEXTracker Plan. These share bonus awards vest in installments over a three to five-year period from vesting commencement date, and unvested share bonus awards are forfeited upon termination of employment. Vesting for certain of these share bonus awards is contingent on meeting certain performance targets over a three-year period commencing October 1, 2015.

Determining Fair Value

The fair value of the Parent's share options granted to employees under the NEXTracker Plan for fiscal year 2016 was estimated using the following weighted-average assumptions:

	Fiscal Year Ended March 31, 2016
Expected term	2.9 years
Expected volatility	28.8%
Expected dividends	0.0%
Risk-free interest rate	0.9%
Weighted-average fair value	\$7.76

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

Share-Based Awards Activity

The following is a summary of option activity for the NEXTracker Plan (“Price” reflects the weighted-average exercise price):

	Fiscal Year Ended March 31,	
	2016	
	Options	Price
Outstanding, beginning of fiscal year	—	\$ —
Granted	3,205,806	3.28
Exercised	(237,380)	0.99
Forfeited	(226,572)	3.75
Outstanding, end of fiscal year	<u>2,741,854</u>	\$3.44
Options exercisable, end of fiscal year	<u>223,869</u>	\$4.95

Of the 3.2 million unvested share-based awards granted under the NEXTracker Plan in fiscal year 2016, approximately 0.5 million of unvested share-based awards have an average grant date price of \$7.76 per share and represents the number of grants made to certain NEXTracker employees whereby the right to exercise is contingent on meeting certain performance targets over a three-year period commencing October 1, 2015.

The aggregate intrinsic value of options exercised under the NEXTracker plan (calculated as the difference between the exercise price of the underlying award and the price of the Parent’s ordinary shares determined as of the time of option exercise for options exercised in-the-money) was \$2.32 million as of March 31, 2016.

Cash received from option exercises under the NEXTracker Plan was \$0.2 million for fiscal year 2016.

The following table presents the composition of options outstanding and exercisable under the NEXTracker Plan as of March 31, 2016:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number of Shares Outstanding	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Number of Shares Exercisable	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price
\$0.08 - \$5.24	2,088,258	9.49	\$ 1.19	129,376	9.49	\$ 0.79
\$5.25 - \$10.65	653,596	9.49	10.65	94,493	9.49	10.65
\$0.08 - \$10.65	<u>2,741,854</u>	9.49	\$ 3.44	<u>223,869</u>	9.49	\$ 4.95
Options vested and expected to vest	<u>2,741,854</u>	9.49	\$ 3.44			

As of March 31, 2016 the aggregate intrinsic value, for options outstanding, options vested and expected to vest (which includes adjustments for expected forfeitures), and options exercisable under the Parent’s NEXTracker Plan, were \$23.6 million, \$23.6 million, and \$1.59 million, respectively. The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Parent’s ordinary shares as of March 31, 2016 for the approximately 2.7 million options under the NEXTracker Plan that were in-the-money at March 31, 2016.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)

3. SHARE-BASED COMPENSATION (Continued)

The following table summarizes the Parent's share bonus award activity under the NEXTracker Plan ("Price" reflects the weighted-average grant-date fair value):

	Fiscal Year Ended March 31,	
	2016	
	Shares	Price
Unvested share bonus awards outstanding, beginning of fiscal year	—	\$ —
Granted	2,393,195	10.27
Vested	(31,925)	10.27
Forfeited	(52,174)	10.27
Unvested share bonus awards outstanding, end of fiscal year	<u>2,309,096</u>	<u>\$10.27</u>

Of the 2.4 million unvested share bonus awards granted under the NEXTracker Plan as of the fiscal year ended 2016, approximately 0.9 million of unvested shares bonus awards represents the target amount of grants made to certain NEXTracker employees whereby vesting is contingent on meeting certain performance targets over a three-year period commencing October 1, 2015.

The total intrinsic value of share bonus awards vested under the Parent's NEXTracker Plan was \$0.35 million during fiscal year 2016, based on the closing price of the Parent's ordinary shares on the date vested.

4. BANK BORROWINGS AND LONG-TERM DEBT

Bank borrowings and long-term debt are as follows:

	As of March 31,	
	2016	2015
	(In thousands)	
Term Loan, including current portion, due in installments through August 2018	\$ 577,500	\$ 592,500
Term Loan, including current portion, due in installments through March 2019	547,500	475,000
4.625% Notes due February 2020	500,000	500,000
5.000% Notes due February 2023	500,000	500,000
4.750% Notes due June 2025	595,589	—
Debt issuance costs	(17,351)	(12,733)
	<u>2,703,238</u>	<u>2,054,767</u>
Current portion, net of debt issuance costs	(58,836)	(38,868)
Non-current portion	<u>\$2,644,402</u>	<u>\$2,015,899</u>

The weighted average interest rates for the Parent's long-term debt were 3.5% and 3.2% as of both March 31, 2016 and 2015, respectively.

Repayments of the Parent's long-term debt are as follows:

Fiscal Year Ending March 31,	Amount (In thousands)
2017	\$ 58,836
2018	60,000
2019	1,001,944
2020	496,949
2021	—
Thereafter	<u>1,102,860</u>
	<u>\$2,720,589</u>

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)

4. BANK BORROWINGS AND LONG-TERM DEBT (Continued)

Term loan due August 2018

On August 30, 2013, the Parent entered into a \$600 million term loan agreement due August 30, 2018 and used these proceeds to repay certain term loans in full that were outstanding at that time in the amount of \$544.8 million. The remaining \$55.2 million was used to repay part of the term loan due March 2019 and upfront bank fees. This loan is repayable in quarterly installments of \$3.75 million, which commenced in December 2014 and continue through August 2018, with the remaining amount due at maturity.

Borrowings under this term loan bear interest, at the Parent's option, either at (i) LIBOR plus the applicable margin for LIBOR loans ranging between 1.00% and 2.00%, based on the Parent'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 Parent's credit rating.

This term loan is unsecured, and contains customary restrictions on the Parent's and its subsidiaries' ability to (i) incur certain debt, (ii) make certain investments, (iii) make certain acquisitions of other entities, (iv) incur liens, (v) dispose of assets, (vi) make non-cash distributions to shareholders, and (vii) engage in transactions with affiliates. These covenants are subject to a number of exceptions and limitations. This term loan agreement also requires that the Parent maintain a maximum ratio of total indebtedness to EBITDA (earnings before interest expense, taxes, depreciation and amortization), and a minimum interest coverage ratio, as defined therein, during its term. As of March 31, 2016, the Parent was in compliance with the covenants under this term loan agreement.

Term Loan Agreement due March 2019 and Revolving Line of Credit

On September 30, 2015, the Parent amended its former \$2.0 billion credit facility ("Credit Facility") to increase the \$500.0 million term loan maturing in March 2019 by \$100.0 million. Quarterly repayments of principal under this term loan were amended to \$7.5 million through March 31, 2016, and will be increased to \$11.3 million thereafter with the remainder due upon maturity. As of March 31, 2016 the amended Credit Facility consists of a \$1.5 billion revolving credit facility and a \$600.0 million term loan, which is due to expire in March 2019.

Borrowings under this facility bear interest, at the Parent's option, either at (i) LIBOR plus the applicable margin for LIBOR loans ranging between 1.125% and 2.125%, based on the Parent'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 Parent's credit rating. The Parent 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 Parent's credit rating.

This Credit Facility is unsecured, and contains customary restrictions on the Parent's and its subsidiaries' ability to (i) incur certain debt, (ii) make certain investments, (iii) make certain acquisitions of other entities, (iv) incur liens, (v) dispose of assets, (vi) make non-cash distributions to shareholders, and (vii) engage in transactions with affiliates. These covenants are subject to a number of exceptions and limitations. This Credit Facility also requires that the Parent maintain a maximum ratio of total indebtedness to EBITDA (earnings before interest expense, taxes, depreciation and amortization), and a minimum interest coverage ratio, as defined therein, during its term. As of March 31, 2016, the Parent was in compliance with the covenants under this loan agreement.

Notes due February 2020 and February 2023

On February 20, 2013, the Parent issued \$500.0 million of 4.625% Notes due February 15, 2020 and \$500.0 million of 5.000% Notes due February 15, 2023 (collectively the "Notes") in a private offering pursuant to Rule 144A and Regulation S under the Securities Act. In July 2013, the Parent exchanged these notes for new notes with substantially similar terms and completed the registration of these notes with the Securities and Exchange Commission. The Parent received net proceeds of approximately \$990.6 million from the issuance and used those proceeds, together with \$9.4 million of cash on hand, to repay \$1.0 billion of outstanding borrowings under its previous term loan that was due October 2014.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)

4. BANK BORROWINGS AND LONG-TERM DEBT (Continued)

Interest on the Notes is payable semi-annually, which commenced on August 15, 2013. The Notes are senior unsecured obligations of the Parent, rank equally with all of the Parent's other existing and future senior and unsecured debt obligations, and are guaranteed, jointly and severally, fully and unconditionally on an unsecured basis, by each of the Parent's 100% owned subsidiaries that guarantees indebtedness under, or is a borrower under, the Parent's Credit Facility or the Parent's Term Loan due 2018.

At any time prior to maturity, the Parent may redeem some or all of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus an applicable premium accrued and unpaid interest, if any, to the applicable redemption date. Upon the occurrence of a change of control repurchase event (as defined in the Notes indenture), the Parent must offer to repurchase the Notes at a repurchase price equal to 101% of the principal amount of the Notes repurchased, plus accrued and unpaid interest, if any, to the applicable repurchase date.

The indenture governing the Notes contains covenants that, among other things, restrict the ability of the Parent and certain of the Parent's subsidiaries to create liens; enter into sale-leaseback transactions; create, incur, issue, assume or guarantee any funded debt; and consolidate or merge with, or convey, transfer or lease all or substantially all of the Parent's assets to, another person. These covenants are subject to a number of significant limitations and exceptions set forth in the indenture. The indenture also provides for customary events of default, including, but not limited to, cross defaults to certain specified other debt of the Parent and its subsidiaries. In the case of an event of default arising from specified events of bankruptcy or insolvency, all outstanding Notes will become due and payable immediately without further action or notice. If any other event of default under the agreement occurs or is continuing, the applicable trustee or holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all of the Notes to be due and payable immediately. As of March 31, 2016, the Parent was in compliance with the covenants in the indenture governing the Notes.

Notes due June 2025

On June 8, 2015, the Parent issued \$600 million of 4.750% Notes ("Notes") due June 15, 2025 in a private offering pursuant to Rule 144A and Regulation S under the Securities Act, at 99.213% of face value, and an effective yield of approximately 4.850%. The Parent received net proceeds of approximately \$595.3 million from the issuance which was used for general corporate purposes. During January 2016, the Parent exchanged these notes for new notes with substantially similar terms and completed the registration of these notes with the Securities and Exchange Commission.

The Parent incurred approximately \$7.9 million of costs in conjunction with the issuance of the Notes. The issuance costs were capitalized and presented on the balance sheet as a direct deduction from the carrying amount of the Notes.

Interest on the Notes is payable semi-annually, commencing on December 15, 2015. The Notes are senior unsecured obligations of the Parent, rank equally with all of the Parent's other existing and future senior and unsecured debt obligations, and are guaranteed, jointly and severally, fully and unconditionally on an unsecured basis, by each of the Parent's 100% owned subsidiaries that guarantees indebtedness under, or is a borrower under, the Parent's Term Loan Agreement and Revolving Line of Credit.

At any time prior to March 15, 2025, the Parent may redeem some or all of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus an applicable premium and accrued and unpaid interest, if any, to the applicable redemption date. Upon the occurrence of a change of control repurchase event (as defined in the Notes indenture), the Parent must offer to repurchase the Notes at a repurchase price equal to 101% of the principal amount of the Notes repurchased, plus accrued and unpaid interest, if any, to the applicable repurchase date.

The indenture governing the Notes contains covenants that, among other things, restrict the ability of the Parent and certain of the Parent's subsidiaries to create liens; enter into sale-leaseback transactions; create, incur, issue, assume or guarantee any funded debt; and consolidate or merge with, or convey, transfer or lease all or substantially all of the Parent's assets to, another person, or permit any other person to consolidate, merge,

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)

4. BANK BORROWINGS AND LONG-TERM DEBT (Continued)

combine or amalgamate with or into the Parent. These covenants are subject to a number of significant limitations and exceptions set forth in the indenture. The indenture also provides for customary events of default, including, but not limited to, cross defaults to certain specified other debt of the Parent and its subsidiaries. In the case of an event of default arising from specified events of bankruptcy or insolvency, all outstanding Notes will become due and payable immediately without further action or notice. If any other event of default under the agreement occurs or is continuing, the applicable trustee or holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all of the Notes to be due and payable immediately, but upon certain conditions such declaration and its consequences may be rescinded and annulled by the holders of a majority in principal amount of the Notes. As of March 31, 2016, the Parent was in compliance with the covenants in the indenture governing the Notes.

Other Credit Lines

The Parent also has uncommitted bilateral facilities in the amount of \$25.0 million in the aggregate, under which there were no amounts outstanding as of March 31, 2016 and 2015.

5. FINANCIAL INSTRUMENTS

Foreign Currency Contracts

The Parent enters into short-term foreign currency forward and swap contracts to hedge only those currency exposures associated with certain assets and liabilities, primarily intercompany balances. The Parent has established risk management programs to protect against volatility in the value of non-functional currency denominated monetary assets and liabilities. Gains and losses on the Parent's forward and swap contracts are designed to offset losses and gains on the assets and liabilities hedged, and accordingly, generally do not subject the Parent to risk of significant accounting losses. The Parent hedges committed exposures and does not engage in speculative transactions. The credit risk of these forward and swap contracts is minimized since the contracts are with large financial institutions and accordingly, fair value adjustments related to the credit risk of the counterparty financial institution were not material. The aggregate notional amount of outstanding contracts was \$628.2 million as of March 31, 2016. These foreign exchange contracts, which expire in approximately one month, settle primarily in the Euro.

6. FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Parent considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability. The accounting guidance for fair value establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

Level 1—Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

The Parent does not have any assets or liabilities valued using Level 1 observable inputs.

Level 2—Applies to assets or liabilities for which there are inputs other than quoted prices included within level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets) such as cash and cash equivalents and money market funds; or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)

6. FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES (Continued)

The Parent has deferred compensation plans for its officers and certain other employees. Deferred amounts under the plans are invested in hypothetical investments selected by the participant or the participant's investment manager. The Parent's deferred compensation plans comprise of cash and cash equivalents and mutual funds, which are valued using level 2 inputs, such as interest rates and maturity periods. Due to their short-term nature, their carrying amount approximates fair value.

The Parent values foreign exchange forward contracts using level 2 observable inputs which primarily include foreign currency and interest spot and forward rates quoted by banks or foreign currency dealers.

Level 3—Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Parent does not have any assets or liabilities valued using unobservable inputs.

There were no transfers between levels in the fair value hierarchy during the fiscal years 2016 and 2015.

Financial Instruments Measured at Fair Value on a Recurring Basis

The following table presents the Parent's assets and liabilities measured at fair value on a recurring basis as of March 31, 2016 and 2015:

	Fair Value Measurements as of March 31, 2016			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Deferred compensation plan assets:				
Money market accounts	\$—	\$ 251	\$—	\$ 251
Mutual funds	—	4,628	—	4,628
Liabilities:				
Foreign exchange forward contracts	\$—	\$(4,915)	\$—	\$(4,915)
	Fair Value Measurements as of March 31, 2015			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Deferred compensation plan assets:				
Money market accounts	\$—	\$ 310	\$—	\$ 310
Mutual funds	—	4,500	—	4,500
Foreign exchange forward contracts	—	7,748	—	7,748

Other financial instruments

The following table presents the Parent's liabilities not carried at fair value as at March 31, 2016 and 2015:

	As of March 31, 2016		As of March 31, 2015		Fair Value Hierarchy
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
	(In thousands)				
Term Loan, including current portion, due in installments through August 2018 ...	\$ 577,500	\$ 573,533	\$ 592,500	\$ 582,131	Level 1
Term Loan, including current portion, due in installments through March 2019 ...	547,500	542,709	475,000	465,500	Level 1
4.625% Notes due February 2020	500,000	524,735	500,000	523,750	Level 1
5.000% Notes due February 2023	500,000	507,500	500,000	543,150	Level 1
4.750% Notes due June 2025	595,589	604,926	—	—	Level 1
Total	<u>\$2,720,589</u>	<u>\$2,753,403</u>	<u>\$2,067,500</u>	<u>\$2,114,531</u>	

All loans above are valued based on broker trading prices in active markets.

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)

7. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in accumulated other comprehensive loss by component, net of tax, during fiscal years ended March 31, 2016 and 2015 are as follows:

	Fiscal Year Ended March 31, 2016		
	Unrealized loss on derivative instruments and other	Foreign currency translation adjustments	Total
	(In thousands)		
Beginning balance	\$(68,266)	\$(112,239)	\$(180,505)
Other comprehensive loss before reclassifications	(2,199)	(3,145)	(5,344)
Net losses reclassified from accumulated other comprehensive loss	<u>28,943</u>	<u>20,991</u>	<u>49,934</u>
Net current-period other comprehensive gain	<u>26,744</u>	<u>17,846</u>	<u>44,590</u>
Ending balance	<u>\$(41,522)</u>	<u>\$ (94,393)</u>	<u>\$(135,915)</u>
	Fiscal Year Ended March 31, 2015		
	Unrealized loss on derivative instruments and other	Foreign currency translation adjustments	Total
	(In thousands)		
Beginning balance	\$(32,849)	\$ (93,307)	\$(126,156)
Other comprehensive loss before reclassifications	(76,470)	(9,318)	(85,788)
Net (gains) losses reclassified from accumulated other comprehensive loss	<u>41,053</u>	<u>(9,614)</u>	<u>31,439</u>
Net current-period other comprehensive loss	<u>(35,417)</u>	<u>(18,932)</u>	<u>(54,349)</u>
Ending balance	<u>\$(68,266)</u>	<u>\$(112,239)</u>	<u>\$(180,505)</u>

Substantially all unrealized losses relating to derivative instruments and other, reclassified from accumulated other comprehensive loss for the fiscal year ended March 31, 2016, was recognized as a component of cost of sales in the consolidated statement of operations, which primarily relate to the Parent's foreign currency contracts accounted for as cash flow hedges.

8. COMMITMENTS AND CONTINGENCIES

Litigation and other legal matters

During the fourth quarter of fiscal 2014, one of the Parent's Brazilian subsidiaries received an assessment for certain sales and import taxes. The tax assessment notice is for nine months of calendar year 2010 for an alleged amount of 50 million Brazilian reals (approximately \$13.8 million based on the exchange rate as of March 31, 2016) plus interest. This assessment is in the second stage of the review process at the administrative level, and the Parent plans to continue to vigorously oppose it as well as any future assessments. The Parent is, however, unable to determine the likelihood of an unfavorable outcome of these assessments against our Brazilian subsidiary. While we believe there is no legal basis for the alleged liabilities, due to the complexities and uncertainty surrounding the administrative-review and judicial processes in Brazil and the nature of the claims, it is unable to reasonably estimate a range of loss for this assessment or any future assessments that are reasonably possible. The Parent does not expect final judicial determination on these claims for several years.

During fiscal year 2015, one of the Parent's non-operating Brazilian subsidiaries received an assessment of approximately \$100 million related to income and social contribution taxes, interest and penalties. The Parent believes there is no legal basis for the assessment and expects that any losses are remote. The Parent plans to vigorously defend itself through the administrative and judicial processes.

In addition, from time to time, the Parent is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Parent defends itself vigorously against any such claims. Although the outcome

FLEXTRONICS INTERNATIONAL LTD.
NOTES TO SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)

8. COMMITMENTS AND CONTINGENCIES (Continued)

of these matters is currently not determinable, management expects that any losses that are probable or reasonably possible of being incurred as a result of these matters, which are in excess of amounts already accrued in the Parent's consolidated balance sheets, would not be material to the financial statements as a whole.

Guarantees

As of March 31, 2016, the Parent issued approximately \$2.3 billion in bank guarantees in connection with bank credit extensions of certain of its subsidiaries. The Parent also issued other guarantees in connection with supplier arrangements and guarantees associated with certain operating leases that were entered into by its subsidiaries.

9. INCOME TAXES

The Parent is a Singapore corporation and is a non-resident for Singapore tax purposes. Non-Singapore resident taxpayers, subject to certain exceptions, are subject to income tax on (1) income that is accrued in or derived from Singapore and (2) foreign income received in Singapore.

Since the Parent did not derive income from or receive foreign income in Singapore, it is not subject to Singapore income tax. To the extent that the Parent continues to meet the above-mentioned requirements as determined by current law, no Singapore income tax will be imposed on the Parent. In addition, the Parent has no material taxable income in other jurisdictions. Accordingly, the Parent records minimal current income tax expense and does not record any deferred income taxes.

10. SHARE REPURCHASE PLAN

During fiscal year 2016, the Parent repurchased approximately 37.3 million shares for an aggregate purchase value of approximately \$412.8 million under two separate repurchase plans as further discussed below.

During the second quarter of fiscal year 2016, the Parent repurchased the entire remaining amount under a prior share repurchase plan that was approved by the Parent's Board of Directors on August 28, 2014 and the Parent's shareholders at the 2014 Extraordinary General Meeting held on August 28, 2014, or approximately 13.2 million shares for an aggregate purchase value of approximately \$154.9 million, and retired all of these shares.

Under the Parent's current share repurchase program, the Board of Directors authorized repurchases of its outstanding ordinary shares for up to \$500 million in accordance with the share repurchase mandate approved by the Parent's shareholders at the date of the most recent Extraordinary General Meeting held on August 20, 2015. During fiscal year 2016, the Parent repurchased approximately 24.1 million shares for an aggregate purchase value of approximately \$257.9 million under this plan, including amounts accrued but not paid, and retired all of these shares. As of March 31, 2016, shares in the aggregate amount of \$242.1 million were available to be repurchased under the current plan.

Shareholder Information

CORPORATE HEADQUARTERS

2 Changi South Lane
Singapore 486123
Tel: +65.6876.9899

ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders will be held at 9:00 A.M. Pacific time on August 24, 2016. The meeting will be held at:

Flext
847 Gibraltar Drive
Milpitas, California 95035
Tel: +1.408.576.7000

STOCK LISTING

The Company's ordinary shares are traded on the NASDAQ Global Select Market under the symbol FLEX.

WEBSITE

www.flextronics.com

INVESTOR RELATIONS

For shareholder or investor related inquiries, contact:

Flextronics International Ltd.
Investor Relations
6201 America Center Drive
San Jose, CA 95002
Tel: +1.408.576.7985
Fax: +1.408.576.7106
Email: investor_relations@flextronics.com

In order to help reduce costs, please report any duplicate mailings of shareholder materials by contacting Investor Relations.

SEC FILINGS

The Company makes available through its Internet website, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Section 16 reports 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 electronically filing such material with, or furnishing it to, the Securities and Exchange Commission. **Upon request, we will furnish without charge to each person to whom this report is delivered a copy of any exhibit listed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016. You may request a copy of this information at no cost, by writing or telephoning us at our principal U.S. offices at the investor relations contact above.**

TRANSFER AGENT AND REGISTRAR

For questions regarding misplaced share certificates, changes of address or the consolidation of accounts, please contact the Company's transfer agent:

Computershare Trust Company NA

First Class, Registered and Certified Mail

Computershare
P.O. Box 30170
College Station, Texas 77842
Shareholder Contact Center: 1.877.373.6374

Overnight Courier

Computershare
211 Quality Circle, Suite 210
College Station, Texas 77845-3170
Tel: 1.781.575.2879

EXECUTIVE OFFICERS

Michael M. McNamara—*Chief Executive Officer*

Christopher Collier—*Chief Financial Officer*

François Barbier—*President, Global Operations and Components*

David Bennett—*Chief Accounting Officer*

Paul Humphries—*President, High Reliability Solutions*

DIRECTORS

H. Raymond Bingham—*Advisory Director, Riverwood Capital Management LP, a private equity firm*

Michael D. Capellas—*Principal, Capellas Strategic Partners, a strategic advisory firm*

Michael M. McNamara—*Chief Executive Officer, Flextronics International Ltd.*

Marc A. Onetto—*Former Senior Vice President of Worldwide Operations and Customer Service, Amazon.com Inc.*

Daniel H. Schulman—*President and CEO of Paypal, Inc.*

Dr. Willy C. Shih—*Professor of Management Practice at the Harvard Business School*

Lay Koon Tan—*Former President, Chief Executive Officer and Director, STATS ChipPAC Ltd.*

William D. Watkins—*Chairman and Chief Executive Officer, Imergy Power Systems, Inc.*

Lawrence A. Zimmerman—*Former Vice Chairman and Chief Financial Officer, Xerox Corporation*

FORWARD LOOKING STATEMENTS

This annual report, including the letter to our shareholders, may contain "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "seeks," "estimates" and similar expressions are intended to identify forward-looking statements. While the company may elect to update forward-looking statements in the future, it specifically disclaims its obligation to do so, even if the company's estimates change. A number of factors could cause the results of the company to differ materially from those indicated by such forward-looking statements, including those detailed under the heading "Risk Factors" in Part I, Item 1A, in the accompanying Annual Report on Form 10-K for the fiscal year ended March 31, 2016.

Information in this document is subject to change without notice. FLEX and Flextronics are trademarks of Flextronics International Ltd. All other trademarks are the properties of their respective owners.

© Copyright Flextronics International Ltd. 2015. All rights reserved. Reproduction, adaptation, or translation without prior written permission is prohibited except as allowed under the copyright laws.

Flextronics International Ltd.
2016 Annual General Meeting of Shareholders
Directions and Parking Information
August 24, 2016
9:00 A.M. Pacific time

The Annual General Meeting of Shareholders will be held at 847 Gibraltar Drive, Milpitas, California 95035 at 9:00 A.M. Pacific time.

Directions from San Francisco International Airport

- Head North on International Terminal Departures
- Take the ramp to US-101 S
- Keep left at the fork and merge onto US-101 S
- Continue on US-101 S to Milpitas
- Take the exit onto CA-237 E toward Alviso/Milpitas
- Take the California 237 exit toward Calaveras Blvd/Milpitas
- Turn right onto S Milpitas Blvd
- Turn right onto Gibraltar Drive and continue to 847 Gibraltar Drive (on left)

Directions from Mineta San Jose International Airport

- Head Northwest on Airport Blvd toward Airport Pkwy
- Slight right onto Airport Pkwy
- Continue onto E Brokaw Road
- Turn right onto the Interstate 880 N ramp and continue on I 880 N to Montague Expwy
- Take the Montague Expwy exit, keep right at the fork and follow signs to Montague Expwy E
- Continue on Montague Expwy E
- Turn left onto S Milpitas Blvd
- Turn left onto Gibraltar Drive and continue to 847 Gibraltar Drive (on left)

Directions from Oakland International Airport

- Head Southeast the slight left toward Airport Drive
- Continue onto Airport Drive
- Continue onto Bessie Coleman Drive
- Continue onto 98th Avenue then slight right onto I-880 S ramp to San Jose
- Continue onto I-880 S
- Take the CA-237 E/Calaveras Blvd exit toward McCarthy Blvd
- Turn left onto W Calaveras Blvd
- Turn right onto S Milpitas Blvd
- Turn right onto Gibraltar Drive and continue to 847 Gibraltar Drive (on left)

Parking

Flex has reserved parking spaces for shareholders attending the meeting. These spaces will be designated as “Reserved for Flex Shareholders’ Meeting.”

(This page has been left blank intentionally.)

(This page has been left blank intentionally.)



flex™

www.flextronics.com